EMBRACING CHANGE THROUGH INNOVATION

BAHAMAS FIRST HOLDINGS LIMITED

2018 ANNUAL REPORT

BAHAMAS FIRST HOLDINGS LIMITED

2018 ANNUAL REPORT
& CONSOLIDATED
FINANCIAL STATEMENTS

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The consolidated financial statements in this report include the accounts of Bahamas First Holdings Limited ("BFH" or the "Company") and its subsidiaries which are collectively referred to as the "Group". The subsidiaries are as follows: Bahamas First General Insurance Company Limited ("BFG"), Cayman First Insurance Company Limited ("CFI"), Nassau Underwriters Agency Insurance Agents & Brokers Ltd. ("NUA"), Bahamas First Corporate Services Ltd. ("BFCS"), First Response Limited ("FRL"), BFH International Limited ("BFHIL"), BRAC Insurance Associates Ltd. ("BIA"), CMA Insurance Brokers & Agents Ltd. ("CMA") and BFH Services (Cayman) Limited ("BFHS").

"...whilst both The Cayman Islands and The Bahamas showed improved growth prospects in 2018, we need to keep an eye on developments in the global economy to ensure that we make appropriate adjustments as events unfold.

ALISON TRECO
Chair, Board of Directors

I am pleased to be able to report that we have once again achieved a double digit return on equity (ROE). This result has been achieved despite the intense level of competition in both of the markets in which we operate, and the ever-present threat of natural or man-made large loss events.

The bottom-line results for 2018 will enable us to maintain a dividend payout equal to the amount paid during prior period. During the year we distributed dividends on ordinary shares totaling $0.13 per share or $4.75 million. The theme of this year's Annual Report is "Embracing Change Through Innovation" and this captures the essence of our operational and strategic focus for the next iteration of our groupwide strategic and operational plan covering 2019-2021.

The operating environment in the insurance sector, globally, and most certainly in our region, will be challenged by digital disruption and evolving client behavior, driven by ever advancing technology and changing demographics. In this emerging environment, it will be critically important for us to leverage innovation in both product development and service delivery initiatives. During the year, we accomplished a number of important financial milestones, with a very strong underwriting performance in both the Property & Casualty and Health business segments. The President's Report and Management Analysis sections will provide more details in this regard.

We were particularly pleased to move in to our newly constructed purpose-built office complex in Grand Cayman in the summer of 2018. This 27,000 square foot facility has already enhanced our profile in Grand Cayman and affirmed our long-term commitment to that market.

Whilst we operate in two relatively small Caribbean markets, we are not isolated from the impacts of the global economy. The pace of global economic growth slowed down in the second half of 2018 and whilst both The Cayman Islands and The Bahamas showed improved growth prospects in 2018, we need to keep an eye on developments in the global economy to ensure that we make appropriate adjustments as events unfold.

In early 2019, Michael Padfield resigned from the Board as a result of changes that are occurring within the Economical Insurance Group, which he represented on the Board. During his period as a director, Michael made a valuable contribution to the Company and I would like to thank him for his service.

Finally, in closing, I would like to express my thanks to my fellow Directors for their continued support and to the wider Shareholder base for their trust and confidence.

> Embracing digitalization will remain a key focus in the coming years for our Group, in keeping with the reality that this is now a central theme within the global insurance community.

PATRICK G. W. WARD MBA, FCIP
President & CEO

While 2018 was a year of continued industry change and increasing competitive pressures, I am pleased to report that our Group achieved operational success in meeting our strategic and financial metrics for the year. Thankfully, both The Cayman Islands and The Bahamas were loss free as far as natural catastrophe events are concerned. In The Bahamas, we did see a slight deterioration in our motor claims loss ratio, but, notwithstanding this fact, we were able to marginally surpass the net underwriting performance achieved in the prior year.

As the Board Chair alluded to in her report, we were able to achieve a number of objectives in 2018, in terms of exceeding various performance metrics from the prior year. As a result of intentional actions to improve rate margins in both jurisdictions, our gross written premiums for 2018 improved by 8.1% to $154.8 million, from the prior year total of $143.2 million. Our Net Written Premium total for 2018 also grew by 3.5% to $65.2 million from the $63.0 million recorded in 2017.

Net claims incurred across the Group's business segments, were $27.8 million which is flat compared to 2017, resulting in a slight improvement in the overall net Underwriting Income to $34.4 million – a new record milestone for the Company. The disciplined approach to underwriting our property business in both The Bahamas and The Cayman Islands, contributed significantly to the profit margins achieved on this line of business in 2018. This fact, combined with the very good results achieved on the Health business in Cayman, accounts for the superior Underwriting performance during the year.

The combined ratio for 2018 finished at 85.6%, which incorporates a claims ratio of 42.5%. Both of these metrics are similar to the 2017 outcome and are in line with our expectations in a non-catastrophe year. In stark contrast to 2017, the investment results recorded in 2018 are disappointingly lower. The combination of unrealized losses on both the Available For Sale Investments and on our Equity Investment holdings, resulted in a negative impact on the Group's overall earnings. Consequently, the profit for the year reduced to $10.1 million, which is a (41.1%) decline from the prior year total of $17.1 million. The comprehensive income for 2018 is $9.3 million compared to $17.2 million in 2017.

Despite the negative impact from the investment income reduction, the Group's ROE for 2018 was a healthy 13.9%, contributing to the three-year average of 15.1%. Our overall capital base continues to exceed the $60 million mark that was established in 2017, with an increase in book value to $1.62 per Common Share, compared to $1.53 in 2017. The threat of an industry-wide adverse value added tax (VAT) ruling relating to legacy claims dating back to the initial introduction of VAT on insurance seems to have been averted, as a result of constructive negotiations with the relevant authorities in the Government of The Bahamas. On conclusion, this will represent a welcomed development.

Over the years, we have devoted a significant amount of time to the process of defining our risk appetite and to continually reviewing the assumptions and expectations around this important aspect of our business. This has positioned us to take advantage of business opportunities both in relation to M & A activity as well as our day-to-day approach to underwriting risks. In 2018, we negotiated two acquisitions, both involving contracted intermediaries in The Bahamas, which fell squarely within our framework for growth and development. Early indicators point to the successful integration and retention of the acquired portfolios.

Embracing digitalization will remain a key focus in the coming years for our Group, in keeping with the reality that this is now a central theme within the global insurance community. Fortunately, our focus on innovation and leveraging technology began a few years ago, and we believe that in this regard, we are well-positioned with a competitive advantage relative to our regional competitors.

Once again, I am obliged to acknowledge my hardworking colleagues within the Group for their commitment to the achievement of our strategic goals and objectives for our collective benefit.

EMBRACING CHANGE THROUGH INNOVATION

The close of 2018 brought to an end the timeline on our three-year strategic and operational plan. To a large extent, we have fulfilled the core mandates that were laid out in the plan, some of which inevitably will continue into the next three-year cycle. During the year, we laid the groundwork for a major technology upgrade for the P&C segment of our business in both The Bahamas and The Cayman Islands. Once fully implemented, the enhanced digital operational platform will provide us with improved customer service capabilities.

As we make these advances, we are mindful of the impacts to our distribution network and we are working closely with our business partners across the Group to ensure that we maintain these vital links that have been established over the years. While we intend to maintain a supportive posture, our view is that events have to be seen in the context of a more dynamic framework.

Business Development

Throughout The Cayman Islands, particularly in Grand Cayman, there are clear signs of a robust economy fueled by foreign direct investments and a buoyant tourism sector. In addition to this economic expansion, the country is also experiencing growth in the number of residents, all of which augurs well for the future prospects of this jurisdiction. During 2018, The Bahamas also showed signs of more significant economic growth, when compared to the most recent ten-year period, and there is a growing sense that the country has turned the corner in terms of economic expansion.

Against this gradually improving backdrop is the reality of intense competition for business, involving companies that have a physical presence in both The Cayman Islands and The Bahamas, and market participants, e.g. Lloyd's, that rely on local Agent or Broker networks as a source of business.

Despite this unrelenting competition, we were able to improve our top-line or gross written premium levels in 2018, growing to $154.8 million, while improving the Net Written Premiums to $65.2 million.

	2018	2017
Gross Written Premium:	$154.8M	$143.2M
Net Written Premium:	$65.2M	$63.0M

The gross and net increases over the prior year were 8.1% and 3.5%, respectively. We were able to achieve these increases in both locations over the course of 2018.

Property

During the last quarter of 2017 and continuing into 2018, a mandate was given to both The Bahamas and Cayman Underwriting Teams to implement rate increases for property business with catastrophic exposures for most locations within each territory.

We did not achieve the full extent of the targeted rate increases, but we did have some level of success, particularly in The Cayman Islands, where the percentage increases were more pronounced.

Given the market dynamics and our initiatives described above, we did not anticipate much organic growth in the aggregate exposures of our portfolio of business, and this proved to be the case. However, gross premiums for this class of business increased to $69.2 million from the prior year's total of $65.0 million.

Due to the absence of any major loss activity, and the improved margin created by the rate increases, the property line of business accounted for a meaningful share of the overall underwriting profits achieved in 2018.

Motor Liability

On an overall basis, policy count and premium levels remained fairly static in 2018, compared to the prior year. The overall premium total of $38.0 million continues to generate very good returns, owing to the fact that we have been able to control claims costs and expenses to reasonable levels.

Unfortunately, in The Bahamas we had to establish a substantial reserve for a multiple fatality claim, which occurred during the summer of 2018. This tragic event served as a vivid reminder of how important the availability of adequate insurance cover is to both the individual and collective consumers in our markets.

CONTINUED

EMBRACING CHANGE THROUGH INNOVATION

CONTINUATION

Health

The Health line of business continued to grow, eclipsing the 2017 premium top line result by 9.1%. The gross premiums of $29.9 million in 2018 was a welcomed development, particularly as the earned loss ratio for this line of business reduced to 62.8%, outperforming the excellent result of 69.2% in 2017.

Marine

Our Marine portfolio once again experienced modest growth in 2018, and the underwriting experience was also very much in line with our expectations.

Engineering

Similarly, the Engineering class of business produced a positive underwriting balance with an uptick in gross premiums when compared to 2017.

Investment and Asset Management

Our aim, as documented in our comprehensive investment policy guideline, is to generate stable returns over time, consistent with a well-defined risk appetite.

Appropriate levels of risk diversification, particularly within the confines of the Bahamian market, can sometimes prove challenging. Recognizing this reality, we have continued with our plan to actively manage our investment portfolio to mitigate some of the concentration risks that we face.

As at the close of 2018, we booked an unrealized loss on our main equity investment in Commonwealth Bank, amounting to ($2.5) million, which represents a significant swing from $4.2 million unrealized gain recorded in 2017. In addition to this, our bond portfolio, like most global portfolios, was subject to those market conditions that adversely shaped prices and yields during 2018.

Excluding the impact of Commonwealth Bank, the total investment returns for 2018 were $3.2 million, compared to $2.8 million in 2017.

Capital & Risk Management

The solvency margins we maintain in both territories are both significantly in excess of the regulatory requirements in each jurisdiction. We will continue to grow our capital base as long as we can identify prudent opportunities to utilize it and enhance shareholder value in the process.

During the year, A. M. Best reaffirmed our A-(Excellent) rating for both Cayman First Insurance and Bahamas First General Insurance, with a stable outcome in both cases.

Future Outlook

The years ahead will be challenging. The potential threats will come from both traditional sources and emerging players that are increasingly encroaching on the property and casualty insurance sector.

We also see potential opportunities ahead, but successfully seizing those moments will call for skillful and innovative execution. Our next three-year plan is a call to action in this regard and we are fully committed to embarking on this journey of embracing change through innovation. ■

PATRICK G. W. WARD MBA, FCIP
President & CEO

SUMMARY OF RESULTS

FOR THE YEAR ENDED DECEMBER 31, 2018

		2018	2017	% Change	2016
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
	Total assets	$196,034	186,053	5.4%	235,774
	Equity attributable to owners of the Group	$64,316	60,873	5.7%	48,915
	Book value per common share	**$1.62**	**1.53**		**1.20**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
	Gross premiums written	$154,752	143,177	8.1%	138,686
	Net written premiums	$65,224	63,018	3.5%	57,303
	Net premiums earned	$65,374	62,652	4.3%	57,334
	Commission income	$23,742	24,464	-3.0%	21,639
	Net claims incurred	$27,803	27,836	-0.1%	36,407
	Net underwriting income	$34,354	33,909	1.3%	17,599
	Other income	$3,166	2,759	14.8%	2,368
	Total profit	$10,057	17,069	-41.1%	1,397
	Total profit attributable to owners of the Group	$9,240	16,512	-44.0%	1,205
	Total comprehensive income	$9,277	17,247	-46.2%	2,543
	Total comprehensive income attributable to owners of the Group	$8,522	16,690	-48.9%	1,167
	Earnings per common share	**$0.24**	**0.44**		**0.02**
RATIOS					
	Solvency ratio	98.6%	96.6%		98.8%
	Combined ratio	85.6%	83.8%		107.5%
	Loss ratio	42.5%	44.4%		63.5%
	Expense ratio	38.1%	37.9%		38.2%

SOLVENCY RATIO Total equity attributable to owners of the group as a % of Net written premiums
COMBINED RATIO Net underwriting expense & administrative cost as a % of net premiums earned
LOSS RATIO Net claims incurred as a % of net premiums earned
EXPENSE RATIO Administrative expenses as a % of net premiums earned

HIGHLIGHTS
OF GROUP ACTIVITIES

LEADERSHIP TAKES CENTRE STAGE

The past year saw the implementation of the Group's Leadership Development Succession Plan, which was launched in 2017, with a focus on leadership development. It included workshops covering reinsurance (by AON Benfield), insurance accounting, reinsurance and enterprise risk management (by The Certificate in Insurance Institute of London), and a series of insurance knowledge sessions on products, underwriting and claims.

With the launch of the e-learning platform on the HR portal, all employees now have access to a wide range of knowledge empowerment programs including the 15 Laws of Growth by John C. Maxwell.

FUTURE LEADERS DEVELOPMENT PROGRAM (FLDP)

Andre Taylor

Anquin Cooper

Carlito Cartalano

Christopher Hadome

Jayson Romer

Kentington Sands

Shantell Wilson

Vanessa Conolly

Victor Jennings

FUTURE LEADERS

In October of 2018, the Group completed Cycle 4 of the highly sought after and successful Future Leaders Development Program (FLDP). This was the first cycle that included participants from Cayman First Insurance. Orientation was held on-site in New Providence, followed by a week-long exchange experience at the Cayman office, during which participants presented their research papers and learned about their Life and Health, Property and Casualty operations.

Richenda King, Group Vice President Human Resources and Training/ CHRO and lead program facilitator, said that she was most proud of the zeal displayed by participants in executing a mandatory program requirement, a dissertation to expand on a Group or Industry challenge and to provide recommendations for improvement and/ or change. This culminated in the hosting of a Pitch Contest in the Company's Innovation Centre.

The topic of the winning pitch was "Risk Management: Digital Surveys and Telematics" and was presented by a team consisting of Jayson Romer, Carlito Catalano and Andre Taylor.

