

CONSOLIDATED FINANCIAL STATEMENTS

THIRD QUARTER RESULTS TO SEPTEMBER 30, 2012

EXPRESSED IN TRINIDAD & TOBAGO DOLLARS



CHAIRMAN'S REPORT

Dear Guardian Shareholders,

I am pleased to be able to report on another very satisfactory quarter for the Guardian Group of companies ("GHL"). During the quarter under review, the Group achieved consolidated net after tax profits due to the equity holders of GHL of \$106 million. Year to date through September 30, 2012 consolidated net after tax profits due to the equity holders of GHL reached \$302 million, a 25% increase over \$242 million for the same period last year. Earnings per share grew from \$1.05 to \$1.30. The now well established trend of delivering consistent and sustainable earnings is a testament to the execution of our strategy of concentrating on our core insurance operations, in our core markets, all the while ensuring that we are delivering an excellent customer experience based on an efficient operating platform.

In keeping with this strategy, we announced on September 11, 2012 the acquisition of the Globe Insurance Company of Jamaica Limited ("Globe") from Lascelles de Mercado & Co. Limited for a consideration of US\$38 million. Globe will make an excellent addition to the GHL family and will be accretive to our earnings in the first full year. When combined with our existing Jamaican general insurance company, West Indies Alliance, we will occupy the number one position in the Jamaican commercial insurance market. That is consistent with our goal of holding dominant positions in all our major markets.

Consolidated Results

On a year to date basis, our Gross Premiums Written, or our top line, grew by 5% to \$3.368 billion from \$3.217 billion, while our Net Premiums Written were essentially flat, being down less than 1%, owing to a decrease in our Dutch Caribbean general insurance business. Net income from insurance underwriting activities grew 50% to \$364 million as compared to \$243 million over the similar period due mainly to improved claims performance across our key segments being Life, Health, and Pensions, and Property and Casualty insurance. During the period, net income from investing activities dropped 14% from \$764 million to \$658 million. This unusual decrease is largely due to the fact that last year's third quarter included a \$72 million gain we recorded on the disposal of our shares in Jubilee, while this year's third quarter included a \$20 million, non-cash, provision associated with our real estate development project in Martinique ("Pt. Simone"). I would comment further on this subject in a succeeding section of this report. Eliminating the effects of these two items reveal that the underlying performance of our investing activities remained flat. Given the weak investment climate and low interest rate environment, this is not an unanticipated result.

Excellent Segment Results

All of GHL's subsidiaries performed well in the quarter and year to date period. In particular our Life, Health, and Pensions segment is having an excellent year. Net profit after tax improved 45% from \$177 million in 2011 to \$256 million through the third quarter of 2012. Our life companies are achieving high double digit profit growth.

Within our Caribbean Property and Casualty segment, despite flood losses suffered in the quarter under review in Trinidad, the group of companies which comprise Guardian General Insurance Limited achieved net after tax profits of \$89 million through nine months 2012 versus \$73 million over 2011's nine month period, a 21% increase.

Our Asset Management segment also achieved an excellent improvement, growing their net after tax profits 41% to \$18 million year to date as compared to \$13 million through nine months of 2011. Assets under Management increased to \$8.6 billion, an increase of 5% from year end 2011 and 8% from the comparative period of September 2011.

Pointe Simon – Martinique

I now return to the subject of the joint venture project in Martinique of which GHL is the major partner. This comprises development of a waterfront site, adjacent to the cruise port in Martinique's capital city, and the construction of three separate but integrated buildings. Physical work commenced in 2008 and is now substantially complete. The 'commercialisation' phase of the project is underway. This will include selling the remaining unsold luxury condominiums, while the two commercial buildings and retail spaces will achieve their 'commercialisation' through a combination of sales and leases.

We remain confident in the ultimate success of this project as it builds on the successful model we have deployed in developing property in Trinidad and elsewhere. However, prevailing economic conditions demand that we adjust our view of the expected economic returns to the Group. Accordingly we have decided to make the provision of \$20 million, described above, against reported values of this investment.

Hurricane Sandy should have minimal effects on our year-end results

Hurricane Sandy made landfall in Jamaica as a Category 1 storm on October 24th and then moved over the Bahamian islands as a Category 2 storm. Initial and conservative estimates at this time are predicting a relatively small loss of less than US\$2 million. GHL has in the past produced good fourth quarter results and barring any unforeseen or catastrophic events, this should continue to be the case.

