

Guardian Holdings Limited (GHL)

SYMBOL	GHL
RECOMMENDATION	Long Term BUY
Current Price	\$19.00

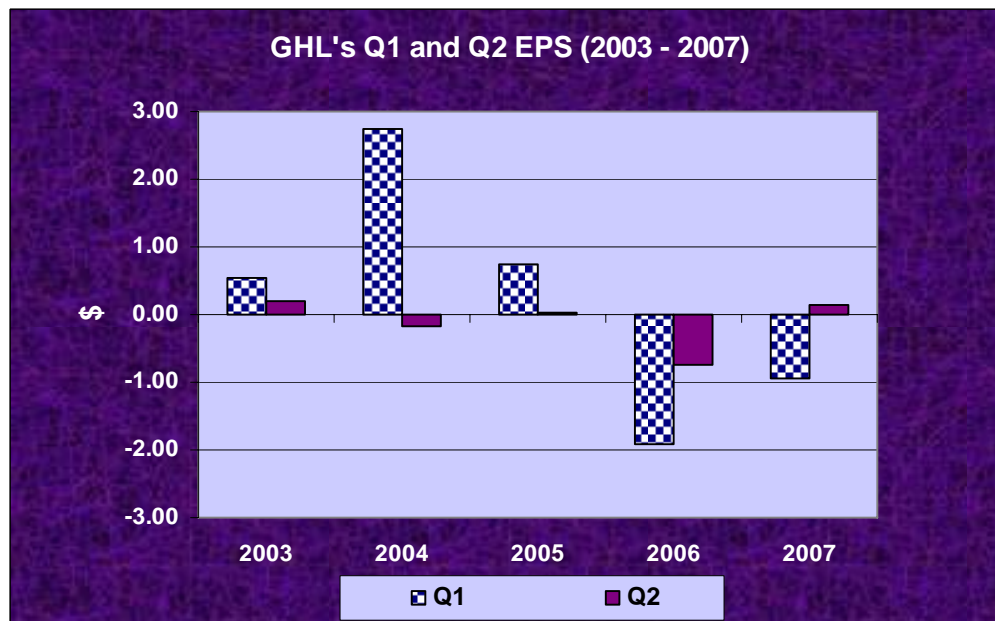
Results for the Half Year Ended June 30, 2007

Financials

For the Half Year Ended June 30, 2007, Guardian Holdings Limited (GHL) reported an Operating Profit (before fair value losses) of \$167.56 million compared to an Operating Loss (before fair value losses) of \$21.89 million for HY06. Thus, HY07 on HY06 the Group saw a substantial increase of \$189.45 million in profits. Operating Profit for the second quarter of FY07 stood at \$80.91 million, up \$110.55 million on the corresponding quarter in FY06. However, when comparing Q207 with Q107, Operating Profit from core operations was down 6.62 per cent or \$5.74 million from \$86.65 million.

While GHL saw substantial growth in core earnings, these profits were nonetheless eaten away by unrealized fair value losses which amounted to \$249.74 million for HY07. As such, the Group reported a diluted Loss Per Share (LPS) of \$0.81 for HY07 compared to a diluted LPS of \$2.67 in the corresponding period in the last financial year. However, it is interesting to note that Q207 had a fair value gain of \$1.40 million and as such reported Earnings Per Share (EPS) of \$0.14 compared to a LPS of \$0.75 for Q206. **Graph 1** below shows the Earnings/ Loss Per Share for the first and second quarter for GHL over the period 2003-2007.

Graph 1





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For the Half Year period under review Net Insurance Premium Revenue amounted to \$2.06 billion, up a significant 24.09 per cent on the corresponding period in FY06. This was the result of a 10.83 per cent increase in Insurance Premium Revenue to end at \$2.43 billion coupled with a 30.38 per cent decrease in Insurance Premium Ceded to Reinsurers, from \$533.89 million (HY06) to \$371.68 million (HY07). The growth in Insurance Premium Revenue was primarily due to the recovery of the Group's UK operations where premiums increased by 31 per cent from \$741 million to \$974 million. The premium growth in the UK was as a result of several factors – increased rates, increased volume of premiums and an appreciation in the exchange rate. The fall in Insurance Premium Ceded to Reinsurers was due to a change in the product mix in the UK from property insurance to motor vehicle insurance. Q207 on Q206, Net Insurance Premium Revenue also saw a significant increase from \$818.86 million to \$1.03 billion, however when Q207 is compared to Q107- this figure fell by a marginal 0.47 per cent mainly due to a fall of 6.61 per cent in Insurance Premium Revenue.

The Chairman has attributed the positive performance of the Group to notable revenue growth in all classes of the business over the 2006 levels. Life Premiums increased by 20 per cent, Health Premiums by 10 per cent and Property and Casualty Premiums by 29 per cent.

