



FAMGUARD CORPORATION

Interim Consolidated Financial Statements for the 3 Months Ended March 31st, 2017
(Unaudited)



FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE
MONTHS ENDED MARCH 31, 2017

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FAMGUARD CORPORATION LIMITED
CHAIRMAN' REPORT
Unaudited Results for the THREE months ended
31 MARCH 2017

MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

I am pleased to report that for the first quarter ended 31 March 2017 FamGuard Corporation recorded profits of \$1.6 million, exceeding the performance achieved in the comparable prior year by 103%. Net income attributable to common shareholders totaled \$1.5 million and represented \$0.15 per share.


Total revenues decreased by \$1.7 million over the same period in 2016; however this was primarily due to a reduction in annuity deposits during the quarter. As is the custom for annuities, deposits fluctuate from period to period and despite the decline in the total dollar amount for the quarter, the Company continued to experience a strong demand by policyholders as the number of deposits remained in line with deposits during the 3 months ended March 2016. The decline in deposits were also offset by a corresponding reduction in benefits on annuity deposits as reserves for future policyholder benefits for these products decreased in direct correlation. Gross premium income increased by 3.1% and ended the three month period at \$25.6 million, with all three divisions of the Company reporting positive variances. Investment income contributed \$3.1 million to total revenues, a decline over the prior year due to the continued fluctuation in equities and the impact of the 50 basis point reductions on variable rate investment assets which are tied to prime.

Policyholder benefits totaled \$18.4 million compared to \$20.8 million for the corresponding prior period. The decrease is attributed to lower medical claims from our Group Health business and a reduction in the reserves for future policyholder benefits on annuity deposits. Total expenses are in line with that of the prior period and show a positive variance of \$1.7% year to date.

The Company's balance sheet remains strong with total assets of \$353 million, of which investment assets comprised \$264 million, representing 75% of our total asset base. The Company's insurance subsidiary, Family Guardian Insurance Company Limited continues to maintain capital solvency measures in excess of the local and international minimum requirements.

On behalf of the Board of Directors of FamGuard, I would like to extend our sincere thanks to our management, support staff, and sales team for their continued hard work and commitment to serving our clients, which has contributed to the success of the Company. I also wish to thank our shareholders and clients for their continued confidence.

Sincerely,



L. Edgar Moxey
Chairman & CEO

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2017

(Expressed in Bahamian dollars)

UNAUDITED

| | 31 March 2017 | 31 December 2016 |
|---|------------------------------|------------------------------|
| ASSETS | | |
| Fair value through profit or loss | \$ 12,755,041 | \$ 13,065,957 |
| Available for sale | 13,687,319 | 13,912,881 |
| Held-to-maturity | 159,429,888 | 164,603,183 |
| Loans | <u>77,879,658</u> | <u>77,575,014</u> |
| Total financial investment assets | 263,751,906 | 269,157,035 |
| Cash and bank balances | 24,636,903 | 16,145,293 |
| Reinsurance assets | 6,747,544 | 7,979,721 |
| Reinsurance recoveries | 7,273,183 | 6,843,058 |
| Receivables and other assets, net | 11,349,768 | 8,837,371 |
| Intangible Assets, net | 353,333 | 378,333 |
| Premiums receivable, net | 4,312,906 | 4,171,600 |
| Property, plant and equipment, net | <u>34,118,804</u> | <u>33,745,316</u> |
| TOTAL | <u>\$ 352,544,347</u> | <u>\$ 347,257,727</u> |
| LIABILITIES AND EQUITY | | |
| LIABILITIES: | | |
| Reserves for future policyholders' benefits | \$ 201,848,485 | \$ 201,292,443 |
| Other policyholders' funds | <u>18,211,648</u> | <u>17,638,441</u> |
| Policy liabilities | 220,060,133 | 218,930,885 |
| Payables and accruals | <u>16,478,844</u> | <u>14,462,724</u> |
| Total liabilities | <u>236,538,977</u> | <u>233,393,609</u> |
| EQUITY: | | |
| Preference shares | 10,000,000 | 10,000,000 |
| Ordinary shares | 2,000,000 | 2,000,000 |
| Share premium | 10,801,080 | 10,801,080 |
| Revaluation reserve | 16,356,069 | 16,572,792 |
| Retained earnings | <u>41,002,224</u> | <u>40,070,094</u> |
| Equity attributable to owners of the Parent | 80,159,373 | 79,443,966 |
| Non-controlling interest | <u>35,845,997</u> | <u>34,420,152</u> |
| Total equity | <u>116,005,370</u> | <u>113,864,118</u> |
| TOTAL | <u>\$ 352,544,347</u> | <u>\$ 347,257,727</u> |

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Three months ended March 31, 2017

(Expressed in Bahamian dollars)

