2006 ANNUAL REPORT

Guardian Holdings Limited

Vision 2 Change

1847 *2007*

"For 160 years we have possessed the vision to change."

Vision 2 Change

"For 160 years we have possessed the vision to change. Change is an opportunity that we continue to grasp so as to be relevant to the society in which we have grown and in which we thrive. We shall continue to be the leading financial services group. We shall excel in the fields of integrated financial services, consistently delivering the best results for our stakeholders."

Guardian Holdings Limited and its Subsidiaries

Annual Report 2006

GUARDIAN
HOLDINGS
LIMITED

Guardian Holdings Head Office
1 Guardian Drive, Westmoorings
Republic of Trinidad and Tobago

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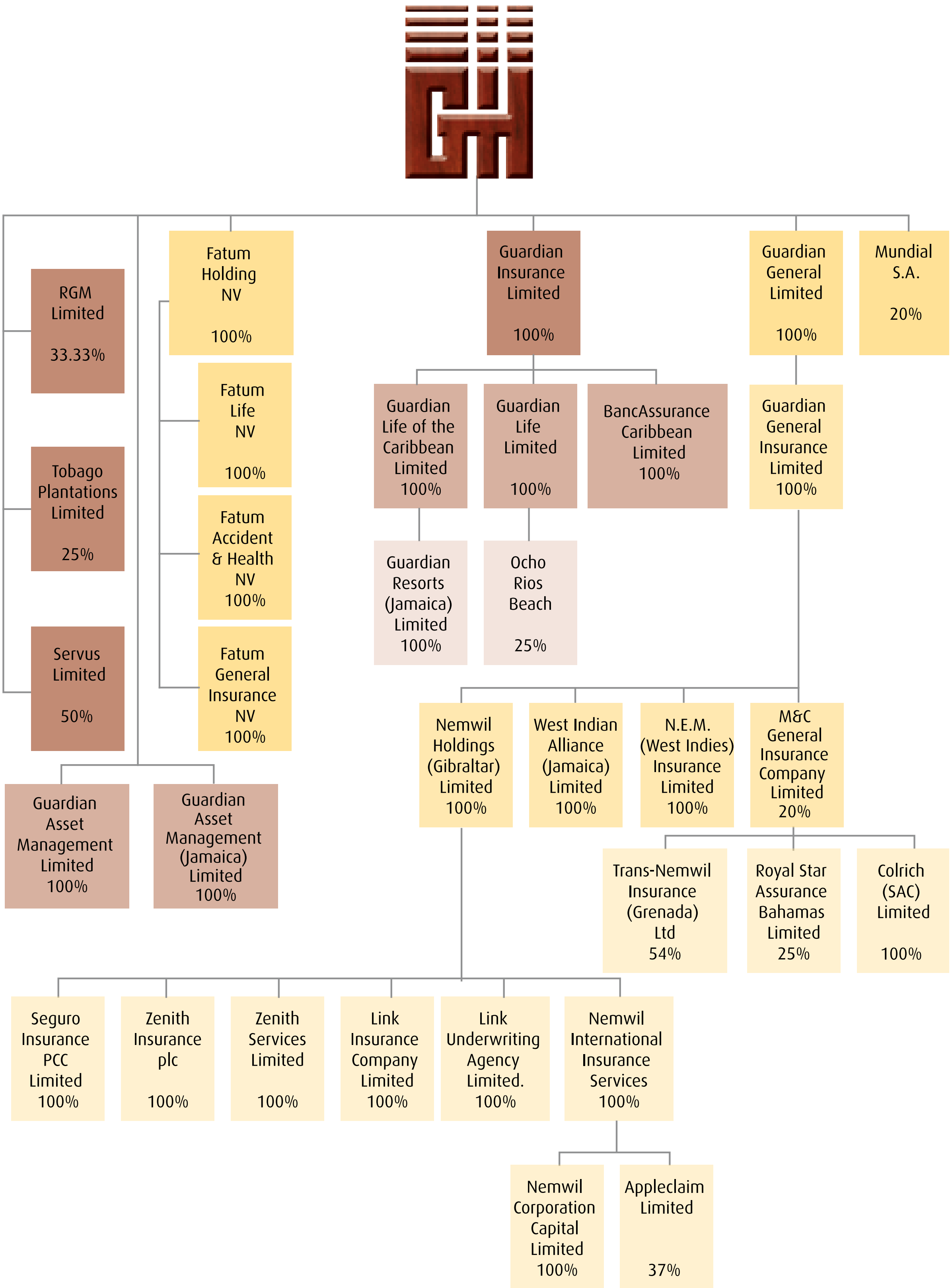
Organisational Structure



Financial Highlights

Net Premium Written
The amounts receivable from policyholders less the amounts payable to our reinsurers in respect of policies in force.

Net Premium Earned
This relates to net premiums written less reserve for unearned premiums for policies in force.

Profit attributable to Shareholders
The Group's profit after the deduction of tax and minority interest

Earnings per ordinary share
Profit attributable to holders of ordinary shares stated as the value per weighted average ordinary share in issue during the year.

Total Capital & Reserves
The assets invested in the business by shareholders and minority shareholders in partly owned subsidiaries

Shareholders Equity
The assets invested in the business by shareholders of ordinary shares.

Net asset value per share
Net assets attributable to holders of ordinary shares, adjusted for statutory provisions, stated as the assets per ordinary share in issue at the end of the year.

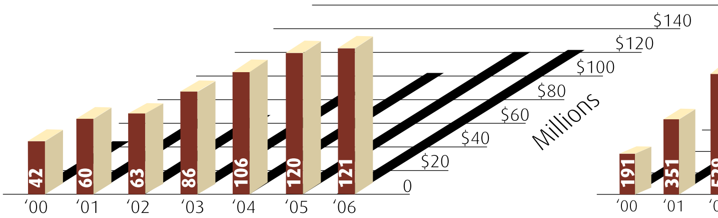
Dividend Cover
Profit attributable to shareholders divided by total dividend paid and proposed for the year.

	2006	2005
REVENUE		
Life business net premiums written	$1,482 M	$1,361 M
General business net premiums written	$2,420 M	$1,860 M
General business net premiums earned	$2,192 M	$1,838 M
RESULTS		
(Loss)/profit attributable to shareholders	$ (236) M	$ 358 M
Earnings per ordinary share	$ (1.17)	$ 1.83
BALANCE SHEET AT 31 DECEMBER		
Total capital & reserves	$3,568 M	$3,750 M
Shareholders' equity	$3,557 M	$3,733 M
Net Asset Value per share	$ 17.69	$18.59
DIVIDEND		
Total dividend for the year per ordinary share	15¢	55¢
Dividend cover	-	3.42
CONVERSION RATE	2006 Average Rate	2006 Year-end Rate
Trinidad & Tobago dollar to one US Dollar	$ 6.2864	$ 6.2953
Trinidad & Tobago dollar to one British Pound	$11.5208	$12.2833
Trinidad & Tobago dollar to one Jamaican Dollar	$ 0.0945	$ 0.0928
Trinidad & Tobago dollar to one Netherlands Antillean Guilder	$ 3.5119	$ 3.5169

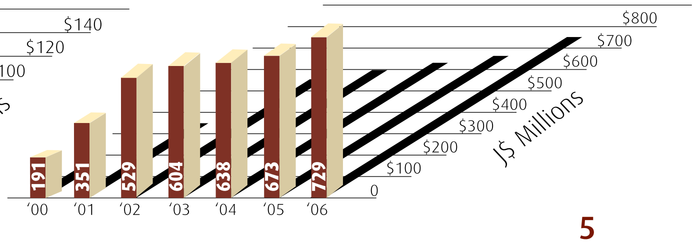
M = Millions

Annualised Premium Income (API)
Relates to the premiums on new business settled during the year which have been annualised.

Annualised Premium Income GLOC



Annualised Premium Income GLL

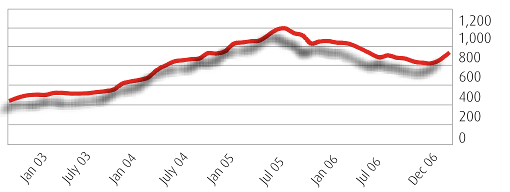


Chairman's Statement

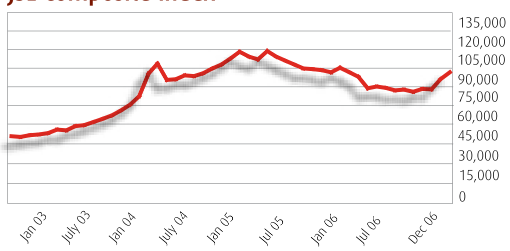
Dear Fellow Shareholders:

The year 2006 has been difficult and challenging. For the first time in our Group's history we have recorded a net loss of TT$236 million.

TTSE Composite Index



JSE Composite Index



In my quarterly reports to you last year, I referred to the continuing poor performance of the Stock Markets in Trinidad and Tobago and Jamaica. In fact, the composite indices closed the year down 9.9% and 3.7%, respectively, with a resulting negative effect of TT$103 million on our 2006 results. At the 3rd quarter we showed net Fair Value Losses on our investment portfolio of TT$515 million; fortunately both stock markets rallied in the last quarter and this net Fair Value Loss was reduced to TT$103 million.

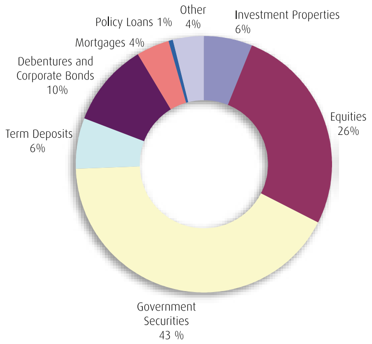
Given our regulatory constraints and the dearth of suitable investment options for our long-term operations, our equity portfolio remains an important component in our investment strategy. We are confident that the proposed changes to the Insurance and Investment regulations will reduce some of the volatility that we have experienced in our equity portfolio and we will continue to invest in high quality companies that will provide us with sustainable superior long-term returns.

"We are confident that the proposed changes to the Insurance and Investment regulations will reduce some of the volatility that we have experienced in our equity portfolio and we will continue to invest in high quality companies that will provide us with sustainable superior long-term returns."

Arthur Lok Jack, Group Chairman

Vision 2 Change

In May of 2006, the position of Chief Executive Officer of Guardian Holdings Limited passed from H. Peter Ganteaume to Rory O'Brien.



Investment Mix 2006

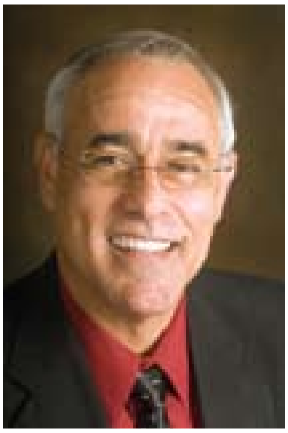
The other significant factor contributing to the reported loss was the restructuring of our U.K. Property and Casualty (P&C) businesses. The external third party administration and claims service provider for Link, one of our major businesses in the UK, was placed in Administration during the first quarter of 2006. To maintain our reputation in the market and to continue to service our customers, we had to acquire the assets and personnel of this company. Over a 6-month period, we restructured the business, amalgamated duplicate functions, reducing cost overhead and rationalising the product base. Regrettably, the restructuring resulted in the displacement of 92 people, from a workforce of 370. We did not take this decision lightly but in the knowledge that the restructuring was necessary to enable a long-term, sustainable and competitive business.

Your Board decided that, given the above challenges, the rationalisation plans should be implemented immediately rather than over a prolonged period. This programme was substantially completed by the end of the 3rd quarter 2006 and I am very pleased to announce that the team in the UK delivered strong operating results in the last quarter.

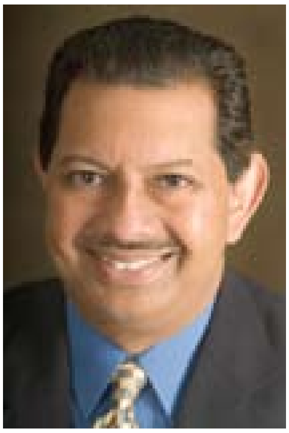
In my last update I discussed the negative effect of the "soft" insurance cycle on the UK market over the last three years. I am pleased to confirm that in the last quarter of 2006 there was significant "hardening" in the market – we were therefore able to achieve rate increases of 1% on average for each of the last three months and have seen further evidence that this is continuing into 2007. The new operating model, implemented in 2006, will help us capitalise as the UK market returns to profitability.

It is unfortunate that the negative impact of the above issues masks the underlying good performance of the other operating companies in the group and the strength of our strategy.

GHL's Directors



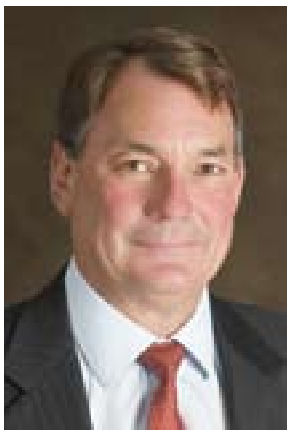
Mr. Douglas Camacho – Group COO



Mr. Imtiaz Ahamad – Director, Southern Sales & Service Company Limited

Mr. David Davies - Chairman, Sun Life Financial of Canada Limited

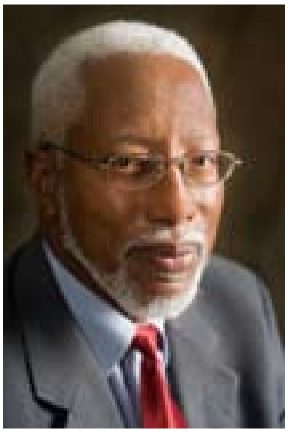
Dr. Terrence Farrell – President, Business Insight Limited



Mr. H. Peter Ganteaume – Chairman, Risk Management Services Limited

Chairman's Statement (continued)

GHL's Directors (continued)

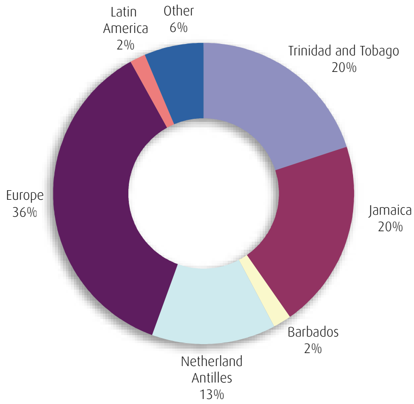


Mr. Selby Wilson – Director, Caribbean Packaging Industries Limited

Mrs. Fé Lopez-Collymore Corporate Secretary

Mr. Antony Lancaster – Chairman, Groupama Insurances Group of Companies

Our Life, Health and Pension (LHP) business units continue to make us the dominant provider of these services in the Caribbean. Guardian Life of the Caribbean Limited (GLOC) celebrates its 160th Anniversary in 2007 and in 2006 delivered yet another record year in terms of New Business written.



Geographical Segments (Revenue)

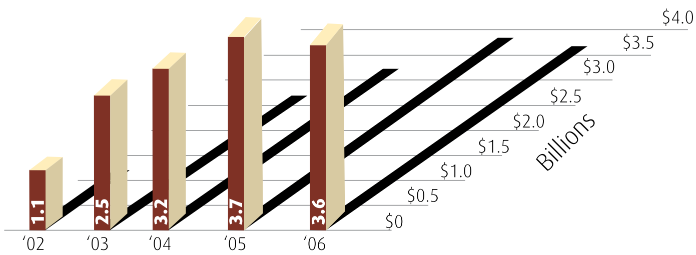
Guardian Life Limited (GLL), our Jamaican LHP company, also showed a significant increase in New Business in 2006 and delivered a new stream of income with the acquisition of 100% of MedeCus, the most technologically advanced provider of Health Insurance in the Caribbean. This acquisition will strengthen our overall capability in the profitable Employee Benefits market.

FATUM, our Netherlands Antilles and Aruban composite insurer, performed well and in line with expectations. The project to develop an in-house administration system progressed well in 2006 and will be fully implemented in 2007.

Whilst the UK P&C business was being restructured, our Caribbean P&C business performed exceptionally well on the back of disciplined and rigorous underwriting. The value of our diversification strategy has again been validated as the Caribbean saw improved rates and lower loss ratios throughout the year.

The Asset Management companies continued to implement their growth strategy and 2006 saw the launch of Guardian Asset Management's range of proprietary Mutual Funds which outperformed the more established funds in the market. Our focus on generating third party income in our Asset Management companies has been very successful in 2006 with the Trinidad & Tobago company securing over $684 million in 3rd party assets under management by the end of 2006. Total assets under management now exceed $8 billion.

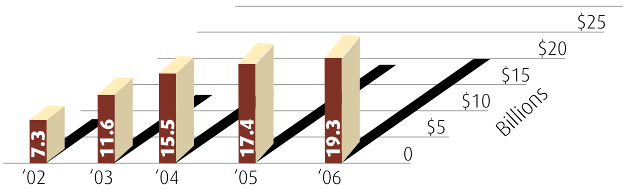
Shareholders' Equity



The Independent Rating Agency, A.M. Best, has re-affirmed an 'A Excellent' rating for our Trinidad and Tobago life company (Guardian Life of the Caribbean Limited) and for our Caribbean General Insurance subsidiary (Guardian General Insurance Limited). This affirmation underscores the strength of these entities and the overall strength of the Group.

We proposed and paid a 15 cent interim dividend but, in light of the overall final reported performance, your Board has decided to forego the payment of a final dividend.

Total Assets



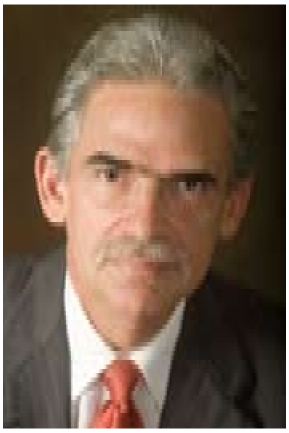
Fellow Shareholders, the challenges and disappointments of 2006 are behind us. This does not alleviate my disappointment that we have had to temporarily break with our tradition of significant dividend payments. However, it is my conviction that the strategy we adopted in 2000/2001 is the correct one. To sustain growth, we must look beyond the Caribbean market, particularly in the general insurance field, and we must constantly renew and expand our range of wealth protection and management products. A series of unforeseeable circumstances created a near "perfect storm" last year, through which we have successfully navigated. We haven taken the necessary difficult decisions and actions and have therefore produced a stronger, fitter company – one that is better positioned to deliver higher, long term sustainable results.

I would like to conclude by thanking our executives and staff for their continued dedication and loyalty. It is in years like 2006 that the true mettle of your people is tested.

Arthur Lok Jack
Group Chairman

March 20, 2007

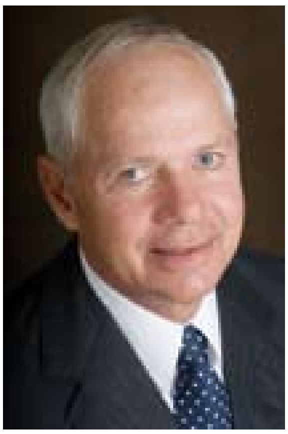
GHL's Directors (continued)



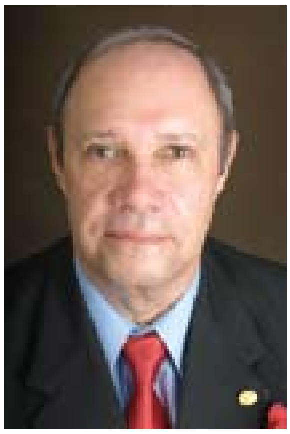
Mr. David Philip Hamel-Smith – Managing Partner, M. Hamel-Smith & Co, Attorneys at Law

Dr. Aleem Mohammed – Chairman, S.M. Jaleel and Company Limited

Dr. George Phillip – Managing Director, Jamaica Observer Limited



Mr. Gary Voss – Chairman, Unilever Caribbean Limited



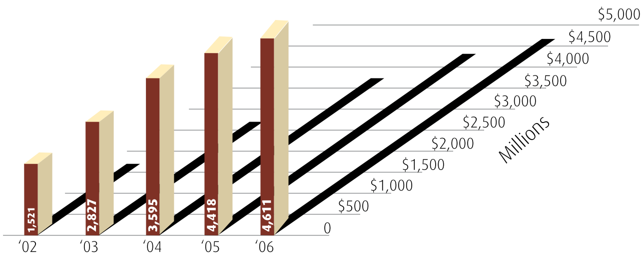
Mr. Peter July – Chairman, RBTT Financial Holdings Limited

Chief Executive Officer's Review

It is personally disappointing to me that, in my first review as Chief Executive Officer, I have to report less than satisfactory financial results. For the first time in our existence the Group has recorded a loss, and we have therefore not maintained our commitment to you, our shareholders.

The causes of our losses are clear and were highlighted in our quarterly reporting. It had been evident for some time that the developments in two key areas of our business would cause us real difficulties in 2006: the poor performance of the investment markets and the costs of restructuring our European operations. We are at the mercy of the markets in the first; but in the second, we have not been idle. Our restructuring work in the UK is now largely complete, and I am happy to report that we achieved the predicted return to profitability of the UK business during the last quarter of 2006. This is a significant step forward, demonstrating the management capability of the restructured UK team and our ability to transform the European businesses into a net contributor to the Group.

Consolidated Total Revenue



The underlying performance of the Group is not in question. The consolidated Group results conceal the operating profitability of our core businesses and for many their strong, sometimes dominant, market positioning. Over the last year our concentration has been clear: increasing the effectiveness and professionalism of the individual businesses so as to deliver increasing value to our customers ever more efficiently. The fundamentals of the Group remain strong! Improved local investment markets, should they arrive, would only underline our strength.

We are a significant player in the Caribbean and there is no doubt that Guardian can influence market sentiment by example. However, the last eighteen months have emphasised the old lesson that the "market is king". We have seen during the market downturn that regulatory constraints leave

Overview of Results

$'million	LHP		P&C Caribbean		P&C International		Asset Mgmt.		Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Total Revenue	2,125	2,009	720	699	1,676	1,564	64	65	26	81	4,611	4,418
Operating Profit before Fair Value Gains	128	152	155	165	(162)	124	31	38	(83)	15	69	495
Fair Value Gains/Losses	(54)	0	(8)	3	(13)	(3)	0	0	(30)	15	(104)	16
Profit before Tax	75	175	134	158	(126)	140	31	38	(272)	(53)	(158)	458

"Over the last year our concentration has been clear: increasing the effectiveness and professionalism of the individual businesses so as to deliver increasing value to our customers ever more efficiently. The fundamentals of the Group remain strong."

Rory O'Brien, Group CEO

CEO's Review (continued)

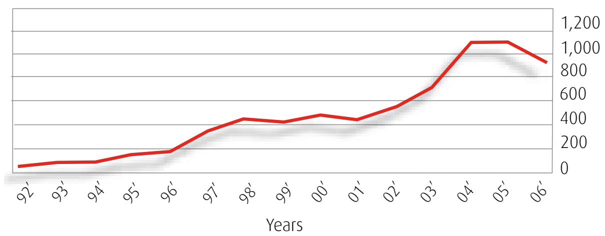
us with very limited control over the value of our portfolio; we should bear that in mind when the market upturns. Our best defense against these fluctuations has to be continuous and unflagging concentration on our strategic objectives and on the operating profitability of every company in the Group. Thankfully, their performance shows that there remains huge strength in these companies.

In 2006 the Group recorded a loss before tax of $158.5 million, compared to a profit of $457.5 million in 2005. This reported loss includes (unrealised) Fair Value losses on our investment portfolio of $103 million and a loss of $204.6 million in relation to the restructuring of our European operations.

Fair Value Losses

In the 2005 Annual Report and in the 2006 quarterly Chairman's statements, we detailed the way in which movements in our investment portfolio materially impact our reported profits. Our companies adhere to International Accounting Standards under which the movement in the value of these investments is taken into our Income Statement. In 2006 the value of our investments fell in line with large declines in the Trinidad and Tobago Composite index and the Jamaican Composite Index. This is reflected in the figures shown above.

TTSE Composite Index



In Trinidad and Tobago in particular we have witnessed this investment market decline, despite a buoyant economy and strong performance from the companies in which we invest. All stock markets show periodic volatility, and the Trinidad and Tobago market has been no exception in the past, but long-term returns on average show an annual growth rate of approximately 9.9%. Equity investment should be viewed predominantly as long term and we remain confident in the underlying strength of the companies in which we invest and in the strength of the economies of both Jamaica and Trinidad and Tobago. We will continue to hold a well-structured portfolio of investments despite any short-term underperformance of the share price.

Property & Casualty (International)

In 2006 we undertook a major restructuring of our European businesses, Link & Zenith. This necessary restructuring and the prolonged "soft" UK motor insurance market resulted in significant one-off costs in 2006.

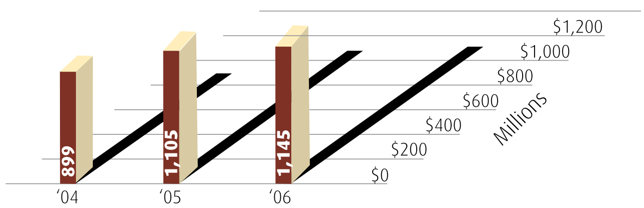
Restructuring - The Group acquired Link Insurance in 2004 and Zenith Insurance in 2005. Both organisations are predominantly specialist motor insurers operating in the United Kingdom and the Republic of Ireland, each with an established track record of delivering good underwriting performance. We planned to realise the natural synergy benefits of merging the two companies operationally over time. However in February 2006, Rubicon – the external outsourced administrator for much of the Link business – was placed into Administration. The first imperative was to secure our operational capability. This meant taking in-house the relevant back office administration teams from Rubicon, at the same time accelerating our plans to merge the back office operations of both businesses. We incurred significant costs in doing so, not only in reducing the workforce but also in ensuring that we took the opportunity to rationalise the portfolio and to strengthen provisions for previous years. There is no doubt in my mind that the restructuring was a necessary and important part of readying these businesses to take advantage of more favourable market conditions; but the impact of the Rubicon affair and the timing and the magnitude of the costs involved has been very negative. By contrast, I view the response and efforts of the UK management team very positively. Our restructuring programme was completed before the year-end and we witnessed very strong operating results for these businesses in the last quarter of 2006.

Soft Market - Most UK insurers and market commentators, including us, had projected that early in the second half of 2006 the UK motor market would harden – that is, that premiums rates would increase. However, the "soft market" cycle continued throughout the year as the larger companies, often sustained by substantial reserve releases, continued to write business at uneconomical rates in order to gain market share. This resulted in substantially lower premium income for our companies as we maintained our underwriting discipline and refused to write business at below acceptable margin. By the last quarter of 2006 we finally saw significant increases in the rates being charged and our companies achieved average increase in rates of 1% in each of the last three months of the year. This will have a positive effect in 2007, with indications that there are further improvements to come.

