FAMGUARD
CORPORATION LIMITED

ANNUAL REPORT
2018

SECTION ONE:
OVERVIEW OF THE COMPANY

FamGuard's group of companies provides a wide range of products and services to manage risk and build wealth:

- Life Insurance
- Health Insurance
- Annuities
- Employee Benefits
- Home, Auto & Commercial Insurance
- Pensions & Investments
- Brokerage & Advisory Services
- Residential & Commercial Mortgages

Family Guardian Insurance Company
Life & Health Insurance
www.familyguardian.com

BahamaHealth
Group & Individual Insurance
www.bahamahealth.com

FG Insurance Agents & Brokers
Property & Casualty Insurance
www.fgiagentsandbrokers.com

FG Financial
Pensions & Mutual Funds
www.fgfinancialbahamas.com

FG Capital Markets
Brokerage & Advisory Services
www.fgcapitalmarkets.com

Click here to see our current Board of Directors

Norbert F. Boissiere - Chairman

Director since 1983
Chairman
FamGuard Corporation Ltd.
New Providence, The Bahamas

Dr. M. Patricia Downes-Grant, BA, MA, MBA, DBA

Director since 2014
President & CEO
Sagicor Life Inc.
Barbados

Glen O. A. Ritchie, CPA

Director since 2017
President
FamGuard Corporation & Family Guardian
New Providence, The Bahamas

Sandra K. Osborne, QC, LLB, FCIS

Director since 2005
Attorney-at-Law
Barbados

H. Charlotte Pyfrom

Director since 1999
Trustee
Pyfrom Enterprises Ltd.
New Providence, The Bahamas

M. Craig Roberts

Director since 1986
Consultant Counsel
Graham Thompson & Co.
New Providence, The Bahamas

A. Christine Woodman

Director since 2000
Director
Waterloo Holdings Limited
New Providence, The Bahamas

Bennet R. Atkinson, MBA, CPA

Director since 2005
Chartered Accountant
Ronald Atkinson & Co.
New Providence, The Bahamas

Gerald Strachan

Director since 2017
Retired
New Providence, The Bahamas

Wendy Craigg, MBA

Director since 2017
Economic Advisor
Ministry of Finance
New Providence, The Bahamas

Dodridge D. Miller, FCCA, MBA, LLM

Director since 2005
President & CEO
Sagicor Financial Corporation
Barbados

The Board of Directors has delegated certain of its responsibilities to committees of the Board. Such committees are generally responsible for reviewing matters specified in their mandates and making recommendations to the Board, which retains ultimate decision-making authority. The Board of Directors has constituted the following committees:

- Human Resource & Compensation Committee
- Audit Committee
- Corporate Governance & Conduct Review Committee
- Technology Committee
- Investment & Risk Committee

Human Resource & Compensation Committee

The Human Resource & Compensation Committee is primarily responsible for approval of and, where appropriate, for making recommendations for approval by the Board of Directors with respect to matters related to compensation and benefit programs, the appointment and compensation of key members of senior management and the appointment of officers of the Company and its subsidiaries.

The Chairman of the Human Resource & Compensation Committee is Mr. Norbert Boissiere.

Audit Committee

The Audit Committee is responsible for the oversight of the financial reporting and internal controls of the Company, which includes the review and evaluation of the appropriate accounting principles and practices to be observed in the preparation of the accounts of the Company and its subsidiaries.

The Audit Committee is responsible for the initial review of the Company's annual audited consolidated financial statements prior to consideration thereof by the Board of Directors. It approves the scope of the audit activities proposed each year to be conducted by the independent auditors. It also recommends the appointment and approves the terms of engagement of the independent auditors.

The Chairman of the Audit Committee is Mr. Bennet Atkinson.

Corporate Governance & Conduct Review Committee

This Committee oversees the development and the implementation of a sound Corporate Governance Architecture which complies with the laws of The Bahamas and international best practice.

The purpose of the Committee is to:

(a) Develop and recommend to the Board policies and procedures to establish and maintain best practice standards of corporate governance.

(b) Manage the process for director succession, nomination and recommendation to shareholders for (re-) election as directors.

(c) Establish and direct the processes for assessing the performance of the Board, its committees and individual directors.

(d) Oversee the processes relating to communications and public policy and the Company's corporate image.

The Corporate Governance Architecture deals with (a) the ethical and business values that shape and guide the Company; (b) policies and procedures governing essential operations; (c) the structure, composition and internal operation of the Board; (d) the respective roles and responsibilities of the Board and Management; and (e) accountability and performance for both the Board and Management in the way they discharge their respective responsibilities.

The Chairman of the Corporate Governance & Conduct Review Committee is Ms. Sandra Osborne, QC.

Technology Committee

The Technology Committee is responsible for ensuring a best practice approach to aligning the investments in information technology with business goals as determined by the Board of Directors of the Company. The goal is to effectively utilize state-of-the-art technology to provide superior customer service to the Company's clients and employees.

The Chairman of the Technology Committee is Mrs. A. Christine Woodman.

Investment & Risk Committee

The mandate of the Investment and Risk Committee is to oversee the investment of excess funds and clients' investment funds to ensure that such investment provides both short- and long-term returns that meet the reasonable investment expectations of policyholders, clients, pensioners and other investors while maintaining portfolio risks within acceptable limits. The Committee also has risk management oversight for the Group.

The Chairman of the Investment and Risk Committee is Mrs. Wendy Craigg.

Duties of the Board of Directors

The Board of Directors of the Company has the obligation to oversee the conduct of the business of the Company and its subsidiaries and to supervise senior management, which is responsible for the day-to-day conduct of the business. Any responsibility that is not delegated to a committee of the Board of Directors or senior management remains with the full Board of Directors.

The Board of Directors deals with all matters that materially impact the Company. The determination as to whether Board approval needs to be sought on a particular matter is the responsibility of the Chairman, the President, the Chairman of the Audit Committee and the Chairman of the Corporate Governance & Conduct Review Committee.

Selection of the Chairman of the Board of Directors

The Chairman is selected by the Board of Directors.

Meetings of the Board of Directors and their Conduct

The Board of Directors meets formally at least 4 times per year. In 2018 the full Board of Directors met 4 times. The Board Chairman establishes meeting agendas to ensure adequate coverage of financial, strategic and major risk areas throughout the year.

AUDIT COMMITTEE REPORT

The Audit Committee is comprised of three Directors whose general scope and purpose is to assist the Board in fulfilling its oversight responsibilities in the monitoring of the following:

(1) The integrity of the Company's financial statements;
(2) The Company's compliance with legal and regulatory requirements;
(3) The independent Auditor's qualifications and independence;
(4) The adequacy of the Company's internal audit functions and the External Auditor's scope, and
(5) The adequacy and effectiveness of risk management systems and the Company's internal controls.

YEAR IN REVIEW

Financial Reporting
During the year, the Audit Committee reviewed any significant reporting issues to gain an understanding of their impact on the financial statements. Such issues included: changes in the selection or application of accounting principles; the effect of regulatory and legal requirements; reviewing reports and analysis prepared by management and the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; reviewing the effect of new IFRS standards and amendments to existing standards; reviewing scope limitations, if any, of the independent auditor's activities; and, discussing with management and the independent auditor the quarterly financial statements and the annual audit report.

Internal Audit and Internal Controls
During the year the Committee reviewed with management and the independent internal auditors the internal audit charter, plans, activities, staffing, and organizational structure of the internal audit function. The Committee held meetings with the independent internal auditors and management to review quarterly internal audit reports on significant findings and recommendations together with management's responses.

External Audit
The Committee reviewed the performance and independence of the external auditors and recommended to the Board that PricewaterhouseCoopers be reappointed as the Company's auditors. The Committee reviewed all communications of the external auditors and met where necessary to discuss the scope and results of the audit. The Committee confirmed that appropriate practices are being followed to ensure the independence of the external auditors.

Compliance
The Committee reviewed the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance. The Committee reviewed the findings of any examinations by regulatory agencies and the reports from management and legal counsel regarding compliance matters.

Reporting Responsibilities
The Committee provided quarterly reports to the board of directors about committee activities and any issues arising. The Committee approved the quarterly and annual financial statements for presentation to the Board and for the Board's ultimate approval for issuance to the shareholders and regulators. The Committee is responsible for providing an open avenue of communication between the internal audit, the external auditors and the Board of Directors.

The Committee is satisfied that it has appropriately fulfilled its mandate to the best of its ability for the year ended December 31, 2018.

Bennet R. Atkinson
Chairman, Audit Committee

Dear Shareholders:

On behalf of the Board of Directors, I am pleased to present the annual report and audited consolidated financial statements of the Group for the year ended December 31, 2018.

With net profit of $8.0 million recorded at December 31, 2018, the Group posted the highest earnings in its history. These results reflect the strong performance within all our business divisions and confirm that strategic initiatives implemented to counter the slowed economy have been fruitful.

The Group's results also confirm the continued confidence and loyalty of our clients and the public. Over the past three years (2016-2018) gross premium income has grown by $6.6 million. This positive trajectory demonstrates our clients' demand for and trust in the products and services we provide to help them manage risk and strengthen their financial portfolios.

Annuity and other deposits of $16.0 million in 2018 exceeded the prior year by $8.9 million, reflecting our clients' resolve to secure higher yields on their savings and plan wisely for their future security.

Concurrent with the increase in net profit, net income attributable to ordinary shareholders increased to $6.4 million (2017: $5.5 million) and earnings per ordinary share to $0.64 (2017: $0.55). Shareholders' equity attributable to the owners of the parent totaled $82.9 million in 2018. Total assets grew by $7.4 million to $369.4 million at year-end 2018.

The Group remains steadfast in its commitment to provide policyholders with protection in life's most challenging times. Policyholder benefits - including sickness and accident, hospitalization, death claims, benefits on maturing policies, and major medical illness - exceeded $84 million.

The Group's insurance subsidiary, Family Guardian Insurance Company Ltd., continues to maintain capital solvency measures well in excess of local and international minimum requirements, and the company's A-Excellent rating for financial strength and stability was reaffirmed in 2018 by AM Best.

These encouraging trends have reinforced investor confidence, expressed in the increase in the Group's share price which moved from $6.00 in 2017 to $6.30 at year-end 2018.

During 2018, the Board approved an increase in dividends payable to ordinary shareholders, moving from the $0.24 per share paid in 2017 to $0.30 per share in 2018. The Board also approved the repayment of $5.0 million to preference shareholders during 2018.

The performance of the Group was positively influenced by the commendable efforts of our sales force, new marketing initiatives, and the sound management and investment policies applied to promote enhanced operating efficiencies. This focus will accelerate in 2019 and will include ongoing technology improvements and a strong emphasis on training for improved customer service and leadership development.

As we move into the new year, we remain attentive to the Government's proposal to expand health benefits for its citizens under the National Health Insurance program, and we await confirmation of the projected role of the private insurance industry in this major initiative.

We continue to monitor the economy's recovery which showed positive signs beginning in 2018. New fiscal initiatives by the Government, proposed sizable foreign direct investment projects, and increased visitor arrivals provide an optimistic outlook. In this promising environment, we look forward and remain dedicated to bringing further value to all our stakeholders.

On behalf of my fellow directors, I extend appreciation to our management, sales, and administrative teams for their valued contributions to the successes recorded for 2018. We also extend gratitude to our shareholders and clients for their continued confidence and support.

Norbert F. Boissiere
Chairman

Dear Shareholders:

I am pleased to report that the Group's solid performance in 2018 resulted in a 13.2% increase in net income over the previous year.

The financial results as at December 31, 2018 confirm that strategic initiatives undertaken during the year led to all business divisions recording premium growth and generated significant progress in key areas:

- The Group posted net income of $8.0 million for 2018 compared to $7.1 million over the prior year;
- Net income attributable to ordinary shareholders increased by 16.7% to $6.4 million compared to $5.5 million in 2017;
- As a result of our strong capital and liquidity position, we were able to redeem $5.0 million of our outstanding preference shares thereby increasing our earnings per ordinary share to $0.64 compared to $0.55 in 2017;
- Total assets grew from $362.0 million in 2017 to $369.4 million at year-end 2018;
- The Group continued to fulfill its commitment to policyholders incurring in excess of $84.0 million in policyholder benefits in 2018;
- For the sixth consecutive year, AM Best reaffirmed Family Guardian's A-Excellent rating speaking to the strength and stability of the company.

The 2018 results are especially noteworthy as the Group continued to operate in a challenging economic environment and was subject to the mid-year increase in Value Added Tax on health insurance (2017: 7.5%, 2018: 12.0%). In addressing these market pressures, we implemented several tactical initiatives including a heightened emphasis on branding to build on the Group's expansive business lines and geographic reach throughout The Bahamas.

We also established a management Product Development and Pricing Committee to proactively introduce and amend product offerings. Our focus on adapting to changing customer needs and service delivery expectations continues to underpin our product design and sales programs.

These strategies, along with the commendable efforts of our highly skilled sales and administrative team, contributed to a 4.4% increase in gross premium income. It is especially pleasing to report that our newest subsidiary, FG Insurance Agents & Brokers (2010), is solidly on track, achieving in excess of $4 million in premiums and contributing to the Group's profit line.

A central part of the 2018 service delivery enhancement was the introduction of a new Home Service systems platform. Today, our Home Service agents are using tablets to facilitate the management of new and existing business – from the recording of new applications to the collection and processing of premium payments. These upgrades in technology form part of the Group's comprehensive IT 2020 Vision which includes a structured approach to implementing new systems geared towards improved customer service and efficiency.

During 2018, we contracted with new key strategic partners including our reinsurance provider and overseas third-party administrator. As a result, effective January 1, 2019, Quality Health Management, LLC will provide overseas healthcare administration services for BahamaHealth and its members, which we expect will bring about significant improvement in our overseas medical care and claims cost management.

We are ever committed to maintaining a sound enterprise risk management framework and have established business continuity plans throughout the Group. We also effected a group-wide reorganization including succession planning to develop our future leaders. As an instrumental component of this exercise, we established our Leadership Enhancement and Development (LEAD) Program, charting the course to identify and develop the next generation of leadership for the Group.

I am privileged to work with a group of skilled and dedicated professionals who are committed to executing our vision of "connecting people with solutions that protect their life, health, and wealth." I take this opportunity to thank our staff, agents, and brokers for their valued contributions to the successes recorded for 2018.

Looking ahead, we will continue to build on our solid financial base and trusted brand to achieve targeted performance levels, improve shareholder equity, and protect our franchise value.

I extend appreciation to our loyal clients, directors, and valued shareholders for their confidence and support during 2018 and beyond, and throughout Family Guardian's fifty-three years of operations.

Glen O. A. Ritchie
President

Click here to see our current Executive Team

President
Glen O. A. Ritchie, CPA

Senior Vice President, Administration
(Human Resources, Public Relations & Marketing)
Kerry Higgs, Ph.D.

Vice President, Systems Development & Architecture
Michael Hanna, ACS

Vice President, Technology
Jayson Clarke, MSc.

Vice President, Finance & Investments
Ramon Curtis, BSc., CPA

Vice President, Legal, Risk & Compliance
Corporate Secretary
Bryinda Russell, MSc., PGDL, MICA

Vice President, Human Resources
Siobhan Lloyd, MBA

Assistant Vice President, Projects and
Business Support, Operations
Marion Chestnut, ACS, AIAA

Assistant Vice President, Information Technology
Glen Pratt

Assistant Vice President, Home Service Sales
Ramona Neely

Assistant Vice President, Financial Services
Michael Adderley, B.Acc.

Assistant Vice President, Internal Audit
Otimia Pennerman, BSc., CPA

Assistant Vice President, BahamaHealth
Alana Major, MBA, MHP, HIA, HCSA, FLMI

Assistant Vice President, Investments
G. Andre White, MBA, CFA

Financial Controller
Sandra Payne, MSc., CPA

Assistant Vice President, Operations &
Customer Service
Renee Davis, CPA

"The financial performance of the FamGuard group of companies for the year ended December 31, 2018 is a reflection of the commitment and dedication of management, staff, and agents to achieving our vision."

Manangement Discussion & Analysis

For the year ended December 31, 2018
This Management Discussion and Analysis is dated April 1, 2019

OVERVIEW

FamGuard Corporation Limited (the "Company") is a public company whose shares are traded on the Bahamas International Securities Exchange (BISX). The Company is incorporated under the laws of the Commonwealth of The Bahamas and serves as an investment holding company for its wholly-owned subsidiaries: Family Guardian Insurance Company Limited, BahamaHealth Insurance Brokers Limited, FG Insurance Agents & Brokers Limited, FG Financial Limited, and FG Capital Markets Limited (together the "Group").

FamGuard Corporation, through its major subsidiary Family Guardian Insurance Company, obtained participating interest in FG Financial Fund Limited SAC. FG Financial Fund Limited SAC (the "Fund") is an umbrella fund sponsored by FG Financial Limited and managed by Family Guardian. The Fund encompasses four sub-funds, namely FG Financial Preferred Income Fund, FG Financial Diversified Fund, FG Financial Growth Fund, and FG Financial Global US$ Bond Fund. Each sub-fund has its own distinct investment strategy and is segregated from the other sub-funds within the Fund. As a result of FamGuard not only having power through the sponsorship of the Fund by its subsidiary FG Financial Limited to direct the activities of the Fund but also benefitting from variable returns through its direct participating interest in the Fund, FamGuard was deemed to have control over the Fund and, as such, the Fund must now be consolidated into the financials of FamGuard Corporation Limited.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements, on which the information presented in this report is based, incorporate the financial statements of the Company, entities controlled by the Company and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

The Group evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

Due to the inherent uncertainty of the assumptions and estimates, the effect of certain accounting policies under different conditions or assumptions could be materially different from those reported in the consolidated financial statements.