Arthur Lok Jack
Chairman GHL
October 31, 2012

CONSOLIDATED STATEMENT OF INCOME

	Unaudited 9-Months Sep 2012 TT\$'000	Unaudited 9-Months Sep 2011 TT\$'000	Unaudited 3-Months Sep 2012 TT\$'000	Unaudited 3-Months Sep 2011 TT\$'000	Audited 12-Months Dec 2011 TT\$'000
Gross premiums written	3,367,819	3,216,986	952,068	933,248	4,007,139
Net premiums written	2,299,442	2,310,645	708,816	716,433	2,904,132
Net income from insurance underwriting activities	363,794	243,335	151,807	120,190	360,208
Net income from investing activities	658,397	763,913	214,300	309,414	1,055,928
Net income from all activities	1,022,191	1,007,248	366,107	429,604	1,416,136
Operating expenses	(561,494)	(505,947)	(197,964)	(184,395)	(729,204)
Finance charges	(89,925)	(72,522)	(30,899)	(24,969)	(110,044)
Operating profit	370,772	428,779	137,244	220,240	576,888
Share of profit/(loss) of associated companies	14,391	(27,299)	5,928	(36,487)	(25,005)
Profit before taxation	385,163	401,480	143,172	183,753	551,883
Taxation	(71,832)	(80,599)	(29,727)	(20,151)	(87,148)
Profit after taxation	313,331	320,881	113,445	163,602	464,735
Amount attributable to participating policyholders	(8,739)	(4,230)	(5,724)	3,282	(8,716)
Profit from continuing operations	304,592	316,651	107,721	166,884	456,019
Net loss on discontinued operations	(11,757)	(73,051)	(10,898)	(25,735)	(209,909)
Profit for the period	292,835	243,600	96,823	141,149	246,110
Profit for the period					
- Equity holders of the parent	301,819	242,337	106,179	140,786	261,103
- Non-controlling interests	(8,984)	1,263	(9,356)	363	(14,993)
	292,835	243,600	96,823	141,149	246,110
Earnings per share					
for profit attributable to ordinary equity holders of the parent					
- Basic	\$1.30	\$1.05			\$1.13
- Diluted	\$1.24	\$1.02			\$1.10
Earnings per share for continuing operations					
for profit attributable to ordinary equity holders of the parent					
- Basic	\$1.35	\$1.36			\$2.04
- Diluted	\$1.29	\$1.33			\$1.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 9-Months Sep 2012 TT\$'000	Unaudited 9-Months Sep 2011 TT\$'000	Unaudited 3-Months Sep 2012 TT\$'000	Unaudited 3-Months Sep 2011 TT\$'000	Audited 12-Months Dec 2011 TT\$'000
Profit for the period	292,835	243,600	96,823	141,149	246,110
Other comprehensive (loss) / income					
Exchange differences on translating foreign operations	(69,064)	(15,666)	13,574	(106,362)	(17,036)
Gains on property revaluation	-	6	-	4	1,926
Actuarial (losses) / gains on defined benefit pension plans	(11,160)	11,154	(11,160)	-	(60,743)
Other reserve movements	262	(3,814)	101	(3,420)	934
Income tax relating to components of other comprehensive income	(8)	-	(3)	-	(580)
Other comprehensive (loss) / income for the period, net of tax	(79,970)	(8,320)	2,512	(109,778)	(75,499)
Total comprehensive income for the period, net of tax	212,865	235,280	99,335	31,371	170,611
Total comprehensive income attributable to:					
- Equity holders of the parent	222,156	232,368	108,269	36,206	220,797
- Non-controlling interests	(9,291)	2,912	(8,934)	(4,835)	(50,186)
	212,865	235,280	99,335	31,371	170,611

Forward Looking Statements

This statement may contain certain forward looking statements, including but not limited to, statements as to future operating results and plans that involve risks and uncertainties. We use words such as "expects", "anticipates", "believes", or "estimates", the negative of these terms and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.

CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

THIRD QUARTER RESULTS TO SEPTEMBER 30, 2012

EXPRESSED IN TRINIDAD & TOBAGO DOLLARS



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited Sep 2012 TT\$'000	Audited Dec 2011 TT\$'000
ASSETS		
Property, plant and equipment	479,485	501,275
Investment properties	1,128,619	1,120,431
Intangible assets	253,458	254,278
Investment in associated companies	208,463	202,010
Financial assets	11,694,401	11,257,043
Financial assets of mutual fund unit holders	1,193,631	1,164,983
Loans and receivables	1,634,976	1,510,752
Lands for development and sale	427,344	391,048
Pension plan assets	24,880	45,827
Value of inforce life insurance business	842,192	742,043
Deferred tax assets	16,269	21,490
Reinsurance assets	823,173	680,273
Segregated fund assets of life insurance policyholders	478,804	499,502
Deferred acquisition costs	83,537	72,657
Taxation recoverable	148,562	138,205
Cash and cash equivalents	1,964,381	1,739,394
Cash and cash equivalents of mutual fund unit holders	137,722	161,050
Assets held for sale	862,819	1,000,356
Total assets	22,402,716	21,502,617
EQUITY AND LIABILITIES		
Share capital	2,034,793	2,008,338
Reserves	(333,126)	(264,360)
Retained earnings	1,580,960	1,410,625
Equity attributable to owners of the parent	3,282,627	3,154,603
Non-controlling interests in subsidiaries	29,284	39,668
Total equity	3,311,911	3,194,271
Liabilities		
Insurance contracts	12,374,472	11,610,115
Financial liabilities	1,678,239	1,426,580
Investment contract liabilities	1,609,574	1,538,945
Third party interests in mutual funds	1,084,324	1,085,343
Segregated fund liabilities of life insurance policyholders	478,804	499,502
Post retirement medical benefit obligations	69,298	60,923
Deferred tax liabilities	195,648	198,928
Provision for taxation	67,329	56,463
Other liabilities	670,298	831,191
Liabilities related to assets held for sale	862,819	1,000,356
Total liabilities	19,090,805	18,308,346
Total equity and liabilities	22,402,716	21,502,617