Other Operating Unit Highlights

Life, Health & Pensions

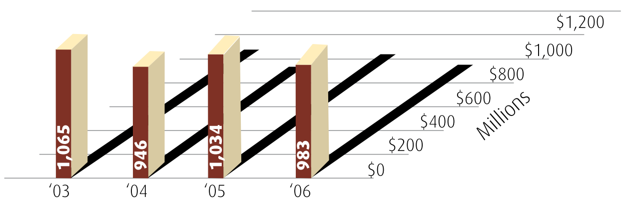
Gross Premiums – Life and Pension



We continue to be the dominant Life, Health and Pensions (LHP) provider in the Caribbean. In 2007 our flagship company in Trinidad and Tobago, Guardian Life of the Caribbean, marks a tremendous milestone: 160 years of service to the people of this region. Once again in 2006 the company demonstrated why it remains so strong after so long - our products, our sales force and our administration are second to none. Guardian Life Limited, our Jamaican LHP Company, showed significant growth in New Business Premiums.

Property & Casualty (Caribbean)

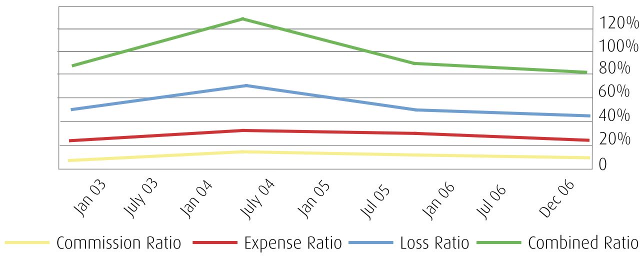
Gross Premiums – Caribbean P&C



Our Caribbean Property and Casualty (P&C) companies had an exceptional year in 2006! Despite introducing significantly more discipline and rigor to our underwriting processes and despite the cessation of low-margin

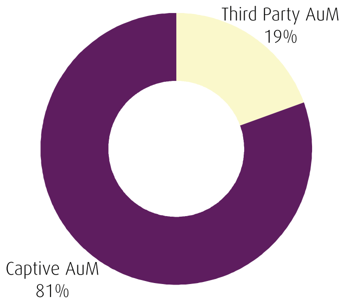
CEO's Review (continued)

Caribbean P&C Performance Ratios



fronting arrangements, we maintained Gross Written Premium at just under $1 billion. All the other drivers of profit have shown significant improvement with our combined ratio in particular improving by 7.9%. This represents an excellent performance.

Asset Management



Our Asset Management companies, Guardian Asset Management Trinidad and Tobago (GAMTT) and Guardian Asset Management Jamaica (GAMJA), were initially established to manage our in-house proprietary funds. With this objective firmly achieved, the 2006 focus was on developing significant 3rd Party business. Both have developed suites of Private Client portfolios and GAMTT has launched a series of Mutual Funds to service this new target market. In 2006 GAMTT generated more than $200 million of net mutual funds' sales. This is a good foundation and we will develop further opportunities in 2007.

Private Equity

To date we have invested US$14 million of our US$25 million Private Equity fund, with investments focused principally on the Trinidad and Tobago oil and gas industry. Our investments are all performing in line with expectation and we are currently considering a healthy pipeline of additional opportunities.

Composite Insurer

FATUM, our Netherlands Antilles composite insurer (combining Life, Health & Pensions and Property & Casualty), performed well in 2006. FATUM was acquired from ING in 2003 but only last year transferred its back office administration from Holland to an in-house developed system. Transformation projects of this type require close management and attention to detail and there is always a danger that the business will take its eye off its markets. In this case performance has been sustained, with profits before tax of $81 million.

Major Associate Companies

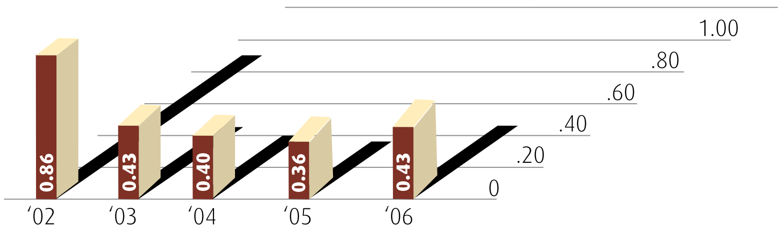
Our 2005 investment in 20.1% of the equity of the leading Panama insurer, Grupo Mundial, performed strongly. Profits exceeded expectation and the value of our investment, as traded on the Panama exchange, has increased by over 100% since we made the acquisition.

Our Property & Casualty business in Lloyd's of London also continues to perform very well. This investment provides us with the ability to diversify from our local catastrophe risks and provides a stream of hard currency dividend.

Capital & Financial Strength

The Group, in its pursuit of growth, has levered up its Balance Sheet and now has a leverage ratio of .43:1, with Shareholders Equity of over $3.5 billion. We are in the process of reorganising our Balance Sheet commencing in 2006 with the introduction of a US$50 million 10-year subordinated loan from the International Finance Corporation. Within the medium-term, we will continue to look at ways of creating the appropriate capital structure for an emerging market organisation like ours. Despite our aggressive growth history, we have continued to ensure that our subsidiaries are adequately capitalised.

Debt to Equity Ratio



Strategy & Outlook

Guardian is a complex and evolving business that has a clearly defined and articulated strategy. In summary, GHL is committed to being the regional wealth management and protection champion, while building beachhead positions in selected international markets. To achieve this, GHL will:

- Dominate the life, health and pensions markets in the English and Dutch-speaking Caribbean
- Maintain its position in Property & Casualty in the Caribbean
- Stabilise the U.K. domestic business and then pursue a growth strategy
- Improve service and profitability through operational efficiency across all BU's
- Pursue LHP-led inorganic growth in Latin America and the Spanish-speaking Caribbean
- Significantly increase assets under management in the Caribbean and provide top quartile performance
- Enhance our long term returns on capital through the continued pursuance of alternative investment opportunities

The core commitment that we make to our shareholders is to provide sustainable superior returns through the implementation of this strategy. Despite the challenges of 2006 we remain absolutely committed to this strategy. It recognises the unique strength of our position in the Caribbean, our growing presence, directly or with carefully selected partners, in other territories and the importance of maintaining the very highest standards in the fundamentals of our business. We will continue to focus on:

CEO's Review (continued)

- Driving operational efficiency and excellence throughout the organisation
- Developing a high performance culture across all our Group companies
- Achieving bottom line growth through organic initiatives
- Putting our customers first through our commitment to customer service
- Ensuring that we adequately manage our risk and exposures through our risk management initiative

We are confident about our operational performance prospects for 2007. In 2006 we undertook constructive reviews of all of our companies and took positive actions to consolidate and improve our business performance. The evidence of the operational performance in the last quarter of 2006 supports our confidence in the solid foundation on which we are building.

Our People

We measure our success as a company on our ability to deliver value to our shareholders and to meet customer needs. We also measure our success on our ability to offer a rewarding and inclusive work environment for our employees and to give back to the communities that support us. We know that to win in the marketplace we need first of all to win in the workplace.

We now have over 2000 employees across all of our companies. These employees bring a diverse set of backgrounds, talents, cultures and insights to their work. We recognise that it is the combination of these perspectives, and the commitment and goodwill of our people, that give us competitive advantage in the market place. It is essential for us to remain, as we have always been, committed to the continued development of all our staff.

We have many programmes in place designed to allow our people to develop and grow both as individuals and in pursuit of their agreed business objectives. We have also introduced compensation systems that more closely align the rewards of individuals with the value that they create for our shareholders. Most importantly of all, we strive constantly to recognise and reward superior achievement.

Dividend

Having considered the overall performance of the Group for 2006 and having assessed our long-term strategy, we have concluded that, in order to meet our long-term objectives, it is inappropriate to pay a final dividend for 2006. We have agonised over this decision but have concluded that we need to retain cash to fund our various opportunities and programmes so as to maximise long-term sustainable shareholder returns.

Conclusion

In many respects, the Guardian Holdings Group, and certainly your Group CEO, is stronger for the year just gone. Such circumstances force the management team to take a clear and objective look at the business, to recognise that poor performance can be (must be) a catalyst for change and to take the right decisions, difficult though these may be. During the year we did exactly that and your businesses are better established now than they were in 2005.

Businesses do not operate in a vacuum. I would like to thank our shareholders for your continued support and patience, our customers for continuing to recognise that we are the premier insurance and asset management group in the Caribbean and, last but not least, my colleagues of all levels throughout the Group for your dedication and determination.

Rory O'Brien
Group Chief Executive Officer

March 20, 2007

Management Discussion and Analysis

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

Forward Looking Statements – Cautionary Language

The report reviews the Company's financial condition and results of operations including its liquidity and capital resources. Historical information is presented and discussed and, 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 Company 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 (the Company) is a holding company, the subsidiaries of which provide financial services through the production, distribution, and administration of insurance and investment products. The Company operates along three main business segments: (i) Life, Health and Pension Insurance, (ii) Property and Casualty Insurance and (iii) Asset Management.

Significant Accounting Policies

The Group's accounting policies inherently require the use of judgements 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 various significant accounting policies is presented hereunder.

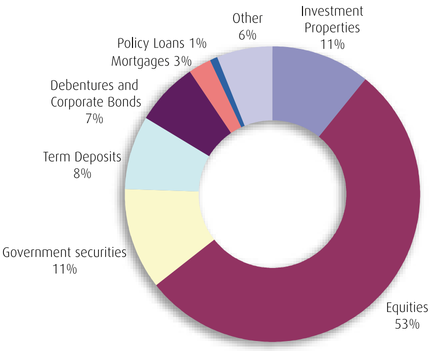
The Group has substantial financial assets and has chosen to account for the movement in fair value on some of these assets through income. The amounts transferred to income will depend on the performance of the capital markets during the year. The Company's specific accounting policies related to its invested assets are discussed in Note 2.8 to the Consolidated Financial Statements. At December 31, 2006 the Company held $10 billion in financial assets (excluding cash and cash equivalents), including $7.7 billion in financial assets that have been treated on a fair value basis through income.

The Group incurs significant brokerage costs in connection with the acquisition of insurance business through its intermediaries. These costs, which vary with and are integral to the procurement of ongoing insurance business, are amortised over the period during which premiums are earned. Accounting for other intangible assets such as goodwill also requires an estimate of the future profitability of the respective profit generating units. Revisions to the estimates that result in the impairment of the carrying value of these assets, or changes in the rate at which premiums are earned, result in amounts expensed in the reporting period in which the revisions are made. At December 31, 2006 the Company had no impairment in goodwill and the deferred acquisition cost asset and goodwill asset stood at $196.1 million and $1.08 billion respectively.

Establishing an adequate liability for the Company's obligations to its policyholders requires the use of assumptions. Estimating liabilities for future policy benefits on life and health insurance products may require the use of assumptions such as those relative to future investment yields, mortality, morbidity, persistency and other assumptions based on the Company's historical experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. Determining liabilities for the Company'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. At December 31, 2006 the Company had total policy liabilities and accruals of $10 billion.

Determining the Company'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 Company'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. Accounting for other stock-based compensation plans may require the use of option pricing models to estimate the Company's obligations. Assumptions used in such models relate to equity market volatility, the risk-free interest rate at the date of the grant, as well as expected exercise dates. See Notes 10 and 17 to the Consolidated Financial Statements for further information on these plans.

Financial Summary



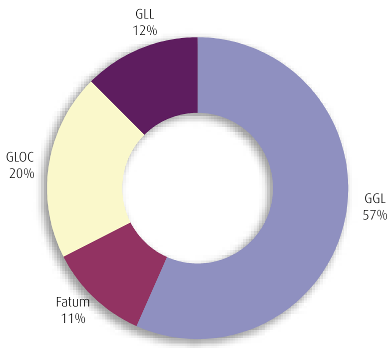
Investment Mix (Trinidad and Tobago)

The Group sustained losses of $235.9 million for the year ended December 31, 2006. The main reasons for this result were the unsatisfactory performance of the Group's Property & Casualty (P&C) operations in the UK and the decline in the two major regional stock markets, Trinidad and Tobago stock market (TTSE) and Jamaica (JSE), which negatively impacted the value of the Group's equity holdings. The composite indices on the TTSE and the JSE declined 9.9% and 3.7% respectively during the year.

Management Discussion and Analysis (continued)

In 2006 a number of material events and developments led to a review of the projected performance of the UK operations. It became clear that, in light of the collapse of a third party service provider and the continuing difficult trading conditions in the UK, the performance of the UK operations would fall short of expectations and there was a need to review both the strategy for growth and the operational infrastructure supporting the business. This is dealt with in more detail in the UK operations section of this report.

Gross premium increased by 4% year over year. This is in spite of a significant reduction in lump-sum deposits in the Life companies and the withdrawal of the Caribbean's P&C operations from fronting business in 2006. The increase was largely attributable to GLL's accounting for 100% of a full year's operation of the MedeCus health business in 2006 (previously a 50/50 joint venture) and the sale of a significant amount of immediate annuities in December to a large Superannuation Fund.



Net Premium Income 2006

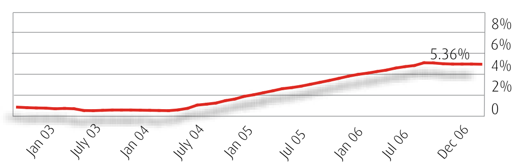
Net premium income increased by $453 million (or 14%) year over year due to contributions by GGL and GLL. GGL's contribution came from both the Caribbean and UK divisions, which reflected year over year increases of $53 million and $295 million respectively. The increase in the UK operations was due to a reduction in its quota share cessions to zero as a direct result of it exiting the household lines of business. GLL reflected an increase of $199 million year over year, which was mainly due to the annuities mentioned above. These increases were mitigated somewhat by the fall-off in lump-sum deposits made in the Life companies.

Given the decline in the regional stock markets the group sustained net fair value losses of $103 million, a fall of $119 million compared to the positive fair value adjustment in the previous year.

Commission Income reflects a decline of $161 million (or 80%) primarily because of the Caribbean operations' deliberate strategy of exiting from fronting business as we concluded that the rewards were not acceptable for the risk being taken on the books. The UK operation's reduction in its quota share cessions to zero, consequently led to a fall-off in commission income from reinsurers.

Operating Profits declined to a loss of $34 million, mainly due to the losses sustained in the UK P&C operations and the negative impact on the Group's investment portfolio of the decline in regional stock exchanges.

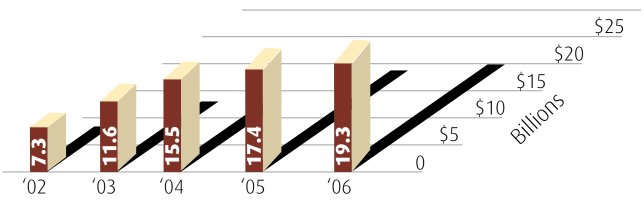
3-Month LIBOR



Rising interest rates plus increased borrowings resulted in a 21% increase in Finance Charges year over year.

During the fourth quarter of 2006 a minority shareholding transfer of 1% in FATUM from ING to GHL was concluded as a result of satisfying all the regulatory conditions precedent. This made GHL the sole shareholder in FATUM.

Total Assets

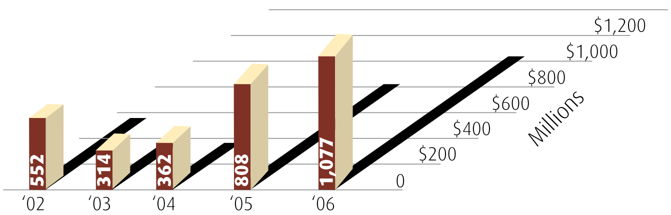


At the end of the year, in spite of the fall in value of the Group's equity portfolio, Total Assets increased by 11% (or $1.9 billion) to $19.3 billion. This was mainly due to increases of $233 million in property, plant and equipment, $216 million increase in investment property, an increase in Goodwill of $270 million and an increase of $1.3 billion in Financial Assets including cash and cash equivalents.

During the year the Group purchased a property in the UK to house its UK Operations. It also acquired a property in Central Trinidad which now houses some of the back office functions of the Group.

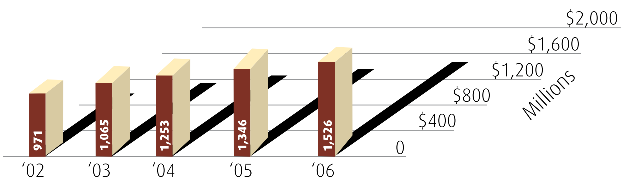
Investment properties increased mainly due to the Group's investment in a hotel development project in Martinique and land in Tobago.

Goodwill



In January 2005, the Zenith Insurance Group was acquired at a price of £50.6 million. Pursuant to a sale and purchase agreement in respect of Zenith Insurance Plc, the Group was contingently liable to pay additional purchase consideration up to £15 million where the ultimate loss ratios in respect of the 2003 and 2004 combined underwriting years were below a proposed level. To-date the proposed ratio has not been exceeded and therefore the maximum deferred consideration of £15 million is payable in March 2008. An amount of £15 million (i.e. TT$184 million) has been provided for in the financial statements with the related entry being Goodwill. The balance of the above mentioned increase is due to foreign currency translation adjustments.

Medium-Term Debt



Included in Financial Liabilities are medium-term borrowings totalling $1.5 billion, representing an increase of $180 million over the previous year. This increase is as a result of the parent company, during the second quarter of 2006, finalising a US$50 million 10-year subordinated debt facility with the International Finance Corporation. The funds were partly utilised to repay other debt obligations. Coupled with the decline in shareholders equity consequent upon the unsatisfactory performance, this increase has caused the leverage ratio to increase to 0.43 from 0.36 at December 31, 2005.

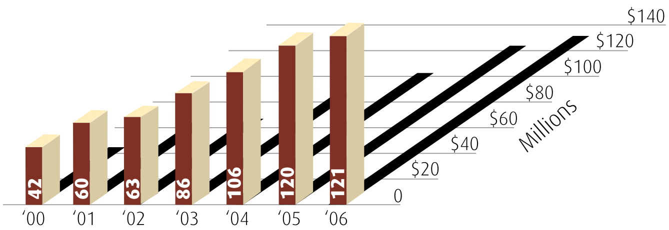
Management Discussion and Analysis (continued)

Results of Operations

Segmentation of operating income provides relevant and useful information to investors, as it represents the basis on which the performance of the Group's business is internally assessed.

Guardian Insurance Limited
Life & Health Insurance and Pensions

Trinidad and Tobago – Guardian Life of the Caribbean Limited



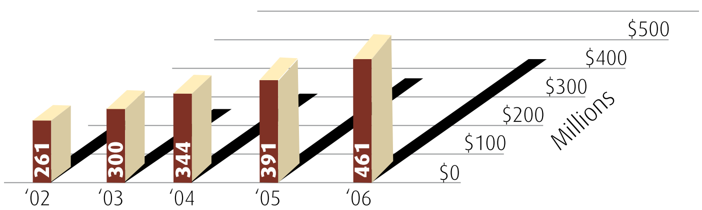
Annualised Premium Income

The past year was a challenging one for Guardian Life of the Caribbean Limited (GLOC) due to the poor performance of the Trinidad & Tobago stock market. The stock market decline had two significant effects: Firstly, GLOC's Lifestar and Lifestyle Funds performed poorly when compared to fixed interest investment products, even though they performed well when compared to similar local balanced funds; this created challenges in selling our main life and pension product lines and, in particular, lump-sum deposits and single premiums. Secondly, the losses in our equity portfolio adversely affected our profits.

Nevertheless GLOC's sales force and operations staff succeeded in settling $121.2 million of new business, which represents a modest increase over the $120.7 million settled in 2005 and the seventh straight year of increases in top-line performance. Excluding the effect of lump-sum deposits and single-premiums, which are sensitive to investment performance, there was a notable increase of 13% in core new premiums from $102.7 million in 2005 to $116.1 million in 2006. The number of policies settled also increased by 11% from 17,539 in 2005 to 19,440 in 2006.

A major thrust for growing GLOC's premium income has been in the Employee Benefits area. This continues to be successful with Employee Benefits premium income growing by 23% in 2006. Major initiatives are well under way to re-engineer our health administration processes and restructure our Employee Benefits sales function. This will serve as a platform to continue the strong growth.

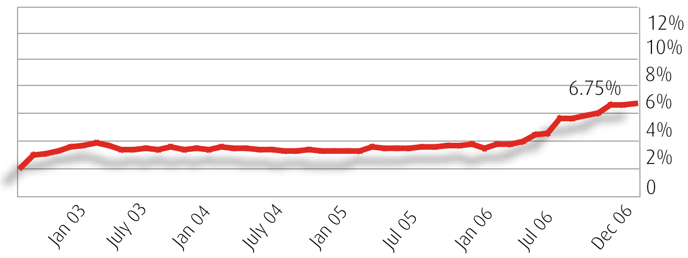
Core Premium Income



Total premium income was $731 million, which was 5% lower than the $758 million premium income for 2005. The reduction resulted entirely from the decrease in lump-sum deposits and single premiums into our main product lines. Core premium income, excluding lump-sum deposits and single premiums, continues to show strong growth.

The 2006 investment climate in Trinidad & Tobago was mixed. The stock market declined precipitously during the first three quarters of the year and had a partial recovery during the last quarter. The overall decline in the Composite Index was 9.9%. During the first nine months of 2006 the Central Bank of Trinidad and Tobago raised the repo rate on eight occasions from 6.25% to 8.00% in response to rising inflationary pressures, strong growth in consumer credit and the narrowing of the differential between TT and US dollar short-term interest rates. Consequently, the leading commercial banks increased their prime-lending rate from 10.00% at the start of 2006 to 11.75% by the close of 2006.

3-Month Treasury Bills (Trinidad and Tobago)



Operational Excellence continues to be one of GLOC's main strategic themes. In 2006, considerable work was done on re-engineering the infrastructure for processing new policies. This will positively impact operating costs, turnaround times and customer satisfaction once fully launched towards the end of 2007. Management has continued its focus on operational efficiency and cost reduction; as a consequence, despite strong inflationary pressure in 2006, the ratio of operating expenses to core premium income has fallen from 26% in 2005 to 23%.

The Company reported a loss before tax of $23.1 million as compared to a profit before tax of $72.6 million for 2005. This arose from a $60.5 million net loss in our investment portfolio precipitated by the stock market decline. Excluding net movements in our investment portfolio, operating profits have grown from $33.0 million in 2005 to $37.3 million in 2006.

The pace of restructuring our operations for enhanced operational efficiency has quickened. A significant milestone has been the upgrade of our infrastructure for managing and delivering projects, culminating in the formation of a specialised project management team. In order to reinforce the culture of accountability and delivery, the Balanced Scorecard has been implemented as a performance management tool for transforming strategy into deliverables throughout the Company.

There is a renewed focus on the development of new products so as to maintain our leadership position in the industry. A specialised product development department was formed to accelerate the pace of rolling out new products, and thereby return the company to its position of dominance as the market leader in innovation.

GLOC's strategic theme of expansion continues. 2006 was the first full year of operation for our Barbados branch and sales are progressing well. The company continues to deepen its relationship with BAC Financial Services for the distribution of products to selected Latin American markets.

A.M. Best, the internationally recognized rating agency for insurance companies, rates the Company as 'A' Excellent. This reflects our stable life insurance operations, financial strength and risk identification and mitigation strategies. Prudent actuarial methods, based on British standards, are in place to

Management Discussion and Analysis (continued)

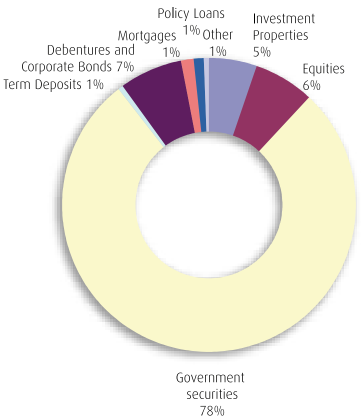
determine the appropriate level of assets to support our policyholder liabilities. GLOC continues to hold additional capital to provide a buffer against any unforeseen circumstances thereby ensuring that our policyholders enjoy a level of security that exceeds local requirements and meets international standards.

Jamaica – Guardian Life Limited

In 2006 Guardian Life Limited (GLL) marked its seventh year of operation. The year was characterised by a significant decline in benchmark interest rates, a sluggish equities market, declining inflation rate and a relatively stable foreign currency market. In November the six-month Treasury bill rate declined to its lowest level in more than a decade at 12.28%, and closed the year at 12.31%.

Notwithstanding the challenging economic environment, the Company surpassed the previous year's total revenue by 57%, recording J$7.4 billion.

Net premium income totalled J$4.9 billion, representing an increase of 88% over 2005, mainly arising from the significant growth in our health and annuities portfolios. The winding up of four pension schemes led to the purchase of Annuities costing $1.87 billion in the last quarter of the year, while health premiums increased by 110%, on an annualised basis, over 2005. GLL's individual life portfolio stood at over 173,000 in-force policies, for sums assured of J$123 billion.



Investment Mix – Jamaica

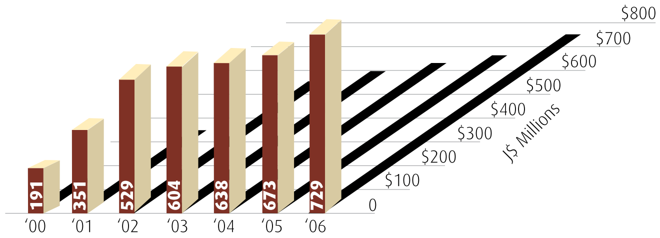
The calendar year performance of the stock market saw a 3.7% decline in the main Jamaica Stock Exchange (JSE) index and marginal growth in the All Jamaica Composite and Jamaica Select indices of 2.16% and 2.91% respectively. However, GLL's equities portfolio out-performed the All Jamaica Composite Index with an average fair value gain of 6.6% for the year. GLL ended the year with net investment income growing by 11% over 2005 and other investment related and fee income increasing by 40%.

GLL maintained its management and operating expenses below projections and within inflation rate levels. At the end of the year, expenses relating to the individual life and pensions portfolios were only 5% higher than 2005, comparing favourably with the 5.8% calendar year inflation rate.

GLL's operational efficiency or cost-to-income ratios continue to improve year-on-year. The ratios of operating expenses to premium income and revenue, excluding exceptional items, registered improvements of 2% and 15% respectively.

The total asset base of the company increased by approximately 25% to J$26.9 billion. Invested Assets increased by 24% to close the year at J$19 billion. The major increases in invested assets were from Repurchase Agreements and Investment Securities, which grew by 73% and 14% respectively.

Annualised Premium Income



Funds under management ended the year at J$17 billion, registering an increase of 12.5% over 2005.

In 2006, GLL settled 19,137 cases for J$729.3 million Annualised Premium Income (API) representing a 20 percent increase over the prior year. GLL currently has a market share of 35%. In terms of persistency, the Company ended the year at 84%, a 1.82% improvement over the previous year.

For the first time in the Company's seven-year history, it recorded 95 MDRT qualifiers, including 7 Court of the Table and 2 Top of the Table.

