



FAMGUARD CORPORATION

Interim Consolidated Financial Statements for the 9 Months Ended September 30th, 2017
(Unaudited)



FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS
ENDED SEPTEMBER 30, 2017

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FAMGUARD CORPORATION LIMITED
CHAIRMAN'S REPORT
Unaudited Results for the NINE months ended 30 SEPTEMBER 2017

MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

I am pleased to report that for the third quarter ended 30 September 2017 FamGuard Corporation recorded profits of \$7.1 million. Profit attributable to common shareholders totaled \$6.3 million and represented \$0.63 per share, a 2% increase over the corresponding prior period. Despite the current economic environment in which we operate, with pressures on disposable income and the reduction in the prime rate during the year, the Group's performance remains strong.

Gross premium income ended the nine month period at \$76.7 million, a 1.1% increase over the prior year. However, total revenues decreased by 4.6% over the same period in 2016 as a result of a decline in annuity deposits, which we also saw in the previous two quarters of 2017. The decline in deposits was offset by a corresponding reduction in policyholder benefits on annuities which decreased in direct correlation. Investment income contributed \$10.3 million to total revenues during the period despite the pressures from the low interest rate environment and fluctuations within the equity market.

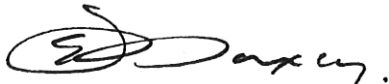
Policyholder benefits totaled \$52.1 million compared to \$57.0 million for the corresponding prior period. Positive variances were recorded for both life and annuity products over the prior period with the major variance being the reduction in reserves on Annuity deposits in direct correlation to the reduction in deposits. Total expenses exceed prior year as a result of continued investment in technology and human capital aimed at improving our service to our policyholders and customers.

The Company's balance sheet remains strong with total assets of \$360 million, of which investment assets comprised \$281 million, representing 78% of our total asset base. The Company's insurance subsidiary, Family Guardian Insurance Company Limited continues to maintain capital solvency measures in excess of the local and international minimum requirements. 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 \$0.06 per share for shareholders of record as of 28 November 2017, payable on 5 December 2017.

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,



L. Edgar Moxey
Chairman & CEO

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2017

(Expressed in Bahamian dollars)

UNAUDITED

	30 September 2017	31 December 2016
ASSETS		
Fair value through profit or loss	\$ 12,709,053	\$ 13,065,957
Available-for-sale	13,574,761	13,912,881
Held-to-maturity	175,811,759	164,603,183
Loans	78,990,822	77,575,014
Total financial investment assets	<u>281,086,395</u>	<u>269,157,035</u>
Cash and bank balances	11,293,055	16,145,293
Reinsurance assets	6,368,327	7,979,721
Reinsurance recoveries	8,490,844	6,843,058
Receivables and other assets, net	10,727,280	8,754,724
Premiums receivable, net	6,402,899	4,254,247
Intangible Assets, net	303,333	378,333
Property, plant and equipment, net	<u>35,546,015</u>	<u>33,745,316</u>
TOTAL	<u>\$ 360,218,148</u>	<u>\$ 347,257,727</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits	\$ 206,078,127	\$ 201,292,443
Other policyholders' funds	17,941,520	17,638,441
Policy liabilities	224,019,647	218,930,884
Payables and accruals	14,300,041	14,462,724
Total liabilities	<u>238,319,688</u>	<u>233,393,608</u>
EQUITY:		
Preference shares	10,000,000	10,000,000
Ordinary shares	2,000,000	2,000,000
Share premium	10,801,080	10,801,080
Revaluation reserve	16,243,932	16,572,792
Retained earnings	44,438,288	40,070,095
Equity attributable to owners of the Parent	83,483,300	79,443,967
Non-controlling interest	38,415,160	34,420,152
Total equity	<u>121,898,460</u>	<u>113,864,119</u>
TOTAL	<u>\$ 360,218,148</u>	<u>\$ 347,257,727</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, 2017

(Expressed in Bahamian dollars)

