

FAMGUARD CORPORATION

Interim Consolidated Financial Statements for the
Six Months Ended June 30th, 2018
(Unaudited)





FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
JUNE 30, 2018

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FAMGUARD CORPORATION LIMITED
CHAIRMAN'S REPORT

Unaudited Results for the SIX months ended 30 June 2018

MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

I am pleased to report that for the second quarter ended 30 June 2018 FamGuard Corporation recorded profits of \$4.7 million. Profit attributable to common shareholders totaled \$3.9 million and represented \$0.39 per share, a 47.5% increase over the corresponding prior period. The financial performance of the group year to date is attributed to increased efforts by our sales teams within the various divisions and the strategic and cost savings initiatives by management which has resulted in a positive impact to the bottom line.

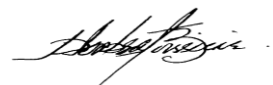
Total revenue ended the six month period at \$63.5 million, an increase over the prior period by 9.7%. Premium income continues to show positive variances against prior year in all three divisions of the insurance company as gross premiums increased by 7.5% over the corresponding prior period, representing \$3.8 million. The company continues to see the benefits of the training initiatives which have been implemented within the sales teams which contributed to the positive sales results. Investment income contributed \$7.4 million to total revenues, despite the limited opportunities in the market and the pressures from the low interest rate environment.

Policyholder benefits totaled \$39.5 million compared to \$36.5 million for the corresponding prior 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. Management has begun to see the positive impact of cost saving initiatives which were implemented at the beginning of the year as operating expenses are in line with budget expectations.

The Company's balance sheet remains strong with total assets in excess of \$364 million, of which investment assets comprised \$284 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.

I am pleased to advise that the Board of Directors declared a dividend of \$0.08 per share for shareholders of record as of 24 August 2018, payable on 31 August 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 June 30, 2018

(Expressed in Bahamian dollars)

UNAUDITED

	30 June 2018	31 December 2017
ASSETS		
Fair value through profit or loss	\$ 12,564,833	\$ 13,141,670
Available-for-sale	12,948,329	14,661,520
Held-to-maturity	174,860,846	176,196,403
Loans	83,508,853	80,030,193
Total financial investment assets	<u>283,882,861</u>	<u>284,029,786</u>
Cash and bank balances	18,534,797	16,881,642
Reinsurance assets	6,775,236	6,520,948
Reinsurance recoveries	6,549,941	7,251,681
Receivables and other assets, net	5,331,577	4,825,916
Premiums receivable, net	6,102,193	5,561,421
Intangible Assets, net	50,000	100,000
Property, plant and equipment, net	<u>37,198,377</u>	<u>36,803,313</u>
TOTAL	<u>\$ 364,424,982</u>	<u>\$ 361,974,707</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future policyholders' benefits	\$ 210,934,426	\$ 207,261,508
Other policyholders' funds	19,659,347	18,072,481
Policy liabilities	<u>230,593,773</u>	<u>225,333,989</u>
Payables and accruals	<u>13,878,851</u>	<u>12,983,280</u>
Total liabilities	<u>244,472,624</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	18,029,231	19,191,952
Retained earnings	45,546,264	43,083,348
Equity attributable to owners of the Parent	<u>81,376,575</u>	<u>85,076,380</u>
Non-controlling interest	<u>38,575,783</u>	<u>38,581,058</u>
Total equity	<u>119,952,358</u>	<u>123,657,438</u>
TOTAL	<u>\$ 364,424,982</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 six months ended June 30, 2018
(Expressed in Bahamian dollars)
UNAUDITED

