2017
ANNUAL REPORT

FAMGUARD
CORPORATION LIMITED

FamGuard experienced another consecutive year of solid performance, ending 2017 in a position of strength with substantial progress across each of our key financial metrics.

Glen O. A. Ritchie

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

2017 BOARD OF DIRECTORS

Click here to see our current Board of Directors

L. Edgar Moxey, MBA, CPA, CA

Director since 2015
Chairman & CEO
FamGuard Corporation & Family Guardian
New Providence, The Bahamas

Norbert F. Boissiere

Director since 1983
Chairman Emeritus
FamGuard Corporation
New Providence, The Bahamas

Glen O. A. Ritchie, CPA

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

H. Charlotte Pyfrom

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

A. Christine Woodman

Director since 2000
Director
Data Systems Ltd.
New Providence, The Bahamas

Gerald Strachan

Director since 2017
Retired
New Providence, The Bahamas

Dodridge D. Miller, FCCA, MBA, LLM

Director since 2005
President & CEO
Sagicor Financial Corporation
Barbados

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

Director since 2014
President & CEO
Sagicor Life Inc.
Barbados

Sandra K. Osborne, QC, LLB, FCIS

Director since 2005
Attorney-at-Law
Barbados

M. Craig Roberts

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

Bennet R. Atkinson, MBA, CPA

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

Wendy Craigg

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

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 Ms. Sandra Osborne, QC.

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. 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 enterprise.

The Chairman of the Investment and Risk Committee is Ms. 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 2017 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 all significant and reporting issues to gain an understanding of their impact on the financial statements. Such issues include: 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, 2017.

Bennet R. Atkinson
Chairman, Audit Committee

CHAIRMAN’S REPORT

Dear Shareholders:

With The Bahamas continuing to experience the challenges of a weak economy and the forces of nature during 2017, it is pleasing to report that the Company ended its financial year with strong results.

At December 31, 2017, FamGuard recorded net profit of $7.1 million, an increase of 12.67% over previous year. Notwithstanding the noteworthy achievement of our principal subsidiary Family Guardian in 2017, which recorded increases in gross premiums over previous year in all three divisions, we are encouraged that the local economy may finally be showing signs of improving.

Over the past three years (2015-2017) we have seen gross premium income grow by $3.2 million, maintaining its positive trajectory in spite of the sluggish economy and the impact of several major hurricanes. This trend speaks to our clients’ resolve to protect their families’ financial future and manage risk through the insurance and investment products we provide.

Concurrent with the increase in the Company’s net profit, net income attributable to ordinary shareholders increased by 13.5% to $5.5 million and earnings per ordinary share to $0.55. Shareholders’ equity attributable to the owners of the parent increased to $85.1 million compared to $79.4 million in 2016.

In early 2017, we launched our new Mission, Vision, and Values statement, recognizing that our 50th anniversary in 2015 provided the opportunity to recommit to the founding principles that have directed our successful performance over the past five decades. The new statement emphasizes the Company’s core values, underscores our internal and external customer service expectations, and maps our strategic plan for growth.

In addition, we continued our review and enhancement of technology platforms to elevate service delivery, client information capacity, and cost efficiencies critical to achieving our goals. Prominent in this exercise is the development of a new policy administration system and a heightened social media presence.

Two years ago, at the retirement of then Chairman and company co-founder, Mr. Norbert Boissiere, the Board determined that the incoming Chairman would also serve as Chief Executive Officer (CEO) of FamGuard for a targeted period. At year-end 2017, tenure for this transitional function was completed and in keeping with best practice standards the role of CEO no longer formed part of the Chairman's responsibilities.

On behalf of my fellow directors, I take this opportunity to thank our management, sales, and administrative teams for their diligent efforts and valued contributions to the successes recorded for 2017. We also extend sincere appreciation to our shareholders and clients for their continued loyalty and confidence.

L. Edgar Moxey
Chairman

PRESIDENT'S REPORT

Dear Shareholders,

Our 2017 theme "Corporate Values" continues to build on our successful foundation and is reflected in the results we achieve.

The economic environment in which the Famguard Group operated in 2017 showed little improvement over 2016, and has been characterized as one of minimal growth and high unemployment. Within this context, I am very pleased to report that Famguard experienced another consecutive year of solid performance, ending 2017 in a position of strength with substantial progress across each of our key financial metrics:

- The Group posted net income of $7.1 million for 2017 representing a 12.7% improvement over the prior year;
- Net income attributable to ordinary shareholders increased by 13.5% to $5.5 million, compared to $4.8 million in 2016;
- Earnings per ordinary share totaled $0.55 compared to $0.48 in 2016;
- Total assets grew by $14.7 million to $362.0 million compared to $347.3 million at December 31, 2016;
- FamGuard continued to fulfill its commitment to policyholders incurring in excess of $67.8 million in benefits payable in 2017;
- Total equity stood at $123.7 million as at December 31, 2017 representing an 8.6% growth over 2016;
- For the fifth consecutive year, AM Best reaffirmed Family Guardian's A-Excellent rating speaking to the financial strength and stability of the company.

FamGuard continues to provide increased value to its shareholders. The Company has consistently paid a minimum annual dividend of $0.24 per share over the past decade.

We remain focused on seizing opportunities whilst effectively executing our Vision of “connecting people with solutions that protect their life, health, and wealth.” FamGuard’s Strategic Plan 2020 provides a specific set of actions geared towards achieving targeted performance levels and preserving capital adequacy, maintaining a sound enterprise risk framework and culture, and protecting our franchise value.

We are ever committed to adhering to sound corporate governance principles and are dedicated to ensuring profitability and improving shareholder equity. The Group has already implemented strategies to control costs and is anticipating 2018 to be a productive and profitable year.

Looking ahead, developments with respect to new capital adequacy regulations, ongoing changes to the legislative and taxation regimes, and more stringent accounting standards will place pressure on the Group in the upcoming year and beyond. Nonetheless, FamGuard is well positioned to overcome these challenges through our highly skilled and talented workforce, our solid financial base, our trusted brand, our footprint throughout The Bahamas, and our continued investment in technology to improve customer service and efficiency. We intend to work towards becoming an even more customer-focused organization, with an accountable, collaborative, merit-based culture.

I would like to extend a heartfelt thanks to our dedicated staff, agents, brokers, directors, and valued shareholders for their continued support over the years, and especially our loyal clients for their patronage, confidence and trust placed in FamGuard. I look forward to your continued support in the future.

Glen O. A. Ritchie
President

Click here to see our current Executive Team.

Chairman & CEO
L. Edgar Moxey, MBA, CPA, CA

President
Glen O. A. Ritchie, CPA

Senior Vice President, Administration
Kerry Higgs, Ph.D.

Senior Vice President, Operations
Stuart Kelly, BComm., CPA, FLMI

Chief Information Officer, Information Services
Vaughn Delaney, MBA

Vice President, Systems Development & Architecture
Michael Hanna, ACS

Vice President, Investments
David Slatter, CFA, MBA, MA

Vice President, Technology
Jayson Clarke, MSc.

Actuary
Angela Beckford, BSc., FSA

Vice President, Finance
Ramon Curtis, BSc., CPA

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

Assistant Vice President, Life Operations, Underwriting & Claims
Marion Chestnut, ACS, AIAA

Assistant Vice President, Life Operations, Client Services and Payments Processing
Necka Wells, MBA, FLMI

Assistant Vice President, Information Services
Glen Pratt

Assistant Vice President, Home Service Sales
Ramona Neely

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

Assistant Vice President, Human Resources
Siobhan Lloyd, MBA

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

Financial Controller
Sandra Payne, MSc., CPA

Assistant Vice President, BahamaHealth
Alana Major, MBA, FLMI

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

"Over the past three years (2015-2017) we have seen gross premium income grow by $3.2 million, maintaining its positive trajectory in spite of the sluggish economy and the impact of several major hurricanes."

L. Edgar Moxey

For the year ended December 31, 2017
This MD&A is dated June 4, 2018

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 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.

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

Over the past several years, the economy of The Bahamas has experienced limited economic growth as it was significantly impacted by delayed foreign investment projects, natural disasters, and increasing public debt. Coming off the heels of a downgrade to the country's sovereign credit rating, much effort has been made to improve the economy, as the international rating agencies continue to monitor its progress. These efforts are highlighted by the commitment by the Government of the Bahamas to restore fiscal sustainability through the implementation of various policies and the management of discretionary spending. According to the Central Bank's Monthly Economic & Financial Development Report December 2017, for the first five months of the fiscal year 2017/2018, the public deficit reduced by 33.8%. This was highlighted by a 4.1% increase in revenue and a 5.9% decrease in expenditures.

In 2017, the tourism sector, our primary industry, was constrained by the delayed timing of the opening of the BahaMar hotels and the closure of the Our Lucaya property in Grand Bahama. International departures from Nassau airport decreased by 0.8%, non-US international departures declined by 1.8% and US passengers were down by 0.6%. Unemployment rates were recorded at 10.1% at the end of November 2017 compared to 11.6% over the same period in 2016. (Source: Central Bank Quarterly Economic & Financial Development Report December 2017).

Despite these challenges, we are pleased with FamGuard's performance for the year ended December 31, 2017. We have realized the benefits of investing in our staff and agents, offering quality products and service, and improving technology. We anticipate that the continuation of same will produce positive results for FamGuard's shareholders, staff, and the wider community.

