

## Chairman's Statement

### My dear fellow Shareholders

As we look back and review GHL's results for 2009 I think you will agree with me that the year was tumultuous, yet in many respects, very successful. We started the year with our new Group CEO Jeff Mack, who in his first year has done an excellent job re-directing the company and focusing on cost reductions. He inherited the company during a time when credit markets across the globe were frozen, and when the depth and length of the Great Recession were still very much unknown. Closer to home of course, during the month of February CL Financial became insolvent and needed a government bailout. During the first quarter our good operating profits were overshadowed by non-cash, fair value losses in our investment portfolio. We advised you at the time that 90% of the Group's investments were held in Government securities, high quality corporate bonds, and short-term deposits. Given the fact that the Group has the ability and intent to hold these investments to maturity, we advised that we fully expected these fair value losses to reverse themselves as capital markets healed themselves. This has indeed come to fruition as the \$388 million in fair value losses we reported on for the full 2008 year of account not only reversed themselves, but even turned into a fair value gain of \$57 million by the end of 2009.

At the year's half way mark with our financial investments on the mend, it was now the poor performance of Zenith Insurance Company that dragged down the Group's results. While GHL reported an operating profit before fair value gains of \$138 million, Zenith lost \$90 million during this period. It was at this point in time that your Board of Directors instructed the Group CEO to concentrate efforts on disposing of this underperforming company.

During the third quarter Zenith's losses continued to deteriorate. As is the case with insurance, the ultimate cost of the product we sell is not known for many years in the future due to the length of time between when a claim is first reported, to when it is finally settled. In hindsight, too many of Zenith's products were sold for too few premium dollars. We have reported on numerous occasions on the collapse of insurance pricing in the UK for private motor insurance. Given the poor prospects of this business, we took the decision to 'ring fence' this business from our core businesses and economically put this behind us by writing off 100% of the associated goodwill of Zenith while effectively writing down its net assets to zero. Our core businesses, in keeping with a well established trend, continued to perform well and we signaled that we expected the fourth quarter to be better than the previous three.

At year end we are reporting a loss of \$821 million. Let me say that I find this result to be absolutely unacceptable, and I know that I can speak for the rest of the Board of Directors that we take full responsibility for this loss. The piece of good news I want to share with you is that we were able to achieve our stated goal of selling Zenith by the end of 2009. We received all the necessary regulatory approvals in February of this year and have legally transferred ownership of this business. Unfortunately, in order to sell Zenith the regulator required us to inject a further GBP 12 million into the business in order to bring it up to minimum solvency standards. This resulted in the Group taking a total charge to earnings related to this disposal of \$947 million, of which \$592 million is non-cash charges. **The frustrating part of this result is that it masks the strong earnings power of the rest of our businesses.**


As we did in reporting the third quarter results, we have restated 2008's results by eliminating one-time, non recurring items and have isolated the effects of our discontinued operations. In this fashion it is easier for you to compare this year's performance against last year's. For the full year our continuing operations produced an operating profit before fair value gains of \$531 million, or 17% above last year's figure of \$455 million. The quarterly operating profit before fair value movements amounted to \$211 million. After deducting finance charges and taxes, we are pleased to report a healthy full year profit net after tax of \$371 million.

I would like to emphasize again that Guardian is strong enough financially to withstand the effects of the accounting losses taken on the sale of Zenith. The capital and reserves of Guardian Life of the Caribbean Ltd. remain significantly above the required minimum levels, and our other core companies, Guardian General Insurance Ltd., Guardian Life Ltd. in Jamaica, Guardian Asset Management and Fatum in the Dutch Caribbean continue to hold capital and reserves in excess of all regulatory capital requirements.

With the planned implemented changes in our investment mix emphasizing high quality debt securities and the sale of Zenith your Group is very well poised to deliver on our goal of delivering consistent, quality earnings period after period.

Due to the fact that our reported loss is mostly non-cash accounting losses, GHL is still able to pay out 35% of its cash profits as dividends to our shareholders. As such the Board of Directors has approved a final dividend of \$0.33. This dividend will be paid on April 19th, 2010 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 13th, 2010.

The Directors also fixed the date of the Annual Meeting for May 12th, 2010 at 4 o'clock 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 2009 will be forwarded to shareholders in due course.



**ARTHUR LOK JACK**  
CHAIRMAN  
26 March 2010

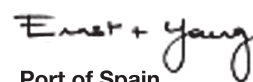
## Independent Auditors' Report to the Shareholders of Guardian Holdings Limited

We have audited the financial statements of Guardian Holdings Limited and its subsidiaries ("the Group") for the year ended 31 December 2009, from which the summarized financial statements were derived, in accordance with International Standards on Auditing. In our report dated 26 March 2010 we expressed an unqualified opinion on the financial statements from which the summarized financial statements were derived.