GLL acquired the 50% shareholding held in MedeCus from Grace Kennedy in June 2006. It has now been successfully integrated into GLL. The gains from the operational efficiency should be realized in the 2007-2009 period. This will provide an annual savings of J$22.14 million and will also afford the opportunity to use the Plexis system to integrate the Caribbean Health portfolio. MedeCus has made inroads in the health insurance market since its introduction in 2005. We have over 1,400 providers registered island-wide and have more than doubled the number of schemes enrolled in an aggressive price-competitive market.

MedeCus Health has "raised the bar" on customer service by:

- Implementing a robust and innovative information technology infrastructure that offers members online access to critical information.
- Introducing the fastest claims turn around time in the industry
- Customising health plans to fit the needs and preferences of employees.

As at October 2006, the health insurance industry accounted for J$5.66 billion in annualised billed premium. Medecus accounted for J$632 million representing 11.16% of the market share. This was achieved in less than two years.

In 2006 GLL secured 26% of the pensions market with funds under management of J$12 billion and 18% of the group life market.

2006 was pivotal for the local pension industry. Even though the Pensions Act 2004 became effective in March 2005, the accompanying regulations only took effect in March 2006. Pension funds, retirement schemes and investment managers/administrators had six months to comply with these regulations.

The essential elements of this new environment are:

- Full disclosure of information to members
- Licensing of all stakeholders
- Increasing accountability of trustees, managers/administrators and employers.

Management Discussion and Analysis (continued)

More reform measures are expected, including:

- Porting, where members will be permitted to transfer their benefit from one pension fund/scheme to another.
- Locking in, requiring that members' compulsory contributions are locked in.
- Indexation of Pension, where pensions are allowed to be indexed to inflation subject to the resources of the pension plan and sponsor.
- Retirement schemes, to increase the amount that can be contributed tax free to retirement scheme.

Solvency of life, health and pensions operations

We are very conscious of the reality that a prime responsibility of any insurance company is to ensure that it is always in a position to pay policyholder claims. This is particularly important in the case of life insurance, where the Company is promising to pay claims that may not arise for many years. Along with a prudent reserving approach, the main means of ensuring that the Company can meet its promises is the amount and type of capital available. GHL's life insurance companies operate in a number of different countries, each of which has a different approach to the calculation of minimum regulatory capital requirements. In all cases the management is mandated to ensure that available capital remains significantly above the capital required.

In Jamaica, the capital regime is a modified and somewhat stronger version of the approach used in Canada. This is a risk-based approach that mandates a minimum required capital reflective of the risks undertaken by the company. For instance, if a company chooses to invest heavily in equities, then the required capital would be higher than would be the case if the investment policy more strongly favoured government bonds. The actual capital on the Company's balance sheet is also adjusted to reflect the different levels of protection offered by the various items on the balance sheet. As an example, goodwill is removed from the calculation of available capital. The ratio of available capital to required capital, known as the MCCSR ratio, indicates the relative strength of the company. GLL has already significantly exceeded the final target ratio that will not come into regulatory effect until 2010.

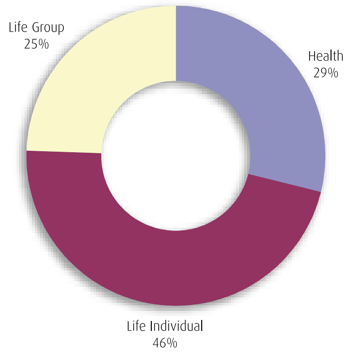
In Trinidad and Tobago, the Insurance Act does not have a formal capital requirement. However, the regulatory authority has developed over time informal capital requirements. The current level of solvency of the Trinidad and Tobago life company is a significant multiple of that which would be required if we were subject to the original European Union solvency requirements.

The Group will continue to manage its life insurance capital so as to provide strong protection to policyholders while ensuring effective use of shareholder capital.

FATUM
Life & Health Insurance, Pensions and Property & Casualty Insurance

Dutch Caribbean

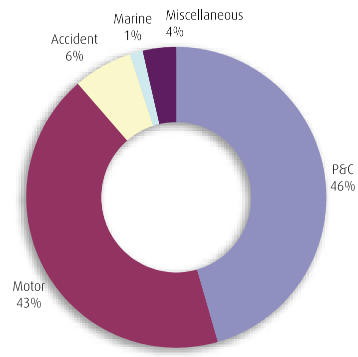
FATUM closed the year 2006 with a net profit of ANG 14,905, reaffirming the solid financial performance of the FATUM sub-group. While the Property & Casualty (P&C) and Health premium volumes showed increases, the Life business showed a small decrease. The yield on investments was 7.0%. FATUM's solvency position is very strong, being 300% above local requirements. In addition, FATUM is fully in compliance with the local investment rules that allow a maximum of 40% of the investments to be placed abroad.



FATUM's Gross Premium – LHP Business

From an economic perspective, the Netherlands Antilles economy showed a growth of 2.1% in 2006 and an inflation rate of 3.9%. The GDP per capita is ANG 5.514 million, of which 60% is accounted for by financial services. Private spending and construction activities were the main drivers of economic growth, mitigated partially by a decline in public spending and net foreign exchange demand. The higher inflation rate of 3.6% was largely the result of rising oil prices. The growth in imports was linked primarily to higher oil prices, the expansion of the airports of St. Maarten and Curaçao and maintenance work at the refinery in Curaçao. The high Netherlands Antilles State Debt of ANG 5 billion, being a substantial part of the GDP, negatively affected further economic and social development.

Aruba's main economic activities are tourism, banking and transportation. A slowdown in the tourism industry, which began in 2005, continued in 2006. Tourism accounts for about 60% of the GDP. The government of Aruba increased import duties, which had the effect of increasing inflation to 4.1% in 2006, while the annual average inflation rate reached 3.7 percent.

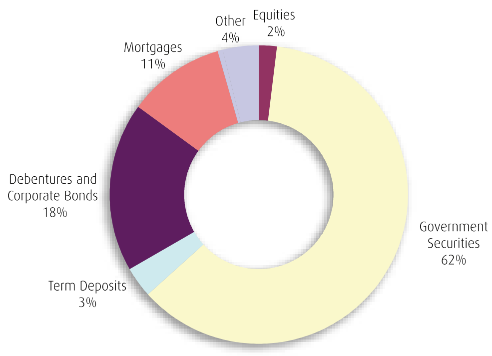


FATUM's Gross Premiums – P&C Business

In pursuit of its strategic objective of operational excellence, FATUM began re-engineering its business processes and will continue doing so in 2007. In addition, cost containment initiatives have proven successful. The company will continue enhancing its operational efficiency through cost containment and business process optimisation in the next year.

FATUM went live with its large-scale automation project for the Individual and Group Life business in 2006. Although there were the inevitable service constraints during an automation process, customers in general remained loyal to FATUM. In 2007

Management Discussion and Analysis (continued)



Investment Mix – Dutch Caribbean

the remaining parts of the Group Life system will be implemented, allowing FATUM to provide even higher levels of service.

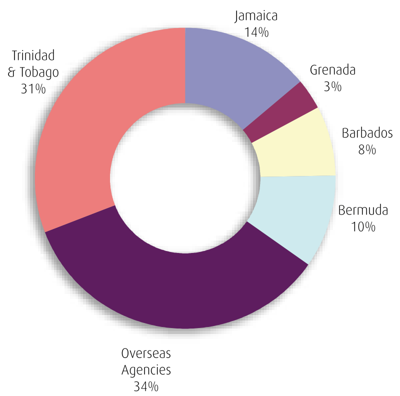
The Netherlands Antilles Government continued work on the introduction of a basic health insurance package for the entire population. It is likely that private insurers will become co-providers of the basic package. The screening of brokers, for registration as regulatory approved brokers, continued throughout 2006. This legislation is expected to decrease the number of brokers and increase their quality and stability.

Following the constitutional restructuring of the Netherlands Antilles, Bonaire, Statia and Saba will achieve Dutch municipality status in 2007. Curaçao and St. Maarten will have autonomous status within the Dutch kingdom. The Dutch government's expressed intention to take over the main part of the Netherlands Antilles debts, with some conditions, will release the islands from the burden of high interest and greatly enhance social and economic development initiatives. The solvency of the new governments, in the new constitutional construct, is crucial if they are to fulfill their obligations with respect to, for example, Government bonds. Other investment rules might also be affected by the constitutional restructuring.

Guardian General Limited
Property And Casualty Insurance

Caribbean Operations

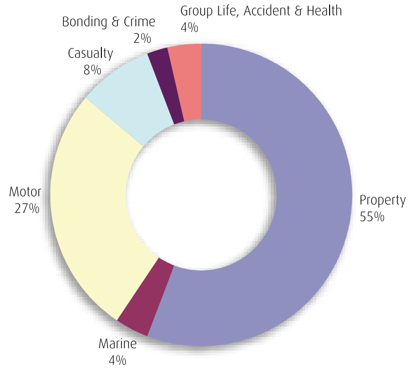
The Caribbean Division of Guardian General Limited (GGL) operates in eighteen countries and comprises GGL Caribbean companies, agencies underwriting business in the Caribbean territories and its reinsurance company domiciled in Bermuda.



Gross Premiums Caribbean Operations (by Territory)

The 2006 Atlantic hurricane season was unusual in that no hurricane made landfall in the United States of America. Forecasts had predicted a 2006 season that would be very active, though not as intense as 2005. However, a rapidly forming El Niño event, combined with the pervasive presence of the Saharan Air Layer over the tropical Atlantic, and a steady presence of a robust secondary high pressure area related to the Azores high pressure area centered around Bermuda, contributed to a slow season. All tropical cyclone activity ceased after October 2, 2006. Of the 10 named storms, five became hurricanes and only two of these were considered major (category 3 or higher). The pre-season forecast projected 17 named storms, nine hurricanes and five of category 3 or higher.

This docile hurricane season, combined with higher rates on our property account, resulted in a profitable 2006.



Gross Premiums Caribbean Operations (by Product Line)

The Caribbean group produced $982.6 million in gross premiums written compared to $1,033.5 million in 2005. This reduction of 4.9% was in the main part of a planned initiative to reduce participation in 'fronted' business where exposures appeared to far outweigh the fees earned on this business. In spite of the aforementioned, net premiums grew by 17.4% from $415.9 million to $488.1 million as more risk was retained and the company continued to develop its motor vehicle book of business.

The Caribbean Division's maintenance of underwriting discipline combined with the absence of any hurricane claims resulted in the continuing improvement in the overall claims loss ratio from 48.1% to 43.1%. This generated a healthy underwriting profit of $209.6 million compared to $169.4 million in 2005.

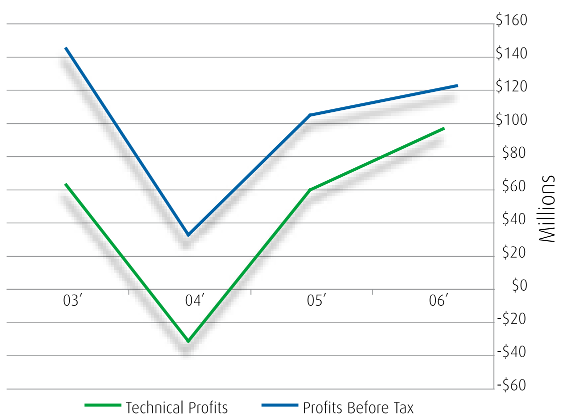
Management and commission expenses were tightly controlled at 23.1% and 10.7%, respectively, resulting in a combined ratio of 76.9%, an improvement over last year's ratio of 85.1%.

Overall, the Caribbean Division produced a net profit after tax of $107.4 million.

In December 2006, A.M. Best re-affirmed the financial strength rating of A- (Excellent) of Guardian General Insurance Limited (GGIL) and its wholly owned subsidiary, N.E.M. (West Indies) Insurance Limited (NEMWIL). The outlook for the rating is stable and reflects GGIL's dominant market presence, sound capitalisation and improved catastrophe risk exposure.

The 2007 reinsurance programmes were fully placed prior to the inception date of January 01, at acceptable terms. All reinsurers possess a minimum Standard and Poor and/or A.M. Best rating of A or better.

Caribbean P&C Profit Trend



In spite of the relatively quiet 2006 hurricane season, the experts continue to warn that we are in a period of hyper activity and that 2006 was an anomaly because of the convergence of the events mentioned earlier. Insurers should therefore continue to charge reasonable rates for the risk exposures covered; unfortunately memories of 2004 and 2005 have faded very quickly and there are signs that property rates are softening, as insurers begin to compete aggressively for market share after the healthy performance of 2006. This is a potentially destructive sign that could only lead to impaired balance sheets when the next major hurricanes hit the Caribbean. GGL will continue to maintain tight underwriting disciplines irrespective of the competitive pressures.

International Operations

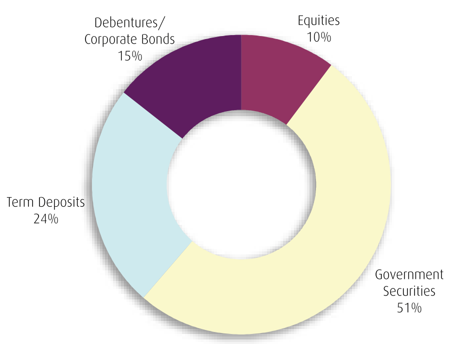
An already difficult relationship with the Link service provider, Rubicon, further deteriorated at the end of 2005. Matters came to a head early in 2006 with the collapse of Rubicon and the subsequent appointment of Administrators.

Given the comprehensive nature of the service agreement with Rubicon, action had to be taken to protect the Link business volumes and customer relationships. Time constraints meant that the most viable option was to acquire Rubicon from the Administrator. Through acquisition, there was the potential for a seamless transfer of control, minimising the risk to the business.

The acquisition process, which was completed at the end of April 2006, resulted in significant additional financial and legal advice costs. The UK operations had acquired in excess of 100 staff from Rubicon and all the computer hardware and software required to run the Link business portfolio. The acquisition resulted in unbudgeted additional costs of £5 million.

The acquisition of Rubicon provided an opportunity to integrate Link and Zenith and realise the synergy benefits. A task force, led by the Group CEO, revised the UK operations structure and strategy. The business model was adjusted to ensure that the expense base was appropriate for the income that could be generated at the bottom of the UK general insurance cycle. Rapid action was taken thereby ensuring that the business was turned around in 2006 and allow for a return to profitability once the market recovery commenced in 2007.

Due to poor underwriting performance, combined with high operational costs and little prospect of short-term improvement, the Company decided to substantially withdraw from the household market. Consequently, the bulk of that book is in run off, although certain profitable accounts have been retained with a view to maintaining a foothold in the market.



Investment Mix (UK)

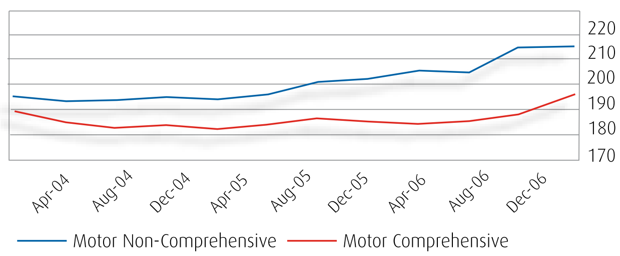
Other radical changes to the organisation and management of the UK operations were implemented. Five office locations were consolidated with little interruption to the business. Unprofitable business was discarded and products rationalised. After this traumatic year, the building blocks are in place, there is a highly motivated management team and the business is in a position to move forward.

With the support of external resources, the Company implemented programmes related to values, competencies and performance management. Measures were also implemented that would enable us to become an employer of choice, fair and consistent in its approach to its people, and to become a single harmonised organisation.

Progress has been made in reducing the headcount by 92 and the number of premises reduced to three main sites in Gibraltar, Haywards Heath and Kings Hill, Kent. The three-year plan envisages continuous expense reduction through process improvements, specific cost reduction programmes and renegotiation of some key contracts to achieve a market leading direct expense ratio by 2008.

There was a continuation of the soft market conditions with no consistent movement in private motor rates in the first half of 2006. With no sign of recovery, the Company took the conscious decision not to chase volume but to sacrifice market share to maintain loss ratio performance. On this basis the Company predicted gross written premium for the year of £147 million. However, the market recovery in private car rates began earlier than anticipated. As a result of this, the UK operations were able to apply their own rate increases and still exceed income predictions in the fourth quarter, returning an annual gross written premium of £157.6 million. Further good news came at the end of 2006 when the AA British Insurance premium index confirmed that comprehensive rates had increased by 4.4% over the previous quarter.

AA British Insurance Premium Index



Notwithstanding the above, the UK operations sustained a £16.1 million loss in 2006 as a direct result of the timing of the unplanned acquisition, which coincided with a UK insurance market that had reached the bottom of the cycle in one of the longest soft markets that the industry has seen. Specifically the poor performance was due to costs associated with the reorganisation of the business, one-off costs relating to the separation from Rubicon, technical adjustments in respect of prior year reinsurance contracts, deterioration of prior year reserves, under accrual of the MIB levy, and the consequences of an extended period of soft market conditions.

The product proposition has been rationalised in 2006 with the withdrawal of some underperforming products and a retreat from the UK household market. The plan for 2007 is to further consolidate the private car product offering.

Although much of the year was spent in reshaping the business, some significant successes were achieved. A number of initiatives, which will come to fruition in 2007, have been instigated with key partners. Several other arrangements in development will be finalised in 2007.

The business is now positioned to capitalise on strong producer relationships maintained throughout the period of restructuring. The business saw good revenue growth during the last quarter of 2006 as latent development potential was unlocked following completion of the restructure, a new development team having been put in place and improving market conditions beginning to prevail. The business will take the opportunity in 2007 to firmly establish the foundations upon which future sustainable profits can be generated.

Management Discussion and Analysis (continued)

Lloyd's Businesses

GGL participates in Lloyd's through two entities – Nemwil Corporate Capital Limited (NCCL) and our associate company Appleclaim Limited (37%). Appleclaim has two corporate capital vehicles – Jubilee Motor Policies Limited (JMPL) and Cassidy Davis Limited. Appleclaim also has a Lloyd's Managing Agency – Jubilee Managing Agency Limited (JMAL) which is the Managing Agent for three syndicates 5820, 1231 and 779. GGL syndicate participation for 2007 is as follows;

1. Syndicate 5820 (NCCL) underwrites Product Damage and Breakdown, Creditor and Mortgage Indemnity. NCCL has 85% participation of a total syndicate premium capacity of GBP 44 million.
2. Syndicate 1231 (JMPL) underwrites Motor. GGL has 42.02% participation of a total premium capacity of GBP 44 million.
3. Syndicate 779 (Cassidy Davis Limited) underwrites Term Life. GGL has 37.27% participation i.e. a premium capacity of GBP 2 million for GGL share.

Solvency of property and casualty operations

The property and casualty insurance subsidiaries that operate under the provisions of The Insurance Act 1980 of Trinidad and Tobago exceeded the minimum solvency requirements at year end by $131.4 million. The solvency for the general insurance subsidiary in Jamaica was 49% which exceeded the minimum requirement for 2006 of 25%.

In the UK and Europe, the regulatory framework includes a requirement for regulated entities to formally report their solvency position relative to the required minimum solvency each calendar quarter. In addition there is a further requirement to annually examine and report on solvency both prospectively and retrospectively to ensure that sufficient solvency capital is maintained within the respective entities to settle existing claims liabilities and underwrite planned business in the ensuing year. As at 31 December 2006, the European operations reported a combined surplus over the required minimum of £13.7 million (2005 - £9.8 million).

Guardian Asset Management

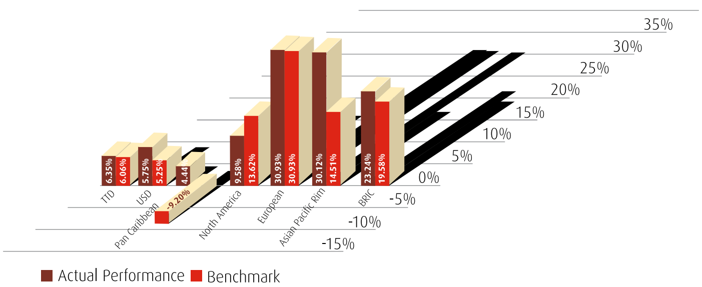
The Trinidad and Tobago and Jamaica asset management companies continued to perform admirably as they began implementing their long-term strategic initiatives. This was helped by increased collaboration in the areas of investment management and risk management that allowed for greater control of Group risk. These synergies will continue in other areas of the business and are expected to deliver greater value in the coming years.

Trinidad and Tobago

Guardian Asset Management (GAMTT) continued its commitment to bring value propositions to its investors. The company focused on delivering performance, product research and development as well as enhanced customer service throughout all of its operations. With the significant increase of staff both in the sales and operational areas, the company was able to support and improve its services, while managing increasing portfolios. Further to this, GAMTT opened an office in the Chaguanas area, to capture the burgeoning market and entrepreneurship in central Trinidad.

In 2006 there was also an initiative to strategically position the brand of GAMTT, its products and services. This renewed vision brought an additional focus on both corporate and product branding and an aggressive marketing strategy to position the organisation as a dominant player to be reckoned with in investment and financial circles. Another major initiative was the implementation of a financial management IT system both in Trinidad and Tobago and Jamaica and, by extension, the Guardian Holdings Group. This totally integrated front, middle and back office system with Internet capabilities, will assist GAMTT in providing greater efficiencies in managing its clients' investment portfolios. The system implementation will be completed in 2007.

Fund Performance



GAMTT is pleased with the rapid growth of its mutual funds, with three Funds capturing the top performing spots in Trinidad and Tobago in 2006: the European Equity Fund finished the year as the number one overall performer of all the local mutual funds in Trinidad and Tobago with a performance of 29.62% (Classes A and B), followed closely by the Asia-Pacific Rim Equity Fund with a performance of 29.06%, 14.55% ahead of its benchmark and the BRIC Equity Fund (Brazil, Russia, India & China). These Funds have exceeded the performance of their respective benchmarks (before fees) over these twelve months.

Assets Under Management for Trinidad and Tobago grew to approximately $100 million in spite of the poor performance of the local stock markets for the year, which negatively affected most of the company's portfolios.

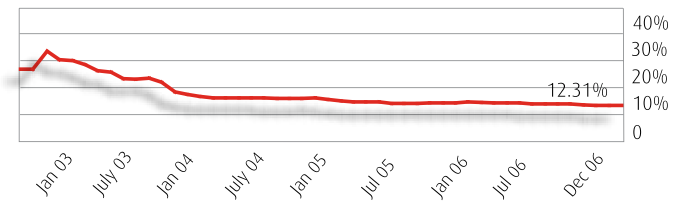
In 2007, GAMTT will continue its drive to create innovative investment solutions through its services and products. This strategy is expected to drive sales up significantly and forge new alliances in the line of distribution, in particular third party distributors. With its professional expertise and the trust of its clients, GAMTT will deliver the expected returns.

Management Discussion and Analysis (continued)

Jamaica

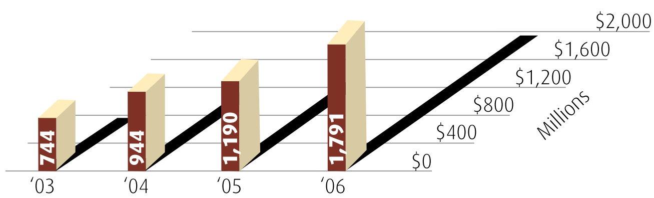
In 2006 a number of factors in the market came together to prevent GAM (Jamaica) from delivering projected profits for the year. Expenses in 2006 reduced by 9% compared to 2005 and income of J$453 million was 6% less than that in 2005. In 2006 the Jamaican asset management company generated a profit of J$191 million.

Treasury Bills - Jamaica



The continued bear run on the local and regional stock exchanges and the Government of Jamaica's policy of continued reduction in interest rates despite weak macro economic variables (the Jamaican Dollar depreciated against the US dollar by 3.8%, inflation rate was 5.8%, the lowest rate for a calendar year since 1987, and the yield on the benchmark six month Treasury bill ended the year at a record low of 12.31%) created negative pressure on the company's bottom line.

Group's Third Party Assets (Trinidad & Tobago and Jamaica)



Funds under management grew by nearly J$4 billion in 2006 to J$10 billion. This growth resulted in a customer base that increased in 2006 by over 700 new accounts and approximately 40% more transaction activity than was the case in 2005. The increase in Funds under management in 2006 will provide a good base for increasing margin income in 2007. New hires in 2006 were focused on improving the company's sales efforts and improving service delivery in the back office. In the last quarter the company launched a programme to drive its corporate finance lines of business; this is expected to impact positively on its performance in 2007.

The strategy to grow the Pension Fund and the Foreign Exchange business in 2006 was impeded by the absence of the regulatory framework in the first instance and a longer than scheduled time taken for the approval of the Cambio licence in the second instance. However, approvals from the regulators for both businesses are expected in the first quarter of 2007.

The Pensions Act 2004 was passed in March 2006 thereby paving the way for an embryonic individual retirement fund business in Jamaica which, by conservative estimates, could eclipse and surpass the registered pension fund business in a relatively short time. According to the Financial Services Commission, registered pension funds are valued at J$100 billion. In addition, with the moratorium on Unit Trusts due to be lifted in April 2007, it is anticipated that the Company will be provided the opportunity to develop new business opportunities and investment services in Jamaica using this vehicle. In 2007 the Jamaican asset management company will leverage the capabilities developed by its sister company in Trinidad and Tobago for Mutual Fund management and administration and will be in a position to offer these products to the Jamaican market, subject to regulatory approval.

Human Resources

"... the 21st century will belong to human resources and to organisational capabilities" (Dave Ulrich)

The key driver responsible for delivering GHL's Vision to become the regional wealth management and protection champion and eventually a global competitor is its human capital. Our ambitious strategic agenda is entirely dependent upon our success in creating and sustaining a unique genetic code, the foundation of which will be a widespread embracing of a high performance and personal accountability culture throughout the Group.

A new organisational structure was implemented in 2006. It is designed to reinforce our commitment to addressing both the 'hard' issues, like policies, procedures and systems, and the so-called 'soft' issues of corporate culture, people engagement and becoming an employer of choice. The Executive Team remains convinced that the optimisation of bottom-line results can best be achieved by ensuring that the hearts and minds of all GHL people are beating not only more rapidly than those of our competitors, but in sync with each other.

Focus continues to be placed on the following five major areas of human capital strategic intent:

- Aligning our people and their performance with organisation strategy, primarily through continuous communication at all levels and the Group-wide rollout of the Balanced Scorecard as the performance management system of choice, coupled with a Total Rewards Strategy.

- Establishing Change Management as not just the latest buzzword in the consultants' vocabulary but rather as a key competency in Team GHL.

- Leadership development, talent management and succession planning to ensure that GHL always possesses the ability and agility to adapt to the certainty of change in today's business environment.

- Optimum alignment of training and development programmes with the Group's Strategic Objectives, so that identified performance gaps are addressed in a timely fashion, both in respect of current needs as well as those that are anticipated in the future state.

