



## **Chairman's Statement**

Despite the strong headwinds caused by the continuing global recession and the negative effects of the Zenith UK's motor business which reflected a loss of \$90 million for the 1st half, Guardian Holdings Limited was able to produce a consolidated net profit before tax of \$142 million driven in large part by the continued good performance of our core Caribbean business. After paying taxes of \$75 million related to the profits of our Caribbean operations and \$6.4 million to participating policy holders, the profit after tax attributable to shareholders of GHL amounts to \$60.5 million.

Zenith Insurance, our UK motor insurance company, has continued to underperform. We have diligently worked at returning this business to profitability, but find that the UK motor market has evolved to the point where motor insurance has become commoditized, putting intense pressure on margins. This is reflected in the fact that in 2008, every major UK motor carrier produced a loss, and the industry's combined ratio, a measure of profitability, exceeded 105%. This means that for every dollar of premium earned, \$1.05 was lost. As advised at our Annual Shareholder's Meeting, given market conditions and our final review of this business, we have decided to dispose of this business and are currently pursuing discussions with prospective purchasers. We are confident that we will accomplish this disposal before the end of this financial year.

While Zenith's results are extremely disappointing, I am pleased with the results of our Caribbean business. On a combined basis, they produced a net profit of \$235 million. While the headline net insurance premium income number declined over the comparable period from \$2.27 billion to \$2.18 billion, this was driven by the reunderwriting of the aforementioned Zenith Insurance portfolio, where we intentionally let unprofitable business go to our competitors. Caribbean life net premium income increased 8%; health premium grew 11%, and our P&C net premiums increased by 5%. Most notably the operating profit of the Caribbean businesses grew by 9% period over period

Overall operating profit before fair value gains and losses amounted to \$138.4 million. While this is down from \$763 million over the comparable period, recall that last year's figures had two significant non-recurring events, the sale of Grupo Mundial and the sale of the Group's shares in RBTT. Those two items contributed \$540 million to last year's half year operating result. As I wrote at the time, we strategically decided to reinvest a large portion of these proceeds into fixed income securities, while also paying down the Group's debt. The success of this strategy manifests itself in the fact that investment income has increased by \$31 million, while finance charges dropped by \$25 million, as compared to the 6 month 2008 figure. Unlike fair value movements, that is real additional cash flow that will benefit the Group.

My previous reports gave guidance on our expectations that fair value losses would begin reversing themselves as markets recovered and would begin contributing positively to the bottom line. This happened in dramatic fashion in the second quarter of 2009 as confidence in the world markets began to slowly return. Fair value losses of \$97.7 million suffered in the first quarter of 2009 were fully reversed and in fact turned positive. For the half year, fair value gains now amount to \$65 million.

Looking ahead, we are in the process of further streamlining our operations to ensure the maximization of synergies and efficiencies and have set a target to reduce operational costs by 10% or \$100 million by end of 2010. I will be reporting further details on this initiative in future reports.

On the basis of the current performance your directors have approved the payment of an interim dividend of 11 cents per share. August 20th, 2009 has been fixed as the Record Date for the determination of shareholders entitled to payment of this dividend. For this purpose, the register of members will be closed from August 20th, 2009 to august 21st, 2009 both days inclusive. Dividend cheques will be mailed out on August 27th, 2009.



## **Consolidated Income Statement Unaudited Unaudited** Unaudited Unaudited **Audited** 6-Months 6-Months 3-Months 3-Months 12-Months June 2009 June 2008 June 2009 June 2008 Dec 2008 TT\$'000 TT\$'000 TT\$'000 TT\$'000 TT\$'000 (Restated) (Restated) (Restated) 5,665,534 Insurance premium income 2,595,646 2,681,124 1,265,354 1,423,704 Insurance premium ceded to reinsurers (413,115)(408,472)(213,400)(205,826)(860,635)Net insurance premium income 2,182,531 2,272,652 1,051,954 1,217,878 4,804,899 Investment income 468,109 437,062 236,172 224,465 909,964 Gain on sale of Grupo Mundial 308.419 308.419 308,419 Tenedora S.A. Fee & commission income 96.501 58,997 44,980 20,689 157,763 Other operating income 317,837 95,844 373,107 45,168 587,241 Total revenue 2,842,985 3,450,237 1,378,274 2,089,288 6,768,286 Net insurance benefits (1,723,864)(1.644.265)(896.239) (833.153) (3.585.569) and claims Expenses (980,751) (1,043,292)(499,253)(615,862) (2,180,497) Operating profit / (loss) before fair value gains / (losses) 138,370 762,680 (17,218)640,273 1,002,220 65,000 (132,839)Fair value gains / (losses) 162,771 (117.117)(454,717)Operating profit 203,370 629,841 145.553 523.156 547.503 Impairment of goodwill (256,568)Share of (loss) / profit of associated companies (9,970)7,712 (11,146)(7,088)23.055 (25,652)(37,769)Finance charges (51.525)(76.156) (145.272)Profit before taxation 141.875 561.397 108.755 478,299 168,718 Taxation (74,955)(35,892)(58,349) (5,564)(24, 137)Profit after taxation 66,920 525,505 50,406 472,735 144,581 Amount attributable to participating policyholders (6.452)(31.449)(6.348)(29.298)(4.019)Profit for the year 60,468 494,056 44,058 443,437 140,562 Profit attributable to: Owners of the parent 59.326 493.047 43,844 443,178 137 601 Non-controlling interests 1,142 1,009 214 259 2,961 60,468 494,056 44,058 443,437 140,562