SUMMARY OF FINANCIAL PERFORMANCE

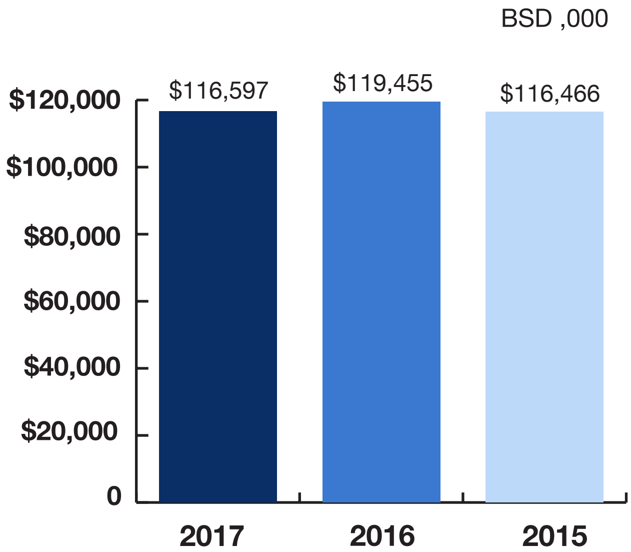
For the year ended December 31, 2017 FamGuard Corporation recorded net profit of $7.1 million, an increase over prior-year results of 12.67%. Profit attributable to common shareholders stood at $5.5 million and represented $0.55 per ordinary share compared to $0.48 in 2016. The overall performance of the Group compared to the prior period is highlighted by an increase in net premium income and investment and other income by 2.1%; while total benefits ended the year with a positive variance of $3.5 million compared to the corresponding prior period. Total expenses are in line with that of the prior period and ended the year with a positive variance against plan.

BSD ,000			
FINANCIAL PERFORMANCE	2017	2016	2015
	$	$	$
GROSS PREMIUMS	103,090	101,070	99,882
NET PREMIUMS	92,667	90,753	90,244
ANNUITY DEPOSITS	7,099	12,224	10,514
INVESTMENT & OTHER INCOME	16,831	16,478	15,707
TOTAL INCOME	116,597	119,455	116,466
TOTAL BENEFITS	72,511	76,053	75,436
COMMISSIONS	11,783	12,105	11,691
ADMINISTRATIVE EXPENSES	25,193	24,986	22,445
NET PROFIT	7,110	6,311	6,893
NET INCOME ATTRIBUTABLE TO:			
ORDINARY SHAREHOLDERS	5,454	4,805	4,553
PREFERRED SHAREHOLDERS	600	625	625
NON-CONTROLLING INTERESTS	1,056	880	1,716

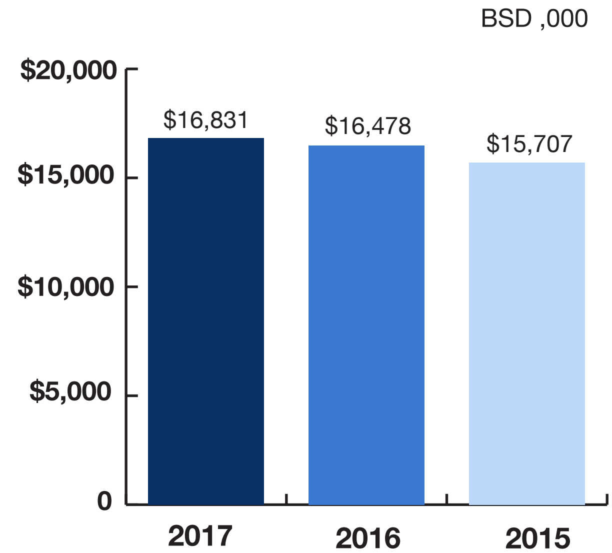
Net premium income contributed $92.7 million to total revenue, an improvement of $1.9 million over the prior period with all three divisions of the insurance subsidiary, Family Guardian Insurance Company, showing increases in gross premiums over the comparable prior period. The Home Service division ended the year with gross premiums of $20.9 million exceeding the prior year performance by 3.9%. Premium income for the Financial Services division totaled $17.5 million at year end exceeding the prior year by 5.4%. The Group division ended the year with gross premiums totaling $64.7 million exceeding prior year by 0.5%. While new group sales were relatively flat during the year, the business boasts a retention rate of 98%.

Total revenue decreased by 2.4% over the prior period; however this was primarily due to a decline in annuity deposits. As is the custom for annuities, deposits fluctuate from period to period and despite the decline in the total dollar amount for the year, the Company continued to experience a strong demand by policyholders as the number of deposits remained in line with deposits during 2016. The decline in deposits were offset by a corresponding reduction in reserves for future policyholder benefits on annuity deposits, which decreased in direct correlation.

TOTAL INCOME

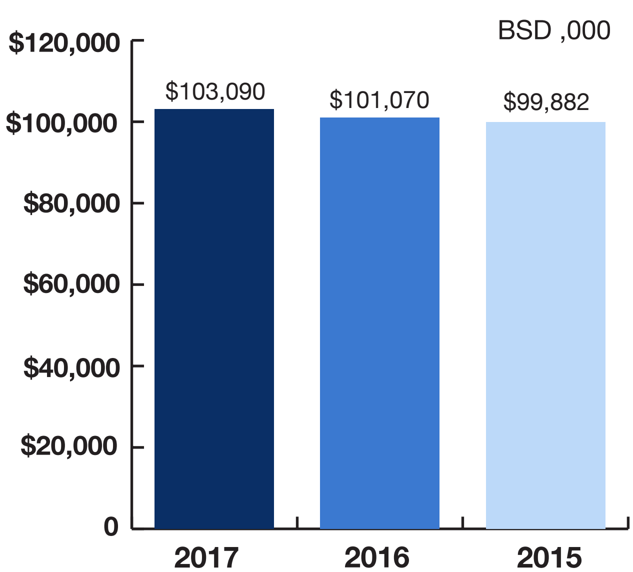


INVESTMENT & OTHER INCOME

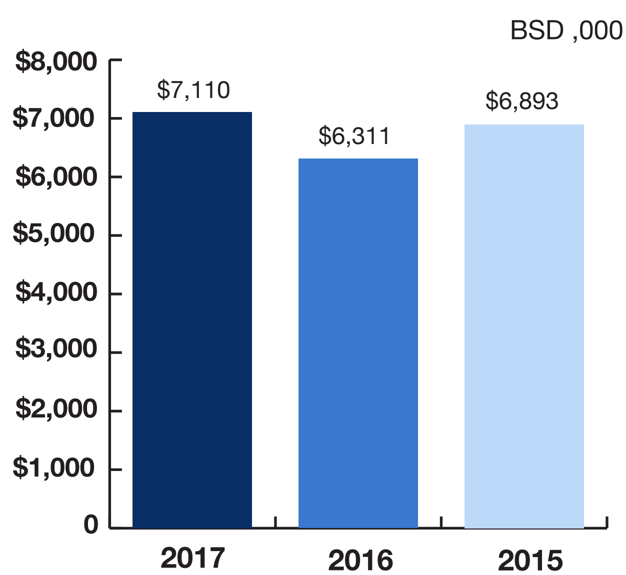


Despite the most recent changes to the interest rates in our environment investment income remained steady, totaling $15.1 million, a 6.9% increase over the prior year. Unrealized losses on equities were offset against returns from investment assets acquired during the year. Management remained keen on its Asset Liability Management strategy to direct its investments to high quality, long term fixed income securities.

GROSS PREMIUM INCOME



NET PROFIT



Gains and losses recorded within other comprehensive income arose from the fair value changes of available for sale investment assets, revaluation of property plant and equipment, and the re-measurement of defined benefit obligation. Other comprehensive income accounted for $2.6 million of the $9.7 million in total comprehensive income.

Total policyholder benefits across all three divisions of the insurance company totaled $72.5 million, compared to $76.1 million in 2016. Net Life & Annuity benefits accounted for $26.7 million of the total benefits compared to $36.1 million in the comparable prior period. The positive variance can be attributed to the reduction in annuity deposits during the year and the impact of the reduction in the prime rate in 2016 which resulted in an increase in reserves in the prior year.

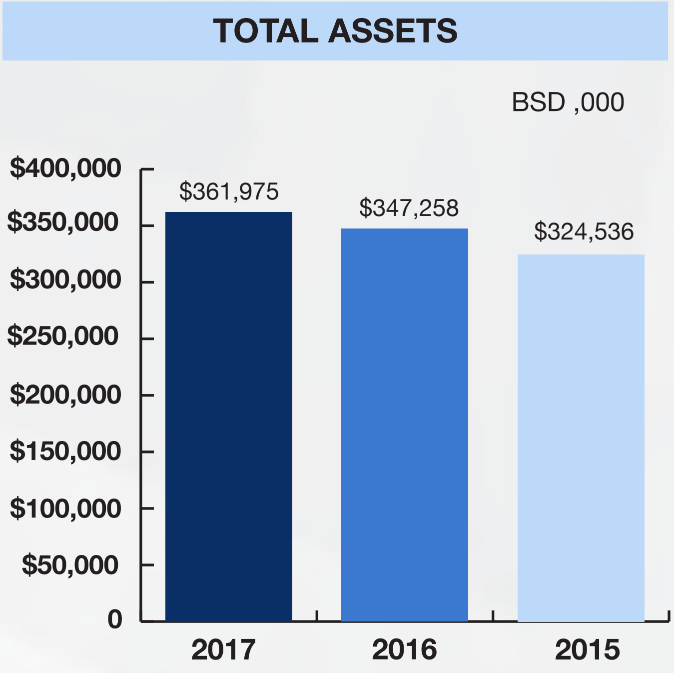
Policyholder benefits on health products increased by 12.6% over the prior year as we experienced an increase in medical claims during the period. Total expenses showed a positive variance against 2016 and planned performance targets as a result of cost saving initiatives which were implemented by management during the year.

BSD			
SHAREHOLDER RETURNS	2017	2016	2015
	$	$	$
MARKET VALUE PER SHARE	6.00	5.82	5.60
EARNINGS PER ORDINARY SHARE	0.55	0.48	0.46
DIVIDENDS PER ORDINARY SHARE	0.24	0.29	0.24
RETURN ON COMMON SHAREHOLDERS EQUITY	7.55	7.00	6.90
BOOK VALUE PER COMMON SHARE	7.51	6.94	6.71

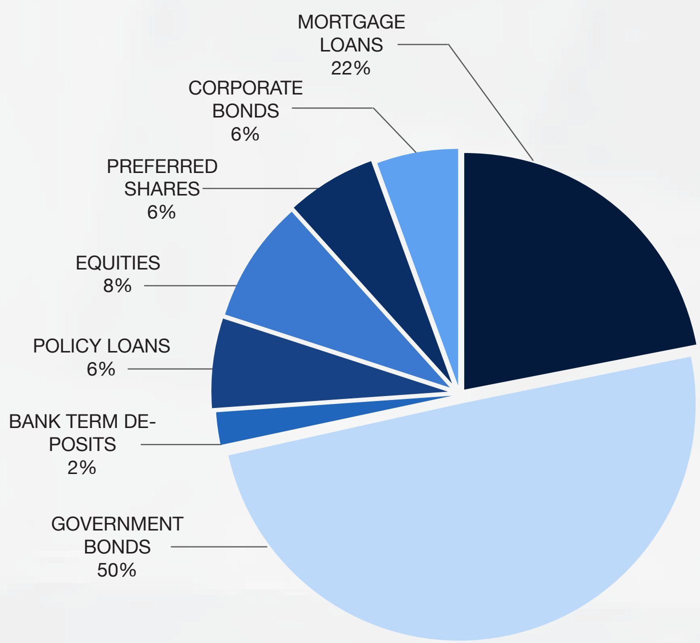
The Company's financial strength and stability are evidenced by the consistent growth of its total asset base from year to year. Total assets increased from $347 million in 2016 to $362 million in 2017 of which investment assets account for $284 million representing 78% of our total asset base.

