

# Consolidated Financial Statements

## for the Year ended December 31, 2010

expressed in Trinidad & Tobago Dollars



## Chairman's Report

### My dear fellow shareholders,

I am pleased to report that GHL improved its net profit after tax to \$425 million for the full year 2010, its best performance since 2004. This impressive turnaround compares to last year's loss of \$824 million, which was driven primarily from the loss on disposal of Zenith Insurance Company.

Earnings per share (EPS) for 2010 amounted to \$1.94 versus a loss of \$4.10 in 2009. Eliminating the effects of the Zenith write-off, EPS from continuing operations increased 7% during the year under review over an increased equity base related to the issue of new shares to the International Finance Corporation and the IFC African, Latin American and Caribbean Fund, L.P.

GHL's balance sheet was significantly strengthened in 2010 with shareholders' capital increasing 34% from \$2.264 billion at the end of 2009 to stand at \$3.039 billion at the end of 2010. All of GHL's operating subsidiaries' capital and solvency levels are well above statutory minimums, which is fundamental to our obligations to meet all policyholder liabilities.

Our core businesses in the Caribbean continued to perform very well.

The Life, Health, and Pension Business Segment increased its operating profit before fair value movements by an impressive 32% from \$232 million in 2009 to \$307 million this reporting period.

The Caribbean Property and Casualty Business Segment produced an operating profit before fair value movements of \$149 million. This was achieved despite the fact that 2010 was the second most active hurricane season on record since 1969. The most significant of these storms was Tomas, which knocked \$32 million off our bottom line. In spite of the frequency of hurricanes, Guardian General's key underwriting metric, combined ratio, was an impressive 77%. This attests to the diversified risk portfolio of the company and its well structured reinsurance program, which continues to protect us.

The Asset Management Business Segment increased its assets under management from \$7.4 billion at the end of 2009 to \$7.9 billion for the comparable reporting period, while this business segment contributed net profits after tax of \$39 million for 2010. During 2010 we took the decision to dispose of our asset management business in Jamaica and took a \$65 million loss on disposal.

The International Property and Casualty Business Segment produced a net loss of \$77 million and was the Group's lone poor performer. This loss stemmed in particular from our Lloyds of London business, Jubilee, and was mainly attributable to catastrophe and motor losses.

Your Board of Directors has decided to pay a final dividend of 33 cents per share. That brings the total dividend paid out for the year to 50 cents per share, or \$115 million representing a 29% increase over the \$89 million distributed in 2009, and continues GHL's good dividend policy. The dividend per share also increased by 13.6% over the previous year after taking into consideration the average increase in the share capital. The final dividend will be paid on the 29th April, 2011 to the registered holders of shares as at the date of the closing of the Register of Members and for this purpose the Register of Members will be closed on 12th April, 2011.

The Directors also fixed the date of the Annual Meeting for May 10, 2011 at 4:30 pm 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 accounts for the financial year ended 31st December 2010 will be forwarded to Shareholders in due course.

I would like to thank all the employees of GHL, as well as its Board of Directors, and the Boards of our various subsidiary companies for their dedicated efforts in making this year's favorable results possible.

**Arthur Lok Jack**  
Chairman

## Consolidated Income Statement

	Audited Dec 2010 \$'000	Audited Dec 2009 \$'000 (Restated)
Net income from insurance underwriting activities	229,828	251,677
Net income from investing activities	<u>1,174,784</u>	<u>1,041,495</u>
<b>Net income from all activities</b>	<b>1,404,612</b>	<b>1,293,172</b>
Operating expenses	(770,870)	(719,472)
Finance charges	<u>(82,854)</u>	<u>(108,299)</u>
<b>Operating profit</b>	<b>550,888</b>	<b>465,401</b>
Share of profit of associated companies	<u>23,026</u>	<u>15,573</u>
<b>Profit before taxation</b>	<b>573,914</b>	<b>480,974</b>
Taxation	<u>(136,798)</u>	<u>(106,892)</u>
Profit after taxation	437,116	374,082
Amount attributable to participating policyholders	<u>(14,359)</u>	<u>(6,398)</u>
<b>Profit from continuing operations</b>	<b>422,757</b>	<b>367,684</b>
Net gain / (loss) on discontinued operations	<u>2,586</u>	<u>(1,191,865)</u>
<b>Profit / (loss) for the year</b>	<b>425,343</b>	<b>(824,181)</b>
<b>Profit / (loss) attributable to:</b>		
- Equity holders of the parent	405,505	(826,924)
- Non-controlling interests	<u>19,838</u>	<u>2,743</u>
	<u>425,343</u>	<u>(824,181)</u>
<b>Earnings / (loss) per share:</b>		
- Basic - for profit / (loss) attributable to ordinary equity holders of the parent	\$1.94	\$(4.10)
- Diluted - for profit / (loss) attributable to ordinary equity holders of the parent	\$1.88	\$(3.97)