The 2008 financial statements were audited by other auditors whose report dated 31 March 2009 expressed an unqualified opinion. As part of our audit of the 2009 financial statements, we also audited the adjustments that were applied to amend the 2008 and 2007 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 or 2007 financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2008 and 2007 financial statements.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Group's financial position as of 31 December 2009 and the results of its operations for the year ended and of the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.



Port of Spain,  
TRINIDAD:  
26 March 2010

### Consolidated Income Statement

	Audited 12-Months Dec 2009 TTS'000	Audited 12-Months Dec 2008 TTS'000 (Restated)	Unaudited 3-Months Dec 2009 TTS'000	Unaudited 3-Months Dec 2008 TTS'000 (Restated)
Gross insurance premium income	4,027,950	4,026,379	1,262,948	1,389,665
Insurance premium ceded to reinsurers	(724,242)	(748,864)	(209,321)	(222,817)
Net insurance premium income	3,303,708	3,277,515	1,053,627	1,166,848
Investment income	939,843	876,705	265,739	282,392
Fee & commission income	142,924	140,947	38,501	36,484
Other operating income / (loss)	156,176	165,458	(4,772)	21,929
Total revenue	4,542,651	4,460,625	1,353,095	1,507,653
Net insurance benefits and claims	(2,392,236)	(2,312,393)	(629,932)	(789,782)
Expenses	(1,618,854)	(1,693,011)	(511,408)	(524,623)
Operating profit before fair value gains / (losses)	531,561	455,221	211,755	193,248
Fair value gains / (losses)	57,062	(388,149)	(99,774)	(246,560)
Operating profit / (loss)	588,623	67,072	111,981	(53,312)
Share of profit of associated companies	15,573	28,061	21,804	17,579
Finance charges	(110,286)	(134,804)	(24,302)	(28,233)
Profit / (loss) before taxation	493,910	(39,671)	109,483	(63,966)
Taxation	(116,676)	(18,827)	13,255	29,135
Profit / (loss) after taxation	377,234	(58,498)	122,738	(34,831)
Amount attributable to participating policyholders	(6,398)	8,634	6,216	26,010
Profit / (loss) for the year from continuing operations	370,836	(49,864)	128,954	(8,821)
Net loss on discontinued operations	(1,191,863)	(237,279)	(294,926)	(203,382)
Net gain on sale of equity investments	-	527,254	-	(68,865)
<b>(Loss) / profit for the period</b>	<b>(821,027)</b>	<b>240,111</b>	<b>(165,972)</b>	<b>(281,068)</b>
<b>(Loss) / profit attributable to:</b>				
Owners of the parent	(844,707)	235,810	(188,159)	(283,999)
Non-controlling interests	23,680	4,301	22,187	2,931
	(821,027)	240,111	(165,972)	(281,068)

<b>Earnings per share:</b>		
Basic	(\$4.18)	\$1.17
Diluted	(\$4.04)	\$1.13
<b>Earnings per share for continuing operations:</b>		
Basic	\$1.72	(\$0.27)
Diluted	\$1.66	(\$0.26)

### Consolidated Statement of Financial Position

	Audited Dec 2009 TTS'000	Audited Dec 2008 TTS'000 (Restated)	Audited Dec 2007 TTS'000 (Restated)
<b>ASSETS</b>			
Property, plant and equipment	508,644	591,054	675,407
Investment properties	959,190	753,373	627,477
Intangible assets	270,232	644,066	1,105,077
Investment in associated companies	274,074	271,946	477,245
Financial assets	10,741,996	10,814,763	11,149,615
Loans and receivables including reinsurance receivables	1,196,828	1,211,565	1,262,269
Pension plan assets	53,973	105,042	142,879
Value to shareholders of inforce long term business	583,705	570,243	529,519
Deferred tax asset	47,378	78,956	71,165
Reinsurance assets	408,138	1,042,338	982,024
Deferred acquisition costs	466,540	521,909	594,434
Taxation recoverable	158,295	131,933	130,031
Cash and cash equivalents	2,104,353	2,979,309	3,204,037
Other assets	1,155,944	1,396,995	1,076,109
Assets held for sale	1,319,239	-	-
	<u>20,248,529</u>	<u>21,113,492</u>	<u>22,027,288</u>
<b>Segregated funds</b>			
Financial assets of Mutual Fund unit holders	962,445	515,626	454,470
Cash and cash equivalents of Mutual Fund unit holders	130,308	43,215	19,422
Segregated fund assets of life insurance policyholders	400,944	386,585	449,616
	<u>1,493,697</u>	<u>945,426</u>	<u>923,508</u>
<b>Total assets</b>	<b>21,742,226</b>	<b>22,058,918</b>	<b>22,950,796</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	1,545,659	1,539,271	1,520,154
Reserves	(329,809)	(652,811)	(47,082)
Retained earnings	1,124,860	2,113,778	2,006,171
<b>Equity attributable to owners of the parent</b>	<b>2,340,710</b>	<b>3,000,238</b>	<b>3,479,243</b>
<b>Non-controlling interests</b>			
Mutual Fund holders	866,167	487,356	361,248
Non-controlling interests in subsidiaries	105,429	101,659	56,633
<b>Total non-controlling interests</b>	<b>971,596</b>	<b>589,015</b>	<b>417,881</b>
<b>Total equity</b>	<b>3,312,306</b>	<b>3,589,253</b>	<b>3,897,124</b>
<b>LIABILITIES</b>			
Insurance contracts	10,511,045	12,132,682	11,976,622
Financial liabilities	4,844,724	4,829,635	5,016,892
Post retirement medical benefit obligations	69,498	48,458	40,277
Deferred consideration	-	-	188,157
Deferred tax liability	199,726	226,273	243,160
Provision for taxation	95,776	86,299	139,722
Other liabilities	860,608	759,733	999,226
Liabilities related to assets held for sale	1,447,599	-	-
	<u>18,028,976</u>	<u>18,083,080</u>	<u>18,604,056</u>
<b>Segregated fund liabilities of life insurance policyholders</b>	<b>400,944</b>	<b>386,585</b>	<b>449,616</b>
<b>Total liabilities</b>	<b>18,429,920</b>	<b>18,469,665</b>	<b>19,053,672</b>
<b>Total equity and liabilities</b>	<b>21,742,226</b>	<b>22,058,918</b>	<b>22,950,796</b>

