GUARDIAN HOLDINGS LIMITED

Annual Report 2011

165 Years

There for you throughout your life

CONTENTS

Guardian Holdings Limited
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The Notice of the 2012 Annual Meeting of Shareholders was issued on April 16 in our Summary Financial Statements and mailed out to shareholders on that date. Should you require a copy of the notice and/or the proxy form for this meeting, please note that copies are available:

- on our website www.guardianholdings.com (go to "Investor Relations / Annual Report")
- by contacting our Legal Department at (868) 632 5433 ext 2037
- by emailing your request to: shareholder@ghl.co.tt

DIRECTORS

Mr. Arthur Lok Jack (Chairman), Mr. Peter Ganteaume (Deputy Chairman), Mr. Jeffrey Mack (CEO), Mr. Imtiaz Ahamad, Mr. Douglas Camacho, Mr. David Davies, Mr. Philip Hamel-Smith, Mr. Jemal-ud-din Kassum, Mr. Antony Lancaster, Dr. Aleem Mohammed, Mr. Selby Wilson

SECRETARY

Mrs. Fé Lopez-Collymore

REGISTERED OFFICE

1 Guardian Drive, Westmoorings, Trinidad and Tobago

REGISTRAR AND TRANSFER OFFICE

Guardian Holdings Limited, 1 Guardian Drive, Westmoorings, Trinidad and Tobago

AUDITORS

Ernst & Young, 5-7 Sweet Briar Road, St. Clair, Trinidad and Tobago

PRINCIPAL BANKERS

Citibank (Trinidad & Tobago) Limited, 12 Queen's Park West, Port of Spain, Trinidad and Tobago
RBC Royal Bank, 19-21 Park Street, Port of Spain, Trinidad and Tobago

GHL AUDIT COMMITTEE

Mr. Selby Wilson (Chairman), Mr. Imtiaz Ahamad, Mr. David Davies, Mr. Peter Ganteaume, Mr. Arthur Lok Jack

GHL RISK & COMPLIANCE COMMITTEE

Mr. Antony Lancaster (Chairman), Mr. Imtiaz Ahamad, Mr. David Davies, Mr. Philip Hamel-Smith, Mr. Jeffrey Mack

GHL REMUNERATION COMMITTEE

Mr. Arthur Lok Jack (Chairman), Mr. Peter Ganteaume, Mr. Philip Hamel-Smith, Mr. Antony Lancaster

GHL CORPORATE GOVERNANCE COMMITTEE

Mr. Philip Hamel-Smith (Chairman), Mr. Peter Ganteaume, Mr. Antony Lancaster, Mr. Arthur Lok Jack

GHL ENTERPRISE INVESTMENT COMMITTEE

Mr. Arthur Lok Jack (Chairman), Mr. Peter Ganteaume , Mr. Jemal-ud-din Kassum, Mr. Jeffrey Mack, Dr. Aleem Mohammed

Notice is hereby given that the Annual Meeting of Shareholders of Guardian Holdings Limited for 2012 will be held at The Atrium, Guardian Corporate Centre, 1 Guardian Drive, Westmoorings, on May 8, 2012 at 4:30 in the afternoon for the following purposes:

1. To review and consider the Consolidated Financial Statements of the Company for the year ended December 31, 2012 and the Reports of the Directors and Auditors thereon.
2. To elect Directors for specified terms and for such purpose and, if thought fit, to pass the following resolutions:
   (a) That the Directors to be elected be elected en bloc;
   (b) That Messrs. Imtiaz Ahamad, David Davies and Jeffrey Mack be and are hereby re-elected Directors of the Company for a term expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of By-law No. 1.
3. To appoint Auditors and to authorise the Directors to fix their remuneration for the ensuing year.
4. To consider and, if thought fit, to pass the following ordinary resolution to confirm the amendments to By Law No. 1 of the Company set out therein in accordance with section 66 of the Companies Act Ch. 81:01 of the laws of Trinidad and Tobago.

"BE IT RESOLVED THAT the amendment to By-Law No. 1 of the Company effected by resolution of the Board of Directors on March 21, 2012 be and is hereby confirmed as follows:

THAT By-Law No. 1 of the Company enacted by resolution of the Directors on the 14th day of April 1998 and amended as confirmed by resolutions of the shareholders on the 23rd of April 2001 and the 1st day of September 2010 be further amended by the deletion of the last sentence of Regulation 4.1 (which requires that 20% of the Board be composed of independent Directors) and its replacement with the following sentence "At least thirty percent (30%) of the Board shall be comprised of Independent Directors."

By Order of the Board

Fé Lopez-Collymore

Corporate Secretary

Date: March 21, 2012

1. CONFIRMATION OF AMENDMENT TO BY-LAWS

By resolution of the Board on March 21, 2012 an amendment was effected to the Company's By-Laws to increase the requirement of independence for the Company's Board of Directors from 20% to 30%. This amendment follows the terms of the Policy Agreement between the Company, International Finance Corporation and IFC African, Latin American And Caribbean Fund, L.P. dated August 2, 2010 (disclosed in our Circular to Shareholders dated August 5, 2010) and is in line with the Group's thrust to strengthen its corporate governance framework.

Under Section 66 (1) of the Companies Act Ch. 81:01 of the laws of Trinidad and Tobago the Directors of the Company are authorised to amend its By-Laws but are required pursuant to Section 66 (2) to submit the amendment to the next following meeting of the shareholders. The shareholders may by ordinary resolution confirm, amend or reject the amendment. Shareholders are being requested to confirm this amendment by passing the resolution set out in the Notice of Meeting.

2. MEETING REQUIREMENTS

Members are asked to observe the following requirements of the By-Laws for attendance and voting at the Annual Meeting.

Proxies

Members of the Company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend and vote in their stead. A proxy need not also be a member. Where a proxy is appointed by a corporate member, the form of proxy should be executed under seal or be signed by its attorney.

Members who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person.

Representatives of Corporations

Corporate members are entitled to attend and vote by a duly authorised representative who need not himself be a member. Such appointment must be by resolution of the Board of Directors of the corporate member.

Delivery to the Company

Any instrument appointing a proxy (including an instrument evidencing the authority pursuant to which it is executed) or evidencing the authority of a representative of a corporate member, must be completed and deposited with the Secretary at the Company's Registered Office, 1 Guardian Drive, Westmoorings, not less than 48 hours before the time for holding the meeting or adjourned meeting.

Proof of Identity

Members are also reminded that the By-Laws provide that the Directors may require that any member, proxy or duly authorised representative provide satisfactory proof of his or her identity before being admitted to the Annual Meeting.

Persons Entitled to Notice

In accordance with Section 110(2) of the Companies Act, Ch. 81:01 the Directors of the Company have fixed April 13, 2012 as the Record Date for the determination of shareholders who are entitled to receive Notice of the Annual Meeting. Only shareholders on record at the close of business on April 13, 2012 are therefore entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

3. DIRECTORS' CONTRACTS

There are no contracts during or at the end of the year ended December 31, 2011, in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

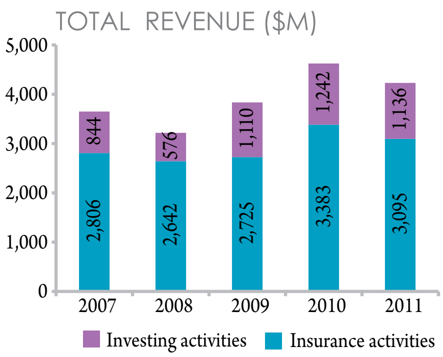
There is no service contract between a Director and the Company or any subsidiary company which has a term of 10 years or more and cannot be determined without payment of compensation.

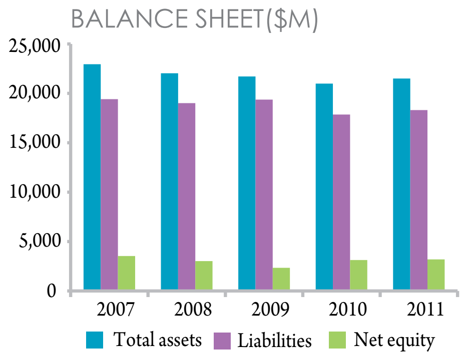
- **Life Health and Pensions**
  - Guardian Life of the Caribbean Limited 100%
  - Guardian Life Limited 100%
  - Fatum Life Insurance N.V. 100%
  - Fatum Life Aruba N.V. 100%
  - Fatum Health N.V. 100%
- **Caribbean Property & Casualty**
  - Guardian General Insurance Limited 100%
  - West Indies Alliance Limited 100%
  - Fatum General Insurance N.V. 100%
  - Fatum General Insurance Aruba N.V. 100%
  - Trans-Nemwil Insurance (Grenada) Limited 54%
  - RoyalStar Assurance Limited 25%
- **International Property & Casualty**
  - Guardian Re (S.A.C.) Limited 100%
  - Jubilee Group Holdings Limited 39.1% sold Aug 2011
- **Asset Management**
  - Guardian Asset Management Limited 100%
- **Strategic Alternative Investments**
  - RGM Limited 33.33%
  - Servus Limited 50%
  - Eastern Caribbean Gas Pipeline Company Limited 40.5%
  - Laevulose Inc Limited 79%

CONSOLIDATED FINANCIAL HIGHLIGHTS

REVENUE	2011	2010
Life business net premiums written	$2,183 million	$2,137 million
General business net premiums written	$721 million	$736 million
General business net premiums earned	$714 million	$1,034 million
Revenue from insurance operations	$3,095 million	$3,383 million
Revenue from investment activities	$1,136 million	$1,242 million
Total revenue	$4,231 million	$4,625 million
RESULTS		
Profit for the year	$246 million	$425 million
Profit for the year from continuing operations	$456 million	$481 million
Earnings per ordinary share on continuing operations	$2.04	$2.20
BALANCE SHEET AS AT DECEMBER 31		
Total capital & reserves	$3,194 million	$3,130 million
Shareholders' equity	$3,155 million	$3,039 million
Net asset value per share	13.60	13.11
DIVIDEND		
Total dividend for the year per ordinary share on continuing operations	52 cents	50 cents
Dividend cover	3.92	4.41

CONVERSION RATE	2011 Average rate	2011 Year end rate
Trinidad & Tobago dollar to one US Dollar	6.4055	6.4156
Trinidad & Tobago dollar to one British Pound	10.2290	9.8201
Trinidad & Tobago dollar to one Euro	8.8911	8.2828
Trinidad & Tobago dollar to one Jamaican Dollar	0.0735	0.0732
Trinidad & Tobago dollar to one Netherlands Antillean Guilder	3.5785	3.5841





The Directors have pleasure in submitting their Report for the year ended December 31, 2011.

DIRECTORS' REPORT	2011	2010
	$'000	**$'000**
Net income from insurance underwriting activities	360,208	261,277
Net income from investing activities	1,055,928	1,158,667
Net income from all activities	1,416,136	1,419,944
Operating profit	576,888	609,058
Share of (loss)/profit of associated companies	(25,005)	23,026
Profit before taxation	551,883	632,084
Taxation	(87,148)	(136,798)
Profit for the year from continuing operations	456,019	480,927
Profit for the year	246,110	425,343
Total assets	21,502,617	20,987,795
Insurance contract liabilities	11,610,115	12,453,763
Equity attributable to owners of the parent	3,154,603	3,039,245

Dividends

An interim dividend of fifteen (15) cents per share was paid in 2011. At their meeting on March 23, 2012 the Directors declared a Final Dividend of thirty seven (37) cents per share which will be paid on April 30, 2012 to shareholders on the Register as at April 16, 2012. The total dividend for 2011 therefore amounts to fifty two (52) cents per share.

Directors

Messrs. Imtiaz Ahamad, David Davies and Jeffrey Mack having been elected for terms expiring at the close of this Annual Meeting retire and offer themselves for re-election.

Directors and Significant Interests

These are shown on page 8–10 and should be read as part of this report.

Auditors

The Auditors, Ernst & Young, retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Fé Lopez-Collymore
Corporate Secretary
Date: March 21, 2012

Directors' and Senior Managers' Interests as at December 31, 2011

Name	Position	Ordinary Shares
Mr. Arthur Lok Jack	Director	14,581,947
Mr. Peter Ganteaume	Director	635,000
Mr. Jeffrey Mack	Director/Senior Manager	0
Mr. Imtiaz Ahamad	Director	4,813,763
Mr. Douglas Camacho	Director/Senior Manager	408,387
Mr. David Davies	Director	0
Mr. Philip Hamel-Smith	Director	291,497
Mr. Jemal-ud-din Kassum	Director	0
Mr. Antony Lancaster	Director	3,517
Dr. Aleem Mohammed	Director	0
Mr. Selby Wilson	Director	60,000
Mr. Neil Dingwall	Senior Manager	2,000
Mr. Richard Espinet	Senior Manager	6,370
Mr. Brent Ford	Senior Manager	211,790
Mr. Gerard Martin Jim	Senior Manager	13,327
Ms. Fé Lopez-Collymore	Senior Manager	210,322
Mr. Kerri Maharaj	Senior Manager	0
Mr. Steven Martina	Senior Manager	0
Mr. Keston Nancoo	Senior Manager	12,485
Mr. Larry Olton	Senior Manager	0
Mrs. Maria Rivas -McMillan	Senior Manager	31,054
Ms. Prabha Siewrattan	Senior Manager	0
Mr. Ravi Tewari	Senior Manager	69,950
Mr. Paul Traboulay	Senior Manager	0

See notes on page 10.

Top Ten Shareholders as at December 31, 2011			
Shareholder Name		**Ordinary Shares**	**%**
1	Tenetic Limited	35,841,859	15.46%
2	Royal Insurance Holdings (Trinidad & Tobago) Limited	26,834,254	11.57%
3	International Finance Corp	22,271,485	9.60%
4	Arthur Lok Jack	14,581,947	6.29%
5	RBC Trust (Trinidad and Tobago) Limited	10,400,254	4.48%
6	IFC African, Latin American and Caribbean Fund, LP	7,423,828	3.20%
7	Trinidad and Tobago Unit Trust Corporation	7,297,044	3.14%
8	Republic Bank Limited	6,803,877	2.93%
9	RBC Nominee Services (Caribbean) Limited	5,899,594	2.54%
10	First Citizens Trust & Asset Management Limited	5,962,482	2.57%

Substantial Shareholders as at December 31, 2011			
Shareholder Name		**Ordinary Shares**	**%**
1	Tenetic Limited	35,841,859	15.46%
2	Royal Insurance Holdings (Trinidad & Tobago Limited	26,834,254	11.57%

Note: Mr. A. Lok Jack has a beneficial interest in Tenetic Limited.

Employee Share ownership Plan (ESOP)	Dec 31, 2011	Feb 23, 2012
Ordinary Shares held	3,458,715	3,458,715

See notes on page 10.

Notes

Note 1: The interests of Directors and Senior Managers include the interests of "connected persons." Persons deemed to be connected with a Director/Senior Manager are:

A. The Director's/Senior Manager's husband or wife.

B. The Director's/Senior Manager's minor children (these include step-children and adopted children) and dependents, and their spouses.

C. The Director's/Senior Manager's partners.

D. Bodies corporate of which the Director/Senior Manager and/or persons connected with him/her together have control. Control of a corporation is the holding of shares which carry 50% or more of the voting rights in the corporation.

Note 2: There are no non-beneficial interests held by the Directors/Senior Managers other than the interests of Mr. Selby Wilson, Mr. Douglas Camacho and Mr. Brent Ford as trustees of the Guardian Holdings Limited Employee Share Ownership Plan (ESOP). The holdings of the ESOP are shown above.

Note 3: There have been no changes to the Substantial Interests and Interests of Directors between the end of the Company's financial year end and February 23, 2012. The following change took place in the Interest of Senior Managers between the end of the Company's financial year and one (1) month prior to the date of the notice convening the Company's Annual Meeting (February 23, 2011): Mrs. Maria Mc Millan (Senior Manager) retired effective February 1, 2012.

Note 4: A substantial interest means one-tenth or more of the issued share capital of the Company.

Seated:
Selby Wilson
Jeffrey Mack, Group Chief Executive Officer
Arthur Lok Jack, Group Chairman (front centre)
Fé Lopez-Collymore, Corporate Secretary
Peter Ganteaume, Deputy Chairman

Standing:
Dr. Aleem Mohammed
Imtiaz Ahamad
David Davies
Douglas Camacho
Antony Lancaster

Not in picture:
Jemal-ud-din Kassum
Philip Hamel-Smith

For more information about our Board of Directors, please refer to
www.guardianholdings.com/content/index.php/about/board-of-directors/

CHAIRMAN'S AND CEO'S STATEMENT

By Arthur Lok Jack and Jeffrey Mack

Arthur Lok Jack, Group Chairman

Jeffrey Mack, Group Chief Executive Officer

DEAR SHAREHOLDERS,

The tough economic conditions ushered in by the financial crisis of 2008 have presented a number of challenges to companies in all sectors of the economy.

At Guardian Holdings Limited ("GHL"), our principal objective in dealing with those challenges in the intervening period has been to deliver good, consistent, quality earnings for our shareholders.

Your board of directors, in carrying out this objective, has performed a thorough review of all of GHL's businesses and made some very tough choices in eliminating those that were underperforming, while diversifying our investment portfolio. In 2008, we sold off our equity holdings of RBTT and RBC at a good profit. In that year we also sold our 20% shareholding in Grupo Mundial – again achieving a very nice return on our investment. Counter-balancing this, we took a $257million goodwill impairment on Zenith. In 2009 we took the decision to exit Zenith taking a nearly $1 billion write-off. In 2010 we sold our asset management business in Jamaica. This past year, 2011, we decided to exit our Lloyd's of London business. With the sale of Jubilee, GHL now no longer owns any companies in the United Kingdom and only has residual underwriting exposure remaining, which will be addressed further on in our report.

The various steps we have taken were in fact necessary to return our Group to a solid foundation, a foundation built to endure, and one on which we are now able to rebuild our "top line" in a measured and profitable way. The companies that remain in GHL's portfolio are all excellent companies; companies that are both highly profitable and are dominant in their respective markets. Guardian Life of the Caribbean, Guardian General, Guardian Life Limited, Fatum, West Indies Alliance, and Guardian Asset Management form the core of our operation and have proven themselves capable of delivering excellent returns for our shareholders.

So, while we too have faced our challenges and have operated in "tough economic conditions", we have refocused our Group on its core businesses, we have diversified our investment portfolio, and strengthened our investment decision-making process, while improving our balance sheet. We have recruited and retained top management talent while aligning their compensation to the delivery of shareholder value. We have introduced a world-class Enterprise Risk Management framework while strengthening our overall governance and compliance systems. GHL has come out of this tough period better than ever and we are looking forward to the future, well prepared to compete and grow our business profitably.

2011 PERFORMANCE

In business, performance is quite often measured against that of prior years. However with the various divestitures we have made over the last three years it can be difficult for our shareholders to fully understand how our business is progressing. Measuring like versus like, is not too straightforward. Therefore, in the years in which GHL has made major divestments, we have decided to separate our continuing operations, or those operations that remain as part of GHL following a divestment, from "discontinued operations," or those operations which were sold and will no longer be part of GHL. Consequently, it has become more transparent for the reader to measure the relative performance of the businesses that remain and, more importantly, will form a part of the future earnings of the Group.

In reporting on the 2009 results, we took this approach when we sold Zenith Insurance. In reporting the 2011 results, we have similarly accounted for the sale of our Lloyd's of London business, Jubilee, during the 3rd quarter of the year. Jubilee's results for 2011 are thus reported on as discontinued, and again, in order to make comparative performance easier, Jubilee's results are also treated as discontinued in 2010.

The results from our continuing operations for 2011 came in at a very strong profit after tax of $465 million, or $2.04 per share outstanding. This compares to 2010's profit after tax of $495 million, or $2.20 per share outstanding. This marks two consecutive years of excellent results for our core businesses, both of which have produced earnings per share above the $2 mark. When these earnings are compared to 2009's results from continuing operations of $375 million, or $1.81 per share outstanding, our shareholders can see the results of improvements we have made to our business, and get a further sense of the future earnings capabilities of our core businesses. These results make us excited about the coming years.

As is now our convention, we report on the results of GHL's main two activities, insurance production and investing activities. Our net income from our continuing insurance activities was $360 million, a 38% improvement over 2010's result of $261 million. What makes our net income from our insurance activities all the more impressive, is that it was achieved in a year that saw the worst year on record for world-wide catastrophe losses. GHL's "top line," or our gross premium written, increased by $440 million, or 12% to $4.007 billion. This was due to continued strong new life sales and new initiatives in our property and casualty business.

Our net income from investing activities was $1.056 billion as compared to 2010's $1.159 billion, a drop of 9%. As all of our shareholders would be aware, the persistent weak economic environment has forced a sustained period of aggressive monetary policy by most of the world's Central Banks. This has led to very low interest rates, which in turn have affected the return on our investments.

Taken together, the net income from all of our activities came in at $1.416 billion as compared to 2010's $1.420 billion.

We consider expense management to be one of the core activities of our management team at GHL. In 2011 our operating expenses remained virtually flat against 2010's operating expenses. In fact, when taking into account the effects of inflation, our real operating expenses of $729 million were an improvement over last year's operating expenses of $728 million. Measured either way, we are pleased with the manner in which we have controlled the expenses of GHL.

After deducting finance charges of $110 million, which included a non-recurring charge of $11 million, our operating profit from continuing operations was $577 million, or 5% less than 2010's $609 million. During the year we had a re-valuation performed on one of our Jamaican investment properties which resulted in a write-down of $20 million and which is included in our reported losses from associated companies of $25 million. Taking this loss into account, Guardian's overall profit before tax amounted to $552 million. This produced an operating margin of a very healthy 19% on our $2.9 billion of net premium written. After deducting tax, GHL's net income from continuing operations amounted to $465 million.

In respect of our discontinued operations, after having done a thorough strategic review of the company, your board of directors decided to exit our Lloyd's of London business. We closed on this transaction during the third quarter of 2011. We have to admit that this was a tough decision. Having an ownership stake at one of the world's most renowned insurance markets not only carried a certain cachet, but more importantly provided the opportunity to diversify our insurance portfolio outside the Caribbean. That was the rationale for making this investment that in fact was profitable. However, writing business at Lloyd's is very capital intensive, and as we have seen, world-wide catastrophes are becoming much more frequent. This can contribute to wide swings in earnings, exactly what we are trying to avoid. Finally, while we owned a significant shareholding of 39% in Jubilee Managing Agency Limited (Lloyd's), it was not a controlling interest. We therefore felt we were not "masters of our own destiny" for a significant amount of shareholder capital. On balance then, we and the other shareholders of Jubilee, decided to sell. From the sale of our shares in Jubilee, we recorded a gain of $74 million. At that time, our reported losses from Jubilee amounted to $67 million. By the end of 2011, those reported losses grew to $210 million, as the new owners of Jubilee increased the provisions for known and unknown future losses. Whilst we do not necessarily agree with these levels of loss reserves, and in fact believe they will ultimately improve and redound to our future benefit, we nevertheless have taken the full provisions for these loss reserves into our books now. In effect this has, for all intents and purposes, subsumed any future negative, material movements from the business we wrote at Lloyd's.

The $210 million reported loss from Jubilee, which we report as discontinued, when subtracted from our profits from continuing operations, results in net income after tax attributable to shareholders of $261 million, or $1.13 per share outstanding.

Shareholders' Equity increased by 4% to $3.154 billion, which when measured against our net income after tax from continuing operations, produced a return on equity of 14.5%. GHL's total assets grew by $515 million and now total $21.503 billion. All of GHL's insurance companies operate well in excess of all statutory minimum required capital levels.

Given GHL's good results for the year, coupled with an improved generation of cash flow from operations, your Board of Directors increased the dividend per share by 4% to 52 cents per share in total.

CORPORATE INITIATIVES

During the year your Group either launched or continued a number of key initiatives. The most important of these were a Group-wide project aimed at improving our asset-liability management while improving the governance and oversight of our financial assets. We hired one of the foremost experts in this area, Conning Asset Managers. Conning is the largest third-party manager of insurance assets and they have developed proprietary models which assist insurance companies in better matching their assets with their liabilities. This is important since it allows insurance companies to better smooth out their earnings, as fluctuations in the value of its liabilities are counter-balanced by changes in the value of its assets. In addition to the Conning work, we have introduced a new sub-committee of the GHL Board, being the Enterprise Investment Committee. This committee's mandate is to establish the strategic asset allocation of the Group, while having the ultimate authority for the Group's larger investments.

Two of GHL's more important strategic alternative investments, Pt. Simone and the Eastern Caribbean Gas Pipeline achieved important milestones during the year. Pt. Simone is our development project, building a state-of-the-art mixed use complex along the waterfront in Fort de France, Martinique. During the year, the 21 story office tower became the tallest building on the island and its exterior was completed. In the meantime, the exterior of the 8 story residential condominium building was also completed and we achieved a number of sales. We also reached an agreement with a hotel developer out of France for the sale of the majority of the third, and final building of the complex.

The Eastern Caribbean Gas Pipeline ("ECGPC"), which will transport natural gas from Tobago to Barbados in its first stage, attracted new ownership and capital to help finish the project. GHL, along with the Unit Trust Corporation, and the National Gas Corporation, sold a part of their shareholding to Beowulf Energy LLC of New York and First Reserve Energy Infrastructure Fund, an energy developer and energy private equity fund respectively. GHL decided to maintain a 15% shareholding in ECGPC as we believe the future income stream that will be derived from the pipeline will be quite attractive over the long-term.

In February 2011 GHL successfully completed the largest ever Trinidad and Tobago dollar based corporate bond in the history of the Caribbean. The proceeds of the $1 billion bond were used to pay off existing debt of $850 million, while the balance was used for general corporate purposes and to support our growth initiatives. In addition, in July 2011 our subsidiary company in the Dutch Caribbean, Fatum, issued their first ever corporate bond, which was placed both in the Dutch Caribbean and in Trinidad and Tobago. The US$50 million bond was used to repay existing debt of US$35 million and to help with Fatum's expansion plans. Both of these bonds were issued as part of our overall strategy of improving the capital structure of the Group, while improving our cash flow.

We continued to align the compensation of our top executives with the delivery of increased shareholder value. Following the introduction of an Economic Value Added-based bonus plan, or EVA in 2010, we replaced our Stock Option Plan for Executives with a Performance Stock Option Plan in 2011. Options under this plan can only be triggered if the share price of GHL moves up by 7% annually over the exercise period. These two plans have now keenly focused your executives on delivering shareholder value.

ACKNOWLEDGEMENTS

In 2011, GHL was designated the Caribbean Company of the Decade by World Finance Magazine, and Guardian Life of the Caribbean was named Company of the Year by the same Magazine for an unprecedented fourth year in a row.