Investment Income ended the Half Year at \$392.72 million, up 16.89 per cent or \$56.76 million on the corresponding period in FY06. While Fees and Commission income saw exceptional growth, moving from \$17.58 million for HY06 to \$62.87 million for HY07- a substantial increase of 257.67 per cent. Other Revenue also increased, but by a significantly smaller margin of 10.83 per cent from \$103.08 million (HY06) to \$114.25 million. Thus, the Group's Total Revenue amounted to \$2.63 billion for the period under review which represented growth of 24.24 per cent on the comparable period in FY06. Q207 on Q206, this figure rose by a similar margin of 25.71 per cent; however quarter on quarter, Total Revenue fell by a marginal 0.59 per cent from \$1.32 billion (Q107) to \$1.31 billion (Q207).

Net Insurance Benefits and Claims amounted to \$1.58 billion for HY07, up a considerable 29.50 per cent or \$359.67 million on the same period for FY06. Quarter on quarter, this figure fell by 5.10 per cent or \$41.86 million from \$820.12 million (Q107) to \$778.26 million (Q207). HY07 on HY06, Expenses fell by 3.94 per cent or \$36.16 million to end the period at \$882.50 million. Q207 on Q206, Expenses were also controlled, however Q207 on Q107, this figure rose by 9.68 per cent or \$39.83 million.

As stated previously, the Group reported an Operating Profit (before fair value losses) of \$167.56 million for HY07. After deducting the Fair Value Losses of \$249.74 million, the Group reported an Operating Loss of \$82.18 million, which was a significant improvement on the Operating Loss of \$509.03 million for HY06.

Share of Profits of Associated Companies for the period under review stood at \$18.89 million, up a significant 183.06 per cent or \$12.22 million on the same figure for HY06. Q207 on Q206, this figure also saw substantial growth moving from \$0.002 million to \$11.43 million. Finance Charges for the period totaled \$74.08 million, up 12.33 per cent or \$8.13 million on the corresponding period for FY06. Thus, GHIL's Loss Before Taxation was \$137.37 million for HY07 compared to a Loss of \$568.30 million for HY06.

Taxation for the period under review was \$47.12 million compared to \$32.06 million for the same period in the last financial year. Consequently, Loss After Taxation ended at \$184.48 million compared to \$600.36 million for HY06.



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See Table 1 for GHL's Half Year Financial Data, including first and second quarter data over the period 2006-2007.

Table 1

GHL's Financial Data for Half Year 2007 & 2006								
	HY 2007 \$'000	% Change HY'07- HY'06	Restated HY 2006 \$'000	Q2 2007 \$'000	% Change Q2'07- Q2'06	Restated Q2 2006 \$'000	Q1 2007 \$'000	% Change Q2'07- Q1'07
Insurance Premium Revenue	2,430,835	10.83%	2,193,303	1,173,871	9.90%	1,068,086	1,256,964	-6.61%
Insurance Premium ceded to Reinsurers	(371,683)	-30.38%	(533,891)	(146,733)	-41.13%	(249,231)	(224,950)	-34.77%
Net Insurance Premium Revenue	2,059,152	24.09%	1,659,412	1,027,138	25.44%	818,855	1,032,014	-0.47%
Investment Income	392,721	16.89%	335,964	217,367	24.07%	175,198	175,354	23.96%
Fees & Commission	62,871	257.67%	17,578	32,137	-1899.38%	(1,786)	30,734	4.56%
Other Revenue	114,249	10.83%	103,083	33,972	-32.46%	50,300	80,277	-57.68%
Total Revenue	2,628,993	24.24%	2,116,037	1,310,614	25.71%	1,042,567	1,318,379	-0.59%
Net Insurance Benefits and Claims	(1,578,937)	29.50%	(1,219,269)	(778,258)	29.28%	(601,977)	(820,116)	-5.10%
Expenses	(882,501)	-3.94%	(918,660)	(451,446)	-4.00%	(470,234)	(411,618)	9.68%
Operating Profit (before fair value losses)	167,555	-865.37%	(21,892)	80,910	-372.94%	(29,644)	86,645	-6.62%
Fair Value Gains/(Losses)	(249,738)	-48.73%	(487,135)	1,400	-101.77%	(79,107)	(251,138)	-100.56%
Operating Loss	(82,183)	-83.85%	(509,027)	82,310	-175.69%	(108,751)	(164,493)	-150.04%
Share of Profits/(Losses) of Associated Companies	18,894	183.06%	6,675	11,430	571600.00%	(2)	7,464	53.14%
Finance Charges	(74,076)	12.33%	(65,944)	(39,587)	14.73%	(34,505)	(34,489)	14.78%
Loss Before Taxation	(137,365)	-75.83%	(568,296)	54,153	-137.80%	(143,258)	(191,518)	-128.28%
Taxation	(47,116)	46.95%	(32,063)	(22,061)	44.47%	(15,270)	(25,055)	-11.95%
Loss After Taxation	(184,481)	-69.27%	(600,359)	32,092	-120.24%	(158,528)	(216,573)	-114.82%
Amount Attributable to Participating Policyholders	16,787	-67.43%	51,549	(3,757)	-217.19%	3,206	20,544	-118.29%
Loss for Period	(167,694)	-69.44%	(548,810)	28,335	-118.24%	(155,322)	(196,029)	-114.45%
Earnings/ (Loss) Per Share - Diluted	(\$0.81)	-69.66%	(\$2.67)	\$0.14	-118.67%	(\$0.75)	(\$0.95)	-114.74%