BSD ,000			
FINANCIAL POSITION	2017	2016	2015
	$	$	$
INVESTMENT ASSETS	284,030	269,157	252,048
POLICY RESERVES	207,262	201,292	187,288
TOTAL ASSETS	361,975	347,258	324,536
TOTAL LIABILITIES	238,317	233,394	216,421
COMMON SHAREHOLDERS EQUITY	75,076	69,444	67,097
PREFERENCE SHAREHOLDERS EQUITY	10,000	10,000	10,000
NON-CONTROLLING INTEREST	38,581	34,420	31,018
TOTAL EQUITY	123,657	113,864	108,115

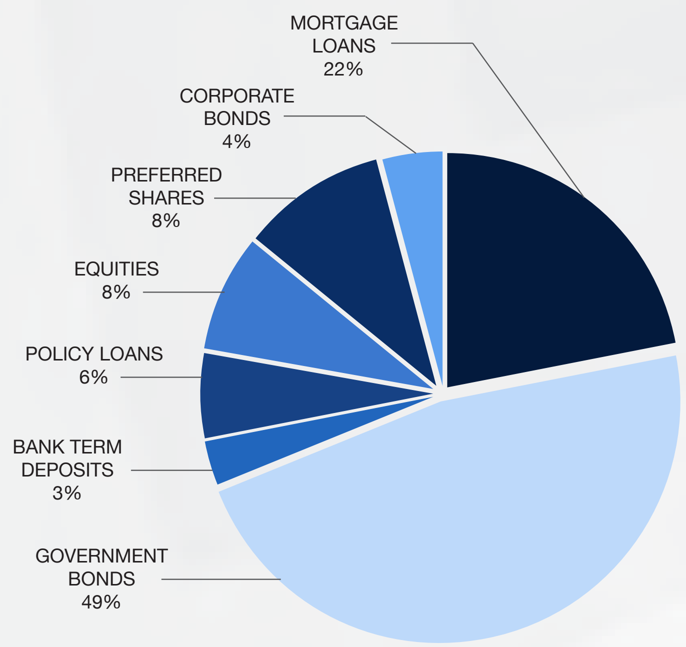
Debt securities comprise the largest class of invested assets and represented 62% of total invested assets and cash. These securities are most significant as their medium- to long-term duration, regular interest payments received, and relatively low credit risk are appropriate to back long-term liabilities. The other invested assets are appropriately spread across various asset classes.



INVESTMENT ASSETS 2017



INVESTMENT ASSETS 2016



Our mortgage block of business continues to perform favorably, given the current market environment. The Company’s non-performing mortgage loans represented 6.5% of the total portfolio, an improvement from the rate of 6.9% reported at the end of 2016. This rate compares favorably with the industry average in The Bahamas, which was at 9.9%. (Source: The Central Bank of the Bahamas, Monthly Economic Financial Developments Report December 2017).

Maintaining a strong balance sheet is foundational to our long-term sustainability. 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. Both ratios are in excess of the minimum requirements of 150% and 100% respectively.

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 division. At the end of the year 2017 our long-term insurance net premiums were 34% of the portfolio and our short-term insurance net premiums were 66% of the portfolio.

SUMMARY OF QUARTERLY RESULTS

BSD ,000					2017
	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	312	0	288	**600**
NON-CONTROLLING INTEREST	232	(35)	269	590	**1,056**
	1,575	1,389	4,111	35	**7,110**
QUARTERLY EARNINGS PER ORDINARY SHARE*	$0.13	$0.11	$0.38	($0.08)	**$0.55**

BSD ,000					2016
	Q1	Q2	Q3	Q4	TOTAL
	$	$	$	$	$
NET PREMIUMS	22,451	22,738	22,968	22,596	**90,753**
TOTAL REVENUE	30,429	29,761	30,679	28,586	**119,455**
QUARTERLY NET INCOME ATTRIBUTABLE TO:					
ORDINARY SHAREHOLDERS	543	2,567	3,027	(1,331)	**4,806**
PREFERRED SHAREHOLDERS	0	313	0	312	**625**
NON-CONTROLLING INTEREST	232	287	216	145	**880**
	775	3,167	3243	(875)	**6,311**
QUARTERLY EARNINGS PER ORDINARY SHARE*	$0.05	$0.26	$0.30	($0.13)	$0.48

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

THE WAY FORWARD

In its mission-concluding statement dated March 2018, the International Monetary Fund, following its visit to The Bahamas in the first quarter of 2018 noted that the Bahamian economy has turned the corner, but significant challenges remain. The completion of the BahaMar resort, new Foreign Direct Investment (FDI), post hurricane reconstruction activity, and a stronger United States economy have contributed to an estimated expansion of Real GDP by 1.3% in 2017. Real GDP growth is projected to reach 2.5% in 2018 and 2.2% in 2019, predicated on stronger global growth, particularly in the United States, and the success of the aforementioned resort and FDI.

The international agency further noted that while the fiscal deficit is expected to decline in line with targets set by the Government of The Bahamas in the 2018 budget as a result of a commitment to reduce discretionary spending, the implementation of fiscal, structural, monetary and financial sector policies would be critical to ensure fiscal sustainability and to address structural bottlenecks going forward.

The FamGuard group remains significantly impacted by the external environment in which it operates. The ability to withstand and respond to the effects of changing conditions such as a stagnant economy, varying customer demands, regulatory and financial reporting enhancements, and the ever developing technologies is critical to the success of any business and requires planning and timely execution. The Group has experienced this over the past several years and we anticipate that 2018 will continue to present challenges. We remain vigilant in monitoring local and international events that affect our country's economy and will respond accordingly.

Pressures on disposable income of current and potential clients will impact the ways in which the Group is able to generate new business and manage our existing portfolios. Product development is an important element in the Group's strategy of ensuring long-term value creation for the benefit of customers. Through our Product Development Committee and established focus groups, we continue to review our existing products and focus on creating new and enhanced products and services to meet our clients' insurance and investment needs.

Continuous enhancements in technology are raising the expectations of customers for a more personalized and digital customer experience. The requirement for anytime, anywhere, any device access has become the expectation of today's consumer and this is no different for the expectation of their life and health providers. Our training initiatives have equipped our sales and non-sales staff to provide a customer experience that affords transparency when comparing products and a focus on financial wellness. Our technologies continue to improve as we have invested significantly into the implementation of a new policy administration system and an increased social media presence that allows us to meet the needs of our existing and potential clients. We value the feedback from our customers and have rolled out customer kiosks that allow clients to digitally complete surveys on their experience which ultimately are provided to our management team to review and address. We are engaged with our clients on social media platforms and are exploring other technological opportunities to meet and exceed customer needs.

The coming year will be a year of continued transformation within the environment in which we operate. These challenges compel us to exercise even greater prudence in our fiscal responsibilities as we manage the profitability of the Company. Our focus over the next year is driven from our vision statement, “To connect people with solutions that protect their life, health, and wealth”. Our priorities to achieve this vision are centered around preserving capital adequacy, maintaining a sound enterprise risk management framework, protecting franchise value, and achieving targeted performance. We are confident that our strategic initiatives and goals, along with our talented management team and committed employees, will propel this company into a successful 2018 and beyond.

Our training initiatives have equipped our sales and non-sales staff to provide a customer experience that affords transparency when comparing products and a focus on financial wellness.

MD&A

SALES TOP PERFORMERS

FINANCIAL SERVICES EXECUTIVE AGENT OF THE YEAR
INGRID ROSE, AIAA, ACS, FLMI

FINANCIAL SERVICES AGENT OF THE YEAR
JUDY NEWCHURCH

FINANCIAL SERVICES AGENCY MANAGER OF THE YEAR
SHENA JOHNSON

HOME SERVICE AGENT OF THE YEAR
KIMBERLEY ATHERLEY

HOME SERVICE ROOKIE OF THE YEAR
ERICA CAPRON

HOME SERVICE STAFF MANAGER OF THE YEAR
GARNELL SMITH

HOME SERVICE DISTRICT MANAGER OF THE YEAR
SHERNAL BETHELL

DISTRICT OF THE YEAR - CHIPPINGHAM DISTRICT
L to R: Glen Ritchie (President, Family Guardian), Shernal Bethel (District Manager), Steven Bain, Shekera Mackey, Mae Milford, Rhonda Williams, Iva Butler (Staff Managers); At podium: Ramona Neely (AVP, Home Service Sales)