In addition the Jamaica Stock Exchange bestowed upon Guardian Life Limited the award for the best website. They stated that our website stood apart from the other listed companies and provided the best practice in the quality and efficiency of dissemination of information to the investing public.

We would of course wish to thank the board of directors of Guardian Holdings Limited for their tireless work and for adding to the success of GHL. In addition, we also wish to thank the various non-executive directors of our various subsidiary companies for their hard work and dedication to the success of our subsidiaries.

In this our 165th year providing service to the Caribbean, we wish to thank all our customers and clients for their enduring support and to assure them that we will continue to exert every effort to enhance the quality of service we offer. Last but certainly not least, we wish to thank all of the employees of GHL. The success we have achieved can in no small measure be attributed to your devotion, focus and untiring efforts.

Arthur Lok Jack
Chairman of the Board

Jeffrey Mack
Chief Executive Officer

Left to right:
Brent Ford – Group Chief Investment Officer/ Group President Asset Management
Douglas Camacho – Executive Director/Group President, Strategic Investments & Projects
Richard Espinet – Group President, Caribbean Property & Casualty
Jeffrey Mack – Group Chief Executive Officer
Prabha Siewrattan – Group Head, Compliance
Larry Olton – Group Vice President, Integrated Marketing Communications
Paul Traboulay – Group Chief Risk Officer
Steven Martina – Chief Administration Officer, Insurance Administration Services

Left to right:
Keston Nancoo – Group Vice President, Human Resource Services
Fé Lopez-Collymore – General Counsel & Company Secretary
Neil Dingwall – Group Actuary/Chief Performance Officer
Ravi Tewari – Group President, Life Health & Pension
Wendell Mitchell – Group Chief Information Officer
Kerri Maharaj – Group Chief Financial Officer

This Management Discussion and Analysis contains detailed information important to understanding the Group's results and financial condition and should therefore be read in its entirety.

FORWARD LOOKING STATEMENTS – CAUTIONARY LANGUAGE

The report reviews the Group's financial condition and results of operations including its liquidity and capital resources. Historical information is presented and discussed. Where appropriate, factors that may affect future financial performance are also identified and discussed. Certain statements made in this report include "forward-looking statements". Forward-looking statements include any statement that may predict, forecast, indicate or imply future results, performance or achievements instead of historical facts and may contain words like "believe", "expect", "estimate", "project", "budget", "forecast", "anticipate", "plan", "will", "shall", "may" and other words, phrases or expressions with similar meaning. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the results contained in the forward-looking statements and the Group cannot give assurances that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

OVERVIEW

Guardian Holdings Limited (GHL) is a holding company formed in 1982 and became a publicly listed company in Trinidad and Tobago on June 18, 1996 and in Jamaica on September 20, 2000. GHL's subsidiaries provide financial services through the production, distribution, and administration of insurance and investment products. GHL's principal operations are conducted throughout the Caribbean, and in England. There are three main business segments: Life and Health Insurance, and Pensions; Property and Casualty Insurance; and Asset Management. Services are primarily distributed and sold throughout the Caribbean, however, reinsurance cover is selectively provided on a worldwide basis through the Group's international property and casualty business segment.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's accounting policies require the use of judgments relating to a variety of assumptions and estimates, in particular, expectations of current and future mortality, morbidity, persistency, expenses and interest rates. Because of the inherent uncertainty when using the assumptions and estimates, the effect of certain accounting policies under different conditions or assumptions could be materially different from those reported in the consolidated financial statements. A discussion of the most significant accounting policies is presented hereunder.

Value of inforce life insurance business The acquisition costs of writing new long-term insurance policies occur at the time that the policies are issued. However, the profits on this business are released gradually over the lifetime of the policies. There are a number of accounting treatments available to deal with the disparity between the timing of the acquisition expenses and the release of profits. The Group uses the Achieved Profits Method which is referred to as Embedded Values accounting. An Embedded Value represents the present value of the future profits of the block of existing long-term business. The calculation of Embedded Values requires assumptions concerning future persistency, mortality, morbidity, expenses and investment yields. Under this method, the accounts reported profits are adjusted to reflect the increase or decrease in the future value of the in force portfolio. The Group's accounting policy in respect of accounting for value of inforce life insurance business is disclosed in Note 2.14 (e) with underlying details provided in Note 13 to the Consolidated Financial Statements.

As at December 31, 2011 the Group recorded $742 million (2010: $673 million) in its books for the value to shareholders of inforce long-term business.

Deferred acquisition cost The Group incurs significant brokerage costs in connection with the acquisition of its short-term insurance business through its intermediaries. These costs vary with and are integral to the procurement of ongoing insurance business and are amortised over the period during which premiums are earned. The Group's accounting policy in respect of accounting for deferred acquisition costs is disclosed in Note 2.14 (f) with underlying details provided in Note 17 to the Consolidated Financial Statements.

As at the December 31, 2011, the deferred acquisition costs remaining to be amortised totalled $73 million (2010: $370 million).

Financial assets The Group has financial assets totalling $11.3 billion (2010: $11.2 billion), which are classified as either held to maturity or fair value through profit or loss. The Group's accounting policies in respect of its invested assets are disclosed in Note 2.8 with the underlying analyses of invested assets provided in Note 9 to the Consolidated Financial Statements.

Intangible assets Included in the Group's consolidated statement of financial position are intangible assets totalling $254 million (2010: $253 million); these represent trademarks and goodwill arising on the acquisition of subsidiaries and require an annual estimate of the future profitability of the respective cash generating units. Revisions to the estimates that result in the impairment of the carrying value of these assets result in the amounts being expensed in the reporting period in which the revisions are made. The Group's accounting policy in respect of its intangible assets is disclosed in Note 2.7 with additional details provided in Note 7 to the Consolidated Financial Statement.

Liabilities related to insurance contracts Liabilities related to insurance contracts comprise the value of future benefits payable under contracts of insurance related to its life, health and pensions business and claims and unearned premium reserves related to the Group's property and casualty business.

The establishment of adequate reserves to meet the Group's obligations to its policyholders involve estimating liabilities for future policy benefits on life and health insurance products, and requires the use of assumptions such as those relative to future investment yields, mortality, morbidity, persistency and other appropriate assumptions based on historical experience modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation.

Determining liabilities for the Group's property and casualty insurance products also requires the use of assumptions, including the projected levels of used vehicle prices, the frequency and severity of claims and the effectiveness of internal processes designed to reduce the level of claims.

The Group's accounting policy in respect of insurance benefits and claims is disclosed in Note 2.14 and specific details of provided in Note 23 to the Consolidated Financial Statements.

As at December 31, 2011 the Group had established reserves for policy liabilities of $11.6 billion (2010: $12.5 billion).

Pension obligations Determining the Group's obligations to employees under its defined benefit pension plan and stock-based compensation plans requires the use of estimates. The calculation of the liability related to the Group's defined benefit pension plan requires assumptions regarding the appropriate weighted average discount rate, estimated rate of increase in the compensation of its employees, projected changes in staffing levels and the expected long-term rate of return on the plan's assets. The Group's accounting policy in respect of pension obligations is disclosed in Note 2.18 to the Consolidated Financial Statements.

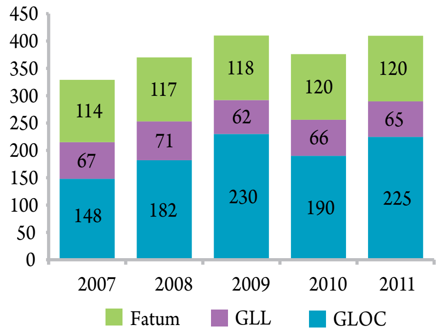
SUMMARY OF FINANCIAL PERFORMANCE

Life, Health & Pensions The Life, Health & Pensions division of the group (LHP group) provides insurance coverage throughout the English and Dutch-speaking Caribbean. This is achieved through five registered insurers. These are Guardian Life of the Caribbean Limited (GLOC) and Bancassurance Limited (BANC) domiciled in Trinidad & Tobago, Guardian Life Limited (GLL) domiciled in Jamaica, and Fatum Life (FATUM) domiciled in Curaçao and Aruba.

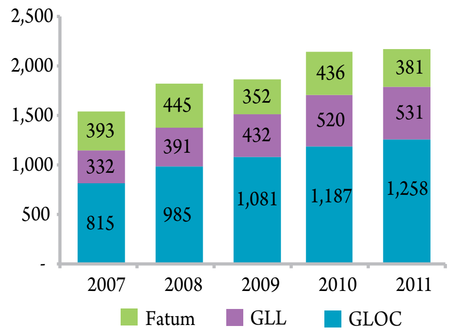
Over 2011, the LHP group continued to achieve strong top-line growth and continued to extract cost efficiencies from process improvement and the consolidation of its operations across the Caribbean, which resulted in net profits of $323 million, a 7% improvement over the prior year performance.

The Trinidad and Tobago companies continued to deliver very strong growth in new individual line sales and dominated in the Trinidad and Tobago life insurance market. The Jamaican company produced very strong growth in health business. These propelled total net premium income to $2.2 billion, registering a five-year compound annual growth rate of 7%.

ANNUALISED PREMIUM INCOME ($ M)



NET PREMIUM INCOME ($ M)



The chart at left sets out the individual lines new business annual premium income by insurer for the past five years. Individual Life annualised premium income (API) of $410 million registered a 9% growth over prior year.

During 2011, the LHP group continued to upgrade its infrastructure in its Employee Benefits area by process and organisational improvements throughout the Caribbean and technological enhancements in Jamaica. This contributed to health premiums of $641 million, a 9% improvement over 2010, resulting mainly from the 26% growth in premium income earned by GLL.

The growth trend in total net premium income is illustrated in the chart below left.

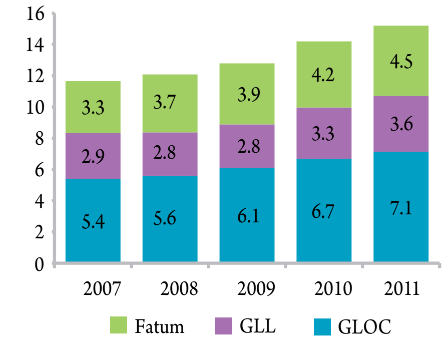
Turbulence continued in global investment markets in 2011. In both Trinidad & Tobago and Curaçao, economies were sluggish. This was also the case for the Jamaican economy even though it showed signs of stability following IMF support and the JDX debt exchange the previous year. In contrast, the Aruba economy showed strong growth due to the re-opening of its oil refinery, a rebound in tourism and the execution of an ambitious infrastructure programme.

The general economic challenges were reflected in the investment performance of the LHP group as, by historical standards, interest rates in all of its key territories continued to be at very low levels. Investment income earned grew by 2% to $698 million in 2011. However, investment income of $813 million, inclusive of realised and unrealised fair value gains, was marginally below 2010 returns due to volatility in the returns on both the regional and international markets.

With its continued strong oversight, the Group's operating expenses increased by just 2%, driven mainly by the effects of inflation in all the territories. Notwithstanding inflationary pressures, the Group realised strong operational efficiencies by maintaining its cost to premium income ratio to its 2010 level of 20%.

The LHP group's strategy is built around customer service excellence and the upgrading of infrastructure to achieve operational efficiency and greater sales. The strategy also involves the practical consolidation of operations across the Caribbean. Considerable progress has been made in deploying this strategy, which has already reaped positive results in new sales, better levels of customer service, cost containment and elimination of waste. In addition, the continued upgrade of the Group's IT infrastructure offers significant

TOTAL ASSETS ($ B)



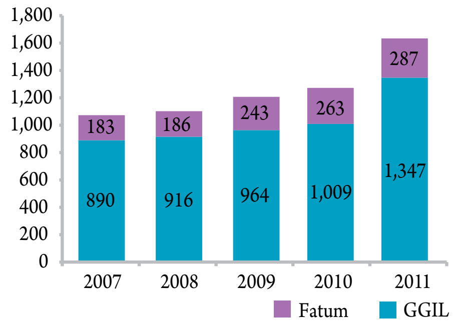
opportunities to improve the efficiency of existing processes, gain competitive advantages by leveraging technology into the business, and reduce expenses by the IT infrastructure rationalisation.

It is expected that the continued deployment of this strategy will further improve operating margins and enhance product and service quality, leading to increased shareholder value.

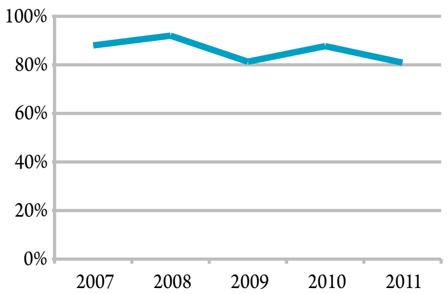
The LHP group increased its asset base by 7% to close the year with assets totalling $15 billion.

All operating companies maintain a solid capital base. GLOC closed the year with a solvency margin of 24% in excess of its reserves. In addition, GLOC holds an A.M. Best Rating of A–. The capitalisation of GLL is measured in terms of a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio. The ratio for GLL is 174%, which is above the regulatory requirement of 150%. At year end 2011, Fatum showed a strong solvency position, remaining comfortably well in excess of the minimum solvency requirements of the regulator.

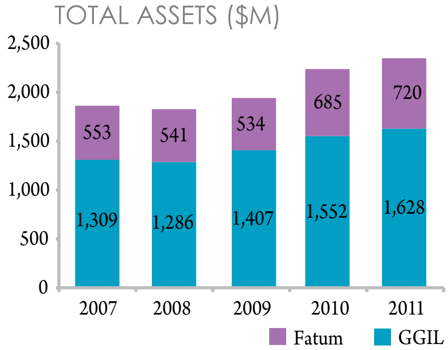
GROSS PREMIUMS WRITTEN ($M)



COMBINED RATIO



TOTAL ASSETS ($M)



Caribbean Property & Casualty GHL's Caribbean Property and Casualty business is serviced by four companies whose operations collectively span 21 countries regionally. These include Fatum, which is responsible for the Dutch Antilles, Aruba and a property portfolio in the Netherlands.

The prolonged sluggish economic environment maintained pressure on market size and market share retention. Excessive capital in the market continues to sustain soft premium rates, resulting in reduced premium retention and in constraints on attracting new quality business. This was counter-balanced by Guardian's capacity and strong underwriting, supported by a strong reinsurance programme and tightening regulatory controls, which had a greater impact on competitors.

The 2011 hurricane season was one of high activity but with a lower than expected impact for such an active season. There were 19 named storms, of which seven developed into hurricanes, three being classified as major. Hurricane Irene provided the only impact on the Group's Caribbean portfolio with gross and net losses of $12.8 and $6.4 million in the Bahamas. The region also experienced five earthquakes with magnitudes of 4.4 and greater, but with no major losses.

In spite of this challenging environment, Caribbean Property and Casualty was successful in growing its Gross Premiums by 28.4% to $1.634 billion, mainly through business generated from global network partners.

Profit after tax of $146.4 million increased by $31 million from $115.4 million in 2010. This was due mainly to an improved Net Claims ratio of 40.9% from the 2010 ratio of 48.1%. The overall combined ratio for claims, expenses and commissions decreased to 80.9% from 87.7%.

Total assets of $2.3 billion grew by 5.0% from $2.2 billion.

A. M. Best revised GGIL's outlook from Negative to Stable and affirmed the rating of A-(Excellent) in the Financial Size Category VII, which is the highest category and rating of any indigenous Caribbean Property and Casualty Underwriter.

International Property & Casualty This segment of the Group's business comprises the reinsurance underwriting activity undertaken by its wholly owned subsidiary Guardian Re (SAC) Limited, a Bermuda-registered Class 3A reinsurer which for 2011 underwrote risks on a worldwide basis for both Lloyd's Corporate Members as well as non-Caribbean third party cedants.

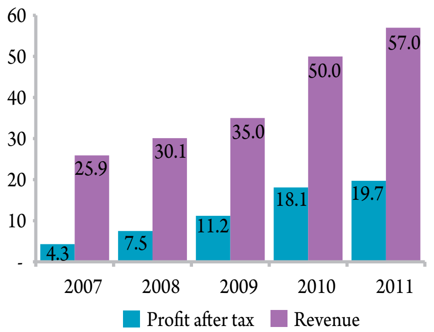
Prior to 2007, the business of Guardian Re comprised primarily captive business. However, in 2007, the Company began accepting third party business on selective non-Caribbean property books of business so as to diversify its risk profile.

Last year, GHL reported that due to the increased worldwide frequency and severity of catastrophic events affecting all major (Re)insurance companies, the Group had identified both the Lloyd's Managing Agency business and participation in the international property market (through reinsurance) at Lloyd's as areas for strategic review.

In the third quarter of 2011, the Group reported the sale of its 39.1% ownership in its Lloyd's Managing Agent and associated holdings in Jubilee Group Holdings Limited to Ryan Specialty Group for a profit of $74 million.

Following the sale of the Lloyd's Managing Agent, the Group took a decision to exit underwriting in Lloyd's international property market and ceased underwriting any new risks at Lloyd's or offering renewal at natural expiry. As a result of these actions, the Group is required to reclassify and report the residual interests in these treaties as a disposal group held for sale and as a discontinued operation.

GAM FINANCIAL PERFORMANCE ($ M)



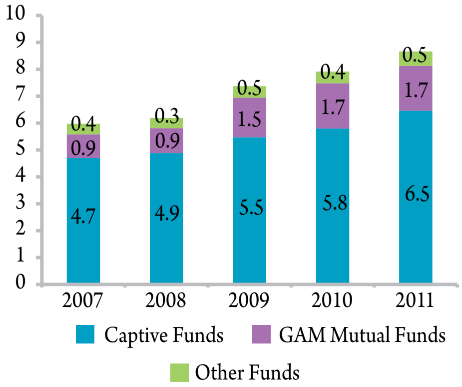
Asset Management Guardian Asset Management Limited produced a commendable performance in 2011 in the face of a very difficult investment environment. In spite of historically low interest rates domestically and internationally as well as extraordinary volatility in international equity markets, the subsidiary was able to produce better than market results for investors, which translated into top line and bottom line growth for the organisation.

Revenue grew by 14% in 2011 due to improved management fees from growth in assets under management in both the Captive Insurance and Mutual Fund business lines. Reported revenue grew from $50 million to $57 million, with revenue from third party business contributing over $33 million. Guardian Asset Management also did well to contain administrative and IT costs and was more efficient in its tax structure, which helped to contribute to an overall growth in profits after tax of 8.84%.

Limiting performance somewhat were the low interest rates for reinvestment as well as price declines in international equities. The Central Bank of Trinidad and Tobago's 90 day Treasury Bill rate ended 2011 at a meagre 0.26%, while economic stimulation action by the US Federal Reserve resulted in U.S. short-term rates tending to 0% region. The S&P 500 ended a very volatile year with a 0% return, while the MSCI Europe and MSCI Asia Pacific Equity Indices fell 14.45% and 17.31% respectively. Nevertheless, conservative fund management allowed profits to grow from $18.1 million to $19.7 million as the Company moved closer to achieving its objective of becoming a 20 million dollar company.

During the period, the Group received regulatory approval to split its Asset Management and Trust Services functions. This change will improve the transparency for investors, since there will be a clear separation of investment management from Trustee oversight. In addition, it will create a renewed focus on the offering of Trustee services, a business line that has been largely untapped by the Group.

GAM TOTAL AUM ($ B)



Guardian Asset Management also launched its Non-discretionary Private Wealth Management business line, in which investors can design their own portfolios using the myriad of investment options both locally and abroad for low annual fees.

Total Assets under Management (AUM) increased by 8.86% to $8.6 billion, due to growth in the Captive insurance portfolio which grew from $5.8 billion to $6.5 billion for the period. Another notable increase was that of the private wealth portfolio, which also benefited from the appreciation of assets as well as the addition of new clients under the Company's traditional discretionary and newly introduced non-discretionary portfolio product lines. The noteworthy growth in AUM continues to attest to the Company's ability to deliver consistent value to customers amidst the challenging investment climate locally and internationally and increased competition.

Due to the global investment environment, several of the equity mutual funds experienced negative returns in 2011. Emerging market equities were the most hard hit as investors struggled to quantify the impact that slow growth in the United States and a recession in Europe would have on these historically export-dependent countries. However, relative to the market, most funds outperformed their peers in terms of absolute return and risk-adjusted returns in that they exhibited smaller declines and with less frequency over the year.

The Pan Caribbean Balanced Fund was the outstanding performer and produced quite an attractive return in 2011 as the Trinidad and Tobago equity market benefited from low interest rates and improved corporate earnings. The Trinidad &Tobago Stock Exchange was actually one of the top performing indices in the world in 2011. The Income Funds continued to provide stable and positive returns to investors over the period with actual 12 month returns of 2.10% (TTIF) and 1.84% (USIF) respectively.

The three top performing mutual funds for 2011 were:

- Pan Caribbean Balanced Fund: 11.29%
- TT Monthly Income Fund: 2.10%
- US Monthly Income Fund: 1.84%

ALTERNATIVE INVESTMENTS

Eastern Caribbean Gas Pipeline The Group sold 25.5% of its 40.5% holding in the Eastern Caribbean Gas Pipeline Company Limited (ECGPC) to a joint venture between Beowulf Energy LLC (Beowulf) of New York and First Reserve Energy Infrastructure Fund (FREIF) with offices in Greenwich, Houston, Hong Kong and London. The joint venture, to be called Bigwater Limited, has acquired a majority ownership interest in the company that is developing a natural gas export pipeline from Trinidad and Tobago to islands in the Eastern Caribbean.

In Phase I of the project, ECGPC will construct and operate a 300 kilometre natural gas pipeline from the Cove Point Estate in Tobago to Barbados. Phase II of the project will extend the pipeline from Barbados to other Eastern Caribbean islands.

This pioneering project is a ground-breaking regional energy infrastructure project, which will help reshape the regional energy market and reduce dependence on oil based products. The pipeline is expected to significantly lower the cost of producing electricity in countries such as Barbados, which rely primarily on imported fuel oil to produce electricity.

The extensive energy infrastructure experience and substantial financial resources of Beowulf and FREIF will accelerate the implementation of this regionally important project, thereby creating long-term value for the company's investors while delivering tangible financial and environmental benefits to the islands served by the pipeline.

View from the Harbour

Pointe Simon Project, Martinique The physical structures of the office tower and condo block have been completed. The internal finishing for both buildings is scheduled for completion in March 2012. The office block/hotel physical structure is scheduled for completion by the same date and the internal work by September 2012.

The Mayor of Fort de France and SEMAFF, the relevant Government agency, have approved the plans for the agreed public infrastructure works around the site and committed the necessary funding to commence the project. These works should be completed by September 2012, when 100% of the development will be opened.

The Group has shifted its long-term view of the office tower and is considering selling floors as well as leasing. There are many reasons for this, the primary one being pressure from potential tenants to purchase the space which they have requested; this is a common practice in French jurisdictions. Pointe Simon is now prepared to accept potential tenants who want to purchase out right and those who want to lease with an option to purchase at a fixed date in the future.

Interest in the condos remains buoyant and there has been a noticeable increase in the interest of potential buyers now that the building has been completed and the outfitting taking place.

Discussions are at an advanced stage to finalise the outfitting of the hotel/office block. Pointe Simon is hoping to sell the space reserved for offices to the Regional Council, these negotiations are in progress and likely to be finalised by mid-2012.

Retail space remains the most active area for lease; in addition to discussions regarding offers already made, new potential clients are being held in reserve. There are now two potential tenants for every retail area in the complex. A number of these clients have engaged architects and are finalising plans for the layout of their shops.

RGM The Company was able to fully tenant all of its buildings during the year despite the excess space available on the market for rental. This reflects the quality of the facilities and the customer satisfaction that RGM continues to engender.

During the last quarter of the year, a number of requests were made for the provision of custom-built buildings and RGM is actively pursuing these with a view to begin work on them in 2012.

One area in which there have been several requests is that of environmentally friendly, "green" buildings". This area is becoming critical where international clients are concerned, and has to be factored into new construction. Consideration is being given as to the upgrading of existing buildings.

HUMAN RESOURCES (HR)

"A company's share price and the overall quality of its human capital are intrinsically linked."

Management -Human Capital (Value in People)

HR Strategy

"Creating Competitive Advantage through People"
. . . Enabling and Enhancing Performance Excellence

As GHL pursues its strategy of becoming the Regional Wealth Management and Protection Champion, a critical success factor for HR is the achievement of alignment between HR Strategy and Business Strategy. The changing business landscape has not only veered in the direction of recognising and accepting "people" as crucial to business success and sustainability but, rather, has dictated that unless organisations can maximise the use of their human resource, they will not survive in this new economy. This change has been fuelled by key business challenges such as globalisation, innovation and, more recently, the economic downturn from which some businesses are still struggling to recover.

Understanding that people are the organisation's most important asset and a key competitive differentiator, Group HR recognises that it must position itself as a strategic business partner with a vision "to achieve a level of excellence of HR practice and service that creates a competitive advantage for the Business Units". This includes supporting and adding value for customers, employees and shareholders and playing a key and active role in supporting the Group leadership, Business Unit heads and staff in the achievement of personal, strategic and business goals. Group HR aims to achieve this by attracting, recruiting, training, developing and retaining high calibre staff who will contribute positively to delivering operational excellence within and across the Group's lines of business.

HR's main objectives are to:

- develop organisational capabilities that support Business Unit strategies and deliver outcomes for creating a clear "line of sight" between individual behaviour and key strategies and goals.
- capture and distribute the organisation's intellectual capital and expert knowledge.
- develop teams and networks that can share and leverage expertise.
- create, distribute and support HR products and services that support employees and the business.
- continuously review processes and procedures to drive improvements and operational efficiencies.
- increase the robustness of the performance management and reward system to increase productivity and growth opportunities for each employee.
- generate, monitor and track performance metrics that predict organisational performance and drive business outcomes.

The HR strategy is built around four key pillars: talent management, business leadership, metrics and measurement and strategic value-add. The Group Vice President - Human Resource and Corporate Services leads the human resource team in ensuring initiatives are built around delivering on the strategy.

Talent Management

HR objectives in this area are to:

- significantly improve the Group's ability to attract, recruit and retain top quality talent.
- segment the organisation so as to identify key employees/key talent in the most important jobs through a robust and fair performance management system to ensure that those employees are appropriately rewarded and training and development opportunities are appropriately targeted.
- continue the process of succession planning and leadership development.
- build requisite bench strength that will allow GHL to fill the leadership pipeline in a timely manner.
- develop a framework for parallel career paths at all levels in the organisation.
- develop deep functional expertise in every role.
- ensure all roles must be business critical.

