

FAMGUARD CORPORATION

Interim Consolidated Financial Statements for the 6
Months Ended 30 June, 2019
(Unaudited)



FAMGUARD
CORPORATION LIMITED



FAMGUARD CORPORATION LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30
JUNE, 2019

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FAMGUARD CORPORATION LIMITED
CHAIRMAN'S REPORT
Unaudited Results for the Six months ended 30 June 2019

MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

I am pleased to report that for the period ending 30 June 2019 FamGuard Corporation recorded profits of \$4.9 million. Profit attributable to common shareholders totaled \$4.8 million and represented \$0.48 per share. The performance of the group year to date is attributed to efforts by our sales agents, management team, and staff who continue to execute the strategic vision established by the Board of Directors, in the midst of a challenging economy.

During the first quarter of 2019, the Board of Directors authorized a plan for Management to sell the portfolio of Securities Business, Investment Fund Business, and Pension Services Business of FG Capital Markets Limited, FG Financial Limited, and FG Financial SAC Limited. This transaction was completed during the second quarter of 2019 and is reflected in the financial results. The net impact of this transaction resulted in a net realized gain on the sale of these portfolios of \$1.6 million to the group's bottom line. Gross premiums show a positive variance increasing by 5.3% over the corresponding prior period. The company continues to reap the benefits of the training initiatives and new technologies, which have been implemented within the sales teams which contributed to the positive sales results. The Group's results were also positively impacted by the strong performance of our investment portfolio which contributed \$7.7 million to total revenues mainly due to an increase in unrealized gains on investment assets during the period.

Policyholder benefits totaled \$42.5 million compared to \$39.5 million for the corresponding prior period. The increase in benefits continues to be attributed to the high incidence of claims incurred from our Group division during the year. We note however that over the last 2 quarters the loss ratio has been improving as some of the strategic initiatives implemented to manage the claims have begun to bear fruit. Benefits have also increased due to the increase in annuity and other deposits in direct correlation with the related income. Total expenses exceed prior year as a result of continued investment in technology aimed at improving our service to policyholders and improving operating efficiencies.

The Company's balance sheet remains strong with total assets in excess of \$334 million, of which investment assets comprised \$260 million, representing 78% 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.

I am pleased to advise that the Board of Directors declared a dividend of \$0.08 per share for shareholders of record as of 21 August 2019, payable on 28 August 2019. 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,



Norbert Boissiere
Chairman

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

(Expressed in Bahamian dollars)

UNAUDITED

	30 June 2019	31 December 2018
ASSETS		
Fair value through profit or loss	19,432,795	\$ 12,670,798
Available-for-sale	11,051,741	13,184,526
Held-to-maturity	143,209,616	185,949,173
Loans	86,143,265	86,165,423
Total financial investment assets	<u>259,837,417</u>	<u>297,969,920</u>
Cash and bank balances	13,943,595	9,853,144
Reinsurance assets	5,314,871	5,172,056
Reinsurance recoveries	5,138,414	7,536,726
Receivables and other assets, net	6,345,101	6,223,354
Premiums receivable, net	5,838,524	4,795,465
Property, plant and equipment, net	<u>37,854,805</u>	<u>37,823,889</u>
TOTAL	<u><u>\$ 334,272,727</u></u>	<u><u>\$ 369,374,554</u></u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits	\$ 217,862,723	\$ 213,300,445
Other policyholders' funds	18,753,755	19,027,437
Policy liabilities	<u>236,616,478</u>	<u>232,327,882</u>
Payables and accruals	11,502,350	13,702,599
Total liabilities	<u>248,118,828</u>	<u>246,030,481</u>
EQUITY:		
Preference shares	5,000,000	5,000,000
Ordinary shares	2,000,000	2,000,000
Share premium	10,801,080	10,801,080
Revaluation reserve	18,638,736	18,605,500
Retained earnings	49,714,083	46,536,285
Equity attributable to owners of the Parent	<u>86,153,899</u>	<u>82,942,865</u>
Non-controlling interest	-	40,401,208
Total equity	<u>86,153,899</u>	<u>123,344,073</u>
TOTAL	<u><u>\$ 334,272,727</u></u>	<u><u>\$ 369,374,554</u></u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended June 30, 2019
(Expressed in Bahamian dollars)
UNAUDITED

