

# Consolidated Financial Statements

Third Quarter Results to September 30, 2011

expressed in Trinidad & Tobago Dollars



## Chairman's Report

I am pleased to report profit attributable to shareholders of GHL for the nine (9) month period ended September 30, 2011 of \$242.3 million representing a 27.4% increase over the \$190.2 million earned in the comparable 2010 period. Earnings per share amounted to \$1.05 on 231 million shares that fully reflect the new IFC shareholding versus \$0.93 earned in 2010's similar period on 205 million shares. These very satisfactory results were achieved notwithstanding the fact that the Group continues to function in a very challenging environment.

Aided by new strategies and initiatives, the Group's Gross Premium income increased by 6% to \$3.7 billion over \$3.5 billion in the previous year. Our Net Premiums Written (the amount of premium we retain for our own account) fell by 3% from \$2.8 billion to \$2.7 billion, as a result of the disposal of our investment in Jubilee (Lloyd's business) which, as previously reported, was sold during the quarter under review. This business has been profitable in the past, but within recent times significant losses in our international property book were incurred because of the severity and frequency of natural disasters. Up to the date of sale, Jubilee recorded an overall net loss of \$66.8 million.

The disposal of our interest in Jubilee realised a profit of \$72 million (\$0.31 per share) and was accounted for in the third quarter.

The net income from insurance underwriting totalled \$206.0 million a 50% increase over the \$137.3 million achieved in the prior period. This excellent out-turn again demonstrates the benefit derived from our adherence to technical underwriting discipline across all Business Units in the Caribbean.

The prevailing difficult international economic climate characterised inter-alia by unprecedented low interest rates, continues to present challenges and impact negatively on the Group's investment activities. Sound profitable investment opportunities are limited and where they exist, generate historically low returns. The low interest rate environment also places pressure on margins earned from our considerable spread business. Consequently, our net income from investing activities declined to \$784.3 million from \$852.3 million during the comparable period last year.

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

The outcome of a very strong underwriting return, our good expense management, balanced against a reduced investment performance produced an operating profit of \$361.5 million; marginally greater than the \$351.3 million achieved in the prior period.

The \$33.0 million loss derived from the results of the Group's associated companies is the result of two non-recurrent items. In the first place, we have booked a revaluation adjustment in respect of one investment property in Jamaica and secondly, losses were incurred in the Jubilee group holding company during the third quarter and prior to our exit.

The tax provision has reduced to a level in line with the corporation tax rates applicable in the countries in which we operate. In the prior period losses incurred by overseas units were unavailable for offset against our profitable Caribbean businesses.

Total Group assets as at September 30, 2011 amounted to \$21.9 billion, an increase of \$0.9 billion over December 31, 2010. Over the nine (9) month period under review, equity attributable to owners of GHL grew by 7% to \$3.2 billion from \$3.0 billion. With regard to regulatory capital, GHL continues to maintain capital and solvency levels well in excess of the statutory requirements in all territories in which we operate. Furthermore, in Trinidad & Tobago, our internal models provide assurance that our companies already meet the capital requirements of the proposed New Insurance Legislation.

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

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

Arthur Lok Jack  
Chairman

## Consolidated Income Statement

	Unaudited 9-Months Sep 2011 TT\$'000	Unaudited 9-Months Sep 2010 TT\$'000	Unaudited 3-Months Sep 2011 TT\$'000	Unaudited 3-Months Sep 2010 TT\$'000	Audited 12-Months Dec 2010 TT\$'000
Gross premiums written	3,679,200	3,472,371	1,062,068	1,038,086	4,323,852
Net premiums written	2,732,728	2,816,062	843,356	819,687	3,577,792
Net income from insurance underwriting activities	206,010	137,329	89,446	(6,435)	229,828
Net income from investing activities	784,264	832,374	324,692	238,046	1,174,784
<b>Net income from all activities</b>	990,274	969,703	414,138	231,611	1,404,612
Operating expenses	(556,295)	(550,304)	(188,935)	(170,706)	(770,870)
Finance charges	(72,522)	(68,055)	(24,969)	(23,736)	(82,854)
<b>Operating profit</b>	361,457	351,344	200,234	37,169	550,888
Share of (loss)/profit of associated companies	(33,028)	12,011	(42,216)	3,991	23,026
<b>Profit before taxation</b>	328,429	363,355	158,018	41,160	573,914
Taxation	(80,599)	(131,158)	(20,151)	(36,139)	(136,798)
<b>Profit after taxation</b>	247,830	232,197	137,867	5,021	437,116
Amount attributable to participating policyholders	(4,230)	(14,353)	3,282	(5,220)	(14,359)
<b>Profit from continuing operations</b>	243,600	217,844	141,149	(199)	422,757
Net (loss)/gain on discontinued operations	-	(7,031)	-	(6,210)	2,586
<b>Profit for the year</b>	243,600	210,813	141,149	(6,409)	425,343
<b>Profit attributable to:</b>					
- Equity holders of the parent	242,337	190,223	140,786	(14,479)	405,505
- Non-controlling interests	1,263	20,590	363	8,070	19,838
	243,600	210,813	141,149	(6,409)	425,343
<b>Earnings per share</b>					
- Basic - for profit attributable to ordinary equity holders of the parent	\$1.05	\$0.93			\$1.94
- Diluted - for profit attributable to ordinary equity holders of the parent	\$1.02	\$0.90			\$1.88