MILLION DOLLAR ROUND TABLE QUALIFIERS

INGRID ROSE, AIAA, ACS, FLMI
PRESIDENT'S CLUB,
MDRT LIFETIME MEMBER

KATINA ROACH, BSC
PRESIDENT'S CLUB,
MDRT LIFETIME MEMBER

OPAL ADDERLEY, BA
PRESIDENT'S CLUB,
MDRT QUALIFIER

ANN MARIE MAJOR
PRESIDENT'S CLUB,
MDRT LIFETIME MEMBER

PAMELA HART
PRESIDENT'S CLUB,
MDRT LIFETIME MEMBER

KATRINA WHYMS
PRESIDENT'S CLUB,
MDRT QUALIFIER

SHARICE COLEBROOKE
MDRT QUALIFIER

JOHN HEPBURN
MDRT LIFETIME MEMBER

JULIE SMITH, CLU, FIA
MDRT LIFETIME MEMBER

ANNA WILSON SMITH, BA, FIA
MDRT LIFETIME MEMBER

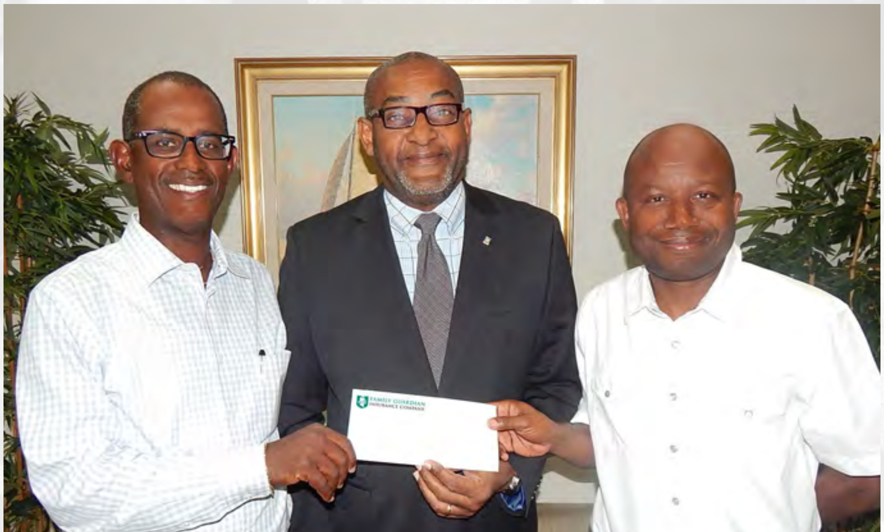
NON-SALES TOP PERFORMERS

NORBERT BOISSIERE AWARD
FOR OUTSTANDING PERFORMANCE
D. MONIQUE BURROWS,
ACS, ALMI, UND

NORBERT BOISSIERE AWARD
FOR OUTSTANDING PERFORMANCE
KRYSTLE SAUNDERS, LLB, CLE

FAMGUARD SPIRIT AWARD
MARLENE MAYHEW,
ACS, AIAA, FLMI

FAMGUARD SPIRIT AWARD
F. ALEXANDER WELLS, FLMI



Family Guardian donation to the Michael Ekedede Brain Injury Foundation

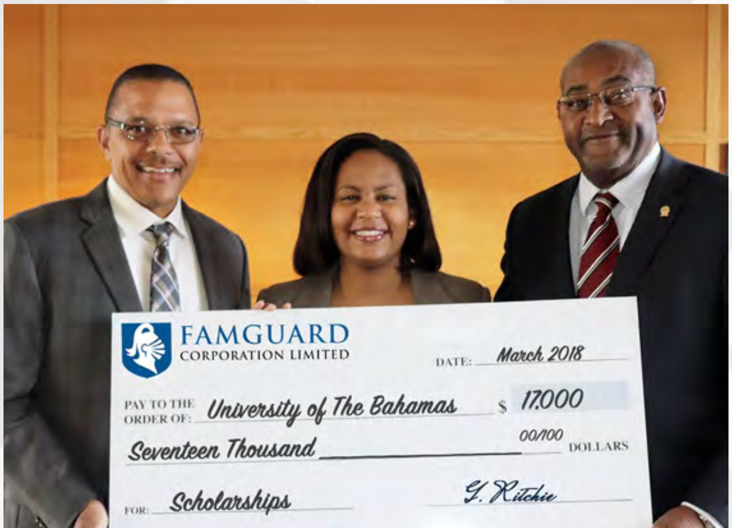
Family Guardian sponsorship of the Elizabeth Estates Children's Home

Family Guardian donation to the High Banks Fire Department, Abaco

FamGuard donates to the Royal Bahamas Defence Force Rangers Program

Family Guardian Home Service Christmas Donation to the Princess Margaret Hospital

FamGuard sponsorship of the Bahamas Business Outlook



Family Guardian Scholarship donation to the University of The Bahamas

FG Insurance Agents & Brokers Sponsors the Hands For Hunger, Paradise Plates event

FamGuard sponsorship of the Bahamas Alliance for the Blind and Visually Impaired

Family Guardian's Founders' Day is celebrated each year as an occasion for community building in the neighborhoods where we work and live.The Founders' Day outreach programme began in 2010 to commemorate the Company's 45th Anniversary.

Each year, our staff and agents select the people and places they wish to share the day with and plan a programme of entertainment, games and refreshments. This year, due to the passage of Hurricane Irma, we were unable to share Founder's Day with our selected charitable organizations. In lieu of those activities, we arranged pizza parties with books, games and toys for the children's charities chosen and provided cleaning supplies for the homes for the elderly.

NASSAU
Salvation Army School For The Blind
Simpson Penn School For Boys
Bahamas Association For The Physically Disabled
The Centre For The Deaf
The Stapledon School
Down Syndrome Association
Demetrius Home For The Aged

FREEPORT
Grand Bahama Children's Home
Home Away From Home For The Aged

FAMILY ISLANDS
Coopers Town Primary School, Abaco
Exuma School For Exceptional Children, Exuma
The Elderly Community, Eleuthera

“For the year ended December 31, 2017, FamGuard Corporation recorded net profit of $7.1 million, an increase over prior-year results of 12.67%.”

MD&A

SECTION TWO:
CONSOLIDATED FINANCIAL STATEMENTS

Eckler
CONSULTANTS + ACTUARIES

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 2017 and the change in the consolidated statement of comprehensive income for the year ended 31 December 2017 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
March 14, 2018

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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 2017, 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 2017;
- 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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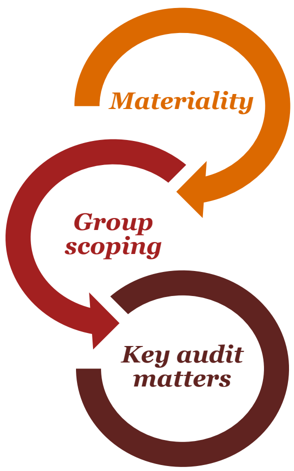
Our audit approach

Overview



- Overall group materiality: $1,167,000, 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 ultimate parent company and four of the six consolidated investment funds. Our audit procedures covered approximately 99% of the Group's net assets.

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

Context

We were appointed as auditors for the Group on 10 August 2017. In this first year we have performed a substantial amount of work to build a detailed understanding of the Group and its environment, including understanding and evaluating its internal control activities. In addition to discussions with senior management, our first year audit procedures included a review of the predecessor auditors' working papers, reviews of significant contracts and minutes of key meetings and risk assessment analytics. Using the information gained, we developed our audit plan for the year.

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.

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.

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Family Guardian Insurance Company Limited, as the primary operating company, 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 reviewed the prior year statutory financial statements and performed analytical procedures 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 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 financial statements as a whole.

Overall group materiality	$1,167,000
How we determined it	Approximately 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 $58,000 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(r), 4(c) 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 2017, these liabilities totaled $207,261,508. 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 and 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. The non-economic assumptions were tested against the experience studies conducted by management's independent external actuary. With the assistance of our actuarial specialists, we evaluated the appropriateness of the methods employed by the 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 validate 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 the independent external actuary to assess that they were appropriate for the business and consistent with recognized actuarial practices. Based on the work performed, we found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were established and accepted actuarial methodologies and were appropriate in the circumstances.

Impairment allowance for mortgage loans

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

As at 31 December 2017, mortgage loans to customers, net of provision for impairment due to credit losses, represented $62,947,544 or 17% of total assets of the Group. Impairment provisions on mortgage loans totaling $1,842,757 were recognized at the consolidated statement of financial position date.

We focused on management's impairment assessment on loans to customers because 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 judgement by management, 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; and
  - the amount and timing of collection of cash flows from sources other than 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 overdue amounts from customers within the mortgage system by re-calculating, on a sample basis, the delinquency days based on the repayment history.

We challenged management's process by examining a sample of mortgage loans to customers that had not been identified by management as potentially impaired and formed our own independent conclusion as to whether there were indicators of impairment.

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 matter

The consolidated financial statements of FamGuard Corporation Limited and its subsidiaries for the year ended 31 December 2016 were audited by another firm of auditors whose report, dated 26 April 2017, expressed an unmodified opinion on those statements.

Other information

Management is responsible for the other information. The other information comprises the FamGuard Corporation Limited 2017 Annual Report (but does not include the consolidated financial statements and our auditors' report thereon).

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 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

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

4 June 2018

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

Consolidated Statement of Financial Position
As at 31 December 2017
(Expressed in Bahamian dollars)

	2017 $	2016 $
ASSETS		
Cash on hand and at banks	16,881,642	16,145,293
Receivables and other assets, net (Notes 7 and 22)	17,639,018	19,852,029
Financial investment assets (Note 6)		
Fair value through profit or loss	13,141,670	13,065,957
Available-for-sale	14,661,520	13,912,881
Held-to-maturity	176,196,403	164,603,183
Loans	80,030,193	77,575,014
	284,029,786	269,157,035
Reinsurance assets (Note 10)	6,520,948	7,979,721
Intangible assets (Note 9)	100,000	378,333
Property, plant and equipment, net (Note 8)	36,803,313	33,745,316
Total assets	**361,974,707**	**347,257,727**
LIABILITIES		
Policy liabilities		
Reserves for future policyholders' benefits (Note 10)	207,261,508	201,292,443
Other policyholders' funds (Note 11)	18,072,481	17,638,441
	225,333,989	218,930,884
Payables and accruals (Notes 12, 22 and 23)	12,983,280	14,462,724
Total liabilities	**238,317,269**	**233,393,608**
EQUITY		
Preference shares (Note 15)	10,000,000	10,000,000
Ordinary shares (Note 15)	2,000,000	2,000,000
Share premium (Note 15)	10,801,080	10,801,080
Revaluation reserve (Note 14)	19,191,952	16,572,792
Retained earnings	43,083,348	40,070,095
Equity attributable to owners of the Parent	**85,076,380**	**79,443,967**
Non-controlling interests (Note 27)	38,581,058	34,420,152
Total equity	**123,657,438**	**113,864,119**
Total liabilities and equity	**361,974,707**	**347,257,727**