	6 Months Ended June 30, 2018	6 Months Ended June 30, 2017
INCOME:		
Gross premium income	\$ 55,178,334	\$ 51,350,506
Premium ceded to reinsurers	(4,285,466)	(5,222,007)
Net premium income	50,892,868	46,128,499
Annuity deposits	4,421,652	3,931,983
Net premium income and annuity deposits	55,314,520	50,060,482
Interest income	7,122,374	6,764,506
Dividend income	741,702	725,013
Net unrealized loss on financial assets	(533,659)	(412,040)
Net realized gain (loss) from sale of financial assets	52,731	(201,541)
Other operating income	1,092,999	940,727
Total income	<u>63,790,667</u>	<u>57,877,147</u>
BENEFITS AND EXPENSES:		
Benefits:		
Policyholders' benefits	40,136,073	31,612,612
Reinsurance recoveries	(4,044,800)	(1,773,546)
Net policyholders' benefits	36,091,273	29,839,066
Increase in reserves for policyholders' benefits	3,418,629	6,675,336
Total benefits	39,509,902	36,514,402
Expenses:		
Commissions	6,952,571	5,759,183
Operating expenses	10,035,741	9,820,857
Depreciation and amortization expense	773,877	877,223
Premium tax	1,655,350	1,540,014
Bad debt expense	185,632	237,040
Total expenses	19,603,171	18,234,317
Total benefits and expenses	<u>59,113,073</u>	<u>54,748,719</u>
NET INCOME	<u>\$ 4,677,594</u>	<u>\$ 3,128,427</u>
NET INCOME ATTRIBUTABLE TO		
Ordinary Shareholders	\$ 3,862,916	\$ 2,619,535
Preferred Shareholders	319,007	312,500
Non-controlling interests	495,671	196,392
	<u>\$ 4,677,594</u>	<u>\$ 3,128,427</u>
Earnings per ordinary share	<u>\$ 0.39</u>	<u>\$ 0.26</u>

See notes to unaudited consolidated financial statements

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

	3 Months Ended 30 June 2018	3 Months Ended 30 June 2017
INCOME:		
Net premium income	\$ 26,055,962	\$ 22,936,806
Annuity deposits	2,197,753	1,966,349
Net premium income and annuity deposits	<u>28,253,715</u>	<u>24,903,156</u>
Investment income	4,152,355	3,735,947
Other operating income	<u>659,927</u>	<u>545,849</u>
Total income	<u>33,065,997</u>	<u>29,184,952</u>
BENEFITS AND EXPENSES:		
Net policyholder benefits	19,862,746	18,133,270
Commissions	3,826,275	2,857,171
Operating expenses	<u>6,940,900</u>	<u>6,552,710</u>
Total benefits and expenses	<u>30,629,921</u>	<u>27,543,150</u>
NET INCOME	<u><u>\$ 2,436,076</u></u>	<u><u>\$ 1,641,801</u></u>
NET PROFIT ATTRIBUTABLE TO :		
Ordinary Shareholders	\$ 1,754,920	\$ 1,175,128
Preferred Shareholders	319,007	312,500
Non-controlling interests	<u>362,149</u>	<u>154,173</u>
	<u><u>\$ 2,436,076</u></u>	<u><u>\$ 1,641,801</u></u>
Earnings per ordinary share	<u><u>\$ 0.18</u></u>	<u><u>\$ 0.12</u></u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

(Expressed in Bahamian dollars)

UNAUDITED

	6 Months Ended June 30, 2018	6 Months Ended June 30, 2017
NET INCOME	\$ 4,677,594	\$ 3,128,427
OTHER COMPREHENSIVE INCOME		
Net change in fair value on available-for-sale financial assets	(1,162,721)	(331,572)
TOTAL COMPREHENSIVE INCOME	<u><u>\$ 3,514,873</u></u>	<u><u>\$ 2,796,855</u></u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary Shareholders	\$ 2,700,195	\$ 2,287,963
Preferred Shareholders	319,007	312,500
Non controlling interests	495,671	196,392
	<u><u>\$ 3,514,873</u></u>	<u><u>\$ 2,796,855</u></u>
Earnings per ordinary share	<u><u>\$ 0.27</u></u>	<u><u>\$ 0.23</u></u>

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

(Expressed in Bahamian dollars)