### Consolidated Statement of Comprehensive Income

	Audited 12-Months Dec 2009 TTS'000	Audited 12-Months Dec 2008 TTS'000 (Restated)	Unaudited 3-Months Dec 2009 TTS'000	Unaudited 3-Months Dec 2008 TTS'000 (Restated)
(Loss) / profit for the period	(821,027)	240,111	(165,972)	(281,068)
Other comprehensive income / (loss):				
Exchange differences on translating foreign operations	284,343	(511,304)	46,235	(316,772)
Gains / (losses) on property revaluation	10,824	(28,650)	10,824	(31,786)
Net gain / (loss) on available-for-sale financial assets	92,819	(115,559)	92,819	(115,559)
Actuarial losses on defined benefit pension plans	(49,697)	(31,473)	(49,697)	(31,473)
Other reserve movements	1,677	(2,942)	4,016	(2,234)
Income tax relating to components of other comprehensive income	181	-	181	-
<b>Other comprehensive income / (loss) for the period</b>	<b>340,147</b>	<b>(689,928)</b>	<b>104,378</b>	<b>(497,824)</b>
<b>Total comprehensive (loss) / income for the period</b>	<b>(480,880)</b>	<b>(449,817)</b>	<b>(61,594)</b>	<b>(778,892)</b>
<b>Total comprehensive (loss) / income attributable to:</b>				
- Owners of the parent	(570,106)	(374,401)	(146,058)	(702,026)
- Non-controlling interests	89,226	(75,416)	84,464	(76,866)
	<u>(480,880)</u>	<u>(449,817)</u>	<u>(61,594)</u>	<u>(778,892)</u>

### Consolidated Statement Of Changes In Equity

	Audited Dec 2009 TTS'000	Audited Dec 2007 TTS'000 (Restated)
Balance at the beginning of the year - restated	3,589,253	3,897,124
(Loss) / profit for the year	(821,027)	240,111
Other comprehensive income / (loss) for the year	340,147	(689,928)
Total comprehensive loss for the year	(480,880)	(449,817)
Net change in Mutual Fund holder balances	323,334	230,375
Issue of shares - non-controlling interests	-	43,889
Share option scheme - issue of shares	-	12,413
Share option scheme - value of services provided	9,193	14,276
Repurchase of shares	(1,529)	-
Dividends	(127,065)	(159,007)
Balance at the end of the year	<u>3,312,306</u>	<u>3,589,253</u>

### Consolidated Cash Flow Statement

	Audited Dec 2008 TTS'000 (Restated)	Unaudited June 2008 TTS'000 (Restated)
Profit / (loss) before taxation from continuing operations	493,910	(39,671)
Loss / (profit) before taxation from discontinued operations	(1,190,388)	291,592
Adjustment for specific items included on the accruals basis:		
- Interest expense	110,286	134,804
- Investment income	(939,843)	(876,705)
Interest and dividends received	899,147	829,222
Adjustments for non-cash items	1,241,426	214,527
Operating profit before changes in operating assets / liabilities	614,538	553,769
Net increase in insurance liabilities	843,071	156,060
Net purchases of financial assets	(1,029,316)	(2,358,851)
Net movement in other operating assets and liabilities	(1,051,088)	1,220,361
Cash used in operating activities	(622,795)	(428,661)
Interest paid	(99,268)	(148,573)
Net taxation paid	(73,826)	(63,298)
Net cash used in operating activities	(795,889)	(640,532)
Net cash provided by investing activities	35,910	648,980
Net cash provided by financing activities	513,844	155,391
Net (decrease) / increase in cash and cash equivalents	(246,135)	163,839