	6 months to 30-Jun-19	6 months to 30-Jun-18
CONTINUING OPERATIONS		
INCOME:		
Gross premium income	\$ 55,412,179	\$ 52,641,576
Premium ceded to reinsurers	(5,294,962)	(4,349,443)
Net premium income	<u>50,117,217</u>	<u>48,292,133</u>
Annuity & other deposits	6,841,817	6,958,410
Net premium income and deposits	<u>56,959,034</u>	<u>55,250,543</u>
Interest income	6,354,538	7,092,231
Dividend income	412,068	741,702
Unrealized gain (loss) on investment assets	714,044	(533,659)
Realized gain from sale of investment assets	150,940	52,731
Other operating income	972,508	721,209
Total income	<u>65,563,132</u>	<u>63,324,757</u>
BENEFITS AND EXPENSES:		
Benefits:		
Policyholders' benefits	40,840,395	40,136,073
Reinsurance recoveries	(2,724,602)	(4,044,800)
Net policyholders' benefits	38,115,793	36,091,273
Change in reserves for policyholders' benefits	4,419,463	3,418,629
Total benefits	<u>42,535,256</u>	<u>39,509,902</u>
Expenses:		
Commissions	6,927,667	6,946,320
Operating expenses	10,101,017	9,419,542
Depreciation expense	550,832	766,839
Premium tax	1,633,778	1,655,350
Bad debt expense	291,918	185,632
Total expenses	<u>19,505,213</u>	<u>18,973,683</u>
Total benefits and expenses	<u>62,040,469</u>	<u>58,483,585</u>
NET INCOME FROM CONTINUING OPERATIONS	<u>3,522,664</u>	<u>4,841,172</u>
DISCONTINUED OPERATIONS		
Realized gain on sale of discontinued operations	1,609,982	-
Net loss for the period from discontinued operations	(211,097)	(163,578)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	<u>1,398,885</u>	<u>(163,578)</u>
NET INCOME	<u>\$ 4,921,549</u>	<u>\$ 4,677,594</u>
NET INCOME ATTRIBUTABLE TO		
Ordinary Shareholders	\$ 4,777,799	\$ 3,862,916
Preferred Shareholders	143,750	319,007
Non-controlling interests	-	495,671
	<u>4,921,549</u>	<u>4,677,594</u>
Earnings per ordinary share	<u>\$ 0.48</u>	<u>\$ 0.39</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the Three months ended June 30, 2019
(Expressed in Bahamian dollars)
UNAUDITED

	3 months to 30-Jun-19	3 months to 30-Jun-18
INCOME:		
Net premium income	\$ 25,607,117	\$ 23,455,227
Annuity deposits	3,860,879	4,734,511
Net premium income and deposits	29,467,996	28,189,738
Investment income	3,429,539	4,152,355
Other operating income	2,240,931	450,031
Total income	35,138,466	32,792,124
BENEFITS AND EXPENSES:		
Net policyholder benefits	22,346,991	19,862,746
Commissions	3,471,116	3,826,275
Operating expenses	6,600,253	6,667,026
Total benefits and expenses	32,418,360	30,356,048
NET PROFIT	\$ 2,720,106	\$ 2,436,076
NET PROFIT ATTRIBUTABLE TO :		
Ordinary Shareholders	\$ 2,920,547	\$ 1,754,920
Preferred Shareholders	143,750	319,007
Non-controlling interests	(344,191)	362,149
	\$ 2,720,106	\$ 2,436,076
Earnings per ordinary share	\$ 0.29	\$ 0.18

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019

(Expressed in Bahamian dollars)

UNAUDITED

	6 months to 30-Jun-19	6 months to 30-Jun-18
NET INCOME	\$ 4,921,549	\$ 4,677,594
OTHER COMPREHENSIVE INCOME		
Net gain (loss) on available-for-sale financial assets	33,236	(1,162,721)
Total other comprehensive income (loss)	<u>33,236</u>	<u>(1,162,721)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,954,785</u>	<u>\$ 3,514,873</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary Shareholders	\$ 4,811,035	\$ 2,700,195
Preferred Shareholders	143,750	319,007
Non controlling interests	-	495,671
	<u>\$ 4,954,785</u>	<u>\$ 3,514,873</u>
Earnings per ordinary share	<u>\$ 0.48</u>	<u>\$ 0.27</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

(Expressed in Bahamian dollars)