- Re-affirming GHL's core values of Integrity, Quality, Serving People and Growth across the Group through actions at all levels and by ensuring that personal competencies remain a crucial aspect of our performance appraisal system.

Management Discussion and Analysis (continued)

Mr. Arthur Lok Jack and Mr. Richard Espinet congratulate
Mrs. Sandra Ali (Manager, Human Resources) on her 35 years of service.

Apart from its role as a strategic business partner of the operating units throughout the Group, the Human Resources function also provides critical transactional support through the HR Shared Service function of Guardian Management Services (GMS) for achieving operational efficiency objectives in areas of Recruitment and Selection, Benefits Administration and Training and Development.

In 2006, the Group's investment in the PeopleSoft HR Information System was further leveraged with the implementation of the following modules:

- Retro-Pay Processing in Global Payroll
- Absence Management
- Enterprise Learning Management
- Continued development of Competency Management

Future priority will be given to upgrading the system to the latest version in order to facilitate the continued development of modules in the following areas:

- Recruitment
- Career/Succession Planning
- Compensation
- Workflow

Social Responsiblity

The GHL Group is playing an increasing role in tackling the social development challenges in the areas where we operate. The Group uses a variety of approaches in fulfilling its corporate social responsibility (CSR).

Many of these approaches are directly related to the modern practice of CSR and therefore have the added advantage of sustainability in alignment with the region's social development strategy.

As we benchmark our organisation with the best internationally, we have partnered with the United Nations Development Programme and the South Trinidad Chamber of Industry and Commerce in a CSR Mapping Project in Trinidad and Tobago. The findings of this exercise will enable the private sector to better plan and implement current and future social investments with regard to employees, enterprise and community development. It is expected that this project will also facilitate businesses to more effectively contribute to issues of national development. Other sponsors of the CSR Mapping Project are BP Trinidad & Tobago, BG Trinidad & Tobago and the Trinidad & Tobago Manufacturers' Association.

Building a common understanding and a capacity for CSR is a first step in ensuring GHL and others in the private sector make an impact on the region's social development challenges.

Education is the Key

Since 1998 we have been active partners with The University of the West Indies in a Premium Teaching Lecture and Awards programme. A project that began in the St. Augustine Campus has since spread to the Mona and Cave Hill Campuses. By enhancing and raising the bar on teaching methodologies, the GHL Group continues to enrich the learning process for our tertiary level students.

In 2006 Guardian Life and Guardian General agreed to expand their sponsorship of educational software, developed by Aries Technologies, for children preparing for the Common Entrance (SEA) examination. The interactive Mathematics and English Language software was first used in Barbados and will be used in Trinidad and Tobago from 2007. The Ministries of Education in both territories have given their fullest support to this learning tool for children aged 8 to 11.

In Jamaica, Guardian worked with the Ministry of Education to establish the inaugural GLL/Grade Six Achievement Test (GSAT) Scholarships for children of policyholders. Two scholarships, valued at J$50,000 each, for a boy and a girl, were allocated in 2006. These scholarships are renewable for the next five years and will be offered to policyholders annually.

Management Discussion and Analysis (continued)

Education can also be social and cross-generational as in Guardian General's powerful 'Road Safe' campaign that is executed in the press, radio, television, via board games, a Mascot and direct interaction in Trinidad & Tobago and in Barbados.

Assisting & Guiding Our Youth

The Group has consistently used the arena of sports not just to build athletic heroes but also to build future leaders as evidenced in our support of the premier junior track and field event, the Carifta Games, held in a different Caribbean territory each year. For the sixth consecutive year, GHL Group companies will provide much needed support in the 2007 Carifta Games in the Turks & Caicos Islands. Such regional sponsorship is buttressed at the national levels in the Netherlands Antilles, Jamaica, Barbados and Trinidad and Tobago.

Winners at the Carifta games.

Our Environment

In 1992 Guardian Life led the way by establishing the Guardian Life Wildlife Fund, an independent trust, the mandate of which has been to assist citizens' groups in the conservation of Trinidad and Tobago's living resources and habitats. The Trust also has an educational mandate: to nurture an environmentally responsible national consciousness by raising awareness of the enormous issues attached to the issues of preservation and conservation.

In 2007, the company intends to again lead by example and will explore with its employees ways in which Guardian could become a truly 'green' organisation.

Partnering

In every territory, the Group can be found providing assistance and support to Non-Governmental Organisations (NGOs) as they seek to do so much with so little. In 2006, Guardian Holdings Limited agreed to support the United Way of Trinidad and Tobago and has already matched personal pledges made by agents and staff. Group Chief Operating Officer, Douglas Camacho is currently Campaign Director while Guardian Life's Top Producer, Dale McLeod, has agreed to serve as a United Way Ambassador to corporate Trinidad and Tobago.

Guardian has pledged J$10 million towards the construction of Jamaica's first ever Cardiovascular Disease Prevention and Rehabilitation Centre. A partnership with the Heart & Stroke Foundation of Barbados has grown over the last two years from just an adult lecture and display to encompass a children's painting and essay competition that educates on the prevention and control of heart disease.

Corporate Governance Report

In 2005 Guardian Holdings Limited reported on its then existing Corporate Governance structure. In 2006 this structure was reviewed by the Nomination Committee in keeping with its mandate and certain recommendations were adopted by the GHL board to take effect in the last Quarter of 2006. The changes to the existing Corporate Governance Structure included modifications to the standing board appointed committees as outlined below.

The functions of the Nomination Committee and Conduct Review Committee were merged into a single Corporate Governance Committee.

The name of the Audit Committee was changed to "the Audit and Compliance Committee" and its mandate with respect to compliance matters was detailed with greater specificity.

The Committee Reports for 2006 are set out hereunder.

Report of the Audit and Compliance Committee

The Guardian Holdings Limited Audit Committee is comprised of five non-executive directors:

Mr. Selby Wilson (Chairman)
Mr. Peter July
Mr. Arthur Lok Jack
Mr. H. Peter Ganteaume
Mr. Imitiaz Ahamad

The Committee is governed by a charter, which sets out its responsibilities for the financial statements, internal controls, the internal audit function, external audit and compliance matters. During the 2006 fiscal year, the Committee held 5 meetings that enabled it to discharge its responsibilities.

Independence of the Group Internal Auditor

The Committee is satisfied that the Group Internal Auditor and the Internal Audit staff perform their duties in an objective and transparent manner. Further the Committee has no reason to believe that the performance of the function is in anyway subject to management's undue influence.

Structure of the Group Internal Audit Function

The chief audit executive (the Group Internal Auditor) reports functionally (direct line) to the GHL Audit Committee, with an administrative (dotted line) reporting relationship to the Group Chief Executive Officer. The Group Internal Auditor has complete and direct functional and administrative responsibility for the Group's internal audit staff.

To preserve the independence of the internal audit function, dotted administrative lines to the subsidiaries' Chief Executive Officers (CEOs) will be restricted to operations in the overseas territories of Jamaica and the Netherlands Antilles and Aruba. The Group Internal Auditor and the respective overseas subsidiary CEOs will manage any administrative issues in these territories.

Internal Control and the Internal Audit Function

The internal audit function is a key element in assessing the adequacy and effectiveness of the Group's internal control systems. During the year under review, any significant weaknesses in internal controls noted by the internal auditors and management's risk corrective actions were presented to the Committee at each meeting. The Committee members are satisfied that the risk corrective actions identified by management for implementation will address the weaknesses in internal controls that were highlighted in the internal audit reports presented to them.

The Audit Committee is confident that the internal audit department is effectively carrying out its responsibilities as set out in the internal audit charter.

External Audit

The Audit Committee has reviewed and approved the external auditor's (PricewaterhouseCoopers) proposed audit scope and approach for the 2006 financial year. The members are satisfied that PricewaterhouseCoopers 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, 2006 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 2006, the interim financial statements were presented to the Committee at its quarterly meetings. The Committee is satisfied that the audited financial statements are complete, consistent with information known to its members and reflective of appropriate accounting principles. The Committee discussed the audited financial statements with management, and certain matters relating to internal controls with the external auditors. The Committee reviewed and approved their release for publication in the local press and filing with the regulators.

Developments during 2006

The Audit Committee conducted its annual self-assessment during 2006. As a result of this review, recommendations were made to the Guardian Holdings Limited Board of Directors that would serve to improve the effectiveness of the Audit Committee and the Internal Audit function. These recommendations were approved by the Board for implementation during the 2007 financial year.

Compliance

The Group Vice President - Compliance (Head of Group Compliance) leads the Group Compliance Unit. The remit of the Unit is to provide quality 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 Group Compliance 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.

During the year under review the Unit continued its roll out of the Corporate Compliance Plan, which was also adopted in 2004 in accordance with the Group Compliance Policy. 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. The Unit reports quarterly to the Audit Committee and during the year under review 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 is comprised of three non-executive directors as follows:

Mr. Peter July (Chairman)
Mr. Arthur Lok Jack
Dr. George Phillip

The Committee held 6 meetings during 2006 to effectively discharge the responsibilities outlined in its Charter. In the course of these meetings the Committee considered the following matters on which it made recommendations to the GHL board:

- Establishment of a Policy on Overseas Assignments
- Review of Total Executive Compensation
- Revisions to the Share Option Plan for Executives
- Executive Performance Awards for 2006
- Retirement arrangements for Group CEO

Report of the Nomination Committee

Up to November 2006 the Nomination Committee was responsible for identifying and nominating for the approval of the GHL Board candidates to fill vacancies on the boards of directors and board committees of GHL and its major operating subsidiaries.

The Nomination Committee was comprised of three non-executive directors as follows:
Mr. Philip Hamel-Smith (Chairman)
Mr. Arthur Lok Jack
Mr. Peter July

The Committee held 2 meetings during 2006. At its meeting in September 2006 the Committee embarked on a comprehensive review of the then current composition of the boards of directors and committees of the Group and modified its criteria for board compositions, taking into consideration new regulatory and best practice guidelines.

Following this review several recommendations were made and ultimately several changes in board and committee representation were made on the recommendation of the Committee.

In November 2006 the newly established Corporate Governance Committee assumed the functions of the Nomination Committee.

Report of the Conduct Review Committee

Up to November 2006 the Conduct Review Committee discharged the responsibility of assisting the GHL Board in discharging its corporate governance responsibilities to prevent 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; and to avoid situations that create the *appearance* of a conflict of interest which may cause public relations or other problems damaging to the Company.

The Conduct Review Committee was comprised of three non-executive directors as follows:
Mr. Philip Hamel-Smith (Chairman)
Mr. Antony Lancaster
Dr. George Phillip

The Committee held 2 meetings during 2006 and approved a system of reporting on conflicts of interests and perceived conflicts of interest to the boards of directors of all group companies. During the course of 2006 there were no instances of any conflicts of interest that required any action by the Committee.

In November 2006 the newly established Corporate Governance Committee assumed the functions of the Conduct Review Committee.

The Corporate Governance Committee

In November 2006 the Corporate Governance Committee comprising four non-executive directors was established.

The members of this committee are:

Mr. Arthur Lok Jack
Mr. Philip Hamel-Smith
Mr. Peter July
Mr. H. Peter Ganteaume

This Committee will commence its meetings in 2007.

GHL Corporate Information

Guardian Holdings Limited (GHL)

Directors:
Mr. Arthur Lok Jack (Chairman)
Mr. Rory O'Brien (CEO)
Mr. Imtiaz Ahamad
Mr. Douglas Camacho
Mr. David Davies
Dr. Terrence Farrell
Mr. H. Peter Ganteaume
Mr. Philip Hamel-Smith
Mr. Peter July
Mr. Antony Lancaster
Dr. Aleem Mohammed
Dr. George Phillip
Mr. Gary Voss
Mr. Selby Wilson

Secretary:
Fé Lopez-Collymore

Registered Office:
1 Guardian Drive
Westmoorings
Trinidad and Tobago

Registrar & Transfer Office:
Guardian Holdings Limited
1 Guardian Drive
Westmoorings
Trinidad and Tobago

Auditors:
PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain
Trinidad and Tobago

Principal Bankers:
RBTT Bank Limited
19-21 Park Street
Port of Spain
Trinidad and Tobago

Audit Committee:
Mr. Selby Wilson (Chairman)
Mr. Imtiaz Ahamad
Mr. H. Peter Ganteaume
Mr. Peter July
Mr. Arthur Lok Jack

Governance Committee:
Mr. Arthur Lok Jack
Mr. Philip Hamel-Smith
Mr. Peter July
Mr. H. Peter Ganteaume

Remuneration Committee:
Mr. Peter July (Chairman)
Mr. Arthur Lok Jack
Mr. George Phillip

GHL Subsidiary Information

Life, Health and Pensions Division

Guardian Insurance Limited
Mr. Rory O'Brien (Chairman)
Mr. Shiraz Ahamad
Mr. David Davies
Mr. H. Peter Ganteaume
Mr. Philip Hamel-Smith
Mr. Nicholas Lok Jack
Mr. Ravi Tewari

Guardian Life of the Caribbean Limited
Mr. Rory O'Brien (Chairman)
Mr. Ravi Tewari (President)
Mr. Shiraz Ahamad
Mr. Nicholas Lok Jack
Mr. Selby Wilson

Guardian Life Limited
Mr. Rory O'Brien (Chairman)
Mr. Earl Moore (President)
Mr. David Henriques
Mr. Eric Hosin
Mr. George Phillip

General Insurance Division

Guardian General Limited
Mr. Arthur Lok Jack (Chairman)
Mr. Richard Espinet (CEO)
Mr. Rory O'Brien
Mr. Imtiaz Ahamad
Mr. H. Peter Ganteaume
Mr. Peter July
Mr. Antony Lancanster
Mr. Selby Wilson

Guardian General Insurance Limited & N.E.M. (West Indies) Insurance Limited
Mr. Rory O'Brien (Chairman)
Mr. Richard Espinet (CEO)
Mr. Imtiaz Ahamad
Mr. Antony Lancanster
Mr. Nicholas Lok Jack
Mr. Selby Wilson

NEMWIL Holdings (Gibraltar) Limited
Mr. H. Peter Ganteaume (Chairman)
Mr. Steve Tidd (CEO)
Mr. Nigel Feetham
Mr. Robert Hardy
Mr. Antony Lancanster
Mr. Arthur Lok Jack
Mr. Rory O'Brien
Mr. John Warry

LINK Insurance Company Limited & Zenith Insurance PLC
Mr. Antony Lancaster (Chairman)
Mr. Steve Tidd (CEO)
Mr. Nigel Feetham
Mr. Peter Longstaff
Mr. Derek Wiley

Asset Management Division

Guardian Asset Management Limited
Mr. Rory O'Brien (Chairman)
Mr. Brent Ford (Managing Director)
Mr. H. Peter Ganteaume
Mr. Shiraz Ahamad
Mr. Lorcan Camps
Mr. Jim Lee Young
Mr. Nicholas Lok Jack
Mr. Gary Voss
Mrs. Janet Skinner

Guardian Asset Management (Jamaica) Limited
Mr. Brent Ford (Chairman)
Mrs. Lisa Gomes (President)
Mr. Jerome Ian Lee
Mr. Mark Kerr-Jarrett
Mr. Rory O'Brien
Dr. George Phillip

FATUM Group

FATUM Holding N.V., FATUM Life, FATUM General, & FATUM Health
Mr. Rory O'Brien (Chairman)
Mr. Douglas Camacho
Mr. H. Peter Ganteaume
Mr. Peter July
Mr. Omar van der Dijs
Mr. Johan Richters
Mr. Catrinus Timmer

Corporate Centre Executives

1
MICHELE BAPTISTE-ARJOON
Vice President, Corporate Planning

"I have been fortunate enough to always have a great team and bosses from whom I could learn throughout my career in the Group."

A University of the West Indies graduate with a B.Sc. Management Studies (Hon.), Michele Arjoon also has her Associate Chartered Insurance Institute (ACII), Fellow of the Chartered Association of Certified Accountants (FCCA) and is a Chartered Insurer with the Chartered Insurance Institute.

Mrs. Arjoon is a member of the Project Management Institute, Chartered Insurance Institute and the Chartered Association of Certified Accountants.

2
ANTHONY ARCHER
Vice President – Marketing & International Expansion

"I love the challenges we face in trying to grow into the kind of organisation we want to become."

Anthony Archer has worked in the insurance industry in Canada and Trinidad and Tobago for more than 25 years and, more specifically, has been with Guardian since 1998.

He has a Bachelor of Commerce degree from Concordia University in Montréal and previously held the position of Vice President – Sales and Marketing for Guardian Life of the Caribbean, where he was responsible for a sales force of 450 agents in 15 branches, and had overseen the growth of production from $40 million in 2000 to $85.5 million in 2003.

3
RORY O'BRIEN
Group Chief Executive Officer

"One of the things that I like most about being part of the Guardian family is the camaraderie that exists at all levels and the genuine desire to meet and exceed the expectation of all our stakeholders."

Rory O'Brien took over the reins from outgoing Group CEO Peter Ganteaume in May 2006. Prior to joining Guardian, Mr. O'Brien enjoyed a distinguished career in the United Kingdom in mergers and acquisitions, finance, management information and efficiency improvement.

He is a qualified Fellow of the Institute of Chartered Certified Accountants and a former Partner in the Financial Services Consulting practice within Deloitte in the UK.

1
STEVE TIDD
Chief Executive Officer, Guardian General, Europe

"I enjoy leading the Group's European team. It is satisfying to have been able to bring together a group of industry professionals with diverse skills and talents and see them gel together and work towards common goals that will achieve Guardian's objectives in Europe."

Steve Tidd started his career with Kiln in 1985 and has held a variety of positions including Active Underwriter of a syndicate when in Lloyd's, and Managing Director whilst within Link's Underwriting Agency.

Mr. Tidd has in depth knowledge of the personal insurance and personal reinsurance marketplace, of many other international markets and of investment related matters in the general insurance and pensions arena.

He has guided the business through changes of ownership which involved full scale business restructuring on both occasions. At all times, he seeks to empower people and develop teamwork through encouraging the bringing together of different skills and personalities.

2
PETER AUSTIN
Senior Vice President – Reinsurance and Technical Services

"Working at Guardian provides a unique and interesting challenge as we transcend all areas of the insurance industry and have extensive geography."

Peter Austin has twenty-five years' experience in the insurance and reinsurance industry and was formerly a successful International Reinsurance Broker specialising in the Caribbean region. He also has significant longstanding experience with Lloyd's from the broking and capital aspect.

Mr. Austin's principal duties within Guardian General are reinsurance purchasing, technical insurance and liaising with the UK operations of Guardian General and our Lloyd's investments.

3
RICHARD ESPINET
Chief Executive Officer, Guardian General, Caribbean

"Apart from the challenges, the geographical diversity of our operations makes working here very interesting. Never a dull moment!"

As head of Guardian General – from Jamaica to Guyana; Belize to Trinidad and Tobago – Richard Espinet focusses on Guardian General's core business, giving strategic direction to our Caribbean and international operations.

He is a Fellow of the Chartered Association of Certified Accountants, and spent the first eleven years of his career with PricewaterhouseCoopers, followed by sixteen years in the general insurance business. For nine of those years, he held the position of Chief Executive Officer, managing relationships with industry partners in Europe and the USA.

Corporate Centre Executives (continued)

1
KRISTINE GIBBON-THOMPSON
Senior Vice President, Business Development

"I love to see ideas develop into projects and projects into reality! Guardian has given me the room and the opportunity to indulge my passion."

Kristine Gibbon-Thompson was a Consultant and Project Leader at the Boston Consulting Group before joining the Group. She has worked out of BCG's Toronto, Buenos Aires, Melbourne and New York offices and advised Fortune 500 companies in a wide range of industries in the areas of strategy, mergers and acquisitions, organisational efficiency and e-commerce.

She holds a Bachelor of Commerce (Hons) degree from Queen's University in Canada and an MBA from the Harvard Business School, and today is GHL's driver of new business growth and diversification.

2
DOUGLAS CAMACHO
Group Chief Operating Officer

"Working at GHL provides an exciting opportunity to grow a Caribbean company into a global organisation."

Douglas Camacho has been active in the insurance industry for over twenty-five years and holds directorships with Bancassurance Limited, Guardian Holdings Limited, FATUM Holding N.V., Aseguradora Mundial, RBTT Insurance Agency Limited, Crime Stoppers Trinidad & Tobago, and Servus Limited.

Well-respected in the Caribbean insurance industry, Mr. Camacho is currently President of the Association of Trinidad and Tobago Insurance Companies (ATTIC), Chairman of the Board of Governors of the Trinidad and Tobago Insurance Institute (TTII) and a Board Member of the Insurance Association of the Caribbean (IAC).

3
FÉ LOPEZ-COLLYMORE
Corporate Secretary and General Counsel

"I always considered myself lucky to have joined this organisation at a time when it was at a watershed of growth. The past 15 years have been marked by change and dynamism. There is always something new and interesting happening at Guardian."

An attorney-at-law, Ms Lopez-Collymore has overseen the Group's conversion and adherence to the new Companies and Securities Legislation introduced in 1995 as well as major corporate initiatives such as restructuring of the group and listing of the holding company in 1996, its subsequent listing on the Jamaica Stock Exchange and several major corporate acquisitions in countries outside Trinidad and Tobago.

Mrs. Lopez-Collymore has witnessed major change in the corporate environment in which GHL operates and in her role as corporate secretary has had to provide guidance to the various boards within the GHL Group to ensure legislative and regulatory adherence in both Caribbean and European jurisdictions.

GERARD PINARD
Group Vice President – Corporate Resources

"My personal pet project is to work at proving to the world that Caribbean people and Caribbean companies are capable of achieving the highest international benchmark standards in everything we do, not by wholesale adoption of so-called First World methodologies but through our own unique culture and Caribbean way of doing things with style and creativity."

Though he started his career in the energy sector as a Chemical Engineer, Gerard Pinard made a career switch in 1980 to Human Resources. He is a past Chairman of the Employers' Consultative Association of Trinidad & Tobago, serving four terms of office. He also served as a Member of the Cabinet-appointed Committee for the Establishment of a Tripartite Economic/Social Compact under the auspices of the Ministry of Labour and the Prime Minister's Office.

EARL MOORE
President, Guardian Life Limited

"Working with GHL has provided a great opportunity to learn about other cultures of the region and to work with some wonderful people."

Earl Moore served as Vice President, Sales, for Guardian Life in Trinidad & Tobago before returning to Jamaica as President of GLL in 2000.

Mr. Moore's name is almost synonymous with Life Insurance in Jamaica. He has been named "Man of the year" by the Life Underwriters Association of Jamaica; "Man of the year" by Mutual Life, and has earned numerous accolades and awards in the Life Insurance Industry. He currently holds the position of President of Life Insurance Companies Association (LICA). In May 2004, he was inducted into the Hall of Fame of the Caribbean Association of Insurance and Financial Advisors (Caraifa). He holds an Executive Masters of Business Administration.

1
NEIL DINGWALL
Group Actuary

"Scottish by birth, Caribbean by choice, I can use the strengths of both to get the job done!"

Neil Dingwall has been a Fellow of the Faculty of Actuaries since 1991 and has extensive actuarial experience both in Scotland and the Caribbean.
Prior to joining Guardian six years ago, he had been the appointed actuary of a number of Caribbean based insurance companies.

Mr. Dingwall has made a major contribution to the Group first as an executive in Guardian Life Limited in Jamaica and now in an expanded role in corporate headquarters in Trinidad & Tobago.

2
HOWARD DOTTIN
Group Chief Financial Officer

"Guardian Holdings has given me the opportunity to observe the richness of the Region, and specifically the talent & industrious nature of its people. Despite the idiosyncrasies of the various cultures, people are people; with a yearning to succeed coupled with the same need for affirmation and rewards."

Howard Dottin has been in the financial field for 28 years and with GHL for seven. He has significnat experience in banking, tax and auditing.

Prior to joining GHL he was the CFO of Scotiabank Trinidad and Tobago Limited. In his banking career, he was a senior lender in the Corporate Banking Centre, managing a portfolio which included energy based companies and conglomerates, before his elevation to CFO of that bank. He is a Fellow of the Institute of Chartered Certified Accountants with an Executive MBA.

3
RAVI TEWARI
President, Guardian Life of the Caribbean Limited

"Guardian is dynamic; ever seeking opportunities to grow, improve and break new ground."

Ravi Tewari has extensive experience in the life, health and pension industries. His immediate former position was Appointed Actuary of all the Southern Caribbean life insurance companies in the Guardian Group. Prior to his direct involvement with the Guardian Group, he held a senior position at an international actuarial consultancy firm and serviced clients in Trinidad & Tobago, Barbados and Guyana.

Mr. Tewari earned an Open National Scholarship in 1988 and went on to study Actuarial Science at City University, London where he achieved a First Class Honours Degree. He is a Fellow of the Institute of Actuaries.

Corporate Centre Executives (continued)

IVAN STEVE MARTINA
Managing Director, FATUM

"I'm proud to be a part of the GHL family and most of all committed to put the GHL 'Vision2Change' strategy in action to make FATUM the dominant wealth management and protection institution for the Dutch Caribbean."

Ivan Steve Martina joined FATUM on June 1st, 2006 and is currently a member of the Supervisory Board of Directors of FATUM

Steven Martina, as he is more familiarly known, is a native of Curaçao and, as the former President & CEO of Aqualectra, Curaçao's water and power supply company, was recognised as the architect of Aqualectra's strategic Utility Plan 2020, a visionary road map of reform and integration. A speaker of five languages, he has considerable local and international experience.

1
ERIC ST. CYR
General Manager, Guardian Asset Management, Trinidad & Tobago

"Beating the market, educating the people, knowing that I am creating wealth for clients: this is why I love this job".

Eric St.Cyr, a native of Quebec, Canada, joined Guardian Asset Management in August 2005 and brings considerable experience in asset management and mutual funds distribution.

He is a former Senior Vice President of CIBC/TAL Global Asset Management, a leading asset management company in Canada. At CIBC/TAL, he also spent a number of years leading their Cayman Islands Office as Managing Director.

2
LISA GOMES
President, Guardian Asset Management Jamaica Ltd.

"Guardian has provided the environment for immense personal growth and development. After joining in 1983 and embracing the mission 'we commit to build on our tradition of integrity', I could not imagine working for another organisation."

Lisa Gomes is a Certified General Accountant and a member of the Fellow Life Management Institute (FLMI). She has some 20 years experience in the investment field regionally. In 1999 she was seconded to Jamaica and given responsibility for GLL's investment and pension portfolios.

In 2002 Mrs. Gomes successfully launched the Guardian Asset Management initiative in Jamaica and has spearheaded the growth in its funds under management from J$600 million to over J$10 billion, while the capital of the company increased from J$100 million to over J$1 billion by the end of 2006.

3
BRENT FORD
Group Chief Investment Officer

"The Guardian today is a far cry from what I found in 1986. I've made good and lasting friendships here."

Brent Ford's career at Guardian began 21 years ago, starting as a Manager, Investments Department. Today he holds the responsibility for managing the investment portfolios of the insurance companies operating in the Caribbean and is charged with the task of building an asset management capability within the Group, initially in Trinidad and Tobago and Jamaica, and eventually throughout the Caribbean basin. He is a graduate of the University of South Florida with a BA in Finance.