These financial statements have been approved for issue by the Board of Directors on October 31, 2012 and signed on its behalf:

Director

Director

SEGMENT INFORMATION

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Asset management TT\$'000	Other companies TT\$'000	Consolidation adjustments TT\$'000	Group TT\$'000
Nine months ended 30 September 2012						
Gross premiums written	1,839,270	1,528,549	-	-	-	3,367,819
Net premiums written	1,750,863	548,579	-	-	-	2,299,442
Underwriting revenue	1,808,880	601,774	-	-	-	2,410,654
Underwriting expenses	(1,722,296)	(324,564)	-	-	-	(2,046,860)
Net income from investing activities	577,059	74,629	66,877	265,318	(325,486)	658,397
Net income from all activities	663,643	351,839	66,877	265,318	(325,486)	1,022,191
Operating expenses	(339,199)	(156,227)	(23,789)	(160,651)	118,372	(561,494)
Finance charges	(3,110)	(13,266)	(906)	(113,062)	40,419	(89,925)
Operating profit / (loss)	321,334	182,346	42,182	(8,395)	(166,695)	370,772
Nine months ended 30 September 2011						
Gross premiums written	1,780,142	1,436,844	-	-	-	3,216,986
Net premiums written	1,700,389	610,256	-	-	-	2,310,645
Underwriting revenue	1,677,689	655,791	-	-	-	2,333,480
Underwriting expenses	(1,689,931)	(400,214)	-	-	-	(2,090,145)
Net income from investing activities	575,691	151,550	46,553	662,138	(672,019)	763,913
Net income from all activities	563,449	407,127	46,553	662,138	(672,019)	1,007,248
Operating expenses	(305,467)	(140,193)	(25,403)	(156,736)	121,852	(505,947)
Finance charges	(3,916)	(14,247)	(2,593)	(100,524)	48,758	(72,522)
Operating profit / (loss)	254,066	252,687	18,557	404,878	(501,409)	428,779
Total assets						
30 September 2012	15,627,059	4,166,309	1,576,431	1,495,693	(462,776)	22,402,716
31 December 2011	14,740,086	4,149,423	1,583,054	1,419,141	(389,087)	21,502,617

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Sep 2012 TT\$'000	Unaudited Sep 2011 TT\$'000	Audited Dec 2011 TT\$'000
Balance at beginning of the period	3,194,271	3,130,324	3,130,324
Total comprehensive income	212,865	235,280	170,611
Movement in unallocated shares	15,012	-	197
Share option scheme - value of services provided	11,442	-	5,270
Dividends	(121,679)	(112,314)	(112,131)
Balance at the end of period	3,311,911	3,253,290	3,194,271

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Sep 2012 TT\$'000	Unaudited Sep 2011 TT\$'000	Audited Dec 2011 TT\$'000
Profit before taxation from continuing operations	385,163	401,480	551,883
Loss before taxation from discontinued operations	(11,757)	(73,051)	(209,909)
	373,406	328,429	341,974
Adjustment for specific items included on the accruals basis:			
- Interest expense	89,925	72,522	110,044
- Investment income	(622,998)	(643,657)	(857,053)
Interest and dividends received	629,628	664,610	844,228
Adjustments for non-cash items	(74,854)	(119,166)	(142,149)
Operating profit before changes in operating assets / liabilities	395,107	302,738	297,044
Net increase in insurance liabilities	758,630	473,253	155,142
Net purchases of financial assets	(411,597)	(147,904)	(200,512)
Net purchases of / additions to investment properties	(55,903)	(134,384)	(200,192)
Net movement in other operating assets and liabilities	(409,500)	(49,202)	301,886
Cash provided by operating activities	276,737	444,501	353,368
Interest paid	(120,578)	(52,741)	(108,045)
Net taxation paid	(61,115)	(99,137)	(120,251)
Net cash provided by operating activities	95,044	292,623	125,072
Net cash (used in) / provided by investing activities	(22,128)	103,792	78,072
Net cash provided by financing activities	141,982	18,398	95,466
Net increase in cash and cash equivalents	214,898	414,813	298,610

NOTE 1: BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated statement of income, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows.

These summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2011 audited financial statements consistently applied from period to period. Any new Accounting Standards or interpretations which became effective in this financial year have had no material impact on the Group. The areas of critical accounting estimate and judgement as disclosed in "Note 3" of the 31 December 2011 audited financial statements, have also remained unchanged.