

## Chairman's Statement

### My dear fellow Shareholders,

I am happy to report on another very good quarter of financial results for the Guardian Group. Our Group after tax profits from continuing operations amounted to \$154.3 million with \$145.5 million attributable to shareholders. That is a 484% increase over the comparable period last year.

All our core businesses are performing very well, continuing what is now a solid trend, despite the fact that our regional economies have yet to fully recover from the effects of the global financial crisis. Net insurance premium income, on a consolidated basis, is up a strong 14% from last year's first quarter of \$851.4 million to \$971.6 million. Total revenue, which includes investment income, plus other fees and commission income, grew 9% to \$1.251 billion from \$1.152 billion over the comparable period.

Consolidated operating profits, before fair value movements for the quarter, amounted to \$87.5 million. The quarter's operating profits were adversely affected by two extra-ordinary and non-recurring items: First, \$50 million of catastrophe losses related to the Chilean Earthquake and the European windstorm. Both events were written through our Lloyds business and our Bermudian reinsurer, Guardian Re. Secondly, \$20 million in life reserve strengthening which we took in our Dutch Antillean insurer, Fatum. This reserve strengthening is a one-time occurrence related to bringing a new computerized software system on-line. Without these two items, operating profits would be in line with the comparable period's result.

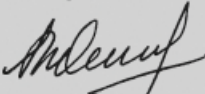
The Group's investing activities produced another strong quarter. For the first quarter, investment income amounted to \$222.6 million, while we recorded fair value gains of \$145 million. This fully reversed last year's first quarter fair value losses of \$97 million. Operating profits before tax and inclusive of fair value gains increased 228% from \$70.8 million to \$232.5 million for the period.

Guardian's core business segments of Life, Health and Pension (LH&P), Caribbean Property and Casualty (CPC), and Asset Management all performed well in the quarter, exceeding budget and exceeding last year's first quarter results. Our International Property and Casualty (IPC) business produced a loss for the quarter due the aforementioned catastrophe losses.

LH&P produced net profits after tax of \$104.5 million in the quarter as compared to \$17.5 million in the comparable period. In addition, this business segment continues to produce very strong top line growth, increasing its top line by 13% over the comparable period. CPC generated \$34.8 million in net after tax profits for the quarter and continues to deliver excellent technical margins. Guardian General's combined ratio for the first quarter of this year amounted to an impressive 78.9%.

Our Asset Management business produced net after tax profits of \$67.7 million as compared to \$6.9 million in 2009's first quarter. This was driven in large part by fair value gains related to the recent implementation of the Jamaican Debt Exchange program. Guardian Asset Management's mutual funds increased their funds under management by 17% in just the three months from year end 2009 to now stand at more than \$1.4 billion.

All in all, the quarter was very satisfying. We legally transferred ownership of Zenith in February and, without that drag on our earnings, we were able to deliver stellar results which translated to earnings per share on continuing operations of \$0.72 as compared to \$0.12.



Arthur Lok Jack  
Chairman  
May 11, 2010

## Consolidated Income Statement

	Unaudited 3-Months Mar 2010 TTS'000	Unaudited 3-Months Mar 2009 TTS'000 (Restated)	Audited 12-Months Dec 2009 TTS'000
Insurance premium income	1,144,465	1,032,821	4,027,950
Insurance premium ceded to reinsurers	(172,838)	(181,414)	(724,242)
Net insurance premium income	971,627	851,407	3,303,708
Investment income	222,639	234,281	939,843
Fee & commission income	29,707	30,235	142,924
Other operating income	27,936	36,227	156,176
Total revenue	1,251,909	1,152,150	4,542,651
Net insurance benefits and claims	(740,565)	(598,859)	(2,392,236)
Policy acquisition expenses	(250,441)	(230,591)	(914,568)
Operating expenses	(173,424)	(154,867)	(704,286)
Operating profit before fair value gains / (losses)	87,479	167,833	531,561
Fair value gains / (losses)	145,030	(96,989)	57,062
Operating profit	232,509	70,844	588,623
Share of profit of associated companies	2,747	3,919	15,573
Finance charges	(19,716)	(25,784)	(110,286)
Profit before taxation	215,540	48,979	493,910
Taxation	(53,360)	(16,097)	(116,676)
Profit after taxation	162,180	32,882	377,234
Amount attributable to participating policyholders	(7,893)	(104)	(6,398)
Profit from continuing operations	154,287	32,778	370,836
Net loss on discontinued operations	(3,977)	(14,045)	(1,191,863)
<b>Profit / (loss) for the period</b>	<b>150,310</b>	<b>18,733</b>	<b>(821,027)</b>
<b>Profit / (loss) attributable to:</b>			
Owners of the parent	141,553	10,904	(844,707)
Non-controlling interests	8,757	7,829	23,680
	150,310	18,733	(821,027)
<b>Earnings / (loss) per share:</b>			
Basic	\$0.70	\$0.05	(\$4.18)
Diluted	\$0.68	\$0.05	(\$4.04)
<b>Earnings per share for continuing operations:</b>			
Basic	\$0.72	\$0.12	\$1.72
Diluted	\$0.70	\$0.12	\$1.66

