

REVIEW OF THE REPORT AND ACCOUNTS FOR THE YEAR ENDED 2008-06-30 BY THE DEPUTY CHAIRMAN, MR. JOHN G CARPENTER.

Welcome

Ladies and Gentlemen, It gives me great pleasure to welcome you to our Company's 143rd Annual General Meeting and to review the performance of the Company and Group for the year ended 30th June, 2008. I am happy to report that our Company and Group had a successful year despite the challenges presented by the local economic environment and the international financial crisis that started in the US economy.

ECONOMIC REVIEW

The economy, during the first half of the year 2008, recorded a 3.8 percent growth in Real Gross Domestic Product (GDP). The economy is projected to grow by 4.8 percent in 2008. The rate of inflation reached 14 percent in 2007, and for 2008 was projected to subside, reducing to 6.8 percent. However, based on recent developments, the inflation projected for the year has been revised to 7.5 percent.

Real Gross Domestic Product (GDP) was reported by the Government to have increased by 5.4 percent in the year 2007 surpassing the growth target projected for the year of 4.9 percent. The growth was based on strong performance in sugar production, engineering and construction, mining, tourism, transportation, communication and distribution.

The overall balance of payments position at end-June 2008 improved to a surplus of US\$ 47.6 million for a deficit of US\$ 12.3 million for the corresponding period last year. Higher capital inflows more than offset the impact of the growing current account deficit. The former was due largely to increased foreign direct investments while the latter stemmed from higher merchandise and service imports.

Employment in the public sector continued to decline, with an overall decline of 3.4 percent recorded in 2007. While data on private sector employment is sparse, there are indications that the growth sector recorded higher level of employment.

FUTURE OUTLOOK

The shock from the financial crisis which started in the United States of America continues to reverberate globally. Even with the passage of the bailout plan and governmental support in the developed economies the global recession has hit stock markets across the world. This undoubtedly means lower investment returns and diminished capital appreciation for our company at least in the short term.

While Hand in Hand and reportedly many other local financial institutions were not directly exposed to any of the troubled institutions or assets, Guyana is not insulated from the serious indirect effects. The Global crisis will affect Guyana by lower remittances, less and costly financing from overseas banks and lower realization of our commodity prices.

However, despite the global recession we remain cautiously optimistic that the local political and economic stability will continue, providing an environment conducive to positive growth and

development. Regrettably, crime, substantial migration of skilled workers, and a fragile economy remain serious concerns.

INSURANCE SECTOR

The total resources of domestic insurance companies (life and non-life segments) increased by 4.4 percent. The life component, which accounted for 77 percent of the industry's resources, increased by 4.7 percent, whilst the non-life component increased by 3.6 percent.

BANKING SECTOR

Commercial banks interest rates fell during the first half of 2008 on account of higher level of liquidity. The Prime Lending Rate fell to 14.54 percent from 14.71 percent at the end of December 2007. The Small Savings Rate declined to 3.08 from 3.15 indicating commercial banks' strategy of maintaining spreads. The Inter-bank Market Interest Rate hovered around 4 percent over the review period. The Commercial Banks' interest rate spreads between the Small Savings Rate and the Prime Lending Rate remained high at 11.46 percent at the end of June 2008.

TRUST COMPANIES

In 2007 Deposits in Trust Companies grew by 11.8 percent to G\$9.7B. Total deposits at the Hand-in-Hand Trust Corporation Inc. stood at G\$7.2B and Net Assets grew by 9.7 percent to \$982.5M.

PENSION SCHEMES

Pension Schemes resources increased by 5.2 percent or \$940M to \$19.1B by the end of June 2008. Hand-in-Hand Trust Corporation Inc continues to be the country's leading manager of pension funds.

GROUP RESULTS

The Group results reflect the combined performance of three of the four Hand-in-Hand companies, namely our Fire Company, our Trust Company and GCIS Inc.

The Group recorded an after tax profit of \$159.5M as against \$105.7M in the previous year. This represents an increase 50.90 percent over the 2007 results. Total assets managed by the Group increased from \$10.0B to \$11.2B and Group Net Assets increased from \$2.47B in 2006-2007 to \$2.60B by the end of the review period.

INSURANCE BUSINESS – HAND-IN-HAND MUTUAL FIRE INSURANCE CO, LTD.

Our insurance operations recorded an after tax profit of \$90M. This represents a 60.7 percent increase over the \$56M recorded in 2007.

THE INSURANCE ACT 1998

Our Company is encouraged by the continuing improvement in the regulatory environment. The Commissioner of Insurance continued with the scrutiny and registration of companies, brokers and agents under the Insurance Act 1998.

Section 27 of regulation 14 of 2007, made under the Insurance Act of 1998 states that “for the purposes of those regulations, the financial year of an insurer shall end on the expiration of the thirty-first day of December each year”.

The Group therefore must change its financial year end to comply with the requirement of the Act.

FIRE INSURANCE

Our company continued the rationalizing of its exposures throughout the entire portfolio during the year under review, charging the appropriate rates and avoiding unwelcome exposures. Our marketing efforts resulted in the issue of 1,355 new Fire Policies with a total Sum Insured of \$18.37 billion, yielding \$62.1 million in Annual Premium. Business in force at the end of the financial year showed Sums Insured of \$88.8 billion with an Annualized Premium Income of \$345 million. This represents an increase of 10.3 percent with respect to the Sums Insured and an increase of 8.15 percent in Annualized Premium Income.