## Consolidated Statement of Comprehensive Income

	Audited Dec 2010 \$'000	Audited Dec 2009 \$'000 (Restated)
<b>Profit / (loss) for the year</b>	425,343	(824,181)
<b>Other comprehensive income / (loss)</b>		
Exchange differences on translating foreign operations	68,592	273,073
Gains on property revaluation	1,312	10,824
Actuarial losses on defined benefit pension plans	(14,771)	(49,721)
Other reserve movements	265	(589)
Income tax relating to components of other comprehensive income	<u>(890)</u>	<u>182</u>
<b>Other comprehensive income for the period, net of tax</b>	<b>54,508</b>	<b>233,769</b>
<b>Total comprehensive income / (loss) for the period, net of tax</b>	<b>479,851</b>	<b>(590,412)</b>
<b>Total comprehensive (loss) / income attributable to:</b>		
- Equity holders of the parent	464,856	(594,272)
- Non-controlling interests	<u>14,995</u>	<u>3,860</u>
	<u>479,851</u>	<u>(590,412)</u>

### 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)

for the Year ended December 31, 2010 ■ expressed in Trinidad & Tobago Dollars



## Consolidated Statement of Financial Position

	Audited Dec 2010 \$'000	Audited Dec 2009 \$'000 (Restated)	Audited Dec 2008 \$'000 (Restated)
<b>ASSETS</b>			
Property, plant and equipment	509,744	508,644	591,054
Investment properties	905,507	911,221	706,645
Intangible assets	253,484	270,232	644,066
Investment in associated companies	276,847	274,074	271,946
Financial assets	11,183,338	10,634,815	10,736,363
Financial assets of Mutual Fund unit holders	1,244,907	1,040,532	579,594
Loans and receivables including insurance receivables	2,453,509	2,288,520	2,573,232
Pension plan assets	86,728	101,838	146,765
Value of inforce life insurance policies	673,474	583,705	570,243
Deferred tax assets	25,595	47,378	78,956
Reinsurance assets	761,614	416,336	1,042,338
Segregated fund assets of life insurance policyholders	459,937	400,944	386,585
Deferred acquisition costs	369,623	466,541	521,909
Taxation recoverable	157,550	159,546	131,964
Cash and cash equivalents	1,475,421	2,157,156	3,013,511
Cash and cash equivalents of Mutual Fund unit holders	150,517	129,273	39,823
Assets held for sale	-	1,319,239	-
<b>Total assets</b>	<b>20,987,795</b>	<b>21,709,994</b>	<b>22,034,994</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	2,003,470	1,530,398	1,524,006
Reserves	(249,587)	(325,189)	(608,170)
Retained earnings	1,285,362	1,058,786	2,032,025
<b>Equity attributable to owners of the parent</b>	<b>3,039,245</b>	<b>2,263,995</b>	<b>2,947,861</b>
Non-controlling interests in subsidiaries	91,079	78,442	75,255
<b>Total equity</b>	<b>3,130,324</b>	<b>2,342,437</b>	<b>3,023,116</b>
<b>Liabilities</b>			
Insurance contracts	12,453,763	10,685,948	12,284,199
Financial liabilities	2,729,732	4,897,110	4,873,093
Mutual Fund holders liabilities	1,065,548	866,167	487,356
Segregated fund liabilities of life insurance policyholders	459,937	400,944	386,585
Post retirement medical benefit obligations	78,916	69,498	48,458
Deferred tax liabilities	208,432	199,726	226,273
Provision for taxation	102,308	97,855	86,304
Other liabilities	758,835	702,710	619,610
Liabilities related to assets held for sale	-	1,447,599	-
<b>Total liabilities</b>	<b>17,857,471</b>	<b>19,367,557</b>	<b>19,011,878</b>
<b>Total equity and liabilities</b>	<b>20,987,795</b>	<b>21,709,994</b>	<b>22,034,994</b>

On 23 March 2011, the Board of Directors of Guardian Holdings Limited authorised these financial statements for issue.