These consolidated financial statements were approved by the Board of Directors on 25 May 2018, 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 2017
(Expressed in Bahamian dollars)

	2017	**2016**
	$	**$**
INCOME		
Gross premium income (Note 16)	103,090,427	101,069,634
Premium ceded to reinsurers (Notes 16 and 22)	(10,423,366)	(10,316,803)
Net premium income (Note 16)	92,667,061	90,752,831
Annuity deposits	7,099,037	12,224,103
Net premium income and annuity deposits	**99,766,098**	**102,976,934**
Interest income	13,725,317	13,494,595
Dividend income	1,471,320	1,432,720
Net realised gain (loss) on sale of financial assets	84,218	(227,455)
Net unrealised loss on financial assets (Note 6)	(213,984)	(603,559)
Other operating income (Note 22)	1,763,984	2,381,590
Total income	**116,596,953**	**119,454,825**
BENEFITS AND EXPENSES		
Benefits		
Policyholders' benefits (Note 17)	67,832,963	66,264,008
Reinsurance recoveries (Notes 17 and 22)	(2,749,895)	(4,913,622)
Net policyholders' benefits	65,083,068	61,350,386
Increase in reserves for future policyholders' benefits	7,427,838	14,702,664
Total benefits	**72,510,906**	**76,053,050**
Expenses		
Operating expenses (Notes 18-20, 22 and 23)	22,191,781	22,126,476
Commissions (Note 22)	11,783,005	12,105,443
Depreciation expense (Note 8)	1,783,065	1,742,704
Bad debt expense, net (Notes 6 and 7)	939,431	841,482
Impairment of intangible asset (Note 9)	178,333	175,000
Amortisation (Note 9)	100,000	100,000
Total expenses	**36,975,615**	**37,091,105**
Total benefits and expenses	**109,486,521**	**113,144,155**
Net income (Note 24)	**7,110,432**	**6,310,670**

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 2017
(Expressed In Bahamian Dollars)
(Continued)

	2017	2016
	$	$
OTHER COMPREHENSIVE INCOME:		
Items that may be reclassified subsequently to profit or loss:		
Net change in fair value on available-for-sale financial assets (Note 14)	1,412,671	569,620
Realised gain reclassified to net income (Note 14)	-	63,800
Revaluation of property, plant, and equipment (Note 14)	1,206,489	-
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit obligation (Note 23)	(41,008)	(192,038)
Total other comprehensive income	**2,578,152**	**441,382**
Total comprehensive income for the year	**9,688,584**	**6,752,052**
NET INCOME ATTRIBUTABLE TO:		
Ordinary shareholders	5,454,261	4,805,346
Preferred shareholders	600,000	625,000
Non-controlling interests (Note 27)	1,056,171	880,324
	7,110,432	6,310,670
Basic earnings per ordinary share (Note 24)	**0.55**	**0.48**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary shareholders	8,032,413	5,246,728
Preferred shareholders	600,000	625,000
Non-controlling interests	1,056,171	880,324
	9,688,584	6,752,052

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 2017
(Expressed in Bahamian dollars)

	Notes	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 27)	Total
		$	$	$	$	$	$	$	$
Balance as of 31 December 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**
Transactions with owners									
Net contributions from investors	27	-	-	-	-	-	-	2,522,285	2,522,285
Dividends declared and paid									
Preference shares		-	-	-	-	(625,000)	(625,000)	-	(625,000)
Ordinary shares ($0.29 per share)	26	-	-	-	-	(2,900,000)	(2,900,000)	-	(2,900,000)
Total transactions with owners		**-**	**-**	**-**	**-**	**(3,525,000)**	**(3,525,000)**	**2,522,285**	**(1,002,715)**
Comprehensive income									
Net income		-	-	-	-	5,430,346	5,430,346	880,324	6,310,670
Other comprehensive income (loss)	14, 23	-	-	-	633,420	(192,038)	441,382	-	441,382
Total comprehensive income		**-**	**-**	**-**	**633,420**	**5,238,308**	**5,871,728**	**880,324**	**6,752,052**
Balance as of 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**
Transactions with owners									
Net contributions from investors	27	-	-	-	-	-	-	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**
Comprehensive income									
Net income		-	-	-	-	6,054,261	6,054,261	1,056,171	7,110,432
Other comprehensive income (loss)	14, 23	-	-	-	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 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**

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

FamGuard Corporation Limited

Consolidated Statement of Cash Flows
Year Ended 31 December 2017
(Expressed in Bahamian dollars)

	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	7,110,432	6,310,670
Adjustments for:		
Depreciation expense (Note 8)	1,783,065	1,742,704
Amortisation of intangible asset (Note 9)	100,000	100,000
Impairment of intangible asset (Note 9)	178,333	175,000
Net unrealised loss on financial assets (Note 6)	213,984	603,559
Realised (gain) loss on sale of financial assets	(84,218)	227,455
Decrease in reinsurance assets	1,458,773	698,134
(Decrease) increase in loans provision (Note 6)	(214,300)	274,668
Change in reserves for future policyholders' benefits	5,969,065	14,004,530
Interest income	(13,725,317)	(13,494,595)
Dividend income	(1,471,320)	(1,432,720)
Operating profit before working capital changes	1,318,497	9,209,405
Decrease (increase) in receivables and other assets	2,213,011	(1,066,854)
(Decrease) increase in payables and accruals	(1,479,444)	3,600,280
Increase (decrease) in other policyholders' funds	434,040	(632,043)
Net cash from operating activities	**2,486,104**	**11,110,788**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Placement of bank term deposits greater than three months (Note 6)	(13,029,427)	(14,590,068)
Maturity of bank term deposits greater than three months (Note 6)	15,192,820	13,479,756
Purchase of corporate bonds (Note 6)	(4,750,000)	(162,500)
Redemption of corporate bonds (Note 6)	912,637	845,137
Redemption of preference shares (Note 6)	857,512	312,754
Purchase of preference shares (Note 6)	-	(1,505,241)
Purchase of government bonds & notes (Note 6)	(27,721,084)	(58,713,957)
Maturity of government bonds & notes (Note 6)	17,557,777	43,903,115
Purchase of equity securities (Note 6)	(4,960,104)	(103,782)
Proceeds from equity securities (Note 6)	5,024,656	-
Net loans issued (Note 6)	(2,206,844)	(572,311)
Purchase of property, plant and equipment (Note 8)	(3,635,073)	(2,011,507)
Proceeds from disposal of property, plant, and equipment (Note 8)	500	716,423
Interest received	13,430,820	13,423,175
Dividends received	1,471,320	1,432,720
Net cash used in investing activities	**(1,854,490)**	**(3,546,286)**

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 2017
(Expressed in Bahamian dollars)
(Continued)

	2017 $	2016 $
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from net contributions from non-controlling interest	3,104,735	1,918,726
Dividends paid on ordinary shares	(2,400,000)	(2,900,000)
Dividends paid on preferred shares	(600,000)	(625,000)
Net cash from (used in) financing activities	**104,735**	**(1,606,274)**
Net increase in cash and cash equivalents	**736,349**	**5,958,228**
Cash and cash equivalents at beginning of year	16,145,293	10,187,065
Cash and cash equivalents at end of year	**16,881,642**	**16,145,293**

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

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2017
(Expressed in Bahamian dollars)

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

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

New standards, amendments and interpretations adopted by the Group

Standards and amendments and interpretations to published standards that became effective for the Group's financial year beginning on 1 January 2017 were either 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.

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

With the exception of IFRS 9 *Financial Instruments* (IFRS 9), IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), IFRS 16 *Leases* (IFRS 16), IFRS 17 *Insurance Contracts* (IFRS 17) and IFRS 4 *Insurance contracts* (IFRS 4), 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.

2. Adoption of 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 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 (3) 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. At initial recognition of relevant financial assets, a provision for impairment of financial assets is required to be recognised based on expected losses due to credit default events that are possible within one (1) year. Financial assets are categorised into three (3) stages based on credit default factors and experiences, and provisions for impairment are recognised based on total expected losses in the event of an actual credit default. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for financial liabilities designated at fair value through profit or loss. 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 2018.

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018, and replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The Group is in the process of assessing the full impact of adopting IFRS 15.

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.

2. Adoption of 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 17 *Insurance contracts* (IFRS 17) was issued in May 2017. 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 contract, 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. Early application is permitted for entities that apply IFRS 9, ‘Financial instruments’, and IFRS 15, ‘Revenue from contracts with customers’, at or before the date of initial application of IFRS 17. 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.

Amendment to IFRS 4, *Insurance contracts*, addresses the concerns of insurance companies about the different effective dates of IFRS 9, ‘*Financial instruments*’, and IFRS 17. The amendment to IFRS 4 provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level); and the ‘overlay approach’. Both approaches are optional. IFRS 4 (including the amendments that have now been issued) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption

2. Adoption of 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)

and the 'overlay approach' are expected to cease to be applicable when the new insurance standard becomes effective. The Group has not yet assessed the full impact of adopting amendment to IFRS 4.

Management has not yet assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Company.

3. Summary of 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, plant and equipment measured at fair value.

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.

Profit or loss 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 28.

(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

Accounts receivables 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 receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet is been 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 net 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)

(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)

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 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 net income as part of dividends 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)

iv) Impairment (continued)

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.

(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 carried at the balance outstanding plus accrued interest. No provision for loss on these loans is deemed necessary by management because these loans are fully collateralised by the cash surrender value of the policies.

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

3. Significant Accounting Policies (Continued)

(h) Loans (continued)

Mortgages (continued)

Mortgage and commercial loans are stated at the principal balance outstanding plus accrued interest, 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-current loans is excluded from interest income.

(i) Property, plant 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, plant 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, plant 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 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) Accounts payable

Accounts payable, 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.

3. Significant Accounting Policies (Continued)

(m) Financial liabilities

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

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. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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. Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive 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.

3. Significant Accounting Policies (Continued)

(m) Financial liabilities (continued)

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.

(n) 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.

(o) 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.

3. Significant Accounting Policies (Continued)

(o) Employee benefits (continued)

i) Postretirement medical benefit plan

For the postretirement medical benefit plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

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 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.

(p) 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.

3. Significant Accounting Policies (Continued)

(q) 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.