UNAUDITED

	9 Months to 30-Sep-17	9 Months to 30-Sep-16
INCOME:		
Gross premium income	\$ 76,721,143	\$ 75,883,276
Premium ceded to reinsurers	(7,732,282)	(7,726,481)
Net premium income	68,988,861	68,156,795
Annuity deposits	5,481,383	9,800,570
Net premium income and annuity deposits	74,470,244	77,957,365
Interest income	10,252,065	10,030,186
Dividend income	1,071,042	1,047,235
Unrealized (loss) gain on investment assets	(525,066)	96,638
Realized loss from sale of assets	(459,585)	(266,099)
Other operating income	1,266,156	1,313,427
Total income	86,074,856	90,178,752
BENEFITS AND EXPENSES:		
Benefits:		
Policyholders' benefits	47,754,098	51,596,271
Reinsurance recoveries	(2,097,002)	(3,781,567)
Net policyholders' benefits	45,657,096	47,814,704
Increase in reserves for policyholders' benefits	6,397,077	9,155,198
Total benefits	52,054,173	56,969,902
Expenses:		
Commissions	8,765,308	8,839,518
Operating expenses	14,656,495	13,555,342
Depreciation and amortization expense	1,273,389	1,262,590
Premium tax	2,301,133	2,276,498
Bad debt (release) expense	(50,624)	89,987
Total expenses	26,945,701	26,023,935
Total benefits and expenses	78,999,874	82,993,837
NET INCOME	\$ 7,074,982	\$ 7,184,915
NET INCOME ATTRIBUTABLE TO		
Ordinary Shareholders	\$ 6,296,698	\$ 6,136,612
Preferred Shareholders	312,500	312,500
Non-controlling interests	465,784	735,803
	7,074,982	7,184,915
Earnings per ordinary share	\$ 0.63	\$ 0.61

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the Three months ended September 30, 2017
(Expressed in Bahamian dollars)
UNAUDITED

	3 MONTHS TO 30-Sep-17	3 MONTHS TO 30-Sep-16
INCOME:		
Net premium income	22,860,362	22,851,060
Annuity deposits	1,549,400	2,926,265
Net premium income and annuity deposits	<u>24,409,762</u>	<u>25,777,325</u>
Investment income	3,563,391	3,612,938
Other operating income	325,429	439,328
Total income	<u>28,298,582</u>	<u>29,829,591</u>
BENEFITS AND EXPENSES:		
Net policyholder benefits	15,539,771	17,142,415
Commissions	3,006,125	2,984,384
Operating expenses	5,641,536	4,882,164
Total benefits and expenses	<u>24,187,432</u>	<u>25,008,964</u>
NET PROFIT	<u>4,111,150</u>	<u>4,820,627</u>
NET PROFIT ATTRIBUTABLE TO :		
Ordinary Shareholders	3,841,757	4,639,608
Non-controlling interests	269,393	181,020
	<u>4,111,150</u>	<u>4,820,627</u>
Earnings per ordinary share	<u>\$ 0.38</u>	<u>\$ 0.46</u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the Nine months ended September 30, 2017

(Expressed in Bahamian dollars)

UNAUDITED

	9 Months to 30-Sep-17	9 Months to 30-Sep-16
NET INCOME	\$ 7,074,982	\$ 7,184,915
OTHER COMPREHENSIVE INCOME		
Net (loss) gain on available-for-sale financial assets	(328,860)	726,622
Total Other Comprehensive (Loss) Income	(328,860)	726,622
TOTAL COMPREHENSIVE INCOME	\$ 6,746,122	\$ 7,911,537
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary Shareholders	\$ 5,967,838	\$ 6,863,234
Preferred Shareholders	312,500	312,500
Non controlling interests	465,784	735,803
	\$ 6,746,122	\$ 7,911,537
Earnings per ordinary share	\$ 0.60	\$ 0.69

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine months ended September 30, 2017

(Expressed in Bahamian dollars)