ECONOMIC REVIEW

The economic environment impacts the operating and financial performance of the Group and the way we do business. Factors such as economic growth, employment, and disposable income impact the levels of new and renewal insurance business on products offered by the Group. Interest rates and investment yields affect the level of savings and investment returns offered for life insurance and annuity products and ultimately the profit margins that the Group can generate from these product lines.

After several years of stagnant growth in the economy as a result of national disasters, stalled foreign direct investment projects, and increasing national debt, the economy of The Bahamas began to show positive signs in 2018 with the implementation of new fiscal reforms by the Government, which included a commitment to a reduction in public spending and the implementation of new public accounting standards, and the increase in and introduction of new taxes on individuals and business, The Bahamas was able to maintain its BBB rating with a positive outlook by the international rating agency Standard and Poor's in its most recent review. Additionally, the International Monetary Fund (IMF) forecasted a 2.1% growth in 2019.

In 2017, the country's main economic sector was constrained by the delayed opening of the BahaMar property and the closure of the main hotel property in Grand Bahama, which resulted in negative impacts to the tourism industry. However, during 2018 the tourism industry saw increases in most of the significant indicators over the previous year. A large contributor to the increase is due to growth in the tourism sector on Family Islands.

Increases in foreign direct investment resulted in the creation of new jobs throughout The Bahamas

While the cost of living continued to increase over 2017 as indicated by the consumer price index, this was primarily due to the increase in the Value Added Tax rate from 7.5% to 12% effective July 1, 2018.

Overall, the positive results from the Group during 2018 confirm the stability of the Company. Despite the uncertain social and economic conditions faced during the year, FamGuard continued to weather the storms. The financial performance of the FamGuard group of companies for the year ended December 31, 2018 is a reflection of the commitment and dedication of management, staff, and agents to achieving our vision.

SUMMARY OF FINANCIAL PERFORMANCE

$8.0 M
NET PROFIT
+13.2%

$0.64
EARNINGS PER ORDINARY SHARE
+16.7%

TOTAL ASSETS **$369.4 M**	**AM BEST RATING** **A-EXCELLENT**
GROSS PREMIUM **$107.6 M**	**RETURN ON COMMON SHAREHOLDERS' EQUITY** **8.3%**

In 2018, FamGuard Corporation recorded profits of $8.0 million, exceeding the results of 2017 by 13.2% and boasting the most profitable year by the Group. Group profit attributable to equity holders of the parent totaled $6.8 million. Profit attributable to common shareholders stood at $6.4 million and represented $0.64 per ordinary share, a 16.7% increase over the $0.55 per share recorded in 2017. The overall performance of the Company was largely impacted by the efforts of our sales team, combined with sound investment strategies that produced strong returns, and the implementation of strategic initiatives by management which resulted in cost saving and improvements in operating efficiency. These positive results translated to the confidence placed in the Company by investors as FamGuard's share price increased from $6.0 at the end of 2017 to $6.30 at the end of 2018.

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FINANCIAL PERFORMANCE	**2018**	**2017**	**2016**
	$	$	$
GROSS PREMIUMS	107,632	103,090	101,070
NET PREMIUMS	98,530	92,667	90,753
ANNUITY & OTHER DEPOSITS	16,006	7,099	12,224
INVESTMENT & OTHER INCOME	17,342	16,831	16,478
TOTAL INCOME	131,878	116,597	119,455
TOTAL BENEFITS	83,532	72,511	76,053
COMMISSIONS	15,114	11,783	12,105
ADMINISTRATIVE EXPENSES	25,183	25,193	24,986
NET PROFIT	8,050	7,110	6,311
NET INCOME ATTRIBUTABLE TO:			
ORDINARY SHAREHOLDERS	6,364	5,454	4,805
PREFERRED SHAREHOLDERS	463	600	625
NON-CONTROLLING INTERESTS	1,222	1,056	880

The Group recorded revenues totaling $131.9 million for the year ended December 31, 2018, an increase over the prior year by 13.1%. Gross premiums increased by 4.4% representing $4.5 million, while premiums ceded to reinsurers decreased by $1.3 million resulting in a positive net premium variance of $5.9 million. Our sales force continues to build and maintain strong client relationships. Despite the challenges within the economy, which impacted unemployment, and the increase in Value Added Tax (VAT) during the year, our sales force worked diligently to ensure that their sales targets were being achieved and policies remained inforce.

TOTAL REVENUE

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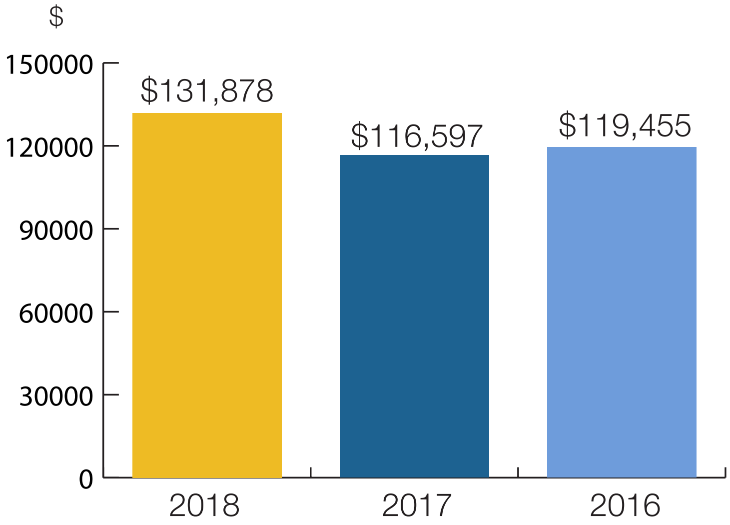

GROSS PREMIUM

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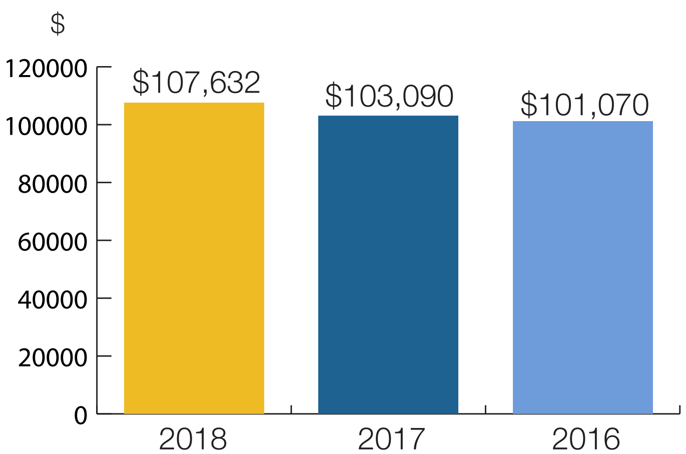

NET PREMIUM

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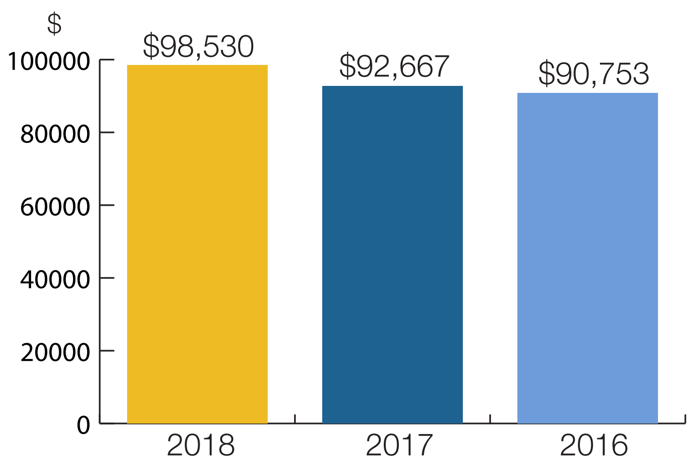

Gross premiums showed positive variances against prior year in all three divisions of the insurance company, led by the Home Service division which saw a 6.2% increase over 2017. The division continued its consistent improvement in performance over the last 3 years as premium income grew from $20.1 million in 2016 to $22.2 million in 2018. The Financial Services division contributed $17.8 million to gross premium income for the year, a 1.4% increase over 2017. New business sales in the Group Division were relatively flat during the year; however, the division recorded gross premiums of $67.7 million, a 4.6% increase over 2017. Both divisions have seen overall improvements in persistency and retention rates which contributed to their performance during the year.

The Group continued to experience a strong demand by policyholders for annuity and deposit products which yield higher returns compared to alternatives at commercial banks. This translated into an increase in deposits for the year exceeding prior year by $8.9 million, ending the year at $16 million.

During the year, management reviewed the reinsurance arrangements on the life and health business to determine their adequacy and as a part of our annual risk assessment. As a result of this review, the reinsurance retention was increased from $175 thousand to $225 thousand on the group and individual health portfolio. This adjustment resulted in a decrease in the reinsurance rates which contributed to the reduction in the group medical premiums ceded. Net premium increased by 6.3% over 2017, ending the year at $98.5 million.

The Group's strategic investment decisions and positioning of its portfolio continued to produce favorable results during 2018. Investment income contributed $15.5 million to total revenues, and yielded a return on investment of 5.3% on the overall portfolio of Family Guardian Insurance Company. The portfolios benefitted from the deployment of liquid short-term assets into longer-term vehicles which yielded fixed rates. This is consistent with our investment strategy which seeks to obtain long-term investment assets with fixed rates and high yielding interest rates to back our insurance policy liabilities.

INVESTMENT & OTHER INCOME

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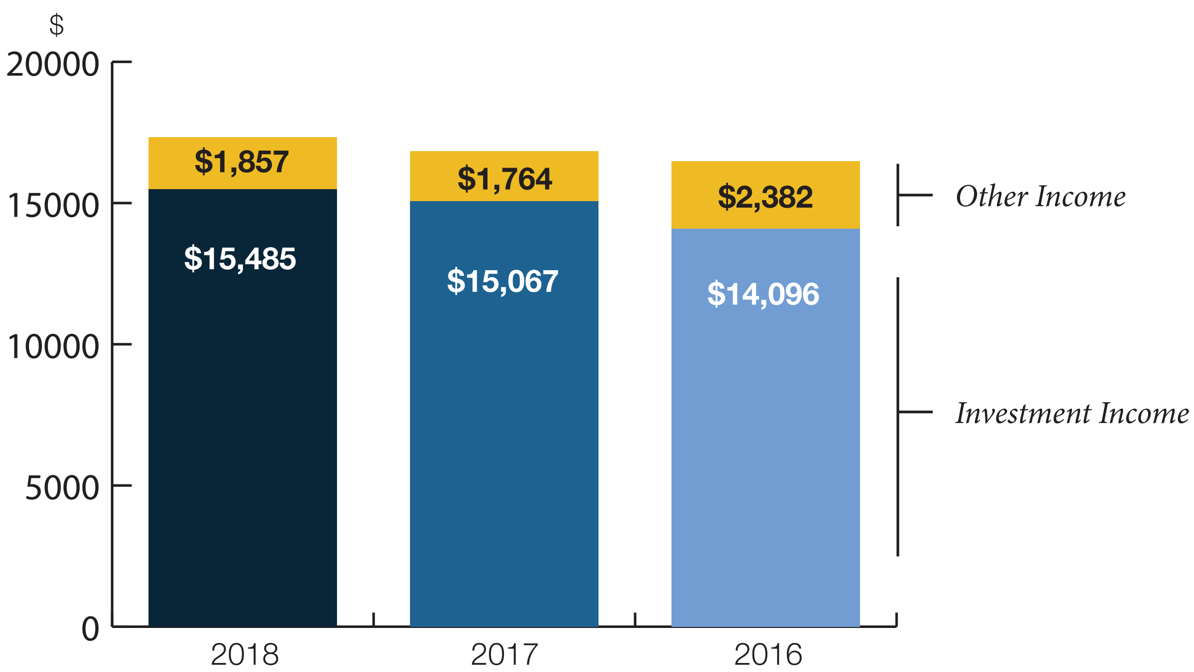

Besides its core business of life and health insurance, the Group earns commissions on non-life and health insurance premiums and provides a range of services including investment management, pension management and administration, corporate advisory services, and mutual fund management. Revenues from these lines of business are included in other income and totaled $1.9 million at the end of 2018, showing a positive variance of 5.3% over 2017.

Net policyholder benefits across all three divisions of the insurance company totaled $76.1 million, compared to $65.1 million in the prior year, an increase of $11.1 million year over year. The increase is mainly attributed to an unusually high incidence of medical claims incurred from our group health business during the period, which saw a 13.5% increase in incurred claims.

Increase in reserves for future policyholder benefits comprise obligations to holders of long-term and short-term insurance policies, which are estimated using prudent actuarial and accounting principles. Reserves on insurance contract liabilities that relate principally to the Group's long-term business increased by $6.4 million primarily due to normal movement in inforce policies and changes to actuarial estimates. Reserves on insurance contract liabilities associated with the Group's short-term business increased by $1.0 million due to medical claims reserves, representing an estimate of pending claims incurred but not reported.

Total expenses show a negative variance against prior year of 9.0%; this variance is mainly due to an increase in commission expenses, which increased by 28.3%, in correlation with the increases in premium income. In 2017, management implemented a series of strategic initiatives geared toward achieving our targeted performance in key areas of the business; one of these initiatives was geared toward improving operating efficiency and managing expenses. These activities gained further momentum in 2018 as total expenses, excluding commissions, were consistent with 2017 totaling $25.2 million. We will continue to leverage improvements in technology and our internal operating processes for further improvements going forward.

Comprehensive income attributable to shareholders includes the reported profit for the year, together with other items of income and expense that are not permitted by International Financial Reporting Standards (IFRS) accounting standards to form part of profit in the Consolidated Statement of Income. These include property revaluation, gains and losses on available for sale investment assets, and actuarial reserve movements for post-employment benefits. The reduction in comprehensive income compared to 2017 was principally due to a reduction in equity prices which resulted in a decline in the market value of these investment assets and the unfavorable actuarial reserve movements on the post-employment benefit plan. There was also no property revaluation completed in 2018 as this is completed every three years.

Total equity attributable to owners of the parent total $82.9 million. The Group continued its consistent pattern of returning profits to shareholders through the distribution of dividends. During the year, the Board of Directors approved an increase in the common share dividends as it paid out dividends totaling $3.0 million to common shareholders. This represented dividends of $0.30 per ordinary share compared to $0.24 in 2017. The Board of Directors also approved the repayment of $5.0 million to preference shareholders as a part of the strategic initiatives for 2018. Dividends paid to preferred shareholders totaled $463 thousand in 2018.

The Company's balance sheet remains strong with total assets in excess of $369 million, of which investment assets comprised $298 million, representing 80.7% of our total asset base. Debt securities and mortgages comprise the largest class of invested assets and represented 62% and 23% respectively of total invested assets. These securities are most significant as their medium- to long-term duration, regular interest and principle payments received, and relatively low credit risk are appropriate to back long-term liabilities. The other invested assets are appropriately spread across various asset classes.

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SHAREHOLDER RETURNS	**DEC-2018**	**DEC-2017**	**DEC-2016**
	$	$	$
MARKET VALUE PER SHARE	6.30	6.00	5.82
EARNINGS PER ORDINARY SHARE	0.64	0.55	0.48
DIVIDENDS PER ORDINARY SHARE	0.30	0.24	0.29
RETURN ON COMMON SHAREHOLDERS' EQUITY	8.32	7.55	7.00
BOOK VALUE PER COMMON SHARE	7.79	7.51	6.94