Under the theme "Sustainable Leadership", Group President & CEO, Patrick Ward delivered opening remarks at the 2018 convocation ceremony. He highlighted the history of the programme and the Company's ongoing investment in human capital. He emphasized that the path to sustainable leadership included a commitment to ongoing personal development.

Two of the participants, Victor Jennings of the Cayman team and Shantell Wilson of the Bahamas team, spoke of their unique and challenging experiences in the programme. Awards were presented by Dr. Rhonda Chipman-Johnson, Coordinator of the Bahamas Insurance Association. ■

ANNUAL MANAGEMENT RETREAT: "THE POWER OF STRATEGIC INTEGRATION"

The annual management retreat under the theme, "The Power of Strategic Integration", provided an opportunity for the Company's leadership to focus on the strategic direction of the Group. Patrick Ward outlined the clear objectives for the Group, encouraging leadership to harness the power of strategic integration and create synergies across the Group. He challenged leaders to "critically assess every aspect of our business, and to craft and develop strategic objectives from an informed perspective of market forces". ■

A workshop led by Joe Willmore, CEO of Willmore Consulting Group, on scenario-based planning methodology, helped participants look at the future impacts of various potential disruptors to the insurance industry, discuss how to mitigate those impacts and plan for a preferred pathway to success. Shown: Participants at the Company's annual Management Retreat. ■

KNOWLEDGE TRANSFER FRAMEWORK

The past year saw the launch of the Knowledge Transfer Framework, linking succession planning, career pathing and high performance to strategic workforce planning. It was just one of the many growth and development opportunities in which leaders participated throughout the year. Four critical areas for knowledge transfer were covered:

1. Insurance/Technical Knowledge
2. Functional Strength
3. Leadership Development
4. Bench Strength

JUNIOR ACHIEVEMENT

2018 was another banner year for the Bahamas First Junior Achievement Company. PRIME, our sponsored company, captured the first-place award for overall company sales and second-place for the much sought after award, Company of The Year. The PRIME advisory team and achievers set themselves apart from the competition by coupling "Free Enterprise", one of the Junior Achievement Worldwide educational themes with the JA Bahamas theme of "Cultivating Great Minds", to guide students through the planning and execution of a first-class deejay (DJ) competition. This innovative approach was the first of its kind for the local JA Program.

Three distinct elements marked this initiative. Firstly, students were exposed to a high level of planning and execution, skills they will carry with them into the future. Secondly, a pool of talent that is usually left in the background - ten very talented young DJs vying for the title of "Best New DJ" ranging in age from 14-19 years old - was brought to the forefront. And lastly, the competition was packaged into a full-circle program for the participants where they gained insight about how to successfully manage their brands and businesses. The winners received prize packages as well as mentoring and airtime with local radio stations. The company also donated $1,000 from the sale of the Essential Emergency Kits to The Bahamas Red Cross to assist with local Hurricane Irma victims. ■

Pictured seated (L-R) Drew Bartlett, Dwight Dean (under 16 winner), Danaje Carey (under 19 winner), Nicole Leary, Gina Brooks. Standing (L-R) are Carlito Catalano, Criselle King, Raymond Imhoff, Marcia Johnson and Valya Gray.

CAYMAN FIRST INSURANCE CELEBRATES GRAND OPENING OF NEW OFFICES

After 34 years of operation in The Cayman Islands, Cayman First Insurance celebrated the Grand Opening of its new corporate headquarters in the spring of 2018. On hand to witness this milestone in the company's history was Acting Governor The Honorable Franz Manderson, The Honorable Deputy Premier Moses Kirkconnell, other government leaders, Board members and a host of industry representatives and clients.

The Deputy Premier brought congratulatory remarks during the opening ceremony, commending the company on its leadership and vision.

Minister Kirkconnell also applauded the company on its commitment to Cayman and to Caymanians, highlighting its track record of taking care of its employees, creating opportunities for the training and advancement of Caymanians and giving back to the local community. Noting that insurance is an essential service, the company was also saluted for its role in creating security in the local economy and its contributions as a market leader to a robust insurance sector.

The company's Managing Director, Gordon Philip led the opening of the aptly named Cayman First Centre explaining, "This new 27,000 square foot state-of-the-art office facility not only reflects Cayman First's long-term commitment to this market but our core philosophy to provide our employees and clients with a modern, user-focused working and business environment." Patrick Ward, Group President and CEO, added, "Tonight, we celebrate with Cayman First; Cayman First embraces innovation and service excellence to stay first with its clients and at the forefront of the highly competitive insurance market in The Cayman Islands."

Pictured at the ribbon cutting for the opening of the Cayman First Centre: L-R are Samir Mikhael, Board Member; Alison Treco, Chair of the Board; The Honorable Deputy Premier Moses Kirkconnell; Mrs. Kathy Kirkconnell; Gordon Philip; Judy Campbell, CFI Vice President; Ian Fair, former Chairman; Patrick Ward; Neil McKinney, Board Member.

HUMAN RESOURCE LEADERSHIP

Cayman First Insurance was proud to continue its major sponsorship of the 3rd Annual CISHRP Awards for Human Resources Excellence ("CAHRE Awards").

The Cayman Islands Society of HR Professionals (CISHRP) created its annual Awards for Human Resources Management Excellence to provide a forum for Cayman Islands organizations of any size, private or public sector, to promote best HR practices and directly demonstrate how effective HR can contribute to the success of their organizations.

It is also a chance to highlight the remarkable efforts of the country's HR professionals to improve the quality of work and working lives, and to demonstrate that organizations where people come first deliver better returns for shareholders, stakeholders and society.

Cayman First Insurance team members attending the CISHRP Awards from L-R: Gordon Philip, MD; Regina Clarke, Human Resources; Cheyenne Smith, Amanda Henkis, Rochiene Sonlin, Sarah Bushea, Treasha Bodden and Drew Osborne.

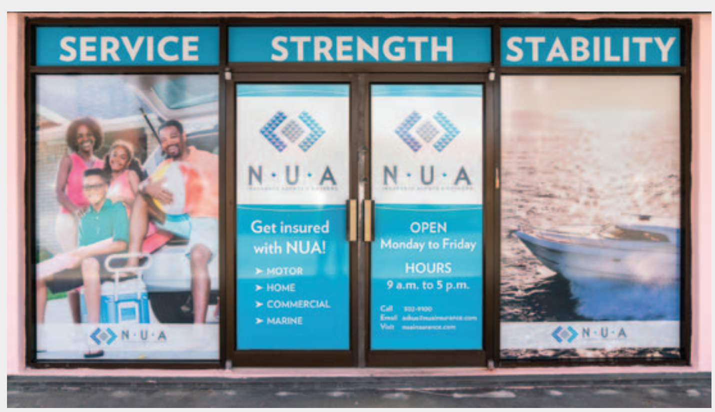
INCREASED AWARENESS AND EXPANDED REVENUE BASE

For 2018, NUA continued its focus on business development and retention through customer service and increased advertising awareness. Exteriors of NUA branches in New Providence were also revamped to raise awareness levels. The successful completion of two acquisitions provided NUA with an expanded revenue base in 2018, while affording the continuation of quality customer service to the clients of both entities. Both transactions were accretive to NUA's earnings with an effective date of October 1, 2018.

The first transaction involved Bahamas First Holdings Limited (BFH) purchasing 100% of the ordinary shares of CMA Insurance Brokers & Agents Limited (CMA) and subsequently merging its operations into NUA. CMA had operated in The Bahamas for over 18 years and achieved rapid market success through its competent and professional management. In a separate transaction, BFH and Response Insurance Agency Limited (RIA), agreed to terms that resulted in NUA obtaining the renewal rights to 100% of RIA's portfolio of insurance business.

FALL MIXER NETWORKING EVENT

With objectives of both business retention and development, NUA hosted a 'Fall Mixer' cocktail reception at Baha Mar's Rosewood Lawn. In addition to clients, attendees included industry partners, realtors, bankers, attorneys and other business introducers. The event marked the second such event and was again very well attended and raised awareness levels of the NUA brand and their key team members in the market.



BAHAMAS AUTO DEALERS SHOW

NUA Team Members at the Annual Auto Dealers Show. Shown (L-R):Lakeisha Dorsette, Linda Basden, Desiree Taylor and Devon Bethel.

ENHANCED NUA BRANCH EXTERIORS

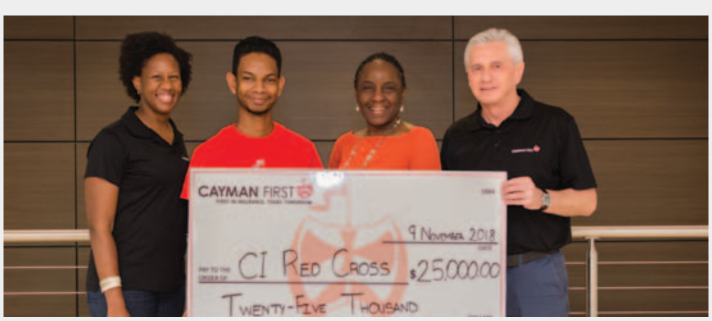
Through our Corporate Social Responsibility programme the Bahamas First Group remains committed to giving back to the communities of which we are a part of in both The Bahamas and The Cayman Islands. Throughout the year, the Group partnered with a wide range of local charitable and civic organizations and hosted several community and cause-related events.

INTERNATIONAL WOMEN'S DAY

The Company celebrated International Women's Day with a Power Breakfast designed to celebrate, engage and inspire female employees. The event was the first of its kind for the company and was well attended by women from across the Bahamas First Group including NUA Insurance Agents & Brokers, Bahamas First General Insurance Company and First Response. Here the women #pressforprogress.

HURRICANE PREP 101: Bahamas First General Insurance Company facilitated its 2nd annual Hurricane Prep 101, a free public education event at The University of The Bahamas which featured an information session and trade show. Shown (L-R): Captain Stephen M. Russell, Director, NEMA; Patrick Ward, President, Bahamas First General Insurance Company; Caroline Turnquest, Director General, Bahamas Red Cross; Leah Davis, moderator and Group Marketing and Communications Manager; Leonard Sands, Former President, Bahamian Contractors Association; Jerome Knowles, Managing Director, Confidence Insurance Bahamas Agency Limited.

RUSH SCHOLARSHIP: Bahamas First launched its RUSH Scholarship, a partnership with the Bahamas Technical and Vocational Institute. Two candidates were awarded full scholarships, inclusive of tuition and fees, for two programmes: Auto Collision Repair (4 semesters) and Auto Mechanics (5 semesters). Candidates will be offered an engineering internship with First Response on successful completion of the programmes.



CAYMAN RED CROSS PARTNERSHIP: Cayman First Insurance has been a Platinum Partner with the Cayman Islands Red Cross (CIRC) for many years, helping them to serve the underprivileged and at risk in the community. Last year CIRC launched its biggest one-time capital campaign to date called "Shelter from the Storm", with the aim of renovating and refurbishing its Hurricane Shelter and Headquarters. Cayman First Insurance joined as a Response Partner, with a donation of $25,000 to the Campaign. Shown (L-R): Regina Clarke, Assistant HR Manager; Lucas McField, HR Assistant; Jondo Obi, Cayman Islands Red Cross; Gordon Philip, MD.

CORPORATE SOCIAL RESPONSIBILITY
Continued

BAHAMAS FIRST JUNIOR GOLF OPEN: In partnership with the Fourteen Clubs Golf Academy, Bahamas First presented this junior golf tournament in July 2018 at the Ocean Club Golf Course. Junior golfers between the ages of 7 and 18 years old participated in teams within their age divisions.

JUNKANOO WORKSHOP: In partnership with the Saxon's Superstars Junkanoo Group, which the Company sponsors, a workshop was hosted for the children of the Mason's Addition community. Youngsters learned the basics of costume making and had the opportunity to create a small craft and participate in a Junkanoo rush.

PARTNERSHIPS WITH THE UNIVERSITY OF THE BAHAMAS: Supporting the University has been a key priority in The Bahamas which we have acted on through sponsorship of UBFIT, the signature fitness and wellness event held by the University, and of its inaugural President's Golf Classic.

BAHAMAS GUARDIANS ALIVE TITLE SPONSORSHIP: More than 400 individuals joined 70 Guardians for the 2018 wellness event. The programme that involves veteran Cayman Island athletes helping beginner and intermediate athletes to do their best by providing tips that will enable them to train safely and remain active all year round.

TITLE SPONSORSHIP OF THE CAYMAN ISLANDS TRIATHLON: Cayman First Insurance has been the event's title sponsor for the past three years. The event's charity partner Have A Heart received a cheque for $2,500 from Cayman First Insurance and Cayman Islands Triathlon to help children with heart defects.

SPONSORSHIP OF THE 2018 CARIFTA GAMES: Hosted in The Bahamas in April 2018, the Games presented a significant opportunity to support young athletes. ■

The Bahamas First Group of Companies and its employees have a long history of community involvement and support for organizations which touch the lives of so many people in The Bahamas and The Cayman Islands. We are proud of the many employees who gave so unselfishly to our communities over the past year.

THE BAHAMAS

Bahamas AIDS Foundation
Bahamas Aquatics Federation
Bahamas Council For Disability
Bahamas Feeding Network
Bahamas Football Association
Bahamas Girl Guides Association
Bahamas Heart Association
Bahamas Historical Society
Bahamas National Children's Choir
Bahamas Press Club Hurricane Relief Fund
Bahamas Red Cross Society
Bahamas Swimming Federation
Camp Bahamas
Cancer Society of The Bahamas
Coach Sherman Smith Basketball Camp
Crime Stoppers Bahamas
Eastern Community Association
First Touch Soccer 242
Fourteen Clubs Junior Golf Academy
Governor General's Youth Awards
HACK<IT> Bahamas
Hands For Hunger
Hope Ball
Impact Tennis Summer Camp
International Basketball Academy
Jeff Rodgers Basketball Camp
Junior Achievement
Junior Baseball League of Nassau
Kevin Johnson Basketball Camp
Mario Ford Baseball Programme
National Family Island Regatta Committee
Physically Challenged Children's Committee
Project READ
Ranfurly Home For Children
Rotary Clubs of The Bahamas
Royal Bahamas Police Sports & Welfare Fund
Salvation Army
Saxons Junkanoo Group
Sister Sister Breast Cancer Support Group
The Crisis Centre

CAYMAN ISLANDS

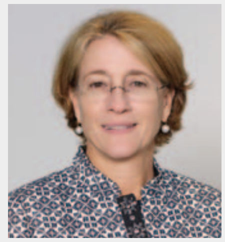
BRAC Cayman South High School Graduation
BRAC Stoke Bay Baptist Youth Camp
BRAC Lions Public Speaking Contest
Cayman AIDS Foundation
Cayman Ark (Acts Of Random Kindness)
Cayman Cricket
Cayman Islands Angling Club
Cayman Islands Crisis Centre
Cayman Island Diabetes Association
Cayman Islands Triathlon Association
Cayman Islands Veterans Association
Drive Safely in Cayman Handbook
Feed Our Future
Have A Heart Cayman Islands
Kiwanis Club of Grand Cayman
KRI Performing Arts School
Leadership Cayman (Chamber Of Commerce)
Lions Club of Tropical Gardens
MS Foundation of the Cayman Islands
National Council Of Voluntary Organizations
Special Needs Foundation Cayman
St. Baldrick's Foundation
The Cayman Islands Red Cross
The Lighthouse School

ALISON TRECO
Chair
Director since 2012

In May 2018, Ms. Treco was elected as Chair of the Board at the 2018 Annual General Meeting. Since 2012, Ms. Treco has been a Director of Bahamas First Holdings Limited and several of its Subsidiary Companies' Boards. She also serves as Chair of the Finance & Investment Committee and the Human Resources & Compensation Committee. She is a Director of FT Consultants Ltd., a firm specializing in accounting advisory services.