Mr. Ford also serves as Director on a number of Boards, RGM Ltd, Dynamic Equity Ltd and Laevulose Ltd.

Directors and Substantial Interest

In accordance with paragraphs 8(f) and 8(g) of our Listing Agreement with the Trinidad and Tobago Stock Exchange, we record hereunder particulars of the interest of each director of the Company and substantial interests in the Capital of the Company as at the end of the Company's Financial Year, December 31, 2006 and any changes in these interests at a date not more than one month prior to the date of the notice convening the Annual Meeting.

Directors Shareholding	Fully Paid Ordinary Shares 31/12/06		Fully Paid Ordinary Shares 20/02/07	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Mr. Arthur Lok Jack	14,581,947	Nil	14,581,947	Nil
Mr. Rory O'Brien	10,000	Nil	10,000	Nil
Mr. Imtiaz Ahamad	4,813,763	Nil	4,813,763	Nil
Mr. Douglas Camacho	408,387	Nil	408,387	Nil
Mr. David Davies	Nil	Nil	Nil	Nil
Dr. Terrence Farrell	90,000	Nil	90,000	Nil
Mr. Peter Ganteaume	632,992	Nil	632,992	Nil
Mr. Philip Hamel-Smith	291,497	Nil	291,497	Nil
Mr. Peter July	42,508	Nil	42,508	Nil
Mr. Antony Lancaster	3,517	Nil	3,517	Nil
Dr. Aleem Mohammed	Nil	Nil	Nil	Nil
Dr. George Phillip	20,494	Nil	20,494	Nil
Mr. Gary Voss	19,377	Nil	19,377	Nil
Mr. Selby Wilson	60,000	Nil	60,000	Nil

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

Substantial Interests	Fully Paid Ordinary Shares 31/12/06		Fully Paid Ordinary Shares 20/02/07	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
RBTT Insurance Holdings Limited	27,230,913	Nil	27,230,913	Nil
Tenetic Limited	35,841,859	Nil	35,841,859	Nil

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

Report of the Directors

The Directors have pleasure in submitting their Report for the year ended December 31, 2006.

Financial Highlights	2006 $'000	2005 $'000
Revenue	**4,611,212**	4,418,392
Operating (Loss)/Profit	**(34,309)**	510,577
Share of Profit of Associated Companies	**24,090**	69,303
(Loss)/Profit before Taxation	**(158,461)**	457,535
Taxation	**(77,383)**	(79,794)
(Loss)/Profit after Taxation attributable to Equity Holders	**(235,855)**	358,289
Total Assets	**19,265,364**	17,415,005
Insurance Contract Liabilities	**10,091,585**	9,105,173
Shareholders' Equity	**3,556,682**	3,733,260

Dividends

An interim dividend of 15 cents per share was paid in 2006. At their meeting on March 20, 2007 the Directors decided not to pay any further dividend. The total dividend for 2006 therefore amounts to 15 cents per share which was paid by way of interim dividend on August 25, 2006.

Directors

Messrs. Antony Lancaster and Peter July, Selby Wilson, Terrence Farrell and Gary Voss having been elected for terms expiring at the close of this Annual Meeting retire and offer themselves for re-election.

Directors and Substantial Interests

These are shown on page 53 and should be read as part of this report.

Auditors

The Auditors, PricewaterhouseCoopers, retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Fé Lopez-Collymore
Corporate Secretary

Date: March 20, 2007

Consolidated Financial Statements

Independent Auditors' Report

To the Shareholders of Guardian Holdings Limited

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Guardian Holdings Limited (the Company) and its subsidiaries (together, the Group) which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 58 to 141.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
Port of Spain,
Trinidad, West Indies
20 March 2007

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Consolidated Balance Sheet

31 December 2006
Expressed in Trinidad and Tobago Dollars

	Notes	2006 $'000	2005 $'000 (Re-stated)
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	$ 627,659	$ 394,489
Investment properties	5	706,681	491,172
Goodwill	6	1,077,046	807,538
Investment in associated companies	7	271,179	349,463
Financial assets	8	7,955,551	7,501,622
Loans and receivables including insurance receivables	9	721,702	818,742
Pension plan assets	10	144,383	132,414
Value to shareholders of inforce long-term business	11	576,843	513,505
Deferred tax assets	12	51,043	51,823
Reinsurance assets	13	1,002,718	1,200,791
		$ 13,134,805	$ 12,261,559
Current Assets			
Financial assets	8	2,143,925	1,713,244
Loans and receivables including insurance receivables	9	234,118	322,130
Deferred acquisition costs	14	196,097	187,471
Cash and cash equivalents	15	2,241,023	1,872,373
Other assets	16	1,315,396	1,058,228
		6,130,559	5,153,446
Total Assets		$ 19,265,364	$ 17,415,005
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	17	$ 1,512,951	$ 1,502,844
Reserves	18	(50,294)	(210,419)
Retained earnings		2,094,025	2,440,835
		3,556,682	3,733,260
Minority Interest	19	11,096	16,915
Total Equity		3,567,778	3,750,175
LIABILITIES			
Non-Current Liabilities			
Insurance contracts	20	10,091,585	9,105,173
Financial liabilities	21	2,678,862	2,422,025
Post retirement benefit obligations	22	65,478	58,951
Deferred consideration	6	184,249	-
Deferred tax liabilities	12	231,005	221,014
		13,251,179	11,807,163
Current Liabilities			
Financial liabilities	21	1,487,406	967,403
Provision for taxation		118,393	112,808
Other liabilities	23	840,608	777,456
		2,446,407	1,857,667
Total Liabilities		15,697,586	13,664,830
Total Equity and Liabilities		$ 19,265,364	$ 17,415,005

The attached statements and notes set out on pages 59 to 141 form an integral part of these financial statements.
On 20 March 2007, the Board of Directors of Guardian Holdings Limited authorised these financial statements for issue.

_______________ Director   _______________ Director

Consolidated Income Statement

31 December 2006
Expressed in Trinidad and Tobago Dollars

	Notes	Year ended December 2006 $'000	Year ended December 2005 $'000 (Re-stated)
Insurance premium revenue	24	$ 4,592,636	$ 4,422,776
Insurance premium ceded to reinsurers	24	(897,688)	(1,181,055)
Net insurance premium revenue	24	3,694,948	3,241,721
Investment income	25	696,739	658,357
Net realised gains on financial and other assets	26	28,716	69,454
Net fair value (losses)/gains on financial and other assets	27	(103,454)	15,244
Commission income		39,557	200,652
Increase in value to shareholders of in-force long-term business	11	70,687	43,279
Fee income	28	26,381	24,580
Other operating income	29	157,638	165,105
Total revenue		4,611,212	4,418,392
Net insurance benefits and claims	30	(2,742,834)	(2,270,158)
Expenses	31	(1,902,687)	(1,637,657)
Operating (loss)/profit		(34,309)	510,577
Share of profit of associated companies		24,090	69,303
Finance charges	32	(148,242)	(122,345)
(Loss)/profit before taxation		(158,461)	457,535
Taxation	33	(77,383)	(79,794)
(Loss)/profit after taxation		(235,844)	377,741
Amount attributable to participating policyholders		1,351	(16,346)
(Loss)/profit for the year		$ (234,493)	$ 361,395
Attributable to:			
- equity holders of the company		$ (235,855)	$ 358,289
- minority interest		1,362	3,106
		$ (234,493)	$ 361,395
(Loss)/Earnings per share for profit attributable to equity holders of the company:			
- Basic	34	($1.17)	$1.83
- Diluted	34	($1.14)	$1.80

The attached statements and notes set out on pages 60 to 141 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

31 December 2006
Expressed in Trinidad and Tobago Dollars

	ATTRIBUTABLE TO EQUITY HOLDERS						
	Share Capital $'000	Property Revaluation Reserve $'000	Associated Company and other Reserves $'000	Translation Reserves $'000	Retained Earnings $'000	Minority Interest $'000	Total Equity $'000
Year ended 31 December 2005							
Balance at beginning of year	$1,095,134	$42,988	$11,259	$(143,500)	$2,158,673	$14,141	$3,178,695
Adjustment to pension fund: – overseas subsidiaries	—	—	—	290	28,950	—	29,240
Balance at beginning of year – restated	$1,095,134	$42,988	$11,259	$(143,210)	$2,187,623	$14,141	$3,207,935
Issue of Shares	399,016	—	—	—	—	—	399,016
Share option scheme – value of services provided (Note 17)	8,694	—	—	—	—	—	8,694
Surplus on revaluation of properties	—	2,896	—	—	—	—	2,896
Transfer from retained earnings	—	—	5,744	—	(5,744)	—	—
Other reserve movements	—	140	(9,007)	—	3,737	334	(4,796)
Translation adjustments: – overseas subsidiaries	—	—	—	(121,229)	—	—	(121,229)
Profit for year	—	—	—	—	358,289	3,106	361,395
Dividends (Note 35)	—	—	—	—	(103,070)	(666)	(103,736)
Balance at end of year	$1,502,844	$46,024	$7,996	$(264,439)	$2,440,835	$16,915	$3,750,175
Year ended 31 December 2006							
Balance at beginning of year – restated	$1,502,844	$46,024	$7,996	$(264,439)	$2,440,835	$16,915	$3,750,175
Share option scheme – value of services provided (Note 17)	10,107	—	—	—	—	—	10,107
Surplus on revaluation of properties (net of deferred tax)	—	38,735	—	—	—	—	38,735
Transfer to retained earnings	—	(803)	—	—	803	—	—
Other reserve movements	—	—	3,157	(237)	(823)	1,878	3,975
Translation adjustments: – overseas subsidiaries	—	—	—	119,273	—	(1,671)	117,602
Purchase of minority interest	—	—	—	—	—	(6,562)	(6,562)
Loss for year	—	—	—	—	(235,855)	1,362	(234,493)
Dividends (Note 35)	—	—	—	—	(110,935)	(826)	(111,761)
Balance at end of year	$1,512,951	$83,956	$11,153	$(145,403)	$2,094,025	$11,096	$3,567,778

The attached statements and notes set out on pages 61 to 141 form an integral part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2006
Expressed in Trinidad and Tobago Dollars

	Notes	2006 $'000	2005 $'000 (Re-stated)
Cash flows from operating activities			
(Loss)/profit before taxation		$ (158,461)	$ 457,535
Adjustment for non-cash items	36	(515,155)	(720,693)
Interest received		626,620	559,228
Dividends received		98,951	123,681
Operating profit before working capital changes		51,955	419,751
Net increase in insurance liabilities		986,411	1,126,948
Net increase in reinsurance assets		198,073	349,577
Net increase in investment contracts		77,498	70,707
Purchase of financial assets		(5,404,664)	(6,332,159)
Proceeds from sale of financial assets		4,544,871	5,190,319
Purchase of investment properties		(196,470)	(47,963)
Proceeds from sale of investment properties		1,635	12,503
Net movement in loans and receivables		214,572	(17,456)
Net increase in other operating assets / liabilities		(515,970)	(910,480)
Net cash used in operations		(42,089)	(138,253)
Interest paid		(150,945)	(124,253)
Net taxation paid		(45,491)	(32,158)
Net cash used in operating activities		(238,525)	(294,664)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	41	(10,174)	(151,499)
Purchase of property, plant and equipment		(210,484)	(85,575)
Proceeds on sale of property, plant and equipment		11,664	30,611
Purchase of associated companies		—	(168,036)
Loans granted to related parties		(2,582)	(46,881)
Loan repayments received from related parties		70,303	92,475
Disposal of subsidiary, net of cash disposed	41	2,825	6,703
Net cash used in investing activities		(138,448)	(322,202)
Cash flows from financing activities			
Proceeds from issue of shares		—	399,016
Proceeds from borrowings		1,189,530	1,253,882
Repayments of borrowings		(411,907)	(447,468)
Dividends paid to company's shareholders	35	(110,935)	(103,070)
Dividends paid to minority shareholders		(826)	(666)
Net cash provided by financing activities		665,862	1,101,694
Net increase in cash and cash equivalents	15	$ 288,889	$ 484,828

The attached statements and notes set out on pages 62 to 141 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

31 December 2006
Expressed in Trinidad and Tobago Dollars

1. Incorporation and Principal Activities of the Group

Guardian Holdings Limited (the 'Parent') was incorporated in the Republic of Trinidad and Tobago on 8 November 1982. The address of its 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 and general insurance business, health, 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 Jamaican 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.

2.1 Basis of preparation

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 property, and financial assets and financial liabilities at fair value through profit and loss.

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

(a) Amendments to published standards effective in 2006
The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2006:

- IAS 19 (Amendment), Employee Benefits. This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

(a) Amendments to published standards effective in 2006 (continued)

- IAS 39 (Amendment), The Fair Value Option. This amendment restricts the possibility for the Group to designate financial instruments at fair value through profit and loss that are not held for trading or derivatives. The designation of an instrument to be at fair value is now possible when it removes or significantly reduces accounting mismatches in measurement or presentation, or where financial instruments are managed and their performance is evaluated on a fair value basis. The Group was able to continue to measure at fair value through profit and loss, all financial instruments that it had previously designated at fair value through profit and loss because it met the conditions for designation. The Group's designation bases are explained in Note 2.8.

(b) New standards and interpretations to published standards that are not yet effective and have not been early adopted by the Group

The following new standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but that the Group has not early adopted:

- IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group expects that adoption of this standard will have no quantitative impact on its financial statements but will impact the disclosure requirements.

- IFRIC 8, Scope of IFRS 2 (effective from annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements.

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognized in an interim period in goodwill and investments in equity instruments and in financial assets carried at cost, to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007 but it is not expected to have any impact on the Group's financial statements.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

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 to account 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, 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 minority 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 directly in the income statement.

All inter-company 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 is set out in Note 43.

(b) Associated Companies
Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition (see Note 2.7) less any impairment.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The Group's investment in associated companies is carried on the balance sheet at an amount that reflects its share of the net assets of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. A listing of the Group's associates is set out in Note 43.

(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.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(c) Joint Ventures (continued)
The Group's interest in jointly controlled entities is accounted for by proportionate consolidation, eliminating all material related party balances. The Group combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. A listing of the Group's joint ventures is set out in Note 43.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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 the Group's functional and presentation currency.

(b) Transactions and balances
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 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the 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.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.5 Property, plant and equipment

Freehold and leasehold 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 depreciation. 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 income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the 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 income statement. When revalued assets are sold, the amounts included in the revaluation surplus account are transferred to retained earnings.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.6 Investment property

Investment properties, which comprise both freehold and leasehold land and buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at fair value, representing open market value determined annually by management and adjusted by the results of independent professional valuations performed once every three years. Investment properties are not subject to depreciation. Any appreciation or diminution in value is recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon the disposal of such investment property, any surplus previously recorded in the revaluation surplus account is transferred to retained earnings. The transfer is not made through the income statement.

If there is a property that comprises a portion that is held to earn rentals or for capital appreciation and another portion is held for administrative purposes, the Group classifies the property as an investment property only if an insignificant portion is held for administrative purposes. Otherwise, the property will be classified under property, plant and equipment.

Investment properties held by joint ventures are accounted for by proportionate consolidation.

2.7 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 balance sheet. 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.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.8 Financial assets

The Group classifies its investments into the following categories: financial assets at fair value through profit and loss, loans and receivables and held-to-maturity financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(a) Financial assets at fair value through profit and loss
This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception.

A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking or if so designated by management. The Group's subsidiaries with the exception of its asset management companies do not engage in trading financial assets. Financial assets are designated by management as falling within this category due to the marketability of the securities.

Financial assets designated as at fair value through profit and loss at inception are those that are:

- held in internal funds to match insurance and investment contracts liabilities that are linked to changes in fair value of these assets. The designation of these assets to be at fair value through profit and loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

- managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit and loss.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short-term or that it has designated as at fair value through profit and loss. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms (see Note 2.9 for the accounting policy on impairment). Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.8 Financial assets (continued)

(c) Held-to-maturity financial assets
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Group's management has the positive intention and ability to hold to maturity. These assets are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debt securities held to maturity is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms (see Note 2.9 for the accounting policy on impairment).

Purchases and sales of financial assets are recognised on settlement date – the date on which there is a cash outflow or inflow. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit and loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are de-recognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are included in the profit and loss account in the period in which they arise.

The fair value of publicly traded instruments is the quoted market value. Market values were determined on the basis of available information at the end of the financial year and therefore did not take into account subsequent movements. Where market value is not available and no similar comparative market instruments are available, cost is used to approximate the fair value.

2.9 Impairment of assets

(a) Financial assets carried at amortised cost
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.9 Impairment of assets (continued)

(a) Financial assets carried at amortised cost (continued)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as a default or delinquency in payments;
(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial re-organisation;
(iv) the disappearance of an active market for that financial asset because of financial difficulties; or
(v) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - national or local economic conditions that correlate with defaults on assets in the group.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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2. Significant Accounting Policies (continued)

2.9 Impairment of assets (continued)

(b) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset carried at fair value is impaired. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of future cash flows discounted at the current market rate of return for a similar financial asset. This loss is recognised in the income statement.

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.10 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to sell (reverse repurchase agreements) are treated as collateralized financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective interest method.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.11 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 balance sheet at fair value as assets when favourable to the Group and liabilities when unfavourable. Realised and unrealised gains and losses on trading derivatives are reflected in income and recognised as trading gains or losses.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

2.13 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 balance sheet.

2.14 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.

2.15 Insurance and investment contracts – 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.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.15 Insurance and investment contracts – classification (continued)

The terms and conditions of these contracts set out the bases for the determination of the amounts on which decretionary 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.

(a) Recognition and measurement

Insurance contracts are classified into three 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 countries 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.

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 for individual and business customers who become liable to pay compensation to a third party 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 on 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.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.15 Insurance and investment contracts – classification (continued)

(a) Recognition and measurement (continued)

(i) Short-term insurance contracts (continued)

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on in-force contracts that relate to unexpired risks at the balance sheet 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 passed on to the Group.

Unearned premiums represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the balance sheet 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 either 45% of net premiums for the current month or 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 balance sheet 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 and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

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

These contracts insure events associated with human life over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

A liability for contractual 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 balance sheet date.

For the Trinidad and Tobago life insurance subsidiary, reserves held are calculated based on the Zillmerised Net Premium Method.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.15 Insurance and investment contracts – classification (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms (continued)

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

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

(iii) Long-term insurance contracts without fixed terms

These contracts insure human life events over a long duration. 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.

For the Trinidad and Tobago life insurance subsidiary, 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 Company'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.

For the Jamaican life insurance subsidiary, the liability is determined as the sum of the expected discounted value of the non unit benefit payments less the expected discounted value of the future charges deducted from the policy in accordance with the terms of the policy. A margin for adverse deviations is included in the assumptions. The liabilities are recalculated at each balance sheet date.

(b) 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.

(c) 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 included in the profit and loss account in year of settlement.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.15 Insurance and investment contracts – classification (continued)

(d) 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 business is included on the balance sheet and changes in it flow through the profit and loss account. The value to shareholders of inforce 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 accounting date.

(e) Deferred policy 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.

(f) Liability adequacy test
At each balance sheet 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 profit or loss account and the amount of the relevant insurance liabilities is increased.

(g) 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 in Note 2.15 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 (inwards reinsurance) are included with insurance contracts.

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. Short-term balances are included in current financial assets. 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 profit and loss account.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.15 Insurance and investment contracts – classification (continued)

(h) 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 profit and loss account.

(i) Statutory Reserve
A Statutory Reserve is maintained 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.

(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). Salvage and subrogation recoveries on claims are accounted for on a cash receipts basis.

2.16 Investment contracts

The liability for these contracts is established in the same way as for Long-term insurance contracts without fixed terms (see bullet point 2.15 (a) above). Revenue consists of investment income and interest credited is treated as an expense.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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2. Significant Accounting Policies (continued)

2.18 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.

2.19 Employee benefits

- 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 taking account of the recommendations of the independent qualified actuaries.

  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 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.

  The Group's contributions to the defined contribution pension plans are charged to the profit and loss account in the year to which they relate.

- Post Retirement Benefit Obligations
  The Group's subsidiary in the Netherlands Antilles and Aruba 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.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.19 Employee benefits (continued)

- 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 balance sheet 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 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.

- 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.

- Profit sharing and bonus plans

  The Group recognizes 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 recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions for restructuring costs and legal claims 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. Restructuring provisions comprise lease termination penalties and employee termination payments. 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.

2.21 Revenue recognition

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

(a) Rendering of services

Revenue arising from asset management and other related services offered by the Group are recognised in the accounting period in which the services are rendered.

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.21 Revenue recognition (continued)

(b) Investment income

Interest income and rental income are recognised in the profit and loss account on an accruals basis. Dividend income is recognised when received.

Realised and unrealised investment gains and losses are dealt with through the profit and loss account.

2.22 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 profit and loss account on a straight-line basis over the period of the lease.

2.23 Dividend distribution

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

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.24 Comparative information (continued)

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year. Adjustments to previously reported results were made in accordance with International Accounting Standard #8 – Accounting policies, changes in accounting estimates and errors. The impact of these adjustments on the profit and loss account and the statement of changes in equity are summarised below.

Profit and loss account

		Effect on EPS	
	$'000	**Basic**	**Diluted**
Profit for the year as previously reported	369,118	$1.88	$1.85
Adjustment to net premium income - overseas subsidiary	(5,401)	$(0.03)	$(0.03)
Adjustment to foreign exchange gains - overseas subsidiary	128	$0.00	$0.00
Adjustment to share of profit of associated companies	(13,662)	$(0.07)	$(0.07)
Adjustment to taxation - overseas subsidiary	8,106	$0.05	$0.05
	(10,829)	$(0.05)	$(0.05)
Profit for the year (restated)	358,289	$1.83	$1.80

Statement of changes in equity

	Share Capital	Other Reserves	Retained Earnings	Minority Interest	Total Equity
As at 31 December 2003					
Balance at end of year as previously reported	1,073,343	(230,229)	1,671,898	14,605	2,529,617
Adjustment to pension plan - overseas subsidiaries	—	290	28,950	—	29,240
Balance at end of year (restated)	1,073,343	(229,939)	1,700,848	14,605	2,558,857
As at 31 December 2004					
Balance at end of year as previously reported	1,095,134	(89,253)	2,158,673	14,141	3,178,695
Net adjustment to equity for 2003 as per above	—	290	28,950	—	29,240
Balance at end of year (restated)	1,095,134	(88,963)	2,187,623	14,141	3,207,935
As at 31 December 2005					
Balance at end of year as previously reported	1,502,844	(210,727)	2,422,716	16,915	3,731,748
Net adjustment to equity for 2003 as per above	—	290	28,950	—	29,240
Net adjustment to profit and loss account for 2005 as per above	—	—	(10,829)	—	(10,829)
Net adjustment to translation and other reserves	—	18	(2)	—	16
Balance at end of year (restated)	1,502,844	(210,419)	2,440,835	16,915	3,750,175

Notes to the Consolidated Financial Statements (cont'd.)

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2. Significant Accounting Policies (continued)

2.25 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.

2.26 Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

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.

2.27 Assets under management

The Group provides custody and trustee discretionary investment management services to third parties. Such assets under management include the managed funds and mutual funds administered by the asset management companies. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The Group also manages policy segregated funds on behalf of certain life insurance policyholders. These segregated funds assets and liabilities are not included in these financial statements. 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. The assets of each fund are segregated and are not subject to claims that arise out of any other business of the Group. The Group earns fees for management of the fund, policy administration as well as effecting the surrendering of units.

Notes to the Consolidated Financial Statements (cont'd.)

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3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

(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 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.

(c) Fair value of investment contracts

The Group issues a few investment contracts that are designated at fair value through profit and loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. A variety of factors are considered in the Group's valuation techniques, including time value, credit risk (both own and counterparty), embedded derivatives and volatility factors (including contract holder behaviour). Changes in assumptions about these factors could affect the reported fair value of these financial instruments.

(d) Value to shareholders of inforce long-term 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 future profits are discounted at 15% per annum. 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.

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(e) 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.

(f) 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 recorded in the profit and loss account, the Group makes judgements 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.

(g) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant 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.

Notes to the Consolidated Financial Statements (cont'd.)

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4. Property, Plant and Equipment

	Freehold and Leasehold Properties $'000	Office Furniture and Equipment $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
At 1 January 2005					
Cost or valuation	$174,803	$160,764	$20,567	$38,127	$394,261
Valuation	128,453	—	—	—	128,453
Accumulated depreciation	(9,142)	(96,201)	(10,968)	(20,824)	(137,135)
Closing net book amount	$294,114	$ 64,563	$ 9,599	$ 17,303	$385,579
Year ended 31 December 2005					
Opening net book amount	$294,114	$64,563	$9,599	$17,303	$385,579
Exchange rate adjustment	(2,460)	(1,482)	(95)	5	(4,032)
Revaluation surplus	2,896	—	—	—	2,896
Additions	12,422	40,405	5,406	27,342	85,575
Disposals and adjustments	(28,671)	(271)	(742)	(3,901)	(33,585)
Acquisition / disposal of subsidiary	6,169	573	237	—	6,979
Re-classification to investment property	(4,983)	(7,776)	—	—	(12,759)
Depreciation charge	(5,855)	(26,380)	(3,929)	—	(36,164)
Closing net book amount	$273,632	$69,632	$10,476	$40,749	$394,489
At 31 December 2005					
Cost	$155,685	$182,427	$22,902	$61,573	$422,587
Valuation	132,970	—	—	—	132,970
Accumulated depreciation	(15,023)	(112,795)	(12,426)	(20,824)	(161,068)
Closing net book amount	$273,632	$69,632	$10,476	$40,749	$394,489
Year ended 31 December 2006					
Opening net book amount	$273,632	$ 69,632	$10,476	$40,749	$394,489
Exchange rate adjustment	2,266	861	(119)	76	3,084
Revaluation surplus	40,054	—	—	—	40,054
Reversal of impairment losses	3,197	—	—	—	3,197
Additions	135,371	48,793	2,392	23,928	210,484
Disposals and adjustments	(812)	14,396	(1,388)	(26,527)	(14,331)
Acquisition / disposal of subsidiary	844	3,854	—	—	4,698
Re-classification to investment property	33,058	—	—	—	33,058
Depreciation charge	(7,471)	(31,931)	(3,504)	(4,168)	(47,074)
Closing net book amount	$480,139	$105,605	$ 7,857	$34,058	$627,659

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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4. Property, Plant and Equipment (continued)

	Freehold and Leasehold Properties $'000	Office Furniture and Equipment $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
At 31 December 2006					
Cost	$309,288	$245,471	$19,851	$ 59,116	$633,726
Valuation	189,201	—	—	—	189,201
Accumulated depreciation	(18,350)	(139,866)	(11,994)	(25,058)	(195,268)
Closing net book amount	$480,139	$105,605	$ 7,857	$34,058	$627,659

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

Guardian Life of the Caribbean Limited	- 31 December 2006
Guardian Life Limited	- 31 December 2005
Fatum Holding NV	- 31 December 2006

Valuations were made on the basis of open market value.

