

FAMGUARD CORPORATION

Interim Consolidated Financial Statements for the 9
Months Ended 30 September, 2019
(Unaudited)



FAMGUARD
CORPORATION LIMITED



FAMGUARD CORPORATION LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30
SEPTEMBER, 2019

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FAMGUARD CORPORATION LIMITED
CHAIRMAN'S REPORT

Unaudited Results for the Nine months ended 30 September 2019

MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

I am pleased to report that for the period ending 30 September 2019 FamGuard Corporation recorded profits of \$6.3 million. Profit attributable to common shareholders totaled \$6.1 million and represented \$0.61 per share, exceeding the corresponding prior period earnings of \$5.6 million, which represented \$0.56 per common share.

Total revenue for the 9 months period exceeded \$96 million. The group's results were positively impacted by the strong performance of our investment portfolio which contributed \$11.2 million to total revenues mainly due to an increase in unrealized gains on investment assets and the yields on long term fixed-rate investment assets in the portfolio. Gross premiums show a positive variance increasing by 2.7% over the corresponding prior period.

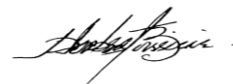
Policyholder benefits total \$63.3 million compared to \$61.6 million for the corresponding prior period. Strategic initiatives implemented by Management and operating efficiencies achieved from technology upgrades have helped to manage cost as total expenses show a reduction over the corresponding prior period.

The company's balance sheet remains strong with total assets of \$338 million, of which investment assets comprised \$264 million, representing 78% of our total asset base. The Group's insurance subsidiary, Family Guardian Insurance Company continues to maintain capital solvency measures in excess of the local and international minimum requirements.

We are saddened by the events of hurricane Dorian which has severely impacted the islands of Grand Bahama and Abaco. While the company has been impacted by the storm, the internal risk strategies in place have helped to mitigate the effects. On behalf of the Board of Directors, Management, Staff, and Agents of the group of companies, we wish to extend our thoughts and prayers to all those impacted by the storm. As a company, we have made contributions along with our partners to several organizations to assist with the recovery efforts. We remain committed to contributing to the restoration and rebuilding efforts and commend those individuals and organizations who continue to sacrifice their time and resources in this endeavor.

I am pleased to advise that the Board of Directors declared a dividend of \$0.08 per share for shareholders of record as of 28 November 2019, payable on 5 December 2019.

Sincerely,



Norbert Boissiere
Chairman



FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2019
(Expressed in Bahamian dollars)
UNAUDITED

	30 September 2019	31 December 2018
ASSETS		
Fair value through profit or loss	\$ 19,653,862	\$ 12,670,798
Available-for-sale	11,088,693	13,184,526
Held-to-maturity	145,606,706	185,949,173
Loans	87,523,698	86,165,423
Total financial investment assets	<u>263,872,959</u>	<u>297,969,920</u>
Cash and bank balances	14,139,702	9,853,144
Reinsurance assets	5,434,555	5,172,056
Reinsurance recoveries	6,355,769	7,536,726
Receivables and other assets, net	4,154,647	6,223,354
Premiums receivable, net	5,436,536	4,795,465
Property, plant and equipment, net	<u>38,169,403</u>	<u>37,823,889</u>
TOTAL	<u><u>\$ 337,563,571</u></u>	<u><u>\$ 369,374,554</u></u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits	\$ 217,664,897	\$ 213,300,445
Other policyholders' funds	21,048,547	19,027,437
Policy liabilities	<u>238,713,444</u>	<u>232,327,882</u>
Payables and accruals	12,119,380	13,702,599
Total liabilities	<u>250,832,824</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	18,657,993	18,605,500
Retained earnings	50,271,674	46,536,285
Equity attributable to owners of the Parent	<u>86,730,747</u>	<u>82,942,865</u>
Non-controlling interest	-	40,401,208
Total equity	<u>86,730,747</u>	<u>123,344,073</u>
TOTAL	<u><u>\$ 337,563,571</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 nine months ended September 30, 2019
(Expressed in Bahamian dollars)
UNAUDITED