Business Leadership

Under the pillar Business Leadership, HR will continue providing employees within the HR division across lines of business, with the opportunity to develop a better understanding of the business and thereby play the role of strategic business partner. In this regard, HR will work with and develop People Management Ownership capabilities in line employees and help Leaders/Managers across the Group to become better leaders and better managers.

Metrics and Measurement

HR metrics will be tracked, analysed and disseminated to allow Group companies predict organisational performance and drive business outcomes that meet stakeholder expectations. In this way, the Guardian culture will be founded on a meritocracy based upon measured performance.

Adding strategic value to the Business

Appropriate solutions can only be delivered through proactive partnering, focused problem solving and action. Group HR commits to providing service excellence—respect and fair treatment for all—and offering innovative people strategies that ensure overall business success. It will demonstrate leadership talent and capabilities that develop high performing teams and a rewarding and inclusive work environment.

GHL believes that people are its competitive advantage. The right people in the right jobs will mean effective and efficient processes which will only redound to the ultimate customer experience and consequently sustainable, profitable businesses.

SOCIAL RESPONSIBILITY

In 2010, the International Organisation for Standardization provided an outline for social responsibility to all types of organisations regardless of their size or location (ISO 26000:2010). It emphasizes that socially responsible behaviour should extend beyond merely legal compliance and truly adopt sustainable practices that benefit the development of the communities and countries in which they operate.

According to the ISO guidelines, "It is advisable that an organization take into consideration societal, environmental, legal, cultural, political and organizational diversity, as well as differences in economic conditions, while being consistent with international norms of behaviour".

Guardian's CSR policy conforms to this view, stating in part that: "Guardian Holdings and its member companies accept their responsibility to a high standard of reporting on corporate governance, environmental, labour and other key issues." In 2011, Guardian's main focus was on education, the environment and sport.

Guardian partnered with the United Nations Development Programme and Heroes Foundation as part of International Youth Day on August 12, 2011, to host four teenage Interns in various Business Units in Trinidad & Tobago for a 'Day at Work'. This exercise gave the Interns an insight into the world of work, especially in areas aligned to their career interests. Additionally, Guardian took on another group of 17 'First Step' interns for five weeks of intensive, skill-focused training and placement in various branches and business units of the organisation. The First Step programme, aimed at children of employees, is now in its second decade and will continue giving young adults, aged 17–21, exposure to business processes and real life workplace challenges.

2011 marked the 13th year of the UWI/Guardian Life Premium Teaching Awards/Open Lecture programme in Trinidad & Tobago and 11th year in Jamaica. The Teaching Awards and Open Lectures, which occur in alternate years, have the aim of promoting and enhancing the teaching excellence of UWI Faculty with an outreach to the general population with respect to education. To date it has recognised 22 outstanding UWI lecturers and hosted 12 subject matter experts in various spheres in the field of Higher Education across both territories.

Guardian's environmental stewardship also continues to grow. In 2011 the Guardian Life Wildlife Fund continued its Pride in Pawi project, which was funded in part by the UNDP/GEF/SGP. Based on the monthly reporting and successes, the UNDP/GEF/SGP has already signalled interest in funding Phase II of Pride in Pawi. In September, the Guardian companies in Barbados, Jamaica and Trinidad and Tobago participated in the Ocean Conservancy's 26th annual International Coastal Clean-up. In Trinidad and Tobago alone, Guardian recruited more than 300 volunteers for its adopted beach, Chagville at Chaguaramas, collecting and logging hundreds of pounds of debris. The data collected during this international exercise is used to influence national and international legislation as it relates to protecting the environment.

Internally, Guardian's Project Green recycling initiative expanded to a total of six materials (office paper, glass, plastics, penlight batteries, newspapers and magazines). In 2011 the Company also committed its glass recycling project to helping the Lady Hochoy Home for the developmentally challenged. The institution, which sells glass as a means of raising funds, is happy to receive the glass collected from employees.

Sport, which is an ideal vehicle to develop self-esteem, team work and discipline among Caribbean youth, continues to be an area of focus on the social responsibility agenda. For the ninth consecutive year, Guardian served as a regional sponsor of the regional CARIFTA Games. CARIFTA, the premier junior track and field event across the English, French and Dutch-speaking Caribbean, held its40th instalment in Jamaica. Guardian Jamaica counterparts Guardian Life Limited and West Indies Alliance played a major role in representing the Group.

In Trinidad and Tobago, Guardian Life of the Caribbean partnered with the Trinidad and Tobago Olympic Committee (TTOC) to promote youth and community development through sport. For the fifth year running, the Company donated $250,000 to TTOC's Shape the Community Sports Development programme—an innovative programme that targets elementary school children and retired persons and engages them in recreation and physical education and activities. The Shape the Community programme goes one step further by focusing on training coaches and sport administrators. In this regard, a sustainable and continuous process of development is created while providing opportunities for long-term employment within the community.

When CSR is well thought out and aligned with the organisation's business strategy, the results make a positive impact on that organisation's bottom line. Guardian's strategy and philosophy are based on the fundamental idea behind CSR—that a corporation has a responsibility to the communities in which it operates by contributing to a sustainable future for all its stakeholders. As Guardian pursues its vision 'to be the regional wealth management and protection champion', this continues to govern the way Guardian does business.

INDEPENDENT DIRECTORS

It is provided in Regulation 4.1 of By-Law No. 1 of the Company that at least twenty per cent (20%) of the Board be comprised of Directors who satisfy the following criteria for independence contained in Regulation lA):

"Independent Director" means a Director who has no direct or indirect material relationship with the Company other than membership on the Board and who:

i) is not, and has not been in the past five (5) years, employed by the Company or its affiliates;

ii) does not have, and has not had in the past five (5) years, a material business relationship with the Company or its affiliates (either directly or as a partner, shareholder (other than to the extent to which shares are held by such Director pursuant to a requirement of applicable law to which the Company is subject relating to directors generally), and is not a Director, officer or senior employee of a person that has or had such a relationship);

iii) is not affiliated with any non-profit organisation that receives significant funding from the Company or its affiliates;

iv) does not receive and has not received in the past five (5) years any additional remuneration from the Company or its affiliates other than his or her Director's fee and such Director's fee does not constitute a significant portion of his or her annual income;

v) is not employed as an executive officer of another company where any of the Company's executives serve on that company's Board of Directors;

vi) is not, nor has been at any time during the past three (3) years, affiliated with or employed by a present or former auditor of the Company or any of its affiliates;

vii) does not hold a material interest in the Company or its affiliates (either directly or as a partner, shareholder, Director, officer or senior employee of a person that holds such an interest);

viii) is not a member of the immediate family (and is not the executor, administrator or personal representative of any such person who is deceased or legally incompetent) of any individual who would not meet any of the tests set out in (i) to (vi) (were he or she a Director of the Company);

ix) is identified in the annual report of the Company distributed to the shareholders of the Company as an independent Director.

For purposes of this definition, "material interest" shall mean a direct or indirect ownership of voting shares representing at least three percent (3%) of the outstanding voting power or equity of the Company or any of its affiliates.

The Board has identified the following persons as meeting such independence criteria:

- Mr. David Davies
- Mr. Philip Hamel-Smith
- Mr. Antony Lancaster
- Dr. Aleem Mohammed
- Mr. Selby Wilson.

The Board comprises a total of eleven (11) Directors, of which five (5) (45%) meet the independence criteria.

COMMITTEE REPORTS

In accordance with the recognised principles of Corporate Governance, the Board of Directors of Guardian Holdings Limited has established several committees to assist the board in the discharge of its responsibilities. These committees are:

- Audit Committee
- Risk and Compliance Committee
- Remuneration Committee
- Corporate Governance Committee
- Enterprise Investment Committee

Each Committee is governed by a charter which sets out its responsibilities. The composition of each Committee is reviewed on an annual basis by the Corporate Governance Committee, which makes recommendations to the Board. Each Charter is reviewed annually by the Board, and each Committee makes an annual report to the Board of Directors.

REPORT OF THE AUDIT COMMITTEE

The Guardian Holdings Limited Audit Committee (the Committee) is comprised of five (5) non-executive Directors.

- Mr. Selby Wilson (Chairman)
- Mr. Imtiaz Ahamad
- Mr. David Davies
- Mr. Peter Ganteaume
- Mr. Arthur Lok Jack

The Committee is governed by a Charter which sets out its responsibilities in respect of the financial statements, internal controls, the internal audit function and external audit.

The Charter of the Audit Committee was last reviewed and adopted by the GHL Board on May 4, 2011. Responsibility for Risk and Compliance matters, which had previously been included in the mandate of this Committee, was transferred to the newly established Risk & Compliance Committee.

The report of the GHL Audit Committee for 2011 follows.

Meetings The Committee held seven (7) meetings in 2011 to discharge its responsibilities.

Structure of Internal Audit Effective March 29, 2011, the co-sourcing of Internal Audit throughout GHL was implemented. Under this model, PricewaterhouseCoopers was engaged to work alongside GHL's own Internal Audit Department with the objective of providing the Group with access to international best practices in internal audit and expanded training opportunities. PricewaterhouseCoopers have operated as the overall leaders of this Group Internal Audit Function. Internal Audit has unfettered access to the GHL Audit Committee. The Group Internal Audit Staff report administratively to the Internal Audit Liaison who has a direct functional reporting line to the Group Chief Executive Officer.

Independence of Internal Audit The Committee is satisfied that the Internal Audit function has been discharged in an objective and transparent manner. Further, the Committee has satisfied itself that the performance of the function is not subject to management's undue influence.

Internal Control and the Internal Audit Function The ongoing assessment of the adequacy and effectiveness of the Group's internal control systems is the primary responsibility of Internal Audit. During the year under review, weaknesses in internal controls noted by the internal auditors and management's risk corrective actions were presented to the Committee at its quarterly meetings. The Committee members have satisfied themselves that approved risk corrective actions have remedied the weaknesses in internal controls that were highlighted in the internal audit reports presented to them.

External Audit The Committee has reviewed and approved the external auditor's approach to and scope of their examination of the financial statements for the 2011 financial year. The members are satisfied that Ernst & Young has planned the audit to obtain reasonable assurance that the financial statements are free of material misstatement and present a fair view of the financial position of the Group as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Financial Statements During 2011, the interim unaudited financial statements were presented to the Committee at its quarterly meetings for review and recommendation for adoption by the Board. The Committee is satisfied that the audited financial statements contained in this Annual Report are complete, consistent with information known to its members and in conformity with appropriate accounting principles that have been consistently applied.

REPORT OF THE RISK & COMPLIANCE COMMITTEE

In 2011, following recommendations on the development and implementation of an Enterprise Risk Management framework, the Board of Directors established a separate Risk & Compliance Committee with responsibility for these matters. The Committee is governed by a Charter which sets out its responsibilities in respect of compliance and risk matters, and which was adopted by the GHL Board on May 4, 2011.

The Committee is comprised of five (5) Directors of whom four (4) are non-executive Directors.

- Mr. Antony Lancaster (Chairman)
- Mr. Imtiaz Ahamad
- Mr. David Davies
- Mr. Philip Hamel-Smith
- Mr. Jeffrey Mack

The existence of this Committee is considered by Guardian Holdings Limited to be a key element of its corporate governance framework and part of the Group's commitment to best practice in the area of corporate governance. The Committee supports the full Board and essentially acts in a review and advisory capacity to the Board of Directors by providing leadership, direction and oversight of the Group's management of risk and compliance. The Committee met on four (4) occasions in 2011. The Group Chief Risk Officer and the Group Head Compliance attend all meetings of the Committee and provide comprehensive reports on all aspects of risk management and compliance and their impact on both the financial and non-financial objectives of the Group. The Chairman of the Group Audit Committee normally attends all meetings of the Committee by invitation to ensure that risk-related issues are considered in decisions of that Committee.

RISK MANAGEMENT

The primary objectives of the Enterprise Risk Management function is to provide value to our shareholders by:

- maintaining a comprehensive perspective on risk reduction as it relates to the erosion of critical sources of shareholder value through our focus on earnings volatility reduction and the avoidance of earnings related surprises.

- optimising risk and increasing the efficiency and effectiveness through which capital and other resources are allocated by robust assessment of the risk and reward trade-off.
- building and sustaining our competitive advantage through increasing our knowledge of the risk environments in which we operate and assuring an adequate pricing of risk.
- increasing our resistance to financial contagion and resilience to the impact of external events.

During the year the Committee focused on the following areas:

Strengthening Risk Management across the Group: the Committee approved a comprehensive Risk Plan that outlined the further steps needed to embed the ERM framework and leading standards of Risk Management at all levels of the business. The Plan centred on the finalisation of an ERM Policy document, setting clear statements of risk appetite for standard classifications of risk Group-wide and setting out policies and guidelines for the management all risk exposures within these limits. The Group's risk appetite has been thoroughly reviewed by the Committee and the Board has approved a Group risk appetite statement that is cascaded throughout the Group. The Chief Risk Officer has overall responsibility for the Plan and reports regularly to the Committee on progress against the Plan.

Risk monitoring: the Committee received regular reports on key risk exposures, the drivers of risk in the Group, emerging and potential risks, and actions taken to mitigate any risks that were out of appetite. The Committee also monitored the adequacy of the Group control framework in collaboration with the Audit Committee. In particular, the Committee focused on assessing the Group's capital and liquidity positions against risk appetite and emerging regulatory-based risk-based capital models, and the drivers of financial and insurance risks.

Operational risks: The Committee continued its focus on business continuity and IT security risks as well as assessment of strategic and business risks associated with the Group's strategic initiatives and projects.

Regulatory risks and relationships: The Committee received regular reports on regulatory and other public policy developments. In particular, it monitored the actions being taken by management in response to risk-based insurance supervisory examinations.

COMPLIANCE

The remit of the Group Compliance Unit is to provide assurance to the Board that the GHL Group of Companies complies with all applicable laws, regulations, and internal policies, codes of conduct and standards of good practice in those jurisdictions in which the Group's businesses operate. The Unit is vested with the authority to formulate and establish procedures to facilitate the implementation and enforcement of the Group's Anti-Money Laundering Compliance Policy and the Group Compliance Policy adopted by the Board of Guardian Holdings Limited in 2004.

The Unit has established a compliance reporting framework throughout the Group and receives periodic compliance reports from the business units on compliance with applicable laws and regulations, regulatory developments and compliance issues. During the year under review, the Unit reported to the Committee on the status of each business unit's compliance with applicable laws and regulations, regulatory developments and the follow up and resolution of compliance issues. The Committee is satisfied that compliance issues raised during the year have been properly followed up and resolved and that there are no material issues remaining unresolved at the year end.

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises four (4) non-executive Directors. The Committee is responsible for making recommendations to the board pertaining to:

- the remuneration packages of the Chairman and members of the Boards of Directors of all GHL Group Companies.
- the remuneration, performance and incentive awards of senior executives of all GHL Group Companies as identified from time to time by the Committee.
- the recruitment, engagement and promotion of senior executives of the GHL Group as identified from time to time by the Committee.

The members of the Committee are:

- Mr.Arthur Lok Jack (Chairman)
- Mr. Peter Ganteaume
- Mr. Philip Hamel-Smith
- Mr. Antony Lancaster

During 2011 the Committee held five (5) meetings to discharge the responsibilities outlined in its Charter. In the course of these, the Committee considered the following matters on which it made recommendations to the GHL Board:

- review and approval of EVA result and grant of Executive Incentive Awards.
- review of CEO performance and setting of 2011 targets.
- review of executive remuneration.
- proposal of a Performance Option Plan (POP) to replace the SOPE Long Term Incentive Plan for Group Executives, which was approved by the shareholders at the Company's annual meeting on May 10, 2011.
- proposals for long term incentives for past performance not included in POP.
- approval of Group Mortgage Subsidy arrangements.

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established in November 2006 and is comprised of four (4) non-executive Directors.

The members of this Committee are:

- Mr. Philip Hamel-Smith (Chairman)
- Mr. Peter Ganteaume
- Mr. Antony Lancaster
- Mr. Arthur Lok Jack

The objectives of the Corporate Governance Committee are to develop, implement and periodically review guidelines for appropriate corporate governance of the GHL Group of Companies. The Corporate Governance Committee's responsibilities include:

1) making recommendations to the board of Directors of GHL on the composition of the Board and its Committees.
2) identifying and nominating, for the approval of the GHL Board, suitable candidates to fill vacancies on the Boards of Directors and Board Committees of GHL and its major operating subsidiaries.

3) developing and implementing processes to assess Board and Committee effectiveness.
4) fostering a system to prevent any improper influence, or the perception of any improper influence, on the decision-making of the Directors, officers and employees of the GHL Group by outside interests, including those of related parties.

The Committee held three (3) meetings during 2011 to discharge the responsibilities outlined in its Charter. In the course of these meetings the following was accomplished by the Committee:

- consideration and approval of the nomination by the IFC of the appointment of Mr Jemal-ud-din Kassum.
- review of schedule of rotation of Directors and recommendation on presentation of candidates for appointment at annual shareholders meeting.
- commencement of a project to review the structure of Boards and Committees across the GHL Group.
- review of the Committee's Charter and the Group's Securities Trading (formerly Insider Trading), Delegation of Authorities and Disclosure Policies.
- consideration and approval of policy for Board appointments on investee companies.
- review and approval of Charter for Group's Enterprise Investment Committee.
- review and confirmation of the Group's support of the Guardian Life Wildlife Fund.

REPORT OF THE ENTERPRISE INVESTMENT COMMITTEE

The Enterprise Investment Committee (EIC) was formed in 2010 to consolidate the supervision of the investment-related functions within Guardian Holdings Limited and its member companies. The Committee comprises five (5) members:

- Mr. Arthur Lok Jack
- Mr. Peter Ganteaume
- Mr. Jemal-ud-din Kassum
- Mr. Jeffery Mack
- Dr. Aleem Mohammed

During the year, the Committee adopted its Charter which sets out its purpose, organisation, authority and responsibilities.

The purpose of the EIC is to assist the Board of GHL and its Group member companies with oversight of the operation and administration of the GHL investment portfolio. The EIC will among other things do the following:

- oversee investment policies and guidelines.
- establish investment benchmarks.
- review investment performance.
- review significant investment transactions.
- formulate strategic investment philosophy.
- oversee investment risk management exposure policies and guidelines.

The Committee held four (4) meetings during the year and reviewed various presentations and investment reports on investment holdings and agreed on definitions for certain types of investments. The Committee also commissioned a study to analyse the Group's investments with a view to maximise efficiency and to ensure proper matching of the Group's liabilities. That study was completed towards the end of 2011 and several recommendations were accepted and will be implemented in 2012. Among those were target portfolios asset mixes for each subsidiary conducting Insurance Business and for the Enterprise.

TO THE SHAREHOLDERS OF GUARDIAN HOLDINGS LIMITED

We have audited the consolidated financial statements of Guardian Holdings Limited and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2011 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain
TRINIDAD:
March 23, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Expressed in Trinidad & Tobago Dollars • December 31, 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Property, plant and equipment	5	501,275	509,744
Investment properties	6	1,120,431	905,507
Intangible assets	7	254,278	253,484
Investment in associated companies	8	202,010	276,847
Financial assets	9	11,257,043	11,183,338
Financial assets of mutual fund unit holders	9	1,164,983	1,244,907
Loans and receivables	10	1,510,752	2,148,127
Lands for development and sale	11	391,048	305,382
Pension plan assets	12	45,827	86,728
Value of inforce life insurance business	13	742,043	673,474
Deferred tax assets	14	21,490	25,595
Reinsurance assets	15	680,273	761,614
Segregated fund assets of life insurance policyholders	16	499,502	459,937
Deferred acquisition costs	17	72,657	369,623
Taxation recoverable		138,205	157,550
Cash and cash equivalents	18	1,739,394	1,475,421
Cash and cash equivalents of mutual fund unit holders	18	161,050	150,517
Assets held for sale	19	1,000,356	–
Total assets		21,502,617	20,987,795
EQUITY AND LIABILITIES			
Share capital	20	2,008,338	2,003,470
Reserves	21	(264,360)	(249,587)
Retained earnings		1,410,625	1,285,362
Equity attributable to owners of the parent		3,154,603	3,039,245
Non-controlling interests in subsidiaries	22	39,668	91,079
Total equity		3,194,271	3,130,324
Liabilities			
Insurance contracts	23	11,610,115	12,453,763
Financial liabilities	24	2,965,525	2,729,732
Third party interests in mutual funds	25	1,085,343	1,065,548
Segregated fund liabilities of life insurance policyholders	16	499,502	459,937
Post retirement medical benefit obligations	26	60,923	78,916
Deferred tax liabilities	14	198,928	208,432
Provision for taxation		56,463	102,308
Other liabilities	27	831,191	758,835
Liabilities related to assets held for sale	19	1,000,356	–
Total liabilities		18,308,346	17,857,471
Total equity and liabilities		21,502,617	20,987,795

The accompanying notes form an integral part of these consolidated financial statements. On 23 March 2012, the Board of Directors of Guardian Holdings Limited authorised these financial statements for issue.

Director Director

GUARDIAN HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF INCOME

Expressed in Trinidad & Tobago Dollars • December 31, 2011

	Notes	2011 $'000	2010 $'000
Insurance activities			
Insurance premium income	28 (a)	3,952,606	3,873,213
Insurance premium ceded to reinsurers	28 (b)	(1,067,746)	(696,729)
Reinsurance commission income		140,171	130,451
		3,025,031	3,306,935
Change in "Value of inforce life insurance business"	13	70,272	75,808
Net underwriting revenue		3,095,303	3,382,743
Policy acquisition expenses	29	(513,684)	(548,569)
Net insurance benefits and claims	30	(2,221,411)	(2,572,897)
Underwriting expenses		(2,735,095)	(3,121,466)
Net result from insurance activities		360,208	261,277
Investing activities			
Investment income	31	832,045	871,295
Net realised gains on financial instruments	32	83,872	245,003
Net fair value gains on financial instruments	33	83,536	98,753
Fee income	34	44,464	35,648
Other income/(loss)	35	92,008	(8,307)
Investment contract benefits		(79,997)	(83,725)
Net income from investing activities		1,055,928	1,158,667
Net income from all activities		1,416,136	1,419,944
Operating expenses	36	(729,204)	(728,032)
Finance charges	37	(110,044)	(82,854)
Operating profit		576,888	609,058
Share of (loss)/profit of associated companies	8	(25,005)	23,026
Profit before taxation		551,883	632,084
Taxation	38	(87,148)	(136,798)
Profit after taxation		464,735	495,286
Amount attributable to participating policyholders	23.1 (d)	(8,716)	(14,359)
Profit from continuing operations		456,019	480,927
Net loss on discontinued operations	19	(209,909)	(55,584)
Profit for the year		246,110	425,343
Profit attributable to:			
- Equity holders of the parent		261,103	405,505
- Non-controlling interests		(14,993)	19,838
		246,110	425,343
Earnings per share:			
- Basic - for profit attributable to ordinary equity holders of the parent	39	$1.13	$1.94
- Diluted - for profit attributable to ordinary equity holders of the parent	39	$1.10	$1.88
Earnings per share for continuing operations			
- Basic - for profit attributable to ordinary equity holders of the parent	39	$2.04	$2.20
- Diluted - for profit attributable to ordinary equity holders of the parent	39	$1.98	$2.14

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Expressed in Trinidad & Tobago Dollars • December 31, 2011

	2011 $'000	2010 $'000
Profit for the year	246,110	425,343
Other comprehensive (loss)/income		
Exchange differences on translating foreign operations	(17,036)	68,592
Gains on property revaluation	1,926	1,312
Actuarial losses on defined benefit pension plans	(60,743)	(14,771)
Other reserve movements	934	265
Income tax relating to components of other comprehensive income	(580)	(890)
Other comprehensive (loss)/income for the year, net of tax	(75,499)	54,508
Total comprehensive income for the year, net of tax	170,611	479,851
Total comprehensive income/(loss) attributable to:		
- Equity holders of the parent	220,797	464,856
- Non-controlling interests	(50,186)	14,995
	170,611	479,851

The accompanying notes form an integral part of these consolidated financial statements.

	Attributable to equity holders of the parent					
	Share capital $'000	Reserves (Note 21) $'000	Retained earnings $'000	Total ordinary shareholders' equity $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2011	2,003,470	(249,587)	1,285,362	3,039,245	91,079	3,130,324
Movement in unallocated shares	197	–	–	197	–	197
Total comprehensive income/(loss)	–	(16,091)	236,888	220,797	(50,186)	170,611
Transfer to/(from) retained earnings	–	1,318	(1,318)	–	–	–
Share option scheme - value of services provided (Note 20)	5,270	–	–	5,270	–	5,270
Share option scheme - lapses (Note 20)	(599)	–	599	–	–	–
Dividends (Note 40)	–	–	(110,906)	(110,906)	(1,225)	(112,131)
Balance at 31 December 2011	2,008,338	(264,360)	1,410,625	3,154,603	39,668	3,194,271
At 1 January 2010	1,530,398	(325,189)	1,058,786	2,263,995	78,442	2,342,437
Total comprehensive income	–	74,772	390,084	464,856	14,995	479,851
Decrease in non-controlling interest	–	–	1,733	1,733	(1,733)	–
Issue of shares	412,609	–	–	412,609	–	412,609
Transfer to/(from) retained earnings	59,389	830	(60,219)	–	–	–
Share option scheme - value of services provided (Note 20)	1,950	–	–	1,950	–	1,950
Share option scheme - lapses (Note 20)	(876)	–	876	–	–	–
Dividends (Note 40)	–	–	(105,898)	(105,898)	(625)	(106,523)
Balance at 31 December 2010	2,003,470	(249,587)	1,285,362	3,039,245	91,079	3,130,324

The accompanying notes form an integral part of these consolidated financial statements.

