

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

EXPRESSED IN UNITED STATES DOLLARS



CHAIRMAN'S REPORT

I am pleased to report that GHL produced a net profit after tax from continuing operations of \$71.1 million or \$0.32 per share for the year under review. This very satisfactory result was achieved against a backdrop of one of the worst years for the insurance industry worldwide and illustrates the continuing strong performance of our core insurance businesses operating within the Caribbean region.

In the third quarter of 2011 we completed the sale of the last of our UK businesses, our Lloyd's of London Managing Agency, Jubilee, and realized a gain on the sale of the shares of \$11.6 million. At that time, underwriting losses at Jubilee amounted to \$10.5 million. However, over the next three months those losses grew to \$32.7 million arising mainly from unprecedented catastrophe losses. It should be noted that the current owners of Jubilee establish reserves for both known and unknown losses with little input from former capital providers such as GHL. We do not agree with these large provisions and are of the view that ultimately the losses will be well below their figures. We have however booked the full provision for these losses based on their external actuary's report. These losses are being recorded as discontinued operations and have been reclassified on a similar basis for 2010 per IFRS accounting standards. By taking these measures, we believe we subsume any future negative movements, and for all intents and purposes have brought our U.K. investment to an end.

After taking into consideration the loss on the Jubilee discontinued operations, GHL's net profit after tax attributable to its shareholders amounted to \$40.7 million, or earnings per share of \$0.18. This compares to last year's \$63.2 million, or earnings per share of \$0.30.

Our core Caribbean insurance activities recorded one of their best results. Their net income from underwriting activities increased 38% to \$56.3 million from \$40.8 million. Gross premiums written, our "top line," increased 12% to \$624.6 million from \$556.0 million. Our results from investing activities produced \$164.6 million in revenue as compared to last year's results of \$180.6 million, an 8.9% decrease. The low interest rate environment accounted for this decline.


Net income from all activities amounted to \$220.7 million for the full year as compared to last year's \$221.3 million.

Operating expenses were contained at \$113.7 million versus \$113.5 million for the prior year, representing, in real terms, a commendable reduction. Finance charges were higher by \$4.2 million due to a period of negative carry associated with the TT\$1 billion bond we raised in the first quarter of the year and is a one-off charge. The results of associated companies were \$3.9 million negative as against a gain of \$3.6 million. This is, in the main, as a result of a one-off write down in the value of a real estate investment in Jamaica.

The return on shareholders equity, which increased 4% to \$491.7 million, was 14.5%, whilst the return on total assets, which increased 2.5% to \$3.35 billion, was 4.9%.

Given our overall satisfactory results, our continued positive outlook for our business and a positive generation of net cash from our activities of \$46.5 million, your board of directors has decided to pay a final dividend of \$0.058. This coupled with our interim dividend of \$0.023 provides our shareholders with a total dividend of \$0.081. This is a 4% increase over last year's dividend of \$0.08 and will be paid to shareholders of record on April 16, 2012 when the Register of Members will be closed for this purpose.

The Directors have also fixed the date of the Annual Meeting for May 8, 2012 at 4:30 p.m. in the afternoon at the Guardian Corporate Centre, 1 Guardian Drive, Westmoorings. The formal Notice of Annual Meeting with the Director's Report and the audited financial statements for the financial year ended 31st December 2011 will be forwarded to Shareholders in due course.


Arthur Lok Jack
Chairman

REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Guardian Holdings Limited

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2011, and the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, are derived from the audited financial statements of Guardian Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2011. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 23 March 2012.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited financial statements of the Group.

Management's Responsibility for the Summary Financial Statements

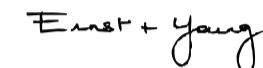
Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis of their established criteria as described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of the Group for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements, on the basis of management's established criteria as described in Note 1.