	9 months to 30-Sep-19	9 months to 30-Sep-18
CONTINUING OPERATIONS		
INCOME:		
Gross premium income	\$ 82,724,469	\$ 80,554,449
Premium ceded to reinsurers	(7,787,287)	(6,918,632)
Net premium income	<u>74,937,182</u>	<u>73,635,817</u>
Annuity & other deposits	9,283,000	10,998,677
Net premium income and deposits	<u>84,220,182</u>	<u>84,634,494</u>
Interest income	9,570,981	10,767,155
Dividend income	585,429	1,060,763
Unrealized gain (loss) on investment assets	909,664	(744,937)
Realized gain from sale of investment assets	152,350	52,740
Other operating income	1,339,489	1,363,367
Total income	<u>96,778,096</u>	<u>97,133,581</u>
BENEFITS AND EXPENSES:		
Benefits:		
Policyholders' benefits	64,918,851	62,185,619
Reinsurance recoveries	(5,736,381)	(6,445,554)
Net policyholders' benefits	59,182,470	55,740,065
Change in reserves for policyholders' benefits	4,101,953	5,832,649
Total benefits	<u>63,284,423</u>	<u>61,572,713</u>
Expenses:		
Commissions	10,099,947	10,335,209
Operating expenses	14,700,337	14,481,348
Depreciation expense	1,034,521	1,152,332
Premium tax	2,481,734	2,416,627
Bad debt expense	317,511	272,207
Total expenses	<u>28,634,050</u>	<u>28,657,722</u>
Total benefits and expenses	<u>91,918,473</u>	<u>90,230,435</u>
NET INCOME FROM CONTINUING OPERATIONS	<u>4,859,623</u>	<u>6,903,146</u>
DISCONTINUED OPERATIONS		
Realized gain on sale of discontinued operations	1,609,982	-
Net loss for the period from discontinued operations	(190,466)	(249,092)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	<u>1,419,516</u>	<u>(249,092)</u>
NET INCOME	<u>\$ 6,279,139</u>	<u>\$ 6,654,054</u>
NET INCOME ATTRIBUTABLE TO		
Ordinary Shareholders	\$ 6,135,389	\$ 5,635,263
Preferred Shareholders	143,750	319,007
Non-controlling interests	-	699,784
	<u>6,279,139</u>	<u>6,654,054</u>
Earnings per ordinary share	<u>\$ 0.61</u>	<u>\$ 0.56</u>

See notes to unaudited consolidated financial statements

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

	3 months to 30-Sep-19	3 months to 30-Sep-18
INCOME:		
Net premium income	\$ 24,819,965	\$ 25,343,683
Annuity & other deposits	2,441,183	4,040,267
Net premium income and deposits	<u>27,261,148</u>	<u>29,383,950</u>
Investment income	3,608,455	3,752,573
Other operating income	428,629	725,752
Total income	<u>31,298,232</u>	<u>33,862,275</u>
BENEFITS AND EXPENSES:		
Net policyholder benefits	20,749,167	22,062,811
Commissions	3,172,280	3,402,356
Operating expenses	6,019,195	6,420,649
Total benefits and expenses	<u>29,940,642</u>	<u>31,885,816</u>
NET PROFIT	<u>\$ 1,357,590</u>	<u>\$ 1,976,460</u>
NET PROFIT ATTRIBUTABLE TO :		
Ordinary Shareholders	\$ 1,357,590	\$ 1,091,191
Preferred Shareholders	-	319,007
Non-controlling interests	-	566,262
	<u>\$ 1,357,590</u>	<u>\$ 1,976,460</u>
Earnings per ordinary share	<u>\$ 0.14</u>	<u>\$ 0.11</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended September 30, 2019
(Expressed in Bahamian dollars)
UNAUDITED

	9 months to 30-Sep-19	9 months to 30-Sep-18
NET INCOME	\$ 6,279,139	\$ 6,654,054
OTHER COMPREHENSIVE INCOME		
Net gain (loss) on available-for-sale financial assets	<u>52,493</u>	<u>(1,456,092)</u>
Total other comprehensive income (loss)	<u>52,493</u>	<u>(1,456,092)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 6,331,632</u>	<u>\$ 5,197,962</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary Shareholders	\$ 6,187,882	\$ 4,179,171
Preferred Shareholders	143,750	319,007
Non controlling interests	<u>-</u>	<u>699,784</u>
	<u>\$ 6,331,632</u>	<u>\$ 5,197,962</u>
Earnings per ordinary share	<u>\$ 0.62</u>	<u>\$ 0.42</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended September 30, 2019