GUARDIAN HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Expressed in Trinidad & Tobago Dollars • December 31, 2011

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Profit before taxation from continuing operations		551,883	632,084
Loss before taxation from discontinued operations		(209,909)	(55,584)
Adjustment for specific items included on the accruals basis:			
- Finance charges		110,044	82,854
- Investment income		(857,053)	(888,213)
Adjustment for non-cash items	41	(142,149)	(339,801)
Interest received		808,095	940,659
Dividends received		36,133	32,361
Operating profit before changes in operating assets/liabilities		297,044	404,360
Net increase in insurance liabilities		155,142	445,759
Net increase/(decrease) in reinsurance assets		11,941	(48,207)
Net increase in investment contracts		83,765	60,596
Purchase of financial assets		(3,088,106)	(7,276,094)
Proceeds from sale of other financial assets		2,887,594	6,486,036
Purchase of/additions to investment properties		(201,376)	(188,670)
Proceeds from sale of investment property		1,184	–
Net decrease in loans and receivables		41,873	173,061
Net decrease in other operating assets/liabilities		164,307	69,495
Cash provided by operating activities		353,368	126,336
Interest paid		(108,045)	(132,065)
Net taxation paid		(120,251)	(107,748)
Net cash provided by/(used in) operating activities		125,072	(113,477)
Cash flows from investing activities			
Additional investment in associated company		(4,688)	(3,518)
Proceeds on sale of associated companies		116,851	8,261
Proceeds on sale of subsidiary company		–	103,397
Purchase of property, plant and equipment		(32,608)	(46,106)
Proceeds on sale of property, plant and equipment		363	314
Purchase of intangible assets		(1,846)	(1,632)
Net cash provided by investing activities		78,072	60,716
Cash flows from financing activities			
Proceeds from issue of shares		–	412,609
Proceeds from borrowings		1,309,355	206,498
Repayments of borrowings		(1,169,174)	(1,180,089)
Dividends paid to equity holders of the parent	40	(110,906)	(105,898)
Dividends paid to non-controlling interests		(1,225)	(625)
Redemptions from Mutual Funds		(689,041)	(389,469)
Subscriptions to Mutual Funds		756,457	207,046
Net cash provided by/(used in) financing activities		95,466	(849,928)
Net increase/(decrease) in cash and cash equivalents	18	298,610	(902,689)

The accompanying notes form an integral part of these consolidated financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITIES OF THE GROUP

Guardian Holdings Limited (the 'Parent' and ultimate parent) was incorporated in the Republic of Trinidad and Tobago on 8 November 1982. It is a public limited liability holding company. The address of the registered office is 1 Guardian Drive, Westmoorings S.E., Trinidad and Tobago.

The Guardian Holdings Group (the 'Group') is a diversified financial services Group engaged in underwriting all classes of long-term, property and casualty business, and the provision of pension and asset management services. The Group conducts its operations through subsidiaries, associated companies and joint ventures.

The ordinary shares of the parent company are listed on the Trinidad and Tobago Stock Exchange and the Jamaica Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, derivative financial instruments and financial assets at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1 Basis of preparation

(a) New standards and amendments/revisions to published standards and interpretations effective in 2011

The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2011:

IAS 24 Related Party Disclosures (Revised)

The amendment clarified the definition of a related party without changing the fundamental approach to related party disclosures. The amendment also provides for a partial exemption to related party disclosures for government related entities. The adoption did not have any impact on the financial position, performance or disclosures of the Group.

IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to exclude rights issues and to be consistent with IFRS 2, that a pro rata issue of rights to all existing shareholders to acquire additional shares is a transaction with an entity's owners in their capacity as owners. Consequently, those transactions should be recognised in equity, not comprehensive income. The Group did not enter into any rights issue, option or warrants which would be affected by this amendment. The amendment is effective for financial years beginning on or after 1 February 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2011 (continued)

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment was made to remove an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid. The equity instruments issued are at their fair value and any gain or loss is recognised immediately in profit or loss. This amendment is effective for annual periods beginning on or after 1 July 2010. This policy is currently being applied by the Group and did not have any impact on the financial position of the Group.

Improvements to IFRS (issued 2010)

The improvements to IFRS project is an annual process that the IASB has adopted to deal with non-urgent but necessary amendments to IFRS (The 'annual improvement process'). In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording.

IFRS 3 Business Combinations

The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of a liquidation should be measured at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

IFRS 7 Financial Instruments - Disclosures

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put quantitative information in context. The Group reflects the revised disclosure requirements in Note 4.2 and Note 40.

IAS 1 Presentation of Financial Statements

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in Note 20.

(b) New standards and amendments/revisions to published standards and interpretations effective in 2011 but not applicable to the Group

The following new and revised IFRSs and IFRIC Interpretations that have been issued do not apply to the activities of the Group:

- IFRS 3 Business Combinations (Contingent consideration arising from business combinations prior to adoption of IFRS 3 (as revised in 2008))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New standards and amendments/revisions to published standards and interpretations effective in 2011 but not applicable to the Group (continued)

- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 34 Interim Financial Statements
- IFRIC 13 Customer Loyalty Programmes
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IAS 27 Consolidated and Separate Financial Statements - Group reorganisations in separate financial statements

(c) New interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Group

The improvements become effective for annual periods on or after either 1 July 2011 or 1 January 2012. These changes are currently being evaluated by Management.

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - Effective 1 July 2011
- IFRS 7 Financial Instruments: Disclosures (Amendment) - Effective 1 July 2011
- IAS 12 Income taxes (Amendment) - Deferred Taxes : Recovery of Underlying Assets - Effective 1 January 2012
- IAS 1 Presentation of Items of Other Comprehensive income - Amendments to IAS 1- Effective 1 July 2012
- IAS 19 Employee Benefits (Revised) - Effective 1 January 2013
- IFRS 9 Financial Instruments - Classification and Measurement - Effective 1 January 2013
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements - Effective 1 January 2013
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures - Effective 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities - Effective 1 January 2013
- IFRS 13 Fair Value Measurement - Effective 1 January 2013

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see Note 2.7). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

All intra-group transactions and balances are eliminated on consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. A listing of the Group's subsidiaries and associated companies is set out in Note 46.

(b) Associated companies

The Group's investment in its associated companies is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the share of the results of operations of the associates. When there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share of profit of associated companies is shown on the face of the consolidated income statement. This is profit attributable to the equity holders of the associates.

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring its accounting policies in line with the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each consolidated statement of financial position date, whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the consolidated income statement. A listing of the Group's associates is set out in Note 46.

(c) Joint ventures

Jointly controlled entities are those that involve the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The Group's interest in jointly controlled entities is accounted for on an equity basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(d) Mutual funds

The Group manages and controls certain mutual funds through its asset management subsidiary, Guardian Asset Management, in which it also has a beneficial ownership interest. These funds have been consolidated in these financial statements in accordance with IAS 27.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments:

(i) Life, Health and pension insurance
(ii) Property and casualty insurance
(iii) Asset management

Transfer prices between operating segments are set on an arms length basis in a manner similar with third parties. Segment income, expenses and results will include those transfers between segments which will then be eliminated on consolidation.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in thousands of Trinidad and Tobago dollars, which is also the Parent's functional currency.

(b) Transactions and balances in the financial statements

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period.

(ii) income and expenses for each consolidated income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, liquidated or wound up, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

2.5 Property, plant and equipment

Freehold properties comprise mainly offices occupied by the Group and are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in the consolidated statement of comprehensive income. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in the consolidated statement of comprehensive income; all other decreases are charged to the consolidated income statement.

Land is not depreciated. Depreciation on other assets is charged over the estimated useful lives of the assets using the following rates and methods:

Freehold building	-	straight line method, 2% per annum
Leasehold property	-	over the period of the lease
Air-conditioning equipment	-	declining balance method, 20% per annum
Motor vehicles	-	straight-line method, 20% per annum and reducing balance basis, 25% per annum
Other plant, machinery, office furniture & equipment	-	straight line method, 10 - 40% per annum

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement. When revalued assets are sold, the amounts included in the revaluation surplus account are transferred to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties

Freehold or leasehold properties held for long-term rental yields that are not occupied by the Group are classified as investment properties. Investment properties comprise freehold land and buildings. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is based on active market prices, adjusted, as necessary for any difference in the nature, location or condition of the specified asset. Fair value is determined annually by accredited external independent valuators. Investment properties are not subject to depreciation. Any appreciation or diminution in value is recognised in the consolidated income statement.

If investment properties become owner-occupied, they are reclassified as property, plant and equipment, and their fair value at the date of reclassification becomes its cost for subsequent accounting periods. Alternatively, where properties classified as property under IAS 16 become investment properties because of a change in use, these properties are accounted for as investment properties and any differences arising between the carrying amount and the fair value of these items at the date of transfer are recognised in equity as a revaluation of property. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Upon disposal, any surplus previously recorded in the property revaluation reserve in equity is transferred to retained earnings.
The Group applies the fair value model for investment properties as described above. However, in exceptional cases for an investment property under construction where fair value is not readily determinable, it is stated at cost until either the fair value becomes readily determinable, or construction is completed (whichever is earlier).

Properties under construction that are intended for sale are classified as lands for development and sale. These balances are carried at the lower of cost and net realisable value.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is reported on the consolidated statement of financial position. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each of those cash-generating units represents the Group's investment in each country of operation by each primary segment.

(b) Brands

Brands acquired through direct purchase or through a business combination are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brands over their estimated useful lives which range between 3 and 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (continued)

(c) Computer software and website development costs

Acquired computer software licenses and website development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are also recognised as intangible assets. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2.8 Financial assets

(a) Initial recognition and subsequent measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity investments as appropriate. The Group determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits, debt securities, equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. The Group's subsidiaries, with the exception of its asset management company, do not engage in trading financial assets. For investments designated at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gain and loss are recognised in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

(c) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(e) Lands for development and sale

Properties under construction that are intended for sale, are classified as lands for development and sale. These balances are carried at the lower of cost and net realisable values.

(f) Fair value of financial assets

The fair value of quoted investments (primarily equity securities) are based on current bid prices at the consolidated statement of financial position date. If the market for a financial asset is not active (primarily government securities, debentures and corporate bonds), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

If the fair value of unquoted equities cannot be measured reliably, these financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(g) Derecognition of financial assets

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- The Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risk and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

(g) Derecognition of financial assets (continued)

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and / or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that, in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.9 Impairment of assets

(a) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recognised in the consolidated income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each consolidated statement of financial position date.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Segregated funds

Segregated funds' assets and liabilities represent funds maintained to meet specific investment objectives of policyholders who bear the investment risk. The value of the fund changes based on the market value fluctuations of the assets held by the fund and the returns earned by the investments of the fund. Investment income and both realised and unrealised gains and losses accrue directly to the policyholders.

The assets of each fund are segregated and are not subject to claims that arise out of any other business of the Group. The assets and liabilities are carried at fair values. Deposits, withdrawals, net investment income and realised gains and losses, together with the increase or decrease in the market value of investments related to segregated policies are charged or credited to the segregated funds liabilities.

The Group earns fees for management of the funds, policy administration, as well as effecting the surrendering of units.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current financial liabilities on the consolidated statement of financial position.

2.13 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Insurance and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance contracts contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

a) that are likely to be a significant portion of the total contractual benefits;

b) whose amount or timing is contractually at the discretion of the Group;

c) and that are contractually based on:

    (i) the performance of a specified pool of contracts or a specified type of contract;

    (ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group; or

    (iii) the profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the bases for the determination of the amounts on which discretionary benefits are based and within which the Group may exercise its discretion as to the quantum and timing of their payments to contract holders, which will be subject to the advice of the Group's actuary or a locally appointed actuary.

(b) Recognition and measurement

Insurance contracts are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

These contracts are principally property, motor, casualty (employers' liability, public liability), marine, group life and health insurance contracts. Health insurance contracts include both group and individual health insurance.

Property insurance contracts indemnify the Group's customers in the event of a loss from a specified insured peril such as fire, windstorm or earthquake (not limited to these perils) up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks. Customers who undertake commercial activities on their premises could also receive compensation for consequential loss/business interruption caused by the insured perils.

Motor insurance contracts indemnify the Group's customers for their legal requirement under the relevant country's Road Traffic Act which in certain instances stipulate unlimited coverage for third party liability. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(i) Short-term insurance contracts (continued)

Casualty insurance contracts provide coverage for liability exposures that indemnify the Group's customers against actions from third parties which are subject to the policy limits and conditions. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and employers who become liable to pay compensation to third parties for bodily harm or property damage (public liability).

Marine insurance contracts indemnify the Group's customers for loss or damage to their insured cargo, commercial hull and pleasure craft vessels. Third party coverage is also provided.

Group life contracts protect the Group's customers from the consequences of events (such as death or critical illness) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Health insurance contracts provide for both unexpected and preventative medical treatment and drugs. On these contracts, the benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on inforce contracts that relate to unexpired risks at the consolidated statement of financial position date is reported as an unearned premium liability. Premiums are shown before deduction of commissions payable to agents and brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by agents and brokers not yet received by the Group.

Unearned premiums represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the consolidated statement of financial position date calculated using either the three hundred and sixty-fifths method or the twenty-fourths method. Unearned premiums relating to marine cargo are calculated using 180 days after the first date of sailing. Unearned premiums relating to group life are calculated based on 25% of net premiums written.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the consolidated statement of financial position date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported ("IBNR"), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognised within claims expense in the current year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and without DPF

These contracts insure events associated with human life over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when incurred.

A liability for policyholders' benefits that are expected to be incurred in the future is recorded when the premiums are recognised. Typically, the liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). In particular, the liability is based on assumptions as to mortality and investment income. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each consolidated statement of financial position date and the change in the liability is recognised as an expense in the consolidated income statement.

For the Trinidad and Tobago life insurance subsidiaries, reserves held are calculated based on the Zillmerised Net Premium Method. A gross premium method is used for some lines of business.

For the Jamaican life insurance subsidiary, reserves are calculated using the Policyholder Premium Method as required under the Insurance Act 2001 of Jamaica.

For the Dutch Caribbean life insurance subsidiary, reserves are calculated on a Modified Net Premium Method in accordance with the requirements of the Central Banks of the Netherlands Antilles and of Aruba.

Unit-linked and interest-sensitive insurance contracts

The premiums paid for these contracts contain an element that covers the insured event and another which is used to accumulate cash values available for withdrawal at the option of the policyholder. These cash values earn interest.

Unit-linked insurance contracts

For the Jamaican life insurance subsidiary, the portion of the premium covering the insured risk is recorded as premium income. The portion of the premium which accumulates a cash value for the policyholder is recorded as a liability and is credited to the account of the policyholder in the respective segregated fund (Note 2.10) to which the contract is linked.

The liabilities arising from the unit linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insured risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders' liability balance while the liability for the accumulated cash value is carried at fair value of the assets which fund the liabilities. The liabilities for the accumulated cash values are included in the segregated funds' liability balance. The Group bears no risk in relation to segregated funds' liability.

The change in the liability arising from the insurance risk is recognised as an expense in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

Interest sensitive insurance contracts

The Jamaican life insurance subsidiary issues interest sensitive policies for which the entire premium is recorded as premium income and there is no unbundling of the premium receipt between the insurance and investment components. The liability for the interest sensitive policies is determined as the sum of the liability for the insured risk as determined above for unit linked policies and the liability for the accumulated cash values. The entire liability for the interest sensitive policies is recorded in insurance contracts.

The change in the overall liability for the interest sensitive policies is recognised as an expense in the consolidated income statement.

(iii) Long-term insurance contracts without fixed terms

Unit Linked insurance contracts

For the Trinidad and Tobago life insurance subsidiary the entire premium on these contracts is recorded as premium income. The liabilities held for these contracts are the contract holders' notional account balances. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract holders' notional account balances in each period; no additional liability is therefore established for these claims other than a small provision for incurred but not reported claims. Some of the Group's unit-linked annuity contracts contain a guarantee that entitles the holders to a minimum guaranteed crediting rate over the life of the policy. A reserve is held for this guarantee.

(iv) Long-term insurance contracts with fixed and guaranteed terms and with DPF

In addition to death or life benefits, these contracts contain a DPF that entitles the holders to a bonus or dividend declared by the company from time to time. The discretionary element of the benefits payable under these policies, as well as the guaranteed elements are treated as liabilities and any changes in the total benefits due are recognised as charges in the consolidated income statement and form part of increases in reserves for future benefits of policyholders.

(v) Investment contracts

The Group issues investment contracts including deposit administration contracts and individual deferred annuity contracts. Insurance premiums are recognised directly as liabilities. These liabilities are increased by credited interest or change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Revenue consists of investment income and interest credited is treated as an expense.

(c) Outstanding claims

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Insurance and investment contracts (continued)

(d) Policyholders' benefits

Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

Differences between the estimated claims and subsequent settlements are recognised in the consolidated income statement in year of settlement.

(e) Value to shareholders of inforce long-term business

Besides estimating the insurance liabilities, the Group estimates the present value of future profits to be earned on its long-term lines of business. This value to shareholders of inforce long-term business is included on the consolidated statement of financial position and changes in it flow through the consolidated income statement. The value to shareholders of inforce long-term business is calculated as the present value of free cash flow produced by the insurance contracts and their associated reserves that are inforce as at the consolidated statement of financial position date.

(f) Deferred acquisition costs ("DAC")

Commissions paid to agents and brokers for property, casualty and short-duration life insurance contracts that are related to securing new contracts and renewing existing contracts are expensed over the terms of the policies as premium is earned. All other costs are recognised as expenses when incurred.

(g) Liability adequacy test

At each consolidated statement of financial position date, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognised in the consolidated income statement and the amount of the relevant insurance liabilities is increased.

(h) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Insurance and investment contracts (continued)

(h) Reinsurance contracts held (continued)

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated income statement.

(i) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated income statement.

(j) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). The estimated cost of claims includes a deduction for the expected value of salvage and other recoveries.

2.15 Borrowings

Borrowings are recognised initially at fair value, plus directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivative financial instruments are recorded in the consolidated statement of financial position at fair value as assets when favorable to the Group and liabilities when unfavorable. Realised and unrealised gains and losses on trading derivatives are reflected in income and recognised as trading gains or losses.

2.17 Taxation

Tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the taxable income for the year using the prevailing tax rate and any adjustment of tax payable for previous years.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit. Deferred tax assets are taxes recoverable in future periods in respect of deductible temporary differences and tax losses carried forward. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax on the profit is charged at varying rates depending on the type of business that the individual entities are engaged in and the country in which they reside.

2.18 Employee benefits

(a) Pension plans

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. Except in the case of one pension plan, the plans are generally funded by payments from employees and by the relevant Group companies after taking account of the recommendations of the independent qualified actuaries.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Plan assets exclude any insurance contracts issued by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (continued)

(a) Pension plans (continued)

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out full valuations of the plans every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

The Group's contributions to the defined contribution pension plans are charged to the consolidated income statement in the year to which they relate.

(b) Post retirement medical benefit obligations

The Group's subsidiary in the Dutch Caribbean provides post-retirement medical benefits to its permanent employees who retire from active service, their spouses and their dependents. The entitlement to these benefits is based on the employee remaining in service up to retirement age or leaving service due to ill health. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit plans. All actuarial gains and losses are recognised immediately. Independent qualified actuaries carry out a valuation of these obligations.

(c) Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each consolidated statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(d) Employee share ownership plan ("ESOP")

The employees of subsidiaries incorporated in Trinidad and Tobago have the option to receive their bonuses in cash and/or ordinary shares of the parent company purchased on the open market, in accordance with the terms outlined in the Trust Deed governing an approved ESOP. The Group recognises an expense within staff costs when bonuses are awarded.

(e) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.20 Revenue recognition

Revenue comprises the fair value for services rendered after eliminating revenue within the Group. Revenue is recognised as follows:

(a) Premium income

Premium income is recognised on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2.14.

(b) Investment income

Interest income is recognised using the effective interest method. Rental income is recognised in the consolidated income statement on the accrual basis. Dividend income is recognised when the right to receive payment is established. Realised and unrealised investment gains and losses are recognised in the consolidated income statement in the period in which they arise.

(c) Commission income

Commissions are recognised on the accrual basis when the service has been provided.

(d) Fee income

Fees are earned from the management of the assets of the segregated funds and deposit administration funds and from general policy administration and surrenders. Fees are recognised in the period in which the services are rendered.

For the asset management company in the Group, portfolio, asset management fees and other management advisory and service fees are recognised based on the applicable service contracts over the period the service is provided. Management fees and commissions arising from negotiating, or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as an appropriation in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Finance charges

Finance charges are recognised as an expense in the period in which they are incurred except to the extent that they are capitalised when directly attributable to the acquisition, construction or production of an investment property or in developing properties for sale.

2.24 Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.25 Assets under management

The Group provides custody and trustee discretionary investment management services to third parties. Such assets under management represent the managed funds administered by the asset management company.

2.26 Subscriptions and redemptions on Mutual Funds portfolio

(a) Subscriptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements could be subscribed based on the net asset value per unit of the underlying funds determined on each business day.

(b) Distributions - The net income and net realised capital gains of the various pools of mutual funds are calculated and accrued to the investor daily and distributed monthly. Investors have the option either to receive a cash distribution or to reinvest income distributions into units at the prevailing subscription price as at the date of distribution.

(c) Redemptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements are redeemed at a price per unit based on the net asset value of the underlying funds published on the date that the request is made.

2.27 Comparative information

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims in particular, the claims arising from motor, casualty and health insurance contracts.

(b) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard mortality tables adjusted where appropriate to reflect the Group's own experience or expectations. For contracts that insure the risk of longevity, no allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics (such as AIDS or SARS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk.

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. See Note 4.1.4 (e) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value these liabilities.

(c) Value of inforce life insurance business

In determining this value, assumptions relating to future mortality, persistence and the level of expenses are based on experience of the type of business concerned. The assumptions made and methods employed are reviewed each year in light of the actual experience and data available. Any significant changes made to these can create a source of profit or loss. The following tables present the effect on the profit or loss to changes in the assumptions used in the estimation of value to shareholders of inforce long-term business.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(c) Value of inforce life insurance business (continued)

	Change in variable	Effect on Consolidated income 2011 $'000	Effect on Consolidated income 2010 $'000
For the Trinidadian life insurance subsidiaries:			
Variable			
Worsening of mortality	+ 1.0%	4,854	4,335
Improvement of annuitant mortality	+ 5.0%	6,771	5,882
Lowering of investment returns	- 1.0%	45,247	39,467
Worsening of base renewal expense level	+ 5.0%	15,933	14,783
Worsening of expense inflation rate	+ 1.0%	26,881	23,073
For the Jamaican life insurance subsidiary:			
Variable			
Worsening of mortality	+ 10.0%	7,423	4,359
Lowering of investment returns	- 2.0%	132,338	108,274
Worsening of base renewal expense level	+ 5.0%	4,266	7,002
Worsening of expense inflation rate	+ 1.0%	20,439	33,650

(d) Fair valuation of financial assets

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields. The following shows the effect on the profit or loss to changes in the market yields.

	Effect on consolidated income 2011 $'000	2011 $'000	2010 $'000	2010 $'000
For the Trinidadian insurance subsidiaries:				
Decrease/(increase) in market yields (±1%)	(196,297)	212,798	(181,152)	197,880

(e) Impairment losses on loans, receivables and other assets

The Group reviews its asset portfolios to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the underlying portfolios. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(g) Held-to-maturity investments

The Group follows the IAS 39 guideline on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity dates as held to maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire category. The investments would therefore be measured at fair value and not amortised cost. If the entire class of held to maturity investments is tainted, the carrying value would increase by $514 million as at 31 December 2011 (as at 31 December 2010: increase of $241 million) with a corresponding entry in the fair value reserve in shareholders' funds.

(h) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(i) Employee benefits

In conducting valuation exercises to measure the effect of all employee benefit plans throughout the Group, the company's independent actuaries use judgement and assumptions in determining discount rates, salary increases, pension increases and rates of return on the assets of the Plans. These are detailed in Note 12 and Note 26.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them.

4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

4.1.1 Casualty insurance risks

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (subrogation).

The Group's reinsurance arrangements include non proportional excess of loss placements on a per claimant and a per occurrence basis.

(b) Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a large element of the claims provision relates to claims incurred but not reported (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability cover)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.1 Casualty insurance risks (continued)

(b) Sources of uncertainty in the estimation of future claim payments (continued)

or members of the public (for public liability cover). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the consolidated statement of financial position date.

In calculating the estimated cost of unpaid claims (both reported and IBNR), the Group estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims has happened. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variability between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Note 23.2 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Group's estimation technique for claims payments.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.2 Short duration life insurance contracts

(a) Frequency and severity of claims

Short-duration life insurance contracts are contracts which are typically of a short tenure with the tenure being often determined by the length of an individual's time in employment. These contracts are mainly issued to employers to insure their commitments to their employees. The risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry.

The Group attempts to manage this risk through its underwriting and claims handling. Additionally there is reinsurance on short-duration life insurance contracts. For the Jamaican life insurance subsidiary, there is concentration of risk in the services sector. For the Trinidadian life insurance subsidiaries, there is concentration of risk in the banking / finance sector and the retail / services sector.

(b) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short a duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. The group currently does so using conservative assumptions.

(c) Changes in assumptions

The Group's assumptions in respect of short duration life insurance contracts have not changed from prior year.

4.1.3 Property insurance contracts

(a) Frequency and severity of claims

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding and hurricanes) and their consequences (for example, subsidence claims). For certain contracts, the Group has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for contents and the time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Group analyses the property exposures using in-house and external modelling tools and purchases sufficient reinsurance protection to cover its perceived liabilities.

The Group's reinsurance arrangements include proportional quota share and surplus arrangements and non proportional excess of loss placements on a per claimant and a per occurrence basis.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.3 Property insurance contracts (continued)

b) Sources of uncertainty in the estimation of future claim payments

Property claims are analyzed separately for subsidence and non-subsidence claims. The development of large losses/catastrophes is analyzed separately. Non-subsidence claims can be estimated with greater reliability, and the Group estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the Group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year end. The longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain.

4.1.4 Long-term insurance contracts

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS or SARS) or wide spread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed terms, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts, without fixed terms, a significant portion of the insurance risk is shared with the insured party. The Group charges for mortality risk on a monthly basis for most life and critical insurance contracts without fixed terms. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. Medical selection is included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group uses excess of loss reinsurance contracts with retention limits that vary by product.

The table below presents the concentration of insured benefits across five bands per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. These tables do not include annuity contracts, for which a separate analysis is reported further below.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

For the Jamaican life insurance subsidiary:

	2011 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
J$1,000 - 5,000 (TT$70 - TT$350)	11,984,753	87.2%	11,889,745	92.3%
J$5,001 - 10,000 (TT$350 - TT$699)	1,028,007	7.5%	780,066	6.1%
J$10,001 - 15,000 (TT$699- TT$1,049)	234,304	1.7%	107,977	0.8%
J$15,001 - 20,000 (TT$1,049 - TT$1,398)	163,556	1.2%	54,520	0.4%
J$20,001 and over (TT$1,398 and over)	330,028	2.4%	53,760	0.4%
Total	13,740,648	100.0%	12,886,068	100.0%

The risk is concentrated in the lower value bands. This has not changed from last year.

