

## Chairman's Report

### My dear fellow shareholders,

I am pleased to report that GHL improved its net profit after tax to \$66 million for the full year 2010, its best performance since 2004. This impressive turnaround compares to last year's loss of \$129 million, which was driven primarily from the loss on disposal of Zenith Insurance Company.

Earnings per share (EPS) for 2010 amounted to \$0.30 versus a loss of \$0.64 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 \$354 million at the end of 2009 to stand at \$475 million 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 \$36 million in 2009 to \$48 million this reporting period.

The Caribbean Property and Casualty Business Segment produced an operating profit before fair value movements of \$23 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 \$5 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 \$1.16 billion at the end of 2009 to \$1.23 billion for the comparable reporting period, while this business segment contributed net profits after tax of \$6 million for 2010. During 2010 we took the decision to dispose of our asset management business in Jamaica and took a \$10 million loss on disposal.

The International Property and Casualty Business Segment produced a net loss of \$12 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 5 cents per share. That brings the total dividend paid out for the year to 8 cents per share, or \$18 million representing a 29% increase over the \$14 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 April 29, 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 April 12, 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 December 31, 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 favourable results possible.



Arthur Lok Jack  
Chairman

## Consolidated Income Statement

	Audited Dec 2010 \$'000	Audited Dec 2009 \$'000 (Restated)
Net result from insurance underwriting activities	35,925	39,341
Net income from investing activities	183,635	162,800
<b>Net income from all activities</b>	<b>219,560</b>	<b>202,141</b>
Operating expenses	(120,497)	(112,463)
Finance charges	(12,951)	(16,929)
<b>Operating profit</b>	<b>86,112</b>	<b>72,749</b>
Share of profit of associated companies	3,599	2,434
<b>Profit before taxation</b>	<b>89,711</b>	<b>75,183</b>
Taxation	(21,383)	(16,709)
Profit after taxation	68,328	58,474
Amount attributable to participating policyholders	(2,245)	(1,000)
<b>Profit from continuing operations</b>	<b>66,083</b>	<b>57,474</b>
Net gain / (loss) on discontinued operations	404	(186,305)
<b>Profit / (loss) for the year</b>	<b>66,487</b>	<b>(128,831)</b>
<b>Profit / (loss) attributable to:</b>		
- Equity holders of the parent	63,386	(129,259)
- Non-controlling interests	3,101	428
	<u>66,487</u>	<u>(128,831)</u>
<b>Earnings / (loss) per share:</b>		
- Basic - for profit / (loss) attributable to ordinary equity holders of the parent	\$0.30	\$(0.64)
- Diluted - for profit / (loss) attributable to ordinary equity holders of the parent	\$0.29	\$(0.62)

## Consolidated Statement of Comprehensive Income

	Audited Dec 2010 \$'000	Audited Dec 2009 \$'000 (Restated)
<b>Profit / (loss) for the year</b>	66,487	(128,831)
<b>Other comprehensive income / (loss)</b>		
Exchange differences on translating foreign operations	10,720	42,686
Gains on property revaluation	205	1,692
Actuarial losses on defined benefit pension plans	(2,309)	(7,772)
Other reserve movements	41	(91)
Income tax relating to components of other comprehensive income	(139)	28
<b>Other comprehensive income for the period, net of tax</b>	<b>8,518</b>	<b>36,543</b>
<b>Total comprehensive income / (loss) for the period, net of tax</b>	<b>75,005</b>	<b>(92,288)</b>
<b>Total comprehensive (loss) / income attributable to:</b>		
- Equity holders of the parent	72,661	(92,956)
- Non-controlling interests	2,344	668
	<u>75,005</u>	<u>(92,288)</u>

## Consolidated Statement of Changes in Equity

	Audited Dec 2010 \$'000	Audited Dec 2009 \$'000 (Restated)
<b>Balance at beginning of the year - restated</b>	366,156	474,940
Treasury shares	-	(2,386)
Comprehensive income / (loss) for the year	75,005	(92,288)
Issue of Shares	64,496	-
Share option scheme - value of services provided	305	1,438
Repurchase of shares	-	(239)
Dividends	(16,651)	(15,309)
<b>Balance at the end of the year</b>	<b>489,311</b>	<b>366,156</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	130,531	46,250	19,298	99,134	(75,653)	219,560
Segment operating profit / (loss)	62,680	9,337	10,516	57,177	(53,598)	86,112
<b>Year ended 31 December 2009</b>						
Segment revenue	103,666	64,391	26,444	79,261	(71,621)	202,141
Segment operating profit / (loss)	39,964	28,603	18,236	33,146	(47,200)	72,749
<b>Total assets</b>						
31 December 2010	2,110,795	759,539	252,497	226,178	(68,333)	3,280,676
31 December 2009 - restated	1,921,206	823,773	466,981	230,252	(48,646)	3,393,566

