

Independent Auditor's Report

TO THE SHAREHOLDER OF GUARDIAN LIFE OF THE CARIBBEAN LIMITED

Report on the audit of the Company's non-consolidated financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Guardian Life of The Caribbean Limited (the Company) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's non-consolidated financial statements (the financial statements) comprise:

- the non-consolidated statement of financial position as at 31 December 2021;
- the non-consolidated statement of income for the year then ended;
- the non-consolidated statement of comprehensive income for the year then ended;
- the non-consolidated statement of changes in equity for the year then ended;
- the non-consolidated statement of cash flows for the year then ended; and
- the notes to the non-consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



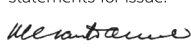
Port of Spain
Trinidad, West Indies
24 February 2022

Non-Consolidated Statement of Financial Position

As at 31 December 2021

	2021 \$'000	2020 \$'000
Assets		
Property, plant and equipment	192,920	202,328
Right-of-use assets	13,033	17,040
Investment properties	273,481	283,934
Investment in subsidiaries	139,570	139,570
Investment securities	9,665,306	8,833,968
Loans and receivables	362,230	430,000
Pension plan assets	5,384	3,506
Deferred tax assets	28,691	4,228
Reinsurance assets	2,222	6,693
Deferred acquisition costs	5,346	4,815
Taxation recoverable	37,133	27,331
Cash and cash equivalents	<u>1,685,775</u>	<u>1,740,175</u>
Total assets	<u>12,411,091</u>	<u>11,693,588</u>
Equity and liabilities		
Share capital	100,465	100,465
Reserves	47,807	48,503
Retained earnings	<u>2,155,111</u>	<u>1,902,880</u>
Total equity	<u>2,303,383</u>	<u>2,051,848</u>
Liabilities		
Insurance contracts	8,531,640	8,074,881
Lease liabilities	19,567	22,671
Investment contract liabilities	1,064,391	1,071,857
Pension plan liabilities	24,844	57,615
Post-retirement medical benefit obligations	34,643	33,718
Deferred tax liabilities	229,405	182,724
Provision for taxation	2,202	17,976
Other liabilities	<u>201,015</u>	<u>180,298</u>
Total liabilities	<u>10,107,708</u>	<u>9,641,740</u>
Total equity and liabilities	<u>12,411,091</u>	<u>11,693,588</u>

On 23 February 2022, the Board of Directors of Guardian Life of The Caribbean Limited authorised these non-consolidated financial statements for issue.



Director



Director

Non-Consolidated Statement of Income

For the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Insurance activities		
Insurance premium income	2,384,844	2,296,153
Insurance premium ceded to reinsurers	(145,065)	(138,924)
Reinsurance commission income	<u>428</u>	<u>4,645</u>
Net underwriting revenue	<u>2,240,207</u>	<u>2,161,874</u>
Policy acquisition expenses	(261,949)	(282,934)
Net insurance benefits and claims	<u>(1,678,978)</u>	<u>(1,707,782)</u>
Underwriting expenses	<u>(1,940,927)</u>	<u>(1,990,716)</u>
Net result from insurance activities	299,280	171,158
Investing activities		
Investment income from financial assets measured at amortised cost	162,948	152,398
Other investment income	284,965	248,582
Net realised (losses)/gains on financial assets measured at amortised cost	(1,471)	420
Net realised gains on other assets	3,270	17,825
Net fair value gains	23,641	1,506
Fee income	8,407	9,547
Other income	9,206	16,184
Investment contract benefits	<u>(24,996)</u>	<u>(23,839)</u>
Net income from investing activities	<u>465,970</u>	<u>422,623</u>
Net income from all activities	765,250	593,781
Net impairment (losses)/gains on financial assets	(118,176)	627
Operating expenses	(395,221)	(349,296)
Finance charges	<u>(1,850)</u>	<u>(2,090)</u>
Profit before taxation	250,003	243,022
Taxation	<u>(30,151)</u>	<u>(23,679)</u>
Profit after taxation	219,852	219,343
(Profit)/loss attributable to participating policyholders	<u>(4,683)</u>	<u>8,557</u>
Profit attributable to equity holders of the company	<u>215,169</u>	<u>227,900</u>

Non-Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Profit for the year	<u>215,169</u>	<u>227,900</u>
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss, net of tax:</i>		
Exchange differences on translating foreign operations	<u>3,775</u>	<u>(14,846)</u>
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	<u>3,775</u>	<u>(14,846)</u>
<i>Items that will not be reclassified subsequently to profit or loss, net of tax:</i>		
(Losses) on property revaluation	(4,471)	(9,779)
Remeasurement of pension plans	30,994	287
Remeasurement of post-retirement medical benefit obligations	949	583
Taxation relating to components of other comprehensive income	<u>5,119</u>	<u>-</u>
Net other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	<u>32,591</u>	<u>(8,909)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>36,366</u>	<u>(23,755)</u>
Comprehensive income attributable to equity holders of the company	<u>251,535</u>	<u>204,145</u>

Non-Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2021	100,465	48,503	1,902,880	2,051,848
Total comprehensive (loss)/income	–	(696)	252,231	251,535
Balance at 31 December 2021	<u>100,465</u>	<u>47,807</u>	<u>2,155,111</u>	<u>2,303,383</u>
Balance at 1 January 2020	103,048	73,128	1,761,527	1,937,703
Total comprehensive (loss)/income	–	(24,625)	228,770	204,145
Share option scheme:				
- value of lapsed options	(2,583)	–	2,583	–
Dividends	–	–	(90,000)	(90,000)
Balance at 31 December 2020	<u>100,465</u>	<u>48,503</u>	<u>1,902,880</u>	<u>2,051,848</u>

Non-Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Cash flows from operating activities		
Profit before taxation	250,003	243,022
Adjustment for specific items included on the accruals basis:		
- Finance charges	1,850	2,090
- Investment income	(448,559)	(403,384)
Adjustment for non-cash items	134,650	14,903
Interest received	358,638	363,175
Dividends received	<u>74,922</u>	<u>48,722</u>
Operating profit before changes in operating assets/liabilities	371,504	268,528
Net increase in insurance liabilities	198,381	279,412
Net decrease/(increase) in reinsurance assets	4,471	(670)
Net (decrease)/increase in investment contracts	(7,465)	50,392
Purchase of investment securities	(3,166,876)	(4,963,067)
Proceeds from sale of investment securities	2,618,403	5,371,097
Purchase of additions to investment properties	(32)	(3,102)
Net (increase) in loans and receivables	(30,720)	(37,967)
Net (increase) in other operating assets/liabilities	<u>(3,614)</u>	<u>(20,326)</u>
Cash (used in)/provided by operating activities	(15,948)	944,298
Interest paid	(1,598)	(855)
Net taxation paid	<u>(28,311)</u>	<u>(16,607)</u>
Net cash (used in)/provided by operating activities	<u>(45,857)</u>	<u>926,836</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,117)	(13,703)
Proceeds on sale of property, plant and equipment	<u>357</u>	<u>29</u>
Net cash (used in) investing activities	<u>(9,760)</u>	<u>(13,674)</u>
Cash flows from financing activities		
Repayment of lease liabilities	(4,295)	(3,214)
Dividends paid to equity holders of the company	<u>–</u>	<u>(90,000)</u>
Net cash (used in) financing activities	<u>(4,295)</u>	<u>(93,214)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(59,912)</u>	<u>819,948</u>