

Guardian Holdings Limited (GHL)

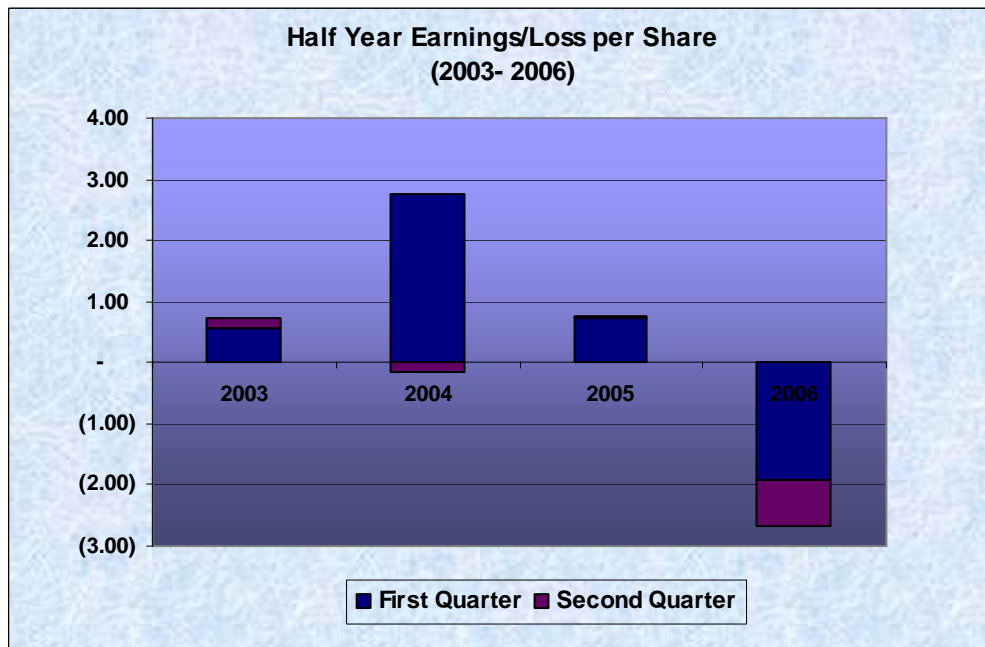
	<u>GHL</u>
RECOMMENDATION	Long Term BUY
Current Price	\$18.02
Dividend Yield (FY 2005)	1.71%
Return on Assets (FY 2005)	2.90%
Return on Equity (FY 2005)	13.78%

Results for the Half Year Ended June 30, 2006

Loss per Share

Guardian Holdings Limited (GHL) has reported another significant loss for the Half Year ended June 30, 2006. Diluted Loss per share stood at \$2.67 for the period, down by \$3.44 or 446.75% on the corresponding period in 2005. For the three months ended June 30, 2006, the diluted Loss per share was \$0.75, thus the bulk of the loss was borne in the first quarter of 2006. (See Graph 1) While HY 2003 and HY 2005 were somewhat similar in terms of Earnings per Share (EPS), there has been no consistency or apparent trend in EPS over the half year periods 2003-2006.

Graph 1



Dividends

The Board of Directors has decided to pay an Interim Dividend of \$0.15 per share, with an Ex-Dividend Date of August 15, 2006 and Payment Date of August 25, 2006



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Financials

The Loss after Taxation for the half year period amounted to \$548.81 million; however 78.35% or \$430 million of this figure was a result of Fair Value Losses in the equity investments portfolio. Excluding these Fair Value Losses, the Company would have made a Loss after Taxation of approximately \$96 million or a diluted loss per share of approximately \$0.47.

The Chairman attributed the Loss after Taxation (exclusive of Fair Value Losses) to one-off costs associated with the reengineering of its UK Operations. This process involves the consolidation and rationalization of its two Property and Casualty Businesses: Link Insurance and Zenith Services UK Limited; in addition to the appropriate assets and personnel of its Third Party Administrator and Claims Service Provider (Rubicon Insurance Solution Limited's Maidstone Operation).

In addition to the bottom line being poor, the top line was also significantly hampered with Total Revenue falling by \$553.58 million or 24.92%, to end at \$1.67 billion. This significant fall was largely due to Other Revenue, which was down by a significant 98.07% or \$544.53 million, to end at \$10.73 million. While, Net Insurance Premium Revenue decreased by a marginal 0.54% or \$9.05 million to \$1.66 billion.

The Company's Net Insurance Benefits and Claims increased by \$32.37 million or 2.65% to \$1.25 billion, while Expenses were up \$103.07 million or 13.35% to \$875.25 million. The Operating Loss for the period was \$461.91 million, down by \$689.01 million or 303.39% when compared to the Operating Profit of \$227.11 million in the comparable period of 2005.

Share of Profit of Associated Companies increased marginally by 0.35% to \$6.68 million; however this was offset by an increase of \$13.83 million or 26.54% in Finance Charges. Loss before Taxation stood at \$548.81 million a fall of \$700.49 million on the comparable period's Profit of \$151.68 million. The Effective Tax Rate was reduced significantly from 16.50% in the half year ended 2005 to 5.30% in the current period.