(r) Reserves for insurance contracts

The provisions for actuarial liabilities of long-term insurance contracts is 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.

In 2016, the Group changed its actuarial reserving methodology for long-term insurance contracts to the Canadian Asset Liability Method ("CALM") from the Canadian Policy Premium Method ("PPM") which is an approximation of 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. In accordance with International Accounting Standard ("IAS") 8, Accounting Policies, Changes in Accounting Estimates and Errors, the Group has applied the changes prospectively.

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)

(r) 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.

(s) 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.

3. Significant Accounting Policies (Continued)

(s) Insurance contracts (continued)

ii) Recognition and measurement

Insurance contracts including those with 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)

(s) 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.

3. Significant Accounting Policies (Continued)

(t) 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(q) are classified as reinsurance contracts held. Under the excess coverage contracts, the Group retains a range of $75,000 to $100,000 (2016: $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 $175,000 per member.

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.

(u) Non-premium revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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.

3. Significant Accounting Policies (Continued)

(u) 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.

(v) 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 payable.

(w) 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.

(x) Policy dividends on deposits

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

(y) 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% on goods and services purchased.

(z) 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 to earnings per share.

3. Significant Accounting Policies (Continued)

(aa) Dividend distribution

Dividend distribution to the Group's shareholders are 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 in the notes.

(ab) 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.

(ac) 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).

(ad) Corresponding figures

Corresponding figures have been adjusted to conform with the current year as follows:

Financial assets at fair value through profit or loss have been reclassified from Level 1 to Level 2 in the Fair Value Hierarchy due to insufficient trading activity to justify an active market.

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 28 describes that FG Financial Fund Limited SAC is a subsidiary of the Group, even though the Group only has a 32% (2016: 33%) 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 Group. 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)

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 and investments 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, plant 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.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (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. 2017 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.

(Expressed in Bahamian dollars)

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:

	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
Total financial assets	**13,141,670**	**120,587,882**	**176,196,403**	**14,661,520**	**-**	**324,587,475**
FINANCIAL LIABILITIES						
Other policyholders' funds	-	-	-	-	18,072,481	18,072,481
Payables and accruals	-	-	-	-	12,983,280	12,983,280
Total financial liabilties	**-**	**-**	**-**	**-**	**31,055,761**	**31,055,761**

(Expressed in Bahamian dollars)

5. Management of Insurance and Financial Risk (Continued)

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

	2016					
	FVTPL	Loans and Receivables	Held-To-Maturity	Available-For-Sale	All Other Financial Liabilities	Total
	$	$	$	$	$	$
FINANCIAL ASSETS						
Cash and cash equivalents	-	16,145,293	-	-	-	16,145,293
Financial investment assets	13,065,957	77,575,014	164,603,183	13,912,881	-	269,157,035
Reinsurance assets	-	7,979,721	-	-	-	7,979,721
Receivables and other assets	-	19,852,029	-	-	-	19,852,029
Total financial assets	**13,065,957**	**121,552,057**	**164,603,183**	**13,912,881**	**-**	**313,134,078**
FINANCIAL LIABILITIES						
Other policyholders' funds	-	-	-	-	17,638,441	17,638,441
Payables and accruals	-	-	-	-	14,462,724	14,462,724
Total financial liabilties	**-**	**-**	**-**	**-**	**32,101,165**	**32,101,165**

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).

FamGuard Corporation Limited

Notes to the Consolidated Financial Statements
31 December 2017
(Expressed in Bahamian dollars)
(Continued)

5. Management of Insurance and Financial Risk (Continued)

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

	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**

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
FINANCIAL INVESTMENT ASSETS				
FVTPL	1,104,323	11,961,634	-	13,065,957
Available-for-sale	3,686,472	10,226,409	-	13,912,881
	4,790,795	**22,188,043**	**-**	**26,978,838**

The Group did not have any financial instruments classified as Level 3 as at 31 December 2017 and 31 December 2016.

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.

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 (2016: $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 $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.

	2017	2016
$	**$**	**$**
0-9,999	118,849,188	114,182,825
10,000-24,999	331,205,870	310,793,113
25,000-49,999	125,633,283	114,715,127
50,000 and over	1,004,349,680	992,238,944
	1,580,038,021	1,531,930,009

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, 2017. (All amounts are in $000).

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5. Management of Insurance and Financial Risk (Continued)

	Year claim is incurred										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	$	$	$	$	$	$	$	$	$	$	$
Estimate of ultimate Gross claims											
End of year incurred	24,949	38,434	42,755	40,557	36,610	34,811	36,567	43,834	39,830	45,098	383,445
One year later	25,090	40,329	43,816	39,517	35,451	34,136	35,711	43,971	40,703		
Two years later	25,109	40,362	43,873	39,563	35,381	33,914	35,884	43,968			
Three years later	25,117	40,408	43,912	39,546	35,301	33,954	35,888	-			
Four years later	25,150	40,435	43,902	39,541	35,315	33,914	-	-			
Current (December 31, 2017) estimate of ultimate claims	25,150	40,435	43,902	39,541	35,315	33,914	35,888	43,968	40,703	45,098	383,914
Cumulative payments (through December 31, 2017)	25,150	40,435	43,902	39,541	35,315	33,913	35,887	43,966	40,689	39,633	378,431
Current (December 31, 2017) statement of financial position liability	-	-	-	-	-	1	1	2	14	5,465	5,483

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5. Management of Insurance and Financial Risk (Continued)

	2008 $	2009 $	2010 $	2011 $	2012 $	2013 $	2014 $	2015 $	2016 $	2017 $	Total $
Estimate of ultimate net claims											
End of year incurred	24,044	36,431	38,848	37,645	34,607	32,832	34,718	41,712	38,260	42,517	361,614
One year later	23,552	36,534	38,407	36,260	33,963	31,617	33,682	41,296	38,927		
Two years later	23,556	36,542	38,443	36,308	34,157	31,496	33,807	41,294			
Three years later	23,564	36,590	38,482	36,294	34,077	31,533	33,812	-			
Four years later	23,597	36,617	38,475	36,289	34,091	31,495	-	-			
Current (December 31, 2017) estimate of ultimate claims	23,597	36,617	38,475	36,289	34,091	31,495	33,812	41,294	38,927	42,517	357,114
Cumulative payments (through December 31, 2017)	23,597	36,617	38,475	36,289	34,091	31,494	33,811	41,292	38,914	37,357	351,937
Current (December 31, 2017) statement of financial position liability	-	-	-	-	-	1	1	2	13	5,160	5,177

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 $2,363,160 (2016: $2,084,731).

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 Committees, 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 $1,059,364 (2016: $916,235) and net income of $1,314,167 (2016: $1,306,596). 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 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.

(Expressed in Bahamian dollars)

5. Management of Insurance and Financial Risk (Continued)

f. Liquidity risk (continued)

	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

	2016					
	Not Classified	Up to 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
	$	$	$	$	$	$
Short-term insurance contracts	-	5,972,455	-	-	-	5,972,455
Long-term with fixed and guaranteed terms	814,283	(5,362,083)	(5,528,823)	13,660,158	293,958,815	297,542,350
Long-term without fixed and guaranteed terms	70,017,340	949,030	6,521,037	8,973,402	26,905,336	113,366,145
Long-term without fixed and guaranteed terms and with DPF	-	542,257	3,945,091	7,526,997	54,955,964	66,970,309
Total	70,831,623	2,101,659	4,937,305	30,160,557	375,820,115	483,851,259

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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 assets and liabilities:

	2017		
	Current	Non Current	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	9,903,418	7,735,600	17,639,018
Financial investment assets			
FVTPL securities	13,141,670	-	13,141,670
AFS securities	68,837	14,592,683	14,661,520
HTM securities	16,271,683	159,924,720	176,196,403
Loans	1,445,136	78,585,057	80,030,193
Intangibe assets	-	100,000	100,000
Property, plant and equipment	-	36,803,313	36,803,313
	57,712,386	304,262,321	361,974,707
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

	2016		
	Current	Non Current	Total
	$	$	$
ASSETS			
Cash on hand and at banks	16,145,293	-	16,145,293
Reinsurance assets	-	7,979,721	7,979,721
Receivables & other assets	12,329,297	7,522,732	19,852,029
Financial investment assets			
FVTPL securities	13,065,957	-	13,065,957
AFS securities	86,490	13,826,391	13,912,881
HTM securities	18,840,678	145,762,505	164,603,183
Loans	3,406,522	74,168,492	77,575,014
Intangibe assets	-	378,333	378,333
Property, plant and equipment	-	33,745,316	33,745,316
	63,874,237	283,383,490	347,257,727
LIABILITIES			
Other policyholders' funds	17,638,441	-	17,638,441
Payables and accruals	14,462,724	-	14,462,724
	32,101,165	-	32,101,165

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 maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2016.

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, 2017 the Group' 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.

h. *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.

(Expressed in Bahamian dollars)

6. Financial Investment Assets

Financial investment assets comprise the following:

	2017 $	2016 $
(a) Fair value through profit or loss (FVTPL):		
At beginning of year	13,065,957	13,565,734
Purchase of equities	4,941,484	103,782
Sale of equities	(5,024,656)	-
Add: Accrued interest receivable	170,943	-
Change in unrealized (loss) on investment in equities through profit or loss	(12,058)	(603,559)
At end of year	13,141,670	13,065,957
(b) Available for sale (AFS):		
Investment in equities at beginning of year	9,162,351	8,496,647
Purchase of equities	18,620	-
Net change in fair value on available for sale financial assets	1,412,672	665,704
	10,593,643	9,162,351
Investment in redeemable preferred shares	4,750,530	4,664,040
Maturity of preference shares	(751,490)	-
Add: Accrued interest receivable	68,837	86,490
	4,067,877	4,750,530
Total financial investment assets available-for-sale	14,661,520	13,912,881

(Expressed in Bahamian dollars)

6. Financial Investment Assets (Continued)

	2017 $	2016 $
(c) Held-to-maturity (HTM):		
Bahamas Government bonds	118,877,649	99,908,300
Bahamas Mortgage Corporation bonds	10,100,000	10,100,000
Bahamas Government notes	-	4,550,000
Education Loan Authority bonds	7,300,000	7,300,000
Clifton Heritage bonds	2,238,600	2,238,600
Bahamas Treasury notes	-	4,256,042
Bridge Authority bonds	819,900	819,900
Government bonds, at amortized cost	139,336,149	129,172,842
Add: Accrued interest receivable	1,922,629	2,032,650
	141,258,778	131,205,492
Redeemable preferred shares, at amortized cost	13,098,101	13,290,613
Add: Accrued interest receivable	52,966	55,643
	13,151,067	13,346,256
Corporate bonds, at amortized cost	15,526,700	11,689,337
Add: Accrued interest receivable	150,536	182,960
	15,677,236	11,872,297
Other bank term deposits, at amortized cost	5,698,685	7,862,078
Add: Accrued interest receivable	410,637	317,060
	6,109,322	8,179,138
Total financial investment assets held-to-maturity	176,196,403	164,603,183

Investments in equities 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 0.24% to 8.50% per annum (2016: 1.75% to 8.5%) and scheduled maturities between 2018 and 2045 (2016: 2017 and 2045).