Depreciation expense of $47,074,000 (2005 - $36,164,000) has been charged in other operating expenses.

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

	2006 $'000	2005 $'000
Cost	**$270,320**	$209,041
Accumulated depreciation	**(18,399)**	(17,913)
Net book amount	**$251,921**	$191,128

5. Investment Properties

	2006	2005
Balance at beginning of year	**$491,172**	$413,844
Exchange rate adjustment	**4,762**	(9,621)
Additions	**196,470**	47,963
Fair value gains (Note 27)	**51,733**	31,300
Re-classification from fixed assets	**(33,058)**	12,759
Disposals	**(1,763)**	(10,753)
Other adjustments	**(2,635)**	5,680
Balance at end of year	**$706,681**	$491,172

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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5. Investment Properties (continued)

	2006 $'000	2005 $'000
Rental income	**$58,307**	$50,391
Direct operating expenses arising from investment property that generated rental income during the period	**$ 3,463**	$ 6,222

6. Goodwill

	2006 $'000	2005 $'000
Balance at beginning of year	**$807,538**	$362,392
Exchange rate adjustment	**78,768**	(11,095)
Addition to goodwill	**184,249**	-
Goodwill acquired during the year – subsidiary (Note 41)	**9,316**	457,537
Sale of subsidiary company (Note 41)	**(2,825)**	(1,296)
Balance at end of year	**$1,077,046**	$807,538

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. A discount rate of 10% was used over a cash flow projection term of 5 years. 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.

In January 2005 the Zenith Insurance Group was acquired at a price of £50.6 million. Pursuant to a sale and purchase agreement in respect of Zenith Insurance Plc, the Group is contingently liable to pay an additional purchase consideration up to £15 million where the ultimate loss ratio in respect of the 2003 and 2004 combined underwriting years were below a proposed ratio. To date, the proposed ratio has not been exceeded and hence the maximum deferred consideration of £15m is payable in March 2008. An amount of £15 million ($184,248,750) has been provided for in these financial statements with the related entry being Goodwill.

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

	2006 $'000	2005 $'000
Guardian General Limited	**$ 910,858**	$650,667
Guardian Insurance Limited	**163,293**	153,976
Guardian Asset Management Jamaica Limited	**2,895**	2,895
	$1,077,046	$807,538

Notes to the Consolidated Financial Statements (cont'd.)

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7. Investment in Associated Companies

	2006 $'000	2005 $'000
Balance at beginning of year	**$349,463**	$176,014
Exchange rate adjustment	**7,979**	(8,366)
Purchase of associated company – cash paid	**—**	168,036
Advances to associate	**(64,320)**	2,141
Share of profit after tax	**24,640**	62,299
Dividends received	**(44,022)**	(51,209)
Reserve and other movements	**(2,561)**	548
Balance at end of year	**$271,179**	$349,463

The Group's interests in its principal associates were as follows:

Name	Assets $'000	Liabilities $'000	Share of Profit / (loss) after tax $'000	% Interest held
Royal Star Assurance (Bahamas) Ltd	$ 69,870	$ 41,159	$ 5,441	25
Appleclaim Limited	569,689	512,112	33,828	37
M&C General Insurance Company Ltd	3,089	580	199	20
Quest Insurance Management (Gibraltar) Limited	2,874	—	—	49
Ocho Rios Beach Resorts Limited	188,241	35,644	22,034	25
Tobago Plantations Limited	236,814	242,317	(866)	25
Grupo Mundial Tenedora S.A	2,303,268	1,761,930	1,663	20
Total at the end of 2005	$3,373,845	$2,593,742	$62,299	

Name	Assets $'000	Liabilities $'000	Share of Profit / (loss) after tax $'000	% Interest held
Royal Star Assurance (Bahamas) Ltd	$ 81,514	$ 45,034	$ 9,304	25
Appleclaim Limited	499,164	482,351	(13,932)	37
M&C General Insurance Company Ltd	4,304	1,063	731	20
Ocho Rios Beach Resorts Limited	192,569	35,526	931	25
Tobago Plantations Limited	229,474	143,035	7,797	25
Grupo Mundial Tenedora S.A	3,849,004	3,145,509	19,809	20
Total at the end of 2006	**$4,856,029**	**$3,852,518**	**$24,640**	

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8. Financial Assets

	Non-Current		Current	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit and loss	$5,840,966	$5,529,345	$1,818,420	$1,373,259
Held to maturity financial assets	2,114,585	1,972,277	325,505	339,985
Total financial assets	$7,955,551	$7,501,622	$2,143,925	$1,713,244
Financial assets at fair value through profit and loss				
Equity securities:				
- Listed	$2,902,110	$3,100,570	$ 11,347	$ —
- Unlisted	179,797	66,701	—	12,943
	$3,081,907	$3,167,271	$ 11,347	$ 12,943
Debt securities:				
- Government securities	$1,786,876	$1,623,159	$1,137,487	$ 901,596
- Debentures and corporate bonds	710,204	585,794	161,950	196,233
	$2,497,080	$2,208,953	$1,299,437	$1,097,829
Deposits with financial institutions (more than 90 days)	161,306	101,140	476,529	248,620
Other	100,673	51,981	31,107	13,867
	$5,840,966	$5,529,345	$1,818,420	$1,373,259
Held-to-maturity financial assets				
Debt securities:				
- Government securities	$1,758,727	$1,574,057	$235,577	$ 277,164
- Debentures and corporate bonds	267,742	259,502	12,746	29,962
	$2,026,469	$1,833,559	$ 248,323	$ 307,126
Deposits with financial institutions (more than 90 days)	40,524	115,228	77,182	32,859
Other	47,592	23,490	—	—
	$2,114,585	$1,972,277	$ 325,505	$ 339,985

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8. Financial Assets (continued)

The table below illustrates the movements in financial assets:

	Financial assets at fair value through profit and loss $'000	Held to Maturity financial assets $'000	Total $'000
At the beginning of 2005	$ 6,044,600	$2,066,266	$8,110,866
Exchange differences	(71,249)	(18,239)	(89,488)
Additions	5,667,560	664,599	6,332,159
Disposals	(4,722,251)	(400,364)	(5,122,615)
Fair value net losses	(16,056)	—	(16,056)
At the end of 2005	$ 6,902,604	$2,312,262	$9,214,866
Current	$ 1,373,259	$ 339,985	$1,713,244
Non-current	5,529,345	1,972,277	7,501,622
	$ 6,902,604	$2,312,262	$9,214,866
At the beginning of 2006	$ 6,902,604	$2,312,262	$9,214,866
Exchange differences	(26,384)	(9,288)	(35,672)
Additions	4,575,827	828,837	5,404,664
Disposals	(3,621,724)	(691,721)	(4,313,445)
Fair value net losses	(155,187)	—	(155,187)
Impairment losses	(15,750)	—	(15,750))
At the end of 2006	$ 7,659,386	$2,440,090	$10,099,476
Current	$ 1,818,420	$ 325,505	$2,143,925
Non-current	5,840,966	2,114,585	7,955,551
	$ 7,659,386	$2,440,090	$10,099,476

Included in the fair value through profit and loss category are assets amounting to $377,419,683 (2005 - $240,843,643) that are carried at cost. There has been no trading activity on these assets which would enable a fair value to be reliably measured. Management is of the opinion that the book value is representative of the fair value.

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9. Loans and receivables

	Non-Current		Current	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Debt securities:				
- Government securities	$ 35,702	$124,875	$ —	$ —
- Debentures and corporate bonds	8,750	—	59,493	87,307
	$ 44,452	$124,875	$59,493	$ 87,307
Receivables arising from insurance and reinsurance contracts:				
- Mortgages	449,258	447,419	8,878	42,569
- Policy Loans	80,291	84,318	1,094	1,122
- Due from reinsurers	—	28,136	138,330	166,901
Provision for impairment of receivables from contract holders	—	—	(5,284)	32
Other loans and receivables	164,838	133,994	36,499	24,199
Provision for impairment of other loans and receivables	(17,137)	—	(4,892)	—
	$677,250	$693,867	$174,625	$234,823
	$721,702	$818,742	$234,118	$322,130

10. Pension Plan Assets

The following information explains the quantification of the assets recognised in the Balance Sheet and the net income for the year in accordance with the provisions of IAS 19.

	2006	**2005**
	$'000	**$'000**
Fair Value of Pension Plan Assets	**$303,870**	$291,646
Present Value of Obligation to plan members	**(158,712)**	(158,344)
Value of Surplus	**$145,158**	$133,302
Assets ineligible for recognition under IAS 19	**(775)**	(888)
IAS 19 Balance Sheet Asset	**$144,383**	$132,414

IAS 19 Balance Sheet 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.

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10. Pension Plan Assets (continued)

	2006 $'000	2005 $'000
The amount in the Profit and Loss account is made up as follows:-		
Expected Return on Plan Assets	**$38,133**	$ 32,889
Net actuarial gain / (loss) recognised during the year	**3,617**	(79,748)
Interest Cost	**(23,332)**	(22,357)
Current Service Cost	**(13,840)**	(14,111)
Past Service Cost	**—**	21,531
	4,578	(61,796)
Adjustment in value of recognisable assets	**1,673**	99,441
Net income for the year (Note 29)	**$ 6,251**	$37,645

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

	2006 $'000	2005 $'000
Balance at beginning of year	**$291,646**	$495,089
Exchange rate adjustment	**160**	12
Expected return on plan assets	**38,133**	32,889
Benefit payments	**(12,118)**	(109,063)
Surplus adjustment	**(10,869)**	(192,272)
Company contributions	**9,912**	51,600
Actuarial (loss) / gain on assets for the year	**(13,550)**	12,362
Employee contributions	**556**	1,029
Balance at end of year	**$303,870**	$291,646

The movement in the obligation to plan members over the year is as follows:

	2006 $'000	2005 $'000
Balance at beginning of year	**$158,344**	$153,217
Current service cost	**9,341**	9,879
Interest cost	**11,986**	10,938
Contributions by plan participants	**556**	1,029
Actuarial (gains) / losses	**(16,989)**	91,223
Amounts reclassified from/(to) other liabilities	**2,596**	(2,596)
Benefits paid	**(7,122)**	(105,346)
Balance at end of year	**$158,712**	$158,344

The actual return on plan assets was 7.7% (2005 – 7.0%).

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10. Pension Plan Assets (continued)

	2006	2005
The principal actuarial assumptions used for accounting purposes were:		
Discount rates	**7.0% - 8.3%**	7.0% - 7.5%
Future salary increases	**0.0% - 5.5%**	0.0% - 5.5%
Expected return on plan assets	**8.0% - 9.0%**	8.0% - 9.0%
Post retirement mortality	**PA90 ultimate/ US table GAM 83**	PA90 ultimate/ US table GAM 83
Pre-retirement mortality	**A67/70 ultimate/ US table GAM 83**	A67/70 ultimate/ US table GAM83
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

11. Value to Shareholders of Inforce Long-Term Business

	2006 $'000	2005 $'000
Balance at beginning of year	**$513,505**	$ 477,387
Exchange rate adjustment	**(7,349)**	(7,161)
Increase for the year	**70,687**	43,279
Balance at end of year	**$576,843**	$ 513,505
Changes in assumptions during the year:		
For the Jamaican life insurance company:		
Changes in expense assumptions	**$ 1,109**	$ 2,719
Changes in lapse assumptions	**(749)**	38
Changes in investment returns	**4,389**	2,543
Changes in annuity assumptions	**—**	14,273
Total change	**$ 4,749**	$19,573
For the Trinidadian life insurance companies:		
Change in expense assumptions	**$(22,161)**	$ (5,106)
Change in investment returns	**(25)**	—
Change in policy fee	**21,272**	—
Total change	**$ (914)**	$ (5,106)

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12. Deferred Taxation

	2006 $'000	2005 $'000
The following amounts are shown in the consolidated balance sheet:		
Deferred tax assets:		
- to be recovered after more than 12 months	**$ 51,043**	$ 51,823
Deferred tax liabilities:		
- to be paid after more than 12 months	**(231,005)**	(221,014)
Net deferred tax liability	**$(179,962)**	$(169,191)
The movement on the net deferred tax account is as follows:		
Balance at beginning of year	**$(169,191)**	$(161,519)
Exchange rate adjustment	**1,818**	(572)
(Charge)/credit for the year (Note 33)	**(9,912)**	315
Tax charged to equity in respect of revaluation of properties	**(1,319)**	—
Effect of change in tax rate on deferred taxation (Note 33)	**—**	(5,485)
Other movements	**(1,358)**	(1,930)
	$(179,962)	$(169,191)

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	Effect of change in tax rate $'000	Other movements $'000	Balance at Dec 2005 $'000
Future distributions	$ (179,757)	$ 486	$6,152	$ —	$ (1,535)	$(174,654)
Value to shareholders of inforce long-term insurance business	(10,871)	—	(394)	—	—	(11,265)
Zero coupon bonds	(9,871)	1	(1,439)	1,476	—	(9,833)
Pension plan assets	(8,106)	(3)	(444)	600	—	(7,953)
Accelerated tax depreciation	(15,844)	673	(852)	4	(349)	(16,368)
Tax losses carried forward	64,906	(1,727)	(2,939)	(7,579)	(46)	52,615
Investments at fair value through profit and loss	77	—	232	14	—	323
Revaluation of properties	(2,053)	(2)	(1)	—	—	(2,056)
	$(161,519)	$ (572)	$ 315	$(5,485)	$(1,930)	$(169,191)

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12. Deferred Taxation (continued)

	Balance at beginning of year $'000	Exchange rate adjustment $'000	Credit / (charge) for the year $'000	Other movements $'000	Balance at Dec 2006 $'000
Future distributions	$(174,654)	$ 162	$ 3,298	$ (267)	$(171,461)
Value to shareholders of inforce long-term insurance business	(11,265)	—	(81)	—	(11,346)
Zero coupon bonds	(9,832)	—	(1,396)	—	(11,228)
Pension plan assets	(7,953)	(13)	3,762	6	(4,198)
Accelerated tax depreciation	(16,369)	456	(9,480)	(1,406)	(26,799)
Tax losses carried forward	52,615	1,256	(2,731)	310	51,450
Investments at fair value through profit and loss	323	(114)	(3,284)	(1)	(3,076)
Revaluation of properties	(2,056)	71	—	(1,319)	(3,304)
	$(169,191)	$1,818	$(9,912)	$(2,677)	$(179,962)

13. Reinsurance Assets

	2006 $'000	2005 $'000
This represents the Group's net contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
With fixed and guaranteed terms	**$ 46,193**	$ 43,290
Without fixed terms	**8,190**	6,938
	$ 54,383	$ 50,228
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 20.3(d))	**$ 720,187**	$ 753,946
Claims incurred but not reported (Note 20.3(d))	**27,660**	45,477
Unearned premiums (Note 20.3(e))	**200,488**	351,140
	$ 948,335	$1,150,563
Total reinsurers' share of insurance liabilities	**$1,002,718**	$1,200,791

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14. Deferred Acquisition Costs

	2006 $'000	2005 $'000
Long-term insurance contracts:		
Balance at beginning of year	$187,471	$162,570
Acquisition of subsidiary	—	79,701
Increase in the period	192,900	187,434
Release in the period	(204,434)	(221,228)
Net exchange differences	20,160	(21,006)
Balance at end of year	$ 196,097	$ 187,471

15. Cash and Cash Equivalents

	2006 $'000	2005 $'000
Cash at bank and in hand	$ 471,697	$ 550,915
Short-term deposits (90 days or less)	1,769,326	1,321,458
	2,241,023	1,872,373
Bank overdraft (Note 21)	(701)	(3,671)
Cash and cash equivalents used in cash flow	$2,240,322	$1,868,702
At beginning of year	$1,868,702	$1,403,365
Exchange rate adjustment	82,731	(19,491)
	1,951,433	1,383,874
At end of year	2,240,322	1,868,702
Net increase in cash	$ 288,889	$ 484,828

The average interest rate on short-term bank deposits was 0.45% – 7.0% (2005: 0.75% – 6.0%).

16. Other Assets

	2006 $'000	2005 $'000
Outstanding premiums	$ 577,038	$ 495,867
Interest receivable	193,088	225,729
Other	545,270	336,632
	$1,315,396	$1,058,228

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17. Share Capital

	2006 $'000	2005 $'000
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
201,700,474 ordinary shares of no par value	**$1,512,951**	$1,502,844

	Number of Shares (thousands)	Share Capital $'000	Share Option Plan $'000	Total $'000
As at 1 January 2005	191,619	$1,084,742	$10,392	$1,095,134
Issue of shares – rights issue	10,081	399,016	—	399,016
Executive share option plan:				
- value of services provided (Note 31)	—	—	8,694	8,694
As at 31 December 2005	201,700	$1,483,758	$19,086	$1,502,844
Executive share option plan:				
- value of services provided (Note 31)	—	—	10,107	10,107
As at 31 December 2006	201,700	$1,483,758	$29,193	$1,512,951

Executive Share Option Plan

The Group operates a Stock Option Plan for its Executives. A total of 17,031,252 shares have been allocated to this plan since inception inclusive of bonus issues and stock dividends. Increases were approved at the Annual Meeting in 1999 and in 2004.

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

	2006	2005
Total shares allocated to the plan	**17,031**	17,031
Issued pursuant to exercise of options	**(9,006)**	(9,006)
Outstanding options	**(5,754)**	(4,060)
Remaining shares allocated to plan in respect of which options have not been granted	**2,271**	3,965

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17. Share Capital (continued)

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

	2006 Average Exercise Price	2006 Options (thousands)	2005 Average Exercise Price	2005 Options (thousands)
At beginning of year	**$29.12**	**4,060**	$24.44	3,045
Granted	**$27.73**	**1,758**	$41.46	1,133
Lapsed	**$29.71**	**(64)**	$26.85	(118)
At end of year	**$28.63**	**5,754**	$29.12	4,060

The exercise price of the granted options is equal to the average market price of the shares on the three dealing days preceding the date of the grant. Options are exercisable starting two years from the grant date up to the fifth anniversary of the date of grant. Options were previously exercisable up to the fourth anniversary of the date of the grant and an amendment was made to the plan effective 5 April 2006 to extend it for an additional year. 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) 2006	2005
14 Sep 2007	$21.40	**823**	842
31 Mar 2008	$33.17	**872**	885
3 Feb 2009	$19.90	**1,200**	1,200
3 Apr 2009	$43.33	**782**	814
31 Aug 2009	$36.69	**319**	319
28 May 2011	$27.73	**1,758**	—
		5,754	4,060

The fair value of options granted during the period determined using the Binomial valuation model was $13,706,510 (2005: $10,480,439). The significant inputs into the model were the exercise price of $27.73 (2005: $43.33 and $36.69) as shown above, the option life of 5 years from date of grant (2005 – 4 years), share price volatility of 24% (2005 - 23%), no expected dividends and annual risk-free interest rate of 8.67% (2005 - 5.39%). The risk-free interest rate is based on 10 year Government of Trinidad and Tobago TT$ debt. The share price volatility is based on statistical analysis of monthly share prices over the last five years.

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18. Reserves

	2006 $'000	2005 $'000
Property revaluation reserve	$ 83,956	$ 46,024
Associated company and other reserves	11,153	7,996
Translation reserve	(145,403)	(264,439)
	$(50,294)	$(210,419)
Associated Company and Other Reserves		
Capitalisation of subsidiary's retained earnings	$ 5,600	$ 5,600
Property revaluation reserve	1,504	1,694
Statutory reserve	4,075	929
Capital reserve	—	(56)
Treasury stock	(26)	(171)
	$ 11,153	$ 7,996

19. Minority Interest

This represents 46% shareholding in Trans-Nemwil Insurance (Grenada) Limited.

20. Insurance Contracts

	2006 $'000	2005 $'000
Long-term insurance contracts:		
With fixed and guaranteed terms (Note 20.3(a))	$4,113,467	$3,677,698
Without fixed terms (Note 20.3(b))	1,720,247	1,708,001
	$5,833,714	$5,385,699
Participating policyholders' share of the surplus from long-term insurance business (Note 20.3(c))	443,157	444,801
	$6,276,871	$5,830,500

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	2006 $'000	2005 $'000
20. Insurance Contracts (continued)		
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 20.3(d))	**$ 2,176,943**	$1,830,337
Claims incurred but not reported (Note 20.3(d))	**151,034**	123,081
Unearned premiums (Note 20.3(e))	**1,486,737**	1,321,255
	$ 3,814,714	$3,274,673
Total gross insurance liabilities	**$10,091,585**	$9,105,173

20.1 Long-term life insurance contracts - assumptions, changes in assumptions and sensitivity

(a) Process used to decide on assumptions

At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions.

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.

- 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 at the time that the products are developed and sold.

- 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.

Notes to the Consolidated Financial Statements (cont'd.)

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20. Insurance Contracts (continued)

20.1 Long-term life insurance contracts - assumptions, changes in assumptions and sensitivity (continued)

(b) Change in assumptions

	2006 $'000	2005 $'000
• Determination of liabilities:		
For the Jamaican life insurance company:		
Changes in expense assumptions	**3,351**	(4,222)
Changes in lapse assumptions	**(1,183)**	1,573
Changes in investment returns	**14,259**	5,126
Changes in annuity assumptions	**—**	7,785

For the Trinidadian life insurance companies no changes have been made to the assumptions used to value long-term insurance liabilities.

(c) 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.

<u>Long-term insurance contracts with fixed and guaranteed terms:</u>

For the Jamaican life insurance company:

Variable	Change in variable	Change in liability 2006 $'000	Change in liability 2005 $'000
Worsening of mortality	10%	**9,819**	8,415
Improvement of annuitant mortality	1% pa	**17,343**	6,950
Lowering of investment returns	-1%	**25,318**	22,820
Worsening of base renewal expense level	5%	**3,676**	3,131
Worsening of expense inflation rate	1% pa	**10,973**	9,301

Notes to the Consolidated Financial Statements (cont'd.)

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20. Insurance Contracts (continued)

20.1 Long-term life insurance contracts - assumptions, changes in assumptions and sensitivity (continued)

(c) Sensitivity analysis (continued)

For the Trinidadian life insurance companies:

Variable	Change in variable	Change in liability 2006 $'000	Change in liability 2005 $'000
Worsening of mortality	10%	**8,637**	9,395
Improvement of annuitant mortality	5% pa	**8,534**	7,839
Lowering of investment return	-1%	**63,293**	68,760

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

For the Jamaican life insurance company:

Variable	Change in variable	Change in liability 2006 $'000	Change in liability 2005 $'000
Worsening of mortality	10%	**11,152**	7,568
Lowering of investment returns	-1%	**40,225**	35,996
Worsening of base renewal expense level	5%	**20,004**	16,515
Worsening of expense inflation	1% pa	**45,233**	36,160

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.

20.2 Short-term non-life insurance contracts - assumptions, changes in assumptions and sensitivity

The risks associated with these insurance contracts and in particular casualty insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group has no known or reported latent claims such as disease or asbestosis and therefore no actuarial analysis is made. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet. An accident year basis is considered to be the most appropriate for the business written by the Group.

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20. Insurance Contracts (continued)

20.2 Short-term non-life insurance contracts - assumptions, changes in assumptions and sensitivity (continued)

Insurance claims - gross

Accident year	**2004 $'000**	**2005 $'000**	**2006 $'000**	**Total $'000**
Estimate of ultimate claims costs:				
- at end of accident year	$2,089,284	$1,926,564	$1,806,906	$5,822,754
- one year later	2,098,265	1,861,723	—	—
- two years later	2,045,726	—	—	—
Current estimate of cumulative claims	2,045,726	1,861,723	1,806,906	5,714,355
Cumulative payments to date	(1,957,073)	(1,289,930)	(716,887)	(3,963,890)
Liability recognised in the balance sheet	88,653	571,793	1,090,019	1,750,465
Liability in respect of prior years				577,512
Total liability (Note 20.3(d))				$2,327,977

Insurance claims - net

Accident year	**2004 $'000**	**2005 $'000**	**2006 $'000**	**Total $'000**
Estimate of ultimate claims costs:				
- at end of accident year	$409,677	$1,222,003	$1,503,777	$3,135,457
- one year later	428,863	1,310,859	—	—
- two years later	417,002	—	—	—
Current estimate of cumulative claims	417,002	1,310,859	1,503,777	3,231,638
Cumulative payments to date	(359,295)	(958,600)	(589,578)	(1,907,473)
Liability recognised in the balance sheet	57,707	352,259	914,199	1,324,165
Liability in respect of prior years				255,965
Total liability (Note 20.3(d))				$1,580,130

Notes to the Consolidated Financial Statements (cont'd.)

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20. Insurance Contracts (continued)

20.3 Movements in insurance liabilities and reinsurance assets

(a) Long-term insurance contracts with fixed terms and guaranteed amounts

	2006 $'000	2005 $'000
At beginning of year	**$3,677,698**	$3,483,376
Valuation premiums received	**461,671**	349,440
Liabilities released for payments on death, surrender and other terminations in the year	**(161,348)**	(242,352)
Accretion of interest	**140,376**	127,507
Other movements	**16,293**	(10,534)
Net exchange differences	**(21,223)**	(29,739)
At end of year	**$4,113,467**	$3,677,698

(b) Long-term insurance contracts without fixed terms

	2006 $'000	2005 $'000
At beginning of year	**$1,708,001**	$1,502,734
Premiums received	**349,244**	438,068
Fees deducted from account balances	**(110,895)**	(99,795)
Liabilities released for payments on death, surrender and other terminations in the year	**(289,743)**	(220,811)
Changes in unit prices	**94,215**	87,287
Other movements	**1,250**	1,241
Net exchange differences	**(31,825)**	(723)
At end of year	**$1,720,247**	$1,708,001

(c) Participating policyholders' share of the surplus from long-term insurance business

	2006 $'000	2005 $'000
At beginning of year	**$444,801**	$428,438
(Deficit)/surplus arising from operations	**(1,351)**	16,346
Translation reserve	**(293)**	11
Translation adjustment	**—**	6
At end of year	**$443,157**	$444,801

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20. Insurance Contracts (continued)

20.3 Movements in insurance liabilities and reinsurance assets (continued)

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

Year ended 31 December	2006			2005		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Notified claims	$1,830,337	$(753,946)	$1,076,391	$1,504,421	$(1,086,114)	$418,307
Incurred but not reported	123,081	(45,477)	77,604	78,145	(16,702)	61,443
Total at beginning of year	1,953,418	(799,423)	1,153,995	1,582,566	(1,102,816)	479,750
Acquisition of subsidiary						
- Notified claims	—	—	—	637,114	(231,041)	406,073
- Incurred but not reported	—	—	—	58,235	(16,811)	41,424
Cash paid for claims settled in the year	(1,496,646)	373,918	(1,122,728)	(2,034,112)	1,143,507	(890,605)
Increase in liabilities						
- arising from current year claims	1,689,370	(240,770)	1,448,600	1,287,493	(465,096)	822,397
- arising from prior year claims	(4,670)	(3,964)	(8,634)	518,486	(168,129)	350,357
Net exchange differences	186,505	(77,608)	108,897	(96,364)	40,963	(55,401)
Total at end of year	$2,327,977	$(747,847)	$1,580,130	$1,953,418	$(799,423)	$1,153,995
Notified claims	$2,176,943	$(720,187)	$1,456,756	$1,830,337	$(753,946)	$1,076,391
Incurred but not reported	151,034	(27,660)	123,374	123,081	(45,477)	77,604
	$2,327,977	$(747,847)	$1,580,130	$1,953,418	$(799,423)	$1,153,995

(e) Provisions for unearned premiums

Total at beginning of year	$1,321,255	$(351,140)	$970,115	$969,085	$(398,862)	$570,223
Acquisition of subsidiary	-	-	-	559,091	(52,401)	506,690
Increase in the period	1,474,927	(200,238)	1,274,689	1,320,921	(351,021)	969,900
Release in the period	(1,426,845)	377,455	(1,049,390)	(1,418,122)	418,970	(999,152)
Net exchange differences	117,400	(26,565)	90,835	(109,720)	32,174	(77,546)
Total at end of year	$1,486,737	$(200,488)	$1,286,249	$1,321,255	$(351,140)	$970,115

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21. Financial Liabilities

	2006 $'000	2005 $'000
Non-current portion of financial liabilities		
Investment contract liabilities (Note 21.1)	$1,149,885	$1,072,387
Medium-term borrowings (Note 21.2)	1,526,274	1,346,329
Derivative financial instruments (Note 21.3)	2,703	3,309
	$2,678,862	$2,422,025
Current portion of financial liabilities		
Medium-term borrowings	$ 37,925	$ 58,145
Short-term borrowings	524,037	295,307
	561,962	353,452
Repurchase agreements	924,743	610,280
Bank overdraft (Note 15)	701	3,671
	$1,487,406	$ 967,403

The repurchase agreements above represent the normal activities of our asset management operations. All the repurchase agreements are backed by appropriate interest bearing securities of varying durations.