	2010 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
J$1,000 - 5,000 (TT$70 - TT$350)	11,319,224	87.9%	11,117,149	95.0%
J$5,001 - 10,000 (TT$350 - TT$699)	930,873	7.2%	467,723	4.0%
J$10,001 - 15,000 (TT$699- TT$1,049)	211,663	1.6%	62,909	0.5%
J$15,001 - 20,000 (TT$1,049 - TT$1,398)	126,334	1.0%	25,886	0.2%
J$20,001 and over (TT$1,398 and over)	293,894	2.3%	35,843	0.3%
Total	12,881,988	100.0%	11,709,510	100.0%

For the Trinidadian life insurance subsidiaries:

	2011 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 250 (TT$)	11,874,939	32.1%	11,259,232	43.3%
250-500 (TT$)	3,890,398	10.5%	3,231,386	12.5%
500 -1,000 (TT$)	10,403,168	28.2%	7,158,911	27.6%
1,000 - 3,000 (TT$)	8,435,437	22.9%	3,595,373	13.9%
More than 3,000 (TT$)	2,284,152	6.3%	688,364	2.7%
Total	36,888,094	100.0%	25,933,266	100.0%

The risk is concentrated in the lower value bands. This has not changed from last year.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

For the Trinidadian life insurance subsidiaries (continued):

	2010 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life	**TT$'000**	**%**	**TT$'000**	**%**
$'000				
0 - 250 (TT$)	11,762,006	34.8%	11,101,144	50.8%
250 - 500 (TT$)	3,692,143	10.9%	2,988,253	13.7%
500 -1,000 (TT$)	9,175,099	27.2%	5,639,947	25.8%
1,000 - 3,000 (TT$)	7,204,077	21.3%	1,948,069	8.9%
More than 3,000 (TT$)	1,936,552	5.8%	163,186	0.8%
Total	33,769,877	100.0%	21,840,599	100.0%

For the Dutch Caribbean life insurance subsidiaries:

	2011 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life	**TT$'000**	**%**	**TT$'000**	**%**
$'000				
NAF$0 - 500 (TT$0 - TT$1,769)	2,457,969	87.9%	2,360,969	97.6%
NAF$501 - 1,000 (TT$1,769 - TT$3,538)	210,061	7.5%	48,547	2.0%
NAF$1,001 - 1,500 (TT$3,538 - TT$5,307)	74,488	2.7%	8,512	0.4%
NAF$1,501 - 2,000 (TT$5,307 - TT$7,075)	28,547	1.0%	–	0.0%
More than NAF$2,000 (TT$7,075)	25,942	0.9%	–	0.0%
Total	2,797,007	100.0%	2,418,028	100.0%

The risk is concentrated in the lower value bands. This has not changed from last year.

	2010 - Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life	**TT$'000**	**%**	**TT$'000**	**%**
$'000				
NAF$0 - 500 (TT$0 - TT$1,769)	2,378,682	87.7%	2,303,725	97.9%
NAF$501 - 1,000 (TT$1,769 - TT$3,538)	198,062	7.3%	42,516	1.8%
NAF$1,001 - 1,500 (TT$3,538 - TT$5,307)	81,890	3.0%	8,184	0.3%
NAF$1,501 - 2,000 (TT$5,307 - TT$7,075)	23,077	0.9%	–	0.0%
More than NAF$2,000 (TT$7,075)	28,502	1.1%	–	0.0%
Total	2,710,213	100.0%	2,354,425	100.0%

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

The following tables for annuity insurance contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity were in payment at the year end. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour.

For the Jamaican life insurance subsidiary:

	Total annuities payable per annum			
	2011		2010	
Annuity payable per annum per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
J$ 0 - 200,000 (TT$0 - TT$13,980)	41,897	30.3%	32,480	31.0%
J$200,001 - 300,000 (TT$13,980 - TT$20,970)	17,209	12.4%	14,930	14.3%
J$300,001 - 400,000 (TT$20,970 - TT$27,960)	11,048	8.0%	8,145	7.8%
J$400,001 - 500,000 (TT$27,960 - TT$34,950)	9,336	6.7%	6,577	6.3%
More than J$500,000 (More than TT$34,950)	59,050	42.6%	42,433	40.6%
Total	138,540	100.0%	104,565	100.0%

The greatest risk concentration remains at the highest band and lowest band which is consistent with the prior year.

For the Trinidadian life insurance subsidiaries:

	Total annuities payable per annum			
	2011		2010	
Annuity payable per annum per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 5,000 (TT$)	6,136	7.3%	6,057	7.7%
5,001 - 10,000 (TT$)	20,926	25.0%	10,800	13.9%
10,001 - 20,000 (TT$)	12,399	14.8%	19,172	24.6%
More than 20,000 (TT$)	44,310	52.9%	41,897	53.8%
Total	83,771	100.0%	77,926	100.0%

The greatest concentration remains at the highest band, which is consistent with the prior year.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

For the Dutch Caribbean life insurance subsidiaries:

	Total annuities payable per annum			
	2011		2010	
Annuity payable per annum per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
NAF$0 - 10 (TT$0 - TT$35)	1,573	12.0%	1,515	11.1%
NAF$11 - 20 (TT$35 - TT$71)	2,993	22.8%	2,705	19.7%
NAF$21 - 30 (TT$71 - TT$106)	2,208	16.9%	2,412	17.6%
NAF$31 - 40 (TT$106 - TT$142)	2,538	19.4%	2,756	20.1%
NAF$41 - 50 (TT$142 - TT$177)	1,294	9.9%	1,283	9.4%
More than NAF$50 (More than TT$177)	2,484	19.0%	3,038	22.1%
Total	13,090	100.0%	13,709	100.0%

The risk is spread over all the bands which is consistent with the prior year.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resided. An investigation into the actual experience for the Group is carried out periodically, and the results compared to that used in the policyholder liability and value to shareholders of inforce long-term business figures. No adjustment for future mortality improvements is made for contracts that insure survival.

(c) Process used to decide on assumptions

For long-term insurance contracts, the Group determines assumptions in relation to future deaths, voluntary termination, investment returns, administrative expenses and other items that are appropriate to the policies, their location and the local statutory reserving requirements. In the case of Jamaica, the assumptions are best estimate assumptions with appropriate provisions for adverse deviations, consistent with the use of a Policy Premium Method valuation. For other territories, the assumptions used are those appropriate for traditional net premium valuation methods.

The assumptions used for the insurance contracts disclosed in this note are as follows:

- **Mortality**
  An appropriate base table of standard mortality is chosen depending on the type of contract. For contracts insuring survivorship, no allowance is made for future mortality improvements.
- **Morbidity**
  Estimates of the future incidence of critical illness is made using the reinsurance terms available to the Group as a guide.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(c) Process used to decide on assumptions (continued)

- **Persistency**
  An investigation into the Group's experience is performed to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration.
- **Investment returns**
  The Group sets the investment return assumption based on the total expected return available on suitable investment asset classes.
- **Renewal expense level and inflation**
  The current level of expenses is taken as an appropriate expense base with allowance for future expense inflation.
- **Tax**
  It has been assumed that current tax legislation and rates for long-term insurance companies continue unaltered.

(d) Change in assumptions

	2011 $'000	2010 $'000
Determination of liabilities:		
For the Jamaican life insurance subsidiary:		
Changes in expense assumptions	1,633	(189,006)
Changes in lapse assumptions	2,228	–
Changes in investment returns	(8,051)	207,867
Other assumptions	(30,794)	652

For the Trinidadian life insurance subsidiaries:
No changes have been made to the assumptions used to determine the value of long-term insurance liabilities.

For the Dutch Caribbean insurance subsidiaries:
No changes have been made to the assumptions used to determine the value of long-term insurance liabilities.

(e) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(e) Sensitivity analysis (continued)

Long-term insurance contracts with fixed and guaranteed terms and without DPF:

	Change in variable 2011	Change in liability 2011 $'000	Change in variable 2010	Change in liability 2010 $'000
Variable				
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+ 10.0%	66,995	+ 10.0%	46,861
Lowering of investment returns	- 2.0%	446,471	- 2.0%	351,228
Worsening of base renewal expense level	+ 5.0%	25,528	+ 5.0%	30,648
Worsening of expense inflation rate	+ 1.0%	75,320	+ 1.0%	102,250
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 1.0%	1,343	+ 1.0%	1,256
Improvement of annuitant mortality	+ 5.0%	16,032	+ 5.0%	14,035
Lowering of investment returns	- 1.0%	73,607	- 1.0%	69,565
Worsening of base renewal expense level	+ 5.0%	314	+ 5.0%	257
Worsening of expense inflation rate	+ 1.0%	980	+ 1.0%	784
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	46,475	+ 10.0%	43,649
Improvement of annuitant mortality	+ 10.0%	4,441	+ 10.0%	3,703

Long-term insurance contracts with fixed and guaranteed terms and with DPF:

	Change in variable 2011	Change in liability 2011 $'000	Change in variable 2010	Change in liability 2010 $'000
Variable				
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+ 10.0%	260	+ 10.0%	213
Lowering of investment returns	- 2.0%	3,095	- 2.0%	2,903
Worsening of basis renewal expense level	+ 5.0%	665	+ 5.0%	796
Worsening of expense inflation	+ 1.0%	991	+ 1.0%	1,302
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	12,036	+ 10.0%	11,447

The above analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of this financial risk are interest rate risk, equity price risk, foreign currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Risk management is carried out by Executive Investment Committees and Actuarial departments of operating units under policies approved by the Group's board of directors. The Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

4.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk - currency risk, interest rate risk and other price risk each of which are considered below.

(a) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The Group has operations in the Caribbean as well as operations at Lloyd's which underwrites risks on a worldwide basis. The main exposure to risks are in respect to the US dollar, Antillean Guilder, Jamaican dollar and the Sterling. The Group's strategy for dealing with foreign exchange risk is to offset as far as possible foreign currency liabilities with assets denominated in the same currency.

Each subsidiary has an Executive Investment Committee which has oversight for the management of currency risk. The Trinidad insurance subsidiaries' exposure to currency risk is also mitigated by the requirements of the Insurance Act 1980, which does not allow more than 20% of the assets supporting policyholder liabilities to be held in currencies other than the currency of the liability.

The tables below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December. The Group's assets and liabilities at carrying amounts are included in the table categorised by currency positions expressed in TT$ equivalents.

	TT $'000	US $'000	NAF $'000	JMD $'000	GBP $'000	Euro $'000	Other $'000	Total $'000
As at 31 December 2011								
Total assets	6,582,172	4,168,322	3,304,850	3,662,354	1,646,073	1,271,883	866,963	21,502,617
Total liabilities	7,752,651	1,583,979	3,675,127	2,797,383	1,597,386	329,019	572,801	18,308,346
	(1,170,479)	2,584,343	(370,277)	864,971	48,687	942,864	294,162	3,194,271
As at 31 December 2010								
Total assets	6,064,631	4,204,189	3,164,527	3,397,189	2,261,019	1,108,797	787,443	20,987,795
Total liabilities	7,086,002	1,394,823	3,745,964	2,602,643	2,220,965	303,264	503,810	17,857,471
	(1,021,371)	2,809,366	(581,437)	794,546	40,054	805,533	283,633	3,130,324

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(a) Currency risk (continued)

The analysis below is performed for reasonable possible movements in foreign currency exchange rates with all other variables held constant, showing the impact on the consolidated income statement and equity at the reporting date.

Change in variables	US	NAF	JMD	GBP	Euro	Other
2011	-0.2%	-0.2%	0.9%	16.0%	6.6%	-6.8% to 1.8%
2010	1.0%	2.0%	2.0%	2.0%	5.0%	1.0%

	US $'000	NAF $'000	JMD $'000	GBP $'000	Euro $'000	Other $'000	Total $'000
Impact on income statement							
2011	3,112	–	64	(12,122)	51,213	90	42,357
2010	914	(1,541)	152	(5,729)	8,311	1,288	3,395
Impact on equity							
2011	11,691	(537)	8,687	14,793	8,298	(2,995)	39,937
2010	20,521	17,135	17,473	4,989	1,791	1,470	63,379

(b) Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The major element of interest rate risk within the Group is the risk that the interest earned on the Group's investments is insufficient to meet the interest rates credited or guaranteed to policyholders. This applies to traditional life insurance policies and the deposit administration plans.

Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of a similar nature. The Group also mitigates the effect of interest rate risk of the investment portfolio through the functioning of an Executive Investment Committee and the pricing of products by the actuarial function. The investment portfolio return is continually monitored by the Investment Committee. The results of these reviews inform the pricing of products and interest rates to be credited to the respective policies and plans.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For the sensitivity analyses, a 1% movement in interest rates was used for 2011 for the Trinidad market (2010: 1%), a 2% movement was used for 2011 for the Jamaica market (2010: 2%) and a 0.1% movement for 2011 was used for the Dutch Caribbean (2010: 1%). The effect of an increase in the above rates would result in a decrease in the consolidated income statement and equity of $183,925,000 for 2011 (2010: decrease of $145,895,000). The effect of a decrease in the above rates would result in an increase in the consolidated income statement and equity of $175,497,000 for 2011 (2010: increase of $144,496,000).

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(c) Other price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as fair value through profit or loss. The Group manages its price risk by limiting the amount of its investments in equities and by monitoring movements in equity prices.

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices at the reporting date. For the sensitivity analysis, an 8% movement in prices of local equities was used for 2011 for the Trinidad market (2010: 8%), a 10% movement in prices of local equities was used for 2011 for the Jamaica market (2010: 10%) and a 0.06% movement for 2011 was used for Dutch Caribbean (2010: 1%) . The effect of an increase/decrease in the above rates would result in an increase/decrease in the consolidated income statement and equity of $30,372,000 for 2011 (2010: $121,159,000).

4.2.2 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due, at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

Certain of the Group's contracts have features that allow them to be terminated at short notice creating a potential liquidity exposure. The Group monitors liquidity on a regular basis. An internally constituted Executive Investment Committee set limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

There are no individual contracts or policyholders who have the potential to influence the withdrawal of a significant amount of liabilities.

The following tables analyze the insurance and financial liabilities of the Group into relevant maturity groupings based on the remaining period, at consolidated statement of financial position date, to the contractual maturity date. The amounts disclosed in the table are at contractual undiscounted cash flows with the exception of insurance contracts and investment contracts which are at expected undiscounted cash flows.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

		Undiscounted cash flows			
As at 31 December 2011	Carrying amount $'000	No stated maturity $'000	Less than one year $'000	One – five years $'000	Over five years $'000
Insurance and financial liabilities					
Long-term insurance contracts	9,563,910	1,712,485	420,955	2,310,933	14,938,283
Short-term insurance contracts	2,046,205	–	1,450,019	579,073	17,110
Investment contracts	1,538,945	1,507,137	31,808	–	–
Medium-term borrowings	1,286,994	–	108,124	801,417	1,176,047
Short-term borrowings	75,803	–	77,491	–	–
Derivative financial instruments	31,040	–	–	31,040	–
Third party interests in mutual funds	1,085,343	1,085,343	–	–	–
Interest payable	32,743	–	32,743	–	–
Other liabilities	831,191	61,931	602,975	166,285	–
Segregated funds' liabilities	499,502	387,915	6,504	10,943	94,140
Total	16,991,676	4,754,811	2,730,619	3,899,691	16,225,580

As at 31 December 2010	Carrying amount $'000	No stated maturity $'000	Less than one year $'000	One – five years $'000	Over five years $'000
Insurance and financial liabilities					
Long-term insurance contracts	8,802,539	1,635,286	386,265	2,127,216	13,525,861
Short-term insurance contracts	3,651,224	–	2,507,843	1,126,314	17,066
Investment contracts	1,455,180	1,432,925	22,255	–	–
Medium-term borrowings	1,151,680	–	360,880	1,090,825	–
Short-term borrowings	89,841	–	90,523	–	–
Derivative financial instruments	24,856	–	–	24,856	–
Third party interests in mutual funds	1,065,548	1,065,548	–	–	–
Interest payable	8,175	–	8,175	–	–
Other liabilities	758,835	64,454	694,381	–	–
Segregated funds' liabilities	459,937	459,038	91	698	110
Total	17,467,815	4,657,251	4,070,413	4,369,909	13,543,037

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to us. Each subsidiary in the various jurisdictions, has an Executive Investment Committee (EIC) that sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral (including guarantees) should unfavorable events occur. The EIC initiates regular portfolio reviews, monitors counterparty creditworthiness, and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

The Group actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Group's reinsurers are rated superior by A.M.Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

(a) Assets bearing credit risk

Below is an analysis of assets bearing credit risk.

	Neither past due nor impaired $'000	**Past due but not impaired $'000**	**Impaired $'000**	**Total $'000**
As at 31 December 2011				
Debt securities	8,788,064	11,567	1,911	8,801,542
Financial assets of mutual fund unit holders	1,052,875	–	6,250	1,059,125
Deposits with financial institutions (more than 90 days)	1,153,164	17,325	2,548	1,173,037
Other financial assets	52,616	–	–	52,616
Interest receivable	250,455	1,075	–	251,530
Loans and receivables	1,314,009	33,397	57,633	1,405,039
Reinsurance assets	680,273	–	–	680,273
Deferred acquisition costs	72,657	–	–	72,657
Cash and cash equivalents	1,878,336	22,108	–	1,900,444
	15,242,449	85,472	68,342	15,396,263

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(a) Assets bearing credit risk (continued)

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
As at 31 December 2010				
Debt securities	9,106,671	10,556	268	9,117,495
Financial assets of mutual fund unit holders	1,096,113	–	–	1,096,113
Deposits with financial institutions (more than 90 days)	852,881	6,619	2,541	862,041
Other financial assets	47,423	–	–	47,423
Interest receivable	238,326	1,609	–	239,935
Loans and receivables	1,900,208	67,297	78,133	2,045,638
Reinsurance assets	761,614	–	–	761,614
Deferred acquisition costs	369,623	–	–	369,623
Cash and cash equivalents	1,625,938	–	–	1,625,938
	15,998,797	86,081	80,942	16,165,820

(b) Credit quality of assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Standard & Poor's credit rating methodology.

AAA An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

A An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Below BBB Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of assets (continued)

Not Rated This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification includes obligations due from individuals, short-term securities and receivables arising under contracts of insurance underwritten in the international property and casualty business of the Group.

The concentration of credit risk is substantially unchanged compared to prior year.

As at 31 December 2011	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not Rated $'000	Total 2011 $'000
Debt securities	966,661	71,664	4,963,904	517,908	2,249,253	18,674	8,788,064
Financial assets of mutual fund unitholders	6,304	–	594,118	296,798	155,655	–	1,052,875
Deposits with financial institutions (more than 90 days)	–	27,000	514,172	456,217	146,677	9,098	1,153,164
Other financial assets	–	4,483	5,935	14,151	–	28,047	52,616
Interest receivable	11,396	1,203	158,516	14,020	64,620	700	250,455
Loans and receivables	–	22,893	628,719	38,801	850	622,746	1,314,009
Reinsurance assets	–	–	640,243	–	–	40,030	680,273
Deferred acquisition costs	–	–	21,396	–	–	51,261	72,657
Cash and cash equivalents	–	160,884	698,692	175,472	240,660	602,628	1,878,336
	984,361	288,127	8,225,695	1,513,367	2,857,715	1,373,184	15,242,449
As at 31 December 2010							
Debt securities	1,344,557	208,042	4,944,694	454,964	2,148,861	5,553	9,106,671
Financial assets of mutual fund unitholders	–	–	612,535	191,692	291,886	–	1,096,113
Deposits with financial institutions (more than 90 days)	–	–	547,253	129,148	158,104	18,376	852,881
Other financial assets	–	5,048	9,925	2,667	22,982	6,801	47,423
Interest receivable	18,341	2,290	142,949	9,382	64,433	931	238,326
Loans and receivables	–	1,426	636,262	19,863	1,769	1,240,888	1,900,208
Reinsurance assets	–	–	723,114	–	–	38,500	761,614
Deferred acquisition costs	–	–	14,727	–	–	354,896	369,623
Cash and cash equivalents	–	118,894	478,332	374,941	107,216	546,555	1,625,938
	1,362,898	335,700	8,109,791	1,182,657	2,795,251	2,212,500	15,998,797

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(c) Assets that are past due but not impaired

	Carrying value $'000				
	Less than 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months
As at 31 December 2011					
Debt securities	7,423	1,853	437	17	1,837
Deposits with financial institutions (more than 90 days)	7,884	5,632	3,208	–	601
Interest receivable	275	423	191	–	186
Loans and receivables	30,773	1,708	1,303	600	(987)
Cash and cash equivalents	22,108	–	–	–	–
	68,463	9,616	5,139	617	1,637
As at 31 December 2010					
Debt securities	8,218	1,313	–	–	1,025
Other financial assets	3,909	898	1,812	–	–
Interest receivable	401	37	134	–	1,037
Loans and receivables	56,553	(359)	5,095	6,231	(223)
	69,081	1,889	7,041	6,231	1,839

(d) Collateral held in respect of assets that are past due but not impaired

	Fair value of collateral held	
	2011 $'000	2010 $'000
Loans and receivables	1,430	1,430

(e) Financial assets that are impaired

	Carrying value	
	2011 $'000	2010 $'000
Debt securities	1,911	268
Deposits with financial institutions (more than 90 days)	2,548	2,541
Loans and receivables	57,633	78,133
Financial assets of mutual fund unit holders	6,250	–
	68,342	80,942

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(f) Allowance for impairment

	Premiums and reinsurance receivables $'000	Other loans and receivables $'000	Financial assets $'000	Total $'000
Balance at 1 January 2011	66,642	5,147	2,809	74,598
Exchange differences	136	282	6	424
Provision for loan impairment	(16,423)	–	589	(15,834)
Amounts written off during the year as uncollectible	(16,698)	(4,603)	–	(21,301)
Amounts recovered during the year	(183)	–	–	(183)
Balance at 31 December 2011	33,474	826	3,404	37,704
Balance at 1 January 2010	39,946	3,918	2,546	46,410
Exchange differences	352	16	(6)	362
Provision for loan impairment	27,401	3,737	269	31,407
Amounts written off during the year as uncollectible	(971)	(74)	–	(1,045)
Amounts recovered during the year	(86)	(2,450)	–	(2,536)
Balance at 31 December 2010	66,642	5,147	2,809	74,598

(g) Concentrations of risks of financial assets with credit risk exposure

The following table breaks down the Group's main credit risk exposure at their carrying amounts, as categorised by the industry sectors of counterparties.

	Financial Institutions $'000	Manu-facturing $'000	Real estate $'000	Wholesale & retail trade $'000	Public sector $'000	Other industries $'000	Indi-viduals $'000	Total $'000
As at 31 December 2011								
Debt securities	787,102	41,054	5,214	24,471	6,941,766	996,114	5,821	8,801,542
Financial assets of mutual fund unitholders	333,719	–	34,127	8,972	549,536	132,771	–	1,059,125
Deposits with financial institutions	1,171,038	–	–	–	1,999	–	–	1,173,037
Other financial assets	–	–	–	–	–	52,616	–	52,616
Interest receivable	94,509	169	58	249	145,233	11,090	222	251,530
Loans and receivables	9,035	–	216,763	–	30,064	815,765	333,412	1,405,039
Reinsurance assets	–	–	–	–	–	680,273	–	680,273
Deferred acquisition costs	–	–	–	–	–	72,657	–	72,657
Cash and cash equivalents	1,747,844	–	52,554	–	100,043	3	–	1,900,444
	4,143,247	41,223	308,716	33,692	7,768,641	2,761,289	339,455	15,396,263

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(g) Concentrations of risks of financial assets with credit risk exposure (continued)

	Financial Institutions $'000	Manu-facturing $'000	Real estate $'000	Wholesale & retail trade $'000	Public sector $'000	Other industries $'000	Indi-viduals $'000	Total $'000
As at 31 December 2010								
Debt securities	1,135,005	50,937	–	26,358	6,635,257	1,229,045	40,893	9,117,495
Financial assets of mutual fund unit holders	311,693	–	16,096	5,084	692,774	70,466	–	1,096,113
Deposits with financial institutions	679,157	–	–	–	182,884	–	–	862,041
Other financial assets	–	7,218	–	74	2,667	37,464	–	47,423
Interest receivable	75,803	259	–	381	143,745	13,894	5,853	239,935
Loans and receivables	9,230	–	223,760	–	26,380	1,492,014	345,474	2,096,858
Reinsurance assets	–	–	–	–	–	761,614	–	761,614
Deferred acquisition costs	–	–	–	–	–	369,623	–	369,623
Cash and cash equivalents	1,625,938	–	–	–	–	–	–	1,625,938
	3,836,826	58,414	239,856	31,897	7,683,707	3,974,120	392,220	16,217,040

4.2.4 Capital management

The Group's objectives when managing capital are:

- to comply with the capital requirements required by the regulators of the markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

In each country in which the Group operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities and the Group is subject to insurance solvency regulations in all the territories in which it issues insurance contracts. The minimum required capital must be maintained at all times throughout the year. The Group is subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts.

The table below summarises the minimum required capital across the main territories in the Group. The Group has complied with these minimum capital requirements. These figures are an aggregate number, being the sum of the statutory capital and surplus for each insurance subsidiary in each country subject to local regulatory requirements, which may differ from jurisdiction to jurisdiction.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.4 Capital management (continued)

	Guardian Re (SAC) Limited $'000	Guardian General Insurance Ltd and Its subsidiaries $'000	Jamaica life insurance company $'000	Trinidad life insurance companies $'000	Dutch Caribbean insurance companies $'000	Group $'000
2011						
Minimum regulatory capital	119,714	122,870	204,783	621,144	189,685	1,258,196
2010						
Minimum regulatory capital	122,306	167,592	184,279	555,958	222,519	1,252,654

The Trinidadian asset management subsidiary holds a license under the Financial Institutions Act 2008 and as such the subsidiary is required to have a minimum paid up share capital of $15 million. Also the Act requires the subsidiary to transfer a minimum of 10% of its profit after tax to a Statutory Reserve Fund until the balance in the Fund is not less than the paid up capital of the subsidiary as well as the subsidiary's qualifying capital shall be no less than 8% of its risk adjusted assets. The subsidiary has complied with these requirements.