PATRICK WARD
President & CEO
Director since 1998

Mr. Ward has been a Director since 1998 and prior to that he was the President and Managing Director of Bahamas First General Insurance Company Limited. He is President and CEO of Bahamas First Holdings Limited, Bahamas First General Insurance Company Limited and Bahamas First Corporate Services Ltd.



JUDITH WHITEHEAD
Director
since 2005

Mrs. Whitehead has been a Director since 2005. She is the Managing Partner of Graham, Thompson & Co., a leading law firm in Nassau, The Bahamas. She has served on various other company and civic Boards.

ABHILASH BHACHECH
Director
since 2018

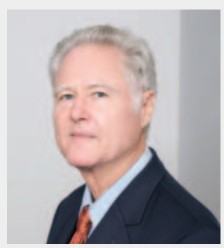
Mr. Bhachech was elected to the Bahamas First Holdings Limited Board in March, 2018 and serves as Chairman of the Audit Committee. Mr. Bhachech's career spans public accounting, management consulting, banking, information technology in financial services and senior financial regulatory roles within the public sector. Mr. Bhachech also served as the Inspector of Banks & Trust Companies with the Central Bank of The Bahamas and is currently serving as a Financial Services Consultant.

LINDA GOSS
Director
since 2014

Ms. Goss who was elected as a Director in March 2014 is Senior Vice President and Chief Actuary for Economical Mutual Insurance Company (Economical). She joined Economical in July 2000 as the Assistant Vice President, Actuarial Services and became Vice President, Actuarial Services in July 2001.

DR. SAMIR MIKHAEL
Director
since 2015

Dr. Mikhael was elected to the Bahamas First Holdings Limited Board in July 2015. Prior to this he has served on the NUA Board since 2004. Dr. Mikhael has been Chair of the Medical Staff at Doctors Hospital since 2003. A practicing Ophthalmic Surgeon, Dr. Mikhael holds several medical posts.

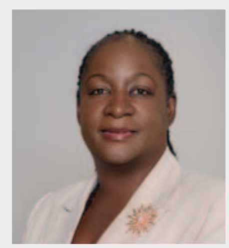


NEIL MCKINNEY
Director
since 2015

Mr. McKinney was elected to the Bahamas First Holdings Limited Board in July 2015. He has worked in importing and retail for thirty years at John S. George until the business was sold in 2004. During that time he also served as President of The Bahamas Chamber of Commerce for two years. He is a longtime supporter of The Bahamas National Trust and also served as President for three years and currently as a Council member.

MICHAEL PADFIELD
Director
since 2016

Mr. Padfield is the Vice President, Legal and Corporate Secretary for the Economical Insurance Group of Companies, where he leads the Corporate legal group. He also advises the Board of Directors and senior management on legal risk management, corporate governance, regulatory affairs and strategic transactions.



J. LASHELL ADDERLEY
Secretary

Miss Adderley is the Corporate Secretary of Bahamas First Holdings Limited and its Subsidiary Companies. She also serves as the Group's Legal and Compliance Manager. Prior to joining Bahamas First, Miss Adderley worked as a Civil Litigation Attorney.

AUDIT COMMITTEE - The Committee assists the Board in fulfilling its oversight responsibilities as they relate to the Group's accounting policies, financial reporting, internal control and the legal and regulatory environment.	**MEMBERS:**	Abhilash Bhachech **Chair**	Alison Treco Linda Goss Neil McKinney Samir Mikhael
CORPORATE GOVERNANCE CONDUCT REVIEW & NOMINATIONS COMMITTEE - The Committee measures the Group's governance against best practices and makes recommendations for Board appointments and composition.	**MEMBERS:**	Michael Padfield **Chair**	Alison Treco Judith Whitehead
HUMAN RESOURCES & COMPENSATION COMMITTEE -The Committee is responsible for reviewing and approving the Group's compensation plan and evaluating executive performance.	**MEMBERS:**	Alison Treco **Chair**	Samir Mikhael Judith Whitehead
FINANCE & INVESTMENT COMMITTEE - The Committee focuses on two objectives: financial risk management and investment policy oversight.	**MEMBERS:**	Alison Treco **Chair**	Patrick G. W. Ward Michael Padfield Neil McKinney Abhilash Bhachech
TECHNICAL REVIEW & RISK COMPLIANCE COMMITTEE - The Committee is responsible for ensuring adherence to risk management guidelines as well as reviewing and assessing technical and reinsurance matters.	**MEMBERS:**	Bryan D. Murphy **Chair** Linda Goss Pauline P. Ward V. Keith Rolle	Patrick G. W. Ward Samir Mikhael Richard Darville Andrae Thompson Denise Vaval
THE BFH GROUP RETIREMENT FUND COMMITTEE - Plan Administrator: Colonial Pension Services (Bahamas) Limited Trustee/Custodian: Butterfield Trust (Bahamas) Limited	**INVESTMENT COMMITTEE:**	**Company Representative:** Warren Rolle Chairman **Independent Representative**: Samir Mikhael Secretary	**Staff Representatives:** Area Wilson-Pratt

KEY CONTACTS

HEAD OFFICE

Bahamas First Centre
32 Collins Avenue
Nassau, Bahamas
T: (242) 302-3900
F: (242) 302-3901

AUDITORS

KPMG
Chartered Accountants
Montague Sterling Centre
P.O. Box N-123
Nassau, Bahamas

*Appointed July 2018

ATTORNEYS

The Bahamas:

Graham Thompson & Co.
Sassoon House
Shirley St. & Victoria Ave.
Nassau, Bahamas

Cayman Islands:

Maples and Calder
Ugland House
Grand Cayman
Cayman Islands

INTERNAL AUDIT

Ernst & Young
One-Montague Place
East Bay Street
Nassau, Bahamas

REGISTRAR & TRANSFER AGENTS

Bahamas Central Securities Depository Limited (BCSD)
Suite 202
Fort Nassau Centre
British Colonial Hilton
Nassau, Bahamas

AUTHORIZED AGENTS & BROKERS

Our extensive network of agents in The Bahamas stretches from Grand Bahama to Inagua and everywhere in between. In The Cayman Islands, we enjoy the support of a vibrant network of agents and brokers for all of our product lines. They have been the backbone of our Company since we first offered insurance services, and continue to deliver the highest quality of service to our customers.

THE BAHAMAS

New Providence

A. Scott Fitzgerald Insurance Brokers & Agents Ltd.
T: [242] 325-0865

BMG Insurance Agents & Brokers Limited
T: [242] 322-2225

Chandler Gilbert Insurance Associates Ltd.
T: [242] 676-2306

Colina General Insurance Agents & Brokers Limited
T: [242] 677-2050

Confidence Insurance Bahamas Agency Ltd.
T: [242] 323-6920

FG Insurance Agents & Brokers Ltd.
T: [242] 396-1300

Freeport Insurance Agents & Brokers Ltd.
T: [242] 322-1910

Island Insurance Agents & Brokers Ltd.
T: [242] 322-1106

Nassau Underwriters Agency Insurance Agents & Brokers Ltd.
T: [242] 302-9100

Professional Insurance Consultants Ltd.
T: [242] 327-2143

RMS Insurance Agents and Brokers Ltd.
T: [242] 698-7233

Safeguard Insurance Brokers Ltd.
T: [242] 676-7521

Shield Insurance Agents & Brokers Ltd.
T: [242] 356-7202

Star General Insurance Agents & Brokers Ltd.
T: [242] 676-0800

Sunshine Insurance (Agents & Brokers) Ltd.
T: [242] 394-0011

Tavares Higgs Insurance Agents & Brokers Ltd.
T: [242] 702-9025

Grand Bahama

Colina General Insurance Agents & Brokers Limited
T: [242] 352-3223

FG Insurance Agents & Brokers Ltd.
T: [242] 352-7233

Freeport Insurance Agents & Brokers Ltd.
T: [242] 352-8501

Nassau Underwriters Agency Insurance Agents & Brokers Ltd.
T: [242] 352-7891

Star General Insurance Agents & Brokers (Grand Bahama) Ltd.
T: [242] 350-7827

Abaco

Abaco Insurance Agency Limited
T: [242] 367-2549

Colina General Insurance Agents & Brokers Limited
T: [242] 367-3432

Nassau Underwriters Agency Insurance Agents & Brokers Ltd.
T: [242] 367-2222

Andros

Confidence Insurance Bahamas Agency Ltd.
T: [242] 392-4222

Nassau Underwriters Agency Insurance Agents & Brokers Ltd.
T: [242] 368-2036

Eleuthera

Island Insurance Agents & Brokers Ltd.
T: [242] 332-0380

N.U.A. Insurance Agents & Brokers Ltd.
T: [242] 333-2797

N.U.A. Insurance Agents & Brokers Ltd.
T: [242] 332-0451/2

J.H. (Andy) Higgs Insurance Agents Ltd.
T: [242] 333-4105

Exuma

Colina General Insurance Agents & Brokers Limited
T: [242] 336-2127

Island Insurance Agents & Brokers Ltd.
T: [242] 336-3500

CAYMAN ISLANDS

Cayman Brac

Brac Insurance Associates
T: [345] 948-2266

Grand Cayman

AON Risk Solutions (Cayman)
T: [345] 945-1266

Balderamos Insurance Services
T: [345] 945-3450

Bogle Insurance Brokers
T: [345] 949-0579

Caribbean Insurance Practice
T: [345] 943-2475

Cayman Insurance Centre
T: [345] 949-4657

Fidelity Insurance (Cayman)
T: [345] 949-7221

FIS Insurance Brokers
T: [345] 945-5616

Hyperion Risk Solutions (Cayman)
T: [345] 623-6500

International Property Insurance
T: [345] 623-1111

Island Insurance Brokers
T: [345] 949-0883

Marsh Management Services Cayman
T: [345] 949-7988

Pensum Services
T: [345] 945-1830

Premier Group Insurance Brokers
T: [345] 769-0092

Briat Insurance
T: [345] 945-0030

Saxon Insurance Solutions (Cayman)
T: [345] 947-2966

Scotiabank (Cayman)
T: [345] 949-7666

Willis Management (Cayman)
T: [345] 946-2632

FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Bahamas First Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – comparative information

We draw attention to Note 13 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

Other Matter related to comparative information

The consolidated financial statements of the Group as at and for the years ended December 31, 2017 and December 31, 2016 (from which the statement of financial position as at January 1, 2017 has been derived), excluding the adjustments described in Note 13 to the consolidated financial statements were audited by other auditors who expressed unmodified opinions on these financial statements on April 6, 2018 and April 4, 2017, respectively. As part of our audit of the consolidated financial statements as at and for the year ended December 31, 2018, we audited the adjustments described in Note 13 that were applied to restate the comparative information presented as at and for the year ended December 31, 2017 and the statement of financial position as at January 1, 2017. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the years ended December 31, 2017 or December 31, 2016 (not presented herein) or to the consolidated statement of financial position as at January 1, 2017, other than with respect to the adjustments described in Note 13 to the consolidated financial statements. Accordingly, we do not express an opinion or any form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 13 are appropriate and have been properly applied.

Other information

Management is responsible for the other information. The other information comprises the information to be included in the Group's 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 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 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 performed, we conclude that there is a material misstatement of this other information, we would be required to report that 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 IFRS, 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 skepticism 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.

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.

April 9, 2019

EXPRESSED IN BAHAMIAN DOLLARS

	Notes	December 31, 2018	December 31, 2017 Restated Note 13	January 1, 2017 Restated Note 13
ASSETS				
Cash		$ 17,200,210	$ 18,277,335	$ 24,148,392
Term deposits		-	-	42,664
Trade accounts receivable, net	4,8,23	26,571,355	24,073,400	24,708,014
Sundry receivables and prepayments	23	2,527,885	2,113,575	4,011,384
Deferred commission costs	9	5,104,588	4,769,172	4,711,217
Deferred reinsurance premiums	9	34,467,074	31,481,998	33,638,521
Unpaid claims recoverable from reinsurers	4,10	33,587,632	29,612,913	69,343,459
Investments	6	44,811,848	48,026,516	51,476,661
Investment in associate	7	689,048	672,875	659,759
Property and equipment	4,11	24,434,668	21,586,044	17,335,047
Intangible assets and goodwill	4,13	6,640,092	5,439,477	5,699,375
TOTAL ASSETS		$ 196,034,400	$ 186,053,305	$ 235,774,493

	Notes	December 31 2018	December 31 2017 Restated Note 13	January 1 2017 Restated Note 13
LIABILITIES AND EQUITY				
LIABILITIES:				
Accrued liabilities		4,485,765	$ 3,519,868	$ 2,336,682
Trade accounts payable		5,697,050	2,323,688	22,813,507
Unearned commission income	9	8,880,424	8,738,862	8,859,442
Unearned premiums	9	49,016,075	46,181,146	47,679,262
Unpaid claims	4,10	51,917,644	49,379,265	89,728,281
Loan payable		-	-	861,122
Bonds payable	14	7,616,866	11,422,962	11,437,500
Total liabilities		127,613,824	121,565,791	183,715,796
EQUITY:				
Common shares	15	365,116	365,116	365,116
Preference shares	15	5,000,000	5,000,000	5,000,000
Contributed surplus		14,926,159	14,912,047	14,912,047
General reserve	16	4,000,000	4,000,000	4,000,000
Revaluation reserve	17	3,489,278	4,269,576	4,091,587
Retained earnings		36,535,245	32,326,556	20,546,092
Total equity attributable to owners of the group		64,315,798	60,873,295	48,914,842
Non-controlling interest	18	4,104,778	3,614,219	3,143,855
Total equity		68,420,576	64,487,514	52,058,697
TOTAL LIABILITIES AND EQUITY		**$ 196,034,400**	**$ 186,053,305**	**$ 235,774,493**

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on April 3, 2019 and are signed on its behalf by:

Alison Treco
Chairman

Patrick G. W. Ward
Director

EXPRESSED IN BAHAMIAN DOLLARS

	Notes	2018	2017
UNDERWRITING INCOME:			
Gross premiums written	19,23	$ 154,752,335	$ 143,177,099
Movement in unearned premiums	9	(2,834,929)	1,498,116
		151,917,406	144,675,215
Premiums ceded to reinsurers		(89,528,537)	(80,159,311)
Movement in deferred reinsurance premiums	9	2,985,076	(1,863,951)
Net premiums earned		65,373,945	62,651,953
Commission income		23,741,976	24,464,139
Total underwriting income		89,115,921	87,116,092
UNDERWRITING EXPENSES:			
Net claims incurred	10	27,803,373	27,835,931
Commission expense	23	14,062,369	13,131,007
Cost of excess of loss reinsurance		10,098,292	9,533,969
Premium tax		2,798,017	2,706,028
Total underwriting expenses		54,762,051	53,206,935
Net underwriting income		34,353,870	33,909,157
OTHER EXPENSES:			
Salaries, benefits and bonuses	21,22,23	14,254,236	13,287,196
General and administrative expenses		8,416,541	8,290,710
Interest expense		908,925	1,096,894
Depreciation and amortization of intangible assets	11,13	1,341,643	1,089,611
Total other expenses		24,921,345	23,764,411
UNREALIZED (LOSS)/GAIN ON INVESTMENT	6	(2,541,581)	4,165,119
OTHER INCOME, NET	20	3,165,923	2,758,780
PROFIT FOR THE YEAR		$ 10,056,867	$ 17,068,645
ATTRIBUTABLE TO:			
OWNERS OF THE GROUP		$ 9,239,796	$ 16,511,855
NON-CONTROLLING INTEREST	18	817,071	556,790
		$ 10,056,867	$ 17,068,645
BASIC AND DILUTED EARNINGS PER COMMON SHARE	15	$ 0.24	$ 0.44

See notes to consolidated financial statements.

