

FAMGUARD CORPORATION

Interim Consolidated Financial Statements for the
9 months ending September 30th, 2018
(Unaudited)





FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2018

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FAMGUARD CORPORATION LIMITED
CHAIRMAN'S REPORT

Unaudited Results for the NINE months ended 30 September 2018

MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

I am pleased to report that for the third quarter ended 30 September 2018 FamGuard Corporation recorded profits of \$6.7 million. Profit attributable to common shareholders totaled \$5.6 million and represented \$0.56 per share.

Total revenue ended the nine month period at \$97.6 million, an increase over the prior period by 13.4%. Premium income continues to show positive variances against prior year in all three divisions of the insurance company as gross premiums increased by 5.0%, representing \$3.8 million. Annuities and other deposits totaled \$11 million, an increase over the prior period by \$5.5 million. Investment income contributed \$11.1 million to total revenues, as investment assets increase from \$284 million at the end of 2017 to \$291 million.

Policyholder benefits totaled \$61.6 million compared to \$52.1 million for the corresponding prior period. The variance can be attributed to the net movement in reserves for future policyholder benefits in direct correlation to the increase in annuity and other deposits and an increase in medical claims incurred during the period. Total expenses show a negative variance over prior year primarily due to the increase in commission expense which increased in direct correlation to the increase in gross premiums.

The Company's balance sheet remains strong with total assets in excess of \$368 million. Preference shares totaling \$5 million were repaid to shareholders during the second quarter of 2018. 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. Additionally, we are pleased to advise that Family Guardian's financial strength and credit worthiness rating of A- Excellent was reaffirmed by AM Best, the insurance industry's leading global rating agency.

I am pleased to advise that the Board of Directors declared a dividend of \$0.08 per share for shareholders of record as of 28 November 2018, payable on 5 December 2018. 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 September 30, 2018
 (Expressed in Bahamian dollars)

UNAUDITED

	30 September 2018	31 December 2017
ASSETS		
Fair value through profit or loss	\$ 12,336,624	\$ 13,141,670
Available-for-sale	12,394,845	14,661,520
Held-to-maturity	181,038,918	176,196,403
Loans	<u>85,526,297</u>	<u>80,030,193</u>
Total financial investment assets	291,296,684	284,029,786
Cash and bank balances	12,719,240	16,881,642
Reinsurance assets	7,088,883	6,520,948
Reinsurance recoveries	6,796,499	7,251,681
Receivables and other assets, net	6,478,042	4,825,916
Premiums receivable, net	6,671,206	5,561,421
Intangible Assets, net	25,000	100,000
Property, plant and equipment, net	<u>37,338,612</u>	<u>36,803,313</u>
TOTAL	<u>\$ 368,414,166</u>	<u>\$ 361,974,707</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits	\$ 213,662,092	\$ 207,261,508
Other policyholders' funds	<u>19,099,637</u>	<u>18,072,481</u>
Policy liabilities	232,761,729	225,333,989
Payables and accruals	<u>13,980,163</u>	<u>12,983,280</u>
Total liabilities	<u>246,741,892</u>	<u>238,317,269</u>
EQUITY:		
Preference shares	5,000,000	10,000,000
Ordinary shares	2,000,000	2,000,000
Share premium	10,801,080	10,801,080
Revaluation reserve	17,735,860	19,191,952
Retained earnings	<u>46,518,611</u>	<u>43,083,348</u>
Equity attributable to owners of the Parent	82,055,551	85,076,380
Non-controlling interest	<u>39,616,723</u>	<u>38,581,058</u>
Total equity	<u>121,672,274</u>	<u>123,657,438</u>
TOTAL	<u>\$ 368,414,166</u>	<u>\$ 361,974,707</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Nine months ended September 30, 2018

(Expressed in Bahamian dollars)