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold and Leasehold Properties $'000	Office Furniture and Equipment $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
Year ended 31 December 2011					
Opening net book amount	397,621	102,085	9,627	411	509,744
Exchange rate adjustments	1,971	66	256	–	2,293
Revaluation surplus	1,920	–	–	–	1,920
Additions	4,709	21,705	4,946	1,249	32,609
Disposals and adjustments	(1)	(765)	(662)	(2)	(1,430)
Transfer from investment property (Note 6)	4,414	–	–	–	4,414
Depreciation charge	(12,028)	(32,614)	(3,633)	–	(48,275)
Closing net book amount	398,606	90,477	10,534	1,658	501,275
At 31 December 2011					
Cost or valuation	440,044	402,118	22,784	1,658	866,604
Accumulated depreciation	(41,438)	(311,641)	(12,250)	–	(365,329)
Closing net book amount	398,606	90,477	10,534	1,658	501,275

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold and Leasehold Properties $'000	Office Furniture and Equipment $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
Year ended 31 December 2010					
Opening net book amount	389,406	105,123	9,034	5,081	508,644
Exchange rate adjustments	3,018	858	115	19	4,010
Revaluation surplus	1,376	–	–	–	1,376
Additions	11,885	28,604	5,381	236	46,106
Disposals and adjustments	(3,475)	(159)	(1,811)	–	(5,445)
Transfers	2,837	2,088	–	(4,925)	–
Transfer from investment property (Note 6)	3,180	–	–	–	3,180
Depreciation charge	(10,606)	(34,429)	(3,092)	–	(48,127)
Closing net book amount	397,621	102,085	9,627	411	509,744
At 31 December 2010					
Cost or valuation	429,147	382,156	20,486	411	832,200
Accumulated depreciation	(31,526)	(280,071)	(10,859)	–	(322,456)
Closing net book amount	397,621	102,085	9,627	411	509,744

The following are the dates of the last valuations of land and buildings in the Group:

Guardian Life of the Caribbean Limited	-December 2011
Bancassurance Caribbean Limited	-December 2011
Guardian Life Limited	-December 2011
Fatum Holding NV	-December 2011
Guardian General Insurance Limited	-December 2011
Guardian Shared Services Limited	-December 2011

Valuations were made on the basis of open market value by external independent valuators.

Depreciation expense of $48,275,000 (2010 - $48,127,000) has been charged in operating expenses.

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

If freehold and leasehold properties were stated on a historical cost basis, the amounts would be as follows:

	2011 $'000	2010 $'000
Cost	329,923	330,753
Accumulated depreciation	(48,010)	(38,062)
Net book amount	281,913	292,691

6. INVESTMENT PROPERTIES

	2011 $'000	2010 $'000
Balance at beginning of year	905,507	911,221
Exchange rate adjustments	(160)	(28,970)
Additions	201,376	40,156
Fair value gains/(losses) (Note 33)	23,088	(8,945)
Disposals	(1,466)	–
Re-classification to fixed assets (Note 5)	(4,414)	(3,180)
Fair value adjustments directly related to the unit linked funds	(3,500)	(4,775)
Balance at end of year	1,120,431	905,507
Rental income	29,805	28,474
Direct operating expenses incurred in respect of investment property that generated rental income during the period	2,974	2,139

7. INTANGIBLE ASSETS

	Goodwill $'000	Other $'000	Total $'000
Year ended 31 December 2011			
Balance at beginning of year	251,436	2,048	253,484
Exchange rate adjustments	–	(11)	(11)
Additions	–	1,846	1,846
Amortisation	–	(1,041)	(1,041)
Balance at end of year	251,436	2,842	254,278
At 31 December 2011			
Cost	251,436	16,329	267,765
Accumulated amortisation	–	(13,487)	(13,487)
Net book value	251,436	2,842	254,278

7. INTANGIBLE ASSETS (CONTINUED)

	Goodwill $'000	Other $'000	Total $'000
Year ended 31 December 2010			
Balance at beginning of year	254,330	15,902	270,232
Exchange rate adjustments	–	650	650
Additions	–	1,632	1,632
Disposal	(2,894)	(12,981)	(15,875)
Amortisation	–	(3,155)	(3,155)
Balance at end of year	251,436	2,048	253,484
At 31 December 2010			
Cost	251,436	14,480	265,916
Accumulated amortisation	–	(12,432)	(12,432)
Net book value	251,436	2,048	253,484

Other intangible assets represent brand costs, computer software costs and website development costs.

Goodwill is assigned to the Group's cash generating units on acquisition. In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at year end using the 'value in use' method. In each case, the cash flow projections are based on financial budgets approved by senior management covering a five year period.

A summary of the goodwill for each cash-generating unit is presented below:

	2011 $'000	2010 $'000
Guardian General Insurance Limited	97,459	97,459
Guardian Insurance Limited	153,977	153,977
	251,436	251,436

For Guardian Insurance Limited and Guardian General Insurance Limited, a discount rate of 13% and 12.6% respectively was used. A cash flow projection term of 5 years was used for both and the growth rate used was 0%. In addition the values assigned to key assumptions reflect past performance. Based on the results of this review, no impairment expense was required for goodwill.

8. INVESTMENT IN ASSOCIATED COMPANIES

	2011 $'000	2010 $'000
Balance at beginning of year	276,847	274,074
Exchange rate adjustments	3,958	(650)
Share of (loss)/profit after tax	(25,005)	23,026
Dividends received	(15,740)	(12,276)
Reserve and other movements	450	(318)
Book value of associated company disposed of	(38,500)	(7,009)
Balance at end of year	202,010	276,847

8. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

The Group's interests in its associates, which are unlisted, are as follows:

Name	Share of assets $'000	Share of liabilities $'000	Share of revenue $'000	Share of (loss)/profit after tax $'000	Interest held %
Jubilee Group Holdings Limited	–	–	–	(22,218)	0.0
Royal Star Assurance (Bahamas) Ltd	109,943	55,581	96,652	5,674	25.0
Ocho Rios Beach Resorts Limited	18,365	6,269	999	(20,478)	24.0
RGM Limited	307,913	175,633	46,645	11,753	33.3
Servus Limited	7,667	4,395	24,281	264	50.0
Total at the end of 2011	443,888	241,878	168,577	(25,005)	
Name					
Jubilee Group Holdings Limited	889,288	827,069	440,725	8,287	39.1
Royal Star Assurance (Bahamas) Ltd	104,188	52,725	89,610	5,457	25.0
M&C General Insurance Company Ltd	–	–	–	622	0.0
Ocho Rios Beach Resorts Limited	39,388	6,832	132	331	24.0
RGM Limited	317,247	189,642	42,064	7,824	33.3
Servus Limited	8,652	5,648	26,689	505	50.0
Total at the end of 2010	1,358,763	1,081,916	599,220	23,026	

None of the Group's associated companies are publicly quoted. Effective 31 August 2011, the Group disposed of its 39.1% holding in Jubilee Group Holdings Limited (Note 32a).

9. FINANCIAL ASSETS

	2011		2010	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Financial assets	11,257,043	11,770,630	11,183,338	11,423,844
Financial assets in Mutual Funds	1,164,983	1,164,983	1,244,907	1,244,907
	12,422,026	12,935,613	12,428,245	12,668,751
Financial assets at fair value through profit or loss	5,942,167	5,942,167	6,475,571	6,475,571
Held to maturity financial assets	6,479,859	6,993,445	5,952,674	6,193,180
Total financial assets	12,422,026	12,935,612	12,428,245	12,668,751

9. FINANCIAL ASSETS (CONTINUED)

Financial assets at fair value through profit or loss	**Carrying value 2011 $'000**	**Carrying value 2010 $'000**
Equity securities:		
- Listed	1,187,088	1,167,218
- Unlisted	40,506	49,496
	1,227,594	1,216,714
Debt securities:		
- Government securities	2,359,867	2,492,342
- Debentures and corporate bonds	1,672,281	2,325,295
	4,032,148	4,817,637
Deposits with financial institutions (more than 90 days)	535,340	291,994
Other	52,616	47,423
	587,956	339,417
	5,847,698	6,373,768
Interest receivable	94,469	101,803
	5,942,167	6,475,571
Current	1,971,991	2,325,412
Non-current	3,970,176	4,150,159
	5,942,167	6,475,571

The carrying amount of financial assets above that were pledged as collateral for liabilities was $4,403,759,000 (2010: $4,024,388,000).

Held-to-maturity financial assets	**2011 Carrying value $'000**	**2011 Fair value $'000**	**2010 Carrying value $'000**	**2010 Fair value $'000**
Debt securities:				
- Government securities	5,121,861	5,672,964	4,671,772	4,947,192
- Debentures and corporate bonds	405,567	421,299	396,030	410,729
	5,527,428	6,094,263	5,067,802	5,357,921
Deposits with financial institutions (more than 90 days)	762,734	762,734	718,883	718,883
	6,290,162	6,856,997	5,786,685	6,076,804
Interest receivable	189,697	136,448	165,989	116,376
	6,479,859	6,993,445	5,952,674	6,193,180

9. FINANCIAL ASSETS (CONTINUED)

	Carrying value 2011 $'000	Carrying value 2010 $'000
Current	663,396	831,317
Non-current	5,816,463	5,121,357
	6,479,859	5,952,674

Where fixed rate bonds do not have regular prices in an active market, a projected yield curve based on the most recent issues of government debt is used to estimate fair value. Adjustments are made for credit spreads on non-government issues and features such as call options.

The table below illustrates the movements in financial assets:

	Financial assets at fair value through profit or loss $'000	Held to maturity financial assets $'000	Total $'000
At beginning of 2011	6,373,768	5,786,685	12,160,453
Exchange differences	(418)	(822)	(1,240)
Additions	2,156,989	1,620,158	3,777,147
Disposals/maturities	(2,621,932)	(1,115,841)	(3,737,773)
Fair value net gains/(losses)	158,099	(18)	158,081
Impairment losses	(589)	–	(589)
Transfer to assets held for sale (Note 19)	(218,219)	–	(218,219)
At the end of 2011	5,847,698	6,290,162	12,137,860
At beginning of 2010	7,310,650	4,041,720	11,352,370
Exchange differences	132,983	51,056	184,039
Additions	4,549,755	3,115,808	7,665,563
Disposals/maturities	(5,253,599)	(1,422,223)	(6,675,822)
Fair value net gains/(losses)	316,884	(727)	316,157
Impairment losses	(269)	–	(269)
Transfer from assets held for sale	453,952	–	453,952
Capitalised interest	303	1,051	1,354
Disposal of subsidiary	(1,136,891)	–	(1,136,891)
At the end of 2010	6,373,768	5,786,685	12,160,453

10. LOANS AND RECEIVABLES

	2011		2010	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Loans and receivables	1,510,752	1,510,752	2,148,127	2,148,127

	Carrying value	
	2011 $'000	2010 $'000
Debt securities:		
- Government securities	38,753	40,816
- Debentures and corporate bonds	101,260	107,852
	140,013	148,668
Premiums receivable	667,280	814,577
Due from reinsurers	147,233	84,437
Provision for impairment of premium and reinsurance receivables	(33,474)	(66,642)
Mortgages	418,097	420,697
Policy loans	67,102	69,303
Other loans and receivables	612,031	656,495
Provision for impairment of other loans and receivables	(826)	(5,147)
Transfer to assets held for sale (Note 19)	(531,129)	–
	1,346,314	1,973,720
Interest receivable	24,425	25,739
	1,510,752	2,148,127
Current	259,569	830,480
Non-current	1,251,183	1,317,647
	1,510,752	2,148,127

The carrying amount of loans and receivables above that was pledged as collateral for liabilities was $226,746,000 (2010: $352,971,000).

11. LANDS FOR DEVELOPMENT AND SALE

	2011 $'000	2010 $'000
Balance at beginning of year	305,382	134,880
Exchange rate adjustments	(4,107)	(11,453)
Additions	62,477	207,565
Reversal of impairment	27,296	–
Provision for impairment	–	(25,610)
	391,048	305,382

Lands for development and sale comprise of the Group's investments in a mixed use commercial and residential urban re-development project in Fort De France, Martinique which is intended for sale. This is accounted for at the lower of cost or net realisable value. As at 31 December 2011 the provision for impairment is nil (2010: $25.6 Million).

12. PENSION PLAN ASSETS

The following information explains the quantification of the assets recognised in the consolidated statement of financial position and the net income for the year in accordance with the provisions of IAS 19.

	2011 $'000	2010 $'000
Fair value of pension plan assets	626,952	577,197
Less: Present value of funded obligations	(580,071)	(489,572)
	46,881	87,625
Less: Present value of unfunded obligations	(1,054)	(897)
IAS 19 Consolidated statement of financial position asset	45,827	86,728

IAS 19 consolidated statement of financial position assets represent the economic value that the Group will derive from the pension plan surplus based on its current plans and in accordance with legislative restrictions on the use of pension plan surpluses.

The amount in the consolidated income statement is made up as follows:

	2011 $'000	2010 $'000
Expected return on plan assets	38,465	37,000
Interest cost	(32,963)	(31,131)
Current service cost	(12,651)	(20,447)
Effect of any curtailment or settlement	21,732	–
Net gain/(loss) for the year (Note 35)	14,583	(14,578)

The movement in the fair value of pension plan assets of the year is as follows:

	2011 $'000	2010 $'000
Balance at beginning of year	577,197	552,607
Exchange rate adjustments	848	2,960
Expected return on plan assets	38,492	37,120
Benefit payments	(15,513)	(17,052)
Company contributions	5,036	13,519
Contributions by plan participants	769	634
Actuarial losses	20,123	(12,591)
Balance at end of year	626,952	577,197

12. PENSION PLAN ASSETS (CONTINUED)

	2011 $'000	2010 $'000
The movement in the obligation to plan members over the year is as follows:		
Balance at beginning of year	490,469	450,769
Exchange rate adjustments	650	2,262
Current service cost	12,651	20,447
Interest cost	32,963	31,131
Contributions by plan participants	769	634
Actuarial losses	80,902	2,278
Curtailments	(21,766)	–
Benefits paid	(15,513)	(17,052)
Balance at end of year	581,125	490,469

The principal actuarial assumptions used for accounting purposes were:

	2011	2010
Discount rates	4.5% - 6.0%	5.5% - 7.5%
Future salary increases	2.5% - 3.5%	2.5% - 4.5%
Expected return on plan assets	4.5% - 7.5%	5.5% - 7.5%
Post retirement mortality	PA90 ultimate/ US table GAM 83 GBM/GBV9095	PA90 ultimate/ US table GAM 83 GBM/GBV9095
Pre-retirement mortality	GAM 94	10% DIS
Withdrawal from service	Nil	Nil
Future pension increases	0.0% - 3.5%	0.0% - 3.5%
Proportion of employees opting for early retirement	Nil	Nil

The actual return on plan assets was $49,178,000 (2010: $19,899,000)

	2011		2010	
Pension plan assets are comprised as follows:	$'000	%	$'000	%
Equity securities	426,674	68.1%	374,313	64.9%
Debt securities	85,751	13.7%	103,362	17.9%
Property	14,000	2.2%	15,100	2.6%
Other	100,527	16.0%	84,422	14.6%
	626,952	100.0%	577,197	100.0%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the consolidated statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31 December 2012 are $5,616,000.

12. PENSION PLAN ASSETS (CONTINUED)

As at 31 December	2011	2010	2009	2008	2007
Present value of defined benefit obligation	(580,071)	(489,572)	(449,930)	(373,255)	(322,540)
Fair value of plan assets	626,952	577,197	552,607	520,776	466,185
Surplus	46,881	87,625	102,677	147,521	143,645
Experience adjustments on plan liabilities	57,254	2,278	40,506	20,848	6,395
Experience adjustments on plan assets	20,123	(12,591)	(9,239)	(10,597)	(8,547)

13. VALUE OF INFORCE LIFE INSURANCE BUSINESS

	2011 $'000	2010 $'000
Balance at beginning of year	673,473	583,705
Exchange rate adjustments	(1,702)	13,961
Increase for the year (Note 41)	70,272	75,808
Balance at end of year	742,043	673,474
Changes in assumptions during the year:		
For the Jamaican life insurance subsidiary:		
Changes in expense assumptions	878	(47,461)
Changes in lapse assumptions	426	–
Changes in investment returns	(6,486)	59,290
Changes in other assumptions	6,906	279
Total change	1,724	12,108
For the Trinidad life insurance subsidiaries:		
Changes in expense assumptions	13,330	–

There were no changes in the assumptions used for the life insurance subsidiaries in Dutch Caribbean.

14. DEFERRED TAXATION

The following amounts are shown in the consolidated statement of financial position:

	2011 $'000	2010 $'000
Deferred tax assets:		
- To be recovered after more than 12 months	15,183	20,373
- To be recovered within 12 months	6,307	5,222
	21,490	25,595
Deferred tax liabilities:		
- Crystallising after more than 12 months	(186,878)	(208,432)
- Crystallising within 12 months	(12,050)	–
	(198,928)	(208,432)
Net deferred tax liability	(177,438)	(182,837)

14. DEFERRED TAXATION (CONTINIUED)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

The movement on the net deferred tax account is as follows:

	2011 $'000	2010 $'000
Balance at beginning of year	(182,837)	(152,348)
Exchange rate adjustments	260	(1,327)
Credit/(charge) for the year (Note 38)	5,717	(40,308)
Tax charged to equity in respect of revaluation of properties	(579)	(910)
Disposal of subsidiary	–	12,060
Other movements	1	(4)
Balance at end of year	(177,438)	(182,837)

The movement in the deferred tax assets and liabilities during the year is attributable to the following items:

	Balance at beginning of year $'000	Exchange rate adjustment $'000	Credit/ (charge) for the year $'000	Revaluation of properties $'000	Other move-ments $'000	Disposal of subsidiary $'000	Balance at Dec 2011 $'000
Future distributions	(143,763)	102	7,988	–	1	–	(135,672)
Zero coupon bonds	(16,734)	–	3,167	–	–	–	(13,567)
Pension plan assets	1,316	–	1,567	–	–	–	2,883
Accelerated tax depreciation	(17,183)	(44)	(231)	–	–	–	(17,458)
Tax losses carried forward	22,455	138	(4,917)	–	–	–	17,676
Investments at fair value through profit or loss	(1,390)	24	(1,890)	–	–	–	(3,256)
Revaluation of properties	(10,094)	40	33	(579)	–	–	(10,600)
Catastrophe reserve	(17,444)	–	–	–	–	–	(17,444)
	(182,837)	260	5,717	(579)	1	–	(177,438)

	Balance at beginning of year $'000	Exchange rate adjustment $'000	Credit/ (charge) for the year $'000	Revaluation of properties $'000	Other move-ments $'000	Disposal of subsidiary $'000	Balance at Dec 2010 $'000
Future distributions	(126,932)	(510)	(16,317)	–	(4)	–	(143,763)
Value to shareholders of inforce long-term insurance business	(14,281)	–	14,281	–	–	–	–
Zero coupon bonds	(14,907)	–	(1,827)	–	–	–	(16,734)
Pension plan assets	(3,214)	–	4,530	–	–	–	1,316
Accelerated tax depreciation	(10,773)	(239)	(6,171)	–	–	–	(17,183)
Tax losses carried forward	25,666	(56)	(3,155)	–	–	–	22,455
Investments at fair value through profit or loss	14,681	(174)	(27,957)	–	–	12,060	(1,390)
Revaluation of properties	(8,836)	(348)	–	(910)	–	–	(10,094)
Catastrophe reserve	(13,752)	–	(3,692)	–	–	–	(17,444)
	(152,348)	(1,327)	(40,308)	(910)	(4)	12,060	(182,837)

14. DEFERRED TAXATION (CONTINUED)

There are tax losses relating to overseas subsidiaries that are available for set off against future chargeable profits of $31,638,000(2010 - $18,424,000). These tax losses expire over varying periods of up to nine years. For these balances, no deferred tax asset has been recognised for tax losses carried forward due to the uncertain timing of their recovery. Some of these losses have not yet been agreed with the respective tax regulators.

15. REINSURANCE ASSETS

	2011 $'000	2010 $'000
This represents the Group's net contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
With fixed and guaranteed terms	35,663	37,018
Without fixed terms	18,807	14,186
	54,470	51,204
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 23.1(e))	398,740	472,217
Claims incurred but not reported (Note 23.1(e))	41,662	12,712
Unearned premiums (Note 23.1(f))	254,800	225,481
Transfer to assets held for sale (Note 19)	(69,399)	–
	625,803	710,410
Total reinsurers' share of insurance liabilities	680,273	761,614
Current	363,202	493,066
Non-current	317,071	268,548
Total reinsurers' share of insurance liabilities	680,273	761,614

16. SEGREGATED FUND ASSETS AND LIABILITIES OF LIFE INSURANCE POLICIES

(a) Assets of the segregated funds

The assets listed below are managed by the Jamaican life insurance subsidiary on behalf of certain life insurance policyholders in ten policy segregated funds. These are the Blue Chip Fund, Eagle Growth Fund, Mutual Growth Fund, Shelter Plus Fund, Horizon Equity Fund, in addition to the Guardian Equity Fund, The Guardian Money Market Fund, The Guardian Long-term Growth Fund, The Guardian Stabilisation Fund and The Guardian Foreign Currency Indexed Fund. The policyholders share all rewards and risks of the performance of the funds and the assets have been segregated for determining the policyholders' interest in the funds.

Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date. The assets are carried at fair value and returns to investors are based on market valuations.

16. SEGREGATED FUND ASSETS AND LIABILITIES OF LIFE INSURANCE POLICIES (CONTINUED)

(a) Assets of the segregated funds (continued)

	2011 $'000	2010 $'000
Investments:		
Government of Jamaica securities	324,484	323,985
Equity securities	92,888	73,295
Securities purchased under resale agreements	26,277	14,625
Unit trust	364	314
Investment properties	2,708	2,655
	446,721	414,874
Other assets	52,781	45,063
	499,502	459,937
Current	79,058	59,687
Non-current	420,444	400,250
	499,502	459,937
The related segregated funds' liability is disclosed as follows:		
Current	79,058	59,687
Non-current	420,444	400,250
	499,502	459,937

(b) Income from segregated funds' investments

	2011 $'000	2010 $'000
Government of Jamaica securities	42,762	49,185
Equity securities	20,668	11,443
Securities purchased under resale agreements	2,276	2,087
	65,706	62,715

17. DEFERRED ACQUISITION COSTS

	2011 $'000	2010 $'000
Short-term insurance contracts:		
Balance at beginning of year	369,624	466,541
Net exchange differences	(72,521)	(14,608)
Increase in the year	321,960	386,026
Release in the year	(370,007)	(468,336)
Transfer to assets held for sale (Note 19)	(176,399)	–
Balance at end of year	72,657	369,623
Current	72,657	297,469
Non-current	–	72,154
	72,657	369,623

18. CASH AND CASH EQUIVALENTS

	2011 $'000	2010 $'000
Cash and cash equivalents	1,739,394	1,475,421
Cash and cash equivalents in Mutual Funds	161,050	150,517
	1,900,444	1,625,938
Cash at bank and in hand	913,403	723,326
Short-term deposits (90 days or less)	825,991	752,095
	1,739,394	1,475,421
Cash and cash equivalents in Mutual Funds	161,050	150,517
Bank overdraft (Note 24)	(568)	–
Net cash and cash equivalents	1,899,876	1,625,938
At beginning of year	1,625,938	2,285,993
Difference on retranslation of opening balance	(24,672)	4,542
Transfer from assets held for sale	–	295,681
Assets held for sale	–	(57,589)
	1,601,266	2,528,627
At end of year	1,899,876	1,625,938
Net increase/(decrease) in cash used in cash flow	298,610	(902,689)

The interest rate on short-term bank deposits held by subsidiaries ranged from 0.25% - 7.08% (2010: 0.79% – 9%).

The carrying amount of cash and cash equivalents pledged as collateral for financial liabilities was $28,157,000 as at 31 December 2011 (2010: $23,224,000).

19. ASSETS AND LIABILITIES HELD FOR SALE

The Group's reinsurance subsidiary Guardian Re (SAC) Limited provided proportional quota share reinsurance on an international property book and incidental life book written in the Lloyd's market up to 30 September 2011. After this date, the Group ceased underwriting any new risks at Lloyd's or offering renewal at expiry, and is actively seeking to dispose of its residual interest in these treaties. Consequently, the Group's residual interests in these treaties have been classified as a disposal group held for sale and as a discontinued operation. Additionally, during the year the Group in conjunction with other investors formed Appleclaim Insurance Holdings Limited (AIHL), a company in which the Group holds a 39.217% interest. This company was formed exclusively for facilitating the disposition of these treaties, and therefore has also been designated as held for sale.

The net results of the disposal group and AIHL have been consolidated into one line on the Statement of Income as Net loss on Discontinued Operations, and the results of 2010 have been similarly restated to include a one line comparative result. These results are presented below:

	2011 $'000	2010 $'000
Revenue	585,047	896,114
Expenses	(762,034)	(954,284)
Net loss on AIHL for the year	(20,213)	–
Impairment of AIHL	(12,709)	–
Net loss	(209,909)	(58,170)
Other discontinued operations	–	2,586
Net loss on discontinued operations	(209,909)	(55,584)

The major classes of assets and liabilities classified as held for sale at 31 December 2011 are as follows:

	2011 $'000	2010 $'000
Assets held for sale		
Financial assets	218,219	–
Financial assets - interest receivable	5,210	–
Reinsurance assets	69,399	–
Deferred acquisition cost	176,399	–
Other assets	531,129	–
	1,000,356	–
Liabilities related to assets held for sale		
Short-term insurance contracts	1,000,356	–
Net assets directly associated with disposal group held for sale	–	–

The net cash flows incurred by the disposal group are as follows:

	2011 $'000	2010 $'000
Operating	195,923	79,151
Investing	–	–
Net cash inflow	195,923	79,151

20. SHARE CAPITAL

Authorised
An unlimited number of ordinary shares of no par value
An unlimited number of preferred shares of no par value

	2011 $'000	2010 $'000
Issued and fully paid		
231,899,986 ordinary shares of no par value (2010: 231,899,986 ordinary shares)	2,008,338	2,003,470

The holders of ordinary shares are entitled to one vote on a show of hands and one vote for each such share held by him on a ballot or poll at all meetings of shareholders of the company, to receive any dividends declared and payable by the company on the ordinary shares and to receive the remaining property of the company upon dissolution, liquidation or winding up in proportion of ordinary shares then held by each of them. This is subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the company.

	Number of shares (thousands)	Share capital $'000	Share option plan $'000	Total $'000
Balance at 1 January 2011	231,557	1,952,353	51,117	2,003,470
Movement in unallocated shares	(502)	197	–	197
Executive share option plan:				
- value of services provided	–	–	5,270	5,270
- lapses	–	–	(599)	(599)
Balance at 31 December 2011	231,055	1,952,550	55,788	2,008,338
Balance at 1 January 2010	201,810	1,480,355	50,043	1,530,398
Issue of shares	29,747	471,998	–	471,998
Executive share option plan:				
- value of services provided	–	–	1,950	1,950
- lapses	–	–	(876)	(876)
Balance at 31 December 2010	231,557	1,952,353	51,117	2,003,470

Performance share option plan

The Group operates a Stock Option Plan for its Executives. A total of 33,890,023 shares have been allocated to this plan since inception inclusive of bonus issues and stock dividends. Increases were approved at the Annual Meetings in 1999, 2004 and in 2011.