SHAREHOLDERS' EQUITY

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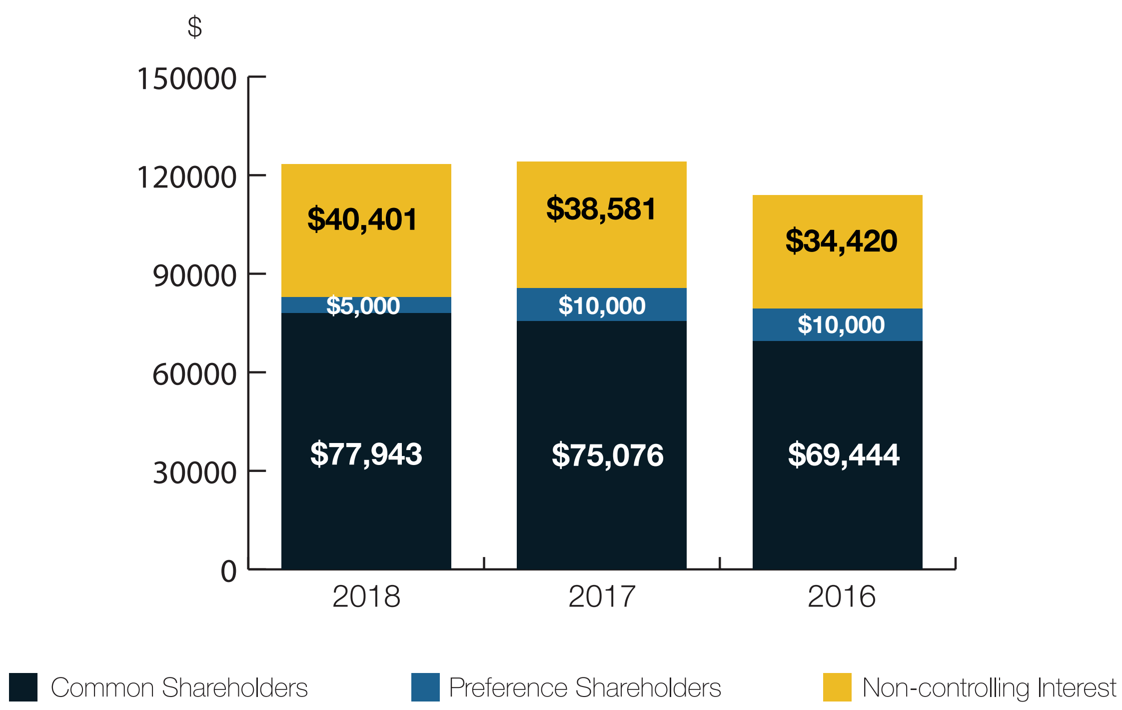
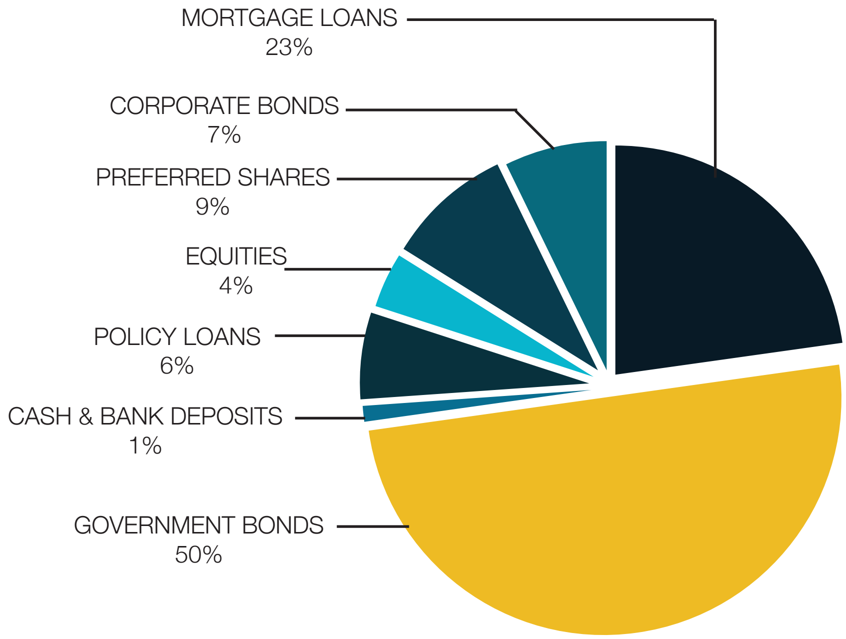
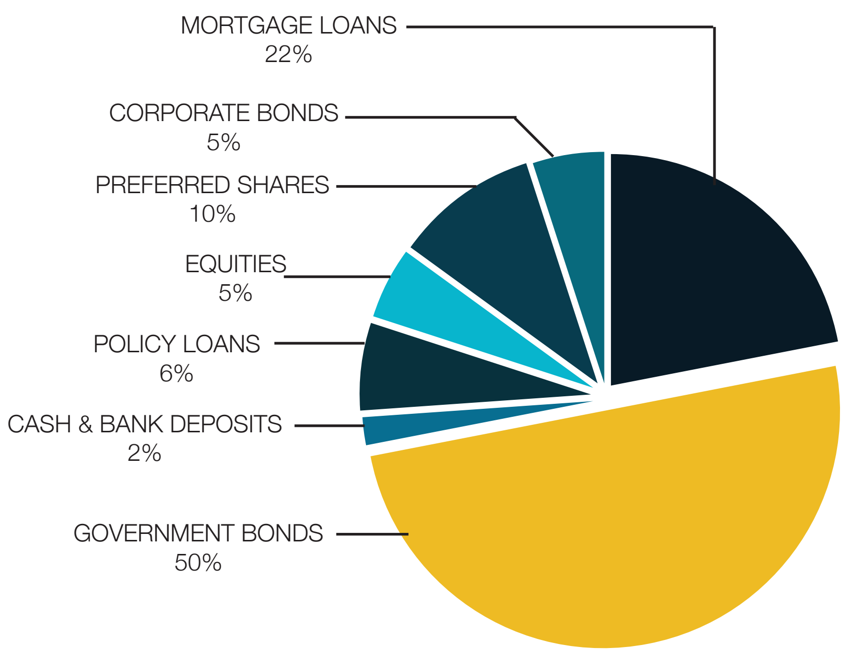


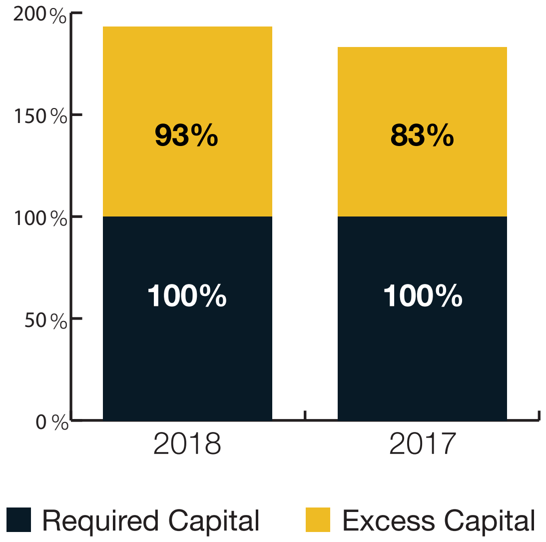
INVESTMENT ASSETS 2018



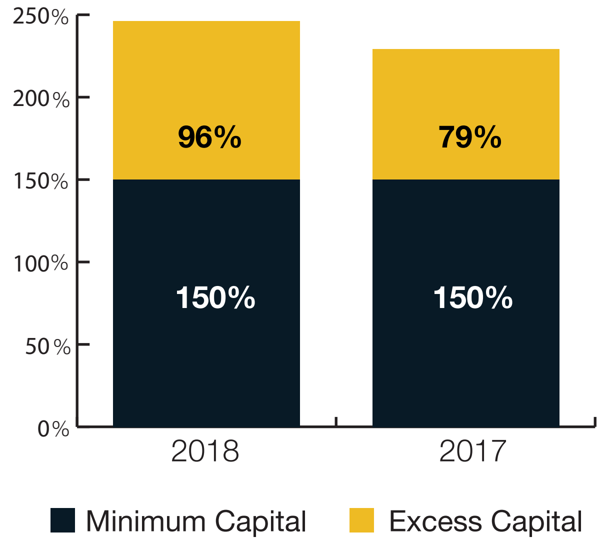
INVESTMENT ASSETS 2017



INSURANCE COMMISSION OF THE BAHAMAS SOLVENCY RATIO



MINIMUM CONTINUING CAPITAL & SURPLUS REQUIREMENTS RATIO



The Company's insurance subsidiary, Family Guardian Insurance Company Limited, continues to maintain capital solvency measures well in excess of the local and international minimum requirements. The measures used to determine the capital adequacy of a life insurance company are the Canadian Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio and the local solvency standard prescribed by the Insurance Act of 2005. Family Guardian recorded an MCCSR ratio of 246% as at December 31, 2018 and 193% for the local solvency ratio. Both ratios are significantly in excess of the minimum requirements of 150% and 100% respectively. The company's AM Best rating of A- Excellent was reaffirmed during the year, which speaks to the financial strength of the company.

The Company's risk profile remained consistent as the percentage of net insurance premiums between our long-term and short-term insurance products remained constant. The long-term life insurance block of business includes both our Home Service and Financial Services divisions and our short-term insurance represents our Group Health division. At year-end 2018, our long-term insurance gross premiums were 36% of the portfolio and our short-term insurance gross premiums were 64% of the portfolio.

2018 SUMMARY OF QUARTERLY RESULTS					
BSD ,000	**Q1**	**Q2**	**Q3**	**Q4**	**TOTAL**
	$	**$**	**$**	**$**	**$**
NET PREMIUMS	**24,837**	26,056	22,859	24,778	**98,530**
TOTAL REVENUE	**30,725**	33,066	33,795	34,292	**131,878**
QUARTERLY NET INCOME ATTRIBUTABLE TO:					
ORDINARY SHAREHOLDERS	**2,108**	1,740	1,787	729	**6,364**
PREFERRED SHAREHOLDERS	0	319	0	144	**463**
NON-CONTROLLING INTERESTS	134	362	204	523	**1,222**
	2,242	2,421	1,991	1,396	**8,050**
QUARTERLY EARNINGS PER ORDINARY SHARE*	$0.21	$0.17	$0.18	$0.07	**$0.64**

2017 SUMMARY OF QUARTERLY RESULTS					
BSD ,000	**Q1**	**Q2**	**Q3**	**Q4**	**TOTAL**
	$	**$**	**$**	**$**	**$**
NET PREMIUMS	**23,192**	22,937	22,860	23,678	**92,667**
TOTAL REVENUE	**28,693**	29,083	28,299	30,522	**116,597**
QUARTERLY NET INCOME ATTRIBUTABLE TO:					
ORDINARY SHAREHOLDERS	**1,343**	1,112	3,842	(843)	**5,454**
PREFERRED SHAREHOLDERS	0	313	0	288	**600**
NON-CONTROLLING INTERESTS	232	(36)	269	590	**1,055**
	2,114	1,375	829	2,139	**7,110**
QUARTERLY EARNINGS PER ORDINARY SHARE*	$0.13	$0.11	$0.38	($0.08)	**$0.55**

** Quarterly earnings per ordinary share data is not shown in BSD ,000.*

THE WAY FORWARD

As we set our sights on 2019, we are pleased that the economy of The Bahamas appears to be showing signs of a positive outlook. Foreign direct investment is expected to contribute to the growth of the economy with the recent announcement for plans to redevelop two cruise ports in the country. Global Port Holdings and Royal Caribbean are expected to make significant investments in the development of the New Providence cruise port and the creation of a new cruise port in Grand Bahama respectively. These projects are expected to create additional jobs while providing opportunities for local businesses. The announcement of the Letter of Intent by the prospective purchasers of the Our Lucaya Resort in Freeport has provided renewed optmism for the economy of Grand Bahama as this property has been closed since 2016. The development of this property and the subsequent opening is expected to further expand the economy of Grand Bahama and contribute to the overall economic growth of the country.

We are confident that there is tremendous value to be extracted from our core businesses and that we possess the people, the products, and leadership to achieve success.

The pace of implementation of strategic initiatives will accelerate in 2019. These initiatives will include continuous enhancements in technology, training programs geared toward further developing the customer service and leadership skills of our staff and agents, introducing a revamped approach to general insurance sales through our general insurance agency FG Insurance Agents & Brokers, and further cost-containment measures.

"The Group's solid performance in 2018 resulted in a 13.2% increase in net income over the previous year."

Glen O. A. Ritchie

SECTION TWO:
CONSOLIDATED FINANCIAL STATEMENTS

APPOINTED ACTUARY'S REPORT

To the Board of Directors and Shareholders of FamGuard Corporation Limited

I have valued the actuarial liabilities and other policy liabilities of FamGuard Corporation Limited for its consolidated statement of financial position at 31 December 2018 and the change in the consolidated statement of comprehensive income for the year ended 31 December 2018 in accordance with generally accepted actuarial practice including selection of appropriate assumptions and methods.

In my opinion, the amount of the actuarial and other policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements of FamGuard Corporation Limited fairly represent the results of the valuation.

Jean Mongrain
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries
Member, Caribbean Actuarial Association
February 8th, 2019

Independent auditors' report

To the Shareholders of FamGuard Corporation Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of FamGuard Corporation Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

FamGuard Corporation Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include 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 *Auditors' responsibilities for the audit of the consolidated 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 Group 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.

PricewaterhouseCoopers, 2 Bayside Executive Park, West Bay Street & Blake Road, P.O. Box N-3910, Nassau, Bahamas T: + 1 242 302 5300, F: + 1 242 302 5350, www.pwc.com/bs, E-mail: pwcbs@bs.pwc.com

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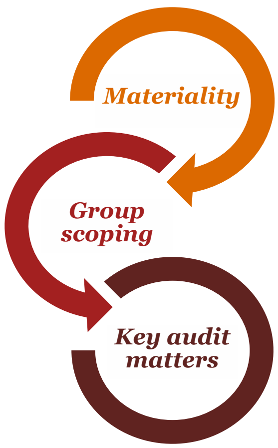
Our audit approach

Overview



- Overall group materiality: $1,233,440, which represents approximately 1% of the net assets of the Group.

- In addition to the Group's primary operating company, Family Guardian Insurance Company Limited, we performed full scope audits of the Company and four of the six consolidated investment funds, specific audit procedures were performed over the remaining two subsidiaries.

- Valuation of reserves for future policyholders' benefits
- Impairment allowance for mortgage loans

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our 2018 audit was planned and executed having regard to the fact that the operations of the Group were largely unchanged from the prior year. In light of this, our overall approach in terms of scoping and key audit matters remained unchanged.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

Family Guardian Insurance Company Limited, as the primary operating subsidiary of the Group, was classified as an individually financially significant component based on its overall contribution to the Group. Due to the nature of its insurance activities, this company also accounted for both of the key audit matters. We also performed full scope audit procedures over FamGuard Corporation Limited and the Group's four largest consolidated investment funds: FG Financial Diversified Fund, FG Financial Global USD Bond Fund, FG Financial Growth Fund and FG Financial Preferred Income Fund. For the remaining non-significant components, we performed an audit of specific account balances to ascertain whether any transactions had occurred that would have a material impact on the consolidated financial statements of the Group.

All audit procedures were performed by PricewaterhouseCoopers Bahamas.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	$1,233,000
How we determined it	1% of the net assets of the Group.
Rationale for the materiality benchmark applied	We considered the Group's financial stability, as represented by the net asset position, to be the most relevant benchmark in determining materiality and because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 1% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $62,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the Key audit matter
Valuation of reserves for future policyholders' benefits *See notes 3(q), 4(a) and 10 of the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.* Reserves for future policyholders' benefits are the most significant provision on the Group's consolidated statement of financial position. As at 31 December 2018, these liabilities totaled $213,300,445. We focused on the significant judgements over uncertain future outcomes, notably the estimation of the total settlement value of the future policyholders' benefits. Economic assumptions being investment return, associated discount rates, policy expenses and non-economic assumptions being mortality, longevity and persistency, are the key inputs used to estimate these long-term liabilities. Management employs an independent external actuary to assist in determining the methodology and assumptions used in estimating the value of the future policyholders' benefits. The main approach adopted by management's external actuary is the Canadian Asset Liability Method ("CALM").	The work performed to address the valuation of the reserves for future policyholders' benefits included the following procedures: We tested, on a sample basis, the underlying policyholder data (including premium, age, gender and smoker status) to source documentation. This included agreeing that the data was transferred correctly from the administrative systems through to the valuation models and that the actuarial coding of product features was accurate based on information in the administrative systems or policy contracts. With the assistance of our own actuarial specialists, we applied our industry knowledge and experience and compared the methodology, models and assumptions utilized by management's actuarial experts against recognised actuarial practices. Furthermore, non-economic assumptions were tested against the experience studies conducted by management's independent external actuary and compared them against industry approaches and results. As the CALM method allocates appropriate assets to calculate the valuation discount rate, we tested a sample of representative assets to test the accuracy of the cash flows projected, verifying the application of the stated economic assumptions and the accuracy of the underlying features of the asset modelled. We reconciled the future policyholders' benefits calculated by the valuation models to the liabilities reported by the actuary. Where manual adjustments were made, we discussed these with our independent external actuary to assess that they were appropriate for the business and consistent with recognized actuarial practices. The results of our procedures indicated that the methods and assumptions used by management for determining reserves for future policy holder benefits are reasonable.

Impairment allowance for mortgage loans

See notes 3(h), 4(e) and 6 of the consolidated financial statements for disclosures of related accounting policies, judgement and estimates.

As at 31 December 2018, mortgage loans to customers, net of provision for impairment due to credit losses, represented $68,506,585 or 17% of total assets of the Group. Impairment provisions on mortgage loans totaling $1,729,834 were recognized as at the consolidated statement of financial position date.

We focused on management's impairment assessment on loans to customers as the assumptions used for estimating the amount of the provision for loan losses, including the amount and timing of future cash flows are complex and involve significant management judgement, including:

- classification of mortgage loans to customers as impaired, specifically the completeness of the population of loans to customers included in the impairment calculation.
- valuation of real estate property pledged as collateral for mortgage loans. This is the most significant repayment source for impaired mortgages; the collateral value depends on market trends as well as the circumstances of the specific property and involves judgement. The following are determined to be the key assumptions:
    - the valuation of the real estate property pledged as collateral;
    - the estimated costs to sell the collateral;
    - time to liquidate the pledged collateral.

Management engaged a number of independent appraisers to assist in determining the valuation of real estate properties pledged as collateral.

The work performed to address the valuation of the impairment allowance for mortgage loans included the following procedures:

We tested the calculation of the ageing of customers within the mortgage system by re-calculating, on a sample basis, the delinquency days based on the repayment history to determine if they were appropriately included in the provision assessment.

We tested management's listing of potentially impaired mortgages and related collateral values by comparing the collateral values recorded by management to supporting valuation appraisal reports. For a sample of valuation reports, we compared the key assumptions used by the independent appraisers to comparable actual sales data and recent sales of collateral by the Group.

For a sample of the valuation appraisal reports we also assessed the competence and objectivity of management's appointed real estate appraisers, confirming that they were qualified and that they held no affiliation to the Group.

For a sample of mortgage loans we recalculated the assessed impairment provision based on the principal and accrued interest on the loans and the value of the collateral held.

No exceptions requiring management to adjust their provision for impairment were noted as a result of the procedures we performed.

Other information

Management is responsible for the other information. The other information comprises the FamGuard Corporation Limited 2018 Annual Report (but does not include the consolidated financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the FamGuard Corporation Limited 2018 Annual Report if, we conclude that there is a material misstatement therein, we are required to communicate that matter to those charged with governance.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Prince A. Rahming.