(Expressed in Bahamian dollars)

UNAUDITED

	<u>Share Capital</u>		<u>Share Premium</u>	<u>Revaluation Reserve</u>	<u>Retained Earnings</u>	Attributable	<u>Non-Controlling Interests</u>	<u>Total</u>
	<u>Preference Shares</u>	<u>Ordinary Shares</u>				of the		
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 (\$0.24 per share)	-	-	-	-	(2,400,000)	(2,400,000)	-	(2,400,000)
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,543,750)</u>	<u>(2,543,750)</u>	<u>(40,401,208)</u>	<u>(42,944,958)</u>
Comprehensive income								
Net Income	-	-	-	-	6,279,139	6,279,139	-	6,279,139
Other Comprehensive income	-	-	-	52,493	-	52,493	-	52,493
Total Comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,493</u>	<u>6,279,139</u>	<u>6,331,632</u>	<u>-</u>	<u>6,331,632</u>
Balance as of September 30, 2019	5,000,000	2,000,000	10,801,080	18,657,993	50,271,674	86,730,747	-	86,730,747

See notes to unaudited consolidated financial statements

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

	9 MONTHS TO 30-Sep-19	9 MONTHS TO 30-Sep-18
Cash flows from operating activities:		
Net Income	\$ 6,279,139	\$ 6,654,054
Adjustments for:		
Depreciation	1,034,521	1,087,890
Amortization of intangible asset	-	75,000
Unrealized (gain) loss on investment assets	(909,664)	744,937
Realized gain on sale of assets	(152,350)	(52,740)
Increase (decrease) in provision for loans and receivables	337,627	(136,826)
Increase in reinsurance assets	(262,499)	(567,935)
Change in reserve for future policyholders' benefits	4,364,452	6,400,584
Realized gain on sale of discontinued operations	(1,609,982)	-
Interest income	(9,660,217)	(10,767,155)
Dividend income	(585,429)	(1,060,763)
Operating profit before working capital changes	(1,164,402)	2,377,046
Decrease (increase) in receivables and other assets	2,068,707	(1,652,126)
Decrease in reinsurance recoveries	1,180,957	455,182
Increase in premium receivables, net	(764,727)	(1,109,785)
(Decrease) increase in payables and accruals	(1,583,219)	996,884
Increase in other policyholders' funds	2,021,110	1,027,156
Net cash from operating activities	1,758,426	2,094,357
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	37,169,111	-
Pension forfeitures reinvested	(117,806)	(110,149)
Maturity of bank term deposits greater than three months	-	1,760,079
Purchase of investment securities	(5,428,900)	(8,244,468)
Proceeds from redemption/maturities of investment securities	5,454,765	1,479,897
Proceeds from disposal of available-for-sale securities	177,863	-
Net Loans issued	(2,412,128)	(4,611,230)
Net purchase of property, plant and equipment	(1,382,036)	(1,623,189)
Proceeds from disposal of property, plant, and equipment	2,001	-
Interest received	9,814,809	11,214,664
Dividends received	585,429	1,060,763
Net cash from investing activities	45,473,090	926,367
Cash flows from financing activities		
Redemption of preference shares	-	(5,000,000)
Changes in non-controlling interest	(40,401,208)	335,881
Dividends paid on preference shares	(143,750)	(319,007)
Dividends paid on ordinary shares	(2,400,000)	(2,200,000)
Net cash used in financing activities	(42,944,958)	(7,183,126)
Net increase in cash and cash equivalents	4,286,558	(4,162,402)
Cash and cash equivalents at beginning of the period	9,853,144	16,881,642
Cash and cash equivalents at end of the period	\$ 14,139,702	\$ 12,719,240

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September, 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 nine months ended 30 September, 2019

(Expressed in Bahamian Dollars)

Unaudited

(Continued)

3. Earnings per ordinary share

	9 months to 30-Sep-19	9 months to 30-Sep-18
Weighted average number of shares outstanding	10,000,000	10,000,000
Consolidated net income attributable to ordinary shareholders	<u>\$ 6,135,389</u>	<u>\$ 5,635,263</u>
Earnings per ordinary share	<u>\$ 0.61</u>	<u>\$ 0.56</u>

4. Commitments

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$4,454,160 as at 30 September, 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 to changes in presentation in the current year.