Port of Spain, TRINIDAD: 23 March 2012

CONSOLIDATED STATEMENT OF INCOME

	Audited 12 months Dec 2011 US\$'000	Audited 12 months Dec 2010 US\$'000
Gross premiums written	624,598	555,976
Net premiums written	452,671	447,830
Net income from insurance underwriting activities	56,147	40,726
Net income from investing activities	164,588	180,603
Net income from all activities	220,735	221,329
Operating expenses	(113,662)	(113,479)
Finance charges	(17,153)	(12,915)
Operating profit	89,920	94,935
Share of (loss)/profit of associated companies	(3,898)	3,589
Profit before taxation	86,022	98,524
Taxation	(13,584)	(21,323)
Profit after taxation	72,438	77,201
Amount attributable to participating policyholders	(1,358)	(2,238)
Profit from continuing operations	71,080	74,963
Net loss on discontinued operations	(32,719)	(8,664)
Profit for the year	38,361	66,299
Profit attributable to:		
- Equity holders of the parent	40,698	63,207
- Non-controlling interests	(2,337)	(3,092)
	<u>38,361</u>	<u>66,299</u>
Earnings per share:		
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.18	\$0.30
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.17	\$0.29
Earnings per share for continuing operations		
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.32	\$0.34
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.31	\$0.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months Dec 2011 US\$'000	Audited 12 months Dec 2010 US\$'000
Profit for the year	38,361	66,299
Other comprehensive (loss)/income		
Exchange differences on translating foreign operations	(2,656)	10,691
Gains on property revaluation	300	205
Actuarial losses on defined benefit pension plans	(9,468)	(2,302)
Other reserve movements	146	41
Income tax relating to components of other comprehensive income	(90)	(139)
Other comprehensive (loss)/income for the year, net of tax	(11,768)	8,496
Total comprehensive income for the year, net of tax	26,593	74,795
Total comprehensive income/(loss) attributable to:		
- Equity holders of the parent	34,416	72,458
- Non-controlling interests	(7,823)	(2,337)
	<u>26,593</u>	<u>74,795</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited Dec 2011 US\$'000	Audited Dec 2010 US\$'000
Balance at beginning of the period	487,928	365,119
Total comprehensive income	26,593	74,795
Movement in unallocated shares	31	--
Issue of shares	--	64,314
Share option scheme - value of services provided	821	304
Dividends	(17,478)	(16,604)
Balance at the end of period	497,895	487,928

SEGMENT INFORMATION

	Life, health and pension business US\$'000	Property and casualty business US\$'000	Asset management US\$'000	Other companies US\$'000	Consolidation adjustments US\$'000	Group US\$'000
Twelve months ended 31 December 2011						
Gross premiums written	358,848	265,750	--	--	--	624,598
Net premiums written	340,300	112,371	--	--	--	452,671
Underwriting revenue	351,382	131,088	--	--	--	482,470
Underwriting expenses	(350,414)	(75,909)	--	--	--	(426,323)
Net income from investing activities	127,480	28,433	10,203	132,025	(133,553)	164,588
Net income from all activities	128,448	83,612	10,203	132,025	(133,553)	220,735
Operating Expenses	(66,857)	(31,136)	(5,443)	(38,855)	28,629	(113,662)
Finance charges	(830)	(3,015)	(474)	(21,319)	8,485	(17,153)
Operating profit	60,761	49,461	4,286	71,851	(96,439)	89,920
Twelve months ended 31 December 2010						
Gross premiums written	349,431	206,545	--	--	--	555,976
Net premiums written	333,157	114,673	--	--	--	447,830
Underwriting revenue	347,974	179,299	--	--	--	527,273
Underwriting expenses	(339,849)	(146,698)	--	--	--	(486,547)
Net income from investing activities	119,080	18,115	7,506	107,586	(71,684)	180,603
Net income from all activities	127,205	50,716	7,506	107,586	(71,684)	221,329
Operating Expenses	(65,723)	(29,818)	(8,059)	(25,007)	15,128	(113,479)
Finance charges	(177)	(2,512)	(698)	(16,393)	6,865	(12,915)
Operating profit	61,305	18,386	(1,251)	66,186	(49,691)	94,935
Total Assets						
31 December 2011	2,297,556	646,776	246,753	221,203	(60,647)	3,351,641
31 December 2010	2,144,917	757,390	251,782	183,859	(66,554)	3,271,394

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

These financial statements have been approved for issue by the board of directors on 23 March 2012 and signed on its behalf:

 Director
 Director

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Dec 2011 US\$'000	Audited Dec 2010 US\$'000
Profit before taxation from continuing operations	86,023	98,524
Loss before taxation from discontinued operations	(32,719)	(8,664)
	53,304	89,860
Adjustment for specific items included on the accruals basis:		
- Interest expense	17,153	12,915
- Investment income	(133,590)	(138,447)
Interest and dividends received	131,591	151,666
Adjustments for non-cash items	(22,157)	(52,965)
Operating profit before changes in operating assets/liabilities	46,301	63,029
Net increase in insurance liabilities	24,182	69,481
Net purchases of financial assets	(31,254)	(123,147)
Net purchases of/additions to investment properties	(31,204)	(29,408)
Net movement in other operating assets and liabilities	47,055	39,739
Cash provided by operating activities	55,080	19,694
Interest paid	(16,841)	(20,585)
Net taxation paid	(18,744)	(16,795)
Net cash provided by/(used in) operating activities	19,495	(17,686)
Net cash provided by investing activities	12,169	9,464
Net cash provided by/(used in) financing activities	14,880	(132,479)
Net increase/(decrease) in cash and cash equivalents	46,544	(140,701)

NOTE 1: BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated statement of income, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows. These summary financial statements are derived from the audited consolidated financial statements of Guardian Holdings Limited and its subsidiaries for the year ended 31 December 2011.

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

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.