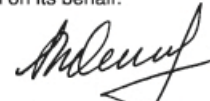
## Consolidated Statement Of Comprehensive Income

	Unaudited 3-Months Mar 2010 TTS'000	Unaudited 3-Months Mar 2009 TTS'000 (Restated)	Audited 12-Months Dec 2009 TTS'000
Profit / (loss) for the period	150,310	18,733	(821,027)
Other comprehensive income / (loss):			
Exchange differences on translating foreign operations	(21,001)	(106,431)	284,343
Gains on property revaluation	-	-	10,824
Net gain / (loss) on available-for-sale financial assets	22,501	(2,912)	92,819
Actuarial losses on defined benefit pension plans	-	-	(49,697)
Other reserve movements	1,210	(971)	1,677
Income tax relating to components of other comprehensive income	141	-	181
<b>Other comprehensive income / (loss) for the period</b>	<b>2,851</b>	<b>(110,314)</b>	<b>340,147</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>153,161</b>	<b>(91,581)</b>	<b>(480,880)</b>
<b>Total comprehensive income / (loss) attributable to:</b>			
- Owners of the parent	133,410	(89,525)	(570,106)
- Non-controlling interests	19,751	(2,056)	89,226
	153,161	(91,581)	(480,880)

## Consolidated Statement Of Financial Position

	Unaudited Mar 2010 TTS'000	Unaudited Mar 2009 TTS'000 (Restated)	Audited Dec 2009 TTS'000
<b>ASSETS</b>			
Property, plant and equipment	505,252	591,606	508,644
Investment properties	931,632	745,301	959,190
Intangible assets	269,871	625,455	270,232
Investment in associated companies	274,101	268,915	274,074
Financial assets	10,919,358	10,817,701	10,741,996
Loans and receivables including reinsurance receivables	1,071,203	1,122,162	1,196,828
Pension plan assets	50,535	105,685	53,973
Value to shareholders of inforce long term business	599,710	552,750	583,705
Deferred tax asset	24,918	55,366	47,378
Reinsurance assets	394,379	1,005,048	408,138
Deferred acquisition costs	442,122	525,589	466,540
Taxation recoverable	179,001	118,856	158,295
Cash and cash equivalents	2,207,879	2,648,555	2,104,353
Other assets	1,335,857	1,662,906	1,155,944
Assets held for sale	1,068,005	-	1,319,239
	20,273,823	20,845,895	20,248,529
<b>Segregated funds</b>			
Financial assets of Mutual Fund unit holders	1,155,011	649,765	962,445
Cash and cash equivalents of Mutual Fund unit holders	159,682	48,352	130,308
Segregated fund assets of life insurance policyholders	422,124	355,360	400,944
	1,736,817	1,053,477	1,493,697
<b>Total assets</b>	<b>22,010,640</b>	<b>21,899,372</b>	<b>21,742,226</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	1,547,609	1,542,062	1,545,659
Reserves	(339,304)	(753,304)	(329,809)
Retained earnings	1,201,037	2,048,925	1,124,860
<b>Equity attributable to owners of the parent</b>	<b>2,409,342</b>	<b>2,837,683</b>	<b>2,340,710</b>
<b>Non-controlling interests</b>			
Mutual Fund holders	1,078,551	568,283	866,167
Non-controlling interests in subsidiaries	99,798	99,009	105,429
<b>Total non-controlling interests</b>	<b>1,178,349</b>	<b>667,292</b>	<b>971,596</b>
<b>Total equity</b>	<b>3,587,691</b>	<b>3,504,975</b>	<b>3,312,306</b>
<b>LIABILITIES</b>			
Insurance contracts	10,840,435	12,193,376	10,511,045
Financial liabilities	4,689,836	4,706,552	4,844,724
Post retirement medical benefit obligations	71,941	48,528	69,498
Deferred tax liability	188,361	227,616	199,726
Provision for taxation	106,070	75,941	95,776
Other liabilities	925,700	787,024	860,608
Liabilities related to assets held for sale	1,178,482	-	1,447,599
	18,000,825	18,039,037	18,028,976
<b>Segregated fund liabilities of life insurance policyholders</b>	<b>422,124</b>	<b>355,360</b>	<b>400,944</b>
<b>Total liabilities</b>	<b>18,422,949</b>	<b>18,394,397</b>	<b>18,429,920</b>
<b>Total equity and liabilities</b>	<b>22,010,640</b>	<b>21,899,372</b>	<b>21,742,226</b>