21.1 Investment contract liabilities

The movements in the liabilities arising from investment contracts are summarised below:

	2006	2005
At beginning of year	$1,072,387	$1,001,681
Exchange rate adjustments	(22,019)	(24,952)
Premiums received	86,833	85,938
Fees deducted from account balances	(23,235)	(2,755)
Account balances paid on surrender and other terminations in the year	(72,784)	(109,563)
Interest credited through income	114,540	122,533
Interest credited through equity	(5,837)	(8)
Other movements	—	(487)
At end of year	$1,149,885	$1,072,387

The carrying values of investment contract liabilities approximate their fair values.

Notes to the Consolidated Financial Statements (cont'd.)

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21. Financial Liabilities (continued)

	2006 $'000	2005 $'000
21.2 Borrowings		
Parent company	**$1,754,000**	$1,430,244
Subsidiaries	**233,527**	164,960
Joint ventures	**100,709**	104,577
	$2,088,236	$1,699,781
Less: Current portion	**(561,962)**	(353,452)
Non-current portion	**$1,526,274**	$1,346,329

The carrying amounts of borrowings approximate their fair value.

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

Parent Company

Loan 1 - $700 million
This is a fixed rate 10-year bond ending in December 2014 and is split into two tranches. Interest is charged at 6.625% per annum on tranche 1 of $350 million and is paid semi-annually with the principal to be repaid at maturity. Interest is charged at 6.42% per annum on tranche 2 of $350 million and is paid semi-annually. There is a moratorium on the principal of this tranche for the first three years followed by equal semi-annual payments over the remaining term of the bond. The loan is secured by a debenture creating a charge over the fixed and floating assets of Guardian Holdings Limited.

Loan 2 - $220.3 million
Interest is charged at 3-month LIBOR x 2 plus 0.75% and is payable quarterly. The principal is to be repaid at maturity in March 2011. The loan is secured by equity investments.

Loan 3 - $94.5 million
Interest is charged at 6.3% per annum and is payable quarterly. The principal is to be repaid at maturity in December 2008. The loan is secured by equity investments.

Loan 4 - $50 million
Interest is charged at 8.5% per annum and is payable monthly. The loan is unsecured.

Loan 5 - $50 million
Interest is charged at 7.25% per annum. The principal and interest is to be repaid in March 2007. The loan is unsecured.

Loan 6 - $19.4 million
Interest is charged at 9.95% per annum. The principal and interest is to be repaid in April 2007. The loan is secured by equity investments.

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

21. Financial Liabilities (continued)

21.2 Borrowings (continued)

Parent Company (continued)

Loan 7 - $96 million
Interest is charged at 3 month Libor + 2.0% for the first three months and for the remaining period at 3 month Libor + 2.75% and is payable quarterly. The principal is to be repaid at maturity in December 2010. The loan is secured by equity investments.

Loan 8 - $38 million
This comprises various loans for which interest is charged at 7.05% - 8.00% per annum. Principal and interest on all loans are to be repaid at maturity commencing January 2007 to March 2007 and are unsecured.

Loan 9 - $81 million
This comprises various loans for which interest is charged at 7.35% - 8.69% per annum. Principal and interest on all loans are to be repaid at maturity commencing January 2007 to December 2007 and are secured by equity investments.

Loan 10 - $314.8 million
Interest is charged at LIBOR plus 3.5% and is payable semi-annually. The principal is to be repaid on a semi-annual basis commencing December 2012 and ending on December 2015. The loan is unsecured.

Loan 11 - $50 million
Interest is charged at 9.50% per annum and is payable quarterly. The principal is to be repaid at maturity in June 2007. The loan is secured by equity investments.

Loan 12 - $40 million
Interest is charged at repo rate plus 2.0%. The principal and interest is payable on maturity in March 2007. The loan is secured by equity investments.

Subsidiaries

Loan 1 - $18 million
Interest is charged at 2% above Lloyd's TSB's base rate. The principal and interest is paid quarterly with the final instalment due in December 2007. The loan is secured by a fixed and floating charge over the assets of the subsidiary.

Loan 2 - $51.2 million
This comprises of various loans for which interest is charged at 5.85% - 6.35% per annum. Principal and interest on all loans are to be repaid at maturity during 2007 and are unsecured.

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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21. Financial Liabilities (continued)

21.2 Borrowings (continued)

Subsidiaries (continued)

Loan 3 - $46.7 million
This comprises of various loans for which interest is charged at 5.45% and 6.4% per annum and is payable quarterly. Principal on all loans are to be repaid at maturity during 2007 and are secured by a charge on investments.

Loan 4 - $108.9 million
This comprises of various loans for which interest is charged at 5.37% – 6.6% per annum. Principal and interest on all loans are to be paid upon maturity during 2007. Of this balance, $23.4 million is secured by a charge on investments.

Loan 5 - $8.2 million
This is an interest free loan. Principal is to be paid upon maturity during 2007. The loan is unsecured.

Joint Ventures

This represents the Group's proportionate share of the debt of the joint venture companies.

$100.7 million
These loans bear interest at rates between 9% and 13% and are secured by property and buildings.

21.3 Derivative financial instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or bond price, commodity price or index. The Group utilises the following derivative instrument:

Interest rate swaps
These are financial transactions in which two counterparties exchange fixed or floating interest cash flows over a period of time based on rates applied to defined notional principal amounts.

Notional amounts and fair values
The notional amount of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, commodity prices or indices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

21. Financial Liabilities (continued)

21.3 Derivative financial instruments (continued)

The fair values of derivative financial instruments held are set out below:

	Contract/ Notional Amount $'000	Fair Value Liabilities $'000
Year ended 31 December 2006		
Interest rate swap	**$99,430**	$2,703
Year ended 31 December 2005		
Interest rate swap	**$94,161**	$3,309

22. Post Retirement Benefit Obligations

	2006 $'000	2005 $'000
The amounts recognised in the balance sheet are as follows:		
Present value of obligations/ IAS 19 Balance sheet liability	**$65,478**	$58,951
The amount in the Profit and Loss account is made up as follows:		
Interest cost	**$ 4,436**	$ 4,392
Current service cost	**2,592**	1,189
Net actuarial loss/(gain)	**477**	(1,756)
Expense for the year (Note 31)	**$ 7,505**	$ 3,825
The movement in the liability is as follows:		
Balance at beginning of year	**$58,951**	$55,926
Exchange rate adjustment	**168**	34
Total expense as per above	**7,505**	3,825
Benefits paid	**(1,146)**	(834)
Balance at end of year	**$65,478**	$58,951

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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22. Post Retirement Benefit Obligations (continued)

The principal actuarial assumptions used were as follows:	2006	2005
Discount rate	7.0%	7.0%
Healthcare cost escalation	5.0%	3.0%
Retiree premium escalation:		
Existing retirees	0.0%	0.0%
Future retirees	0.0%	3.0%
Pre-retirement mortality	Standard US mortality table – GAM83	
Post retirement mortality	Standard US mortality table – GAM83	

23. Other Liabilities

	2006 $'000	2005 $'000
Outstanding claims	$118,399	$ 95,490
Interest payable	25,811	53,356
Deposits and premiums received in advance	73,571	81,708
Amount due to re-insurers	62,829	102,618
Sundry payables	559,998	444,284
	$840,608	$777,456

24. Net insurance premium revenue

	2006 $'000	2005 $'000
Long-term insurance contracts with fixed and guaranteed terms	$1,145,104	$1,105,989
Short-term insurance contracts:		
- premium receivables	3,495,600	3,246,039
- change in unearned premium provision	(48,068)	70,748
Premium revenue arising from insurance contracts issued	4,592,636	4,422,776
Short-term reinsurance contracts:		
- premium payables	(679,294)	(1,078,539)
- change in unearned premium provision	(177,402)	(69,464)
Long-term reinsurance contracts	(40,992)	(33,052)
Premium revenue ceded to reinsurers	(897,688)	(1,181,055)
Net insurance premium revenue	$3,694,948	$3,241,721

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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	2006 $'000	2005 $'000
25. Investment Income		
Fair value through profit and loss assets - interest income	**$266,253**	$171,279
Fair value through profit and loss assets - dividend income	**86,678**	80,635
Held-to-maturity assets - interest income	**209,286**	238,938
Loans and receivables - interest income	**73,891**	79,415
Cash and cash equivalents - interest income	**60,631**	88,090
	$696,739	$658,357
26. Net Realised Gains on Financial and Other Assets		
Equity securities	**$ 7,630**	$ 45,082
Debt securities	**21,214**	22,622
Investment properties	**(128)**	1,750
	$28,716	$ 69,454
27. Net Fair Value (Losses)/Gains on Financial and Other Assets		
Net fair value losses on financial assets at fair value though profit and loss (Note 8)	**$(155,187)**	$(16,056)
Fair value gains on investment properties (Note 5)	**51,733**	31,300
	$(103,454)	$ 15,244
28. Fee Income		
Policy administration and asset management services:		
- Insurance contracts	**$ 5,237**	$ 4,501
- Investment contracts without DPF	**20,199**	19,168
Surrender charges – insurance contracts	**945**	911
	$26,381	$24,580
29. Other Operating Income		
Foreign exchange (losses)/gains	**$ (3,771)**	$ 6,586
Increase in value of recognisable pension plan assets (Note 10)	**6,251**	37,645
Rental income	**58,307**	50,391
Realised gain on sale of subsidiary	**—**	15,033
Other income	**96,851**	55,450
	$157,638	$165,105

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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30. Net Insurance Benefits and Claims

	2006 $'000	2005 $'000
Insurance benefits	**$1,122,722**	$1,011,555
Insurance claims and loss adjustment expenses	**1,876,235**	1,896,105
Insurance claims and loss adjustment expenses recovered from reinsurers	**(256,123)**	(637,502)
	$2,742,834	$2,270,158

	2006 $'000	2005 $'000
Insurance benefits		
Long-term insurance contracts with fixed and guaranteed terms:		
- death, maturity and surrender benefits	**$ 306,261**	$ 312,381
- increase in liabilities	**464,748**	252,248
Long-term insurance contracts without fixed terms:		
- death benefits	**310,539**	236,193
- change in unit prices	**41,174**	207,220
Long-term insurance contracts with DPF:		
- death benefits	**—**	3,513
Total cost of policyholder benefits	**$1,122,722**	$1,011,555

Notes to the Consolidated Financial Statements (cont'd.)

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30. Net Insurance Benefits and Claims (continued)

Insurance claims and loss adjustment expenses

	2006		
	Gross $'000	Reinsurance $'000	Net $'000
Current year claims and loss adjustment expenses	$1,883,839	$(252,165)	$1,631,674
Additional cost for prior year claims and loss adjustment expenses	(5,724)	(3,958)	(9,682)
Increase in the expected cost of claims for unexpired risks	(1,880)	-	(1,880)
Total claims and loss adjustment expenses	$1,876,235	$(256,123)	$1,620,112

	2005		
	Gross $'000	Reinsurance $'000	Net $'000
Current year claims and loss adjustment expenses	$1,396,620	$(469,371)	$ 927,249
Additional cost for prior year claims and loss adjustment expenses	499,485	(168,131)	331,354
Total claims and loss adjustment expenses	$1,896,105	$(637,502)	$1,258,603

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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	2006 $'000	2005 $'000
31. Expenses		
Investment contract benefits	$ 115,955	$ 123,716
Commissions	662,194	653,416
Other expenses for the acquisition of insurance and investment contracts	35,778	31,946
Expenses for asset management services rendered	7,820	6,528
Staff cost	480,179	388,495
Depreciation	47,074	36,164
Auditors' remuneration	8,908	8,101
Directors' fees	7,670	3,088
Impairment of financial assets	15,750	—
Other expenses	521,359	386,203
	$1,902,687	$1,637,657
Staff cost includes:		
Wages and salaries	$303,186	$ 266,020
Health and medical	15,433	10,726
Staff Training	6,567	5,827
National Insurance	23,218	17,497
Bonuses	44,161	36,051
Share option scheme – value of services provided (Note 17)	10,107	8,694
Pension costs	19,176	8,543
Post retirement benefit obligations (Note 22)	7,505	3,825
Termination benefits	20,153	799
Other	30,673	30,513
	$480,179	$388,495

The average number of employees in 2006: 2,650 (2005: 2,570)

	2006 $'000	2005 $'000
32. Finance Charges		
Bank borrowings	$147,228	$120,201
Interest-rate swap	1,014	2,144
	$148,242	$122,345
33. Taxation		
Current tax	$ 61,952	$ 80,638
Business levy/green fund levy	1,395	1,758
Prior year taxation adjustment	4,674	(15,157)
Share of tax charge of associated companies	(550)	7,004
Share of tax charge of joint ventures	—	381
Deferred tax (Note 12)	9,912	(315)
Effect of change in tax rate on deferred taxation (Note 12)	—	5,485
	$ 77,383	$ 79,794

Notes to the Consolidated Financial Statements (cont'd.)

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33. Taxation (continued)

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

	2006 $'000	2005 $'000
(Loss)/profit before taxation	**$(158,461)**	$457,535
Prima facie tax calculated at domestic corporation tax rate of 25% (2005-30%)	**$ (39,615)**	$137,260
Effect of different tax rate of life insurance companies	**(9,256)**	(24,433)
Effect of different tax rate in other countries	**6,803**	6,441
Effect of change in tax rate on deferred taxation	**—**	5,485
Income not subject to tax	**(157,718)**	(237,084)
Expenses not deductible for tax purposes	**282,074**	210,532
Net adjustment to recognised and unrecognised tax losses	**(9,602)**	(5,706)
Tax reliefs and deductions	**(7,901)**	(3,007)
Business levy/green fund levy	**1,395**	1,758
Prior year taxation adjustment	**4,674**	(15,157)
Tax on dividend	**—**	9,902
Other	**6,529**	(6,197)
Tax charge for the period	**$77,383**	$79,794

There are tax losses available for set off against future chargeable profits of approximately $160,560,000 (2005 - $200,810,000) as follows:

	2006	2005
Trinidad	**$ 82,908**	$135,613
Overseas	**77,652**	65,197
Group	**$160,560**	$200,810

The tax losses relating to Trinidad have no expiry date, however, the tax losses relating to overseas expire over varying periods of up to nine years. 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 Inland Revenue authorities.

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34. Earnings per Share

	2006 '000	2005 '000

Basic

Basic earnings per share are calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006 '000	2005 '000
(Loss)/profit attributable to equity holders of the Company	**$(235,855)**	$358,289
Weighted average number of ordinary shares in issue (thousands)	**201,700**	195,928
Basic earnings per share	**$(1.17)**	$1.83

Diluted

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

	2006 '000	2005 '000
(Loss)/profit attributable to equity holders of the Company	**$(235,855)**	$358,289
Weighted average number of ordinary shares in issue (thousands)	**201,700**	195,928
Adjustment for share options	**5,066**	3,669
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**206,766**	199,597
Diluted earnings per share	**$(1.14)**	$1.80

35. Dividends

	2006 $'000	2005 $'000
Final dividend for 2005 - 40¢ per share (2004 - 38¢ per share)	**$ 80,680**	$ 72,815
Interim dividend for 2006 - 15¢ per share (2005 - 15¢ per share)	**30,255**	30,255
	$110,935	$103,070

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36. Adjustment for non-cash items in Operating Profit

	2006 $'000	2005 $'000
Share of profit from associated companies	**$ (24,090)**	$ (69,303)
Interest expense	**148,242**	122,345
Investment income	**(696,739)**	(658,357)
Increase in the value to shareholders of inforce long-term business	**(70,687)**	(43,279)
Net fair value losses/(gains) on financial and other assets	**103,454**	(15,244)
Net realised gains on financial and other assets	**(28,716)**	(69,454)
Impairment of financial assets	**15,750**	—
Profit on sale of subsidiary, associated company and joint venture	**—**	(15,033)
Decrease/(increase) in value of recognisable pension plan assets	**2,402**	(37,645)
Depreciation	**47,074**	36,164
Loss on disposal of property, plant & equipment	**2,667**	2,974
Foreign exchange losses/(gains)	**3,771**	(6,586)
Share option scheme – value of services provided	**10,107**	8,694
Other non-cash (income)/expense	**(28,390)**	24,031
	$(515,155)	$(720,693)

37. 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.

37.1 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.

Notes to the Consolidated Financial Statements (cont'd.)

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37. Management of insurance and financial risk (continued)

37.1 Insurance risk (continued)

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.

37.1.1 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 (i.e. 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 larger element of the claims provision relates to incurred but not reported claims (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 covers) or members of the public (for public liability covers). 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.

Notes to the Consolidated Financial Statements (cont'd.)

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37. Management of insurance and financial risk (continued)

37.1 Insurance risk (continued)

37.1.1 Casualty insurance risks (continued)

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

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. 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 balance sheet date.

In calculating the estimated cost of unpaid claims (both reported and not), 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 variations 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 20 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.

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37. Management of insurance and financial risk (continued)

37.1 Insurance risk (continued)

37.1.2 Short duration life insurance contracts

(a) Frequency and severity of claims

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, in addition to the factors in the above note. The risk of death and disability will vary by industry. The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one plan member.

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 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. As there is only one such plan, this is unlikely to have a material impact on the Group's results.

37.1.3 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.

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 all 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.

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.

Notes to the Consolidated Financial Statements (cont'd.)

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37. Management of insurance and financial risk (continued)

37.1 Insurance risk (continued)

37.1.3 Long-term insurance contracts (continued)

(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 of in-force figures. No adjustment for future mortality improvements is made for contracts that insure survival.

37.1.4 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, hurricanes, typhoons, etc.) 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. Cost of rebuilding properties, of replacement or indemnity for contents and 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 modeling 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.

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

Property claims are analysed separately for subsidence and non-subsidence claims. The development of large losses / catastrophes is analysed 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. However, the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims. Virtually all the IBNR liability for property insurance contracts relates to subsidence claims.

Notes to the Consolidated Financial Statements (cont'd.)

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37. Management of insurance and financial risk (continued)

37.2 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 most important components of this financial risk are interest rate risk, equity price risk, currency 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. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk.

37.2.1 Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of a similar nature. The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

Notes to the Consolidated Financial Statements (cont'd.)

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37. Management of insurance and financial risk (continued)

37.2 Financial risk (continued)

37.2.1 Interest rate risk (continued)

As at 31 December 2006	Up to one year $'000	One to five years $'000	Over five years $'000	Non-Interest bearing $'000	Total $'000
Assets					
Property, Plant and Equipment	$ —	$ —	$ —	$ 627,659	$ 627,659
Investment Properties	—	—	—	706,681	706,681
Goodwill	—	—	—	1,077,046	1,077,046
Investment in Associated Companies	—	—	—	271,179	271,179
Financial Assets	304,458	2,783,245	2,119,852	2,747,996	7,955,551
Loans and Receivables	112,378	80,291	499,860	29,173	721,702
Pension Plan Assets	—	—	—	144,383	144,383
Value to Shareholders of Inforce Long-Term Business	—	—	—	576,843	576,843
Deferred Tax Assets	—	—	—	51,043	51,043
Reinsurance Assets	—	—	—	1,002,718	1,002,718
Current Assets	3,078,867	—	—	3,051,692	6,130,559
Total Assets	$3,495,703	$2,863,536	$2,619,712	$10,286,413	$19,265,364
Liabilities					
Insurance Contracts	35,891	170,689	854,700	9,030,305	10,091,585
Financial Liabilities	1,152,588	410,800	1,115,474	—	2,678,862
Post Retirement Benefit Obligations	—	—	—	65,478	65,478
Deferred Tax Liabilities	—	—	—	231,005	231,005
Deferred Consideration	—	—	—	184,249	184,249
Current Liabilities	1,366,047	—	—	1,080,360	2,446,407
Total Liabilities	$2,554,526	$ 581,489	$1,970,174	$10,591,397	$15,697,586
Interest Sensitivity Gap	$ 941,177	$2,282,047	$ 649,538		

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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37. Management of insurance and financial risk (continued)

37.2 Financial risk (continued)

37.2.1 Interest rate risk (continued)

As at 31 December 2005	Up to one year $'000	One to five years $'000	Over five years $'000	Non-Interest bearing $'000	Total $'000
Assets					
Property, Plant and Equipment	$ —	$ —	$ —	$ 394,489	$ 394,489
Investment Properties	—	—	—	491,172	491,172
Goodwill	—	—	—	807,538	807,538
Investment in Associated Companies	—	—	—	349,463	349,463
Financial Assets	1,059,684	2,302,360	1,796,912	2,342,666	7,501,622
Loans and receivables	170,253	61,196	555,584	31,709	818,742
Pension Plan Assets	—	—	—	132,414	132,414
Value to Shareholders of Inforce Long-Term Business	—	—	—	513,505	513,505
Deferred Tax Assets	—	—	—	51,823	51,823
Reinsurance Assets	—	—	—	1,200,791	1,200,791
Current Assets	3,286,102	—	—	1,867,344	5,153,446
Total Assets	$4,516,039	$2,363,556	$2,352,496	$8,182,914	$17,415,005
Liabilities					
Insurance Contracts	$ 26,858	$ 151,693	$ 774,839	$8,151,783	$ 9,105,173
Financial Liabilities	1,004,455	286,355	1,095,227	35,988	2,422,025
Post Retirement Benefit Obligations	—	—	—	58,951	58,951
Deferred Tax Liabilities	—	—	—	221,014	221,014
Current Liabilities	1,857,667	—	—	—	1,857,667
Total Liabilities	$2,888,980	$ 438,048	$1,870,066	$8,467,736	$13,664,830
Interest Sensitivity Gap	$1,627,059	$1,925,508	$ 482,430		

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

37. Management of insurance and financial risk (continued)

37.2 Financial risk (continued)

37.2.1 Interest rate risk (continued)

The table below summarises the effective interest rate at the balance sheet date by major currencies across all applicable Group financial assets and financial liabilities.

	TT$	US$	NAF	J$	Sterling	Other
As at 31 December 2006	%	%	%	%	%	%
Financial assets						
Cash and cash equivalents	5.3 – 6.9%	0.9 – 5.3%	2.0 – 3.6%	12.0 – 13.0%	4.0 – 5.5%	1.0 – 8.0%
Debt securities:						
- At fair value through profit and loss	1.5 – 13.4%	3.2 – 12.0%	6.5%	14.6 – 17.0%	4.1 – 9.5%	0.8 – 9.0%
- Held to maturity	11.3%	7.1 – 11.1%	7.3 – 7.5%	13.0 – 15.9%	—	7.7%
- Loans and receivables	10.0%	6.0 – 7.5%	7.4%	13.1%	—	—
Financial liabilities						
Investment contracts	8.0%	—	—	—	—	—
Borrowings:						
- Bank loans	5.3 – 11.8%	8.1%	—	12.2%	5.3 – 7.0%	—
- Debentures and other loans	6.1%	6.4 – 6.6%	2.0%	14.1%	4.1 – 4.5%	3.0 – 7.0%
As at 31 December 2005						
Financial assets						
Cash and cash equivalents	5.3 – 7.2%	0.5 – 12.7%	2.0%	9.0 – 13.2%	4.0 – 4.5%	2.5 – 7.0%
Debt securities:						
- At fair value through profit and loss	1.6 – 13.4%	1.2 – 12.7%	4.1%	14.6 – 17.0%	4.1 – 9.5%	0.8 – 9.0%
- Held to maturity	—	7.1 – 10.2%	4.3 – 7.3%	13.0 – 16.6%	—	—
- Loans and receivables	7.9%	5.4 – 6.0%	8.2%	13.4%	—	—
Financial liabilities						
Investment contracts	6.7 – 8.0%	—	—	—	—	—
Borrowings:						
- Bank loans	5.5 – 11.8%	5.8 – 9.8%	—	13.1%	5.3 – 6.5%	—
- Debentures and other loans	—	5.8 – 6.1%	—	12.4%	—	—

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

37. Management of insurance and financial risk (continued)

37.2 Financial risk (continued)

37.2.2 Credit risk

The Group has no significant concentration of credit risk. The Group minimises its credit risk by limiting its investment in mortgages and its counterparties to Government, major banks and financial institutions.

37.2.3 Liquidity Risk

The Group is exposed to daily calls on its available cash resources mainly from claims arising from short—term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. An internally constituted investment committee sets 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 maturities, claims and surrenders at unexpected levels of demand.

37.2.4 Currency risk

Most of the Group's liabilities are denominated in local currency and are matched with local assets. The strategy for dealing with foreign exchange risk is to offset as far as possible foreign currency liabilities with assets denominated in the same currency.

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December. The Group's assets and liabilities are included in the table, categorised by currency at their carrying amount.