The current status of options inclusive of bonus issues and stock dividends to date is as follows (in thousands):

	2011	2010
Total shares allocated to the plan	33,890	17,031
Issued pursuant to exercise of options	(9,586)	(9,586)
Outstanding options	(11,389)	(6,386)
Remaining options have not been granted	12,915	1,059

20. SHARE CAPITAL (CONTINUED)

The movement in the number of share options outstanding for the year is as follows:

	2011 Average exercise price	2011 Options (thousands)	2010 Average exercise price	2010 Options (thousands)
At beginning of year	$ 27.10	6,386	$ 27.10	6,504
Granted	$ 18.00	5,085	–	–
Lapsed	$ 23.92	(82)	$ 26.74	(118)
At end of year	$ 23.06	11,389	$ 27.10	6,386

The exercise price of the options granted up to 2008 is equal to the average market price of the shares on the three dealing days preceding the date of the grant. The exercise price of the options granted in 2011 is the greater of $18.00 and the adjusted reference price. The vesting period is 2 years. Options are exercisable starting two years from the grant date up to the eight anniversary of the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price	Number of shares (thousands) 2011	2010
14 Sep 2015	$21.40	243	243
31 Mar 2016	$33.17	763	763
3 Apr 2017	$43.33	695	695
28 May 2018	$27.73	1,398	1,421
2 Apr 2019	$19.99	1,511	1,538
31 Mar 2020	$24.51	1,694	1,726
5 Sep 2021	$18.00	5,085	–
		11,389	6,386

21. RESERVES

	Property revaluation reserve $'000	Statutory reserves $'000	Translation reserves $'000	Total $'000
Balance at 1 January 2011	92,498	8,655	(350,740)	(249,587)
Other comprehensive income/(loss)	1,347	287	(17,725)	(16,091)
Transfer from retained earnings	–	1,318	–	1,318
Balance at 31 December 2011	93,845	10,260	(368,465)	(264,360)
Balance at 1 January 2010	91,529	6,289	(423,007)	(325,189)
Other comprehensive income	969	367	73,436	74,772
Transfer from retained earnings	–	1,999	(1,169)	830
Balance at 31 December 2010	92,498	8,655	(350,740)	(249,587)

21. RESERVES (CONTINUED)

The property revaluation reserve is used to record increases or decreases in the carrying amount of an item of property that has been revalued. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in equity under the heading of revaluation surplus. However, the increase is recognised in the consolidated income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the consolidated income statement.

A statutory reserve is maintained by general insurance companies in Trinidad and Tobago. This is in accordance with the provisions of Section 171 of the Insurance Act 1980 of Trinidad and Tobago, where companies are required to appropriate towards statutory reserve at least 25% of the prior year's profit until the excess of assets over liabilities equals or exceeds the reserve in respect of its unearned premiums. The general insurance companies in Trinidad and Tobago comply with this requirement.

The Financial Institutions Act 1993 requires a financial institution in Trinidad and Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid up capital of the institution. The asset management company in Trinidad and Tobago complies with this requirement.

The translation reserve is used to record exchange differences arising from group companies whose functional currency is different to the functional currency used in the consolidated financial statements. Differences in retranslating opening net assets for investment in group companies using the exchange rate at year end compared to the exchange rate at the beginning of the year are recognised in other comprehensive income and taken to the translation reserve. The difference between a group company's profit or loss for the year translated at the year end exchange rate and the profit or loss for the year converted at the average rate for the year is recognised in other comprehensive income and taken to the translation reserve.

22. NON-CONTROLLING INTERESTS IN SUBSIDIARIES

At the end of the year, the non controlling interest balance represents a 42% effective shareholding in Laevulose Inc Limited Group and 46% shareholding in Trans-Nemwil Insurance (Grenada) Limited.

23. INSURANCE CONTRACTS

	2011 $'000	2010 $'000
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF (Note 23.1(a))	5,791,328	5,422,839
With fixed and guaranteed terms and with DPF (Note 23.1 (b))	65,372	69,488
Without fixed terms (Note 23.1(c))	3,251,544	2,850,935
	9,108,244	8,343,262
Participating policyholders' share of the surplus from long-term insurance business (Note 23.1(d))	455,666	459,277
	9,563,910	8,802,539

23. INSURANCE CONTRACTS (CONTINUED)

	2011 $'000	2010 $'000
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 23.1(e))	1,193,975	2,156,045
Claims incurred but not reported (Note 23.1(e))	107,763	191,900
Unearned premiums (Note 23.1(f))	744,467	1,303,279
	2,046,205	3,651,224
Total gross insurance liabilities	11,610,115	12,453,763
Current	1,434,361	2,510,820
Non-current	10,175,754	9,942,943
	11,610,115	12,453,763

23.1 Movements in insurance liabilities and reinsurance assets

	2011 $'000	2010 $'000
(a) Long-term insurance contracts with fixed and guaranteed terms and without DPF		
At beginning of year	5,422,839	4,962,386
Valuation premiums received	253,267	283,984
Liabilities released for payments on death, surrender and other terminations in the year	(234,242)	(238,901)
Accretion of interest	190,855	181,251
Cash paid for claims settled in the year	(240,662)	(190,545)
Increase in liabilities	248,307	175,105
Other movements	153,326	171,262
Net exchange differences	(2,362)	78,297
At end of year	5,791,328	5,422,839
(b) Long-term insurance contracts with fixed and guaranteed terms and with DPF		
At beginning of year	69,488	67,048
Net exchange differences	(2,475)	3,693
Change in interest rates	1,346	1,611
Change in expenses	(7)	(2,840)
Normal decrease due to the passage of time	(2,980)	(24)
At end of year	65,372	69,488

23. INSURANCE CONTRACTS (CONTINUED)

23.1 Movements in insurance liabilities and reinsurance assets (continued)

	2011 $'000	2010 $'000
(c) Long-term insurance contracts without fixed terms		
At beginning of year	2,850,935	2,495,265
Premiums received	630,120	547,593
Fees deducted from account balances	(206,397)	(176,766)
Liabilities released for payments on death, surrender and other terminations in the year	(309,244)	(215,710)
Changes in unit prices	250,586	188,458
Cash paid for claims settled in the year	(273,934)	(249,435)
Increase in liabilities	295,591	269,072
Other movements	13,849	(7,424)
Net exchange differences	38	(118)
At end of year	3,251,544	2,850,935
(d) Participating policyholders' share of the surplus from long-term insurance business		
At beginning of year	459,277	445,959
Surplus arising from operations	8,716	14,359
Translation reserve	(12,327)	(1,041)
At end of year	455,666	459,277

Short-term insurance contracts:

(e) Claims and loss adjustment expenses/claims incurred but not reported

	2011			2010		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Year ended 31 December						
Notified claims	2,156,045	(472,217)	1,683,828	1,043,606	(152,858)	890,748
Incurred but not reported	191,900	(12,712)	179,188	176,554	(10,385)	166,169
Total at beginning of year	2,347,945	(484,929)	1,863,016	1,220,160	(163,243)	1,056,917
Cash paid for claims settled in the year	(1,651,992)	142,862	(1,509,130)	(1,616,859)	109,232	(1,507,627)
Increase in liabilities	1,291,184	(104,135)	1,187,049	1,796,262	(167,379)	1,628,883
Net exchange differences	(45,176)	5,801	(39,375)	(37,157)	10,342	(26,815)
Transfer (to)/from liabilities held for sale	(640,223)	59,396	(580,827)	985,539	(273,881)	711,658
Total at end of year	1,301,738	(381,005)	920,733	2,347,945	(484,929)	1,863,016
Notified claims	1,193,975	(348,801)	845,174	2,156,045	(472,217)	1,683,828
Incurred but not reported	107,763	(32,204)	75,559	191,900	(12,712)	179,188
	1,301,738	(381,005)	920,733	2,347,945	(484,929)	1,863,016

23. INSURANCE CONTRACTS (CONTINUED)

23.1 Movements in insurance liabilities and reinsurance assets (continued)

(f) Provisions for unearned premiums

	2011			2010		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Total at beginning of year	1,303,279	(225,481)	1,077,798	1,495,130	(202,005)	1,293,125
Increase in the period	1,223,224	(253,483)	969,741	1,343,364	(226,212)	1,117,152
Release in the period	(1,304,125)	225,392	(1,078,733)	(1,836,617)	226,686	(1,609,931)
Net exchange differences	(117,778)	(1,229)	(119,007)	(35,114)	(760)	(35,874)
Transfer (to)/from liabilities held for sale	(360,133)	10,003	(350,130)	336,516	(23,190)	313,326
Total at end of year	744,467	(244,798)	499,669	1,303,279	(225,481)	1,077,798

23.2 Development claim tables - short-term insurance contracts

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. An accident year basis is considered to be the most appropriate for the business written by the Group. However, due to the unavailability of the international property and casualty claims by accident year, these claims are reported separately by underwriting year of account. This presentation is different from the basis used for the claims development tables for the other insurance claims of the Group, where the reference is to the actual date of the event that caused the claim (accident year basis).

The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year/underwriting year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the consolidated statement of financial position as per summary below.

	Total $'000
Insurance claims - gross	
- By accident year	732,604
- By underwriting year	569,134
Total liability (Note 23.1 (e))	1,301,738
Insurance claims - net	
- By accident year	574,274
- By underwriting year	346,459
Total liability (Note 23.1 (e))	920,733

23. INSURANCE CONTRACTS (CONTINUED)

23.2 Development claim tables - short-term insurance contracts (continued)

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	Total $'000
Insurance claims - gross						
Accident year						
Estimate of ultimate claims costs:						
- at end of accident year	705,327	757,761	742,897	960,476	879,973	4,046,434
- one year later	697,094	700,706	709,607	923,777	–	–
- two years later	707,772	716,830	689,989	–	–	–
- three years later	691,282	718,080	–	–	–	–
- four years later	696,890	–	–	–	–	–
Current estimate of cumulative claims	696,890	718,080	689,989	923,777	879,973	3,908,709
Cumulative payments to date	(635,601)	(674,433)	(642,883)	(825,975)	(517,418)	(3,296,310)
Liability recognised in the consolidated statement of financial position	61,289	43,647	47,106	97,802	362,555	612,399
Liability in respect of prior years						120,205
Total liability						732,604

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	Total $'000
Insurance claims - gross						
Underwriting year						
Estimate of ultimate claims costs:						
- at end of underwriting year	393,166	350,611	352,826	38,874	35,117	1,170,594
- one year later	751,970	629,031	687,456	36,368	–	–
- two years later	756,798	603,906	671,009	–	–	–
- three years later	761,028	597,248	–	–	–	–
- four years later	757,358	–	–	–	–	–
Current estimate of cumulative claims	757,358	597,248	671,009	36,368	35,117	2,097,100
Cumulative payments to date	(646,740)	(508,553)	(454,206)	(14,753)	(7,538)	(1,631,790)
Liability recognised in the consolidated statement of financial position	110,618	88,695	216,803	21,615	27,579	465,310
Liability in respect of prior years						103,824
Total liability						569,134

23. INSURANCE CONTRACTS (CONTINUED)

23.2 Development claim tables - short-term insurance contracts (continued)

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	Total $'000
Insurance claims - net						
Accident year						
Estimate of ultimate claims costs:						
- at end of accident year	529,129	618,683	667,520	812,804	824,204	3,452,340
- one year later	549,858	581,080	649,415	755,060	–	–
- two years later	560,019	604,433	630,232	–	–	–
- three years later	550,054	603,925	–	–	–	–
- four years later	526,677	–	–	–	–	–
Current estimate of cumulative claims	526,677	603,925	630,232	755,060	824,204	3,340,098
Cumulative payments to date	(501,957)	(555,825)	(575,673)	(684,732)	(522,580)	(2,840,767)
Liability recognised in the consolidated statement of financial position	24,720	48,100	54,559	70,328	301,624	499,331
Liability in respect of prior years						74,943
Total liability						574,274
Insurance claims - net						
Underwriting year						
Estimate of ultimate claims costs:						
- at end of underwriting year	373,485	322,443	308,091	38,874	35,117	1,078,010
- one year later	653,743	579,838	600,132	36,368	–	–
- two years later	687,769	586,069	596,536	–	–	–
- three years later	701,324	588,340	–	–	–	–
- four years later	699,116	–	–	–	–	–
Current estimate of cumulative claims	699,116	588,340	596,536	36,368	35,117	1,955,477
Cumulative payments to date	(644,522)	(508,553)	(454,206)	(14,753)	(7,538)	(1,629,572)
Liability recognised in the consolidated statement of financial position	54,594	79,787	142,330	21,615	27,579	325,905
Liability in respect of prior years						20,554
Total liability						346,459

24. FINANCIAL LIABILITIES

	2011		2010	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Non-current portion of financial liabilities				
Investment contract liabilities (Note 24.1)	1,538,945	1,538,945	1,455,180	1,455,180
Medium-term borrowings (Note 24.2)	1,260,129	1,253,373	908,600	902,700
Derivative financial instrument	31,040	31,040	24,856	24,856
	2,830,114	2,823,358	2,388,636	2,382,736
Current portion of financial liabilities				
Medium-term borrowings	26,865	26,865	243,080	242,508
Short-term borrowings	75,235	75,235	89,841	89,841
Total current portion of borrowings (Note 24.2)	102,100	102,100	332,921	332,349
Bank overdraft (Note 18)	568	568	–	–
Interest payable	32,743	32,743	8,175	8,175
	135,411	135,411	341,096	340,524
Total	2,965,525	2,958,769	2,729,732	2,723,260

The derivative financial instrument relates to an interest rate swap that matures on December 15, 2015. The derivative financial instrument is recorded at fair value and the corresponding loss included in net fair value gains/(losses) on financial instruments in the consolidated income statement. The notional amount of this instrument is US$50 million.

The aggregate fair value of borrowings is determined by applying a discounted cash flow model for the remaining term to maturity using a current yield curve for a similar debt instrument. The discount rate used in the valuation technique is based on the borrowing rate of 7.98% (2010: 7.98%). For short-term debt, the carrying amounts approximate their fair value.

The Group has not had any defaults of principal, interest or other breaches with respect to their borrowings during the period (2010 - Nil).

24.1 Investment contract liabilities

	2011 $'000	2010 $'000
The movements in the liabilities arising from investment contracts are summarised below:		
At beginning of year	1,455,180	1,394,584
Premiums received	212,924	199,279
Fees deducted from account balances	(10,886)	(21,918)
Account balances paid on surrender and other terminations in the year	(187,686)	(275,830)
Interest credited through income statement	78,951	81,972
Other movements	(4,542)	37,272
Net exchange differences	(4,997)	39,821
At end of year	1,538,944	1,455,180

Investment contract liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values.

24. FINANCIAL LIABILITIES (CONTINUED)

24.2 Borrowings

	2011 $'000	2010 $'000
Parent company	1,093,295	1,201,680
Subsidiaries	268,934	39,841
	1,362,229	1,241,521
Current	102,100	332,921
Non-current	1,260,129	908,600
	1,362,229	1,241,521

Details of total current and non-current bank loans are as follows:

Parent Company

Facility 1 - $1 billion

This is a fixed rate 12-year bond ending in December 2023 and is comprised of two series. Interest is charged at 7.975% per annum and is paid semi-annually. Series 1 is repayable by 7 equal half-yearly installments of $3,375,000, 16 equal half-yearly installments of $18,750,000 and a final balloon installment of $576,375,000 commencing on 27 July 2011. Series 2 is repayable by 6 equal half-yearly installments of $375,000, 16 equal half-yearly installments of $2,083,333 and a final balloon installment of $64,416,667 commencing on 27 January 2012. The loan is secured by a debenture creating a charge over the fixed and floating assets of the Group.

Facility 2 - $50 million

This is an unsecured 1-year fixed rate loan ending in October 2012. Interest is charged at 2.82% per annum payable at maturity.

Subsidiaries

Loan 1 - US$50 million

This is a secured floating rate 5-year loan ending in June 2016. Interest is charged at LIBOR plus 4.8% and is payable semi-annually. The principal is to be repaid at maturity. The loan is secured by the shares of a subsidiary.

25. THIRD PARTY INTEREST IN MUTUAL FUNDS

	2011 $'000	2010 $'000
Balance at beginning of year	1,065,548	866,167
Change in liability for interest in consolidated funds (Note 33)	22,569	31,733
Unrealised (losses)/gains	(6,966)	63,500
Net change in mutual fund holder balances	23,803	129,434
Distributions	(19,611)	(25,286)
	1,085,343	1,065,548

26. POST RETIREMENT MEDICAL BENEFIT OBLIGATIONS

The amounts recognised in the consolidated statement of financial position for the Dutch Caribbean insurance companies are as follows:

	2011 $'000	2010 $'000
Present value of obligations	60,923	78,916
The amount in the consolidated income statement is made up as follows:		
Interest cost	4,530	4,011
Current service cost	2,259	4,067
Actuarial losses	5,897	2,310
Adjustment in value of recognisable assets	(29,114)	–
(Income)/expense for the year (Note 36)	(16,428)	10,388
The movement in the liability is as follows:		
Balance at beginning of year	78,916	69,498
Difference on retranslation of opening balance	(1,565)	(970)
(Income)/expense as per above	(16,428)	10,388
Balance at end of year	60,923	78,916

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	4.7%	5.5%
Healthcare cost escalation	6.0%	6.0%
Retiree premium escalation:		
Existing retirees	0.0%	0.0%
Future retirees	0.0%	0.0%
Pre-retirement mortality	GBM/ GBV9095	GBM/ GBV9095
Post retirement mortality	Ignored	Ignored

The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	7,486	6,373
Effect on the defined benefit obligation	11,566	9,086

Expected contributions to post-employment benefit plans for the year ending 31 December 2012 are $1,763,000.

As at 31 December	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of defined benefit obligation	60,923	78,916	69,498	48,458	40,277
Experience adjustments on plan liabilities	104	7,773	4,210	2,111	293

27. OTHER LIABILITIES

	2011 $'000	2010 $'000
Deposits and premiums received in advance	80,703	67,914
Amount due to reinsurers	186,275	189,151
Other payables	564,213	501,770
	831,191	758,835

28. NET PREMIUM INCOME

	2011	2010
(a) Insurance premium income		
Long-term insurance contracts with fixed and guaranteed terms	1,616,550	1,626,972
Short-term insurance contracts:		
- premiums receivable	2,390,589	1,939,917
- change in unearned premium provision	(54,533)	306,324
	3,952,606	3,873,213
(b) Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(87,162)	(74,296)
Short-term reinsurance contracts:		
- premiums payable	(1,015,845)	(619,516)
- change in unearned premium provision	35,261	(2,917)
	(1,067,746)	(696,729)

29. POLICY ACQUISITION EXPENSES

	2011	2010
Commissions	468,690	503,672
Other expenses for the acquisition of insurance and investment contracts	44,994	44,897
	513,684	548,569

30. NET INSURANCE BENEFITS AND CLAIMS

	2011	2010
Insurance benefits - gross	1,498,845	1,481,824
Insurance benefits - recovered from reinsurers	(32,678)	(21,417)
Insurance claims and loss adjustment expenses - gross	855,686	1,268,747
Insurance claims and loss adjustment expenses - recovered from reinsurers	(100,442)	(156,257)
	2,221,411	2,572,897

30. NET INSURANCE BENEFITS AND CLAIMS (CONTINUED)

	2011		
	Gross $'000	Reinsurance $'000	Net $'000
Insurance benefits			
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	513,832	(18,638)	495,194
- increase in liabilities	367,803	522	368,325
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	273,238	(10,743)	262,495
- change in unit prices	297,490	–	297,490
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	23,321	–	23,321
- increase in liabilities	1,665	–	1,665
Short-term insurance contracts - life	21,496	(3,819)	17,677
Total cost of policyholder benefits	1,498,845	(32,678)	1,466,167

	2010		
	Gross $'000	Reinsurance $'000	Net $'000
Insurance benefits			
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	423,604	(13,674)	409,930
- increase in liabilities	428,020	3,066	431,086
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	254,188	(10,727)	243,461
- change in unit prices	345,909	–	345,909
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	21,934	–	21,934
- increase in liabilities	(3,737)	–	(3,737)
Short-term insurance contracts - life	11,906	(82)	11,824
Total cost of policyholder benefits	1,481,824	(21,417)	1,460,407

31. INVESTMENT INCOME

	2011 $'000	2010 $'000
Fair value through profit or loss assets - interest income	265,097	327,180
Fair value through profit or loss assets - dividend income	27,921	25,918
Held-to-maturity assets - interest income	453,769	392,450
Loans and receivables - interest income	68,215	75,610
Cash and cash equivalents - interest income	17,043	50,137
	832,045	871,295

32. NET REALISED GAINS ON FINANCIAL INSTRUMENTS

	2011 $'000	2010 $'000
Equity securities	5,359	23,821
Debt securities	4,531	5,092
Loss on disposal of subsidiary (Note (a) below)	–	(65,750)
Gain on disposal of associated company (Note (a) below)	73,982	–
Gain on settlement of loan (Note (b) below)	–	222,450
Gain on IFC transaction (Note (c) below)	–	59,390
	83,872	245,003

(a) Effective 31st August 2011, the Group disposed of its 39.1% shareholding in Jubilee Group Holdings Limited [JGHL], resulting in a gain of $73,982,000 in 2011. The Group disposed of its 100% shareholding in Guardian Asset Management (Jamaica) Limited [GAMJA] on 17 August 2010. This sale accounted for the loss on disposal of $65,750,000 in 2010.

	JGHL	GAMJA
Sales proceeds	118,725	103,397
Less: disposal expenses	(1,888)	(9,711)
Net proceeds	116,837	93,686
Less:		
Goodwill	–	(2,894)
Net assets disposed of and realised foreign exchange losses	(42,855)	(156,542)
Loss on disposal	73,982	(65,750)

(b) The Group negotiated settlement of a loan arrangement which resulted in a gain of $222,450,000 in 2010.

(c) A fair value gain of $59,390,000 was recorded in 2010 on the settlement of the International Finance Corporation debt in exchange for shares in GHL.

33. NET FAIR VALUE GAINS ON FINANCIAL INSTRUMENTS

	2011	2010
Net fair value gains on financial assets at fair value through profit or loss	68,464	165,047
Provision for impairment	14,553	(25,616)
Change in liability for mutual funds (Note 25)	(22,569)	(31,733)
Fair value gains / (losses) on investment properties (Note 6)	23,088	(8,945)
	83,536	98,753

34. FEE INCOME

	2011	2010
Policy administration and asset management services:		
- Insurance contracts	4,226	2,513
- Investment contracts without a discretionary participation feature	23,486	22,180
Surrender charges – insurance contracts	10,948	6,074
Other	5,804	4,881
	44,464	35,648

35. OTHER INCOME/LOSS

	2011 $'000	2010 $'000
Rental income	32,098	27,514
Foreign exchange gains/(losses)	13,964	(44,682)
Net gain/(loss) for the year on pension plan assets (Note 12)	14,583	(14,578)
Other income	31,363	23,439
	92,008	(8,307)

36. OPERATING EXPENSES

	2011 $'000	2010 $'000
Staff cost	372,839	376,280
Depreciation and amortisation	49,316	51,282
Auditors' remuneration	10,386	8,166
Directors' fees	5,630	5,283
Other expenses	291,033	287,021
	729,204	728,032
Staff cost includes:		
Wages, salaries and bonuses	299,396	282,283
Health and medical	11,974	11,568
Staff Training	3,656	3,719
National Insurance	21,247	20,193
Pension costs	11,678	6,490
Post retirement medical benefit obligations (Note 26)	(16,428)	10,388
Termination benefits	2,074	3,917
Other	39,242	37,722
	372,839	376,280
Average number of employees	2,529	2,403

37. FINANCE CHARGES

	2011 $'000	2010 $'000
Interest on borrowings from financial institutions	110,044	82,854

38. TAXATION

	2011 $'000	2010 $'000
Current tax	89,006	103,294
Business levy/green fund levy	2,909	1,735
Prior year taxation adjustment	950	(8,539)
Deferred tax (Note 14)	(5,717)	40,308
	87,148	136,798

38. TAXATION (CONTINUED)

The tax on the profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

	2011 $'000	2010 $'000
Profit before taxation	551,883	632,084
Prima facie tax calculated at domestic corporation tax rate of 25%	137,971	158,021
Effect of different tax rate of life insurance companies	(19,446)	(26,357)
Effect of different tax rate in other countries	(1,901)	29,730
Income not subject to tax	(206,144)	(259,767)
Expenses not deductible for tax purposes	182,395	222,128
Net adjustment to recognised and unrecognised tax losses	(2,269)	11
Tax reliefs and deductions	(2,005)	(4,078)
Business levy/green fund levy	2,909	1,735
Prior year taxation adjustment	950	(8,045)
Tax on dividend	7,348	10,036
Other	(12,660)	13,384
Tax charge for the period	87,148	136,798

39. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the consolidated statement of financial position date.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding during the year is adjusted for the weighted number of share options granted to the Executives.

	2011 $'000	2010 $'000
Net profit attributable to ordinary shareholders	261,103	405,505
Net profit attributable to ordinary shareholders from continuing operations	471,012	461,089
Net loss attributable to ordinary shareholders from discontinued operations	(209,909)	(55,584)

	Number of shares ('000)	
Weighted average number of ordinary shares in issue (thousands)	231,097	209,332
Effect of dilution:		
Share options	7,161	6,504
Weighted average number of ordinary shares adjusted for the effect of dilution	238,258	215,836

39. EARNINGS PER SHARE (CONTINUED)

	2011 $	2010 $
Basic earnings per ordinary share	1.13	1.94
Diluted earnings per ordinary share	1.10	1.88
Basic earnings per ordinary share from continuing operations	2.04	2.20
Diluted earnings per ordinary share from continuing operations	1.98	2.14
Basic loss per ordinary share from discontinued operations	(0.91)	(0.27)
Diluted loss per ordinary share from discontinued operations	(0.88)	(0.26)

40. DIVIDENDS

	2011 $'000	2010 $'000
Final dividend for 2010 - 33¢ per share (2009: 33¢ per share)	76,248	66,728
Interim dividend for 2011 - 15¢ per share (2010: 17¢ per share)	34,658	39,170
	110,906	105,898

On 23 March 2012, the Board of Directors declared a final dividend of 37 cents per share (2010: 33 cents). These financial statements do not reflect the final dividend which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2012.