**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

## 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

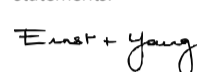
Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

### 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.

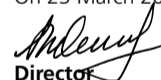


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23 March 2011

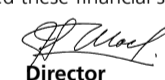
## Consolidated Statement of Financial Position

	Audited Dec 2010 \$'000	Audited Dec 2009 \$'000 (Restated)	Audited Dec 2008 \$'000 (Restated)
<b>ASSETS</b>			
Property, plant and equipment	79,680	79,508	92,390
Investment properties	141,543	142,436	110,458
Intangible assets	39,623	42,241	100,676
Investment in associated companies	43,275	42,841	42,509
Financial assets	1,748,107	1,662,365	1,678,239
Financial assets of Mutual Fund unit holders	194,596	162,649	90,598
Loans and receivables including insurance receivables	383,517	357,727	402,231
Pension plan assets	13,557	15,919	22,941
Value of enforce life insurance policies	105,273	91,241	89,137
Deferred tax assets	4,001	7,406	12,342
Reinsurance assets	119,051	65,079	162,932
Segregated fund assets of life insurance policyholders	71,894	62,673	60,428
Deferred acquisition costs	57,777	72,927	81,581
Taxation recoverable	24,626	24,939	20,628
Cash and cash equivalents	230,628	337,193	471,052
Cash and cash equivalents of Mutual Fund unit holders	23,528	20,207	6,225
Assets held for sale	-	206,215	-
<b>Total assets</b>	<b>3,280,676</b>	<b>3,393,566</b>	<b>3,444,367</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	313,169	239,222	238,223
Reserves	(39,014)	(50,831)	(95,065)
Retained earnings	200,919	165,503	317,633
<b>Equity attributable to owners of the parent</b>	<b>475,074</b>	<b>353,894</b>	<b>460,791</b>
Non-controlling interests in subsidiaries	14,237	12,262	11,763
<b>Total equity</b>	<b>489,311</b>	<b>366,156</b>	<b>472,554</b>
<b>Liabilities</b>			
Insurance contracts	1,946,691	1,670,358	1,920,186
Financial liabilities	426,694	765,484	761,730
Mutual Fund holders liabilities	166,560	135,394	76,180
Segregated fund liabilities of life insurance policyholders	71,894	62,673	60,428
Post retirement medical benefit obligations	12,336	10,863	7,575
Deferred tax liabilities	32,581	31,220	35,370
Provision for taxation	15,993	15,296	13,491
Other liabilities	118,616	109,843	96,853
Liabilities related to assets held for sale	-	226,279	-
<b>Total liabilities</b>	<b>2,791,365</b>	<b>3,027,410</b>	<b>2,971,813</b>
<b>Total equity and liabilities</b>	<b>3,280,676</b>	<b>3,393,566</b>	<b>3,444,367</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	89,711	75,183
Profit / (loss) before taxation from discontinued operations	404	(186,305)
Adjustment for specific items included on the accruals basis:		
- Interest expense	17,911	20,213
- Investment income	(138,840)	(147,922)
Interest and dividends received	152,096	140,269
Adjustments for non-cash items	(58,076)	169,481
Operating profit before changes in operating assets / liabilities	63,206	70,919
Net increase in insurance liabilities	69,678	135,439
Net purchases of financial assets	(125,513)	(14,501)
Net purchases of investment properties	(29,492)	(37,638)
Net movement in other operating assets and liabilities	39,946	(133,209)
Cash provided by / (used in) operating activities	17,825	21,010
Interest paid	(20,644)	(16,526)
Net taxation paid	(16,842)	(23,117)
Net cash used in operating activities	(19,661)	(18,633)
Net cash provided / (used in) by investing activities	9,491	(200)
Net cash used in by financing activities	(130,933)	(20,342)
Net decrease in cash and cash equivalents	(141,103)	(39,175)

### 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 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 December 31, 2010.