UNAUDITED

	<u>Share Capital</u>		<u>Share Premium</u>	<u>Revaluation Reserve</u>	<u>Retained Earnings</u>	Attributable to Owners of the <u>Parent</u>	<u>Non-Controlling Interests</u>	<u>Total</u>
	<u>Preference Shares</u>	<u>Ordinary Shares</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	-	-	-	-	-	-	(500,946)	(500,946)
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 (\$0.14 per share)	-	-	-	-	(1,400,000)	(1,400,000)	-	(1,400,000)
Total transactions with owners	(5,000,000)	-	-	-	(1,719,007)	(6,719,007)	(500,946)	(7,219,953)
Comprehensive income								
Net Income	-	-	-	-	4,181,923	4,181,923	495,671	4,677,594
Other Comprehensive (loss)	-	-	-	(1,162,721)	-	(1,162,721)	-	(1,162,721)
Total Comprehensive income (loss)	-	-	-	(1,162,721)	4,181,923	3,019,201	495,671	3,514,873
Balance as of June 30, 2018	\$ 5,000,000	\$ 2,000,000	\$ 10,801,080	\$ 18,029,231	\$ 45,546,264	\$ 81,376,575	\$ 38,575,783	\$ 119,952,358

See notes to unaudited consolidated financial statements

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

	6 Months Ended June 30, 2018	6 Months Ended June 30, 2017
Cash flows from operating activities:		
Profit	\$ 4,677,594	\$ 3,128,427
Adjustments for:		
Depreciation	723,877	827,223
Amortization of intangible asset	50,000	50,000
Net unrealized loss on financial assets	533,659	412,040
Realized (gain) loss on sale of financial assets	(52,731)	201,541
(Decrease) increase in loans provision	(284,292)	104,537
(Increase) decrease in reinsurance assets	(254,288)	1,698,772
Change in reserve for future policyholders' benefits	3,672,918	4,976,564
Interest income	(7,122,374)	(6,764,506)
Dividend income	(741,702)	(725,013)
Operating profit before working capital changes	1,202,661	3,909,585
(Increase) decrease in receivables and other assets	(505,661)	532,639
Decrease (Increase) in reinsurance recoveries	701,740	(1,324,330)
Increase in premium receivables, net	(540,772)	(739,940)
Increase in payables and accruals	895,571	1,073,457
Increase in other policyholders' funds	1,586,866	503,396
Net cash from operating activities	3,340,405	3,954,807
Cash flows from investing activities:		
Net Maturity (placement) of bank term deposits greater than three months	1,873,391	(139,109)
Net purchase of Government bonds and notes	(330,694)	(5,515,164)
Net purchase of corporate bonds	(473,000)	(4,730,000)
Redemption of preferred shares	500,000	-
Net proceeds from sale of Available- for- sale securities	21,716	-
Net sale of FVTPL investments assets	-	168,162
Net loans (issued) collected	(3,141,242)	253,201
Purchase of property, plant and equipment	(1,118,941)	(1,861,930)
Interest Received	7,459,771	6,413,857
Dividends received	741,702	725,013
Net cash from (used in) investing activities	5,532,703	(4,685,970)
Cash flows from financing activities		
Redemption of preference shares	(5,000,000)	-
Net contributions from non-controlling interest	(500,946)	1,345,379
Dividends paid on preference shares	(319,007)	(312,500)
Dividends paid on ordinary shares	(1,400,000)	(1,200,000)
Net cash used in financing activities	(7,219,953)	(167,121)
Net increase (decrease) in cash and cash equivalents	1,653,155	(898,284)
Cash and cash equivalents at beginning of the period	16,881,642	16,145,293
Cash and cash equivalents at end of the period	\$ 18,534,797	\$ 15,247,009

See notes to unaudited consolidated financial statements

FAMGUARD CORPORATION LIMITED
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six months ended June 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

	6 Months Ended June 30, 2018	6 Months Ended June 30, 2017
Weighted average number of shares outstanding	10,000,000	10,000,000
Consolidated net income attributable to ordinary shareholders	\$ 3,862,916	\$ 2,619,535
Earnings per ordinary share	<u>\$ 0.39</u>	<u>\$ 0.26</u>

4. Commitments

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$4,820,220 as at June 30, 2018 (31 December 2017: \$4,296,310).