## Consolidated Statement of Comprehensive Income

	Unaudited 9-Months Sep 2011 TT\$'000	Unaudited 9-Months Sep 2010 TT\$'000	Unaudited 3-Months Sep 2011 TT\$'000	Unaudited 3-Months Sep 2010 TT\$'000	Audited 12-Months Dec 2010 TT\$'000
<b>Profit for the period</b>	243,600	210,813	141,149	(6,409)	425,343
<b>Other comprehensive income/(loss)</b>					
Exchange differences on translating foreign operations	(15,666)	42,748	(106,362)	51,675	68,592
Gains on property revaluation	6	-	4	-	1,312
Actuarial gain/(losses) on defined benefit pension plans	11,154	-	-	-	(14,771)
Other reserve movements	(3,814)	88,520	(3,420)	42,717	265
Income tax relating to components of other comprehensive income	-	(788)	-	(804)	(890)
<b>Other comprehensive (loss)/income for the period</b>	(8,320)	130,480	(109,778)	93,588	54,508
<b>Total comprehensive income for the period</b>	235,280	341,293	31,371	87,179	479,851
<b>Total comprehensive income attributable to:</b>					
- Equity holders of the parent	232,368	264,086	36,206	46,931	464,856
- Non-controlling interests	2,912	77,207	(4,835)	40,248	14,995
	235,280	341,293	31,371	87,179	479,851

### Forward Looking Statements

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

# Consolidated Financial Statements (continued)

Third Quarter Results to September 30, 2011 ■ expressed in Trinidad & Tobago Dollars



## Consolidated Statement of Financial Position

	Unaudited Sep 2011 TT\$'000	Unaudited Sep 2010 TT\$'000 (Restated)	Audited Dec 2010 TT\$'000
<b>ASSETS</b>			
Property, plant and equipment	484,482	510,421	509,744
Investment properties	1,053,344	1,044,346	905,507
Intangible assets	253,707	252,606	253,484
Investment in associated companies	225,692	267,141	276,847
Financial assets	11,330,449	10,720,626	11,183,338
Financial assets of mutual fund unit holders	1,216,943	1,156,010	1,244,907
Loans and receivables including insurance receivables	2,671,652	2,239,800	2,453,509
Pension plan assets	86,718	41,868	86,728
Value of inforce life insurance policies	702,895	622,053	673,474
Deferred tax assets	20,275	21,303	25,595
Reinsurance assets	826,939	547,590	761,614
Segregated fund assets of life insurance policyholders	490,572	450,221	459,937
Deferred acquisition costs	313,327	470,876	369,623
Taxation recoverable	142,524	157,767	157,550
Cash and cash equivalents	1,828,527	1,880,647	1,475,421
Cash and cash equivalents of mutual fund unit holders	204,511	120,761	150,517
Assets held for sale	-	918,386	-
<b>Total assets</b>	<b>21,852,557</b>	<b>21,422,422</b>	<b>20,987,795</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	2,002,875	2,004,389	2,003,470
Reserves	(266,938)	(255,387)	(249,587)
Retained earnings	1,460,914	1,119,581	1,285,362
<b>Equity attributable to owners of the parent</b>	<b>3,196,851</b>	<b>2,868,583</b>	<b>3,039,245</b>
Non-controlling interests in subsidiaries	56,439	103,763	91,079
<b>Total equity</b>	<b>3,253,290</b>	<b>2,972,346</b>	<b>3,130,324</b>
<b>Liabilities</b>			
Insurance contracts	12,925,914	11,457,006	12,453,763
Financial liabilities	2,883,684	3,151,579	2,729,732
Third party interests in mutual funds	1,123,711	1,072,282	1,065,548
Segregated fund liabilities of life insurance policyholders	490,572	450,221	459,937
Post retirement medical benefit obligations	55,710	76,142	78,916
Deferred tax liabilities	198,564	198,281	208,432
Provision for taxation	77,427	131,682	102,308
Other liabilities	843,685	854,807	758,835
Liabilities related to assets held for sale	-	1,058,076	-
<b>Total liabilities</b>	<b>18,599,267</b>	<b>18,450,076</b>	<b>17,857,471</b>
<b>Total equity and liabilities</b>	<b>21,852,557</b>	<b>21,422,422</b>	<b>20,987,795</b>

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

Director:

Director:

## Consolidated Statement of Cash Flows

	Unaudited Sep 2011 TT\$'000	Unaudited Sep 2010 TT\$'000 (Restated)	Audited Dec 2010 TT\$'000
Profit before taxation from continuing operations	328,429	363,355	573,914
Profit/(loss) before taxation from discontinued operations	-	(7,031)	2,586
	<u>328,429</u>	<u>356,324</u>	<u>576,500</u>
Adjustment for specific items included on the accruals basis:			
- Interest expense	72,522	68,055	82,854
- Investment income	(643,657)	(645,910)	(888,213)
Interest and dividends received	664,610	684,000	973,020
Adjustments for non-cash items	<u>(119,166)</u>	<u>(218,961)</u>	<u>(339,801)</u>
Operating profit before changes in operating assets/liabilities	302,738	243,508	404,360
Net increase in insurance liabilities	473,253	945,958	445,759
Net purchases of financial assets	(147,904)	(542,877)	(802,960)
Net purchases of investment properties	(134,384)	(111,140)	(188,670)
Net movement in other operating assets and liabilities	<u>(49,202)</u>	<u>(34,676)</u>	<u>255,548</u>
Cash provided by operating activities	444,501	500,773	114,037
Interest paid	(52,741)	(69,855)	(132,065)
Net taxation paid	<u>(99,137)</u>	<u>(38,383)</u>	<u>(107,748)</u>
Net cash provided by/(used in) operating activities	292,623	392,535	(125,776)
Net cash provided by investing activities	103,792	63,355	60,716
Net cash provided by/(used in) financing activities	<u>18,398</u>	<u>(621,376)</u>	<u>(837,629)</u>
Net increase/(decrease) in cash and cash equivalents	<u>414,813</u>	<u>(165,486)</u>	<u>(902,689)</u>

## Consolidated Statement of Changes in Equity

	Unaudited Sep 2011 TT\$'000	Unaudited Sep 2010 TT\$'000 (Restated)	Audited Dec 2010 TT\$'000
<b>Balance at beginning of the period</b>	3,130,324	2,342,437	2,342,437
Total comprehensive income	235,280	341,293	479,851
Issue of Shares	-	412,653	412,609
Share option scheme - value of services provided	-	1,950	1,950
Dividends	<u>(112,314)</u>	<u>(125,987)</u>	<u>(106,523)</u>
Balance at the end of period	<u>3,253,290</u>	<u>2,972,346</u>	<u>3,130,324</u>

## Segment Information

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Asset management TT\$'000	Other companies TT\$'000	Consolidation adjustments TT\$'000	Group TT\$'000
<b>Nine months ended Sep 30, 2011</b>						
Gross premiums written	1,780,142	1,899,058	-	-	-	3,679,200
Net premiums written	1,700,389	1,032,339	-	-	-	2,732,728
Underwriting revenue	1,677,689	1,143,852	-	-	-	2,821,541
Underwriting expenses	(1,660,170)	(955,361)	-	-	-	(2,615,531)
Net income from investing activities	563,754	106,859	46,553	680,270	(613,172)	784,264
<b>Net income from all activities</b>	581,273	295,350	46,553	680,270	(613,172)	990,274
Operating expenses	(333,136)	(160,780)	(25,403)	(158,828)	121,852	(556,295)
Finance charges	(3,916)	(14,247)	(2,593)	(100,524)	48,758	(72,522)
<b>Operating profit</b>	<b>244,221</b>	<b>120,323</b>	<b>18,557</b>	<b>420,918</b>	<b>(442,562)</b>	<b>361,457</b>
<b>Nine months ended Sep 30, 2010</b>						
Gross premiums written	1,668,643	1,803,728	-	-	-	3,472,371
Net premiums written	1,608,763	1,207,299	-	-	-	2,816,062
Underwriting revenue	1,609,946	1,347,014	-	-	(10,164)	2,946,796
Underwriting expenses	(1,569,526)	(1,240,121)	-	-	180	(2,809,467)
Net income from investing activities	643,020	72,487	183,021	361,234	(427,388)	832,374
<b>Net income from all activities</b>	683,440	179,380	183,021	361,234	(437,372)	969,703
Operating Expenses	(321,832)	(144,958)	(57,555)	(113,198)	87,239	(550,304)
Finance charges	(152)	9,744	(3,471)	(81,159)	6,983	(68,055)
<b>Operating profit</b>	<b>361,456</b>	<b>44,166</b>	<b>121,995</b>	<b>166,877</b>	<b>(343,150)</b>	<b>351,344</b>
<b>Total Assets</b>						
September 30, 2011	14,143,169	4,741,528	1,720,858	1,724,497	(477,495)	21,852,557
December 31, 2010	13,503,603	4,859,073	1,615,324	1,446,952	(437,157)	20,987,795
September 30, 2010	12,686,385	5,644,834	2,843,109	1,785,997	(1,537,903)	21,422,422

## Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the December 31, 2010 audited financial statements consistently applied from period to period. Any new Accounting Standards or interpretations which became effective in this financial year have had no material impact on the Group. The areas of critical accounting estimate and judgement as disclosed in "Note 3" of the December 31, 2010 audited financial statements, have also remained unchanged.

## Restatements and reclassifications

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