UNAUDITED

	9 Months to 30-Sep-18	9 Months to 30-Sep-17
INCOME:		
Gross premium income	\$ 80,554,449	\$ 76,721,143
Premium ceded to reinsurers	(6,801,855)	(7,732,282)
Net premium income	<u>73,752,594</u>	<u>68,988,861</u>
Annuity & Other deposits	10,998,677	5,481,383
Net premium income, annuity and other deposits	<u>84,751,271</u>	<u>74,470,244</u>
Interest income	10,767,155	10,252,065
Dividend income	1,060,763	1,071,042
Unrealized loss on investment assets	(744,937)	(525,066)
Realized gain (loss) from sale of assets	52,740	(459,585)
Other operating income	1,699,365	1,266,156
Total income	<u>97,586,357</u>	<u>86,074,855</u>
BENEFITS AND EXPENSES:		
Benefits:		
Policyholders' benefits	62,185,619	47,754,098
Reinsurance recoveries	(6,445,554)	(2,097,002)
Net policyholders' benefits	<u>55,740,065</u>	<u>45,657,095</u>
Increase in reserves for policyholders' benefits	5,832,649	6,397,077
Total benefits	<u>61,572,714</u>	<u>52,054,173</u>
Expenses:		
Commissions	10,354,927	8,765,308
Operating expenses	15,152,938	14,653,515
Depreciation and amortization expense	1,162,890	1,273,389
Premium tax	2,416,627	2,301,133
Bad debt expense	272,207	(47,642)
Total expenses	<u>29,359,589</u>	<u>26,945,703</u>
Total benefits and expenses	<u>90,932,303</u>	<u>78,999,876</u>
NET INCOME	<u>\$ 6,654,054</u>	<u>\$ 7,074,979</u>
NET INCOME ATTRIBUTABLE TO		
Ordinary Shareholders	\$ 5,635,263	\$ 6,296,695
Preferred Shareholders	319,007	312,500
Non-controlling interests	<u>699,784</u>	<u>465,784</u>
	<u>6,654,054</u>	<u>7,074,979</u>
Earnings per ordinary share	<u>\$ 0.56</u>	<u>\$ 0.63</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the Three months ended September 30, 2018
(Expressed in Bahamian dollars)
UNAUDITED

	3 MONTHS TO 30-Sep-18	3 MONTHS TO 30-Sep-17
INCOME:		
Net premium income	22,859,726	22,860,362
Annuity and Other deposits	6,577,025	1,549,399
Net premium income, annuity and other deposits	<u>29,436,751</u>	<u>24,409,761</u>
Investment income	3,752,573	3,558,631
Other operating income	606,366	330,189
Total income	<u>33,795,690</u>	<u>28,298,581</u>
BENEFITS AND EXPENSES:		
Net policyholder benefits	22,062,812	15,539,770
Commissions	3,402,356	3,006,125
Operating expenses	6,339,452	5,641,535
Total benefits and expenses	<u>31,804,620</u>	<u>24,187,431</u>
NET PROFIT	<u><u>1,991,070</u></u>	<u><u>4,111,150</u></u>
NET PROFIT ATTRIBUTABLE TO :		
Ordinary Shareholders	1,786,957	3,841,758
Non-controlling interests	204,113	269,392
	<u>1,991,070</u>	<u>4,111,150</u>
Earnings per ordinary share	<u>\$ 0.18</u>	<u>\$ 0.38</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Nine months ended September 30, 2018

(Expressed in Bahamian dollars)

UNAUDITED

	9 Months to 30-Sep-18	9 Months to 30-Sep-17
NET INCOME	\$ 6,654,054	\$ 7,074,979
OTHER COMPREHENSIVE INCOME		
Net gain on available-for-sale financial assets	<u>(1,456,092)</u>	<u>(328,860)</u>
Total Other Comprehensive Income	<u>(1,456,092)</u>	<u>(328,860)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 5,197,962</u>	<u>\$ 6,746,119</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary Shareholders	\$ 4,179,171	\$ 5,967,835
Preferred Shareholders	319,007	312,500
Non controlling interests	<u>699,784</u>	<u>465,784</u>
	<u>\$ 5,197,962</u>	<u>\$ 6,746,119</u>
Earnings per ordinary share	<u>\$ 0.42</u>	<u>\$ 0.60</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine months ended September 30, 2018

(Expressed in Bahamian dollars)