UNAUDITED

	<u>Share Capital</u>		Share Premium	Revaluation Reserve	Retained Earnings	Attributable	Non-Controlling Interests	Total
	Preference Shares	Ordinary Shares				of the Parent		
Balance as of December 31, 2017	\$ 10,000,000	\$ 2,000,000	\$ 10,801,080	\$ 19,191,952	\$ 43,083,348	\$ 85,076,380	\$ 38,581,058	\$ 123,657,438
Transactions with owners								
Net contributions from investors	-	-	-	-	-	-	597,809	597,809
Redemption of Preference shares	(5,000,000)	-	-	-	-	(5,000,000)	-	(5,000,000)
Dividends declared and paid -								
Preference shares	-	-	-	-	(462,757)	(462,757)	-	(462,757)
Ordinary shares (\$0.30 per share)	-	-	-	-	(3,000,000)	(3,000,000)	-	(3,000,000)
Total transactions with owners	<u>(5,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,462,757)</u>	<u>(8,462,757)</u>	<u>597,809</u>	<u>(7,864,948)</u>
Comprehensive income								
Net Income	-	-	-	-	6,827,229	6,827,229	1,222,341	8,049,570
Other Comprehensive (loss) income	-	-	-	(586,452)	88,465	(497,987)	-	(497,987)
Total Comprehensive (loss) income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(586,452)</u>	<u>6,915,694</u>	<u>6,329,242</u>	<u>1,222,341</u>	<u>7,551,583</u>
Balance as of December 31, 2018	5,000,000	2,000,000	10,801,080	18,605,500	46,536,285	82,942,865	40,401,208	123,344,073
Transactions with owners								
Net change in contributions from investors	-	-	-	-	-	-	(40,401,208)	(40,401,208)
Dividends declared and paid -								
Preference shares	-	-	-	-	(143,750)	(143,750)	-	(143,750)
Ordinary shares (\$0.16 per share)	-	-	-	-	(1,600,000)	(1,600,000)	-	(1,600,000)
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,743,750)</u>	<u>(1,743,750)</u>	<u>(40,401,208)</u>	<u>(42,144,958)</u>
Comprehensive income								
Net Income	-	-	-	-	4,921,549	4,921,549	-	4,921,549
Other Comprehensive income	-	-	-	33,236	-	33,236	-	33,236
Total Comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,236</u>	<u>4,921,549</u>	<u>4,954,785</u>	<u>-</u>	<u>4,954,785</u>
Balance as of June 30, 2019	5,000,000	2,000,000	10,801,080	18,638,736	49,714,083	86,153,899	-	86,153,899

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended June 30, 2019
(Expressed in Bahamian dollars)
UNAUDITED

	6 MONTHS TO 30-Jun-19	6 MONTHS TO 30-Jun-18
Cash flows from operating activities:		
Net Income	\$ 4,921,549	\$ 4,677,594
Adjustments for:		
Depreciation	550,832	723,877
Amortization of intangible asset	-	50,000
Unrealized (gain) loss on investment assets	(714,044)	533,659
Realized gain on sale of assets	(150,940)	(52,731)
Increase (decrease) in provision for loans and receivables	291,918	(284,292)
Increase in reinsurance assets	(142,815)	(254,288)
Change in reserve for future policyholders' benefits	4,562,278	3,672,918
Realized gain on sale of discontinued operations	(1,609,982)	-
Interest income	(6,422,153)	(7,122,374)
Dividend income	(412,068)	(741,702)
Operating profit before working capital changes	874,575	1,202,661
Increase in receivables and other assets	(121,747)	(505,661)
Decrease in reinsurance recoveries	2,398,312	701,740
Increase in premium receivables, net	(1,198,776)	(540,772)
(Decrease) increase in payables and accruals	(2,200,249)	895,571
(Decrease) increase in other policyholders' funds	(273,682)	1,586,866
Net cash (used in) from operating activities	(521,567)	3,340,405
Cash flows from investing activities:		
Proceeds from sale of subsidiaries, net of disposal cost	1,609,982	-
Changes in investment assets of non-controlling interest	36,278,021	-
Pension forfeitures reinvested	(92,360)	-
Purchases of investment securities	(1,735,000)	(803,694)
Proceeds from redemption/maturities of investment securities	4,315,822	2,373,391
Proceeds from disposal of available-for-sale securities	177,863	21,716
Net Loans issued	(126,608)	(3,141,242)
Proceeds from disposal of property, plant, and equipment	2,001	-
Interest received	6,496,935	7,459,771
Dividends received	412,068	741,702
Net cash from investing activities	46,756,976	5,532,703
Cash flows from financing activities		
Redemption of preference shares	-	(5,000,000)
Changes in non-controlling interest	(40,401,208)	(500,946)
Dividends paid on preference shares	(143,750)	(319,007)
Dividends paid on ordinary shares	(1,600,000)	(1,400,000)
Net cash used in financing activities	(42,144,958)	(7,219,953)
Net increase in cash and cash equivalents	4,090,451	1,653,155
Cash and cash equivalents at beginning of the period	9,853,144	16,881,642
Cash and cash equivalents at end of the period	\$ 13,943,595	\$ 18,534,797

See notes to unaudited consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2019

(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, 2018 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 2018.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June, 2019

(Expressed in Bahamian Dollars)

Unaudited

(Continued)

3. Earnings per ordinary share

	6 months to 30-Jun-19	6 months to 30-Jun-18
Weighted average number of shares outstanding	10,000,000	10,000,000
Consolidated net income attributable to ordinary shareholders	\$ 4,777,799	\$3,862,916
Earnings per ordinary share	<u>\$ 0.48</u>	<u>\$ 0.39</u>

4. Commitments

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$3,894,437 as at 30 June, 2019 (31 December 2018: \$4,544,291).

5. Corresponding Figures

Corresponding figures in the consolidated statement of financial position are as of 31 December 2018.

Certain corresponding figures have been adjusted to conform with changes in presentation in the current year.