Table 1 Shows a Financial Comparison over the period 2003-2006

Table 1

GHL's Financial Data (2003-2006)								
	YE 2005	% Change '04-'05	YE 2004	% Change '03-'04	YE 2003	HYE 2006	HYE 2005	% Change HY05-HY06
Total Revenue	4,381,701	21.88%	3,594,950	27.17%	2,826,856	1,667,480	2,221,058	-24.92%
Operating Profit/Loss	495,339	-41.45%	846,023	55.07%	545,588	(461,906)	227,107	-303.39%
Finance Charges	122,345	16.37%	105,135	-11.41%	118,670	65,944	52,112	26.54%
Profit/Loss Before Taxation	455,959	-35.05%	701,987	-44.88%	1,273,653	(521,175)	181,647	-386.92%
Taxation	63,735	-47.81%	122,116	-24.77%	162,331	27,635	29,970	-7.79%
Profit/Loss After Taxation	372,224	-35.81%	579,871	-47.82%	1,111,322	(548,810)	151,677	-461.83%
EPS/LPS	1.85	-37.92%	2.98	-52.32%	6.25	-2.67	0.77	-446.75%
P/E Ratio	17.3	46.61%	11.8	131.37%	5.1			
Dividend	0.55	10.00%	0.5	-7.41%	0.54			
Dividend Payout Ratio	29.73%	77.18%	16.78%	94.21%	8.64%			
Dividend Yield	1.71%	20.42%	1.42%	-16.47%	1.70%			
Net Asset Value	\$18.56	11.87%	\$16.59	25.78%	\$13.19			
Market to Book Ratio	1.73	-18.40%	2.12	-12.03%	2.41			
Shares Outstanding	201,202	5.00%	191,619	0.47%	190,729			



Synopsis of Non-European Markets

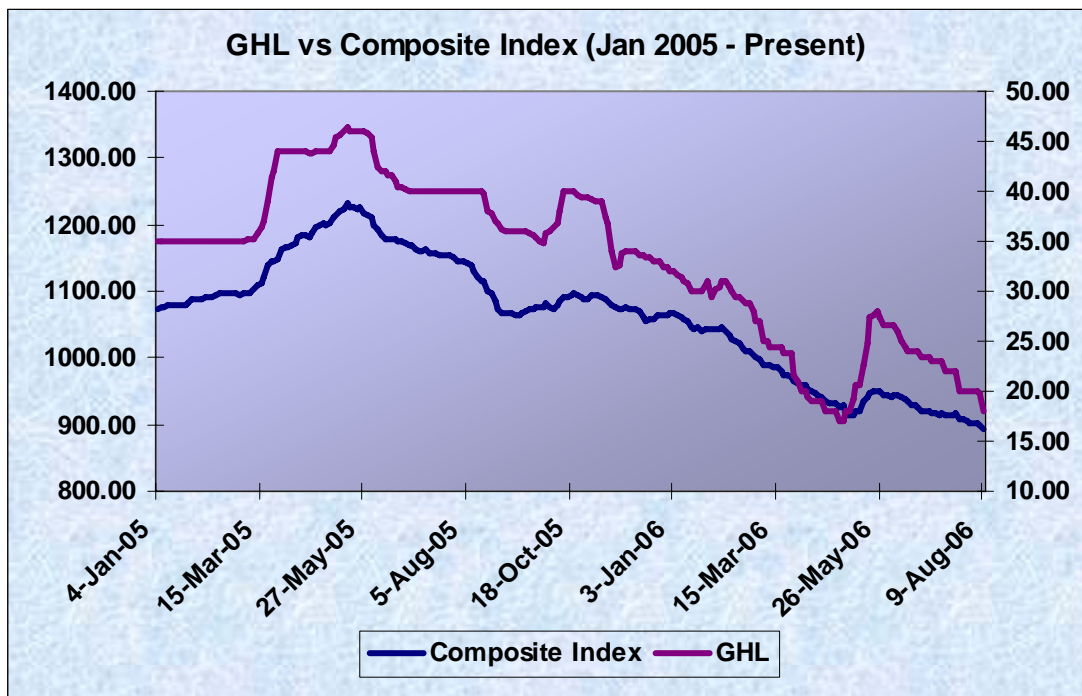
The Chairman has given the following synopsis of markets outside of Europe: The Caribbean based Property and Casualty businesses are producing excellent profitability. Also, the Life, Health and Pension businesses continue to enjoy growth in new premium income of 17.2% in Trinidad & Tobago and 9% in Jamaica, over the corresponding half year in 2005. In the Netherland Antilles, companies are on target to meet budgeted premium income in 2006. The Asset Management business has exceeded its profit targets for the first six months of 2006, while Grupo Mundial, the associate company in Central America is performing exceptionally well. GHL is continuing to look for new opportunities in Central America.

Share Price

The share price of GHL has been relatively volatile from January 2005 to date; reaching a high of \$46.32 on March 17, 2005 and a low of \$17.00 on April 28, 2006. This represents a fall in value of approximately 63%. GHL shares are currently trading at a price of \$18.02 and at a Net Asset Value of \$15.68 per share- the stock is trading at a market to book ratio of 1.15 times.

As can be seen from the graph below, there is mirrored effect in movements of GHL's price and the Composite Index. This is due to the fact that GHL has a significant weighting impact on the Index. Thus, movements in price of GHL would have the effect of moving the Index in the same direction. (See Graph 2)

Graph 2





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Outlook

While GHL is not expected to make a Profit by year end, we do expect to see some recovery and improvement in the bottom line, in the financial year 2007. GHL's equity portfolio is greatly impacted by the share price of RBTT and going forward we do not see the share price for this Company declining much further. As such, we expect to see much less fair value losses and even potential gains in the equity portfolio for 2007. Thus, the market should regain its focus on the operations of the Group, which in the medium to long term looks strong.

Recommendation

GHL is a first class Company with a strong asset base. Thus at the low price of \$18.02, this share is trading at a bargain and would be a good opportunity for investors looking for a long-term investment. Though, it should be noted that at this low price, it is unlikely that it will attract supply in the market. As such, we do not expect the price of this share to go much lower than \$18.00. Our recommendation at this point is Long-Term BUY.

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