

FAMGUARD CORPORATION

Interim Consolidated Financial Statements for the 3
Months Ended 31 March, 2019
(Unaudited)





FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED
31 March, 2019

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FAMGUARD CORPORATION LIMITED
CHAIRMAN'S REPORT

Unaudited Results for the Three months ended 31 March 2019

MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

I am pleased to report that for the first quarter ended 31 March 2019 FamGuard Corporation recorded profits of \$2.2 million. Profit attributable to common shareholders totaled \$1.9 million and represented \$0.19 per share. The financial performance of the group year to date is attributed to efforts by our sales teams within the various divisions and the strategic initiatives by management which has resulted in a positive impact to the bottom line.

Total revenue ended the three month period at \$32.3 million, an increase over the prior period by 5.0%. The Group's results were positively impacted by the strong performance of our investment portfolio which contributed \$4.3 million to total revenues. The portfolio benefitted from the deployment of liquid short-term assets into longer-term vehicles which yield fixed rates; this is consistent with our investment strategy and is appropriate to back our long term insurance liabilities. Gross premiums show a positive variance increasing by 1.4% over the corresponding prior period. The company continues to reap the benefits of the training initiatives which have been implemented within the sales teams which contributed to the positive sales results.

Policyholder benefits totaled \$20.2 million compared to \$19.6 million for the corresponding prior period. The increase in benefits is primarily attributed to an increase in medical claims incurred from our Group health business during the quarter. Total expenses exceed prior year as a result of continued investment in technology aimed at improving our service to policyholders and improving operating efficiencies; however they remain in line with planned performance.

The Company's balance sheet remains strong with total assets in excess of \$370 million, of which investment assets comprised \$296.6 million, representing 80% of our total asset base. The Company's insurance subsidiary, Family Guardian Insurance Company Limited continues to maintain capital solvency measures in excess of the local and international minimum requirements.

I am pleased to advise that the Board of Directors declared a dividend of \$0.08 per share for shareholders of record as of 22 May 2019, payable on 29 May 2019. On behalf of the Board of Directors of FamGuard, I would like to extend our sincere thanks to our management, support staff, and sales team for their continued hard work and commitment to serving our clients, which has contributed to the success of the Company. I also wish to thank our shareholders and clients for their continued confidence.

Sincerely,



Norbert Boissiere
Chairman



FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2019

(Expressed in Bahamian dollars)

UNAUDITED

	31 March 2019	31 December 2018
ASSETS		
Fair value through profit or loss	\$ 12,816,941	\$ 12,670,798
Available-for-sale	13,173,724	13,184,526
Held-to-maturity	185,088,969	185,949,173
Loans	85,492,156	86,165,423
Total financial investment assets	<u>296,571,790</u>	<u>297,969,920</u>
Cash and bank balances	11,852,898	9,853,144
Reinsurance assets	5,201,665	5,172,056
Reinsurance recoveries	7,011,788	7,536,726
Receivables and other assets, net	7,198,288	6,223,354
Premiums receivable, net	5,350,590	4,795,465
Property, plant and equipment, net	<u>37,775,953</u>	<u>37,823,889</u>
TOTAL	<u>\$ 370,962,972</u>	<u>\$ 369,374,554</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits	\$ 212,929,344	\$ 213,300,445
Other policyholders' funds	19,211,441	19,027,437
Policy liabilities	232,140,785	232,327,882
Payables and accruals	13,254,652	13,702,599
Total liabilities	<u>245,395,437</u>	<u>246,030,481</u>
EQUITY:		
Preference shares	5,000,000	5,000,000
Ordinary shares	2,000,000	2,000,000
Share premium	10,801,080	10,801,080
Revaluation reserve	18,621,207	18,605,500
Retained earnings	47,593,537	46,536,285
Equity attributable to owners of the Parent	<u>84,015,824</u>	<u>82,942,865</u>
Non-controlling interest	41,551,711	40,401,208
Total equity	<u>125,567,535</u>	<u>123,344,073</u>
TOTAL	<u>\$ 370,962,972</u>	<u>\$ 369,374,554</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended March 31, 2019

(Expressed in Bahamian dollars)