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

1 April 2019

FamGuard Corporation Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Statement of Financial Position
As at 31 December 2018
(Expressed in Bahamian dollars)

	Notes	2018	2017
		$	$
ASSETS			
Cash on hand and at banks		9,853,144	16,881,642
Financial investment assets			
Fair value through profit or loss	6	12,670,798	13,141,670
Available-for-sale	6	13,184,526	14,661,520
Held-to-maturity	6	185,949,173	176,196,403
Loans, net	6	86,165,423	80,030,193
Total financial investment assets		297,969,920	284,029,786
Receivables and other assets, net	7, 24	18,555,545	17,639,018
Reinsurance assets	10	5,172,056	6,520,948
Intangible assets, net	9	-	100,000
Property and equipment, net	8	37,823,889	36,803,313
Total assets		**369,374,554**	**361,974,707**
LIABILITIES AND EQUITY			
LIABILITIES:			
Reserves for future policyholders' benefits	10	213,300,445	207,261,508
Other policyholders' funds	11	19,027,437	18,072,481
Policy liabilities		232,327,882	225,333,989
Payables and accruals	12, 24, 25	13,702,599	12,983,280
Total liabilities		**246,030,481**	**238,317,269**
EQUITY:			
Preference shares	15	5,000,000	10,000,000
Ordinary shares	15	2,000,000	2,000,000
Share premium	15	10,801,080	10,801,080
Revaluation reserve	14	18,605,500	19,191,952
Retained earnings		46,536,285	43,083,348
Equity attributable to owners of the Parent		82,942,865	85,076,380
Non-controlling interests	29	40,401,208	38,581,058
Total equity		**123,344,073**	**123,657,438**
Total liabilities and equity		**369,374,554**	**361,974,707**

These consolidated financial statements were approved by the Board of Directors on 27 March 2019, and signed on its behalf by:

Director

Director

The accompanying notes are an integral part of these consolidated financial statements.

FamGuard Corporation Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2018
(Expressed in Bahamian dollars)

	Notes	2018	2017
		$	$
INCOME:			
Gross premium income	16	107,631,768	103,090,427
Premiums ceded to reinsurers	16, 24	(9,101,574)	(10,423,366)
Net premium income	16	98,530,194	92,667,061
Annuity & other deposits		16,006,069	7,099,037
Net premium income and annuity deposits		114,536,263	99,766,098
Interest income		14,440,537	13,725,317
Dividend income		1,421,353	1,471,320
Realised gain on sale of financial assets		53,970	84,218
Unrealised loss on financial assets	6	(430,674)	(213,984)
Other operating income	21,24	1,856,760	1,763,984
Total income		**131,878,209**	**116,596,953**
BENEFITS AND EXPENSES:			
Benefits:			
Policyholders' benefits	17	84,982,051	67,832,963
Reinsurance recoveries	17, 24	(8,837,885)	(2,749,895)
Net policyholders' benefits		76,144,166	65,083,068
Increase in reserves for future policyholders' benefits	10	7,387,829	7,427,838
Total benefits		**83,531,995**	**72,510,906**
Expenses:			
Operating expenses	18-20, 22-24	22,867,357	22,191,781
Commissions	24	15,113,682	11,783,005
Depreciation expense	8	1,450,865	1,783,065
Bad debt expense, net	6, 7	764,740	939,431
Impairment of intangible asset	9	-	178,333
Amortisation	9	100,000	100,000
Total expenses		**40,296,644**	**36,975,615**
Total benefits and expenses		**123,828,639**	**109,486,521**
Net income		**8,049,570**	**7,110,432**

The accompanying notes are an integral part of these consolidated financial statements.

FamGuard Corporation Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2018
(Expressed in Bahamian dollars)
(Continued)

	Notes	2018	2017
		$	$
OTHER COMPREHENSIVE INCOME:			
Items that may be classified subsequently to net income			
Net change in fair value on available-for-sale financial assets	14	(585,222)	1,412,671
Realised loss reclassified to net income	14	(1,230)	-
Revaluation of property, plant and equipment	14	-	1,206,489
Items that will not be reclassified subsequently to net income:			
Remeasurement of defined benefit obligation	25	88,465	(41,008)
Total other comprehensive income		(497,987)	2,578,152
Total comprehensive income		**7,551,583**	**9,688,584**
NET INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		6,364,472	5,454,261
Preferred shareholders		462,757	600,000
Non-controlling interests	29	1,222,341	1,056,171
		8,049,570	**7,110,432**
Basic earnings per ordinary share	26	**0.64**	**0.55**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Ordinary shareholders		5,866,485	8,032,413
Preferred shareholders		462,757	600,000
Non-controlling interests		1,222,341	1,056,171
		7,551,583	**9,688,584**

The accompanying notes are an integral part of these consolidated financial statements.

FamGuard Corporation Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2018
(Expressed in Bahamian dollars)

	Notes	Share Capital Preference Shares (Note 15) $	Share Capital Ordinary Shares (Note 15) $	Share Premium (Note 15) $	Revaluation Reserve (Note 14) $	Retained Earnings $	Total Attributable to Owners of the Parent $	Non-Controlling Interests (Note 29) $	Total $
Balance as at 31 December 2016		10,000,000	2,000,000	10,801,080	16,572,792	40,070,095	79,443,967	34,420,152	113,864,119
Comprehensive income									
Net income		-	-	-	-	6,054,261	6,054,261	1,056,171	7,110,432
Other comprehensive income	14, 24	-	-	-	2,619,160	(41,008)	2,578,152	-	2,578,152
Total comprehensive income		**-**	**-**	**-**	**2,619,160**	**6,013,253**	**8,632,413**	**1,056,171**	**9,688,584**
Transactions with owners									
Additional non-controlling interests arising from net contributions from investors	29	-	-	-	-	-	-	3,104,735	3,104,735
Dividends declared and paid -									
Preference shares		-	-	-	-	(600,000)	(600,000)	-	(600,000)
Ordinary shares ($0.24 per share)	26	-	-	-	-	(2,400,000)	(2,400,000)	-	(2,400,000)
Total transactions with owners		**-**	**-**	**-**	**-**	**(3,000,000)**	**(3,000,000)**	**3,104,735**	**104,735**
Balance as at 31 December 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**
Comprehensive income									
Net income		-	-	-	-	6,827,229	6,827,229	1,222,341	8,049,570
Other comprehensive income	14, 24	-	-	-	(586,452)	88,465	(497,987)	-	(497,987)
Total comprehensive income		**-**	**-**	**-**	**(586,452)**	**6,915,694**	**6,329,242**	**1,222,341**	**7,551,583**
Transactions with owners									
Additional non-controlling interests arising from net contributions from investors	29	-	-	-	-	-	-	597,809	597,809
Redemption of preference shares	15	(5,000,000)	-	-	-	-	(5,000,000)	-	(5,000,000)
Dividends declared and paid -									
Preference shares	15	-	-	-	-	(462,757)	(462,757)	-	(462,757)
Ordinary shares ($0.30 per share)	26	-	-	-	-	(3,000,000)	(3,000,000)	-	(3,000,000)
Total transactions with owners		**(5,000,000)**	**-**	**-**	**-**	**(3,462,757)**	**(8,462,757)**	**597,809**	**(7,864,948)**
Balance as at 31 December 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**

The accompanying notes are an integral part of these consolidated financial statements.

FamGuard Corporation Limited

Consolidated Statement of Cash Flows
Year Ended 31 December 2018
(Expressed in Bahamian dollars)

	Notes	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income		8,049,570	7,110,432
Adjustments for:			
Depreciation expense	8	1,450,804	1,783,065
Amortisation of intangible asset	9	100,000	100,000
Impairment of intangible asset	9	-	178,333
Unrealised loss on financial assets		430,674	213,984
Realised gain on sale of financial assets		(53,970)	(84,218)
Decrease in reinsurance assets		1,348,892	1,458,773
Decrease in loans provision	6	(112,923)	(214,300)
Change in reserves for future policyholders' benefits		6,038,937	5,969,065
Interest income		(14,440,537)	(13,725,317)
Dividend income		(1,421,353)	(1,471,320)
Operating profit before working capital changes		1,390,094	1,318,497
(Increase)/decrease in receivables and other assets		(916,527)	2,213,011
Increase/(decrease) in payables and accruals		719,319	(1,479,444)
Increase in other policyholders' funds		954,956	434,040
Net cash from operating activities		**2,147,842**	**2,486,104**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Placement of bank term deposits greater than three months		-	(13,029,427)
Maturity of bank term deposits greater than three months		3,765,647	15,192,820
Purchase of corporate bonds		(6,418,422)	(4,750,000)
Redemption of corporate bonds		1,249,726	912,637
Redemption of preference shares		1,073,721	857,512
Purchase of government bonds & notes		(12,750,091)	(27,721,084)
Maturity of government bonds & notes		3,856,927	17,557,777
Purchase of equity securities		(556,372)	(4,960,104)
Proceeds from equity securities		689,990	5,024,656
Net loans issued		(5,970,072)	(2,206,844)
Purchase of property and equipment	8	(2,471,380)	(3,635,073)
Proceeds from disposal of property, plant and equipment		-	500
Interest received		14,797,581	13,430,820
Dividends received		1,421,353	1,471,320
Net cash used in investing activities		**(1,311,392)**	**(1,854,490)**

The accompanying notes are an integral part of these consolidated financial statements.

FamGuard Corporation Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2018
(Expressed in Bahamian dollars)
(Continued)

	2018	2017
	$	$
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from net contributions from non-controlling interest	597,809	3,104,735
Redemption of preference shares	(5,000,000)	-
Dividends paid on ordinary shares	(3,000,000)	(2,400,000)
Dividends paid on preference shares	(462,757)	(600,000)
Net cash (used in)/from financing activities	**(7,864,948)**	**104,735**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(7,028,498)**	**736,349**
CASH AND CASH EQUIVALENTS:		
Beginning of year	16,881,642	16,145,293
End of year	**9,853,144**	**16,881,642**
CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and bank balances	9,853,144	16,881,642
Short-term bank deposits	-	-
	9,853,144	**16,881,642**

The accompanying notes are an integral part of these consolidated financial statements.

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Expressed in Bahamian dollars)
(Continued)

1. General Information

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, 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, 2009. 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, The Bahamas. The ordinary shares of the Company are listed on The Bahamas International Securities Exchange (BISX).

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS)

New standards, amendments and interpretations adopted by the Group

With the exception of IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) and Amendments to IFRS 4 – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (Amendments to IFRS 4) standards, amendments and interpretations to published standards, that became effective for the Group's financial year, beginning on 1 January 2018, were either deferred under options provided by the International Accounting Standards Board (IASB), not relevant or not significant to the Group's operations and accordingly did not have a material impact on the Group's accounting policies or consolidated financial statements.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Expressed in Bahamian dollars)
(Continued)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations adopted by the Group (Continued)

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 on 1 January 2018. IFRS 15 supersedes IAS 11 *Construction Contracts* and IAS 18 *Revenue,* and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

In accordance with the transition provisions in IFRS 15, the Group has adopted the standard using the modified retrospective approach. The timing or amount of the Group's other income from non-premium income contracts with customers was not significantly impacted by the adoption of IFRS, and therefore, no adjustment was made to opening retained earnings. The impact of IFRS 15 was limited to the new disclosure requirements.

Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 9, became effective for the Group's financial year, beginning on 1 January 2018, but was deferred under options provided by the IASB and accordingly is not reflected in the Group's accounting policies or consolidated financial statements.

Under the Amendments to IFRS 4, the IASB approved a proposal to allow a temporary deferral of IFRS 9 implementation until the effective date of the new insurance contracts standard.

The temporary exemption permits companies whose activities are predominantly connected with insurance to defer the application of IFRS 9 until the earlier of: (a) the application of the forthcoming insurance contracts Standard; or (b) 1 January 2021. These entities will continue to apply IAS 39 during this period and will be required to make additional

2. Adoption of New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations adopted by the Group (Continued)

disclosures to enable users of financial statements to make comparisons with entities applying IFRS 9.

A company's activities are predominantly connected with insurance if, and only if: (a) the amount of its insurance liabilities is significant compared with its total amount of liabilities; and (b) the percentage of its liabilities connected with insurance relative to its total amount of liabilities is: (i) greater than 90 per cent; or (ii) less than or equal to 90 per cent but greater than 80 per cent, and the company does not engage in a significant activity unconnected with insurance. Liabilities connected with insurance include investment contracts measured at FVPL, and liabilities that arise because the insurer issues, or fulfils obligations arising from, these contracts (such as deferred tax liabilities arising on its insurance contracts).

The Group has assessed its insurance liabilities and concluded that its activities are predominantly connected with insurance contracts. In this regard, management has assessed the following:

- The Group has not previously applied any version of IFRS 9.
- The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 (the date which precedes the issuance of the amendment to IFRS 4), represents 95% of total liabilities, which is considered significant.
- The total carrying amount of liabilities connected with insurance, which includes liabilities under IFRS 4 and investment contract liabilities measured at fair value under IAS 39, for the year ended 31 December 2015 is equivalent to 95% of total liabilities.

As a result, the Group qualifies for the temporary exemption from IFRS 9 and has applied IAS 39 rather than IFRS 9 to all of its financial assets. There has been no change in the Group's activities that warrant a reassessment of the above information.

The Amendment of IFRS 4 requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest ("SPPI") and other financial assets separately.

(Expressed in Bahamian dollars)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations adopted by the Group (Continued)

The Group has assessed that the following financial assets have contractual cash flows that meet the SPPI criteria:

- Government bonds
- Corporate bonds
- Preference Shares
- Loans
- Receivables and other assets

The fair value and change in fair value of the two groups of financial assets are disclosed in the following table:

	Amortised Cost	FVOCI	FVTPL	Total (1)	Other financial instruments (2)
	$	$	$	$	$
Government bonds	150,268,536	-	-	150,268,536	
Corporate Bonds	20,912,036	-	-	20,912,036	
Preference Shares	12,828,936	-	-	12,828,936	3,313,160
Loans	86,165,423	-	-	86,165,423	-
Receivables & other assets	18,555,545			18,555,545	
Mutual funds & equities	-	-	-	-	22,542,164
Total fair value of financial assets (excluding cash on hand and at banks)	**288,730,476**	**-**	**-**	**288,730,476**	**25,855,324**

(1) For financial assets which pass the SPPI test, there was a fair value change of $Nil.
(2) For other financial instruments, the change in fair value for the year was a loss of $601,760

(Expressed in Bahamian dollars)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations adopted by the Group (continued)

Credit risk exposure for assets that pass the SPPI test

The following table represents the entity's exposure to credit risk on financial assets that meet the SPPI criteria:

				2018 Credit Rating			
Exposure to credit risk	**AAA**	**AA**	**A**	**BBB**	**Below BBB**	**Unrated**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Government Bonds	-	-	-	150,268,536	-	-	150,268,536
Corporate Bonds	-	-	-	-	20,912,036	-	20,912,036
Preference Shares	-	-	-	-	12,828,936	-	12,828,936
Loans	-	-	-	-	-	86,165,423	86,165,423
Receivables & other assets	-	-	3,290,574	3,877,478	-	11,387,493	18,555,545
	-	**-**	**3,290,574**	**154,146,014**	**33,740,972**	**97,552,916**	**288,730,476**

New standards, amendments and interpretations not yet adopted by the Group

With the exception of IFRS 9 *Financial Instruments* (IFRS 9), IFRS 16 *Leases* (IFRS 16) and IFRS 17 *Insurance Contracts* (IFRS 17), the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group's accounting policies or financial statements in the financial period of initial application.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The determination is made at initial recognition, and the basis of classification depends on the Group's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset. In addition, IFRS 9 will require the impairment of financial assets to be calculated using an expected credit loss model that replaces the incurred loss impairment model required by IAS 39. The Group is in the process of assessing the full impact of adopting IFRS 9, which is effective for financial periods beginning on or after 1 January 2021 as noted above.

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Expressed in Bahamian dollars)
(Continued)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations not yet adopted by the Group (continued)

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. Lessees are required to recognise a lease liability reflecting future lease payments and a ‘right-of-use’ asset for most leases, with an optional exemption for certain short-term leases and leases of low value assets. The asset will be amortised over the term of the lease, and the lease liability measured at amortised cost. Accounting for lessors does not substantially differ from IAS 17 *Leases*.

The Group has not yet assessed the full impact of adopting IFRS 16, which is effective for financial periods beginning on or after 1 January 2019.

IFRS 17 *Insurance contracts* (IFRS 17) was ised in May 2018. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the ‘general model’ requires entities to measure an insurance contract, at initial recognition, at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the ‘premium allocation approach’. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the ‘variable fee approach’ applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in net income in the period in which they occur but over the remaining life of the contract.

The new standard is applicable for annual periods beginning on or after 1 January 2021. The standard can be applied retrospectively in accordance with IAS 8, but it also contains a ‘modified retrospective approach’ and a ‘fair value approach’ for transition, depending on the availability of data.

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations not yet adopted by the Group (continued)

Management is still assessing whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Group.

3. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed separately in Note 4 to the consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value though profit or loss, available-for-sale financial assets and certain classes of property and equipment measured at fair value.

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Expressed in Bahamian dollars)
(Continued)

3. Significant Accounting Policies (Continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Group, entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. Significant Accounting Policies (Continued)

(b) Principles of consolidation (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Net income and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in the subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to net income or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

3. Significant Accounting Policies (Continued)

(b) Principles of consolidation (continued)

A listing of the Group's subsidiaries is set out in Note 30.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors who is considered as the chief operating decision maker. The board of directors assesses the financial performance and position of the Group, and makes strategic decisions.

(d) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entities operates (functional currency), the Bahamian dollar. The consolidated financial statements are presented in Bahamian dollars, which is also the Group's presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the consolidated statement of comprehensive income. Translation differences on monetary financial assets measured at fair value through profit or loss are included as part of the fair value gains and losses.

(e) Cash and cash equivalents

For purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, demand balances with banks and bank term deposits with original contractual maturities of three months or less.

(f) Receivables and other assets

Receivables and other assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3. Significant Accounting Policies (Continued)

(f) Receivables and other assets (continued)

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other assets are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present: significant financial difficulties of the debtor; probability that the debtor will enter bankruptcy or financial reorganisation; and default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in the consolidated statement of comprehensive income within provision for doubtful accounts.

