

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

EXPRESSED IN TRINIDAD & TOBAGO DOLLARS



CHAIRMAN'S REPORT

I am pleased to report that GHL produced a net profit after tax from continuing operations of \$465 million or \$2.04 per share for the year under review. This very satisfactory result was achieved against a backdrop of one of the worst years for the insurance industry worldwide and illustrates the continuing strong performance of our core insurance businesses operating within the Caribbean region.

In the third quarter of 2011 we completed the sale of the last of our UK businesses, our Lloyd's of London Managing Agency, Jubilee, and realized a gain on the sale of the shares of \$74 million. At that time, underwriting losses at Jubilee amounted to \$67 million. However, over the next three months those losses grew to \$210 million arising mainly from unprecedented catastrophe losses. It should be noted that the current owners of Jubilee establish reserves for both known and unknown losses with little input from former capital providers such as GHL. We do not agree with these large provisions and are of the view that ultimately the losses will be well below their figures. We have however booked the full provision for these losses based on their external actuary's report. These losses are being recorded as discontinued operations and have been reclassified on a similar basis for 2010 per IFRS accounting standards. By taking these measures, we believe we subsume any future negative movements, and for all intents and purposes have brought our U.K. investment to an end.

After taking into consideration the loss on the Jubilee discontinued operations, GHL's net profit after tax attributable to its shareholders amounted to \$261 million, or earnings per share of \$1.13. This compares to last year's \$406 million, or earnings per share of \$1.94.

Our core Caribbean insurance activities recorded one of their best results. Their net income from underwriting activities increased 38% to \$360 million from \$261 million. Gross premiums written, our "top line," increased 12% to \$4.007 billion from \$3.567 billion. Our results from investing activities produced \$1.056 billion in revenue as compared to last year's results of \$1.159 billion, an 8.9% decrease. The low interest rate environment accounted for this decline.

Net income from all activities amounted to \$1.416 billion for the full year as compared to last year's \$1.420 billion.

Operating expenses were contained at \$729 million versus \$728 million for the prior year, representing, in real terms, a commendable reduction. Finance charges were higher by \$27 million due to a period of negative carry associated with the \$1 billion bond we raised in the first quarter of the year and is a one-off change. The results of associated companies were \$25 million negative as against a gain of \$23 million. This is, in the main, as a result of a one-off write down in the value of a real estate investment in Jamaica.

The return on shareholders equity, which increased 4% to \$3.155 billion, was 14.5%, whilst the return on total assets, which increased 2.5% to \$21.5 billion, was 4.9%.

Given our overall satisfactory results, our continued positive outlook for our business and a positive generation of net cash from our activities of \$299 million, your board of directors has decided to pay a final dividend of 37 cents. This coupled with our interim dividend of 15 cents provides our shareholders with a total dividend of 52 cents. This is a 4% increase over last year's dividend of 50 cents and will be paid to shareholders of record on April 16, 2012 when the Register of Members will be closed for this purpose.

The Directors have also fixed the date of the Annual Meeting for May 8, 2012 at 4:30 p.m. 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 audited financial statements for the financial year ended 31st December 2011 will be forwarded to Shareholders in due course.