UNAUDITED

	3 months to 31-Mar-19	3 months to 31-Mar-18
INCOME:		
Gross premium income	\$ 27,001,371	\$ 26,641,547
Premium ceded to reinsurers	(2,491,271)	(1,804,641)
Net premium income	<u>24,510,100</u>	<u>24,836,906</u>
Annuity & other deposits	2,980,938	2,223,899
Net premium income and annuity deposits	<u>27,491,038</u>	<u>27,060,805</u>
Interest income	3,710,803	3,553,973
Dividend income	320,336	335,500
Unrealized gain (loss) on investment assets	163,074	(396,099)
Realized gain (loss) from sale of assets	75,453	(262,581)
Other operating income	492,172	433,072
Total income	<u>32,252,876</u>	<u>30,724,670</u>
BENEFITS AND EXPENSES:		
Benefits:		
Policyholders' benefits	22,115,850	20,730,948
Reinsurance recoveries	(1,526,876)	(3,117,400)
Net policyholders' benefits	20,588,974	17,613,548
Change in reserves for policyholders' benefits	(400,709)	2,033,608
Total benefits	<u>20,188,265</u>	<u>19,647,156</u>
Expenses:		
Commissions	3,456,551	3,126,296
Operating expenses	5,026,076	4,764,286
Depreciation expense	365,015	379,142
Premium tax	810,271	799,246
Bad debt expense (release)	205,255	(232,972)
Total expenses	<u>9,863,168</u>	<u>8,835,997</u>
Total benefits and expenses	<u>30,051,433</u>	<u>28,483,152</u>
NET INCOME	<u>\$ 2,201,443</u>	<u>\$ 2,241,518</u>
NET INCOME ATTRIBUTABLE TO		
Ordinary Shareholders	\$ 1,857,252	\$ 2,107,995
Non-controlling interests	<u>344,191</u>	<u>133,522</u>
	<u>2,201,443</u>	<u>2,241,518</u>
Earnings per ordinary share	<u>\$ 0.19</u>	<u>\$ 0.21</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2019

(Expressed in Bahamian dollars)

UNAUDITED

	3 months to 31-Mar-19	3 months to 31-Mar-18
NET INCOME	\$ 2,201,443	\$ 2,241,518
OTHER COMPREHENSIVE INCOME		
Net gain (loss) on available-for-sale financial assets	15,707	(964,836)
Total other comprehensive income (loss)	<u>15,707</u>	<u>(964,836)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,217,150</u>	<u>\$ 1,276,682</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary Shareholders	\$ 1,872,959	\$ 1,143,159
Non controlling interests	344,191	133,522
	<u>\$ 2,217,150</u>	<u>\$ 1,276,682</u>
Earnings per ordinary share	<u>\$ 0.19</u>	<u>\$ 0.11</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2019

(Expressed in Bahamian dollars)

UNAUDITED

	Share Capital		Share Premium	Revaluation Reserve	Retained Earnings	Attributable	Non-Controlling Interests	Total
	Preference Shares	Ordinary Shares				of the Parent		
Balance as of December 31, 2017	\$ 10,000,000	\$ 2,000,000	\$ 10,801,080	\$ 19,191,952	\$ 43,083,348	\$ 85,076,380	\$ 38,581,058	\$ 123,657,438
Transactions with owners								
Net contributions from investors	-	-	-	-	-	-	597,809	597,809
Redemption of Preference shares	(5,000,000)	-	-	-	-	(5,000,000)	-	(5,000,000)
Dividends declared and paid -								
Preference shares	-	-	-	-	(462,757)	(462,757)	-	(462,757)
Ordinary shares (\$0.30 per share)	-	-	-	-	(3,000,000)	(3,000,000)	-	(3,000,000)
Total transactions with owners	<u>(5,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,462,757)</u>	<u>(8,462,757)</u>	<u>597,809</u>	<u>(7,864,948)</u>
Comprehensive income								
Net Income	-	-	-	-	6,827,229	6,827,229	1,222,341	8,049,570
Other Comprehensive (loss) income	-	-	-	(586,452)	88,465	(497,987)	-	(497,987)
Total Comprehensive (loss) income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(586,452)</u>	<u>6,915,694</u>	<u>6,329,242</u>	<u>1,222,341</u>	<u>7,551,583</u>
Balance as of December 31, 2018	5,000,000	2,000,000	10,801,080	18,605,500	46,536,285	82,942,865	40,401,208	123,344,073
Transactions with owners								
Net contributions from investors	-	-	-	-	-	-	806,312	806,312
Dividends declared and paid -								
Ordinary shares (\$0.08 per share)	-	-	-	-	(800,000)	(800,000)	-	(800,000)
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(800,000)</u>	<u>(800,000)</u>	<u>806,312</u>	<u>6,312</u>
Comprehensive income								
Net Income	-	-	-	-	1,857,252	1,857,252	344,191	2,201,443
Other Comprehensive income	-	-	-	15,707	-	15,707	-	15,707
Total Comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,707</u>	<u>1,857,252</u>	<u>1,872,959</u>	<u>344,191</u>	<u>2,217,150</u>
Balance as of March 31, 2019	<u>5,000,000</u>	<u>2,000,000</u>	<u>10,801,080</u>	<u>18,621,207</u>	<u>47,593,537</u>	<u>84,015,824</u>	<u>41,551,711</u>	<u>125,567,535</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended March 31, 2019
(Expressed in Bahamian dollars)
UNAUDITED