| Consolidated Statement of Financial Position |                                    |   |  |  |  |
|--|------------------------------------|---|--|--|--|
|  | Unaudited<br>June 2009<br>TT\$'000 | Audited<br>Dec 2008<br>TT\$'000<br>(Restated) | Unaudited<br>June 2008<br>TT\$'000<br>(Restated) |  |  |
| ASSETS                                       |                                    |   |  |  |  |
| Property, plant and equipment                | 987,218                            | 941,602                                       | 896,490  |  |  |
| Investment properties                        | 633,274                            | 614,258                                       | 616,246  |  |  |
| Intangible assets                            | 693,725                            | 646,676                                       | 1,109,818  |  |  |
| Investment in associated companies           | 127,233                            | 142,595                                       | 140,034  |  |  |
| Financial assets                             | 11,334,115                         | 10,932,262                                    | 11,524,164                                       |  |  |
| Loans and receivables                        | 1,073,374                          | 1,114,292                                     | 1,095,588  |  |  |
| Pension plan assets                          | 90,279                             | 80,573  | 128,205  |  |  |
| Value to shareholders of inforce             |                                    |   |  |  |  |
| long-term business                           | 658,137                            | 665,573                                       | 645,696  |  |  |
| Deferred tax asset                           | 47,052                             | 68,360  | 66,605   |  |  |
| Reinsurance assets                           | 1,264,641                          | 1,053,875                                     | 1,205,331  |  |  |
| Segregated funds' assets                     | 371,018                            | 386,585                                       | 448,947  |  |  |
| Deferred acquisition costs                   | 621,881                            | 521,910                                       | 625,752  |  |  |
| Taxation recoverable                         | 125,364                            | 128,059                                       | 123,451  |  |  |
| Cash and cash equivalents                    | 3,125,764                          | 3,151,849                                     | 3,797,218  |  |  |
| Other assets                                 | 1,759,759                          | 1,445,854                                     | 1,221,140  |  |  |
| Total assets                                 | 22,912,834                         | 21,894,323                                    | 23,644,685                                       |  |  |
| EQUITY AND LIABILITIES                       |                                    |   |  |  |  |
| Equity attributable to owners of the parent  |                                    |   |  |  |  |
| Share capital                                | 1,544,012                          | 1,539,271                                     | 1,534,825  |  |  |
| Reserves                                     | (524,137)                          | (567,142)                                     | (130,372)  |  |  |
| Retained earnings                            | 2,111,349                          | 2,127,781                                     | 2,556,210  |  |  |
|  | 3,131,224                          | 3,099,910                                     | 3,960,663  |  |  |
| Non-controlling interests                    | 101,118                            | 101,659                                       | 108,554  |  |  |
| Total equity                                 | 3,232,342                          | 3,201,569                                     | 4,069,217  |  |  |
| LIABILITIES                                  |                                    |   |  |  |  |
| Insurance contracts                          | 13,174,291                         | 12,139,148                                    | 12,698,047                                       |  |  |
| Financial liabilities                        | 4,902,192                          | 4,980,812                                     | 5,117,789  |  |  |
| Segregated funds' liabilities                | 371,018                            | 386,585                                       | 448,947  |  |  |
| Post retirement medical benefit obligations  | 79,367                             | 71,673  | 57,539   |  |  |
| Deferred tax liability                       | 229,076                            | 240,918                                       | 225,625  |  |  |
| Provision for taxation                       | 70,701                             | 76,436  | 89,798   |  |  |
| Other liabilities                            | 853,847                            | 797,182                                       | 937,723  |  |  |
| Total liabilities                            | 19,680,492                         | 18,692,754                                    | 19,575,468                                       |  |  |
| Total equity and liabilities                 | 22,912,834                         | 21,894,323                                    | 23,644,685                                       |  |  |
|  |                                    |   |  |  |  |