UNAUDITED

| | 3 Months to 31-Mar-17 | 3 Months to 31-Mar-16 |
|--|----------------------------------|----------------------------------|
| INCOME: | | |
| Gross premium income | \$ 25,623,771 | \$ 24,854,012 |
| Premium ceded to reinsurers | (2,432,077) | (2,402,867) |
| Net premium income | 23,191,694 | 22,451,145 |
| Annuity deposits | 1,965,633 | 4,075,945 |
| Net premium income and annuity deposits | 25,157,327 | 26,527,090 |
| Interest income | 3,346,033 | 3,287,252 |
| Dividend income | 353,624 | 350,230 |
| Unrealized loss on investment assets | (479,079) | (99,113) |
| Realized loss from sale of assets | (80,587) | (41,203) |
| Other operating income | 394,878 | 404,325 |
| Total income | 28,692,196 | 30,428,581 |
| BENEFITS AND EXPENSES: | | |
| Benefits: | | |
| Policyholders' benefits | 17,452,384 | 18,024,093 |
| Reinsurance recoveries | (859,469) | (1,875,267) |
| Net policyholders' benefits | 16,592,915 | 16,148,826 |
| Increase in reserves for policyholders' benefits | 1,788,218 | 4,618,277 |
| Total benefits | 18,381,133 | 20,767,103 |
| Expenses: | | |
| Commissions | 2,902,012 | 2,853,524 |
| Operating expenses | 4,464,096 | 4,565,948 |
| Depreciation and amortization expense | 436,293 | 401,085 |
| Value Added Tax Expense | 41,256 | 118,616 |
| Premium tax | 767,816 | 745,620 |
| Bad debt expense | 125,242 | 201,306 |
| Total expenses | 8,736,715 | 8,886,099 |
| Total benefits and expenses | 27,117,848 | 29,653,202 |
| NET INCOME | \$ 1,574,348 | \$ 775,379 |
| NET INCOME ATTRIBUTABLE TO | | |
| Ordinary Shareholders | 1,532,129 | 543,144 |
| Non-controlling interests | 42,219 | 232,235 |
| | 1,574,348 | 775,379 |
| Earnings per ordinary share | \$ 0.15 | \$ 0.05 |

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED

INTRIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the Three months ended March 31, 2017

(Expressed in Bahamian dollars)

UNAUDITED

| | 3 Months to 31-Mar-17 | 3 Months to 31-Mar-16 |
|--|----------------------------------|----------------------------------|
| NET INCOME | \$ 1,574,348 | \$ 775,379 |
| OTHER COMPREHENSIVE INCOME | | |
| Net (loss) gain on available-for-sale financial assets | <u>(216,723)</u> | <u>425,731</u> |
| Total Other Comprehensive Income | <u>(216,723)</u> | <u>425,731</u> |
| TOTAL COMPREHENSIVE INCOME | <u>\$ 1,357,625</u> | <u>\$ 1,201,110</u> |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | |
| Ordinary Shareholders | \$ 1,315,407 | \$ 968,875 |
| Non-controlling interests | <u>42,219</u> | <u>232,235</u> |
| | <u>\$ 1,357,625</u> | <u>\$ 1,201,110</u> |

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three months ended March 31, 2017

(Expressed in Bahamian dollars)

UNAUDITED

| | Share Capital | | Share Premium | Revaluation Reserve | Retained Earnings | Attributable to Owners | | Total |
|--|----------------------|---------------------|----------------------|------------------------|----------------------|---------------------------|------------------------------|-----------------------|
| | Preference Shares | Ordinary Shares | | | | of the Parent | Non-Controlling Interests | |
| Balance as of December 31, 2015 | \$ 10,000,000 | \$ 2,000,000 | \$ 10,801,080 | \$ 15,939,372 | \$ 38,356,787 | \$ 77,097,238 | \$ 31,017,543 | \$ 108,114,781 |
| Additional non-controlling interest arising from net contributions from investors | | | | | | | \$ 2,522,285 | \$ 2,522,285 |
| Profit for 2016 | - | - | - | - | 5,430,346 | 5,430,346 | 880,324 | 6,310,670 |
| Other Comprehensive income for 2016 | | | | 633,420 | (192,038) | 441,382 | | 441,382 |
| Dividends declared and paid - preference shares | - | - | - | - | (625,000) | (625,000) | | (625,000) |
| ordinary shares (\$0.29 per share) | - | - | - | - | (2,900,000) | (2,900,000) | - | (2,900,000) |
| Balance as of December 31, 2016 | 10,000,000 | 2,000,000 | 10,801,080 | 16,572,792 | 40,070,095 | 79,443,966 | 34,420,152 | 113,864,118 |
| Additional non-controlling interest arising from net contributions from investors | | | | | | | 1,383,626 | 1,383,626 |
| Profit for 2017 | - | - | - | - | 1,532,129 | 1,532,129 | 42,219 | 1,574,348 |
| Other Comprehensive income for 2017 | | | | | | | | |
| Adjustment to fair value of investment in equities | - | - | - | (216,723) | - | (216,723) | | (216,723) |
| Dividends declared and paid - preference shares | - | - | - | - | - | - | | - |
| ordinary shares (\$0.06 per share) | - | - | - | - | (600,000) | (600,000) | - | (600,000) |
| Balance as of March 31, 2017 | \$ 10,000,000 | \$ 2,000,000 | \$ 10,801,080 | \$ 16,356,069 | \$ 41,002,224 | \$ 80,159,373 | \$ 35,845,997 | \$ 116,005,370 |