These financial statements have been approved for issue by the Board of Directors on May 5, 2010 and signed on its behalf:



Director



Director

## Consolidated Statement Of Changes In Equity

	Unaudited Mar 2010 TTS'000	Unaudited Mar 2009 TTS'000 (Restated)	Audited Dec 2009 TTS'000
Balance at the beginning of the period	3,312,306	3,589,253	3,589,253
Profit / (loss) for the period	150,310	18,733	(821,027)
Other comprehensive income / (loss) for the period	2,851	(110,314)	340,147
<b>Total comprehensive income / (loss) for the period</b>	<b>153,161</b>	<b>(91,581)</b>	<b>(480,880)</b>
Net change in Mutual Fund holder balances	194,289	87,681	323,334
Share option scheme - value of services provided	1,950	3,343	9,193
Repurchase of shares	-	(1,529)	(1,529)
Dividends	(74,015)	(82,192)	(127,065)
<b>Balance at the end of the period</b>	<b>3,587,691</b>	<b>3,504,975</b>	<b>3,312,306</b>

## Consolidated Statement Of Cash Flows

	Unaudited Mar 2010 TT\$'000	Unaudited Mar 2009 TT\$'000 (Restated)	Audited Dec 2009 TT\$'000
Profit before taxation from continuing operations	215,540	48,979	493,910
Loss before taxation from discontinued operations	(3,977)	(14,045)	(1,190,388)
Adjustment for specific items included on the accruals basis:			
- Interest expense	19,716	25,784	110,286
- Investment income	(222,639)	(234,281)	(939,843)
Interest and dividends received	253,507	205,562	899,147
Adjustments for non-cash items	(108,723)	111,003	1,241,426
Operating profit before changes in operating assets / liabilities	153,424	143,002	614,538
Net increase in insurance liabilities	329,390	60,694	843,071
Net purchases of financial assets	(349,359)	(548,671)	(1,029,316)
Net movement in other operating assets and liabilities	10,780	(47,868)	(1,051,088)
Cash provided by / (used in) operating activities	144,235	(392,843)	(622,795)
Interest paid	(1,810)	(3,682)	(99,268)
Net taxation (paid) / received	(11,732)	1,798	(73,826)
Net cash provided by / (used in) operating activities	130,693	(394,727)	(795,889)
Net cash (used in) / provided by investing activities	(5,476)	(18,793)	35,910
Net cash provided by financing activities	18,969	108,402	513,844
Net increase / (decrease) in cash and cash equivalents	144,186	(305,118)	(246,135)

**Note:**

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and accordingly should be read in conjunction with the Group's annual financial statements as at 31 December 2009. For comparative purposes, adjustments and reclassifications to prior year numbers have been made to conform to the current year reporting.

## Segment Information

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Asset management TT\$'000	Other TT\$'000	Total Group TT\$'000
<b>Three months ended 31 March 2010</b>					
Total segment revenue	786,199	617,313	44,246	1,005	1,448,763
Inter-segment revenue	(18,648)	(171,920)	(6,817)	531	(196,854)
<b>Revenue from external customers</b>	<b>767,551</b>	<b>445,393</b>	<b>37,429</b>	<b>1,536</b>	<b>1,251,909</b>
Operating profit / (loss) before fair value gains	59,822	20,731	24,686	(17,760)	87,479
Fair value gains	72,606	8,053	64,357	14	145,030
<b>Operating profit / (loss)</b>	<b>132,428</b>	<b>28,784</b>	<b>89,043</b>	<b>(17,746)</b>	<b>232,509</b>
<b>Three months ended 31 March 2009</b>					
Total segment revenue	737,930	746,037	36,867	14,297	1,535,131
Inter-segment revenue	(17,801)	(348,045)	(5,838)	(11,297)	(382,981)
<b>Revenue from external customers</b>	<b>720,129</b>	<b>397,992</b>	<b>31,029</b>	<b>3,000</b>	<b>1,152,150</b>
Operating profit / (loss) before fair value losses	107,799	56,846	20,389	(17,201)	167,833
Fair value losses	(70,057)	(4,357)	(20,942)	(1,633)	(96,989)
<b>Operating profit / (loss)</b>	<b>37,742</b>	<b>52,489</b>	<b>(553)</b>	<b>(18,834)</b>	<b>70,844</b>
<b>Total assets</b>					
31 March 2010	12,876,115	5,654,117	3,014,271	466,137	22,010,640
31 March 2009 (Restated)	11,673,831	6,938,415	2,335,695	951,431	21,899,372
31 December 2009	12,396,513	5,765,505	2,917,319	662,889	21,742,226