FOR THE YEAR ENDED DECEMBER 31, 2018 - EXPRESSED IN BAHAMIAN DOLLARS

	Notes	2018	2017
PROFIT FOR THE YEAR		$ 10,056,867	$ 17,068,645
OTHER COMPREHENSIVE INCOME (LOSS):			
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustment of available-for-sale investment	17	(340,388)	-
Unrealized (loss)/gain on available-for-sale investments	6,17	(439,910)	177,989
		(780,298)	177,989
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(780,298)	177,989
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 9,276,569	$ 17,246,634
ATTRIBUTABLE TO:			
OWNERS OF THE GROUP		$ 8,521,660	$ 16,689,844
NON-CONTROLLING INTEREST	18	754,909	556,790
		$ 9,276,569	$ 17,246,634

See notes to consolidated financial statements.

EXPRESSED IN BAHAMIAN DOLLARS

	Attributable to owners of the group							
	Common Shares	Preference Shares	Contributed Surplus	General Reserve	Revaluation Reserve	Retained Earnings	Non-Controlling Interest	Total
Balance at December 31, 2016 as previously reported	$ 365,116	$ 5,000,000	$ 14,912,047	$ 4,000,000	$ 4,091,587	$ 28,231,809	$ 3,143,855	$ 59,744,414
Correction of error (Note 13)	-	-	-	-	-	(7,685,717)	-	(7,685,717)
Restated balance at January 1, 2017 (Note 13)	365,116	5,000,000	14,912,047	4,000,000	4,091,587	20,546,092	3,143,855	52,058,697
Profit for the year	-	-	-	-	-	16,511,855	556,790	17,068,645
Other comprehensive income (Note 17)	-	-	-	-	177,989	-	-	177,989
Total comprehensive income	-	-	-	-	177,989	16,511,855	556,790	17,246,634
Transactions with Shareholders								
Dividends paid by CFI	-	-	-	-	-	-	(86,426)	(86,426)
Preference shares dividend paid (Note 15)	-	-	-	-	-	(350,000)	-	(350,000)
Dividends paid ($0.12 per common share) (Note 15)	-	-	-	-	-	(4,381,391)	-	(4,381,391)
Restated balance at December 31, 2017 (Note 13)	$ 365,116	$ 5,000,000	$ 14,912,047	$ 4,000,000	$ 4,269,576	$ 32,326,556	$ 3,614,219	$ 64,487,514
Profit for the year	-	-	-	-	-	9,239,796	817,071	10,056,867
Other comprehensive income (Note 17)	-	-	-	-	(780,298)	65,400	(65,400)	(780,298)
Total comprehensive income	-	-	-	-	(780,298)	9,305,196	751,671	9,276,569
Transactions with Shareholders								
Dividends paid by CFI	-	-	-	-	-	-	(247,000)	(247,000)
Change in shareholders' interest in CFI (Note 15)	-	-	14,112	-	-	-	(14,112)	-
Preference shares dividend paid (Note 15)	-	-	-	-	-	(350,000)	-	(350,000)
Dividends paid ($0.13 per common share) (Note 15)	-	-	-	-	-	(4,746,507)	-	(4,746,507)
Balance at December 31, 2018	$ 365,116	$ 5,000,000	$ 14,926,159	$ 4,000,000	$ 3,489,278	$ 36,535,245	$ 4,104,778	$ 68,420,576

See notes to consolidated financial statements.

EXPRESSED IN BAHAMIAN DOLLARS

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		$ 10,056,867	$ 17,068,645
Adjustments for:			
Depreciation	11	1,067,580	829,713
Amortization of intangible assets	13	274,063	259,898
Amortization of premiums and discounts on bonds	6,20	119,911	170,339
Share of net earnings of associate	7,20	(16,173)	(13,116)
Realized gains on sales of investments	6,20	(1,198,957)	(771,954)
Unrealized loss/(gain) on investment	6	2,541,581	(4,165,119)
Gain on disposal of property and equipment	20	(1,560)	-
Reclassification of AFS investments	17	(340,388)	-
(Increase) decrease in trade accounts receivable, net		(2,497,955)	634,614
(Increase) decrease in sundry receivables and prepayments		(414,310)	1,897,809
Increase in deferred commission costs	9	(335,416)	(57,955)
(Increase) decrease in deferred reinsurance premiums	9	(2,985,076)	2,156,523
Increase in accrued liabilities		965,897	1,183,186
Decrease in accrued interest on bonds	14	(56,096)	(14,538)
Increase (decrease) in trade accounts payable		3,373,362	(20,489,819)
Increase (decrease) in unearned commission income	9	141,562	(120,580)
Increase (decrease) in unearned premiums	9	2,834,929	(1,498,116)
Decrease in net unpaid claims	10	(1,436,340)	(618,470)
Net cash from (used in) operating activities		12,093,481	(3,548,940)

See notes to consolidated financial statements.

(CONTINUED)

EXPRESSED IN BAHAMIAN DOLLARS

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	11	$ (3,919,815)	$ (5,080,710)
Proceeds from disposal of property and equipment	20	5,171	-
Proceeds from sale and maturity of investments	6	4,768,822	9,620,574
Purchase of investments	6	(3,456,599)	(1,225,706)
Acquisition of general insurance portfolios	13	(1,474,678)	-
Decrease in term deposits		-	42,664
Net cash (used in) from investing activities		(4,077,099)	3,356,822
CASH FLOWS FROM FINANCING ACTIVITIES:			
Preference shares dividend paid	15	(350,000)	(350,000)
Changes in non-controlling interest		(247,000)	(86,426)
Common shares dividend paid	15	(4,746,507)	(4,381,391)
Redemption of Series I bonds payable	14	(3,750,000)	-
Repayments of loan payable		-	(861,122)
Net cash used in financing activities		(9,093,507)	(5,678,939)
NET DECREASE IN			
CASH AND CASH EQUIVALENTS		(1,077,125)	(5,871,057)
CASH AND CASH EQUIVALENTS:			
BEGINNING OF YEAR		18,277,335	24,148,392
END OF YEAR		$ 17,200,210	$ 18,277,335
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:			
Cash		$ 17,200,210	$ 18,277,335
		$ 17,200,210	$ 18,277,335
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Interest received		$ 1,442,642	$ 1,558,793
Dividends received		$ 348,624	$ 432,626
Interest expense paid		$ 965,021	$ 1,111,432

See notes to consolidated financial statements.

(CONCLUDED)

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Bahamas First Holdings Limited ("BFH" or the "Company") and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas, except BFH International Limited ("BFHIL"), Cayman First Insurance Company Limited ("CFI"), BRAC Insurance Associates Ltd.("BIA") and BFH Services (Cayman) Limited ("BFHS") which are incorporated under the laws of the Cayman Islands.

These consolidated financial statements include the accounts of BFH and its subsidiaries, which are hereinafter collectively referred to as the "Group". The primary activity of the Group is the carrying on of general insurance business (property and casualty) and health and group life insurance. The subsidiaries are as follows:

Registered insurers:

- Bahamas First General Insurance Company Limited ("BFG")
- Cayman First Insurance Company Limited ("CFI")

Registered insurance intermediaries:

- Nassau Underwriters Agency Insurance Agents & Brokers Ltd. ("NUA")
- BRAC Insurance Associates Ltd.("BIA")
- CMA Insurance Brokers & Agents Limited ("CMA")

Management company:

- Bahamas First Corporate Services Ltd. ("BFCS")

BFCS provides administrative and corporate services to the Group and charges management fees to the various Group companies, which are eliminated on consolidation.

Claims servicing company:

- First Response Limited ("FRL")

FRL provides motor claim roadside assistance and claim adjusting services to BFG.

Health referral agency:

- BFH Services (Cayman) Limited ("BFHS")

Insurance holding company:

- BFH International Limited ("BFHIL")

All of the above subsidiaries are wholly-owned except for CFI, which BFHIL owns 87.70%. The registered office of the Group is located at 32 Collins Avenue, Nassau, Bahamas.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee of the IASB effective for annual reporting periods beginning on or after January 1, 2018. None of these standards had a material impact on the consolidated financial statements of the Group.

Standards and Interpretations effective but not affecting the reported results or financial position

IFRS 15 Revenue from Contracts with Customers

The standard replaces IAS 18, creating a single model for revenue recognition from contracts with customers. The adoption of the new standard did not result in any material impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

The IASB issued a temporary exemption for the effective date of implementation of IFRS 9 for insurance companies which meet certain qualifying criteria. This exemption allows the application of IFRS 9 to be deferred until January 1, 2022. At December 31, 2018, the Group meets these qualifying criteria of at least 90% of its total liabilities being connected to insurance contracts and has therefore deferred implementation of IFRS 9.

Standards and Interpretations in issue but not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the aforementioned date. Management has not assessed whether the relevant adoption of these standards, interpretations and amendments in future periods will have a material impact on the financial statements of the Group.

Effective for annual periods beginning on or after January 1, 2019

- IFRS 16 Leases

Effective for annual periods beginning on or after January 1, 2022

- IFRS 17 Insurance contracts

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Corresponding figures within Notes 5 and 6 were adjusted to conform to changes in presentation of investment classifications adopted in the current year.

The following is a summary of the significant accounting policies:

a. ***Basis of preparation*** - These consolidated financial statements have been prepared on the accrual basis and under the historical cost convention, except for certain investments measured at fair value and land and buildings, which are carried at revalued amounts based on valuations performed every three years.

The accounting policies are consistent with those used in the previous years.

b. ***Basis of consolidation*** - Subsidiaries are those entities controlled by BFH. Control exists when the Company is exposed, or has rights, to variable returns from its investment with an entity and has the ability to affect those returns through its power over the entity. In assessing control, the potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

c. ***Business combinations*** - Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the consideration transferred (measured at acquisition date fair value), and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition cost incurred is expensed.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. 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.

Changes in the Company's ownership in a subsidiary that do not result in a loss of control are accounted for as equity transactions, and are recognized in contributed surplus in the consolidated statement of changes in equity.

d. ***Investment in associates*** - An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results, and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially carried at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the associate after the date of acquisition. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. The Company's share of those changes is recognized in Other Income, net in the consolidated statement of profit or loss.

After application of the equity method, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Losses of associates in excess of the Group's interest in those associates are not recognized.

Where a company within the Group transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

e. ***Financial instruments***

Classification and measurement - On initial recognition, a financial asset or liability is measured at its fair value plus, in the case of investments not at Fair Value Through Profit or Loss, transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition, financial assets are classified as either financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; or available-for-sale ("AFS"); and are measured at their fair values plus for transaction costs, except for the following financial assets:

(i) loans and receivables and held-to-maturity financial instruments are measured at amortized cost using the effective interest rate method;

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the classification at each reporting date.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value.

Trade accounts receivable, sundry receivables and receivable from reinsurers are classified as loans and receivables and are carried at cost, which equates to amortized cost, less provision for bad debts. Trade accounts payable and accrued liabilities are financial liabilities, which are carried at cost.

Investments in Bahamas Government Registered Stock are designated as loans and receivables and are carried at amortized cost. Preference shares and redeemable fixed rate note investments that meet the criteria are also classified as loan and receivables and carried at amortised cost. Those that do not meet the criteria are classified as available-for-sale and are measured at fair value at the consolidated statement of financial position date.

Gains and losses arising from changes in fair value of available-for-sale investments are recognized in other comprehensive income (loss) until the investments are disposed of or are determined to be permanently impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income (loss) is included in profit or loss for the period. All other investments are classified as financial assets at fair value through profit or loss. They are measured at fair value with reference to market prices, or, for non-listed companies, financial information on the company. The gain or loss on investments classified as at fair value through profit or loss is recognized in the consolidated statement of profit or loss.

Recognition and derecognition - The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its right to receive cashflows from the asset.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. Financial liabilities are derecognized when they are extinguished.

f. ***Trade accounts receivable*** - Trade accounts receivable is stated at cost less provision for bad debts. The provision for bad debts is based on management's evaluation of the accounts receivable portfolio, as noted in Note 4 (iv).

g. ***Property and equipment*** - Property and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and impairment losses.

Expenditure incurred in the construction or replacement of property and equipment is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the consolidated statement of profit or loss as an expense as incurred. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the consolidated statement of profit or loss.

Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives. Land is not depreciated and expenditure incurred in the construction-in-progress is not depreciated until construction is completed.

The estimated useful lives are as follows:

Buildings	40 years
Furniture and equipment	5 - 10 years
Leasehold improvements and others	3 - 6 years
Computer software	3 - 7 years

Freehold land and buildings are stated at fair market value, based on independent professional appraisals, which are performed at least once every three years. At the end of each reporting period, management updates its assessment of the fair value of each property, considering current information available and the most recent independent valuations. The fair value measurement is categorized in Level 3 in the fair value hierarchy. A revaluation increment is recorded in other comprehensive income (loss), unless it reverses a revaluation decrease of the same asset previously recognized as an expense and is transferred to retained earnings to the extent realized by complete or partial disposal of the related asset, including depreciation.

Any revaluation decrease is recognized as an expense unless it reverses a revaluation increase that was previously recognized in other comprehensive income (loss).

Any depreciation accumulated on an asset at the date of revaluation is eliminated against the gross carrying amount of the asset and the resulting net amount restated to the revalued amount of the asset. The accumulated depreciation is reduced or eliminated, and any remaining surplus is used to increase cost.

h. ***Intangible assets and goodwill*** - On acquisition of an investment in an associate/subsidiary any goodwill arising (i.e. the excess of the cost of the investment over the investor's share of the net fair value of the identifiable assets, liabilities and contingent liabilities) is accounted for as follows:

(i) goodwill is included in the carrying amount of the investment in associate and is neither amortized nor individually tested for impairment. For subsidiaries, it is included as goodwill in the consolidated statement of financial position, and is tested for impairment at least annually.