| Consolidat   | ed State                                       | ment of (  | Compreh  | ensive In  | icome  |
|--|--|--|--|--|--|
|  | Unaudited<br>6-Months<br>June 2009<br>TT\$'000 | Unaudited<br>6-Months<br>June 2008<br>TT\$'000<br>(Restated) | Unaudited<br>3-Months<br>June 2009<br>TT\$'000 | Unaudited<br>3-Months<br>June 2008<br>TT\$'000<br>(Restated) | Audited<br>12-Months<br>Dec 2008<br>TT\$'000<br>(Restated) |
| Profit for the period  | 60,468   | 494,056  | 44,058   | 443,437  | 140,562  |
| Other comprehensive income / (lo<br>Exchange differences<br>on translating foreign operations<br>Gain on hedging reserve<br>Gains on property revaluation<br>Other reserve movements | ,  | (65,911)<br>-<br>3,114<br>(320)                              | 148,044<br>1,814<br>-<br>9,132                 | (122,579)<br>-<br>3,114<br>(420)                             | (511,372)<br>-<br>20,818<br>(13,455)                       |
| Other comprehensive income / (loss) for the period   | 42,461   | (63,117)   | 158,990  | (119,885)  | (504,009)  |
| Total comprehensive income / (loss) for the period   | 102,929  | 430,939  | 203,048  | 323,552  | (363,447)  |
| Total comprehensive income / (loss) attributable to: - Owners of the parent - Non-controlling interests  | 102,394<br>535<br>102,929                      | 426,622<br>4,317<br>430,939                                  | 199,863<br>3,185<br>203,048                    | 323,627<br>(75)<br>323,552                                   | (365,281)<br>1,834<br>(363,447)                            |

| ,                 |   | 0-0,00-  | ,000, ,   |
|-------------------|---|--|---|
|                   |   |  |   |
| Statement O       | f Changes   | In Equity  |   |
| Jur               | ne 2009 D<br>F\$'000 T                                | ec 2008 J<br>FT\$'000  | Inaudited<br>une 2008<br>TT\$'000<br>Restated)  |
| 3,20              | 31,569 3,6  | 326,428 3  | ,626,428  |
| for the period 10 | 02,929 (3   | 363,447)   | 430,939   |
|                   | -   | 43,889   | 48,317  |
| es                | -   | 12,413   | 7,081   |
| rices provided    | 5,293   | 14,276   | 7,590   |
|                   | (1,529)   | -  | -   |
| (7                | 75,920) (*  | 131,990)   | (51,138)  |
| 3,23              | 32,342 3,2  | 201,569 4  | ,069,217  |
|                   | Una Jur T7  3,20 for the period 10 res rices provided | Unaudited June 2009 TT\$'000 TT\$'000 TO | June 2009<br>TT\$'000  TT\$'000  (Restated)  (I  3,201,569 3,626,428 3  for the period 102,929 (363,447)  - 43,889 es - 12,413 rices provided 5,293 14,276 (1,529) (75,920) (131,990) |