As at 31 December 2006	TT $'000	US $'000	NAF $'000	JMD $'000	Sterling $'000	Other $'000	Total $'000
Assets							
Property, Plant and Equipment	$356,516	$ 9,641	$ 138,185	$ 71,193	$ 43,828	$ 8,296	$ 627,659
Investment Properties	302,779	53,751	2,304	231,657	—	116,190	706,681
Goodwill	251,889	—	—	9,316	815,841	—	1,077,046
Investment in Associated Companies	177,407	73,716	—	—	16,814	3,242	271,179
Financial Assets	2,999,159	1,817,193	1,434,959	888,914	641,175	174,151	7,955,551
Loans and Receivables including insurance receivables	215,780	—	430,370	75,552	—	—	721,702
Pension Plan Assets	86,319	—	58,064	—	—	—	144,383
Value to Shareholders of Inforce Long-Term Business	227,413	—	134,553	214,877	—	—	576,843
Deferred Tax Assets	43,767	—	—	299	6,977	—	51,043
Reinsurance Assets	68,918	44,226	57,277	41,822	682,483	107,992	1,002,718
Current Assets	1,025,563	829,585	428,833	1,697,214	1,918,526	230,838	6,130,559
Total Assets	$5,755,510	$2,828,112	$2,684,545	$3,230,844	$4,125,644	$640,709	$19,265,364

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

37. Management of insurance and financial risk (continued)

37.2 Financial risk (continued)

37.2.4 Currency risk (continued)

As at 31 December 2006	TT $'000	US $'000	NAF $'000	JMD $'000	Sterling $'000	Other $'000	Total $'000
Liabilities							
Insurance Contracts	$3,227,906	$ 264,519	$2,455,981	$ 963,812	$2,796,664	$382,703	$10,091,585
Financial Liabilities	1,649,122	251,287	9,011	769,251	—	191	2,678,862
Deferred Tax Liabilities	185,745	—	10,786	34,474	—	—	231,005
Post Retirement Benefit Obligation	—	—	65,478	—	—	—	65,478
Current Liabilities	530,509	411,163	239,765	909,118	145,942	209,910	2,446,407
Deferred Consideration	—	—	—	—	184,249	—	184,249
Total Liabilities	$5,593,282	$ 926,969	$2,781,021	$2,676,655	$3,126,855	$592,804	$15,697,586
Net Assets	$ 162,228	$1,901,143	$ (96,476)	$ 554,189	$ 998,789	$ 47,905	$ 3,567,778
As at 31 December 2005							
Assets							
Property, Plant and Equipment	$ 173,468	$ —	$ 112,902	$ 68,115	$ 34,562	$ 5,442	$ 394,489
Investment Properties	270,910	—	—	220,262	—	—	491,172
Goodwill	251,889	—	—	—	555,649	—	807,538
Investment in Associated Companies	226,334	59,860	—	—	60,760	2,509	349,463
Financial Assets	3,176,868	1,790,043	1,217,199	542,190	540,326	234,996	7,501,622
Loans and Receivables including insurance receivables	309,856	—	452,488	56,398	—	—	818,742
Pension Plan Assets	78,587	—	53,827	—	—	—	132,414
Value to Shareholders of Inforce Long-Term Business	209,639	1,222	129,815	162,338	78	10,413	513,505
Deferred Tax Assets	40,126	—	—	44	11,653	—	51,823
Reinsurance Assets	60,964	103,642	51,177	78,251	747,023	159,734	1,200,791
Current Assets	1,018,213	746,586	550,197	1,241,703	1,391,559	205,188	5,153,446
Total Assets	$5,816,854	$2,701,353	$2,567,605	$2,369,301	$3,341,610	$ 618,282	$17,415,005

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

37. Management of insurance and financial risk (continued)

37.2 Financial risk (continued)

37.2.4 Currency risk (continued)

As at 31 December 2005	TT $'000	US $'000	NAF $'000	JMD $'000	Sterling $'000	Other $'000	Total $'000
Liabilities							
Insurance Contracts	$3,227,272	$ 205,367	$2,349,165	$ 696,402	$2,161,429	$465,538	$ 9,105,173
Financial Liabilities	1,670,443	22,365	7,963	623,047	16,194	82,013	2,422,025
Deferred Tax Liabilities	187,391	—	6,649	26,974	—	—	221,014
Post Retirement Benefit Obligation	—	—	58,951	—	—	—	58,951
Current Liabilities	352,070	459,676	270,866	594,425	113,541	67,089	1,857,667
Total Liabilities	$5,437,176	$ 687,408	$2,693,594	$1,940,848	$2,291,164	$614,640	$13,664,830
Net Assets	$ 379,678	$2,013,945	$ (125,989)	$ 428,453	$1,050,446	$ 3,642	$ 3,750,175

38. Segment Information

(a) Primary Reporting Format – Business Segments

The Group's business segments are defined by the grouping of products and services of a similar nature and fall into three main categories:

i) Long-term insurance business which comprises of life and pension insurance
ii) Short-term insurance business which comprises of property, casualty and health insurance
iii) Asset management

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

38. Segment Information (continued)

(a) Primary Reporting Format – Business Segments (continued)

The segment results for the year ended 31 December 2006 are as follows:

	Long-term Insurance Business $'000	Short-term Insurance Business $'000	Asset Management $'000	Other $'000	Group $'000
Year Ended 31 December 2006					
Gross insurance premium revenue	$ 1,145,104	$ 3,447,532	$ —	$ —	$ 4,592,636
Insurance premium ceded to reinsurers	(40,993)	(856,695)	—	—	(897,688)
Investment income, realised and unrealised gains	468,686	140,863	40,178	(27,726)	622,001
Other income	178,649	26,908	10,611	78,095	294,263
Total revenue	$1,751,446	$2,758,608	$50,789	$50,369	$4,611,212
Gross benefits and claims from insurance contracts	1,110,349	1,888,608	—	—	2,998,957
Insurance benefits and claims recovered from reinsurers	(11,436)	(244,687)	—	—	(256,123)
Investment contract benefits	115,955	—	—	—	115,955
Other expenses	465,207	1,148,230	18,162	155,133	1,786,732
Total benefits, claims and expenses	$1,680,075	$2,792,151	$18,162	$155,133	$4,645,521
Operating (loss)/profit	71,371	(33,543)	32,627	(104,764)	(34,309)
Share of profit of associated companies	20,456	(5,098)	—	8,732	24,090
Finance charges	(232)	(12,210)	43	(135,843)	(148,242)
(Loss)/profit before taxation	91,595	(50,851)	32,670	(231,875)	(158,461)
Taxation	(29,912)	(41,815)	(9,989)	4,333	(77,383)
(Loss)/profit after taxation	$ 61,683	$(92,666)	$22,681	$(227,542)	$(235,844)

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

38. Segment Information (continued)

(a) Primary Reporting Format – Business Segments (continued)

The segment results for the year ended 31 December 2005 are as follows:

	Long-term Insurance Business $'000	Short-term Insurance Business $'000	Asset Management $'000	Other $'000	Group $'000
Year Ended 31 December 2005					
Gross insurance premium revenue	$1,105,989	$3,316,787	$ —	$ —	$4,422,776
Insurance premium ceded to reinsurers	(33,052)	(1,148,003)	—	—	(1,181,055)
Investment income, realised and unrealised gains	514,660	134,550	44,587	49,258	743,055
Other income	112,467	219,942	9,357	91,850	433,616
Total revenue	$1,700,064	$2,523,276	$53,944	$141,108	$4,418,392
Gross benefits and claims from insurance contracts	$1,102,774	$1,896,106	$ —	$ —	$2,998,880
Insurance benefits and claims recovered from reinsurers	—	(637,504)	—	—	(637,504)
Investment contract benefits	32,497	—	—	—	32,497
Other expenses	409,658	958,684	25,059	120,541	1,513,942
Total benefits, claims and expenses	$1,544,929	$2,217,286	$25,059	$120,541	$3,907,815
Operating profit	155,135	305,990	28,885	20,567	510,577
Share of profit of associated companies	2,156	45,975	—	21,172	69,303
Finance charges	(105)	(32,361)	—	(89,879)	(122,345)
Profit before taxation	157,186	319,604	28,885	(48,140)	457,535
Taxation	(18,082)	(44,509)	(15,541)	(1,662)	(79,794)
Profit after taxation	$ 139,104	$ 275,095	$13,344	$(49,802)	$ 377,741

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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38. Segment Information (continued)

(a) Primary Reporting Format – Business Segments (continued)

Other segment items included in the profit and loss account are as follows:

	Long-term Insurance Business $'000	Short-term Insurance Business $'000	Asset Management $'000	Other $'000	Group $'000
Year Ended 31 December 2006					
Depreciation	$17,420	$16,504	$576	$12,574	$47,074
Year Ended 31 December 2005					
Depreciation	$19,129	$12,535	$470	$ 4,030	$36,164

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

	Long-term Insurance Business $'000	Short-term Insurance Business $'000	Asset Management $'000	Other $'000	Group $'000
Year Ended 31 December 2006					
Investment in associated companies	37,236	56,535	—	177,408	271,179
Reinsurance assets	54,383	948,335	—	—	1,002,718
Value to shareholders of inforce long-term business	576,843	—	—	—	576,843
Deferred acquisition costs	—	196,097	—	—	196,097
Other assets	9,377,380	4,958,018	1,307,882	1,575,247	17,218,527
Total assets	10,045,842	6,158,985	1,307,882	1,752,655	19,265,364
Insurance liabilities	6,278,586	3,812,999	—	—	10,091,585
Other liabilities	1,775,417	738,727	1,128,895	1,962,962	5,606,001
Total liabilities	8,054,003	4,551,726	1,128,895	1,962,962	15,697,586
Property, plant and equipment additions	161,367	21,654	1,218	54,270	238,509
Goodwill acquired	—	193,565	—	—	193,565

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
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38. Segment Information (continued)

(a) Primary Reporting Format – Business Segments (continued)

Other segment items included in the profit and loss account are as follows:

	Long-term Insurance Business $'000	Short-term Insurance Business $'000	Asset Management $'000	Other $'000	Group $'000
Year Ended 31 December 2005					
Investment in associated companies	$ 34,331	$ 91,672	$ —	$ 223,460	$ 349,463
Reinsurance assets	50,229	1,150,562	—	—	1,200,791
Value to shareholders of inforce long-term business	513,505	—	—	—	513,505
Deferred acquisition costs	—	187,471	—	—	187,471
Other assets	9,048,141	4,037,154	935,252	1,143,228	15,163,775
Total assets	$9,646,206	$5,466,859	$ 935,252	$1,366,688	$17,415,005
Insurance liabilities	$5,830,500	$3,274,673	$ —	$ —	$ 9,105,173
Other liabilities	1,488,869	807,364	771,483	1,491,941	4,559,657
Total liabilities	$7,319,369	$4,082,037	$ 771,483	$1,491,941	$13,664,830
Property, plant and equipment additions	$ 48,480	$ 29,096	$ 1,191	$ 6,808	$ 85,575
Goodwill acquired	$ —	$ 457,537	$ —	$ —	$ 457,537

(b) Secondary Reporting Format – Geographical Segments

The Group's three business segments operate in the following main geographical areas – Trinidad and Tobago, Jamaica, Barbados, Netherlands Antilles and Aruba, Latin America and Europe. Revenue is allocated based on the country in which the customer is located. Total assets are allocated based on where the assets are located.

Notes to the Consolidated Financial Statements (cont'd.)

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38. Segment Information (continued)

(b) Secondary Reporting Format – Geographical Segments (continued)

	Total Revenue		Total Assets	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trinidad and Tobago	$ 926,777	$1,242,739	$ 6,640,608	$6,211,765
Other individual Countries over 10% threshold:				
Jamaica	931,197	597,058	3,643,803	2,845,043
Barbados	91,020	104,529	233,471	209,046
Netherlands Antilles and Aruba	622,274	640,628	3,409,109	3,522,565
Europe	1,668,070	1,573,040	4,135,247	3,316,233
Latin America	72,768	47,441	47,406	34,228
Other Countries	299,106	212,957	884,541	926,662
	$4,611,212	$4,418,392	18,994,185	17,065,542
Associates			271,179	349,463
Total assets			$19,265,364	$17,415,005

	Property, Plant and Equipment Additions		Goodwill Acquired	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trinidad and Tobago	$ 53,783	$ 22,086	$ —	$ —
Other individual Countries over 10% threshold:				
Jamaica	12,719	16,144	9,316	—
Netherlands Antilles and Aruba	19,128	27,311	—	—
Barbados	28,780	2,253	—	—
Europe	120,597	17,456	184,249	457,537
Latin America	—	—	—	—
Other Countries	3,502	325	—	—
	$238,509	$ 85,575	$193,565	$457,537
Associates			—	—
Total goodwill			$193,565	$457,537

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

39. 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.

Taxation

The Board of Inland Revenue (BIR) raised notices of assessment on certain subsidiaries within the Group for the years of income 1994 to 1998 for the aggregate amount of $72.3 million. The internal processes to challenge these assessments with the BIR have been exhausted and the matter is before the Tax Appeal Board for its consideration. In January 2006, the BIR raised assessments on one of the subsidiaries for the years of income 1999 and 2000 totaling $24.3 million to which an objection was filed. The Directors, based on appropriate advice, are satisfied that the returns as filed, reflect the subsidiaries' correct tax liability.

40. Capital Commitments

Operating lease commitments – where a Group company is the lessee
The future aggregate minimum lease payments under operating leases are as follows:

	2006 $'000	2005 $'000
Not later than 1 year	$ 18,924	$ 15,625
Later than 1 year and no later than 5 years	70,715	60,076
Over five years	55,750	67,638
	$145,389	$143,339

Rental expense under these leases amounted to $19,798,000 for the year ended 31 December 2006 (2005 - $15,919,000).

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

41. Acquisitions and Disposals

(a) Acquisitions

(i) In June 2006, the remaining 50% of the shares in Medecus Health Insurance Company Limited and Medecus Health Insurance Agency Limited, previously a 50% owned joint venture, were acquired. Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration - cash paid	$ 6,871
Fair value of net liabilities	2,445
Goodwill (Note 6)	$ 9,316

The assets and liabilities arising from the acquisition are as follows:	**Fair Value $'000**
Cash and cash equivalents	$ (635)
Other non-current assets	2,986
Current assets other than cash and cash equivalents	342
Current liabilities	(575)
Non-current liabilities	(4,563)
Net liabilities acquired	$ (2,445)

Purchase consideration settled in cash	$ 6,871
Less: Cash and cash equivalents acquired	(635)
Cash outflow from acquisition	$ 6,236

(ii) In September 2006, the group purchased the remaining 1% interest in Fatum Holding NV. The details of this transaction are as follows:

Purchase consideration - cash paid	$ 3,938
Value of minority interest acquired	(6,562)
Negative goodwill on acquisition	$ (2,624)

The negative goodwill on acquisition is included in other income.

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

41. Acquisitions and Disposals (continued)

(b) Disposals

During the year Link Insurance Company Limited sold its Accident and Health portfolio.
There was no gain or loss on disposal.

	Fair Value $'000
Sales proceeds	$2,825
Goodwill disposed (Note 6)	(2,825)
	—

42. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The ultimate parent of the Group is Guardian Holdings Limited.

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.

The following transactions were carried out with related parties:

	2006 $'000	2005 $'000
(a) Sales of insurance contracts and other services		
- Key management personnel	**1,875**	1,664
(b) Purchase of products and services from:		
- Associates	**1,100**	—
- Key management personnel	—	37
(c) Key management personnel compensation:		
- Salaries and other short-term employee benefits	**73,171**	66,801
- Termination benefits	**13,468**	1,226
- Post-employment benefits	**197**	307
- Other long-term benefits	**2,359**	2,131
- Share-based payments	**10,107**	8,694
(d) Year end balances arising from sales / purchases of products and services:		
Payables to key management personnel	**944**	—

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

42. Related Party Transactions (continued)

	2006 $'000	2005 $'000
(e) Loans to related parties:		
Loans to directors and key management of the Group:		
Balance at beginning of year	**$ 33,632**	$ 27,405
Exchange rate adjustment	**—**	(101)
Loans advanced during the year	**5,816**	10,179
Loan repayments received	**(3,447)**	(3,914)
Interest charged	**1,662**	1,617
Interest received	**(1,639)**	(1,554)
Balance at end of year	**$ 36,024**	$ 33,632
Loans to associates:		
Balance at beginning of year	**$38,999**	$ 37,445
Loans advanced during the year	**—**	1,554
Loan repayments received	**(38,999)**	—
Balance at end of year	**$ —**	$ 38,999
Other loans to related parties:		
Balance at beginning of year	**$ 1,676**	$ 3,555
Loans advanced during the year	**1,939**	3,844
Loan repayments received	**(2,096)**	(5,723)
Balance at end of year	**$ 1,519**	$ 1,676
Total loans to related parties:		
Balance at beginning of year	**$74,307**	$68,405
Exchange rate adjustment	**—**	(101)
Loans advanced during the year	**7,755**	15,577
Loan repayments received	**(44,542)**	(9,637)
Interest charged	**1,662**	1,617
Interest received	**(1,639)**	(1,554)
Balance at end of year	**$ 37,543**	$ 74,307

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

43. Subsidiaries, Joint Ventures and Associated Companies

	Country of Incorporation	Effective Percentage of interest held
Principal Subsidiaries		
Guardian General Insurance Limited	Republic of Trinidad & Tobago	100
Guardian Life of the Caribbean Limited	Republic of Trinidad & Tobago	100
Fatum Holding NV	Netherlands Antilles	100
Guardian Life Limited	Jamaica	100
Guardian Asset Management Jamaica Limited	Jamaica	100
Bancassurance Caribbean Limited	Republic of Trinidad & Tobago	100
Zenith Insurance Plc	Gibraltar	100
Link Insurance Company Limited	Gibraltar	100
N.E.M. (West Indies) Insurance Limited	Republic of Trinidad & Tobago	100
Laevulose Inc. Limited	Republic of Trinidad & Tobago	50
Guardian Asset Management Limited	Republic of Trinidad & Tobago	100
Nemwil International Insurance Services Limited	United Kingdom	100
Guardian Energy Holdings Limited	Barbados	100
Colrich (SAC) Limited	Bermuda	100
Medecus Health Insurance Company Limited	Jamaica	100
West Indies Alliance Insurance Limited	Jamaica	100
Joint Ventures		
RGM Limited	Republic of Trinidad & Tobago	33.3
Servus Limited	Republic of Trinidad & Tobago	50
Eastern Caribbean Gas Pipeline Company	Republic of Trinidad & Tobago	40.5
Principal Associated Companies		
Grupo Mundial Tenedora S.A	Panama	20.1
Appleclaim Limited	United Kingdom	37
Tobago Plantations Limited	Republic of Trinidad & Tobago	25
Ocho Rios Beach Resorts Limited	Jamaica	25
Royal Star Assurance (Bahamas) Limited	Bahamas	25

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

43. Subsidiaries, Joint Ventures and Associated Companies (continued)

The following amounts represent the Group's share of the assets and liabilities and revenues and expenses of the joint venture companies included in the consolidated balance sheet and income statement:

	2006 $'000	2005 $'000
Property, plant and equipment	**$ 4,605**	$ 355
Investments	**95,845**	101,354
Investment properties	**168,919**	147,780
Current Assets	**24,479**	17,747
Total Assets	**$293,848**	$267,236
Current Liabilities	**11,932**	23,427
Non-Current Liabilities	**225,517**	208,727
Total Liabilities	**237,449**	232,154
Net Assets	**$ 56,399**	$ 35,082
Revenue	**$ 61,865**	$ 51,943
Profit before taxation	**$ 8,469**	$ 8,917
Taxation	**(204)**	(381)
Profit after taxation	**$ 8,265**	$ 8,536
Proportionate interest in joint venture companies' commitments	**$ —**	$ 5
Proportionate interest in joint venture companies' contingent liabilities	**$ —**	$ 5

Notes to the Consolidated Financial Statements (cont'd.)

31 December 2006
Expressed in Trinidad and Tobago Dollars

44. Assets Under Management

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

	2006 Carrying Amount $'000	2005 Carrying Amount $'000
Off-Balance Sheet		
Cash and short-term investments	**$ 271,020**	$ 330,267
Investments	**1,509,262**	1,212,829
Loans and Leases	**544**	605
Interest and other receivables	**10,179**	55,081
	$1,791,005	$1,598,782

Financials expressed in US Dollars

31 December 2006

An abridged version of the Group's Balance Sheet expressed in US Dollars appears below. The purpose of this publication is to provide readers of the Group's Annual Report, a rapidly increasing 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$6.2953 to US$1.

Consolidated Balance Sheet

	31-Dec 2006 US$000	31-Dec 2005 US$000 (Re-stated)
ASSETS		
Non-Current Assets		
Property, plant and equipment	**99,703**	62,664
Investment Properties	**112,255**	78,022
Goodwill	**171,087**	128,276
Investment in associated companies	**43,076**	55,512
Financial Assets	**1,263,729**	1,191,623
Loans and receivables including reinsurance receivables	**114,641**	130,056
Pension Plan Assets	**22,936**	21,033
Value to Shareholders of In Force Long-Term Business	**91,631**	81,570
Deferred Tax Asset	**8,108**	8,232
Reinsurance Assets	**159,280**	190,744
	2,086,446	1,947,732
Current Assets		
Financial Assets	**340,560**	272,147
Loans and receivables including reinsurance receivables	**37,189**	51,170
Deferred Acquisition Costs	**31,150**	29,780
Cash and cash equivalents	**355,984**	297,424
Other Assets	**208,948**	168,097
	973,831	818,618
Total Assets	**3,060,277**	2,766,350
EQUITY AND LIABILITIES		
Shareholders' Equity		
Share capital	**240,330**	238,725
Reserves	**(7,989)**	(33,425)
Retained Earnings	**332,633**	387,723
	564,974	593,023
Minority Interests	**1,763**	2,687
	566,737	595,710
Non-Current Liabilities		
Insurance Contracts	**1,603,035**	1,446,345
Financial Liabilities	**425,533**	384,735
Post Retirement Benefit Obligations	**10,401**	9,364
Deferred Consideration	**29,268**	-
Deferred Tax Liability	**36,695**	35,108
	2,104,932	1,875,552
Current Liabilities		
Financial Liabilities	**236,273**	153,671
Provision for Taxation	**18,807**	17,919
Other Liabilities	**133,528**	123,498
	388,608	295,088
Total Liabilities	**2,493,540**	2,170,640
Total Equity and Liabilities	**3,060,277**	2,766,350

Financials expressed in US Dollars

31 December 2006

Consolidated Profit and Loss Account

	31-Dec 2006 US$000	31-Dec 2005 US$000 (Re-stated)
Insurance premium revenue	**729,534**	702,552
Insurance premium ceded to reinsurers	**(142,596)**	(187,609)
Net insurance premium revenue	**586,938**	514,943
Other revenue	**145,547**	186,913
Total revenue	**732,485**	701,856
Net insurance benefits and claims	**(435,695)**	(360,612)
Expenses	**(302,240)**	(260,140)
Operating (loss)/profit	**(5,450)**	81,104
Share of profits of associated companies	**3,827**	11,009
Finance charges	**(23,548)**	(19,434)
(Loss)/profit before tax	**(25,171)**	72,679
Taxation	**(12,292)**	(12,675)
(Loss)/profit after tax	**(37,463)**	60,004
Amount attibutable to participating policyholders	**214**	(2,597)
(Loss)/profit for the year	**(37,249)**	57,407
Attributable to:		
- equity holders of the company	**(37,465)**	56,914
- minority interests	**216**	493
	(37,249)	57,407
(Loss)/Earnings Per Stock Unit - Basic	**(0.19)**	0.29
(Loss)/Earnings Per Stock Unit - Diluted	**(0.18)**	0.29

Notice of Annual Meeting

Notice is hereby given that the Annual Meeting of Shareholders of Guardian Holdings Limited for 2007 will be held at The Atrium, Guardian Corporate Centre, 1 Guardian Drive, Westmoorings, on Monday, May 14, 2007 at 4 o'clock in the afternoon for the following purposes:

- To review and consider the Consolidated Financial Statements of the Company for the year ended December 31, 2006 and the Reports of the Directors and Auditors thereon.
- To elect directors for specified terms and for such purpose and (if thought fit) to pass the following resolutions:
    - That the Directors to be elected be elected en bloc;
    - That Messrs. Antony Lancaster, Peter July, Selby Wilson, Terrence Farrell and Gary Voss 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;
- To re-appoint Auditors and to authorise the Directors to fix their remuneration for the ensuing year.

By Order of the Board

Fé Lopez-Collymore
Corporate Secretary

Date: March 20, 2007

Notes to the Notice of Annual Meeting

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 instead of them. 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 authorized 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 authorized representative provide satisfactory proof of his identity before being admitted to the Annual Meeting.

Persons Entitled to Notice

In accordance with section 110(2) of the Companies Act, 1995 the Directors of the Company have fixed March 29, 2007 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 March 29, 2007 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.

Directors' Contracts

There are no contracts during or at the end of the year ended December 31, 2006 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 are no service contracts 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.

Management Proxy Circular

THE COMPANIES ACT, 1995
[SECTION 144]

Name of Company:

GUARDIAN HOLDINGS LIMITED
Company No. G - 967 (C)

Particulars of Meeting:

Annual Meeting of the Company to be held at The Atrium, Guardian Corporate Centre, 1 Guardian Drive, Westmoorings on Monday, May 14, 2007 at 4 o'clock in the afternoon.

Solicitation:

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

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, 1995

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, 1995

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, 1995

Date	Name and Title	Signature
March 20, 2007	Fé Lopez-Collymore Corporate Secretary	

Form of Proxy

REPUBLIC OF TRINIDAD AND TOBAGO
THE COMPANIES ACT, 1995 [SECTION 143 (1)]

Name of Company:

GUARDIAN HOLDINGS LIMITED Company No. G - 967 (C)

Particulars of Meeting:

Annual Meeting of the Company to be held at 4 o'clock in the afternoon on Monday, May 14, 2007.

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: To receive and consider the Consolidated Financial Statements of the Company for the year ended December 31, 2006 and Reports of the Directors and the Auditors thereon.		
RESOLUTION 2: To elect the following Directors for specified terms and for such purpose to pass the following resolutions:		
a) That the directors to be elected be elected en bloc;		
b) That Messrs. Antony Lancaster, Peter July, Selby Wilson, Terrence Farrell and Gary Voss 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: To appoint Auditors and to authorise the Directors to fix their remuneration for the ensuing year.		

Signature(s) ______________________ **Date:** ____________________

For official use only:

Folio Number	No. of Shares

Notes to the Form of Proxy

Notes:

1. If it is desired to appoint a proxy other than the Chairman of the Meeting, the necessary deletion must be made and initialed 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 attorney.

Mail or deliver to:

The Corporate Secretary
Guardian Holdings Limited
P.O. Box 88
1 Guardian Drive
Westmoorings
Trinidad and Tobago

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GUARDIAN HOLDINGS LIMITED

1 Guardian Drive
Westmoorings
Trinidad and Tobago

Tel: 1-868-632-5433
Fax: 1-868-632-5695

www.guardianholdings.com

About the Guardian Holdings Group

Guardian Holdings Limited is the parent company of a financial services group whose regional and international team of professionals offers integrated financial services in life and health insurance, property and casualty insurance, pensions and asset management.

Ingrained in the very ethos of Guardian Holdings Limited and, by extension, its subsidiaries, is a commitment to and support of the communities within which we operate.