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See Table 2 for GHL's Year End Financial Data over the period 2003-2006.

Table 2

GH L's Year End Financial Data (2003-2006)							
	YE 2006 \$'000	% Change '05-'06	Restated YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000	% Change '03-'04	YE 2003 \$'000
Net Insurance Premium Revenue	3,694,948	13.98%	3,241,721	76.09%	1,840,991	16.21%	1,584,203
Total Revenue	4,602,559	4.17%	4,418,392	22.91%	3,594,950	27.17%	2,826,856
Operating Profit/Loss	(34,309)	-106.72%	510,577	-39.65%	846,023	55.07%	545,588
Finance Charges	(148,242)	21.17%	(122,345)	16.37%	(105,135)	-11.41%	(118,670)
Profit/Loss Before Taxation	(158,461)	-134.63%	457,535	-34.82%	701,987	-44.88%	1,273,653
Taxation	(77,383)	-3.02%	(79,794)	-34.66%	(122,116)	-24.77%	(162,331)
Profit/Loss After Taxation	(235,844)	-162.44%	377,741	-34.86%	579,871	-47.82%	1,111,322
Diluted- EPS/LPS	(\$1.14)	-163.33%	\$1.80	-39.60%	\$2.98	-52.32%	\$6.25
Market Price @ Financial Year End	\$28.00	-12.72%	\$32.08	-8.60%	\$35.10	10.38%	\$31.80
P/E Ratio @ Financial Year End	****		17.3		11.8		5.1
Dividend	0.15	-72.73%	0.55	10.00%	0.5	-7.41%	0.54
Dividend Payout Ratio	****		29.73%		16.78%		8.64%
Dividend Yield	0.54%		1.71%		1.42%		1.70%
Net Asset Value	\$17.77	-4.26%	\$18.56	11.87%	\$16.59	25.78%	\$13.19
Market to Book Ratio	1.58		1.73		2.12		2.41
Return on Equity	****		10.77%		20.37%		52.55%
Return on Assets	****		2.27%		4.29%		11.77%
Shares Outstanding	201,700		201,202		191,619		190,729

Dividends

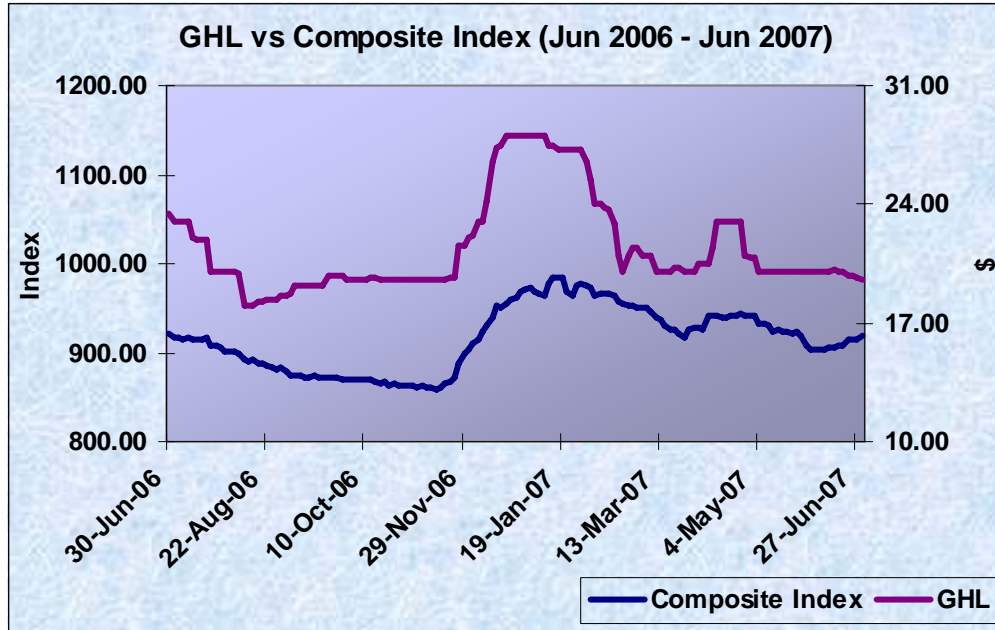
The Board has decided upon a modest interim dividend of 5 cents per share, which will be paid on August 30, 2007 to shareholders on record on August 23, 2007.