(ii) other intangible assets identified on acquisition of a subsidiary are recognized at cost, only if future economic benefits attributable to the asset will flow to the Group, and if the fair value of the asset can be measured reliably. In addition, for purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. On acquisition, the useful life of the asset is estimated and determined to be either finite or indefinite.

(iii) any excess of the investor's share of the fair value of the net assets over the cost of the investment is included in the consolidated statement of profit or loss in the period in which the investment is acquired.

After initial recognition, an intangible asset with a finite useful life is amortized using the straight-line method over the estimated useful life of 5-20 years, and is included in general and administrative expenses in the consolidated statement of profit or loss. An intangible asset with an indefinite useful life is not amortized, but tested for impairment at least annually. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group.

An intangible asset shall be derecognized on disposal or when no future economic benefit is expected from its use or disposal. The gain or loss arising from the derecognition is recognized in the consolidated statement of profit or loss.

i. ***Impairment*** - Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period in the statement of profit or loss.

j. ***Insurance contracts***

Product classification - Insurance contracts are those that transfer significant insurance risk at the effective date of the contract. Insurance risk is transferred when the Group agrees to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Any contracts not meeting the definition of an insurance contract under IFRS 4 Insurance Contracts are classified as investment contracts. The main insurance contracts issued by the Group are as follows:

Property and casualty ("P&C") insurance contracts **-** Property and casualty contracts are generally one year renewable contracts issued by the Group covering insurance risks over property, motor, marine, engineering and general accident.

Health and Group Life ("H&L") insurance contracts - Health and Group Life contracts are one year renewable contracts. Health insurance contracts cover insureds for medical expenses incurred. Group Life insurance contracts protect the Group's customers from the consequences of events (such as death or disability). Guaranteed benefits paid on occurrence of the specified insurance event are fixed.

Reinsurance contracts - Contracts with reinsurers under which the Group is compensated for losses are classified as reinsurance contracts held. Insurance contracts in which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term recoverables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment on an ongoing basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated statement of profit or loss.

Portfolio Transfer In / (Out) - At the option of the Company and at the anniversary date of the reinsurance agreements, proportional reinsurers agree to relinquish (assume) liability for all policies in force at such anniversary date. The Company debits (credits) the reinsurers with the related portion of the unearned premiums and unpaid claims calculated in accordance with the method outlined in the agreement.

Premiums - Premiums written are recognized as income over the periods covered by the related policies taking into consideration the exposure period to which they relate. The adjustment to apportion the gross premiums written and ceded over the life of the policy is made through the movement in the unearned premiums. Unearned premiums at year end represent the proportion of the premiums which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis.

Premiums ceded - Premiums ceded to reinsurers are recognized as an expense over the periods covered by the related policies taking into consideration the exposure period to which they relate.

Deferred reinsurance premiums in the consolidated statement of financial position at year end represent the proportion of the premiums ceded which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis.

k. ***Unpaid claims and unpaid claims recoverable from reinsurers*** - The provision for unpaid claims, and the reinsurers' share thereof, represents an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred on or before each consolidated statement of financial position date.

The provision is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. Changes in estimate of the ultimate liability are included in net claims incurred in the consolidated statement of profit or loss.

At the date of the consolidated statement of financial position, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. Management has engaged independent actuaries to assist in performing the liability adequacy test at year-end.

l. ***Policy acquisition costs***

Deferred and unearned commissions - At year end, deferred and unearned commissions represent the proportion of the commission paid to agents and brokers and received from reinsurers which related to periods of insurance subsequent to the consolidated statement of financial position date. These amounts are calculated on a quarterly pro-rated basis taking into consideration the exposure period to which they relate.

Commission income and expense - Base commissions paid to agents and received from insurers and reinsurers are calculated based on gross premiums written and reinsured. Base commissions paid and received are adjusted so that they are recognized over the period covered by the related policies taking into consideration the exposure period to which they relate.

Profit commissions received from reinsurers and non-group insurers, calculated based on past underwriting results, are received from other insurance companies for whom Group agents may act and from the Group's reinsurers. Profit commission income and expense are recognized when the Company's right to receive, or obligation to make, payment has been established.

m. ***Dividend and interest income*** - Dividends are recognized in profit or loss when the Group's right to receive the dividend income is established. Interest income is accounted for on an accrual basis. Both are recognized in Other Income, net in the consolidated statement of profit or loss.

n. ***Investment premiums and discounts*** - Premiums and discounts arising on acquisition of fixed income securities are amortized over the period remaining to maturity and are recognized in Other Income, net in the consolidated statement of profit or loss.

o. ***Cash and cash equivalents*** - Cash and cash equivalents consist of cash on hand and deposits with banks maturing within ninety days from the date of acquisition.

p. ***Borrowings*** - Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated statement of profit or loss over the period of borrowing using the effective rate method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan and are capitalized, and included in sundry receivables and prepayments in the consolidated statement of financial position. Capitalized fees are amortized over the period of the facility to which it relates, and are included in general and administrative expenses in the consolidated statement of profit or loss.

q. ***Share capital*** - Shares are classified as equity when there is no obligation to transfer cash or other assets. Share capital is comprised of common and preference shares. The preference shares are non-voting and redeemable at the option of the Company. When common shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction in equity.

Dividends on common shares are recognized as a liability and deducted from equity when they are declared by the Group's Board of Directors.

r. ***Foreign currency translation:***

(i) ***Functional and presentation currency*** - Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group 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*** - Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar are translated into Bahamian dollars at the exchange rate prevailing at the consolidated statement of financial position date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the date of the transaction. Gains or losses arising from transactions in foreign currencies are included in the consolidated statement of profit or loss and other comprehensive income (loss).

s. ***Related parties*** – Related parties include:
   (i) key management personnel, including Directors; and close members of that persons family;
   (ii) entities that have the ability to control or exercise significant influence over the Group in making financial or operational decisions; and
   (iii) entities that are controlled, jointly controlled or significantly influenced by parties in (i) and (ii).

t. ***Pension benefits*** - The Group's employees participate in a defined contribution plan. Under the plan, the Group contributes a fixed percentage of annual salary that is expensed in the year. Once the contributions have been made, the Group has no further obligations. The expensed amount is included in salaries, benefits and bonuses in the consolidated statement of profit or loss.

u. ***Share-based payments*** - The Company has a share option plan for executives and, on occasion, a share subscription offer for employees. When the options are exercised the Company issues new shares and the proceeds received are credited to common shares and contributed surplus in the consolidated statement of changes in equity.

v. ***Earnings per share*** - Earnings per share is computed by dividing the profit attributable to the common shareholders by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding during the year is the number of common shares outstanding at the beginning of the period, adjusted by the number of common shares repurchased or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. There is no material difference between basic earnings per share and fully diluted earnings per share.

w. ***Leases*** - Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All of the Group's leases are operating leases. Payments made under operating leases are recognized as an expense on a straight line basis over the term of the lease.

x. ***Taxation*** - Subsidiaries of the Group operating in The Bahamas are subject to tax on taxable gross premium income at the flat rate of 3% (2017: 3%) for premium tax; and at 12%, effective July 1, 2018 (2017: 7.5%), for value added tax (VAT). There are no other taxes on corporate income or capital gains levied on the Group in any of the jurisdictions in which the Company operates.

y. ***Segment reporting*** - In identifying its operating segments, management generally follows the Group's business operating activities by geographic location (Bahamas & Cayman). The Bahamas' segment includes general insurance only and Cayman's segment includes both general insurance and health and group life. General insurance comprises fire, motor, marine, engineering and general accident. The health and life insurance segment includes group life and medical insurance.

z. ***Contingent liabilities*** - A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

Provisions are recognized 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 that obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle that obligation at the reporting date and are discounted to present value.

Potential recoveries from third parties are recognized as a receivable when it is virtually certain that the recoveries will be received and the amount can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i. ***The ultimate liability arising from claims made under insurance contracts***

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Group will ultimately pay to settle such claims.

The provision for unpaid claims is necessarily based on estimates due to the fact that ultimate disposition of claims incurred prior to the date of the consolidated statement of financial position, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include, inter alia, jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, changes in medical costs and the cost of automobile and property repair materials and labour rates.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management estimates and judgments are based on the Company's claims experience, relevant circumstances and/or advice from legal counsel.

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Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within one to three months after the claims event. Health claims are normally reported within three months of the event and are usually settled within days of being reported.

Information for long-tail claims such as casualty claims for bodily injury, general third party liability, employers' liability, workmen's compensation and long term disability may not be readily available. The provision for the long-tail claims is continually evaluated by management and is based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group does not establish provisions for catastrophes (such as natural disasters) in advance of the occurrence of such events. These events can cause significant volatility in the Group's level of incurred losses and the provision for unpaid claims.

The impact of critical accounting estimates and judgments on the ultimate liability arising from claims made under insurance contracts is partially mitigated through relief arising from reinsurance contracts held.

The carrying value at the consolidated statement of financial position date of gross claims reported and loss adjustment expenses and claims incurred but not reported was $51,917,644 (2017: $49,379,265). The amount of reinsurance recoveries estimated at the consolidated statement of financial position date is $33,587,632 (2017: $29,612,913).

Refer to Note 10 for further information on the provision for unpaid claims.

ii. ***Pro-ration of Premiums and Commissions***

As described in Note 3j, unearned premiums and deferred reinsurance premiums at year end represent the proportion of the premiums which relate to periods of insurance subsequent to the consolidated statement of financial position date. Similarly as per Note 3l, deferred and unearned commissions at year end represent the proportion of the commission paid to agents and brokers and received from reinsurers which relate to periods of insurance subsequent to the consolidated statement of financial position date. These amounts are calculated on a quarterly pro-rated basis taking into consideration the exposure period to which they relate.

iii. ***Impairment of goodwill and intangible assets***

Determining whether goodwill or intangible assets are impaired requires an estimation of (a) the value in use or (b) the fair value less costs to sell of the cash-generating unit or group of units to which the value has been allocated:

a) The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit(s) and a suitable discount rate in order to calculate present value, both of which are material sources of uncertainty.

b) The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit(s) between knowledgeable willing parties, less the costs of disposal.

The carrying value at the consolidated statement of financial position date for intangible assets and goodwill was $6,640,092 (2017-Restated: $5,439,477).

iv. ***Provision for bad debts***

As described in Note 3f, provision for bad debts is based on management's evaluation of the respective portfolios. This evaluation is based on the aged analysis of the trade accounts receivable. Trade accounts receivable, which is shown net of provision for bad debts, is comprised of (1) amounts receivable from insurance agents that have signed agency agreements with the Group insurers ("insurer trade receivables"); (2) clients of the Group's agency subsidiaries ("policyholders' receivables"); and (3) amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held ("reinsurers' receivables").

Provisions are recorded for policyholders' receivables as follows:

Over 6 months	10% provision
Over 9 months	20% provision
Over 1 year	100% provision

The carrying value at the consolidated statement of financial position date for trade accounts receivable, net was $26,571,355 (2017: $24,073,400).

v. ***Depreciation***

Depreciation is based on management's estimates of the future useful life of property and equipment. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation charges. The Company reviews the future useful life of property and equipment periodically, taking into consideration the factors mentioned above and all other important factors. In case of significant changes in the estimated useful lives, depreciation charges are adjusted prospectively.

vi. ***Fair value of financial assets and liabilities***

The fair values of listed equities are based on current bid prices reported on recognized exchanges. The fair value of debt securities is based on either current bid prices reported on recognized exchanges or pricing data provided by internationally recognized pricing services. Mutual funds are carried at fair value based on the net asset value per share provided by the administrator of the fund. If prices are not readily available, the fair value is estimated using either dealer quotes or pricing models or discounted cash flow models or management's estimate of amounts that could be realized under current market conditions and which are based on observable market-based inputs when available.

Where fair value has been determined using data provided by a recognized pricing service, dealer quotes, pricing models or net asset value per share, the Group has obtained an understanding of the methods, models and inputs used in pricing and has controls in place that management considers sufficient to validate that prices represent fair value.

Investments for which observable market prices do not exist are reported at fair value as determined in good faith by management. Fair value is based on the best information available and is determined by reference to information including, but not limited to the following: projected revenues, net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), book value, relevant public or private transactions, valuations for publicly traded companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. The amount determined to be fair value may incorporate management's own assumptions (including appropriate risk adjustments for non-performance and lack of marketability).

For certain financial instruments carried at cost, the carrying amounts approximate to fair value due to the short term nature of these instruments. Such instruments include, premiums receivable, reinsurance balances receivable, other receivables, reinsurance balances payable and other short term liabilities.

Refer to Notes 5 and 6 for further information on the fair value of financial assets and liabilities.

5. RISK MANAGEMENT

As an insurance company, the Group is concerned about the risks inherent in its business activities (insurance risk) and the risks associated with the management of the financial assets and liabilities (financial risk) which support the operational activities. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management structure. The Group has established the Technical Review and Risk Compliance Committee, and the Finance and Investment Committee to ensure that management has a system which details the risk policies, procedures, measurement, reporting and compliance. The Group's Internal Audit reviews the risk management policies and processes and reports directly to the Audit Committee. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Group. The committees report regularly to the Board of Directors on their activities.

The Group has exposures to risks that may develop in each class of business within each operating segment and could have a material impact upon the Group's financial position.

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, the risk is random and therefore unpredictable.

Risk factors that affect insurance are many and include the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Group insures the risks of entities within The Bahamas and the Cayman Islands. There is a concentration of insurance risk in those territories.

Below is a discussion of insurance risks specific to the lines of coverage provided by the operating segments within the Group.

Property and casualty insurance risks

Property risks are comprised of physical damage to property. Property policies are underwritten by reference to the commercial replacement value of the properties and content insured.

Casualty risks are comprised of personal injury from motor claims, public liability, employers' liability, workmen's compensation and personal liability coverage.

For the Group's property and casualty insurance contracts, significant risk exposure arises from low frequency, high severity events such as hurricanes. Single events, such as flooding and fires may also generate significant claims.

Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The costs of rebuilding properties, replacement or indemnity for contents are the key factors that influence the level of claims under these policies.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Group manages this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The Group actively manages and pursues early settlement of all claims to reduce its exposure to unpredictable developments. It has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Company will, where necessary, appoint lawyers to act on the Company's behalf in respect of serious bodily injury claims thus ensuring settlements and avoiding claims development.

The Group follows the policy of underwriting and reinsuring contracts of insurance, which generally limit the liability for any one risk. In addition, catastrophe reinsurance is obtained to limit liability to a maximum of 10% of the Group's capital and reserves in the event of a series of claims arising out of a single occurrence.

The Group is exposed to contractual disputes with its reinsurers and the possibility of default by its reinsurers. The Group is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance constraints. The Group's strategy is to select reinsurers with the best combination of financial strength, price and capacity.

In the event that the Group's reinsurers were unable to meet their obligations under the reinsurance programs in place, the Group would still be obligated to pay all claims made under the insurance policies it issues, but would only receive reimbursement to the extent that the reinsurers could meet their above mentioned obligations.

Management does not anticipate that there will be any issues with the collection of amounts due from reinsurers as they become due, and is not aware of any disputes with reinsurers, overdue amounts or any specific credit issues.