Subsequent recoveries of amounts previously written off are credited against provision for doubtful accounts.

(g) Investments and other financial assets

Classification

The Group classifies its financial assets into the following categories: (i) financial assets 'at fair value through profit or loss' (FVTPL), (ii) 'held-to-maturity' (HTM), (iii) 'available-for-sale' (AFS) and (iv) and 'loans and receivables'. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

i) Financial assets at fair value through profit or loss

Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL at initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

3. Significant Accounting Policies (Continued)

***Classification* (Continued)**

(g) Investments and other financial assets (continued)

i) Financial assets at fair value through profit or loss (continued)

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

ii) Held-to-maturity

The Group classifies investments as held-to-maturity if: they are non-derivative financial assets; they are quoted in an active market; they have fixed or determinable payments and fixed maturities; and the Group intends to, and is able to, hold them to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

3. Significant Accounting Policies (Continued)

(g) Investments and other financial assets (continued)

iii) Available-for-sale

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category. These financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market, other than those that the Group intends to sell in the short term. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Accounts receivables are generally due for settlement within 30 days and therefore are all classified as current.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to net income as gains or losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in net income.

3. Significant Accounting Policies (Continued)

(g) Investments and other financial assets (continued)

Measurement (Continued)

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in net income within unrealised gains on investment assets as at FVTPL.
- for available-for-sale financial assets – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of dividend income when the Group's right to receive payments is established.

Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of interest income.

Impairment

The Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

3. Significant Accounting Policies (Continued)

(g) Investments and other financial assets (continued)

Impairment (continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in net income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in net income. Impairment testing of trade receivables is described in Note 4(f).

(h) Loans

Policy loans

Policy loans arise when the Group extends money to the policyholder. Automatic premium loans arise under the terms of a life insurance contract should the premium become past due on the contract.

Policy loans and automatic premium loans are measured at amortised cost. Management assesses provisions at each reporting date, based on the difference between the cash surrender value and the outstanding loan balance (principal plus accrued interest).

Mortgages

Mortgage and commercial loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money directly to a borrower with no intention of trading the receivable. Mortgage loans are secured by first demand mortgages and provide for

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3. Significant Accounting Policies (Continued)

(h) Loans (continued)

Mortgages (continued)

monthly repayments at variable interest rates over periods of up to thirty years on residential loans and up to twenty years on commercial loans.

Mortgage and commercial loans are measured at amortised cost, less specific provisions on certain non-current loans and deferred commitment fees. Specific provisions are made on non-current loans for mortgages over three months in arrears, based on management's evaluation of the respective loans. A specific provision for current loans and non-current loans less than three months in arrears is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the mortgage loan. Significant financial difficulties of the borrower, probability that the borrower will enter financial reorganisation, and default or delinquency in payments are considered indicators that the mortgage loan is impaired.

The amount of the specific provision for loans is the difference between the loan's carrying amount and the recoverable amount, being the present value of estimated future cash flows, including recoveries from guarantees and collateral, discounted at the effective interest rate at inception of the loan. The amount of the provision for loan loss is recognised in the consolidated statement of comprehensive income. If the amount of the provision subsequently decreases due to an event occurring after the write-down, the release of the provision is recognised in the consolidated statement of comprehensive income. Payments on loans past due are first applied to the interest outstanding. Accrued interest on non-performing loans is fully provided for.

(i) Property and equipment

Freehold land and buildings are shown at fair value, based on periodic, normally triennial, valuations by external independent appraisers, less accumulated depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revalued amount of the asset. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

3. Significant Accounting Policies (Continued)

(i) Property and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in net income, the increase is first recognised in net income. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to net income.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Freehold buildings	2.5% per annum
Furniture and equipment	10% - 20% per annum
Motor vehicles	25% per annum
Computer hardware and software	20% - 33% per annum
Leasehold improvements	shorter of period of the leases and estimated economic life of the improvements

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

3. Significant Accounting Policies (Continued)

(j) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

As a result of certain acquisitions of insurance contracts, the Group carries a customer contract intangible asset representing the value of future profits from the acquired contracts. This asset was initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. The Group subsequently amortises this asset on a straight-line basis over the estimated life.

(k) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(l) Financial liabilities

Financial liabilities are classified at initial recognition, as financial liabilities at FVTPL, loans and borrowings or trade and other payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and insurance payables, net of directly attributable transaction costs. The Group's financial liabilities include insurance contracts without a Discretionary Participation Feature (DPF), trade and other payables.

3. Significant Accounting Policies (Continued)

(l) Financial liabilities (Continued)

Subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has designated insurance contracts without DPF as financial liabilities at FVTPL upon initial recognition.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net income when the liabilities are derecognised as well as through the effective interest amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest. The effective interest amortisation is included in finance cost in the consolidated statement of comprehensive income.

Trade and other payables, including balances due to insurer, represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

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3. Significant Accounting Policies (Continued)

(m) Other provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Employee benefits

i) Pension obligations

The Group has a defined contribution pension plan for eligible agents and employees whereby the Group pays contributions to a pension plan separately administered by the Group. The Group has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their gross earnings and commissions and the Group contributes 5% of eligible earnings. The Group's contributions to the defined contribution pension plan are recognised in the consolidated statement of comprehensive income in the year to which they relate.

ii) Postretirement medical benefit plan

The Group provides supplementary health insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The benefits under this plan are contributory. For the postretirement medical benefit plan, the cost of providing benefits is determined using the projected unit credit method, with independent actuarial valuations being carried out at the end of each annual reporting period. Retirees are assumed to pay the full retiree costs, less the Parent's subsidy. The employee's subsidy for medical costs is set to a fixed dollar amount.

3. Significant Accounting Policies (Continued)

(n) Employee benefits (continued)

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of the defined benefit costs in the consolidated statement of comprehensive income in operating expenses. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to the consolidated statement of comprehensive income.

Past service cost is recognised in the consolidated statement of comprehensive income in the period of a plan amendment. The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

iii) Share-based payments

The Group operates an Executive Incentive Plan for key management employees. Under this plan, eligible employees are granted common shares of the Company as special awards for a promotion to or upon hiring at the executive level. The Group makes cash awards to the plan as the need arises and the plan purchases shares on the open market at market value. The shares vest over a period of years, depending on the type of award granted. The share based payments are measured at the fair value of the equity instruments at the grant date. The cost of these benefits to the Group amounted to $245,390 (2017:$nil) and are included in employee salary and benefit expenses.

3. Significant Accounting Policies (Continued)

(o) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(p) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

(q) Reserves for insurance contracts

The provisions for actuarial liabilities of long-term insurance contracts are determined using accepted actuarial practices established by the Canadian Institute of Actuaries ("CIA") and are determined by the Group's Appointed Actuary. These liabilities consist of the amounts that, together with future premiums and investment income, are required to provide for future policy benefits and expenses on insurance and annuity contracts.

The Group uses the Canadian Asset Liability Method ("CALM") in computing its actuarial reserves on long-term contracts. CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations.

The Group segments assets to support liabilities by major product line and establishes investment strategies for each liability segment. Projected net cash flows from these assets and the policy liabilities being supported by these assets are combined with projected cash flows from future asset purchases to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for each segment and the reinvestment returns are derived from current and projected market rates for fixed income investments. Investment return assumptions for each asset class make provision for expected future asset credit loss, expected investment management expenses and a margin for adverse deviation.

3. Significant Accounting Policies (Continued)

(q) Reserves for insurance contracts (continued)

Liabilities for deferred annuity policies with a 5% minimum interest rate guarantee are calculated using CALM. Liabilities for other deferred annuities are computed as the value of accrued invested funds. Reserves for immediate payout annuities are calculated using CALM.

Claims reserves for group health policies are estimated from incurred claims and the history of prior claim payments. Liabilities for other short-term health policies, renewable at the option of the Group, comprise unearned premiums plus a contingency reserve for claims.

(r) Insurance contracts

i) Classification

The Group issues contracts that transfer insurance risk, financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

A number of insurance contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group; and
- that are contractually based on:

(i) the performance or a specified pool of contracts or a specified type of contract; and
(ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group.

The amount and timing of the distribution to individual contract holders is at the discretion of the Group, subject to the advice of the Appointed Actuary.

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3. Significant Accounting Policies (Continued)

(r) Insurance contracts (continued)

ii) Recognition and measurement

Insurance contracts, including those with a DPF, are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

These contracts are group and individual health and hospitalisation contracts, and short-duration life insurance contracts. These contracts protect policyholders from the consequences of events (such as death, disability or sickness) that would affect the ability of the policyholder or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or are linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Premiums are recognised as revenue proportionately over the period of coverage. Claims and loss adjustment expenses are recognised in the consolidated statement of comprehensive income as incurred, based on the estimated liability for compensation owed to policyholders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the consolidated statement of financial position date, even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognised. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

3. Significant Accounting Policies (Continued)

(r) Insurance contracts (continued)

Long-term insurance contracts without fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. These liabilities, however, are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

Liabilities for universal life policies, including unit-linked contracts and deferred annuities with a 5% minimum interest rate guarantee, are based on assumptions as to future mortality, persistency, maintenance expenses, investment income, and crediting interest rates. A margin for adverse deviations is included in the assumptions. Liabilities for other deferred annuities are computed as the value of accrued invested funds.

Long-term insurance contracts with fixed and guaranteed terms and with DPF

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognised. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

In addition, these contracts also participate in the profits of the Group. As the Group declares the bonus to be paid, it is credited to the individual policyholders.

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3. Significant Accounting Policies (Continued)

(s) Reinsurance transactions

In the normal course of its life and health insurance business, the Group seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage and quota share contracts. Contracts entered into that meet the classification requirements for insurance contracts in Note 3(p) are classified as reinsurance contracts held.

The benefits to which the Group is entitled under reinsurance contracts held are recognised as reinsurance recoveries. These assets consist of short-term balances due from reinsurers and are classified within receivables and other assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Reinsurance payables are recorded in accounts payable and accruals in the consolidated statement of financial position.

(t) Non-premium revenue recognition

Fee and non-insurance commission income are recognized on an accrual basis when the service has been provided and the performance obligation met. Commissions earned on insurance policies are recognized when the policies are written and the Group has no further significant service obligations associated with the policy. The recognition of profit commissions is dependent on the loss experience underlying the relevant policies.

Dividend income from investments is recognised when the shareholder’s right to receive payments has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

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3. Significant Accounting Policies (Continued)

(t) Non-premium revenue recognition (continued)

Income which forms an integral part of the effective interest rate of a loan (i.e., commitment fees) is deferred and recognised as income over the life of the loan.

(u) Commission expense

Commission expense is comprised of commissions earned by the Group's sales force, external agents and brokers on insurance and investment products sold. Commission expense is recognised when incurred.

(v) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(w) Policy dividends on deposits

Policy dividends on deposits comprise dividends declared on policies, together with accrued interest, but not withdrawn from the Group.

(x) Taxation

Under the current laws of The Bahamas, the country of domicile of the Group, there are no income, capital gains or other corporate taxes imposed. The Group is subject to tax on gross premium income at a rate of 3% and Value Added Taxes, applied at a rate of 7.5% up to 30 June 2018 and at 12% commencing 1 July 2018 on goods and services purchased.

(y) Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. There are no dilutive transactions that would have an impact on earnings per share.

3. Significant Accounting Policies (Continued)

(z) Dividend distribution

Dividend distribution to the Group's shareholders is recognised in the consolidated financial statements in the year in which the dividends are declared by the Board of Directors. Dividends declared after the year end, but before the approval of the consolidated financial statements, are disclosed as a subsequent event.

(aa) Issues and redemptions of participating shares

The Group issues participating, non-voting shares which are redeemable for cash equal to a proportionate share of the net assets of the Fund. These are classified as non-controlling interests in the consolidated statement of financial position. These shares are recorded at prices calculated monthly, based on the net asset value of the Fund. Participation in the Fund is limited to eligible investors as described in the Fund's Prospectus.

(ab) Related parties

Related parties are defined as follows:

(i) Controlling shareholders;
(ii) Subsidiaries;
(iii) Associates;
(iv) Individuals owning, directly or indirectly, an interest in the voting power that gives them significant influence over the enterprise, i.e. normally more than 20% of shares (plus close family members of such individuals);
(v) Key management personnel - persons who have authority for planning, directing and controlling the enterprise (plus close family members of such individuals);
(vi) Directors; and,
(vii) Enterprises owned by the individuals described in (i), (iv), (v), and (vi).

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, judgments made by management that have the most significant effect on the amounts recognised in the consolidated financial statements are discussed below.

a. Classification of insurance contracts

The classification of contracts with policyholders is dependent on critical judgements made by the Group. Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at inception of the contract. A contract is classified as an insurance contract if it transfers significant risk. As a general rule, the Group defines as a significant insurance risk, the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

b. Control over FG Financial Fund Limited SAC

The Group has participating interests in an affiliated umbrella fund, FG Financial Fund Limited SAC. The interests were obtained at market net asset values.

Note 30 describes that FG Financial Fund Limited SAC is a subsidiary of the Group, even though the Group only has a 32% (2017: 32%) ownership interest in the affiliated umbrella fund.

The Group assessed whether or not it has control over the Fund, based on practical ability to direct the relevant activities of the Fund unilaterally. In making their judgment, the Group considered that the relevant activities of the Fund are determined by the Board of Directors of the Fund based on majority vote. However, the majority of the Board members of the Fund also serve as Directors of the Group, giving them power to direct the relevant activities. In addition, the Board of the Fund is selected by 100% of the voting rights held by a subsidiary in the Group.

Additionally, the Group obtained exposure or rights to variable returns through its direct investment and the investment of other related parties (de facto agents). Therefore, after assessment, it was concluded that the Group has sufficient power to direct the relevant activities of the Fund and sufficient exposure or rights to variable returns; therefore it has control over FG Financial Fund Limited SAC.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty-critical accounting estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in or affecting the Group's financial statements and related disclosure must be estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A ''critical accounting estimate'' is one which is both important to the portrayal of the Group's financial condition and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Group evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

a. *Estimate of future payments and premiums arising from long-term insurance contracts.*

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Appointed Actuary. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty-critical accounting estimates (Continued)

b. Estimates of future payments arising from short-term insurance contracts.

The determination of the liabilities under short-term insurance contracts is dependent on estimates made by the Group. Estimates are made for the expected cost of claims incurred but not yet reported (IBNR) at the statement of financial position date.

A significant period of time can pass before a claim cost can be established with certainty. As a result, the claim cost is estimated using various actuarial claims projection techniques. The main assumption used in applying these techniques is the Group's past claims experience, which is used to project future claims cost.

c. Impairment of non-financial assets

The Group has made significant investments in tangible and intangible assets. These assets are tested for impairment when circumstances indicate there may be potential impairment. Factors considered important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must, in part, be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

d. Revaluation of property and equipment

The Group measures its land and buildings at revalued amounts triennially, with changes in fair value being recognised in the revaluation reserve in the consolidated statement of financial position. An independent valuation of the Group's land and buildings is performed to determine the fair value with reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property.

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4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty-critical accounting estimates (Continued)

e. Loan loss provision

To cover any shortfalls from mortgage loans, the Group records specific provisions on non-current loans, based on the assessed value of the underlying collateral and other determinants of net realisable value, including independent appraisal and an assessment of the forced sale value of the underlying collateral.

f. Impairment of financial assets

The Group determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

g. Retirement benefit obligation

The Group's retirement benefit obligation is discounted at a rate determined by reference to market yields at the end of the reporting period on high quality Government bonds. Significant judgment is required when determining the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include whether there is a deep market in the bonds, quality of the bonds and the identification of outliers which are excluded.

Other key assumptions for retirement benefit obligations include medical, dental and vision cost trend rates and mortality rates. Medical rates are determined by the current year's average per capita costs for all participants. 2018 average per capita costs for retirees was estimated by age groupings.

The Group bases the estimates for mortality on tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group own experience.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty-critical accounting estimates (Continued)

h. Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Group, based on historical experience and other factors that are considered to be relevant. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily recent similar arm's length market transactions, if available, and reference to the current fair value of another instrument that is substantially the same.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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5. Management of Insurance and Financial Risk

The Group issues contracts that transfer insurance risk, financial risk or both. The Group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. The Group's overall risk management approach focuses on the unpredictability of insured events and financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

a. *Fair value of financial assets and liabilities*

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of management, the estimated fair value of financial assets and financial liabilities (cash on hand and at banks, premiums receivable, receivables and other assets, reinsurance assets and accounts payable and accrued liabilities) at the consolidated statement of financial position date were not materially different from their carrying values due to their short term nature.

The following table depicts the classification of financial assets and financial liabilities:

	2018					
	FVTPL	**Loans and Receivables**	**Held-to-Maturity**	**Available For Sale**	**All Other Financial Liabilities**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Financial Assets						
Cash and cash equivalents	-	9,853,144	-	-	-	9,853,144
Financial investment assets	12,670,798	86,165,423	185,949,173	13,184,526	-	297,969,920
Reinsurance assets	-	5,172,056	-	-	-	5,172,056
Receivables and other assets	-	18,089,596	-	-	-	18,089,596
	12,670,798	**119,280,219**	**185,949,173**	**13,184,526**	**-**	**331,084,716**
Financial Liabilities						
Other Policyholder's funds	-	-	-	-	19,027,437	19,027,437
Payables and accrual	-	-	-	-	13,702,599	13,702,599
	-	**-**	**-**	**-**	**32,730,036**	**32,730,036**

(Expressed in Bahamian dollars)

5. Management of Insurance and Financial Risk (Continued)

a. Fair value of financial assets and liabilities (continued)

	2017					
	FVTPL	Loans and Receivables	Held-to-Maturity	Available For Sale	All Other Financial Liabilities	Total
	$	$	$	$	$	$
Financial Assets						
Cash and cash equivalents	-	16,881,642	-	-	-	16,881,642
Financial investment assets	13,141,670	80,030,193	176,196,403	14,661,520	-	284,029,786
Reinsurance assets	-	6,520,948	-	-	-	6,520,948
Receivables and other assets	-	17,155,099	-	-	-	17,155,099
	13,141,670	**120,587,882**	**176,196,403**	**14,661,520**	**-**	**324,587,475**
Financial Liabilities						
Other Policyholder's funds	-	-	-	-	18,072,481	18,072,481
Payables and accrual	-			-	12,983,280	12,983,280
	-	**-**	**-**	**-**	**31,055,761**	**31,055,761**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable. These instruments are reported at fair value on a recurring basis (i.e., at the end of each reporting period).