UNAUDITED

	<u>Share Capital</u>		<u>Share Premium</u>	<u>Revaluation Reserve</u>	<u>Retained Earnings</u>	<u>Attributable to Owners</u>		<u>Total</u>
	<u>Preference Shares</u>	<u>Ordinary Shares</u>				<u>of the Parent</u>	<u>Non-Controlling Interests</u>	
Balance as of December 31, 2015	\$ 10,000,000	\$ 2,000,000	\$ 10,801,080	\$ 15,939,372	\$ 38,356,787	\$ 77,097,239	\$ 31,017,543	\$ 108,114,782
Additional non-controlling interest arising from net contributions from investors							\$ 2,522,285	\$ 2,522,285
Profit for 2016	-	-	-	-	5,430,346	5,430,346	880,324	6,310,670
Other Comprehensive income for 2016				633,420	(192,038)	441,382		441,382
Dividends declared and paid - preference shares	-	-	-	-	(625,000)	(625,000)		(625,000)
ordinary shares (\$0.29 per share)	-	-	-	-	(2,900,000)	(2,900,000)	-	(2,900,000)
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
Prior Period Adjustment					(128,505)	(128,505)		(128,505)
Additional non-controlling interest arising from net contributions from investors							3,529,224	3,529,224
Profit for 2017	-	-	-	-	6,609,198	6,609,198	465,784	7,074,982
Other Comprehensive income for 2017								
Adjustment to fair value of investment in equities	-	-	-	(328,860)	-	(328,860)	-	(328,860)
Dividends declared and paid - preference shares	-	-	-	-	(312,500)	(312,500)	-	(312,500)
ordinary shares (\$0.18 per share)	-	-	-	-	(1,800,000)	(1,800,000)	-	(1,800,000)
Balance as of September 30, 2017	\$ 10,000,000	\$ 2,000,000	\$ 10,801,080	\$ 16,243,932	\$ 44,438,288	\$ 83,483,300	\$ 38,415,160	\$ 121,898,460

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Nine months ended September 30, 2017

(Expressed in Bahamian dollars)

UNAUDITED

	30-Sep-17	30-Sep-16
Cash flows from operating activities		
Profit	\$ 7,074,982	\$ 7,184,915
Adjustments for:		
Depreciation	1,198,389	1,187,590
Amortization of intangible asset	75,000	75,000
Unrealized loss (gain) on investment assets	525,066	(96,638)
Realized loss on sale of investment assets	459,585	266,099
Increase in mortgage provision	(168,157)	(6,891)
Decrease (increase) in reinsurance assets	1,611,394	(589,061)
Change in reserve for future policyholders' benefits	4,785,683	9,744,259
Interest income	(10,252,065)	(10,030,186)
Dividend income	(1,071,042)	(1,047,235)
Operating profit before working capital changes	4,238,835	6,687,851
Increase in receivables and other assets	(1,972,556)	(2,471,938)
(Increase) decrease in reinsurance recoveries	(1,647,786)	561,665
(Increase) decrease in premium receivables, net	(2,148,652)	1,712,168
(Decrease) increase in payables and accruals	(162,683)	1,822,428
Increase (decrease) in other policyholders' funds	303,079	(973,411)
Net cash (used in) from operating activities	(1,389,763)	7,338,763
Cash flows from investing activities		
Net changes in non-controlling interest	3,004,158	1,551,098
Net (placement) maturity of bank term deposits greater than three months	(274,666)	3,414,965
Net purchase of Government bonds and notes	(6,823,568)	(9,543,669)
Net (purchase) redemption of corporate bonds	(4,294,205)	156,861
Net purchase of preferred shares	-	(1,494,278)
Available- for- sale securities purchased	-	(96,083)
Purchase of FVTPL investments assets	(4,954,855)	(103,782)
Sale of FVTPL investments assets	5,123,017	0
Net Policy loans issued	(697,160)	(754,196)
Net mortgage loans issued	(550,491)	(271,028)
Net purchase of property, plant and equipment	(2,999,089)	(652,799)
Interest received	10,045,842	10,369,472
Dividends received	1,071,042	1,047,235
Net cash (used in) from investing activities	(1,349,975)	3,623,796
Cash flows from financing activities		
Dividends paid on preference shares	(312,500)	(312,500)
Dividends paid on ordinary shares	(1,800,000)	(1,800,000)
Net cash used in financing activities	(2,112,500)	(2,112,500)
Net (decrease) increase in cash and cash equivalents	(4,852,238)	8,850,059
Cash and cash equivalents at beginning of the period	16,145,293	10,187,065
Cash and cash equivalents at end of the period	\$ 11,293,055	\$ 19,037,124

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine months ended September 30, 2017

(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, 2016 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 2016.

3. Earnings per ordinary share

	9 Months to 30-Sep-17	9 Months to 30-Sep-16
Weighted average number of shares outstanding	10,000,000	10,000,000
Consolidated net income attributable to ordinary shareholders	<u>\$ 6,296,698</u>	<u>\$6,136,612</u>
Earnings per ordinary share	<u>\$ 0.63</u>	<u>\$ 0.61</u>

4. Commitments

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$4,740,112 as at September 30, 2017 (31 December 2016: \$2,254,151).



FAMGUARD CORPORATION

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