Health and group life insurance risks

The most significant factors that could increase the overall frequency of claims relating to health and group life insurance contracts are epidemics or widespread changes in lifestyle, resulting in earlier or more claims than expected.

The reinsurance program used by the Group is reviewed and approved by the Technical Review and Risk Compliance Committee on an annual basis.

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FINANCIAL RISK

The Group is exposed to financial risk through its financial assets and liabilities. The components of financial risk that have an impact on the Group are credit risk, market risk and liquidity risk. Market risk exposure results from adverse movements in market rates and prices and as a result the Group is exposed to interest rate risk, foreign currency risk and price risk.

Financial risk is a significant risk for the Group's operations. The risk framework combines investment policies, limits, stress tests and regular monitoring to control the nature and level of financial risk and to ensure adherence to Group and regulatory policies and guidelines.

The following table reconciles financial assets and financial liabilities to the Group's statement of financial position:

	2018	2017
Financial assets:		
Cash	$ 17,200,210	$ 18,277,335
Investments:		
At fair value through profit or loss	14,254,420	17,165,657
Available-for-sale	23,280,720	22,313,814
Loans and receivables:		
Debt securities	7,276,708	8,547,045
Trade accounts receivable, net	26,571,355	24,073,400
Other receivables*	1,739,763	1,559,181
Total financial assets	90,323,176	91,936,432
Non - financial assets	105,711,224	94,116,873
Total assets	$ 196,034,400	$ 186,053,305
Financial liabilities:		
Payables at amortized cost:		
Trade accounts payable, accrued expenses and other liabilities	$ 10,182,815	$ 5,843,556
Bonds payable	7,616,866	11,422,962
Total financial liabilities	17,799,681	17,266,518
Non - financial liabilities	109,814,143	104,299,273
Total liabilities	$ 127,613,824	$ 121,565,791

* excludes prepaid expenses of $788,122 (2017: $554,394)

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CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Group is exposed to credit risk are in the cash and cash equivalents, investment portfolios, reinsurance receivables, premiums receivable, and other receivables.

The Group's investment policy permits the Group to invest in fixed income securities, equity securities, private placements of financial institutions, term deposits, and to limit exposure to any one issuer. The Group's deposits are placed with well-known high quality financial institutions. Policies and guidelines are in place to limit the exposure faced by the Group.

The Group is exposed to credit risk with respect to the amounts recoverable from its reinsurers. The Group's liability as primary insurer is not discharged if a reinsurer defaults on the obligation to pay. The Technical Review and Risk Compliance Committee ensures that management assesses the creditworthiness of all reinsurers by reviewing credit ratings as determined by independent rating agencies and other publicly available financial information. The Group has approved limits for the maximum participation of any one reinsurer in its reinsurance program. Reinsurance coverage is placed with a number of major international third party reinsurers, including underwriting members of Lloyd's, with credit ratings of A- or higher from A.M. Best or Standard & Poor's. The concentration of credit risk is also monitored to minimize the Group's exposure to significant losses from reinsurer insolvency.

The following assets of the Group are exposed to credit risk:

	2018	2017
Available-for-sale securities:		
Fixed income debt securities	$ 19,582,366	$ 18,420,435
Mutual funds	1,898,354	1,832,879
Preference shares	1,800,000	2,060,500
Loans and receivables:		
Debt securities	7,276,708	8,547,045
Trade accounts receivable	27,665,892	25,128,693
Other receivables	1,739,763	1,559,181
Reinsurers' share of provision for unpaid claims	33,587,632	29,612,913
Cash	17,200,210	18,277,335
Total	$ 110,750,925	$ 105,438,981

Debt securities are analyzed in the table below using Standard & Poor's ("S&P") ratings (or an equivalent rating when not available from S&P).

	2018	2017
AA	1,295,654	1,021,720
A	8,710,486	8,578,776
BBB	12,024,618	11,218,423
Below BBB or Not rated	4,828,316	6,148,561
Total debt securities	$ 26,859,074	$ 26,967,480

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Financial and other assets exposed to credit risk that are neither past due nor impaired, past due but not impaired and those that are impaired are analyzed in the table below:

At December 31, 2018	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Available-for-sale	$ 23,280,720	$ -	$ -	$ 23,280,720
Loans and receivables:				
Debt securities	7,276,708	-	-	7,276,708
Trade accounts receivable	20,943,856	5,627,500	1,094,536	27,665,892
Other receivables	1,739,763	-	-	1,739,763
Reinsurers' share of provision for unpaid claims	33,587,632	-	-	33,587,632
Cash	17,200,210	-	-	17,200,210
Total assets exposed to credit risk	$ 104,028,889	$ 5,627,500	$ 1,094,536	$ 110,750,925

At December 31, 2017	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Available-for-sale debt securities	$ 22,313,814	$ -	$ -	$ 22,313,814
Loans and receivables:				
Debt securities	8,547,045	-	-	8,547,045
Trade accounts receivable	18,933,476	5,139,924	1,055,293	25,128,693
Other receivables	1,559,181	-	-	1,559,181
Reinsurers' share of provision for unpaid claims	29,612,913	-	-	29,612,913
Cash	18,277,335	-	-	18,277,335
Total assets exposed to credit risk	$ 99,243,764	$ 5,139,924	$ 1,055,293	$ 105,438,981

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Group does not hold collateral as security.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This is primarily a concern with fixed and fluctuating financial instruments, which the Group intends to hold for the long-term.

The Group's investment in fixed income debt securities, money market funds, cash and cash equivalents, and its bonds payables are all subject to interest rate risk. Fluctuations in interest rates impact the level of gains and losses on the Group's interest bearing financial instruments.

The coupon rates associated with the fixed income debt securities held by the Group range from 2.95% to 6.50% (2017: 2.95% to 6.75%). The underlying debt securities of the money market fund may be affected by changes in interest rates. Interest on the Series I and II bonds payable are at B$ prime rate plus 1.75% and 2.00%, respectively (effective rate 6.00% and 6.25%, respectively).

The average interest yields of investments held during the year are as follows:

Debt securities	4.69% (2017: 4.04%)
Cash and money market funds	0.38% (2017: 0.31%)

FOREIGN CURRENCY RISK

Foreign currency risk relates to the Group operating in different currencies and converting non- Bahamian earnings at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Group is not directly exposed to foreign currency risk, as investments are denominated in Bahamian dollars and US dollars.

The Group's investments in The Bahamas are denominated in Bahamian dollars, which is fixed to the US dollar at the following rate: B$1 = US$1. CFI has investments denominated in US dollars. The Cayman Island dollar is fixed to the US$ at the following rate: CI$1 = US$1.20, at the date of the consolidated statement of financial position.

PRICE RISK

The Group is subject to price risk on its equity securities due to changes in market values. One of the primary objectives of the Group's risk management policy is to mitigate potential adverse impacts of market movements.

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LIQUIDITY RISK

Liquidity risk is the risk that the Group may have difficulty liquidating its positions due to existing or unforeseen market constraints to meet obligations associated with financial instruments. In respect of catastrophic events, the Group is exposed to liquidity risk associated with the timing differences between cash flows and expected reinsurance recoveries to meet its insurance liability obligation. Most of the Group's investments are either in a market that is not highly active or do not have a market and therefore may not be readily realizable. As a result, the Group may not be able to quickly liquidate its investments at an amount close to their fair value in order to meet liquidity requirements. The Group mitigates this risk by maintaining significant holdings in cash and cash equivalents and also ensures that there are set guidelines for asset allocations, portfolio limit structures and maturity profiles of investments. The consolidated statement of financial position presents assets and liabilities in order of liquidity.

The following tables indicate the timing of undiscounted cash flows arising from financial liabilities as at December 31, 2018 and 2017:

2018	**Cash flows**			
Financial liabilities	**Total**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accrued expenses and other liabilities	$ 4,485,765	$ 4,485,765	$ -	$ -
Trade accounts payable	5,697,050	5,697,050	-	-
Unpaid claims	51,917,644	14,704,649	19,663,687	17,549,308
Less: unpaid claims recoverable from reinsurers	(33,587,632)	(8,306,120)	(13,208,403)	(12,073,109)
Bonds payable	7,616,866	116,866	3,750,000	3,750,000
Total undiscounted cash flows	$ 36,129,693	$ 16,698,210	$ 10,205,284	9,226,199

2017	**Cash flows**			
Financial liabilities	**Total**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accrued expenses and other liabilities	$ 3,519,868	$ 3,519,868	$ -	$ -
Trade accounts payable	2,323,688	2,323,688	-	-
Unpaid claims	49,379,265	14,344,157	18,578,408	16,456,700
Less: unpaid claims recoverable from reinsurers	(29,612,913)	(7,389,158)	(11,694,804)	(10,528,951)
Bonds payable	11,422,962	172,962	3,750,000	7,500,000
Total undiscounted cash flows	$ 37,032,870	$ 12,971,517	$ 10,633,604	$ 13,427,749

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SENSITIVITY ANALYSIS

The Group predominantly funds its net insurance liabilities through its cash generated in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may be required to be funded through the Group's portfolio of investments.

Insurance liabilities are calculated using historical claims data to determine an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred at the date of the statement of financial position. Projections are based on assumptions implicit in the historic claims development. As such, the sensitivity of the insurance liabilities is based on the financial impact of changes to the reported loss ratio. The provision for long tail claims is determined by using the incurred loss method and loss ratio method. The loss development factors used are based on the Group's experience.

The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant. The analyses assume that there is no correlation between the assumptions.

Sensitivity factor	Description of sensitivity factor applied
Interest rates	The impact of a change in market interest rates by 1%
Underwriting expenses	The impact of a change in underwriting expenses by 5%
Loss ratio	The impact of a change in loss ratio by 5%

December 31, 2018 in $	Interest rates		Underwriting expenses		Loss ratio	
	+1%	-1%	+5%	-5%	+5%	-5%
Impact on profit	402,632	(402,632)	(1,347,934)	1,347,934	(3,268,697)	3,268,697
Impact on equity	402,632	(402,632)	(1,347,934)	1,347,934	(3,268,697)	3,268,697

December 31, 2017 in $	Interest rates		Underwriting expenses		Loss ratio	
	+1%	-1%	+5%	-5%	+5%	-5%
Impact on profit	378,938	(378,938)	(1,268,550)	1,268,550	(3,132,598)	3,132,598
Impact on equity	378,938	(378,938)	(1,268,550)	1,268,550	(3,132,598)	3,132,598

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Price risk arises primarily from changes in the value of equity investments that may be bought and sold. The Group is sensitive to price risk on its fair value through profit or loss and available-for-sale securities. These securities are managed according to the benchmarks as specified in the Group's statement of investment policy and guidelines. The effect of a 10% increase (2017: 10%) and a 10% decrease (2017:10%) in prices at the date of the consolidated statement of financial position are set out below:

At December 31, 2018	**Carrying value**	**Effect on profit and equity +10%**	**Effect on profit and equity -10%**
Listed on stock exchanges / markets	$ 14,248,863	$ 1,424,886	$ (1,424,886)
Preference shares	1,800,000	$ 180,000	$ (180,000)
Listed / unlisted mutual funds	1,898,354	$ 189,835	$ (189,835)
Total	$ 17,947,217	$ 1,794,721	$ (1,794,721)
At December 31, 2017			
Listed on stock exchanges / markets	$ 17,160,100	$ 1,716,010	$ (1,716,010)
Preference shares	$ 2,060,500	206,050	(206,050)
Listed / unlisted mutual funds	1,832,879	183,288	(183,288)
Total	$ 21,053,479	$ 2,105,348	$ (2,105,348)

CAPITAL MANAGEMENT

The Group's objectives when managing Capital are:

- To safeguard the Group's ability to continue as a going concern through prudent and sustainable growth, so that it can continue to maximize returns for shareholders;
- To ensure that it maintains a strong credit rating (minimum AM Best rating of A- Excellent) and healthy capital ratios in order to support its business objectives; and
- To comply with the regulatory capital requirements in the jurisdictions in which the Group operates.

The Group actively monitors its capital requirements and is in compliance with all relevant laws, rules and regulations.

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6. INVESTMENTS

	2018	2017
Loans and Receivable:		
Bahamas Government Registered Stocks - at amortized cost		
Unrestricted	$ 3,439,600	$ 4,429,600
Restricted	1,000,000	1,000,000
Fixed income debt securities, at amortized cost	2,837,108	3,117,445
Total Loans and Receivable	7,276,708	8,547,045
At fair value through profit or loss:		
Bahamas International Securities Exchange Limited (BISX) 12 (2017: 12) common shares - at cost $130,556 (2017: $130,556) less impairment	5,557	5,557
Commonwealth Bank Limited 3,166,414 (2017: 3,516,414) common shares - Cost $1,306,277 (2017: $1,450,666)	14,248,863	17,160,100
Total at fair value through profit or loss	14,254,420	17,165,657
Available-for-sale:		
Fixed income debt securities, at fair value; amortised cost $19,849,830 (2017: $18,182,514)	19,582,366	18,420,435
Mutual funds, at fair value; cost less impairment $1,618,937 (2017: $1,618,937)	1,898,354	1,832,879
Preference shares, at fair value; amortised cost $1,810,500 (2017: $2,060,500)	1,800,000	2,060,500
Total available-for-sale	23,280,720	22,313,814
Total investments	$ 44,811,848	$ 48,026,516

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Loans and receivable investments are recorded at amortized cost based on the effective interest rate method. The variable interest rate instruments are tied to Prime, with interest rates ranging from 4.29% to 4.44% per annum (2017: 4.29% to 4.44%) and scheduled maturities between 2019 and 2030 (2017: 2018 and 2030) at the date of the consolidated statement of financial position.

In 2011, in accordance with the Insurance Act 2005 (Amended 2009), and regulations 61 and 62 of the Insurance (General) Regulations 2010, the Group established a Trust Account (the "BFG Trust") in which $1,000,000 of the Bahamas Government Registered Stocks have been placed in Trust. This amount is restricted for regulatory purposes but the interest income accrues to the Group.

As at December 31, 2018, the investment in Commonwealth Bank Limited (the "Bank") was valued at $4.50 (2017: $4.88) per share, which is the listed price at the date of the consolidated statement of financial position on the Bahamas International Securities Exchange ("BISX"). As a result, the Group recorded an unrealized loss of $2,541,581 (2017: gain of $4,165,119).

The amortized cost and fair value of available-for-sale fixed income debt securities held at December 31, 2018 by contractual maturities are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to repay obligations early without repayment penalties. Interest rates range from 2.95% to 6.50% (2017: 2.95% to 6.75%) per annum at the date of the consolidated statement of financial position.