UNAUDITED

	<u>Share Capital</u>			<u>Revaluation Reserve</u>	<u>Retained Earnings</u>	Attributable to Owners		<u>Total</u>
	<u>Preference Shares</u>	<u>Ordinary Shares</u>	<u>Share Premium</u>			<u>of the Parent</u>	<u>Non-Controlling Interests</u>	
Balance as of December 31, 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
Transactions with owners								
Net contributions from investors	-	-	-	-	-	-	\$ 3,104,735	\$ 3,104,735
Dividends declared and paid -								
Preference shares	-	-	-	-	(600,000)	(600,000)	-	(600,000)
Ordinary shares (\$0.24 per share)	-	-	-	-	(2,400,000)	(2,400,000)	-	(2,400,000)
Total transactions with owners	-	-	-	-	(3,000,000)	(3,000,000)	3,104,735	104,735
Comprehensive income								
Net Income	-	-	-	-	6,054,261	6,054,261	1,056,171	7,110,432
Other Comprehensive income (loss)	-	-	-	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
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	-	-	-	-	-	-	335,881	335,881
Redemption of Preference shares	(5,000,000)	-	-	-	-	(5,000,000)	-	(5,000,000)
Dividends declared and paid -								
Preference shares	-	-	-	-	(319,007)	(319,007)	-	(319,007)
Ordinary shares (\$0.22 per share)	-	-	-	-	(2,200,000)	(2,200,000)	-	(2,200,000)
Total transactions with owners	(5,000,000)	-	-	-	(2,519,007)	(7,519,007)	335,881	(7,183,126)
Comprehensive income								
Net Income	-	-	-	-	5,954,270	5,954,270	699,784	6,654,054
Other Comprehensive income (loss)	-	-	-	(1,456,092)	-	(1,456,092)	-	(1,456,092)
Total Comprehensive income	-	-	-	(1,456,092)	5,954,270	4,498,178	699,784	5,197,962
Balance as of September 30, 2018	5,000,000	2,000,000	10,801,080	17,735,860	46,518,611	82,055,551	39,616,723	121,672,275

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Nine months ended September 30, 2018
(Expressed in Bahamian dollars)

UNAUDITED

	30-Sep-18	30-Sep-17
Cash flows from operating activities:		
Profit	\$ 6,654,054	\$ 7,074,979
Adjustments for:		
Depreciation	1,087,890	1,198,389
Amortization of intangible asset	75,000	75,000
Unrealized loss on investment assets	744,937	525,066
Realized (gain) loss on sale of investment assets	(52,740)	459,585
Decrease in loan provision	(136,826)	(168,157)
(Increase) decrease in reinsurance assets	(567,935)	1,611,394
Change in reserve for future policyholders' benefits	6,400,584	4,785,683
Interest income	(10,767,155)	(10,252,065)
Dividend income	(1,060,763)	(1,071,042)
Operating profit before working capital changes	2,377,046	4,238,832
Increase in receivables and other assets	(1,652,126)	(1,972,556)
Decrease (Increase) in reinsurance recoveries	455,182	(1,647,786)
Increase in premium receivables, net	(1,109,785)	(2,148,652)
Increase (decrease) in payables and accruals	996,883	(162,683)
Increase in other policyholders' funds	1,027,156	303,079
Net cash from operating activities	2,094,356	(1,389,766)
Cash flows from investing activities:		
Net Maturity (placement) of bank term deposits greater than three months	1,760,079	(274,666)
Net purchase of Government bonds and notes	(6,038,347)	(6,823,568)
Net (purchase) of corporate bonds	(1,629,149)	(4,294,205)
Redemption of preferred shares	881,209	-
Available- for- sale securities purchased	(576,972)	-
Available- for- sale securities sold	598,688	-
Net sale of FVTPL investments assets	-	168,162
Net Policy loans issued	(206,719)	(697,160)
Net mortgage loan issued	(4,404,511)	(550,491)
Net purchase of property, plant and equipment	(1,623,189)	(2,999,089)
Interest received	11,104,515	10,045,845
Dividends received	1,060,763	1,071,042
Net cash from (used in) investing activities	926,367	(4,354,130)
Cash flows from financing activities		
Redemption of preference shares	(5,000,000)	-
Net changes in non-controlling interest	335,881	3,004,158
Dividends paid on preference shares	(319,007)	(312,500)
Dividends paid on ordinary shares	(2,200,000)	(1,800,000)
Net cash (used in) from financing activities	(7,183,126)	891,658
Net (decrease) in cash and cash equivalents	(4,162,402)	(4,852,238)
Cash and cash equivalents at beginning of the period	16,881,642	16,145,293
Cash and cash equivalents at end of the period	\$ 12,719,240	\$ 11,293,055

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine months ended September 30, 2018

(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, 2017 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 2017.

3. Earnings per ordinary share

	9 Months to 30-Sep-18	9 Months to 30-Sep-17
Weighted average number of shares outstanding	10,000,000	10,000,000
Consolidated net income attributable to ordinary shareholders	<u>\$ 5,635,263</u>	<u>\$6,296,695</u>
Earnings per ordinary share	<u><u>\$ 0.56</u></u>	<u><u>\$ 0.63</u></u>

4. Commitments

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$4,462,555 as at September 30, 2018 (31 December 2017: \$4,296,310).