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three months ended March 31, 2017
(Expressed in Bahamian dollars)
UNAUDITED

| | 3 Months to 31-Mar-17 | 3 Months to 31-Mar-16 |
|---|----------------------------------|----------------------------------|
| Cash flows from operating activities | | |
| Profit | \$ 1,574,348 | \$ 775,379 |
| Adjustments for: | | |
| Depreciation | 411,293 | 376,085 |
| Amortization of intangible asset | 25,000 | 25,000 |
| Unrealized loss on investment assets | 479,079 | 99,113 |
| Realized loss on sale of investment assets | 80,587 | 41,203 |
| Increase in mortgage provision | 101,350 | 194,510 |
| Decrease (increase) in reinsurance assets | 1,232,176 | (307,327) |
| Change in reserve for future policyholders' benefits | 556,042 | 4,925,604 |
| Interest income | (3,346,033) | (3,287,252) |
| Dividend income | (353,624) | (350,230) |
| Operating profit before working capital changes | 760,218 | 2,492,085 |
| (Increase) decrease in receivables and other assets | (2,942,523) | 888,717 |
| Increase in premium receivables, net | (141,306) | (158,740) |
| Increase (decrease) in payables and accruals | 2,016,121 | (1,978,098) |
| Increase (decrease) in other policyholders' funds | 573,207 | (610,344) |
| Net cash from operating activities | 265,716 | 633,620 |
| Cash flows from investing activities | | |
| Net changes in non-controlling interest | 1,383,626 | (141,685) |
| Net (placement) of bank term deposits greater than three months | (17,423) | (226,740) |
| Net maturity (purchase) of Government bonds and notes | 4,517,336 | (1,748,701) |
| Proceeds from redemption (purchase) of corporate bonds | 10,000 | (330,966) |
| Net maturity of preferred shares | - | 115,000 |
| Purchase of FVTPL investments assets | (3,096,052) | (199,851) |
| Sale of FVTPL investments assets | 2,927,889 | - |
| Net Policy loans issued | (343,764) | (192,049) |
| Net mortgage collections | 12,998 | 190,191 |
| Net purchase of property, plant and equipment | (784,781) | (376,085) |
| Interest received | 3,862,441 | 4,022,610 |
| Dividends received | 353,624 | 350,230 |
| Net cash from investing activities | 8,825,894 | 1,461,954 |
| Cash flows from financing activities | | |
| Dividends paid on ordinary shares | (600,000) | (600,000) |
| Net cash used in financing activities | (600,000) | (600,000) |
| Net increase in cash and cash equivalents | 8,491,610 | 1,495,574 |
| Cash and cash equivalents at beginning of the period | 16,145,293 | 10,187,065 |
| Cash and cash equivalents at end of the period | \$ 24,636,903 | \$ 11,682,639 |

See notes to unaudited consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three months ended March 31, 2017

(Expressed in Bahamian Dollars)

UNAUDITED

1. General

FamGuard Corporation Limited (the “Company”) is incorporated under the laws of the Commonwealth of The Bahamas and serves as an investment holding Company with five wholly owned subsidiaries; Family Guardian Insurance Company Limited (FG), BahamaHealth Insurance Brokers Limited (formerly BahamaHealth Insurance Brokers and Benefit Consultants Limited), FG Insurance Agents & Brokers Limited, FG Financial Limited and FG Capital Markets Limited (together, “the Group”). FG is the principal operating unit and is licensed as an insurance company under the Insurance Companies Act, 1969. FG sells life and health insurance products in The Bahamas.

FG Financial Fund Limited SAC (the “Fund”) is also included as a subsidiary and is the umbrella Fund for its four Sub-Funds; FG Financial Preferred Income Fund, FG Financial Diversified Fund, FG Financial Growth Fund and FG Financial Global USD Bond Fund. Each Sub-Fund has its own investment strategy and is segregated from the other Sub-Funds within the umbrella Fund.

The registered office of the Company is located at the offices of E. Dawson Roberts & Co., Parliament and Shirley Streets, Nassau, Bahamas.

2. Accounting Policies

These unaudited consolidated financial statements have been prepared in accordance with International Accounting Standards 34: Interim Financial Reporting. The interim unaudited financial statements do not include all of the information and Company’s disclosures required in the annual audited financial statements, and should be read in conjunction with the December 31st, 2016 audited financial statements.

The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2016.

3. Earnings per ordinary share

| | 3 Months to 31-Mar-17 | 3 Months to 31-Mar-16 |
|---|----------------------------------|----------------------------------|
| Weighted average number of shares outstanding | 10,000,000 | 10,000,000 |
| Consolidated net income attributable to ordinary shareholders | <u>\$ 1,532,129</u> | <u>\$ 543,144</u> |
| Earnings per ordinary share | <u><u>\$ 0.15</u></u> | <u><u>\$ 0.05</u></u> |

4. Commitments

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$2,452,680 as at March 31, 2017 (31 December 2016: \$2,254,151).



FAMGUARD CORPORATION

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