	2018		2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:				
Due in less than 1 year	$ 1,587,210	$ 1,585,510	$ 1,509,862	$ 1,514,119
Due from 1 through 5 years	$ 12,682,214	$ 12,533,161	9,473,328	9,622,290
Due after 5 years	$ 5,580,406	$ 5,463,696	7,199,324	7,284,026
Total Available-for-sale:	$ 19,849,830	$ 19,582,367	$ 18,182,514	$ 18,420,435

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The Group's fixed income debt securities are comprised of the following:

	2018	2017
Corporate debt securities	$ 19,504,235	$ 18,345,665
Government debt securities	2,885,239	3,157,215
Other debt securities	30,000	35,000
Total	$ 22,419,474	$ 21,537,880

The geographical locations of the Group's portfolio of investments are as follows:

	2018	%	2017	%
Bahamas	$ 27,199,482	61%	$ 31,606,081	66%
USA	7,508,974	17%	6,724,296	14%
Asia	3,064,424	7%	2,796,554	6%
Europe	2,980,985	7%	2,672,248	5%
United Kingdom	2,021,900	4%	2,099,115	5%
Australia	1,009,548	2%	1,056,292	2%
Caribbean	540,895	1%	563,820	1%
South Africa	485,640	1%	508,110	1%
Total	$ 44,811,848	100%	$ 48,026,516	100%

Reconciliation of movements in the balance of investments is provided below:

	Loans & Receivables	Fair value through profit or loss	Available-for-sale	Total
At December 31, 2016	$ 11,471,874	$ 13,100,506	$ 26,904,281	$ 51,476,661
Cost of investments purchased	-	-	$ 1,225,706	$ 1,225,706
Proceeds from sales and maturities	(2,924,829)	(794,380)	$ (5,901,365)	$ (9,620,574)
Amortization of premiums / discounts on bonds (Note 20)	-	-	$ (170,339)	$ (170,339)
Realized gains on sales of investments (Note 20)	-	694,412	$ 77,542	$ 771,954
Net increase in fair value of investments	-	4,165,119	$ 177,989	$ 4,343,108
At December 31, 2017	8,547,045	17,165,657	22,313,814	48,026,516
Cost of investments purchased	-	-	3,456,599	3,456,599
Proceeds from sales and maturities	(1,270,337)	(1,568,613)	(1,929,872)	(4,768,822)
Amortization of premiums / discounts on bonds (Note 20)	-	-	(119,911)	(119,911)
Realized gains on sales of investments (Note 20)	-	1,198,957	-	1,198,957
Net decrease in fair value of investments	-	(2,541,581)	(439,910)	(2,981,491)
At December 31, 2018	7,276,708	14,254,420	23,280,720	44,811,848

Management believes that there is no objective evidence of impairment of its investment portfolio as there has not been a significant or prolonged decline in the fair value of any of its securities.

FAIR VALUE MEASUREMENT

In accordance with IFRS 13 Fair Value Measurement, fair value measurements are classified as Level 1, 2 or 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and are actively traded on recognized exchanges.
- 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); and
- 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).

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In addition to the measurement hierarchy, financial instruments which have significant unobservable inputs (classified as Level 3) require the disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognized in other comprehensive income, purchases, sales, issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions, if material. Disclosure is also required of the movements between different levels of the fair value hierarchy and the reason for those movements.

The following table presents the Group's financial assets measured at fair value at December 31, 2018, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2018

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Equity securities	$ 14,254,420	$ -	$ -	$ 14,254,420
Total	14,254,420	-	-	14,254,420
Available-for-sale financial assets:				
Fixed income debt securities	-	19,562,366	20,000	19,582,366
Mutual funds	-	1,898,354	-	1,898,354
Preference shares	-	1,800,000	-	1,800,000
Total	-	23,260,720	20,000	23,280,720
Total assets measured at fair value	$ 14,254,420	$ 23,260,720	$ 20,000	$ 37,535,140

There were no transfers between the various levels during the year.

The following table presents the Group's financial assets measured at fair value at December 31, 2017, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2017

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Equity securities	$ 17,165,657	$ -	$ -	$ 17,165,657
Total	17,165,657	-	-	17,165,657
Available-for-sale financial assets:				
Fixed income debt securities	-	18,400,435	20,000	18,420,435
Mutual funds	-	1,832,879	-	1,832,879
Preference shares	-	2,060,500	-	2,060,500
Total	-	22,293,814	20,000	22,313,814
Total assets measured at fair value	$ 17,165,657	$ 22,293,814	$ 20,000	$ 39,479,471

There were no transfers between the various levels during 2017.

There were no changes in the carrying value of Level 3 instruments during 2018 and 2017.

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7. INVESTMENT IN ASSOCIATE

The Company holds a 20% (2017: 20%) equity interest in Star General Insurance Agents & Brokers (Grand Bahama) Limited ("Star General"). Star General is incorporated under the Companies Act, 1992 of the Commonwealth of the Bahamas. It is licensed under the Insurance Act, 2005, and operates as a general agent and broker for insurance products, writing business for a number of insurers including BFG.

Effective 18 December 2017 Star General changed its name from Star General Insurance Agents & Brokers (Grand Bahama) Limited to Star General Insurance Agents & Brokers (Bahamas) Limited. Subsequent to the year end, Star General Insurance Agents and Brokers Ltd. (SGIABL), a related company, transferred its insurance portfolio and related expenses to the Company.

		2018		2017
Balance at January 1	$	672,875	$	659,759
Share of net earnings for the year (Note 20)		16,173		13,116
Balance at December 31	$	689,048	$	672,875

Share of associate's unaudited statement of financial position:

		2018		2017
Total assets	$	1,621,632	$	1,180,165
Total liabilities		(1,040,584)		(615,290)
Net assets	$	581,048		564,875
Goodwill	$	108,000		108,000
Carrying value of investment in associate	$	689,048	$	672,875

Share of associate's unaudited statement of comprehensive income:

		2018		2017
Revenues	$	819,299	$	514,383
Net income	$	16,173	$	13,116

Investment in associate includes $108,000 (2017: $108,000) in goodwill. At December 31, 2018 the recoverable amount exceeded the carrying amount of the investment in associate, accordingly no provision for impairment was considered necessary.

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8. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivable, which is shown net of provision for bad debts, is comprised of:

- amounts receivable from insurance agents that have signed agency agreements with the Group insurers ("insurer trade receivables"),
- clients of the Group's agency subsidiaries ("policyholders' receivables"), and
- amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held ("reinsurers' receivables").

	2018	2017
Insurer trade receivables	$ 14,870,253	$ 12,991,271
Policyholders' receivables	12,128,200	11,465,426
Reinsurers' receivables	667,439	671,996
	27,665,892	25,128,693
Provision for bad debts:		
Balance at January 1	1,055,293	1,699,855
Increase (decrease) in provision for the year	54,995	(21,691)
Bad debt written off during the year	(15,751)	(622,871)
Balance at December 31	1,094,537	1,055,293
Trade accounts receivable, net	$ 26,571,355	$ 24,073,400

Ageing of trade accounts receivable, net is as follows:

	2018	2017
Less than 3 months	$ 18,859,012	$ 17,573,134
3-6 months	4,627,385	4,000,236
6 months - 1 year	3,084,958	2,500,030
	$ 26,571,355	$ 24,073,400

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9. DEFERRED/UNEARNED PREMIUMS AND COMMISSION COSTS

	Insurance Assets		Insurance Liabilities	
	Deferred Reinsurance Premiums	Deferred Commission Costs	Unearned Premiums	Unearned Commission Income
Balance at December 31, 2016	$ 33,638,521	$ 4,711,217	$ (47,679,262)	$ (8,859,442)
Portfolio transfer out	(292,572)	-	-	-
Movement during the year	(1,863,951)	57,955	1,498,116	120,580
Balance at December 31, 2017	31,481,998	4,769,172	(46,181,146)	(8,738,862)
Movement during the year	2,985,076	335,416	(2,834,929)	(141,562)
Balance at December 31, 2018	$ 34,467,074	$ 5,104,588	$ (49,016,075)	$ (8,880,424)

10. UNPAID CLAIMS AND CLAIMS INCURRED

	Gross	Reinsurance	Net
Unpaid claims at December 31, 2016	$ 89,728,281	$ (69,343,459)	$ 20,384,822
Claims incurred	39,291,764	(11,455,833)	27,835,931
Claims paid	(79,640,780)	51,186,379	(28,454,401)
Unpaid claims at December 31, 2017	49,379,265	(29,612,913)	19,766,352
Claims incurred	49,331,188	(21,527,815)	27,803,373
Claims paid	(46,792,809)	17,553,096	(29,239,713)
Unpaid claims at December 31, 2018	$ 51,917,644	$ (33,587,632)	$ 18,330,012

The tables on the following page shows the development of claims over a period of time on a gross basis, and also shows the cumulative incurred claims, including both notified and IBNR claims for each successive accident year.

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	P&C					
	2014	2015	2016	2017	2018	Total
Gross claims incurred at end of reporting year	$ 23,695,599	$ 30,382,164	$ 113,514,913	$ 22,918,793	$ 32,646,833	
One year later	23,168,363	29,418,761	107,507,658	28,187,490	-	
Two years later	23,851,734	27,598,709	107,348,016	-	-	
Three years later	22,275,874	28,352,746	-	-	-	
Four years later	22,784,680	-	-	-	-	
Total incurred to date	22,784,680	28,352,746	107,348,016	28,187,490	32,646,833	
Cumulative payments to date	(19,786,053)	(23,884,514)	(100,006,796)	(19,428,504)	(17,589,208)	
Liability included in the consolidated statement of financial position	2,998,627	4,468,232	7,341,220	8,758,986	15,057,625	38,624,690
Reserves for prior years						10,837,354
Total unpaid claims for P&C business including amount recoverable from reinsurer						$ 49,462,044

	H&L					
	2014	2015	2016	2017	2018	Total
Gross claims incurred at end of reporting year	$ 16,369,190	$ 17,853,743	$ 18,638,992	$ 19,645,726	$ 19,747,056	
One year later	15,957,295	18,164,801	17,974,956	18,529,456	-	
Total incurred to date	15,957,295	18,164,801	17,974,956	18,529,456	19,747,056	
Cumulative payments to date	(15,957,295)	(18,164,801)	(17,974,956)	(18,529,456)	(17,587,056)	
Liability included in the consolidated statement of financial position	-	-	-	-	2,160,000	2,160,000
Reserves for prior years						295,600
Total unpaid claims for H&L business including amount recoverable from reinsurer						$ 2,455,600
Total unpaid claims including amount recoverable from reinsurer in the consolidated statement of financial position						$ 51,917,644

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11. PROPERTY AND EQUIPMENT

2018	Land & Buildings	Construction in Progress	Furniture and Equipment	Leasehold Improvements and Others	Computer Software	Total
COST/VALUATION:						
At January 1, 2018	$ 13,098,713	$ 7,793,077	$ 3,761,866	$ 1,805,825	$ 5,317,996	$ 31,777,477
Additions	$ 10,247,137	$ -	$ 518,036	$ 780,576	$ 167,143	$ 11,712,892
Disposals/Transfers	$ -	$ (7,793,077)	$ (1,486,425)	$ (1,105,823)	$ -	$ (10,385,325)
At December 31, 2018	$ 23,345,850	$ -	$ 2,793,477	$ 1,480,578	$ 5,485,139	$ 33,105,044
ACCUMULATED DEPRECIATION:						
At January 1, 2018	$ 1,472,996	$ -	$ 3,105,302	$ 1,698,369	$ 3,914,766	$ 10,191,433
Charge for the year	$ 385,029	$ -	$ 237,048	$ 55,327	$ 390,176	$ 1,067,580
Disposals	$ -	$ -	$ (1,486,425)	$ (1,102,212)	$ -	$ (2,588,637)
At December 31, 2018	$ 1,858,025	$ -	$ 1,855,925	$ 651,484	$ 4,304,942	$ 8,670,376
Carrying amount 2018	$ 21,487,825	$ -	$ 937,552	$ 829,094	$ 1,180,197	$ 24,434,668

2017	Land & Buildings	Construction in Progress	Furniture and Equipment	Leasehold Improvements and Others	Computer Software	Total
COST/VALUATION:						
At January 1, 2017	$ 13,098,713	$ 3,373,255	$ 3,533,744	$ 1,765,124	$ 4,925,931	$ 26,696,767
Additions	-	4,419,822	228,122	40,701	392,065	5,080,710
Disposals	-	-	-	-	-	-
At December 31, 2017	13,098,713	7,793,077	3,761,866	1,805,825	5,317,996	31,777,477
ACCUMULATED DEPRECIATION:						
At January 1, 2017	$ 1,224,334	$ -	$ 2,684,606	$ 1,664,502	$ 3,788,278	$ 9,361,720
Charge for the year	248,662	-	420,696	33,867	126,488	829,713
Disposals	-	-	-	-	-	-
At December 31, 2017	1,472,996	-	3,105,302	1,698,369	3,914,766	10,191,433
Carrying amount 2017	$ 11,625,717	$ 7,793,077	$ 656,564	$ 107,456	$ 1,403,230	$ 21,586,044

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During 2014, CFI acquired land to develop its own purpose built corporate headquarters. The building was completed in June 2018 at a final cost including the land of $12,512,202.

In September 2016, the land and buildings were revalued to fair market value based on a valuation performed by an independent appraiser for financial statement purposes. The fair value of the land and buildings was based on the combined effect of the cost, income and sales comparison approach. There has been no change in the valuation technique during the year. The fair value measurement of the Company's land and building is categorized in Level 3 in the fair value hierarchy.

There were no transfers between the various levels during the year.

The following table illustrates the impact of changes in estimates and assumptions in determination of fair values of land and buildings.

Estimate/Assumption	Change	Impact on fair value
Rental Revenue	5.00%/-5.00%	$390,529/($490,517)
Vacancy rates	5.00%/-5.00%	($516,333)/$516,333
Discount rate	1.00%/-1.00%	($964,511)/$1,205,639

The net book value of the land and buildings, ignoring effects of revaluations would have been $4,758,816 and $7,062,445 respectively.

12. BUSINESS COMBINATION

Effective October 1, 2018, BFH acquired all the issued and outstanding shares of CMA Insurance Brokers and Agents Ltd. ("CMA"), a company incorporated under the laws of the Bahamas. As per the Share Purchase Agreement, the aggregate consideration for the shares is determined based on the retention of the number of insurance policies in effect at the end of the warranty period, being one year after the completion date.

The aggregate consideration will be in three installments as follows:

- Pre-completion dividend of $832,439 representing 50% of the retained earnings as at September 30, 2017 which was paid on the completion date;
- $1,125,000 (75% of purchase price of $1,500,000) which was due and paid on the completion date; and
- The balance of $417,900 due in cash on October 1, 2019, upon determination of the post completion retention rate and audited retained earnings as at September 30, 2018.

The fair values of the net assets acquired, the purchase consideration and the intangible asset arising on acquisition are set out below.

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	Book Value October 1 2018	Fair Value October 1 2018
Assets:		
Cash	$ 1,035,680	$ 1,035,680
Fixed deposit	$ 114,076	$ 114,076
Accounts receivable	$ 1,263,584	$ 1,263,584
Deposits and prepaid expense	$ 10,942	$ 10,942
Property, plant & equipment	$ 9,323	$ 9,323
Customer relationships (Note 13)	$ -	$ 585,088
Non-compete agreement (Note 13)	$ -	$ 39,590
Total assets	$ 2,433,605	$ 3,058,283
Liabilities:		
Accounts payable and accrued expense	$ 67,010	$ 67,010
Due to insurers	$ 448,686	$ 448,686
Premium tax payable	$ 167,231	$ 167,231
Payable to former shareholders	$ 832,456	$ 832,456
Total liabilities	$ 1,515,383	$ 1,515,383
Net assets acquired	918,222	1,542,900
Purchase consideration		1,542,900
Excess consideration		$ -

The customer relationships of $585,088 comprises the value of projected future income to be derived from the customer relationships attached to CMA clients. This intangible asset has a finite life of 15 years over which the asset will be amortised. The value assigned to the non-compete agreement reflects the value obtained from preventing competition by the former owners for a five year period. The asset will be amortised over its finite life of five years. The acquiree's comprehensive loss for the three months ended December 31, 2018 amounted to $7,099 (2017: $Nil).