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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5. Management of Insurance and Financial Risk (Continued)

a. Fair value of financial assets and liabilities (continued)

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
FINANCIAL INVESTMENT ASSETS				
FVTPL	-	12,670,798	-	12,670,798
Available-for-sale	-	13,184,526	-	13,184,526
	-	**25,855,324**	**-**	**25,855,324**

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
FINANCIAL INVESTMENT ASSETS				
FVTPL	1,494,500	11,647,170	-	13,141,670
Available-for-sale	5,158,509	9,503,011	-	14,661,520
	6,653,009	**21,150,181**	**-**	**27,803,190**

The Group did not have any financial instruments classified as Level 3 as at 31 December 2018 and 31 December 2017. The available-for-sale investments transferred out of Level 1 relate to positions whose trading was inactive as at 31 December 2018.

b. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts, where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than expected. Insurance events are random and the actual number and amounts of claims and benefits will vary from year to year from the estimate established via statistical techniques.

FamGuard Corporation Limited

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(Continued)

5. Management of Insurance and Financial Risk (Continued)

b. Insurance risk (continued)

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The Group seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage and quota share contracts. Under the excess coverage contracts, the Group retains a range of $75,000 to $100,000 (2017: $75,000 to $100,000) coverage per individual life and individual accidental death benefit.

Under the quota share contracts, the Group retains 50% of the face amount per individual life and accidental death benefit to a maximum of $100,000 on any one life insured. Individual and group medical retention limit is retained at $225,000 (2017: $175,000) per member.

Long-term insurance contracts

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics, such as AIDS, and wide ranging lifestyle changes, such as changes in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type and level of insured benefits.

The Group's underwriting strategy includes medical selection with benefits limited to reflect the health condition of applicants and retention limits on any single life insured.

5. Management of Insurance and Financial Risk (Continued)

b. Insurance risk (continued)

Long-term insurance contracts (continued)

The table below indicates the concentration of insured benefits across four bands of insured benefits per coverage insured.

	2018 $	2017 $
0 - 9,999	122,970,923	118,849,188
10,000 - 24,999	360,660,728	331,205,870
25,000 - 49,999	134,366,477	125,633,283
50,000 and over	1,008,800,186	1,004,349,680
	1,626,798,314	**1,580,038,021**

Short-term insurance contracts

The following tables show the estimate of claims by calendar year, net of reinsurance, for the past 10 years. The top half of the table shows how the estimate of total incurred claims for each calendar year varies based on when the estimate is made. Generally, the estimate becomes closer to the final reality in each subsequent year, as a smaller percentage of claims remain unpaid. The lower portion of the table reconciles the current estimate of incurred claims (less those claims already paid) with the amount included in the consolidated statement of financial position on December 31, 2018. (All amounts are in $000).

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5. Management of Insurance and Financial Risk (Continued)

	Year claim is incurred										
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Estimate of ultimate Gross claims											
End of year incurred	38,434	42,755	40,557	36,610	34,757	36,567	43,834	39,830	45,109	55,709	414,162
One year later	40,322	43,813	39,517	35,453	33,654	35,711	43,971	40,703	46,900		
Two years later	40,362	43,873	39,564	35,382	33,570	35,885	43,968	40,820	-		
Three years later	40,408	43,912	39,547	35,301	33,611	35,888	44,072	-	-		
Four years later	40,435	43,902	39,541	35,315	33,571	35,900	-	-	-		
Current (31 December 2018) estimate of ultimate claims	40,435	43,902	39,541	35,315	33,571	35,900	44,072	40,820	46,900	55,709	416,165
Cumulative payments (through 31 December, 2018)	40,435	43,902	39,541	35,315	33,571	35,900	44,072	40,818	46,858	48,559	408,971
Current (December 31, 2018) statement of financial position liability	-	-	-	-	-	-	-	2	42	7,150	7,194

FamGuard Corporation Limited

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(Continued)

5. Management of Insurance and Financial Risk (Continued)

	Year claim is incurred										
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Estimate of ultimate net claims											
End of year incurred	36,431	38,848	37,645	34,607	32,832	34,718	41,712	38,260	42,528	51,055	388,636
One year later	36,534	38,407	36,260	33,963	31,617	33,682	41,296	38,927	42,846		
Two years later	36,542	38,443	36,308	34,157	31,496	33,807	41,294	39,024	-		
Three years later	36,590	38,482	36,294	34,077	31,533	33,812	41,397	-	-		
Four years later	36,617	38,475	36,289	34,091	31,495	33,824	-	-	-		
Current (31 December 31 2018) estimate of ultimate claims	36,617	38,475	36,289	34,091	31,495	33,824	41,397	39,024	42,846	51,055	385,113
Cumulative payments (through December 31, 2017)	36,617	38,475	36,289	34,091	31,495	33,824	41,397	39,021	42,807	44,450	378,466
Current (31 December 2018) statement of financial position liability	-	-	-	-	-	-	-	3	39	6,605	6,647

FamGuard Corporation Limited

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(Continued)

5. Management of Insurance and Financial Risk (Continued)

c. Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored regularly.

Loans and held-to-maturity financial assets are subject to floating interest rates. If future interest rates were increased or decreased by 1%, interest income in the consolidated statement of comprehensive income would increase or decrease by $2,518,279 (2017: $2,363,160).

d. Market risk

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Group manages its risk through the Investment Committee, which monitors the price movement of securities on BISX.

If future market prices were to increase or decrease by 10% this would result in an increase or decrease in other comprehensive income of $987,137 (2017: $1,059,364) and net income of $1,267,080 (2017: $1,314,167). Management mitigates this risk by diversification of its portfolio.

5. Management of Insurance and Financial Risk (Continued)

e. Credit risk

The Group has exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Key areas represented by aggregate amounts disclosed on the face of the consolidated statement of financial position where the Group is exposed to credit risk are:

- Term deposits placed with banks
- Mortgage loans and loans to policyholders
- Amounts due from reinsurers
- Amounts due from insurance policyholders

The Group's term deposits are mainly placed with well-known high quality banks. Mortgage loans and loans to policyholders are fully collateralised by the relevant property assets and cash surrender values respectively.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their publicly available financial information prior to finalisation of any contract.

The Group has one main reinsurer for its long-term insurance contracts, a large multinational corporation that has an AM Best Rating of A+ and a Standard & Poors (S&P) rating of AA-.

f. Liquidity risk

The Group is exposed to daily calls on its available cash resources from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Group maintains sufficient liquidity (cash and marketable securities) to meet all contractual liabilities as they fall due. The following table shows the undiscounted payout pattern, net of premiums, of the actuarial liabilities.

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(Continued)

5. Management of Insurance and Financial Risk (Continued)

f. Liquidity risk (continued)

	2018					
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Short-term insurance contracts	-	6,921,971	-	-	-	6,921,971
Long-term with fixed and guaranteed terms	848,488	(6,883,999)	(10,297,131)	11,912,134	334,996,107	330,575,599
Long-term without fixed and guaranteed terms	71,992,781	860,017	5,092,305	9,995,838	63,713,842	151,654,783
Long-term without fixed and guaranteed terms and with DPF	-	479,625	3,593,414	7,132,191	54,729,402	65,934,632
Total	**72,841,269**	**1,377,614**	**(1,611,412**	**29,040,163**	**453,439,351**	**555,086,985**

	2017					
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Short-term insurance contracts	-	5,968,571	-	-	-	5,968,571
Long-term with fixed and guaranteed terms	810,861	(5,980,713)	(6,819,395)	13,872,755	291,701,738	293,585,246
Long-term without fixed and guaranteed terms	73,235,467	704,738	6,549,893	9,459,629	28,908,026	118,857,753
Long-term without fixed and guaranteed terms and with DPF	-	472,583	3,691,657	7,168,946	52,696,271	64,029,457
Total	**74,046,328**	**1,165,179**	**3,422,155**	**30,501,330**	**373,306,035**	**482,441,027**

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(Continued)

5. Management of Insurance and Financial Risk (Continued)

f. Liquidity risk (continued)

The following table shows the expected recovery or settlement of financial assets and financial liabilities:

	2018					
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
ASSETS						
Cash on hand and at banks	-	9,853,144	-	-	-	9,853,144
Reinsurance assets	5,172,056	-	-	-	-	5,172,056
Receivables and other assets	7,536,726	10,552,870	-	-	-	18,089,596
Financial investment assets						
FVTPL securities	-	12,670,798	-	-	-	12,670,798
AFS Securities	-	13,184,526	-	-	-	13,184,526
Held-to-maturity	-	19,394,853	44,563,009	22,596,300	99,395,011	185,949,173
Loans	14,636,642	1,274,279	4,843,782	12,493,309	52,917,411	86,165,423
	27,345,424	**66,930,470**	**49,406,791**	**35,089,609**	**152,312,422**	**331,084,716**
LIABILITIES						
Other policyholders' funds	-	19,027,437	-	-	-	19,027,437
Payables and accruals	-	13,702,599	-	-	-	13,702,599
	-	**32,730,036**	**-**	**-**	**-**	**32,730,036**

	2017					
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
ASSETS						
Cash on hand and at banks	16,881,642	-	-	-	-	16,881,642
Reinsurance assets	6,520,948	-	-	-	-	6,520,948
Receivables and other assets	7,251,681	9,903,418	-	-	-	17,155,099
Financial investment assets						
FVTPL securities	-	13,141,670	-	-	-	13,141,670
AFS Securities	-	14,661,520	-	-	-	14,661,520
Held-to-maturity	-	14,334,679	47,038,801	25,602,200	89,220,723	176,196,403
Loans	14,008,189	3,693,866	1,872,685	21,823,627	38,631,826	80,030,193
	44,662,460	**55,735,153**	**48,911,486**	**47,425,827**	**127,852,549**	**324,587,475**
LIABILITIES						
Other policyholders' funds	-	18,072,481	-	-	-	18,072,481
Payables and accruals	-	12,983,280	-	-	-	12,983,280
	-	**31,055,761**	**-**	**-**	**-**	**31,055,761**

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5. Management of Insurance and Financial Risk (Continued)

g. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

External capital requirements are enforced and regulated by the Insurance Commission of The Bahamas. These requirements are established to ensure sufficient solvency margins are maintained. The Group exceeded both the statutory margin and minimum ratio requirements of qualified admissible assets.

In addition to the solvency margins required by the regulators, the Group measures its solvency ratio using Canadian reserve methodologies and solvency standards as measured by the Minimum Continuing Capital and Surplus Requirement ("MCCSR"). At December 31, 2018, the Group's MCCSR ratio exceeded the required target of 150%.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

i. ***Operational risk***

Operational risk relates to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is mitigated by communicated and enforced policies and procedures, staff training, and ongoing monitoring and review by management, as well as ongoing internal audit processes.

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(Continued)

6. Financial Investment Assets

Financial investment assets comprise the following:

	2018 $	2017 $
(a) Fair value through profit or loss (FVTPL):		
At beginning of year	12,970,726	13,065,957
Purchase of equities	3,437	4,941,484
Sale of equities	-	(5,024,656)
Net change in accrued interest	127,309	170,943
Change in unrealised loss on investment at FVTPL	(430,674)	(12,058)
At end of year	**12,670,798**	**13,141,670**
(b) Available for sale (AFS):		
At beginning of year	10,593,643	9,162,351
Purchase of equities	552,935	18,620
Sale of equities	(689,990)	-
Net change in fair value on AFS financial assets	(585,222)	1,412,672
	9,871,366	10,593,643
Investment in redeemable preference shares	3,999,040	4,750,530
Maturity of preference shares	(752,180)	(751,490)
Add: Accrued interest receivable	66,300	68,837
	3,313,160	4,067,877
At end of year	**13,184,526**	**14,661,520**

(Expressed in Bahamian dollars)

6. Financial Investment Assets (Continued)

Investments in equities are comprise of ordinary shares in Bahamian companies that are listed on The Bahamas International Securities Exchange ("BISX").

Held-to-maturity securities have interest rates ranging from 1.43% to 8.50% per annum (2017: 0.24% to 8.50%) and scheduled maturities between 2019 and 2048 (2017: 2018 and 2045).

	2018	2017
	$	**$**
(c) Held-to-maturity (HTM):		
Bahamas Government bonds	127,770,813	118,877,649
Bahamas Mortgage Corporation bonds	10,100,000	10,100,000
Education Loan Authority bonds	7,300,000	7,300,000
Clifton Heritage bonds	2,238,600	2,238,600
Bridge Authority bonds	819,900	819,900
Government bonds, at amortised cost	148,229,313	139,336,149
Add: Accrued interest receivable	2,039,223	1,922,629
	150,268,536	141,258,778
Redeemable preference shares, at amortised cost	12,776,560	13,098,101
Add: Accrued interest receivable	52,376	52,966
	12,828,936	13,151,067
Corporate bonds, at amortised cost	20,695,396	15,526,700
Add: Accrued interest receivable	216,640	150,536
	20,912,036	15,677,236
Other bank term deposits, at amortised cost	1,933,038	5,698,685
Add: Accrued interest receivable	6,627	410,637
	1,939,665	6,109,322
At end of year	**185,949,173**	**176,196,403**

6. Financial Investment Assets (Continued)

In 2011, in accordance with the Insurance Act 2005 (Amended), the Group established a Trust Account (the "Family Guardian Statutory Deposit Trust") in which $2,000,000 of Bahamas Government Registered Stocks have been placed in Trust. This amount, which is included in Held to Maturity financial investment assets, is restricted for regulatory purposes; however, the interest income on these stocks accrues to the Group.

In accordance with amendments dated 13 October 2008 to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, the Group opted to reclassify its investment in equities at that date from fair value through profit or loss to available-for-sale with effect from 1 July 2008. The carrying value of the investments in the reclassified equities is equivalent to the fair value and as at 31 December 2018 is $8,639,904 (2017: $9,975,686).

The accumulated gain or fair value loss that would have been recognised in net income since the reclassification had the investment in equities not been reclassified is $2,277,947 gain (2017: $3,613,729 gain) taking into consideration impairment losses previously transferred to net income.

FamGuard Corporation Limited

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(Continued)

6. Financial Investment Assets (Continued)

	2018 $	2017 $
(d) Loans:		
(i) Policy loans comprise:		
Policy loans	13,552,372	12,993,371
Automatic premium loans	3,502,724	3,403,348
	17,055,096	16,396,719
Less: Specific provision for credit risk	(267,823)	(155,241)
Add: Accrued interest receivable	871,565	841,171
	17,658,838	**17,082,649**
(ii) Mortgage loans comprise:		
Commercial:		
Current	903,059	1,066,260
Past due but not impaired	-	144,737
Over 90 days	554,360	529,795
Residential:		
Current	59,229,697	49,059,292
Past due but not impaired	6,805,115	9,713,991
Over 90 days	2,851,950	4,375,565
	70,344,181	64,889,640
Less: Specific provision for credit risk	(1,729,834)	(1,842,757)
Deferred commitment fees	(420,797)	(390,532)
	68,193,550	62,656,351
Add: Accrued interest receivable	313,035	291,193
	68,506,585	62,947,544
Total loans	**86,165,423**	**80,030,193**

(Expressed in Bahamian dollars)

6. Financial Investment Assets (Continued)

Policy loans and automatic premium loans (APLs) are allowed on Ordinary Life policies. An interest rate ranging from 0% to 11% (2017: 0% to 11%) per annum is charged on policy loans and APLs.

Movements in loan loss provisions are as follows:

	Specific Provision $
Balance as at 31 December 2016	2,057,057
Bad debt expense	335,628
Bad debt written off	(541,622)
Recovery of bad debt	(8,306)
Balance as at 31 December 2017	1,842,757
Bad debt expense	296,013
Bad debt written off	(408,936)
Recovery of bad debt	-
Balance as at 31 December 2018	**1,729,834**

An interest rate of 5.25% per annum (2017: 5.25%) is charged on residential mortgage loans to directors, officers and staff with two or more years of service. Included in total loans are mortgages to related parties which carry interest rates between 5.0% to 5.75% (2017: 5.25% to 5.8%) in the amount of $807,780 (2017: $497,975). Related party interest income from mortgages for the year ended 31 December 2018 is $18,016 (2017: $26,623) and related party interest receivable on mortgages as at 31 December 2018 is $1,214 (2017: $1,453).

As at 31 December 2018, the Group had non-performing mortgage loans of $4,528,531 (2018: $4,905,361) for which interest of $1,390,636 (2017: $1,350,995) had not been recognised in the consolidated statement of comprehensive income. Management has determined that mortgage loans totaling $5,461,695 (2017: $9,858,728) are past due but not considered impaired.

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6. Financial Investment Assets (Continued)

During the year, the Group sold properties under power of sale. The fair value of the collateral sold under power of sale was $424,000 (2017: $1,120,500). The unrecoverable portion of the principal was provided for and is included in net bad debt expenses in the consolidated statement of comprehensive income.