Arthur Lok Jack
Chairman

CONSOLIDATED STATEMENT OF INCOME

	Audited 12 months Dec 2011 TT\$'000	Audited 12 months Dec 2010 TT\$'000
Gross premiums written	4,007,139	3,566,889
Net premiums written	2,904,132	2,873,077
Net income from insurance underwriting activities	360,208	261,277
Net income from investing activities	1,055,928	1,158,667
Net income from all activities	1,416,136	1,419,944
Operating expenses	(729,204)	(728,032)
Finance charges	(110,044)	(82,854)
Operating profit	576,888	609,058
Share of (loss)/profit of associated companies	(25,005)	23,026
Profit before taxation	551,883	632,084
Taxation	(87,148)	(136,798)
Profit after taxation	464,735	495,286
Amount attributable to participating policyholders	(8,716)	(14,359)
Profit from continuing operations	456,019	480,927
Net loss on discontinued operations	(209,909)	(55,584)
Profit for the year	246,110	425,343
Profit attributable to:		
- Equity holders of the parent	261,103	405,505
- Non-controlling interests	(14,993)	19,838
	246,110	425,343
Earnings per share:		
- Basic - for profit attributable to ordinary equity holders of the parent	\$1.13	\$1.94
- Diluted - for profit attributable to ordinary equity holders of the parent	\$1.10	\$1.88
Earnings per share for continuing operations		
- Basic - for profit attributable to ordinary equity holders of the parent	\$2.04	\$2.20
- Diluted - for profit attributable to ordinary equity holders of the parent	\$1.98	\$2.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months Dec 2011 TT\$'000	Audited 12 months Dec 2010 TT\$'000
Profit for the year	246,110	425,343
Other comprehensive (loss)/income		
Exchange differences on translating foreign operations	(17,036)	68,592
Gains on property revaluation	1,926	1,312
Actuarial losses on defined benefit pension plans	(60,743)	(14,771)
Other reserve movements	934	265
Income tax relating to components of other comprehensive income	(580)	(890)
Other comprehensive (loss)/income for the year, net of tax	(75,499)	54,508
Total comprehensive income for the year, net of tax	170,611	479,851
Total comprehensive income/(loss) attributable to:		
- Equity holders of the parent	220,797	464,856
- Non-controlling interests	(50,186)	14,995
	170,611	479,851

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 (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2011

EXPRESSED IN TRINIDAD & TOBAGO DOLLARS



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited Dec 2011 TT\$'000	Audited Dec 2010 TT\$'000
ASSETS		
Property, plant and equipment	501,275	509,744
Investment properties	1,120,431	905,507
Intangible assets	254,278	253,484
Investment in associated companies	202,010	276,847
Financial assets	11,257,043	11,183,338
Financial assets of mutual fund unit holders	1,164,983	1,244,907
Loans and receivables	1,510,752	2,148,127
Lands for development and sale	391,048	305,382
Pension plan assets	45,827	86,728
Value of inforce life insurance business	742,043	673,474
Deferred tax assets	21,490	25,595
Reinsurance assets	680,273	761,614
Segregated fund assets of life insurance policyholders	499,502	459,937
Deferred acquisition costs	72,657	369,623
Taxation recoverable	138,205	157,550
Cash and cash equivalents	1,739,394	1,475,421
Cash and cash equivalents of mutual fund unit holders	161,050	150,517
Assets held for sale	1,000,356	--
Total assets	21,502,617	20,987,795
EQUITY AND LIABILITIES		
Share capital	2,008,338	2,003,470
Reserves	(264,360)	(249,587)
Retained earnings	1,410,625	1,285,362
Equity attributable to owners of the parent	3,154,603	3,039,245
Non-controlling interests in subsidiaries	39,668	91,079
Total equity	3,194,271	3,130,324
Liabilities		
Insurance contracts	11,610,115	12,453,763
Financial liabilities	2,965,525	2,729,732
Third party interests in mutual funds	1,085,343	1,065,548
Segregated fund liabilities of life insurance policyholders	499,502	459,937
Post retirement medical benefit obligations	60,923	78,916
Deferred tax liabilities	198,928	208,432
Provision for taxation	56,463	102,308
Other liabilities	831,191	758,835
Liabilities related to assets held for sale	1,000,356	--
Total liabilities	18,308,346	17,857,471
Total equity and liabilities	21,502,617	20,987,795

These financial statements have been approved for issue by the board of directors on 23 March 2012 and signed on its behalf:

Director

Director

SEGMENT INFORMATION

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Asset management TT\$'000	Other companies TT\$'000	Consolidation adjustments TT\$'000	Group TT\$'000
Twelve months ended 31 December 2011						
Gross premiums written	2,302,204	1,704,935	--	--	--	4,007,139
Net premiums written	2,183,213	720,919	--	--	--	2,904,132
Underwriting revenue	2,254,301	841,002	--	--	--	3,095,303
Underwriting expenses	(2,248,100)	(486,995)	--	--	--	(2,735,095)
Net income from investing activities	817,853	182,412	65,455	847,015	(856,807)	1,055,928
Net income from all activities	824,054	536,419	65,455	847,015	(856,807)	1,416,136
Operating expenses	(428,924)	(199,755)	(34,921)	(249,274)	183,670	(729,204)
Finance charges	(5,323)	(19,346)	(3,041)	(136,773)	54,439	(110,044)
Operating profit	389,807	317,318	27,493	460,968	(618,698)	576,888
Twelve months ended 31 December 2010						
Gross premiums written	2,241,789	1,325,100	-	-	-	3,566,889
Net premiums written	2,137,387	735,690	-	-	-	2,873,077
Underwriting revenue	2,232,441	1,150,302	-	-	-	3,382,743
Underwriting expenses	(2,180,316)	(941,150)	-	-	-	(3,121,466)
Net income from investing activities	763,970	116,217	48,153	690,222	(459,895)	1,158,667
Net income from all activities	816,095	325,369	48,153	690,222	(459,895)	1,419,944
Operating expenses	(421,649)	(191,296)	(51,704)	(160,436)	97,053	(728,032)
Finance charges	(1,135)	(16,117)	(4,478)	(105,167)	44,043	(82,854)
Operating profit	393,311	117,956	(8,029)	424,619	(318,799)	609,058
Total Assets						
31 December 2011	14,740,086	4,149,423	1,583,054	1,419,141	(389,087)	21,502,617
31 December 2010	13,760,825	4,859,075	1,615,322	1,179,559	(426,986)	20,987,795

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited Dec 2011 TT\$'000	Audited Dec 2010 TT\$'000
Balance at beginning of the period	3,130,324	2,342,437
Total comprehensive income	170,611	479,851
Movement in unallocated shares	197	--
Issue of shares	--	412,609
Share option scheme - value of services provided	5,270	1,950
Dividends	(112,131)	(106,523)
Balance at the end of period	3,194,271	3,130,324

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Dec 2011 TT\$'000	Audited Dec 2010 TT\$'000
Profit before taxation from continuing operations	551,883	632,084
Loss before taxation from discontinued operations	(209,909)	(55,584)
	341,974	576,500
Adjustment for specific items included on the accruals basis:		
- Interest expense	110,044	82,854
- Investment income	(857,053)	(888,213)
Interest and dividends received	844,228	973,020
Adjustments for non-cash items	(142,149)	(339,801)
Operating profit before changes in operating assets / liabilities	297,044	404,360
Net increase in insurance liabilities	155,142	445,759
Net purchases of financial assets	(200,512)	(790,058)
Net purchases of/additions to investment properties	(200,192)	(188,670)
Net movement in other operating assets and liabilities	301,886	254,945
Cash provided by operating activities	353,368	126,336
Interest paid	(108,045)	(132,065)
Net taxation paid	(120,251)	(107,748)
Net cash used in operating activities	125,072	(113,477)
Net cash provided by investing activities	78,072	60,716
Net cash provided by/(used in) financing activities	95,466	(849,928)
Net increase/(decrease) in cash and cash equivalents	298,610	(902,689)

NOTE 1: BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated statement of income, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows. These summary financial statements are derived from the audited consolidated financial statements of Guardian Holdings Limited and its subsidiaries for the year ended 31 December 2011.

These summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2011 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 judgement as disclosed in "Note 3" of the 31 December 2011 audited financial statements, have also remained unchanged.

CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED DECEMBER 31, 2011

EXPRESSED IN TRINIDAD & TOBAGO DOLLARS



REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Guardian Holdings Limited

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2011, and the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, are derived from the audited financial statements of Guardian Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2011. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 23 March 2012.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated 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 consolidated financial statements on the basis of their established criteria as described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated 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 consolidated financial statements derived from the audited consolidated financial statements of the Group for the year ended 31 December 2011 are consistent, in all material respects, with those financial statements, on the basis of management's established criteria as described in Note 1.

A handwritten signature in cursive script that reads "Ernst + Young".

Port of Spain,
TRINIDAD:
23 March 2012