41. ADJUSTMENT FOR NON-CASH ITEMS IN OPERATING PROFIT

	2011 $'000	2010 $'000
Share of loss/(profit) from associated companies (Note 8)	25,005	(23,026)
Increase in the value to shareholders of inforce long-term business (Note 13)	(70,272)	(75,808)
Net fair value gains on financial and other assets	(60,897)	(173,603)
Change in liability for interest in consolidated funds (Note 25)	22,569	31,733
Net realised gains on financial and other assets	(83,861)	(218,682)
Impairment of financial assets	12,743	11,695
Net (gain)/loss for the year on pension plan assets (Note 12)	(14,583)	14,578
Depreciation and amortisation (Note 36)	49,316	51,282
Loss on disposal of property, plant and equipment	935	5,311
Change in fair vale of investment property (Note 6)	(23,088)	8,945
Gain on disposal of investment property	282	–
Foreign exchange losses	9,163	24,892
Other non-cash expense	(9,461)	2,882
	(142,149)	(339,801)

42. FAIR VALUES OF FINANCIAL INSTRUMENTS

The classification of financial instruments at fair value can be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1
Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in mutual funds with published net asset values and evidence of trades and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3
Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid on acquisition of the investment, and are regularly assessed for impairment. The main asset class in this category is unlisted equity instruments.

The following table shows an analysis of financial instruments recorded at fair value by level of fair value hierarchy:

31 December 2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total fair value $'000**
Financial assets at fair value through profit or loss				
Equity securities	1,184,309	2,779	40,506	1,227,594
Debt securities	2,929,307	887,842	214,999	4,032,148
Other financial assets	36,005	6,632	9,979	52,616
	4,149,621	897,253	265,484	5,312,358

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets and liabilities which are recorded at fair value.

	At 1 Jan 2011 $'000	Exchange rate adjustment $'000	Total gain/(loss) in income statement $'000	Purchases $'000	Sales $'000	Transfers to Level 1 & 2 $'000	At 31 Dec 2011 $'000	Total gains or losses for the period included in income statement for assets held at 31 Dec 2011 $'000
Financial assets at fair value through profit or loss								
Equity securities	49,467	(3,086)	(4,162)	–	(13)	(1,700)	40,506	(4,163)
Debt securities	247,820	184	1,384	27,451	(76,147)	14,307	214,999	221
Other financial assets	13,969	40	(4,030)	–	–	–	9,979	(4,030)
	311,256	(2,862)	(6,808)	27,451	(76,160)	12,607	265,484	(7,972)

Gains or losses (realised and unrealised) for the period are presented in the consolidated income statement as follows:

	Realised gains $'000	2011 Fair value losses $'000	Total $'000
Total gains/(losses) included in the consolidated income statement for the period	1,232	(8,040)	(6,808)
Total gains/(losses) included in the consolidated income statement for the period for assets held at the end of the year	68	(8,040)	(7,972)

The following table shows an analysis of financial instruments recorded at fair value by level of fair value hierarchy:

31 December 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Financial assets at fair value through profit or loss				
Equity securities	1,163,433	3,814	49,467	1,216,714
Debt securities	3,718,806	851,011	247,820	4,817,637
Other financial assets	28,603	4,851	13,969	47,423
	4,910,842	859,676	311,256	6,081,774

42. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets and liabilities which are recorded at fair value.

	At 1 Jan 2010 $'000	Exchange rate adjustment $'000	Total gain/(loss) in income statement $'000	Purchases $'000	Sales $'000	Transfers to Level 1 & 2 $'000	At 31 Dec 2010 $'000	Total gains or losses for the period included in income statement for assets held at 31 Dec 2010 $'000
Financial assets at fair value through profit or loss								
Equity securities	50,240	(3,771)	1,775	1,223	–	–	49,467	1,774
Debt securities	264,731	(15,767)	6,883	112,665	(50,800)	(69,892)	247,820	7,988
Other financial assets	13,946	(18)	41	–	–	–	13,969	41
	328,917	(19,556)	8,699	113,888	(50,800)	(69,892)	311,256	9,803

Gains or losses (realised and unrealised) for the period are presented in the consolidated income statement as follows:

	2010 Realised losses $'000	2010 Fair value gains $'000	2010 Total $'000
Total gains/(losses) included in the consolidated income statement for the period	(1,123)	9,822	8,699
Total gains/(losses) included in the consolidated income statement for the period for assets held at the end of the year	(147)	9,950	9,803

The Group does not regard that any reasonable change in the valuation assumptions of Level 3 financial instruments will have any significant impact on the financial statements.

43. SEGMENT INFORMATION

The segment results for the year ended 31 December 2011 are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset manage-ment $'000	Other companies $'000	Con-solidation adjust-ments $'000	Group $'000
Year ended 31 December 2011						
Insurance activities						
Insurance premium income	2,289,367	1,663,239	–	–	–	3,952,606
Insurance premium ceded to reinsurers	(118,991)	(948,755)	–	–	–	(1,067,746)
Commission income	13,653	126,518	–	–	–	140,171
	2,184,029	841,002	–	–	–	3,025,031
Change in "Value of inforce life insurance business"	70,272	–	–	–	–	70,272
Net underwriting revenue	2,254,301	841,002	–	–	–	3,095,303
Policy acquisition expenses	(315,043)	(198,641)	–	–	–	(513,684)
Net insurance benefits and claims	(1,933,057)	(288,354)	–	–	–	(2,221,411)
Underwriting expenses	(2,248,100)	(486,995)	–	–	–	(2,735,095)
Net result from underwriting activities	6,201	354,007	–	–	–	360,208
Investing activities						
Investment income	697,553	106,804	80,237	771,619	(824,168)	832,045
Net realised gains/(losses) on financial instruments	5,850	73,279	3,929	(10,166)	10,980	83,872
Net fair value gains/(losses) on financial instruments	109,251	(2,464)	(39,485)	(40,409)	56,643	83,536
Fee income	26,398	2,043	19,891	130,816	(134,684)	44,464
Other income/(loss)	58,798	2,750	883	(4,845)	34,422	92,008
Investment contract benefits	(79,997)	–	–	–	–	(79,997)
Net income/(loss) from investing activities	817,853	182,412	65,455	847,015	(856,807)	1,055,928
Net income/(loss) from all activities	824,054	536,419	65,455	847,015	(856,807)	1,416,136
Operating expenses	(428,924)	(199,755)	(34,921)	(249,274)	183,670	(729,204)
Finance charges	(5,323)	(19,346)	(3,041)	(136,773)	54,439	(110,044)
Operating profit /(loss)	389,807	317,318	27,493	460,968	(618,698)	576,888
Share of (loss)/profit of associated companies	(16,273)	(16,544)	–	4,259	3,553	(25,005)
Profit/(loss) before taxation	373,534	300,774	27,493	465,227	(615,145)	551,883
Taxation	(41,729)	(43,231)	(4,500)	2,312	–	(87,148)
Profit/(loss) after taxation	331,805	257,543	22,993	467,539	(615,145)	464,735
Amount attributable to participating policyholders	(8,716)	–	–	–	–	(8,716)
Profit/(loss) from continuing operations	323,089	257,543	22,993	467,539	(615,145)	456,019

43. SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2010 are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset manage-ment $'000	Other companies $'000	Con-solidation adjust-ments $'000	Group $'000
Year ended 31 December 2010						
Insurance activities						
Insurance premium income	2,246,949	1,626,264	–	–	–	3,873,213
Insurance premium ceded to reinsurers	(104,402)	(592,327)	–	–	–	(696,729)
Commission income	14,086	116,365	–	–	–	130,451
	2,156,633	1,150,302	–	–	–	3,306,935
Change in "Value of inforce life insurance business"	75,808	–	–	–	–	75,808
Net underwriting revenue	2,232,441	1,150,302	–	–	–	3,382,743
Policy acquisition expenses	(295,183)	(253,386)	–	–	–	(548,569)
Net insurance benefits and claims	(1,885,133)	(687,764)	–	–	–	(2,572,897)
Underwriting expenses	(2,180,316)	(941,150)	–	–	–	(3,121,466)
Net result from underwriting activities	52,125	209,152	–	–	–	261,277
Investing activities						
Investment income	683,135	112,606	105,124	338,760	(368,330)	871,295
Net realised gains/(losses) on financial instruments	23,067	92	(134,609)	356,453	–	245,003
Net fair value gains/(losses) on financial instruments	97,477	(4,744)	56,528	(52,467)	1,959	98,753
Fee income	13,306	2,834	23,318	84,606	(88,416)	35,648
Other income/(loss)	30,710	5,429	(2,208)	(37,130)	(5,108)	(8,307)
Investment contract benefits	(83,725)	–	–	–	–	(83,725)
Net income/(loss) from investing activities	763,970	116,217	48,153	690,222	(459,895)	1,158,667
Net income/(loss) from all activities	816,095	325,369	48,153	690,222	(459,895)	1,419,944
Operating expenses	(421,649)	(191,296)	(51,704)	(160,436)	97,053	(728,032)
Finance charges	(1,135)	(16,117)	(4,478)	(105,167)	44,043	(82,854)
Operating profit /(loss)	393,311	117,956	(8,029)	424,619	(318,799)	609,058
Share of (loss)/profit of associated companies	331	14,367	–	8,328	–	23,026
Profit/(loss) before taxation	393,642	132,323	(8,029)	432,947	(318,799)	632,084
Taxation	(76,133)	(35,807)	(28,325)	3,467	–	(136,798)
Profit/(loss) after taxation	317,509	96,516	(36,354)	436,414	(318,799)	495,286
Amount attributable to participating policyholders	(14,359)	–	–	–	–	(14,359)
Profit/(loss) from continuing operations	303,150	96,516	(36,354)	436,414	(318,799)	480,927

43. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities and capital expenditure are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset management $'000	Other companies $'000	Consolidation adjustments $'000	Group $'000
Year ended 31 December 2011						
Assets						
Intangible assets	138,147	–	–	–	116,131	254,278
Investment in associated companies	132,095	54,360	–	475	15,080	202,010
Financial assets	9,767,533	1,537,298	90,095	20,515	(158,398)	11,257,043
Financial assets of mutual fund unit holders	60,097	–	1,236,339	–	(131,453)	1,164,983
Loans and receivables	1,213,025	188,882	24,501	99,665	(15,321)	1,510,752
Lands for development and sale	–	–	–	391,048	–	391,048
Reinsurance assets	73,319	606,954	–	–	–	680,273
Segregated fund assets of life insurance policyholders	499,502	–	–	–	–	499,502
Value of inforce life insurance business	738,338	–	–	–	3,705	742,043
Deferred acquisition costs	1,816	70,841	–	–	–	72,657
Cash and cash equivalents of mutual fund unit holders	244,791	8,693	161,055	–	(253,489)	161,050
Other assets	1,871,423	1,682,395	71,064	907,438	34,658	4,566,978
Total assets	14,740,086	4,149,423	1,583,054	1,419,141	(389,087)	21,502,617
Liabilities						
Insurance liabilities	9,859,340	1,766,248	–	–	(15,473)	11,610,115
Segregated fund liabilities of life insurance policyholders	499,502	–	–	–	–	499,502
Other liabilities	2,064,838	1,279,022	1,124,730	1,810,300	(80,161)	6,198,729
Total liabilities	12,423,680	3,045,270	1,124,730	1,810,300	(95,634)	18,308,346

43. SEGMENT INFORMATION (CONTINUED)

	Life, health and pension business $'000	Property and casualty business $'000	Asset management $'000	Other companies $'000	Consolidation adjustments $'000	Group $'000
Year ended 31 December 2010						
Intangible assets	138,097	–	–	–	115,387	253,484
Investment in associated companies	144,467	113,675	–	475	18,230	276,847
Financial assets	8,952,218	2,227,859	106,303	61,404	(164,446)	11,183,338
Financial assets of mutual fund unit holders	73,128	–	1,296,213	–	(124,434)	1,244,907
Loans and receivables	1,284,915	784,048	29,292	69,286	(19,414)	2,148,127
Lands for development and sale	–	–	–	305,382	–	305,382
Reinsurance assets	72,080	689,534	–	–	–	761,614
Segregated fund assets of life insurance policyholders	459,937	–	–	–	–	459,937
Value of inforce life insurance business	673,474	–	–	–	–	673,474
Deferred acquisition costs	931	368,692	–	–	–	369,623
Cash and cash equivalents of mutual fund unit holders	188,994	63,354	150,718	–	(252,549)	150,517
Other assets	1,772,584	611,913	32,796	743,012	240	3,160,545
Total assets	13,760,825	4,859,075	1,615,322	1,179,559	(426,986)	20,987,795
Liabilities						
Insurance liabilities	9,099,336	3,366,778	–	–	(12,351)	12,453,763
Segregated fund liabilities of life insurance policyholders	459,937	–	–	–	–	459,937
Other liabilities	1,963,085	286,211	1,113,123	1,597,460	(16,108)	4,943,771
Total liabilities	11,522,358	3,652,989	1,113,123	1,597,460	(28,459)	17,857,471

44. CONTINGENT LIABILITIES

Legal proceedings

Group companies are defendants in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

Purchase of land

As at 31 December 2008, one of the Group's subsidiaries entered into a preliminary agreement to purchase land. The agreement allows the company 40 months to complete the purchase. Should the company decide not to complete the purchase, the impact of the financial loss to the Group will be $2,355,082.

45. COMMITMENTS

Capital commitments

As at the year end, a development contract and a loan agreement have been entered into in respect of a property project. The commitments not provided for in these financial statements are as follows:

	2011 $'000	2010 $'000
Investment properties	–	14,074

Operating lease commitments – where a Group company is the lessee

The future aggregate minimum lease payments under operating leases are as follows:

	2011 $'000	2010 $'000
Not later than one year	24,199	22,637
Later than one year and no later than five years	73,898	85,487
	98,097	108,124

Rental expense under these leases amounted to $22,867,000 for the year ended 31 December 2011 (2010: $20,244,000).

46. RELATED PARTY DISCLOSURES

The financial statements include the financial statements of GHL and its' subsidiaries and associated companies listed in the following table:

Name	Country of Incorporation	Percentage of interest held
Guardian General Insurance Limited	Republic of Trinidad & Tobago	100.0
Guardian Life of the Caribbean Limited	Republic of Trinidad & Tobago	100.0
Fatum Holding NV	Netherlands Antilles	100.0
Guardian Life Limited	Jamaica	100.0
Guardian Asset Management Limited	Republic of Trinidad & Tobago	100.0
Bancassurance Caribbean Limited	Republic of Trinidad & Tobago	100.0
Laevulose Inc. Limited	Republic of Trinidad & Tobago	79.2
Guardian Re (SAC) Limited	Bermuda	100.0
West Indies Alliance Insurance Limited	Jamaica	100.0
Appleclaim Investment Holdings Limited	United Kingdom	39.2
Royal Star Assurance (Bahamas) Limited	Bahamas	25.0
Ocho Rios Beach Resorts Limited	Jamaica	24.0
RGM Limited	Republic of Trinidad & Tobago	33.3
Servus Limited	Republic of Trinidad & Tobago	50.0

A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions at market rates.

46. RELATED PARTY DISCLOSURES (CONTINUED)

The following transactions were carried out with related parties:

	2011 $'000	2010 $'000
(a) Sales of insurance contracts and other services:		
- Key management personnel	2,283	1,074
(b) Interest income from:		
- Key associates	11,054	13,363
(c) Financial assets of:		
- Key associates	233,212	234,025
(d) Key management personnel compensation:		
- Salaries and other short-term employee benefits	72,302	64,902
- Termination benefits	777	1,427
- Post-employment benefits	395	377
- Share-based payments	9,507	2,783
(e) Year end balances arising from sales / purchases of products and services:		
- Key management personnel	–	3,356
(f) Loans to related parties:		
Loans to key management of the Group:		
Balance at beginning of year	42,704	43,982
Difference on retranslation of opening balance	11	47
Loans advanced during the year	5,482	4,241
Loan repayments received	(7,297)	(5,632)
Interest charged	1,868	2,146
Interest received	(1,868)	(2,080)
	40,900	42,704
Loans to key associates:		
Balance at beginning of year	5,175	1,657
Loans advanced during the year	4,688	3,518
	9,863	5,175

There was no provision for doubtful debts at the reporting date and no bad debt expense in the year (2010: Nil)

47. ASSETS UNDER MANAGEMENT

Assets under management, which are not beneficially owned by the Group, but which are managed by them on behalf of investors are listed below:

	Carrying amount	
	2011	**2010**
	$'000	**$'000**
Amounts not included in the consolidated statement of financial position		
Cash and short-term investments	511,907	323,851
Investments	1,443,642	1,158,460
Interest and other receivables	109,812	64,905
	2,065,361	1,547,216

48. PLEDGED ASSETS

The Group had deposited certain assets with the regulatory authorities in the countries in which it is authorised to conduct business as security for its policyholders. The type and values of these assets are in accordance with the legal requirements of the countries concerned. The carrying value of pledged assets is:

	2011	**2010**
	$'000	**$'000**
Statutory deposits / funds	6,367,550	5,730,075

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Expressed in United States Dollars • December 31, 2011

The Group's Consolidated Statement of Financial Position and Consolidated Income Statement expressed in US dollars appears below. The purpose of this publications to provide readers of the Group's Annual Report, a number of whom are from jurisdictions outside of Trinidad and Tobago, with a quick and convenient overview of the Group's financial performance, referenced against a major international currency. The exchange rate used for this purpose is TT$6.41555 to US$1.00.

	2011 US$'000	2010 US$'000
Assets		
Property, plant and equipment	78,134	79,454
Investment properties	174,643	141,143
Intangible assets	39,635	39,511
Investment in associated companies	31,488	43,152
Financial assets	1,754,650	1,743,161
Financial assets of mutual fund unit holders	181,587	194,045
Loans and receivables	235,483	334,831
Lands for development and sale	60,953	47,600
Pension plan assets	7,143	13,518
Value of inforce life insurance business	115,663	104,975
Deferred tax assets	3,350	3,990
Reinsurance assets	106,035	118,714
Segregated fund assets of life insurance policyholders	77,858	71,691
Deferred acquisition costs	11,325	57,614
Taxation recoverable	21,542	24,558
Cash and cash equivalents	271,122	229,976
Cash and cash equivalents of mutual fund unit holders	25,103	23,461
Assets held for sale	155,927	–
Total assets	3,351,641	3,271,394
Equity and liabilities		
Share capital	313,042	312,283
Reserves	(41,206)	(38,903)
Retained earnings	219,876	200,351
Equity attributable to owners of the parent	491,712	473,731
Non-controlling interests in subsidiaries	6,183	14,197
Total equity	497,895	487,928
Liabilities		
Insurance contracts	1,809,684	1,941,184
Financial liabilities	462,240	425,487
Third party interest in Mutual Funds	169,174	166,088
Segregated fund liabilities of life insurance policyholders	77,858	71,691
Post retirement medical benefit obligations	9,496	12,301
Deferred tax liabilities	31,007	32,489
Provision for taxation	8,801	15,947
Other liabilities	129,559	118,279
Liabilities related to assets held for sale	155,927	–
Total liabilities	2,853,746	2,783,466
Total equity and liabilities	3,351,641	3,271,394

Financials expressed in US Dollars

CONSOLIDATED STATEMENT OF INCOME

Expressed in United States Dollars • December 31, 2011

	2011 US$'000	2010 US$'000
Insurance activities		
Insurance premium income	616,098	603,723
Insurance premium ceded to reinsurers	(166,431)	(108,600)
Reinsurance commission income	21,850	20,334
	471,517	515,457
Change in "Value of inforce life insurance business"	10,953	11,816
Net underwriting revenue	482,470	527,273
Policy acquisition expenses	(80,069)	(85,506)
Net insurance benefits and claims	(346,254)	(401,041)
Underwriting expenses	(426,323)	(486,547)
Net result from insurance activities	56,147	40,726
Investing activities		
Investment income	129,692	135,810
Net realised gains on financial instruments	13,073	38,189
Net fair value gains on financial instruments	13,021	15,393
Fee income	6,931	5,556
Other income/(loss)	14,341	(1,295)
Investment contract benefits	(12,469)	(13,050)
Net income from investing activities	164,589	180,603
Net income from all activities	220,736	221,329
Operating expenses	(113,662)	(113,479)
Finance charges	(17,153)	(12,915)
Operating profit	89,921	94,935
Share of (loss)/profit of associated companies	(3,898)	3,589
Profit before taxation	86,023	98,524
Taxation	(13,584)	(21,323)
Profit after taxation	72,439	77,201
Amount attributable to participating policyholders	(1,359)	(2,238)
Profit from continuing operations	71,080	74,963
Net loss on discontinued operations	(32,719)	(8,664)
Profit for the year	38,361	66,299
Profit attributable to:		
- Equity holders of the parent	40,698	63,207
- Non-controlling interests	(2,337)	3,092
	38,361	66,299
Earnings per share		
- Basic - for profit attributable to ordinary equity holders of the parent	$ 0.18	$ 0.30
- Diluted - for profit attributable to ordinary equity holders of the parent	$ 0.17	$ 0.29
Earnings per share for continuing operations		
- Basic - for profit attributable to ordinary equity holders of the parent	$ 0.32	$ 0.34
- Diluted - for profit attributable to ordinary equity holders of the parent	$ 0.31	$ 0.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Expressed in United States Dollars • December 31, 2011

	2011 US$'000	2010 US$'000
Profit for the year	38,361	66,299
Other comprehensive (loss)/income		
Exchange differences on translating foreign operations	(2,656)	10,691
Gains on property revaluation	300	205
Actuarial losses on defined benefit pension plans	(9,468)	(2,302)
Other reserve movements	146	41
Income tax relating to components of other comprehensive income	(90)	(139)
Other comprehensive (loss)/income for the period, net of tax	(11,768)	8,496
Total comprehensive income for the period, net of tax	26,593	74,795
Total comprehensive (loss)/income attributable to:		
- Equity holders of the parent	34,416	72,458
- Non-controlling interests	(7,823)	2,337
	26,593	74,795

REPUBLIC OF TRINIDAD AND TOBAGO
THE COMPANIES ACT, CH. 81:01 (SECTION 144)

I. **Name of Company:** GUARDIAN HOLDINGS LIMITED
Company No. G - 967 (C)

II. **Particulars of Meeting:**
Annual Meeting of the Company to be held at The Atrium, Guardian Corporate Centre, 1 Guardian Drive, Westmoorings on Tuesday, May 8, 2012 at 4:30 in the afternoon.

III. **Solicitation:**
It is intended to vote the proxy solicited hereby (unless the shareholder directs otherwise) in favour of all resolutions specified therein.

IV. **Any Director's statement submitted pursuant to section 76 (2):**
No statement has been received from any Director pursuant to Section 76 (2) of the Companies Act, Ch. 81:01

V. **Any auditor's statement submitted pursuant to section 171 (1):**
No statement has been received from the Auditors of the Company pursuant to Section 171 (1) of the Companies Act, Ch. 81:01

VI. **Any shareholder's proposal submitted pursuant to sections 116 (a) and 117 (2):**
No proposal has been received from any Shareholder pursuant to Sections 116 (a) and 117 (2) of the Companies Act, Ch. 81:01

Date	Name and Title	Signature
March 21, 2012	Fé Lopez-Collymore Corporate Secretary	

Photographs of Directors: Abigail Hadeed
Design & Layout: Paria Publishing Co. Ltd
Printing: Caribbean Print Technologies Ltd.

GUARDIAN HOLDINGS LIMITED

FORM OF PROXY

REPUBLIC OF TRINIDAD & TOBAGO
THE COMPANIES ACT CH 81:01 — SECTION143 (1)

1. Name of Company: GUARDIAN HOLDINGS LIMITED Company No. G - 967 (C)

2. Particulars of Meeting: Annual Meeting of the Company to be held at 4:30 in the afternoon on Tuesday, 8 May, 2012.

I/We (block capitals please) ______________________________

being Shareholder(s) in the above Company (or in the case of an owner whose shares are held in a Clearing Agency being authorised by the Clearing Agency to do so) appoint(s) the Chairman of the Meeting, or failing him, ______________________________

of ______________________________

to be my/our Proxy to attend and vote for me/us on my/our behalf at the above meeting and any adjournment thereof as indicated below on the Resolutions to be proposed in the same manner, to the same extent and with the same powers as if I/we were present at the said meeting or such adjournment or adjournments thereof.

Please indicate with an "X" in the spaces below how you wish your Proxy to vote on the resolutions referred to. If no such indication is given the Proxy will exercise his discretion as to how he votes or whether he abstains from voting:

	FOR	AGAINST
RESOLUTION 1: BE IT RESOLVED THAT the Consolidated Financial Statements of the Company for the year ended December 31, 2011 and Reports of the Directors and the Auditors thereon be received and adopted.		
RESOLUTION 2: a) BE IT RESOLVED THAT the Directors to be elected be elected en bloc		
b) BE IT RESOLVED THAT Messrs. Imtiaz Ahamad, David Davies and Jeffrey Mack be and are hereby re-elected Directors of the Company for a term expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of By-law No. 1		
RESOLUTION 3: BE IT RESOLVED THAT Ernst & Young be reappointed as auditors of the Company and that the Directors be authorised to fix their remuneration for the ensuing year.		
RESOLUTION 4: BE IT RESOLVED THAT the amendment to By-Law No. 1 of the Company effected by resolution of the Board of Directors on March 21, 2012 be and is hereby confirmed as follows: THAT By-Law No. 1 of the Company enacted by resolution of the Directors on the 14th day of April 1998 and amended as confirmed by resolutions of the shareholders on the 23rd of April 2001 and the 1st day of September 2010 be further amended by the deletion of the last sentence of Regulation 4.1 (which requires that 20% of the Board be composed of independent Directors) and its replacement with the following sentence "At least thirty per cent (30%) of the Board shall be comprised of Independent Directors.		

Signature(s): ______________________________

Date: ______________________________

FORM OF PROXY (CONTINUED)

NOTES:

1. If it is desired to appoint a proxy other than the Chairman of the Meeting, the necessary deletion must be made and initialled and the name inserted in the space provided.
2. In the case of joint holders, the signature of any holder is sufficient but the names of all joint holders should be stated.
3. If the appointor is a corporation, this form must be under its common seal or under the hand of its duly authorised attorney.

Mail or deliver to: The Corporate Secretary
Guardian Holdings Limited
P.O. Box 88
1 Guardian Drive, Westmoorings
Trinidad

For official use only:

Folio Number	
Number of Shares	

GUARDIAN HOLDINGS LIMITED

www.guardianholdings.com

For 165 years, Guardian's insurance and investment products and services have been there for you, protecting and securing the financial success of Caribbean families.

GHL's customer service orientation, prudent investment policies, responsible governance, employee and community care, and environmental consciousness are the foundation on which past successes have been built and on which the future rests. By adhering faithfully to best practices and to our mandate, we have been able to navigate turbulent economic waters for many generations. We have provided a solid rock of stability on which individuals, families and companies plan their future.

Our depth of experience has equipped and strengthened us to continue to provide growth and prosperity for our customers, our shareholders and all of our stakeholders.






SOLID AS A ROCK