7. Receivables and Other Assets

Receivables and other assets comprise:

	2018 $	2017 $
Reinsurance recoveries	7,536,726	7,251,681
Other receivables and other assets	5,229,394	4,341,997
Premium receivables	4,849,446	5,127,803
Receivables from general insurance clients	528,011	1,744,428
Prepayments and deposits	465,949	483,919
	18,609,526	18,949,828
Less: allowance for doubtful accounts	(53,981)	(1,310,810)
	18,555,545	**17,639,018**

The movement in allowance for doubtful accounts is as follows:

	2,018 $	2,017 $
Balance, beginning of year	1,310,810	1,202,843
Bad debt expense	468,727	612,110
Bad debt written off	(1,725,556)	(504,143)
Balance, end of year	**53,981**	**1,310,810**

Due to the short-term nature of the accounts receivable, their carrying amount is considered to approximate its fair value.

Management has deemed $2,338,891 (2017: $2,986,919) of premium receivables and receivables from general insurance clients to be past due but not impaired.

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8. Property and Equipment

The movement of property and equipment for the year is as follows:

	2018							
	Freehold Land	Freehold Buildings	Furniture & Equipment	Motor Vehicles	Computer Hardware & Software	Leasehold Improvements	Work in Progress	Total
	$	$	$	$	$	$	$	$
Year ended 31 December 2017								
Opening net book amount	10,255,002	19,890,000	350,790	19,473	1,261,005	39,496	4,987,547	36,803,313
Additions	-	78,237	50,809	20,619	246,197	-	2,075,518	2,471,380
Revaluations	-	-	-	-	-	-	-	-
Transfers	-	(227,840)	267,336	-	-	(39,496)	-	-
Disposals - cost	-	-	-	-	-	-	-	-
Depreciation charge	-	(702,112)	(238,439)	(6,211)	(504,042)	-	-	(1,450,804)
Disposals - accumulated depreciation	-	-	-	-	-	-	-	-
Closing net book amount	**10,255,002**	**19,038,285**	**430,496**	**33,881**	**1,003,160**	**-**	**7,063,065**	**37,823,889**
As at 31 December 2018								
Cost or revaluation	10,255,002	19,740,397	5,514,137	98,691	5,471,225	1,032,041	4,987,547	47,099,040
Work in progress	-	-	-	-	-	-	2,075,518	2,075,518
Accumulated depreciation	-	(702,112)	(5,083,641)	(64,810)	(4,468,065)	(1,032,041)	-	(11,350,669)
Net book amount	**10,255,002**	**19,038,285**	**430,496**	**33,881**	**1,003,160**	**-**	**7,063,065**	**37,823,889**

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(Continued)

8. Property and Equipment (Continued)

The movement of property and equipment for the year is as follows:

	2017							
	Freehold Land	Freehold Buildings	Furniture & Equipment	Motor Vehicles	Computer Hardware & Software	Leasehold Improvements	Work in Progress	Total
	$	$	$	$	$	$	$	$
Year ended 31 December 2016								
Opening net book amount	9,821,640	18,797,852	805,314	26,917	1,291,370	679,417	2,322,806	33,745,316
Additions	-	-	86,735	-	112,388	5,894	3,430,056	3,635,073
Transfers	433,362	773,127	-		-	-	-	1,206,489
Transfers	-	869,204	161,914	-	317,684	(583,487)	(765,315)	-
Disposals - cost	-	-	-	-	(500)	-	-	(500)
Depreciation charge	-	(550,183)	(703,173)	(7,444)	(459,937)	(62,328)	-	(1,783,065)
Disposals - accumulated depreciation	-	-	-	-	-	-	-	-
Closing net book amount	**10,255,002**	**19,890,000**	**350,790**	**19,473**	**1,261,005**	**39,496**	**4,987,547**	**36,803,313**
As at 31 December 2016								
Cost or revaluation	10,255,002	19,890,000	5,195,992	78,072	5,225,029	1,071,537	2,322,806	44,038,438
Work in progress	-	-	-	-	-	-	2,664,741	2,664,741
Accumulated depreciation	-	-	(4,845,202)	(58,599)	(3,964,024)	(1,032,041)	-	(9,899,866)
Net book amount	**10,255,002**	**19,890,000**	**350,790**	**19,473**	**1,261,005**	**39,496**	**4,987,547**	**36,803,313**

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8. Property and Equipment (Continued)

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurement of the Group's land and buildings as at 31 December 2017 was performed by a qualified independent property appraiser.

The fair value of the land and buildings was determined based on valuations using the Income Capitalisation method, Sales method and the Cost method which were used to derive an "as is" value, which was determined to be the assets' highest and best use.

Freehold land and buildings have been revalued during 2017. Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been $20,765,517 (2016: $18,292,786).

Details of the Group's freehold land and buildings, as per the fair value hierarchy at 31 December 2018, is as follows:

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Freehold land	-	-	10,255,002	10,255,002
Freehold buildings	-	-	19,038,285	19,038,285
	-	**-**	**29,293,287**	**29,293,287**

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Freehold land	-	-	10,255,002	10,255,002
Freehold buildings	-	-	19,890,000	19,890,000
	-	**-**	**30,145,002**	**30,145,002**

The assets are required to be measured at fair value on a recurring basis.

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9. Intangible Asset

In 2012, the Group acquired a portfolio of insurance contracts for $1,000,000 through the undertaking of one of its subsidiaries. The Group recognises an intangible asset representing the value of customer relationships and contracts acquired.

The movement in the intangible asset is as follows:

	2018	2017
	$	$
At cost	1,000,000	1,000,000
Accumulated amortisation:		
Balance, beginning of year	900,000	621,667
Amortisation	100,000	100,000
Impairment loss	-	178,333
Balance, end of year	1,000,000	900,000
Net book value	**-**	**100,000**

10. Reserves for Future Policyholders' Benefits

The Group's actuarial reserving methodology for the determination of reserves for future policyholders' benefits is the Canadian Asset Liability Method ("CALM") CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations.

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10. Reserves for Future Policyholders' Benefits

As at 31 December 2018, the aggregate reserves for future policyholders' benefits and related insurances in-force are summarised as follows:

	Reserves		Insurances in force	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Ordinary life	90,990,731	82,220,505	2,356,031,000	2,325,220,000
Annuities	78,132,313	80,911,826	-	-
Home service life	35,364,680	36,527,776	566,901,000	524,213,000
Accident and health	8,812,721	7,601,401	-	-
Gross liabilities	213,300,445	207,261,508	2,922,932,000	2,849,433,000
Reinsurance assets	(5,172,056)	(6,520,948)	-	-
	208,128,389	**200,740,560**	**2,922,932,000**	**2,849,433,000**

The reserves for future policyholders' benefits are determined annually by actuarial valuation and represent an estimate of the amount required, together with future premiums and investment income, to provide for future benefits and expenses payable on insurance and annuity contracts. The reserves are calculated using assumptions for future policy lapse rates, mortality, morbidity rates, maintenance expenses and interest rates. The assumptions also include provisions for adverse deviation to recognise uncertainty in establishing the assumptions and to allow for possible deterioration in experience. The process of determining the provision necessarily involves risks that the actual results will deviate from the assumptions made.

10. Reserves for Future Policyholders' Benefits (Continued)

Policy liabilities are calculated using best estimate assumptions with margins for adverse deviation.

(i) ***Mortality and Morbidity***

Assumptions for Home Service life business are based on Group experience. Assumptions for other business lines are based on industry experience, as the Group does not have sufficient of its own experience. A margin is added for adverse deviation equal to 15 per 1,000 divided by the expectation of life for mortality and 8% to 10% for morbidity. If future mortality and morbidity rates were to differ by 10% from that assumed, the liability would increase by $5,672,029 (2017: $5,252,715) or decrease by $5,772,216 (2017: $5,361,916).

(ii) ***Investment Yields***

Assets are allocated to support the policyholder liabilities. Using CALM, policy liabilities are equal to the carrying value of assets whose cash flows, combined with cash flows from future investments, are sufficient to meet future obligations with respect to policies in effect as at the measurement date. Since future reinvestment rates cannot be accurately predicted, they are subject to sensitivity tests based on various scenarios, as required under CALM. The results used are those produced under the most adverse plausible scenario.

Under CALM, the rates of return on future investments are already subject to various sensitivity tests. The base scenario dictates a convergence toward a median historical interest rates curves, whereas the Group's most adverse plausible scenario assumes future yield curve equal to 80% of the yield curve of the Base Scenario. If future interest rates were to differ by 100 basis points from that assumed, without changing the policyholder dividend scale, the liability would increase by $18,993,066 (2017: $19,089,620) or decrease by $26,953,039 (2017: $26,552,715).

10. Reserves for Future Policyholders' Benefits (Continued)

(iii) *Persistency*

Lapse rates are based on the Group's experience where credible experience is available and industry experience is used where credible Group experience is not available. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by 20% on Home Service business and 15% on Ordinary business. If future lapse rates were to differ by 10% from that assumed, the liability would increase by $1,262,325 (2017: $835,917) or decrease by $1,514,486 (2017: $1,142,615).

(iv) *Expenses*

Expenses are based on best estimates of Group experience. Expenses are increased 10% as a margin for adverse deviation. Expenses are assumed to increase annually at a rate of 2.0% (2017: 2.0%) initially, decreasing to 1.75% (2017: 1.75%) over 20 years. If future expenses were to differ by 10% from that assumed, the liability would increase by $4,158,443 (2017: $3,763,036) or decrease by $4,131,939 (2017: $3,733,940).

(v) *Ongoing Review*

Actuarial assumptions are continuously reviewed, based on emerging Group and industry experience and revised if appropriate and material.

(vi) *Margins for Adverse Deviation Assumptions*

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Group uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

(Expressed in Bahamian dollars)

10. Reserves for Future Policyholders’ Benefits (Continued)

The movements in reserves for future policyholders’ benefits and other policyholders’ benefits (namely insurance liabilities), by line of business, are summarised below:

a. Short-term insurance contracts:

	2018	2017
	$	$
Liabilities at beginning of year	5,968,578	5,972,459
Change in Data, Methods, and Assumptions	(110)	98
Usual change in In-Force Business and New Business	953,507	(3,979)
Liabilities at end of year	**6,921,975**	**5,968,578**

b. Long-term insurance contracts with fixed and guaranteed terms:

	2018	2017
	$	$
Liabilities at beginning of year	72,527,476	69,953,721
Changes in Data, Methods, and Assumptions	(3,001,632)	142,870
New Business	(4,152,479)	(3,868,910)
Usual change in In-Force Business	8,717,983	6,299,795
Liabilities at end of year	**74,091,348**	**72,527,476**

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10. Reserves for Future Policyholders' Benefits (Continued)

c. Long-term insurance contracts without fixed and guaranteed terms:

	2018	2017
	$	$
Liabilities at beginning of year	98,231,626	91,633,880
Changes in Data, Methods, and Assumptions	(1,768,455)	(1,346,980)
New Business	7,452,909	1,876,709
Usual change in In-Force Business	(691,636)	6,068,017
Liabilities at end of year	**103,224,444**	**98,231,626**

d. Long-term insurance contracts with fixed and guaranteed terms and with Discretionary Participation Features (DPF):

	2018	2017
	$	$
Liabilities at beginning of year	24,012,886	25,752,668
Changes in Data, Methods, and Assumptions	(563,512)	(2,109,144)
New Business	(239,917)	(228,557)
Usual change in In-Force Business	681,165	597,919
Liabilities at end of year	**23,890,622**	**24,012,886**

Total for all lines of business:

	2018	2017
	$	$
Liabilities at beginning of year	200,740,566	193,312,722
Changes in Data, Methods, and Assumptions	(5,333,709)	(3,313,156)
New Business	3,060,513	(2,220,758)
Usual change in In-Force Business	9,661,019	12,961,752
Liabilities at end of year	**208,128,389**	**200,740,560**

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11. Other Policyholders' Funds

Other policyholders' funds are comprised of the following:

	2018	2017
	$	$
Benefits payable to policyholders	13,643,627	12,622,687
Accrued policyholder dividends	3,553,143	3,527,099
Unapplied Premiums	964,820	1,006,793
Advance premiums	865,847	915,902
	19,027,437	**18,072,481**

12. Payables and Accruals

Payables and accruals are comprised of the following:

	2018	2017
	$	$
General payables and accruals	5,602,337	5,353,234
Client deposits	4,405,755	3,304,651
Employee liabilities	2,640,740	2,687,084
Reinsurance payable	1,053,767	1,638,311
	13,702,599	**12,983,280**

The carrying amount of payables and accruals are considered to approximate its fair value.

13. Bank Overdraft Facilities

The Group has bank overdraft facilities of $250,000 (2017: $250,000). Amounts utilised under the facilities attract interest at Nassau prime (4.25%) plus 1.5% (2017: 4.25% plus 1.5%).

(Expressed in Bahamian dollars)

14. Revaluation Reserve

Revaluation reserve is comprised of the following:

	Financial Investment Assets (AFS) Revaluation $	Fixed Assets Revaluation $	Total Revaluation Reserve $
Balance as at 31 December 2016	1,708,858	14,863,934	16,572,792
Unrealised gains on available-for-sale investments	1,412,671	-	1,412,671
Revaluation of property and equipment	-	1,206,489	1,206,489
Balance as at 31 December 2017	3,121,529	16,070,423	19,191,952
Realised loss reclassified to net income	(1,230)	-	(1,230)
Unrealised gains on available-for-sale investments	(585,222)	-	(585,222)
Balance as at 31 December 2018	**2,535,077**	**16,070,423**	**18,605,500**

15. Share Capital

The Group's share capital is comprised as follows:

	Variable Rate Cumulative Redeemable Preference Shares of $1,000 each par value		Ordinary Shares of $0.20 each par value	
	2018	**2017**	**2018**	**2017**
Authorised	10,000	10,000	15,000,000	15,000,000
Issued and fully paid	$5,000,000	$10,000,000	$2,000,000	$2,000,000
Shares outstanding at beginning of year	10,000	10,000	10,000,000	10,000,000
Shares outstanding at end of year	5,000	10,000	10,000,000	10,000,000

15. Share Capital (Continued)

The Variable Rate Cumulative Redeemable Preference Shares (preference shares) carry a dividend rate of Nassau prime plus 1.5% per annum payable semi-annually. Dividends are declared by the Board of Directors at their sole discretion. The preference shares have no predetermined maturity date, yet the Group may call for the redemption of all or part of the issue on or after December 31, 2005 upon 90 days written notice at the sole discretion of the Group. The preference shares rank with respect to the payment of dividends and distributions on liquidation: (1) senior to the Group's ordinary shares and (2) subordinate to any debentures, debt obligations, or policyholder claims currently or which the Group may enter into.

The holders of the preference shares have no equity ownership or voting rights. There were no outstanding cumulative preference share dividends at the end of the year.

The excess of the issue and purchase price of the ordinary and preference shares over the par value less the costs incurred with the tender offer have been credited to the share premium account.

Redemption of Preference shares

During the year, the Group redeemed 5,000 of its Variable Rate Cumulative Redeemable Preference Shares, totaling $5,000,000 which was originally issued on 10 December 2002. The preference shares carry a dividend rate of Nassau prime (4.25%) plus 1.5% payable semi-annually. The preference shares have no predetermined maturity date.

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16. Net Premium Income

Net premium income is comprised of:

	2018 $	2017 $
Short-term insurance contracts	74,352,501	70,958,136
Long-term insurance contracts with fixed and guaranteed terms	24,245,185	22,842,929
Long-term insurance contracts without fixed and guaranteed terms	6,299,166	6,427,249
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	2,734,916	2,862,113
Premium revenue arising from insurance contracts issued	107,631,768	103,090,427
Premiums ceded for short-term and long-term contracts to reinsurers	(9,101,574)	(10,423,366)
	98,530,194	**92,667,061**

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17. Policyholders' Benefits

Policyholders' benefits for the year ended 31 December 2018 by insurance contracts were as follows:

	2018			2017		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$	**$**	**$**	**$**	**$**	**$**
Short-term insurance contracts	59,577,174	(6,687,340)	52,889,834	48,607,778	(1,869,603)	46,738,175
Long-term insurance contracts with fixed and guaranteed terms	8,529,399	(2,150,545)	6,378,854	7,104,051	(880,292)	6,223,759
Long-term insurance contracts without fixed and guaranteed terms	13,576,039	-	13,576,039	8,934,834	-	8,934,834
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	3,299,439	-	3,299,439	3,186,300	-	3,186,300
	84,982,051	**(8,837,885)**	**76,144,166**	**67,832,963**	**(2,749,895)**	**65,083,068**

(Expressed in Bahamian dollars)

18. Operating Leases

The Group leases certain office premises under non-cancellable operating leases. Future minimum rental commitments as at 31 December 2018 are as follows:

	2018	2017
	$	$
Up to 1 year	66,615	80,615
1 year to 5 years	266,461	322,461
	333,076	**403,076**

19. Taxation

There are no corporate, income or capital gains taxes levied in The Bahamas and the Group, therefore, pays no taxes on its net income. However, taxes based on gross premium income, levied at 3%, for the year ended 31 December 2018 amounted to $3,229,082 (2017: $3,092,212) and is included within operating expenses in the consolidated statement of comprehensive income.

The Group is also subject to Value Added Tax (“VAT”) on taxable supplies at a standard rate of 7.5% up to 30 June 2018 and at 12% commencing 1 July 2018. The Group is eligible for input tax deductions, based on an apportionment formula using the premiums for standard rated taxable and exempt supplies. VAT incurred by the Group in excess of the input tax deductions is included in operating expenses in the consolidated statement of comprehensive income.

20. Pension Plan

The Group’s pension costs, net of forfeitures in respect to the Plan for the year ended 31 December 2018, amounted to $745,535 (2017: $760,182) and are included in operating expenses in the consolidated statement of comprehensive income.