PREMIUM INCOME

Premiums from all sources increased to \$1086.2M from \$979.7M in the previous year.

MOTOR

Our Motor Department, now in its sixteenth year of operation continues to lead the industry by virtue of the very efficient service provided and its claims management ability. The Company also continues to expand its Accident and Marine portfolios.

CLAIMS

Claims Paid and Provided For after recoveries was \$268.1 million representing an increase of 15.7 percent over the previous year.

INVESTMENTS

The Company continues to utilize all available opportunities for short-term investment while supporting local industry by the purchase of shares. Investments increased from \$1026.5M last year to \$1028.4M this year and yielded a return of 3.6 percent on average investments. Our two major investments: 65 percent shareholding in Hand-in-Hand Trust Corporation and 66.7 percent of GCIS Inc. continued to perform above expectations and are reported on specifically below.

TRIENNIAL CASH PROFIT

Despite the increase in operating expenses the Board has sought to ensure a reasonable return on the investment of our With Profit Policyholders by declaring a return of Cash Profit of 15 percent. Your cheques will be in the mail tomorrow.

TAXATION

The Group contributed over \$26.1M by way of taxation to the general revenue of the country.

STAFF

The retention of our key human resources is one of our critical success factors.

Mr. Peter Baburam, Motor Manager, resigned during the year to take up residence abroad. Mr. Baburam has been a driving force behind the successes of our Motor Department. We wish him and his family continued success and prosperity and thank him most sincerely for his contribution.

Our staff relations continue to be excellent. We were able to maintain our speedy, courteous and efficient service.

The Insurance Sales Force again experienced a challenging year, yet it maintained its position among the most productive Sales Forces in the industry. We congratulate the Sales Representatives on their performance and exhort them to even greater efforts in the current financial year.

Mr. Patrick Falconer emerged as Top Producer for the year setting a new Sales Rep production record. We wish to offer him our sincerest gratitude and heartiest congratulations.

CLARENCE A F HUGHES SC

Our Chairman, and longest-serving Director, Mr. Clarence A F Hughes SC has indicated that he would be permanently retiring from the Boards of the Hand-in-Hand Group. He proceeded on pre-retirement leave on November 4th 2008.

Mr. Hughes became a member of the Board of Directors of the Hand-in-Hand Mutual Fire Insurance Company Limited in September 1971 and became Chairman in October 1997. Under his leadership the Hand-in-Hand Group has recorded tremendous growth. He oversaw the development of Hand-in-Hand from a leading insurance service provider to a broad-based financial services provider.

The entire Hand-in-Hand team would like to extend to Mr. Hughes our wish for the happiest retirement and our sincerest gratitude for the sterling service he has rendered us over the past thirty-seven years.

HAND-IN-HAND TRUST CORPORATION

Several initiatives were pursued to strengthen the operations of the Hand-in-Hand Trust Corporation and ensure full compliance with the Financial Institutions Act 1995. In keeping with our plans, we continued the programme of diversifying our investments which were primarily mortgages. This has resulted in 79.5 percent of the Trust's investment portfolio now being held in bonds and other investments.

The Trust Corporation's Net Income before tax and Government of Guyana Bonds write-off decreased from \$139.7 million in 2006-2007 to \$105.4 million in 2007-2008 due to a decrease in income from investments, undoubtedly as a result of the global downturn. The Trust recorded a Net Income after tax of \$100.9 million. Net assets increased by 7.9% moving from \$895.1M to \$982.5M.

During the year under review, we continued our process of strategic development designed to meet the challenges of today's business environment and to ensure that the Hand-in-Hand Trust Corporation continued on the road to success. Our strategic plan (2005-2009) outlined the development of our human, financial and technological resources, as well as our products and services over a five-year period. We are confident that having laid this foundation we are on the way to the Hand-in-Hand Trust Corporation becoming a leading financial intermediary. We will continue to work assiduously towards this goal.

GCIS INC

Our subsidiary GCIS Inc recorded an after tax profit of \$15.5M against \$39.7M in 2007. GCIS' net assets decreased by 3.2 percent from \$291.1M to \$281.7.1M resulting from a prior-year tax adjustment.

GCIS continues to be a key player in the Motor Insurance Industry and complements the Hand-in-Hand Group with excellent service.

CONCLUSION

Hand-in-Hand Mutual Fire Insurance Co. Ltd which proudly completed its 143rd year at the close of the period under review and the Hand-in-Hand Group as a whole, remain in a healthy and growing financial state, maintaining the resources that are capable of sustaining our competitive advantage over the long term.

Many new challenges lie ahead: the global recession, globalisation, the CSME (The Caricom Single Market and Economy), the consequent vulnerability of relatively small Guyanese companies; new technologies and new markets. To meet these challenges, our company has developed strategies which lay out a roadmap for resource development and growth over the short, medium and long term. We will remain a dynamic organization and we are confident that implementation of our strategic plans will equip us with the necessary human, financial and technological resources that will allow us to utilise opportunities toward ensuring our continued success.

On behalf of Mr. Clarence A F Hughes, and personally, I would like to record our sincere gratitude to our fellow Directors for their guidance and support during the past year. We offer our heartfelt thanks to Management and Staff both indoor and outdoor for their dedication and commitment, and finally to our Policyholders our profound gratitude for their continued confidence in our Company. Our Board is fully committed to maintaining our position of leadership in the industry and of providing quality service to our customers.

Thank you.

John G Carpenter
Vice-Chairman