Share Price

GH L's share price has been somewhat volatile over the past twelve months. On June 30, 2006, the share closed at a price of \$23.48 before trending downwards to its low of \$18.00 on August 11, 2006. Subsequent to this the share price rose to \$19.75 on September 20, 2006 and traded in the range of \$19.60 and \$19.75 up to November 24, 2006. GH L's price then rose sharply to \$21.61 on November 28, 2006 – the largest percentage increase (9.97 per cent) in subsequent trading days. This sharp rise in price was mainly as a result of the news that FirstCaribbean International Bank Limited (FCI) was a potential buyer of GH L's holdings in RBTT Financial Holdings Limited (RBTT). After this, the share price maintained a steady incline to its peak of \$28.01 on December 20, 2006. The share price then started a decline to reach \$20.00 on February 21, 2007. After which GH L again rose to as high as \$23.00 on April 13, 2007 before returning to its general decline to close the twelve month period at \$19.59.

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

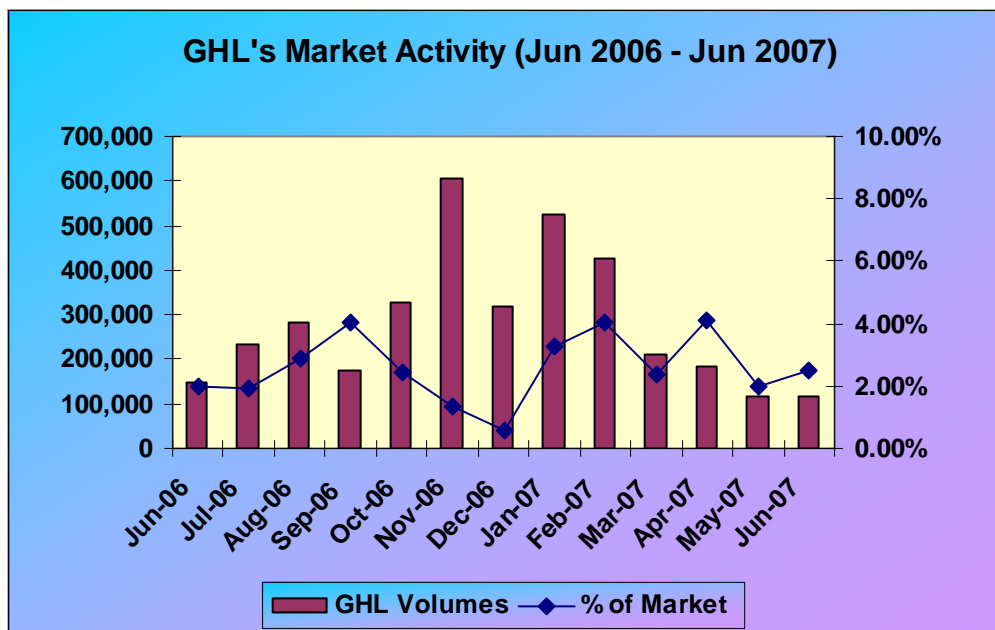
Graph 2



Market Activity

Over the period June 2006 to June 2007, 3,673,566 GHL shares changed hands. November 2006 was the most active during this period as 606,812 shares crossed the floor, while May 2007 saw the lowest volume with 117,482 shares traded. The month of April saw the largest percentage of GHL shares traded in relation to the rest of the market (4.13 per cent) while December 2006 had the lowest percentage (0.55 per cent). (See Graph 3)

Graph 3





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Recommendation

Management does not expect the passage of the first hurricane for the season, Dean, on the Group's operations in St. Lucia, Jamaica, the Cayman Islands and Belize to have any significant impact on its results.

The shares of GHJ last closed at a price of \$19.00 on the local market. While the current results continue to be hampered by the depressed state of the regional markets, the Company's core earnings for the Half Year have shown considerable growth over the corresponding period. Additionally, the Group continues to maintain a healthy Balance Sheet, with a Net Asset Value per share of \$16.98 which translates into an attractive market to book ratio 1.12 times at the current price. Thus, this share is currently trading at a bargain and as such we continue to recommend a ***LONG TERM BUY***.

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