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21. Other Operating Income

The Group derives revenue from contracts with customers for the transfer of services over time and at a point in time. The Group provides investment management services to individual and group clients. Fees for services are calculated based on a percentage of the value of assets managed and billed to the group customers quarterly. Revenue from investment management services is recognized over time as the services are provided to clients. Transaction based fees for redemptions are charged to the individual customer's account when the transaction takes place. In addition, the Group charges a non-refundable upfront fee when opening a group pension account. Revenue is recognized for both fees at a point in time.

Commissions are earned by the Group on non-life and medical insurance policies and are recognized when the policies are written, as the Group has no further significant performance obligations associated with the policies. Commissions are calculated as a percentage of the insurance premiums for which the policy was sold and are recognized at a point in time.

Set out below is the disaggregation of the Group's revenue from contracts by major product line. This presentation is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments.

	Other 2018			
	Investment Management Services	**Pension Administration**	**Insurance Broker Services**	**Total Other**
	$	**$**	**$**	**$**
Revenue from External Customers	138,204	64,024	937,360	1,139,588
Timing of revenue recognition				
Services transferred at a point in time	45,342	20,261	937,360	1,002,963
Services transferred over time	92,861	43,763	-	136,624
Total revenue from contracts with customers	**138,203**	**64,024**	**937,360**	**1,139,587**

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21. Other Operating Income (Continued)

	Other 2017			
	Investment Management Services	**Pension Administration**	**Insurance Broker Services**	**Total Other**
	$	**$**	**$**	**$**
Revenue from External Customers	152,242	55,287	966,127	1,173,656
Timing of revenue recognition				
Services transferred at a point in time	74,523	17,895	966,127	1,058,545
Services transferred over time	77,719	37,392	-	115,111
Total revenue from contracts with customers	**152,242**	**55,287**	**966,127**	**1,173,656**

22. Operating Expenses

Operating expenses is comprised of:

	2018	2017
	$	**$**
Employee salaries & benefits	12,336,656	12,740,160
Premium Tax & Statutory expenses	3,748,382	3,618,387
Premises & Maintenance	2,227,062	2,115,342
Professional fees	1,699,737	1,738,224
Marketing & Public Relations	1,355,062	1,021,406
Other Expenses	1,500,458	958,262
Balance at end of year	**22,867,357**	**22,191,781**

23. Commitments and Contingent Liabilities

Outstanding commitments to extend credit under mortgage loan agreements amounted to $4,544,291 as at 31 December 2018 (2017: $4,296,310).

The Group is a defendant in several legal actions arising in the normal course of its business affairs. Management believes that the resolution of these matters will not have a material impact on the Group's financial position.

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23. Commitments and Contingent Liabilities (Continued)

The Group is contingently liable for $5,000 (2017: $5,000) in respect of customs bonds and customs guarantees.

24. Related Party Balances and Transactions

Related parties of the Group are those defined in Note 3(ab).

Balances and transactions not disclosed elsewhere in these consolidated financial statements are disclosed below:

	2018	**2017**
	$	**$**
Other related party balances:		
Receivables and other assets	373,101	645,411
Reinsurance assets	365,656	308,996
Payables and accruals	405,579	1,729,831
Other related party transactions:		
Premiums ceded to reinsurer	3,469,675	3,767,552
Reinsurance recoveries	571,541	67,536
Administration fees	40,509	45,117
Management fees	132,000	132,000

Compensation of key management personnel:

	2018	**2017**
	$	**$**
Salaries and other short-term employee benefits	3,071,535	3,470,547
Commissions	452,057	262,544
	3,523,592	3,733,091

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24. Related Party Balances and Transactions (Continued)

Directors' remuneration:

In 2018, the total remuneration of the directors was $400,390 (2017: $379,188).

Employees' incentive plan:

The Group sponsors a plan as an on-going incentive system for its key employees. The plan holds 10,950 shares (2017: 5,600 shares) of the Group and these shares are awarded to the plan participants on an annual basis for services rendered in the previous year or as special awards for a promotion or upon hiring at the executive level. The Group makes cash awards as the need arises to the plan and the plan purchases the shares as needed on the open market at market value. The shares vest over a period of years, depending on the type of award granted.

25. Post-Retirement Medical Benefit

The Group introduced a post-retirement medical plan on 1 January 1999 for employees who retire after that date. Employees at age 65 or older with 10 or more years of service to the Group are eligible for subsidised post-retirement medical benefits. The Group's contributions will be provided as premium payments are due, for retired participants. Retirees are assumed to pay the full retiree costs, less the Group's subsidy. The employer contribution subsidy for medical costs is set to a fixed dollar amount.

The most recent actuarial valuation was carried out by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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25. Post-Retirement Medical Benefit (Continued)

Amounts recognised in the consolidated statement of comprehensive income consists of:

	Other post employment benefits	
	2018	**2017**
	$	**$**
Components of benefit cost recognised in statement of comprehensive income:		
Current service cost	147,162	77,248
Interest cost	79,268	51,532
Actuarial loss	-	-
Past service cost recognised	-	449,013
Net benefit cost recognised in statement of comprehensive income	**226,430**	**577,793**

	2018	**2017**
	$	**$**
Components of benefit cost recognised in statement of comprehensive income:		
Remeasurement on the defined benefit liability:		
Actuarial (gain)/loss due to experience	(129,522)	41,008
Actuarial loss due to liability assumption changes	41,057	-
Actuarial loss due to financial assumption changes	-	-
Actuarial gain on DBO	**(88,465)**	**41,008**

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25. Post-Retirement Medical Benefit (Continued)

	2018 $	2017 $
Total benefit cost recognised in statement of comprehensive income:		
Cost recognised in net income	226,430	577,793
Remeasurement effects recognised in other comprehensive income	(88,465)	41,008
Total benefit cost recognised in statement of comprehensive income	**137,965**	**618,801**

The current service cost, interest expense and past service cost for the year are included in the employee benefits expense in the statement of comprehensive income. The re-measurement of the net defined benefit liability is included in other comprehensive income.

There are no assets associated with the Group's post-retirement medical benefit plan.

Funded Status

The funded status at the end of the year, and the related amounts recognised in the consolidated statement of financial position are as follows:

	Other post employment benefits	
	2018 $	2017 $
Funded status, beginning of year		
Benefit obligation, funded plans	(1,689,922)	(1,657,632)
Unrecognised net actuarial loss	-	-
Net amount recognised, end of year	**(1,689,922)**	**(1,657,632)**

(Expressed in Bahamian dollars)

25. Post-Retirement Medical Benefit (Continued)

Amounts recognised in the consolidated statement of financial position of:

	2018	2017
	$	$
Liabilities	(1,689,922)	(1,657,632)

	Other post employment benefits	
	2018	2017
	$	$
Experience adjustments		
DBO, end of year	(1,689,922)	(1,657,632)
Funded status	**(1,689,922)**	**(1,657,632)**

	Other post employment benefits	
	2018	2017
	$	$
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contribution	105,675	66,414
Plan participant's contribution	(105,675)	(66,414)
Fair value of plan assets, end of year	-	-

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25. Post-Retirement Medical Benefit (Continued)

The weighted average assumptions used to determine the defined benefit obligation at the end of the year were as follows:

	2018	2017
Discount rate	4.50%	4.50%
Medical cost trend rate	N/A	N/A
Dental/vision cost trend	0.00%	0.00%
Mortality	RP2000	RP2000

Expected employer contributions

The Company expects to contribute $105,972 (2017: $87,542) to the post-retirement benefits plan in 2018. This benefit is expected to be paid from corporate assets.

26. Earnings per Ordinary Share

Basic earnings per share amounts are calculated by dividing the net income for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares issued and outstanding at the consolidated statement of financial position date.

Earnings per ordinary share are comprised of the following:

	2018 $	2017 $
Weighted average number of ordinary shares outstanding	10,000,000	10,000,000
Profit attributable to ordinary shareholders	6,364,473	5,454,261
Earnings per ordinary share	**0.64**	**0.55**

27. Business Segments

The Group is organised into three main business segments; life insurance, health insurance and other. All other segments are deemed insignificant to the Group's operations.

The Group identifies its reportable operating segments by product line consistent with the reports used by Management. These segments and their respective products are as follows:

- *Life Insurance* - offers a range of ordinary life insurance and industrial life insurance.
- *Health Insurance* - offers a range of group medical, individual medical, sick and accident, and hospitalisation insurance.
- *Other* - offers a range of services including investment management, pension management and administration, corporate advisory services, and mutual fund management.

Transactions between segments are carried out at arm's length. No inter-segment transactions occurred in 2018 and 2017. The revenue from external parties reported to Management is measured in a manner consistent with that in the consolidated statement of comprehensive income. The amounts provided to Management with respect to total assets and liabilities are measured in a manner consistent with that in the consolidated statement of financial position. All activities of the Group are deemed to be operating within the same geographical area.

Segment net income represents the net income earned by each segment after allocation of central administration costs and salaries, investment income, and other gains and losses. This is the measure reported to Management for the purpose of assessment of segment performance. No single customer contributed 10% or more to the Group's revenue for both 2018 and 2017. All assets are allocated to reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

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27. Business Segments (Continued)

The segment results for the period ended 31 December rounded to the nearest thousand are as follows:

	2018 ($000)			
	LIFE	**HEALTH**	**OTHER**	**TOTAL**
	$	**$**	**$**	**$**
INCOME				
Net premium income	32,714	65,816	-	98,530
Annuity & other deposits	16,006	-	-	16,006
Investment income	12,957	367	2,161	15,485
Other income	547	171	1,139	1,857
Total income	62,225	66,354	3,300	131,879
POLICYHOLDER BENEFITS	30,448	53,084	-	83,532
EXPENSES	21,177	15,164	3,956	40,297
	51,625	68,248	3,956	123,829
NET INCOME	10,600	(1,894)	(656)	8,050
TOTAL ASSETS	199,585	115,367	54,423	369,375
TOTAL LIABILITIES	152,645	88,234	5,151	246,030

27. Business Segments (Continued)

	2017 ($000)			
	LIFE	**HEALTH**	**OTHER**	**TOTAL**
	$	**$**	**$**	**$**
INCOME				
Net premium income	31,582	61,085	-	92,667
Annuity deposits	7,099	-	-	7,099
Investment income	13,100	316	1,651	15,067
Other income	428	162	1,174	1,764
Total income	52,209	61,563	2,825	116,597
POLICYHOLDER BENEFITS	26,496	46,015	-	72,511
EXPENSES	19,521	15,055	2,400	36,976
	46,017	61,070	2,400	109,487
NET INCOME	6,192	493	425	7,110
TOTAL ASSETS	185,916	119,056	57,003	361,975
TOTAL LIABILITIES	142,766	91,424	4,127	238,317

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28. Dividends

Dividends to the Company's ordinary shareholders are recognised as a liability in the period in which they are declared by the Board of Directors. Dividends paid to ordinary shareholders of the Company totaled $3,000,000 (2017: $2,400,000) and represented $0.30 per share (2017: $0.24).

29. Non-Controlling Interests

Non-controlling interests are comprised of 400,000,000 non-voting, redeemable participating shares (the "Shares") of a par value of B$0.001 each. Of these shares, 100,000,000 are linked exclusively to a Segregated Account designated as Class A, 100,000,000 are linked exclusively to a Segregated Account designated as Class B, 100,000,000 are linked exclusively to a Segregated Account designated as Class C, and 100,000,000 are linked exclusively to a Segregated Account designated as class D.

The movement is as follows:

	2018 $	2017 $
Balance at beginning of year	38,581,058	34,420,152
Share of profit for the year	1,222,341	1,056,171
Additional non-controlling interests arising from net contributions from investors	597,809	3,104,735
Balance at end of year	**40,401,208**	**38,581,058**

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30. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of Entity	Principal Activity	Place of Incorporation	Ownership Interest 2018	Ownership Interest 2017
Family Guardian Insurance Company Limited	Life & Health Insurance	The Bahamas	100%	100%
FG Financial Limited	Administration of Pension and Mutual Funds	The Bahamas	100%	100%
FG Capital Markets Limited	Investment Brokerage & Advisory	The Bahamas	100%	100%
FG Insurance Agents & Brokers Limited	General Insurance Agency	The Bahamas	100%	100%
BahamaHealth Insurance Brokers Limited	Health Insurance Administration	The Bahamas	100%	100%
FG Financial Fund Limited SAC:				
FG Financial Growth Fund	Mutual Fund	The Bahamas	23%	22%
FG Financial Preferred Income Fund	Mutual Fund	The Bahamas	16%	15%
FG Financial Diversified Fund	Mutual Fund	The Bahamas	13%	15%
FG Financial Global USD Bond Fund	Mutual Fund	The Bahamas	97%	92%

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information represents amounts before intragroup eliminations.

	2018 $	2017 $
Assets	59,894,315	57,529,665
Liabilities	866,715	768,890
Equity	59,027,600	56,760,775

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31. Subsequent Events

On 8 February 2019, the Board of Directors declared a fourth quarter dividend of $0.08 per share or $800,000 to shareholders of record as at 20 February 2019 and paid 27 February 2019.

On 8 February 2019, the Board of Directors of FamGuard authorised 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.

FG Capital Markets carries on investment advisory and brokerage services and securities trading and is a duly registered firm under the Securities Industry Act 2011.

FG Financial is an investment/pension fund administrator under the Investment Funds Act, 2003 and is duly registered with the Securities Commission of The Bahamas.

FG Financial SAC is an umbrella investment fund with four sub-funds and is duly registered under the Investment Funds Act 2003.

The results of operation of these entities as at the reporting date are presented in Note 27 Business Segments as a part of the ‘Other’ segment category. As at 31 December 2018, FG Capital Markets and FG Financial Limited had total net assets of $1,580,997 and $285,123, respectively. Net assets attributable to participating shareholders of FG Financial SAC totaled $59,027,599 of which $40,401,208 is attributable to non-controlling interests.

LEGAL ADVISORS

E. Dawson Roberts & Company
Magna Carta Court
Parliament & Shirley Sts.
P. O. Box N-918
Nassau, The Bahamas

Graham Thompson & Company
Sassoon House
Shirley St. & Victoria Ave.
P. O. Box N-272
Nassau, The Bahamas

REGISTRAR & TRANSFER AGENT

Bahamas Central Securities Depository (BCSD)
Suite 202, Fort Nassau Centre
British Colonial Hilton
P. O. Box N-9307
Nassau, The Bahamas

AUDITORS

PriceWaterhouseCoopers
2 Bayside Executive Plaza
West Bay Street & Blake Road
P. O. Box N3910
Nassau, The Bahamas

PRINCIPAL BANKERS

First Caribbean International Bank (Bahamas)
Shirley Street
P. O. Box N-8350
Nassau, The Bahamas

Royal Bank of Canada
East Hill Street
P. O. Box N-7549
Nassau, The Bahamas

REINSURERS

Munich Reinsurance Company
Munich Re Centre
390 Bay Street, 22nd Floor
Toronto, Ontario M5H 2Y2
Canada

International Reinsurance Managers, LLC
1000 NW 57th Ct.
Suite 190
Miami, Florida 33126
U.S.A.

Zurich American Insurance Company
1400 American Ln.
Schaumburg, Illinois 60196
U.S.A.

Swiss Re Life & Health Canada
150 King Street West, Suite 1000
Toronto, Ontario M5H 1J9
Canada

Custom Disability Solutions
A Division of Reliance Standard Life Insurance Co.
600 Sable Oaks Drive, Suite 200
South Portland, Maine 04106
U.S.A

ACTUARIAL CONSULTANTS

Eckler
110 Sheppard Avenue East, Suite 900
Toronto, Ontario M2N 7A3
Canada

David E. Norton, FSA, Health Care Consultant
471 Green Meadows
Dahlonega, Georgia 30533
U.S.A.

Corporate Office
No. 1 Shirley Street
P.O. Box SS6232
Nassau, The Bahamas
T 242-396-4000 / F 242-393-1100

Bryinda Russell
VP, Legal, Risk & Compliance, and
Corporate Secretary
bryinda.russell@familyguardian.com

- Investments Department
  Mortgages
  T 242-396-4044

- FG Capital Markets
  Brokerage & Advisory Services
  T 242-396-4040
  www.fgcapitalmarkets.com

- FG Financial
  Pensions & Mutual Funds
  T 242-396-4040
  www.fgfinancialbahamas.com

Family Guardian Financial Centre
East Bay & Church Streets
P.O. Box SS6232
Nassau, The Bahamas

- Financial Services
  Ordinary Life & Annuities
  T 242-396-1400

- FG Insurance Agents & Brokers
  Property & Casualty Insurance
  T 242-396-1490

- BahamaHealth
  Group Operations
  P.O. Box SS19079
  T 242-396-1315

Marathon District Sales Office
Marathon Road, P.O. Box SS6232
Nassau, The Bahamas
T 242-393-0091

Chippingham District Sales Office
Thompson Boulevard, P.O. Box SS6232
Nassau, The Bahamas
T 242-325-1811

Carmichael District Sales Office
Blue Hill Road South, P.O. Box SS6232
Nassau, The Bahamas
T 242-341-4429

Freeport District Office, Financial Services, Mortgages and FG Insurance Agents & Brokers
East Mall Drive, P.O. Box F42479
Freeport, Grand Bahama
The Bahamas
T 242-688-1500

Abaco Sales Office
Memorial Plaza, P.O. Box AB20901
Marsh Harbour, Abaco
The Bahamas
T 242-367-3264

Eleuthera Sales Office
Renaldo House P.O. Box EL89
Palmetto Point, Eleuthera
The Bahamas
T 242-332-2258

Exuma Sales Office
Turnquest Plaza, P.O. Box EX29346
George Town, Exuma
The Bahamas
T 242-336-3418

FAMGUARD CORPORATION LIMITED
NO. 1 SHIRLEY STREET
NASSAU, BAHAMAS

www.famguardbahamas.com