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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 2017 is $9,975,686 (2016: $7,798,753).

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 $3,613,729 gain (2016: $1,436,796 gain) taking into consideration impairment losses previously transferred to the consolidated statement of comprehensive income.

(Expressed in Bahamian dollars)

6. Financial Investment Assets (Continued)

	2017 $	2016 $
(d) Loans:		
(i) Policy loans comprise:		
Policy loans	12,993,371	12,356,938
Automatic premium loans	3,403,348	3,219,845
	16,396,719	15,576,783
Less: Specific provision for credit risk	(155,241)	(110,990)
Add: Accrued interest receivable	841,171	803,630
	17,082,649	16,269,423
(ii) Mortgage loans comprise:		
Commercial:		
Current	1,066,260	1,672,800
Past due but not impaired	144,737	351,198
Over 90 days	529,795	1,465,481
Residential:		
Current	49,059,292	51,625,744
Past due but not impaired	9,713,991	5,176,471
Over 90 days	4,375,565	3,173,795
	64,889,640	63,465,489
Less: Specific provision for credit risk	(1,842,757)	(2,057,057)
Deferred commitment fees	(390,532)	(397,542)
	62,656,351	61,010,890
Add: Accrued interest receivable	291,193	294,701
	62,947,544	61,305,591
Total loans	80,030,193	77,575,014

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Notes to the Consolidated Financial Statements
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(Continued)

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% (2016: 0% to 11%) per annum is charged on policy loans and APLs.

Movements in loan loss provisions are as follows:

	Specific Provision $
Balance as of December 31, 2015	1,782,389
Bad debt expense	525,777
Recovery of bad debt	(251,109)
Balance as of December 31, 2016	2,057,057
Bad debt expense	335,628
Bad debt written off	(541,622)
Recovery of bad debt	(8,306)
Balance as of December 31, 2017	1,842,757

An interest rate of 5.25% per annum (2016: 5.75%) 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 5.25% to 5.8% (2016: 5.75% to 7.0%) in the amount of $497,975 (2016: $215,376). Related party interest income from mortgages for the year ended 31 December 2017 is $26,623 (2016: $18,011) and related party interest receivable on mortgages as of 31 December 2017 is $1,453 (2016: $589).

As of 31 December 2017, the Group had non-performing mortgage loans of $4,905,361 (2016: $4,639,276) for which interest of $1,350,995 (2016: $1,693,361) had not been recognised in the consolidated statement of comprehensive income. Management has determined that mortgage loans totaling $9,858,728 (2016: $5,527,669) are past due but not considered impaired.

(Expressed in Bahamian dollars)

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 $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:

	2017 $	2016 $
Reinsurance recoveries	7,251,681	6,843,058
Other receivables and other assets	4,341,997	8,075,050
Premium receivables	5,127,803	3,846,630
Receivables from general insurance clients	1,744,428	1,610,460
Prepayments and deposits	483,919	679,674
	18,949,828	21,054,872
Less: allowance for doubtful accounts	(1,310,810)	(1,202,843)
	17,639,018	19,852,029

The movement in allowance for doubtful accounts is as follows:

	2017 $	2016 $
Balance, beginning of year	1,202,843	657,855
Bad debt expense	612,110	566,814
Bad debt written off	(504,143)	(21,826)
Balance, end of year	1,310,810	1,202,843

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

Management has deemed $2,986,919 (2016: $1,700,224) of premium receivables and receivables from general insurance clients to be past due but not impaired.

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8. Property, Plant and Equipment

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 December 31, 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
Revaluations	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 deprecia	-	-	-	-	-	-	-	-
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 of December 31, 2017								
Cost or revaluation	10,255,002	19,890,000	5,195,992	78,072	5,225,029	1,071,537		41,715,632
Work in progress	-	-	-	-	-	-	4,987,547	4,987,547
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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(Continued)

8. Property, Plant and Equipment (Continued)

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

	2016							
	Freehold Land	Freehold Buildings	Furniture & Equipment	Motor Vehicles	Computer Hardware & Software	Leasehold Improvements	Work in Progress	Total
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Year ended December 31, 2015								
Opening net book amount	10,174,420	19,199,245	1,000,217	8,733	774,893	991,216	2,035,693	34,184,417
Additions	-	-	31,259	28,495	268,925	47,803	1,635,025	2,011,507
Transfers	-	500,523	223,819	-	623,570	-	(1,347,912)	-
Disposals - cost	(352,780)	(366,580)	-	(26,867)	-	-	-	(746,227)
Depreciation charge	-	(546,792)	(449,981)	(10,311)	(376,018)	(359,602)	-	(1,742,704)
Disposals - accumulated deprecia	-	11,456	-	26,867	-	-	-	38,323
Closing net book amount	**9,821,640**	**18,797,852**	**805,314**	**26,917**	**1,291,370**	**679,417**	**2,322,806**	**33,745,316**
As of December 31, 2015								
Cost or revaluation	9,821,640	19,820,523	4,947,345	78,072	4,795,457	6,031,487	-	45,494,524
Work in progress	-	-	-	-	-	-	2,322,806	2,322,806
Accumulated depreciation	-	(1,022,671)	(4,142,031)	(51,155)	(3,504,087)	(5,352,070)	-	(14,072,014)
Net book amount	**9,821,640**	**18,797,852**	**805,314**	**26,917**	**1,291,370**	**679,417**	**2,322,806**	**33,745,316**

(Expressed in Bahamian dollars)

8. Property, Plant 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 at 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 $18,292,786 (2016: $13,786,161). (Refer to Note 14).

Details of the Group's freehold land and buildings fair value hierarchy at 31 December 2017 is as follows:

	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

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Freehold land	-	-	9,821,640	9,821,640
Freehold buildings	-	-	18,797,852	18,797,852
	-	-	28,619,492	28,619,492

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:

	2017	2016
	$	$
At cost	1,000,000	1,000,000
Accumulated amortization:		
Balance, beginning of year	621,667	346,667
Amortization	100,000	100,000
Impairment loss	178,333	175,000
Balance, end of year	900,000	621,667
Net book value	100,000	378,333

10. Reserves for Future Policyholders' Benefits

During the prior year, the Group changed its actuarial reserving methodology for the determination of reserves for future policyholders' benefits to the Canadian Asset Liability Method ("CALM") from the Canadian Policy Premium Method ("PPM") which is an approximation of 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. In accordance with International Accounting Standard ("IAS") 8, Accounting Policies, Changes in Accounting Estimates and Errors, the Group has applied the changes prospectively.

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10. Reserves for Future Policyholders' Benefits

As of 31 December 2017 the aggregate reserves for future policyholders' benefits and related insurances in-force are summarised as follows:

	Reserves		Insurances in force	
	2017	2016	2017	2016
	$	$	$	$
Ordinary life	82,220,505	81,253,988	2,325,220,000	2,240,084,000
Annuities	80,911,826	76,697,536	-	-
Home service life	36,527,776	35,668,209	524,213,000	502,301,000
Accident and health	7,601,401	7,672,710	-	-
Gross liabilities	207,261,508	201,292,443	2,849,433,000	2,742,385,000
Reinsurance assets	(6,520,948)	(7,979,721)	-	-
	200,740,560	193,312,722	2,849,433,000	2,742,385,000

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 $5,252,715 (2016: $4,820,666) or decrease by $5,361,916 (2016: $4,893,319).

(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 $19,089,620 (2016: $15,991,864) or decrease by $26,552,715 (2016: $21,085,873).

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 $835,917 (2016: $664,536) or decrease by $1,142,615 (2016: $898,927).

(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% (2016: 2.0%) initially, decreasing to 1.75% (2016: 1.75%) over 20 years. If future expenses were to differ by 10% from that assumed, the liability would increase by $3,763,036 (2016: $3,831,005) or decrease by $3,733,940 (2016: $3,792,080).

(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.

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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:

	2017 **$**	**2016** **$**
Liabilities at beginning of year	5,972,459	7,456,433
Change in Data, Methods, and Assumptions	98	(23,047)
Usual change in In-Force Business and New Business	(3,979)	(1,460,927)
Liabilities at end of year	5,968,578	5,972,459

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

	2017 **$**	**2016** **$**
Liabilities at beginning of year	69,953,721	61,510,877
Changes in Data, Methods, and Assumptions	142,870	3,782,893
New Business	(3,868,910)	(3,061,009)
Usual change in In-Force Business	6,299,795	7,720,960
Liabilities at end of year	72,527,476	69,953,721

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10. Reserves for Future Policyholders' Benefits (Continued)

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

	2017 $	2016 $
Liabilities at beginning of year	91,633,881	86,416,035
Changes in Data, Methods, and Assumptions	(1,346,980)	(2,403,344)
New Business	1,876,709	5,294,915
Usual change in In-Force Business	6,068,017	2,326,275
Liabilities at end of year	98,231,627	91,633,881

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

	2017 $	2016 $
Liabilities at beginning of year	25,752,661	23,226,713
Changes in Data, Methods, and Assumptions	(2,109,144)	1,650,854
New Business	(228,557)	(144,323)
Usual change in In-Force Business	597,919	1,019,417
Liabilities at end of year	24,012,879	25,752,661

Long-term insurance contracts with DPF are not measured at fair value due to the lack of a reliable basis for measuring it.