13. INTANGIBLE ASSETS AND GOODWILL

Restatement due to an accounting error

During 2018, the Group undertook a review of its intangible assets and goodwill and noted errors pertaining to the Carib Insurance Agents and Brokers (CIA) and Commonwealth General Insurance (CGI) acquisitions. These were as a result of misapplication of recognition and subsequent measurement requirements of the accounting standards effective at the time of acquisition.

Commonwealth General Insurance
In 2005, BFG acquired a portfolio of general insurance business from CGI for $2,692,559. The transaction was accounted for under IFRS 3 *Business Combinations* as an intangible asset with indefinite life. As such it was not amortised but subjected to an annual impairment test. Management has now determined, in retrospect, that a significant portion of the transaction related to in-force insurance contracts that expired within a year of the acquisition, and the longer-term customer relationships associated therewith. Based on management's assessment, the intangible asset related to future customer relationships, which represented a less significant portion of the transaction, should have been amortized over a period of 10 years and fully amortized by the end of 2015. A prior period adjustment has been made in these consolidated financial statements to correct this accounting error.

Carib Insurance Agents and Brokers
Effective January 1, 2007 BFH acquired 100% of the voting shares of CIA. The transaction was accounted for in accordance with IFRS 3, and the excess of consideration paid over the fair value of identifiable net assets, amounting to $4,993,158, was allocated to goodwill. No value was attributed to the value of future income related to customer relationships or to the brand name of the agency.

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Management has now determined, in retrospect, that the $4,993,158 excess of consideration paid over the fair value of identifiable net assets should have been attributed to the value of intangible assets, including (a) customer relationships with an estimated useful life of 10 years, and (b) the brand name of the agency with an indefinite useful life. Management has also determined that the value assigned to the brand names would have been impaired after 2010 when the agency was fully integrated into the Group's subsidiary NUA. The majority of the remaining value of the customer relationships would have also been fully amortised at the end of that current period as well.

Management has determined that an immaterial amount of the intangible asset continued to be recoverable subsequent to 2010 when the agency ceased to be a standalone entity, and has therefore estimated that the full amount of the intangible asset was impaired as of 2010. A prior period adjustment has been made in these financial statements to correct this accounting error. The statement of financial position and the statement of retained earnings have been restated to show the impact on opening retained earnings for the restatement of both transactions. The restatement had no material impact on the statement of profit and loss and other comprehensive during 2017. The table below summarises the impact of the restatement for goodwill and intangible assets:

	Intangible Assets and Goodwill Acquired				
	Goodwill	Customer relationships	Workforce	Non-compete agreements	Total
Balance at 31 December 2016, as previously reported	$ 7,243,968	$ 5,741,124	$ 400,000	$ -	$ 13,385,092
Adjustments	(4,993,158)	(2,692,559)	-	-	(7,685,717)
Restated balance at January 1, 2017	2,250,810	3,048,565	400,000	-	5,699,375
Amortization	-	(259,898)	-	-	(259,898)
Restated balance at December 31, 2017	2,250,810	2,788,667	400,000	-	5,439,477
Acquisitions (Note 12)	-	1,435,088	-	39,590	1,474,678
Amortization	-	(274,063)	-	-	(274,063)
Balance at December 31, 2018	$ 2,250,810	$ 3,949,692	$ 400,000	$ 39,590	$ 6,640,092

As of October 1, 2018 NUA, entered into an agreement with the Response Agency to acquire its portfolio for $850,000. $680,000 of the purchase price was paid as at December 31, 2018. The remainder of the purchase price may be payable in cash after September 30, 2019, contingent on the retention rate of the portfolio acquired exceeding or being equal to 85%. This acquisition of customer relationships is expected to generate benefits to NUA over a finite period of time, and is therefore amortized using the straight-line method over its estimated useful life of fifteen years.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives, and amortization expense is included in general and administrative expenses in the consolidated statement of profit or loss. Intangible assets with indefinite lives and goodwill acquired through business combinations have been allocated to two cash-generating units for impairment testing as follows:

	2018	Restated 2017	As previously presented 2017
Bahamas' cash-generating unit	$ -	$ -	$ 7,685,717
Cayman's cash-generating unit	2,650,810	2,650,810	2,650,810
	$ 2,650,810	$ 2,650,810	10,336,527

The Group performed its annual impairment test as at December 31, 2018. The recoverable amounts of both the Bahamas and Cayman's cash-generating units have been determined by the fair value less costs to sell calculation using an earnings approach based on a multiple of historical results. As the recoverable amounts exceeded the carrying amounts, management did not identify any impairment for either cash-generating unit.

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14. BONDS PAYABLE

On October 15, 2010, the Group effected a private offering of Series I & II Redeemable Cumulative Variable Rate Corporate Bonds ("the bonds"). The net proceeds were used for general corporate purposes. Interest on the bonds are payable at B$ prime rate plus 1.75% and 2.00% per annum respectively. The bonds rank equally among themselves and with all other existing and future unsubordinated and unsecured debt of the Company. The bonds rank senior to the Company's existing and all future preference and ordinary shares.

On March 11, 2017, and July 17, 2018 respectively, the Board of Directors of BFH, in accordance with the provision for early redemption as stated in the BFH's Private Placement Offering Memorandum dated September 2010, resolved to redeem the first 50% and remaining 50% of the outstanding Series I Corporate Bonds.

	2018	2017
Series I Corporate Bonds		
$ nil (2017: $3,750,000) at B$ prime rate + 1.75%		
presently 6.00% (2017: 6.00%) per annum - Due 2020	$ -	$ 3,750,000
Series II Corporate Bonds		
$7,500,000 at B$ prime rate + 2.00%, presently 6.25%		
(2017: 6.25%) per annum - Due 2025	7,500,000	7,500,000
Accrued interest	116,866	172,962
Total	$ 7,616,866	$ 11,422,962

15. SHARE CAPITAL

The Group's share capital is comprised as follows:

	2018	2017
Common shares		
Authorized: 45,000,000 (2017: 45,000,000) at $0.01 each		
Issued and fully paid: 36,511,589 (2017: 36,511,589) par value $0.01 per share	$ 365,116	$ 365,116
Preference shares		
Authorized: 5,000,000 (2017: 5,000,000) at $1.00 each		
Issued and fully paid: 5,000,000 (2017: 5,000,000) par value $1.00 per share	$ 5,000,000	$ 5,000,000

The calculation of basic earnings per share is as follows:

	2018	2017
Profit for the year attributable to owners of the parent	$ 9,239,796	$ 16,511,855
Preference shares dividend paid	(350,000)	(350,000)
Profit for the year attributable to common shareholders	8,889,796	16,161,855
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	$ 0.24	$ 0.44

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There were no transactions that would dilute earnings per share.

Dividends are accounted for in the period in which they are declared by the Group's Board of Directors. During the year, dividends of $0.13 (2017: $0.12) per common share [total dividends $4,746,507 (2017: $4,381,391)] were declared and subsequently paid. In addition to the above dividends, since year end the directors have recommended the payment of a dividend of $0.05 per common share (total dividend of $1,825,580).

The Preference Shares are non-convertible, non-voting, cumulative, redeemable "A" with a dividend rate of 7% per annum. These shares are redeemable at the option of the Company.

During 2018, BFHIL acquired 1,000 shares from minority shareholders at a cost of $14,112, further increasing its holding to 87.70%. The effect of this increase in BFHIL's ownership resulted in an increase of $14,112 in contributed surplus and a corresponding change in non-controlling interest and is reflected in the consolidated statement of changes in equity.

16. GENERAL RESERVE

The Group has established a general reserve from retained earnings in the amount of $4,000,000 (2017: $4,000,000), which the Board of Directors have determined is not available for distribution.

17. REVALUATION RESERVE

	Land & Buildings	AFS Investments	Total
Balance at December 31, 2016	$ 3,514,743	$ 576,844	$ 4,091,587
Net increase in fair value of AFS investments	-	177,989	177,989
Other comprehensive income	-	177,989	177,989
Balance at December 31, 2017	3,514,743	754,833	4,269,576
Reclassification adjustment to AFS	-	(340,388)	(340,388)
Net increase in fair value of AFS investments	-	(439,910)	(439,910)
Other comprehensive income	-	(780,298)	(780,298)
Balance at December 31, 2018	$ 3,514,743	$ (25,465)	$ 3,489,278

In accordance with the Group's accounting policy, freehold land and buildings are subject to a revaluation exercise that is performed by an independent professional appraiser every three years. Freehold land and buildings were independently valued at September 13, 2016. The next appraisal is due in 2019.

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18. NON-CONTROLLING INTEREST

The following table summarises the information relating to Cayman First Insurance which is the Group's sole subsidiary with a material NCI, before any intra-group eliminations.

	2018	2017
NCI percentage	12.30%	12.35%
Total assets	$ 61,657,405	$ 53,904,078
Total liabilities	28,255,000	24,639,140
Net assets	33,402,406	29,264,938
Gross Written Premium	$ 58,687,100	50,270,126
Net underwriting income	14,722,367	11,871,473
Total comprehensive income	6,137,468	4,508,418
Cashflows from operating activities	7,429,883	4,539,709
Cashflows from investment activities	$ (5,369,725)	$ (3,401,548)
Cashflows from financing activities	$ (2,000,000)	$ (700,000)

19. GROSS PREMIUMS WRITTEN

	2018	2017
Group agents and insurers	$ 100,548,643	$ 92,753,768
Non-Group agents	48,278,941	48,955,974
Associate	5,924,751	1,467,357
Total	$ 154,752,335	$ 143,177,099

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20. OTHER INCOME, NET

		2018		2017
Interest income	$	1,394,644	$	1,559,585
Dividend income		348,624		432,626
Realized gains on sales of investments (Note 6)		1,198,957		771,954
Share of net earnings from associate (Note 7)		16,173		13,116
Other income		325,876		151,838
Gain on disposal of property and equipment		1,560		-
Amortization of premiums and discounts on bonds (Note 6)		(119,911)		(170,339)
Total	$	3,165,923	$	2,758,780

21. SALARIES, BENEFITS AND BONUSES

Included in salaries, benefits and bonuses is a bonus payable to management and staff amounting to $923,532 (2017: $842,500). This amount was determined and approved by the Board of Directors.

22. PENSION PLAN

Employees of the Group participate in defined contribution plans registered in The Bahamas and in the Cayman Islands. These plans are administered by independent administrators and trustees and membership is mandatory for all eligible employees. Under these plans, the Group paid contributions of 3% - 5% per annum of base salary. Contributions under these plans totalled $450,079 (2017: $439,651) and are included in “Salaries, benefits and bonuses” in the consolidated statement of profit or loss.

23. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances are as follows:

		2018		2017
Gross premiums written - associate	$	5,924,751	$	1,467,357
Commission expense - associate	$	943,143	$	261,450
Trade accounts receivable - associate	$	1,359,680	$	(42,292)
Directors' fees paid	$	372,597	$	367,500

The receivable balance is expected to be settled in cash. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

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Key management personnel include members of the Group's management team having authority and responsibility for planning, directing and controlling the activities of the Group's operation. Compensation to key management personnel is included in salaries, benefits and bonuses in the consolidated statement of profit or loss and receivables from key management personnel is included in sundry receivables and prepayments in the consolidated statement of financial position and are as follows:

	2018	2017
Salaries and other benefits	$ 1,618,272	$ 1,484,120
Post employment benefits	63,000	56,856
Total	$ 1,681,272	$ 1,540,976
Commission expense	$ 207,879	$ 213,191
Receivables from key management personnel	$ -	$ 13,299

24. COMMITMENTS AND CONTINGENCIES

Commitments

The Group has commitments relating to leased premises. The Group has leased office space with expiration terms and renewal terms extending up to five years. Lease terms vary with the last lease term expiring in 2020. The Group also had a sublease on one of the locations which expired in 2017. Rent expense for the year ended December 31, 2018 totaled $800,603 (2017: $829,008). The related sublease payments were $33,600 (2017: $33,600).

Future lease payments under the operating leases and the sublease income are as follows:

2018	<1 year	1 - 5 years	Total
Operating lease agreements and rental payments	$ 285,242	$ 121,858	$ 407,100
Total	$ 285,242	$ 121,858	$ 407,100

2017	<1 year	1 - 5 years	Total
Operating lease agreements and rental payments	$ 281,643	$ 1,196,280	$ 1,477,923
Total	$ 281,643	$ 1,196,280	$ 1,477,923

Contingencies

In the normal course of its business, the Group is involved in various legal proceedings arising out of and incidental to its insurance operations. The Group is of the opinion that litigation arising from these legal proceedings will not have a significant impact on the financial position, results of operation or cash flows of the Group.

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25. SEGMENTED INFORMATION

In accordance with IFRS 8 *Operating Segments,* the Group has identified the Chief Operating Decision Maker as the Board of Directors. Key decisions on assessing performance and allocation of resources are reviewed by the Board or its sub-committees.

The Group's operations are segmented into the following business segments by geographic location:

- General Insurance / Property and Casualty (P&C)
- Health and Life (H&L)

The segment results for the years ended December 31, 2018 and 2017 are as follows:

	Bahamas	Cayman		
	P&C	P&C	H&L	Total
	$	$	$	$
2018				
Net underwriting income	19,631,501	5,391,379	9,330,990	34,353,870
Depreciation of property & equipment	796,648	142,240	128,693	1,067,580
Amortization of intangible assets	217,527	17,896	38,640	274,063
Segment Profit for the Year	3,414,014	1,138,622	5,504,231	10,056,867
Total segment assets	134,736,986	39,948,251	21,349,163	196,034,400
Total segment liabilities	121,318,824	2,699,890	3,595,110	127,613,824
Capital expenditure	8,153,968	1,868,435	1,690,489	11,712,892

	Bahamas	Cayman		
	Bahamas	Cayman		
	P&C	P&C	H&L	Total
	$	$	$	$
2017				
Net underwriting income	22,633,650	4,470,439	6,805,068	33,909,157
Depreciation of property & equipment	758,172	37,558	33,983	829,713
Amortization of intangible assets	202,032	19,226	38,640	259,898
Segment Profit for the Year	12,619,393	1,163,614	3,285,638	17,068,645
Total segment assets	132,149,227	35,410,795	18,493,283	186,053,305
Total segment liabilities	96,926,651	21,048,392	3,590,748	121,565,791
Capital expenditure	604,937	2,349,781	2,125,992	5,080,710

BAHAMAS FIRST HOLDINGS LIMITED
2018 ANNUAL REPORT

Bahamas First Centre
32 Collins Avenue
Nassau, The Bahamas