Conversion Rate: US\$1.00: TT\$6.2971

\$0.29

\$0.28

\$2,44

\$2.36

Web site: www.guardianholdings.com

\$0.68

\$0.66

30 June 2008

Listed on the Trinidad and Tobago and Jamaica Stock Exchanges



Earnings Per Stock Unit - Basic

Earnings Per Stock Unit - Diluted

## Half Year Results to June 30, 2009

| Consolidated Cash Flow Statement                                      |                                    |   |  |  |
|---|------------------------------------|---|--|--|
|   | Unaudited<br>June 2009<br>TT\$'000 | Audited<br>Dec 2008<br>TT\$'000<br>(Restated) | Unaudited<br>June 2008<br>TT\$'000<br>(Restated) |  |
| Profit before taxation  | 141,875                            | 168,718                                       | 561,397  |  |
| Adjustment for specific items included                                |                                    |   |  |  |
| on the accruals basis:  |                                    |   |  |  |
| - Interest expense  | 51,525                             | 145,272                                       | 76,156   |  |
| - Investment income   | (468,109)                          | (909,964)                                     | (437,062)  |  |
| Adjustments for non-cash items  | (87,444)                           | 198,139                                       | (457,811)  |  |
| Interest and dividends received                                       | 466,631                            | 739,118                                       | 449,870  |  |
| Operating profit before changes                                       |                                    |   |  |  |
| in operating assets / liabilities                                     | 104,478                            | 341,283                                       | 192,550  |  |
| Net increase in insurance liabilities                                 | 1,035,143                          | 170,026                                       | 728,925  |  |
| Net proceeds from (purchases) / sale of financial assets              | (445,432)                          | (549,775)                                     | 395,487  |  |
| Net movement in other operating assets and liabilities                | (608,893)                          | (110,508)                                     | (790,256)  |  |
| Cash provided by / (used in) operating activities                     | 85,296                             | (148,974)                                     | 526,706  |  |
| Interest paid   | (51,233)                           | (148,573)                                     | (88,423)   |  |
| Net taxation paid   | (35,722)                           | (66,088)                                      | (63,293)   |  |
| Net cash (used in) / provided by operating activities                 | (1,659)                            | (363,635)                                     | 374,990  |  |
| Net cash (used in) / provided by investing activities                 | (78,093)                           | 563,820                                       | 198,842  |  |
| Net cash (used in) / provided by financing activities                 | (2,735)                            | (26,242)                                      | (107,097)  |  |
| Net (decrease) / increase in cash and cash equivalents                | (82,487)                           | 173,943                                       | 466,735  |  |
| Notes: a) These interim consolidated financial statements comply with | International Acc                  | counting Standar                              | d 34 - Interim                                   |  |

Notes:
a) These interim consolidated financial statements comply with International Accounting Standard 34 - Interim Financial Reporting and follow the accounting policies used in the Group's most recent audited financial statements for the year ended 31 December 2008. Comparative information has been adjusted in accordance with International Accounting Standard 8.

(b) From this financial year the International Financial Reporting Standards require the Group to present (i) a new statement and (ii) an additional disclosure in its quarterly publication. The new statement, in compliance with IAS 1 – Presentation of Financial Statements, is the Statement of Comprehensive Income which incorporates all nonowner changes in equity such as currency translation adjustments, surpluses on revaluation of properties, etc. These changes were previously presented separately in the Statement of Changes in Equity. The additional disclosure is on Segment Information in accordance with IFRS 8 - Operating Segments.

| Segment Information                |  |   |                                 |           |                            |
|------------------------------------|--|---|---------------------------------|-----------|----------------------------|
|                                    | Long-term<br>Insurance<br>Business<br>TT\$'000 | Short-term<br>Insurance<br>Business I<br>TT\$'000 | Asset<br>Management<br>TT\$'000 | Other     | Total<br>Group<br>TT\$'000 |
| Six months ended 30 June 2009      |  |   |                                 |           |                            |
| Total segment revenue              | 1,121,508                                      | 1,765,259   | 52,213                          | 70,067    | 3,009,047                  |
| Inter-segment revenue              | (24,436)                                       | (106,186)   | (7,378)                         | (28,062)  | (166,062)                  |
| Revenue from external customers    | s 1,097,072                                    | 1,659,073   | 44,835                          | 42,005    | 2,842,985                  |
| Operating profit / (loss)          |  |   |                                 |           |                            |
| before fair value gains / (losses) | 90,255   | 45,002  | 26,184                          | (23,071)  | 138,370                    |
| Fair value gains / (losses)        | 32,087   | 7,037   | 26,267                          | (391)     | 65,000                     |
| Operating profit / (loss)          | 122,342  | 52,039  | 52,451                          | (23,462)  | 203,370                    |
| Six months ended 30 June 2008      |  |   |                                 |           |                            |
| Total segment revenue              | 1,172,430                                      | 1,826,519   | 37,690                          | 577,190   | 3,613,829                  |
| Inter-segment revenue              | (79,992)                                       | (5,959)   | (8,115)                         | (69,526)  | (163,592)                  |
| Revenue from external customers    | <b>s</b> 1,092,438                             | 1,820,560   | 29,575                          | 507,664   | 3,450,237                  |
| Operating profit / (loss)          |  |   |                                 |           |                            |
| before fair value gains / (losses) | 188,899  | 138,710   | 8,221                           | 426,850   | 762,680                    |
| Fair value gains / (losses)        | (80,185)                                       | (19,977)  | (13,449)                        | (19,228)  | (132,839)                  |
| Operating profit / (loss)          | 108,714  | 118,733   | (5,228)                         | 407,622   | 629,841                    |
| Total assets                       |  |   |                                 |           |                            |
| 30 June 2009                       | 11,714,646                                     | 8,164,254   | 1,689,736                       | 1,344,198 | 22,912,834                 |
| 31 December 2008                   | 11,675,859                                     | 7,204,659   | 1,769,851                       | 1,243,954 | 21,894,323                 |

11,728,112

8,156,666 1,796,371 1,963,536 23,644,685