	2017 $	2016 $
Liabilities at beginning of year	193,312,722	178,610,058
Changes in Data, Methods, and Assumptions	(3,313,156)	3,007,356
New Business	(2,220,758)	2,089,583
Usual change in In-Force Business	12,961,752	9,605,725
Liabilities at end of year	200,740,560	193,312,722

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11. Other Policyholders' Funds

Other policyholders' funds are comprised of the following:

	2017 $	2016 $
Benefits payable to policyholders	12,622,687	12,521,437
Accrued policyholder dividends	3,527,099	3,440,169
Unapplied Premiums	1,006,793	924,704
Advance premiums	915,902	752,131
	18,072,481	17,638,441

12. Payables and Accruals

Payables and accruals are comprised of the following:

	2017 $	2016 $
General payables and accruals	5,353,234	5,374,689
Client deposits	3,304,651	5,130,088
Employee liabilities	2,687,084	2,986,277
Reinsurance payable	1,638,311	971,670
	12,983,280	14,462,724

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 (2016: $250,000). Amounts utilised under the facilities attract interest at Nassau prime plus 1.5%.

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14. Revaluation Reserve

Revaluation reserve is comprised of the following:

	Financial Investment Assets (AFS) Revaluation	Fixed Assets Revaluation	Total Revaluation Reserve
	$	$	$
Balance as of December 31, 2015	1,075,438	14,863,934	15,939,372
Realized gains reclassified to profit and loss	63,800	-	63,800
Unrealized gains on available-for-sale investments	569,620	-	569,620
Balance as of December 31, 2016	1,708,858	14,863,934	16,572,792
Unrealized gains on available-for-sale investments	1,412,671	-	1,412,671
Revaluation of property, plant, and equipment	-	1,206,489	1,206,489
Balance as of December 31, 2017	3,121,529	16,070,423	19,191,952

(Expressed in Bahamian dollars)

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	
	2017 $	2016 $	2017 $	2016 $
Authorised	10,000	10,000	15,000,000	15,000,000
Issued and fully paid	10,000,000	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	10,000	10,000	10,000,000	10,000,000

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.

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16. Net Premium Income

Net premium income is comprised of:

	2017 $	2016 $
Short-term insurance contracts	70,958,136	71,233,291
Long-term insurance contracts with fixed and guaranteed terms	22,842,929	20,804,462
Long-term insurance contracts without fixed and guaranteed terms	6,427,249	6,001,680
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	2,862,113	3,030,201
Premium revenue arising from insurance contracts issued	103,090,427	101,069,634
Premium ceded for short-term and long-term contracts to insurers	(10,423,366)	(10,316,803)
	92,667,061	**90,752,831**

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17. Policyholders' Benefits

Policyholders' benefits for the year ended 31 December 2017 by insurance contracts were as follows:

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Short-term insurance contracts	48,607,778	(1,869,603)	46,738,175	44,723,985	(3,370,195)	41,353,790
Long-term insurance contracts with fixed and guaranteed terms	7,104,051	(880,292)	6,223,759	7,025,171	(1,543,427)	5,481,744
Long-term insurance contracts without fixed and guaranteed terms	8,934,834	-	8,934,834	11,571,439	-	11,571,439
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	3,186,300	-	3,186,300	2,943,413	-	2,943,413
	67,832,963	(2,749,895)	65,083,068	66,264,008	(4,913,622)	61,350,386

(Expressed in Bahamian dollars)

18. Operating Leases

The Group leases certain office premises under non-cancellable operating leases. Future minimum rental commitments as of 31 December 2017are as follows:

	2017	**2016**
	$	**$**
Up to 1 year	80,615	93,601
1 year to 5 years	322,461	374,405
	403,076	**468,006**

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 2017 amounted to $3,092,212 (2016:$3,032,089) 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%. The Group is eligible for input tax deductions based on an apportionment formula based on 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 2017, amounted to $760,182 (2016:$768,335) and is included in operating expenses in the consolidated statement of comprehensive income.

(Expressed in Bahamian dollars)

21. Commitments and Contingent Liabilities

Outstanding commitments to extend credit under mortgage loan agreements amounted to $4,296,310 as of 31 December 2017 (2016: $2,254,151).

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.

The Group is contingently liable for $5,000 (2016: $5,000) in customs bonds and customs guarantees.

Prior to year-end, an agreement has been entered into in respect of commitments for capital projects. The commitments not provided in these consolidated financial statements total $529,000.

22. Related Party Balances and Transactions

	2017 $	**2016** $
Related party balances with Sagicor Life:		
Receivables and other assets	645,411	666,357
Payables and accruals	1,729,831	635,074
Related party transactions with Sagicor Life:		
Premiums ceded to reinsurer	3,767,552	4,100,259
Reinsurance recoveries	67,536	961,207
Management fees	132,000	132,000

Compensation of key management personnel:

	2017 $	**2016** $
Salaries and other short-term employee benefits	3,470,547	3,129,004
Commissions	262,544	361,736
	3,733,091	3,490,740

22. Related Party Balances and Transactions (Continued)

Directors' remuneration:

In 2017, the total remuneration of the directors was $379,188 (2016: $460,250).

Employees' incentive plan:

The Group sponsors a plan as an on-going incentive system for its key employees. The plan holds 5,600 shares (2016: 1,900 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.

23. 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 Towers Watson. 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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23. Post-Retirement Medical Benefit (Continued)

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

	Other Postemployment Benefits	
	2017	**2016**
	$	**$**
Components of benefit cost recognised in statement of comprehensive income:		
Current service cost	77,248	40,223
Internet cost	51,532	32,767
Actuarial loss	-	-
Past service cost recognised	449,013	264,910
Net benefit cost in recognised in statement of comprehensive income	**577,793**	**337,900**

	2017	**2016**
	$	**$**
Components of benefit cost recognised in statement of other comprehensive income:		
Remeasurement on the defined benefit liability:		
Actuarial loss (gain) due to experience	41,008	92,849
Actuarial gain due to demographic assumption changes	-	99,189
Actuarial loss due to financial assumption changes	-	-
Actuarial gain on DBO	**41,008**	**192,038**

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23. Post-Retirement Medical Benefit (Continued)

	2017 $	2016 $
Total benefit cost recognised in statement of comprehensive income:		
Cost recognised in net income	577,793	337,900
Remeasurement effects recognised in other comprehensive income	41,008	192,038
Total benefit cost recognised in statement of comprehensive income	618,801	529,938

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 Postponement Benefits	
	2017 $	2016 $
Benefit obligation, funded plans	(1,657,632)	(1,105,245)
Unrecognised net actuarial loss	-	-
Net amount recognised, end of year	(1,657,632)	(1,105,245)

(Expressed in Bahamian dollars)

23. Post-Retirement Medical Benefit (Continued)

Amounts recognised in the consolidated statement of financial position of:

	2017 $	2016 $
Liabilities	(1,657,632)	(1,105,245)

	Other Postponement Benefits	
	2017 $	2016 $
Experience adjustments		
DBO, end of year	(1,657,632)	(1,105,245)
Funded status	(1,657,632)	(1,105,245)

	Other Postponement Benefits	
	2017 $	2016 $
Change in plan assets		
Fair value of plan assets, beginning of year	-	-
Employer contribution	66,414	55,104
Plan participant's contribution	(66,414)	(55,104)
Fair value of plan assets, end of year	-	-

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23. 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:

	2017 $	2016 $
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 $87,542 (2016: $30,982) to the post-retirement benefits plan in 2018. This benefit is expected to be paid from corporate assets.

24. 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:

	2017 $	2016 $
Weighted average number of ordinary shares outstanding	10,000,000	10,000,000
Profit attributable to ordinary shareholders	5,454,261	4,805,346
Basic and diluted earnings per ordinary share	0.55	0.48

25. 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 2017 and 2016. 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 2017 and 2016. 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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25. Business Segments (Continued)

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

	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

25. Business Segments (Continued)

	2016 ($000)			
	LIFE	**HEALTH**	**OTHER**	**TOTAL**
	$	**$**	**$**	**$**
INCOME				
Net premium income	29,681	61,072	-	90,753
Annuity deposits	12,224	-	-	12,224
Investment income	12,208	229	1,659	14,096
Other income	1,017	440	925	2,382
Total income	55,130	61,741	2,584	119,455
POLICYHOLDER BENEFITS	36,061	39,992	-	76,053
EXPENSES	16,378	15,922	4,791	37,091
	52,439	55,914	4,791	113,144
NET INCOME	2,691	5,827	(2,207)	6,311
TOTAL ASSETS	255,428	9,027	82,803	347,258
TOTAL LIABILITIES	219,131	7,731	6,532	233,394

26. 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 $2,400,000 (2016: $2,900,000) and represented $0.24 per share (2016: $0.29).

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27. 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:

	2017 $	2016 $
Balance at beginning of year	34,420,152	31,017,543
Share of net income for the year	1,056,171	880,324
Additional non-controlling interests arising from net contribution from investors	3,104,735	2,522,285
Balance at end of year	38,581,058	34,420,152

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28. 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 2017	Ownership Interest 2016
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	22%	18%
FG Financial Preferred Income Fund	Mutual Fund	The Bahamas	15%	16%
FG Financial Diversified Fund	Mutual Fund	The Bahamas	15%	15%
FG Financial Global USD Bond Fund	Mutual Fund	The Bahamas	92%	98%

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28. Subsidiaries (continued)

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.

	2017 **$**	**2016** **$**
Assets	57,529,665	52,173,343
Liabilities	768,890	1,024,186
Equity	56,760,775	51,149,157

29. Subsequent Events

On 8 February 2018, the Board of Directors declared a fourth quarter dividend of $0.06 per share or $600,000 to shareholders of record as of 2 February 2018 and paid 27 February 2018.

On 8 February 2018, the Board of Directors approved the repayment of the issued and outstanding preference shares.

On 10 May 2018, the Board of Directors declared a dividend for the first quarter of 2018 of $0.08 per share to ordinary shareholders of record as of 24 May 2018 and payable on 31 May 2018, for a total of $800,000. The Board of Directors declared a dividend for the first quarter of 2018 of $287,500 to preferred shareholders of record as of 24 May 2018 and payable on 31 May 2018.

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