	31-Mar-19	31-Mar-18
Cash flows from operating activities:		
Profit	\$ 2,201,443	\$ 2,241,518
Adjustments for:		
Depreciation	365,015	354,142
Amortization of intangible asset	-	25,000
Unrealized (gain) loss on investment assets	(163,074)	396,099
Realized (gain) loss on sale of investment assets	(75,453)	262,581
Increase (decrease) in loan provision	107,909	(226,243)
Decrease in reinsurance assets	(29,609)	(270,070)
Change in reserve for future policyholders' benefits	(371,101)	2,303,678
Interest income	(3,710,803)	(3,553,973)
Dividend income	(320,336)	(335,500)
Operating profit before working capital changes	(1,996,009)	1,197,232
Increase in receivables and other assets	(974,934)	(1,369,802)
Decrease (Increase) in reinsurance recoveries	524,938	(2,644,872)
(Increase) decrease in premium receivables, net	(555,125)	54,850
Decrease in payables and accruals	(447,947)	(527,683)
Increase in other policyholders' funds	184,004	1,731,927
Net cash used in operating activities	(3,265,073)	(1,558,348)
Cash flows from investing activities:		
Net (placement) maturity of bank term deposits greater than three months	(235,913)	172,715
Net redemption (purchase) of Corporate Bonds	12,500	(487,500)
Redemption of Preference Shares	-	502,180
Net maturity of Government Bonds	896,458	143,912
Proceeds from sale of equity securities	88,874	-
Net Loans repaid (issued)	565,358	(1,024,076)
Proceeds from disposal of property, plant, and equipment	2,001	-
Interest received	3,925,980	4,163,959
Dividends received	320,336	335,500
Net cash from investing activities	5,258,515	3,508,557
Cash flows from financing activities		
Proceeds from net contributions from non-controlling interest	806,312	(961,517)
Dividends paid on ordinary shares	(800,000)	(600,000)
Net cash from (used in) financing activities	6,312	(1,561,517)
Net increase in cash and cash equivalents	1,999,754	388,692
Cash and cash equivalents at beginning of the period	9,853,144	16,145,293
Cash and cash equivalents at end of the period	\$ 11,852,898	\$ 16,533,985

See notes to unaudited consolidated financial statements

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March, 2019

(Expressed in Bahamian Dollars)

Unaudited

1. General

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

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

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

2. Accounting Policies

These unaudited consolidated financial statements have been prepared in accordance with International Accounting Standards 34: Interim Financial Reporting. The interim unaudited financial statements do not include all of the information and Company’s disclosures required in the annual audited financial statements, and should be read in conjunction with the December 31st, 2018 audited financial statements.

The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2018.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March, 2019

(Expressed in Bahamian Dollars)

Unaudited

(Continued)

3. Earnings per ordinary share

	31-Mar-19	31-Mar-18
Weighted average number of shares outstanding	10,000,000	10,000,000
Consolidated net income attributable to ordinary shareholders	\$ 1,857,252	\$2,107,995
Earnings per ordinary share	<u>\$ 0.19</u>	<u>\$ 0.21</u>

4. Commitments

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$4,264,329 as at 31 March, 2019 (31 December 2018: \$4,544,291).