Director

Director

## Consolidated Statement of Cash Flows

	Audited Dec 2010 \$'000	Audited Dec 2009 \$'000 (Restated)
Profit before taxation from continuing operations	573,914	480,974
Profit / (loss) before taxation from discontinued operations	2,586	(1,191,865)
Adjustment for specific items included on the accruals basis:		
- Interest expense	114,587	129,308
- Investment income	(888,212)	(946,315)
Interest and dividends received	973,020	897,357
Adjustments for non-cash items	(371,535)	1,084,237
Operating profit before changes in operating assets / liabilities	404,360	453,696
Net increase in insurance liabilities	445,759	866,457
Net purchases of financial assets	(802,960)	(92,766)
Net purchases of investment properties	(188,670)	(240,786)
Net movement in other operating assets and liabilities	255,548	(852,192)
Cash provided by / (used in) operating activities	114,037	134,409
Interest paid	(132,065)	(105,721)
Net taxation paid	(107,748)	(147,888)
Net cash used in operating activities	(125,776)	(119,200)
Net cash provided / (used in) by investing activities	60,716	(1,277)
Net cash used in by financing activities	(837,629)	(130,137)
Net decrease in cash and cash equivalents	(902,689)	(250,614)

## Consolidated Statement of Changes in Equity

	Audited Dec 2010 \$'000	Audited Dec 2009 \$'000 (Restated)
<b>Balance at beginning of the year - restated</b>	<b>2,342,437</b>	<b>3,038,382</b>
Treasury shares	-	(15,264)
Comprehensive income / (loss) for the year	479,851	(590,412)
Issue of Shares	412,609	-
Share option scheme - value of services provided	1,950	9,195
Repurchase of shares	-	(1,528)
Dividends	(106,523)	(97,936)
<b>Balance at the end of the year</b>	<b>3,130,324</b>	<b>2,342,437</b>

## Segment Information

	Life, health and pension business \$'000	Property and casualty business \$'000	Asset Management \$'000	Other companies \$'000	Consolidation adjustments \$'000	Group \$'000
<b>Year ended 31 December 2010</b>						
Segment revenue	835,059	295,881	123,456	634,201	(483,985)	1,404,612
Segment operating profit / (loss)	400,987	59,731	67,274	365,787	(342,891)	550,888
<b>Year ended 31 December 2009</b>						
Segment revenue	663,196	411,937	169,176	507,065	(458,202)	1,293,172
Segment operating profit / (loss)	255,668	182,983	116,665	212,047	(301,962)	465,401
<b>Total assets</b>						
31 December 2010	13,503,603	4,859,073	1,615,324	1,446,952	(437,157)	20,987,795
31 December 2009 - restated	12,290,721	5,270,005	2,987,464	1,473,014	(311,210)	21,709,994

## 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, 2009 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 judgment as disclosed in "Note 3" of the December 31, 2009 audited financial statements, have also remained unchanged.

## Restatements and reclassifications

Certain restatements and reclassifications have been made to prior period information. Details of these changes are included in the audited financial statements for the year ended 31 December, 2010.

## Report of the Independent Auditors on the Summary Financial Statements

The accompanying summary financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2010, the summary consolidated income statement, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Guardian Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2010. We expressed an unqualified audit opinion on those financial statements in our report dated 23 March 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards applied in the preparation of the audited financial statements of the Group. Reading the summary 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 financial statements in accordance with International Financial Reporting Standards.

### Auditor's Responsibility

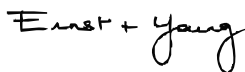
Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

### Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Group for the year ended 31 December 2010 are consistent, in all material respects, with those financial statements, in accordance with International Financial Reporting Standards.

### Other Matter

The 2008 consolidated financial statements were audited by other auditors whose report dated 31 March 2009 expressed an unqualified opinion. As part of our audit of the 2010 consolidated financial statements, we also audited the adjustments that were applied to amend the 2008 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2008 consolidated financial statements of Guardian Holdings Limited and its subsidiaries other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2008 consolidated financial statements.



Port of Spain,  
TRINIDAD:  
23 March 2011