# BAHAMAS FIRST HOLDINGS LIMITED

# STRENGTH TO STAY FIRST

## 2017 ANNUAL REPORT

# BAHAMAS FIRST HOLDINGS LIMITED
2017 ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

BAHAMAS FIRST

N·U·A INSURANCE AGENTS & BROKERS

FIRST RESPONSE

CAYMAN FIRST

# WHAT'S INSIDE



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") and BFH Services (Cayman) Limited ("BFHS").

## **ANNUAL REPORT** 2017

# **CHAIRMAN'S** MESSAGE

> *I have no idea where the years have gone! All that I can say is that it has been a most fulfilling, challenging and exciting period.*

**IAN D. FAIR**

**AS I WRITE MY MESSAGE TO YOU for the 2017 BFH Annual Report in early 2018, my theme is crafted around the word "Transition". I am currently in my nineteenth year as your Chairman. In our Press Release in December 2017, we announced the appointment of Alison Treco as Deputy Chair of your Company, with the intention that she would become your new Chair, following the May 2018 Annual General Meeting. I urge you to give Alison the same level of support as you have kindly given to me.**

In 2002, not long after my appointment as Chairman, in 1999, your Company introduced a mandatory retirement age for directors, of 70 years of age. This was in keeping with then evolving international corporate governance standards to ensure a smooth inter-generational transition at board level. In February, 2018 I reached the age of 70 and shall therefore not be eligible for re-election as a director of your Company and thereby Chairman. How time flies, I have no idea where the years have gone! All that I can say is that it has been a most fulfilling, challenging and exciting period.

Your Company is continually evolving and change has been a critically important factor in our success. We must never be afraid of change as it is happening at an ever increasing pace and must be embraced. The alternative is to become irrelevant in short order! Just take a look at companies like Google, Apple, Amazon and Facebook, to name only a few, which have grown exponentially in the past twenty years. They are dynamically changing the way we will do business in the future. They are debunking the old order. Transition and thereby the introduction of new thinking and fresh ideas is a most important element. In a recent interview with the Chairman of the German automobile company, Daimler Benz, he predicted an interesting concept of how our lives will change in the next 20 years. It is well worth reading and posits an extraordinary series of changes as to how we will live in the future. Just a few examples of what he predicts:

- Autonomous cars: In 2018 the first self-driving cars will appear in public. Around 2020 the complete automobile industry will start to be disrupted.
- In the future you don't want to own a car anymore. You will call a car with your phone, it will show up at your location and drive you to your destination. You will not need to park it, you only pay the driven distance and you can be productive whilst you are driving. Our kids will never get a driver's license and will never own a car.
- With significantly fewer accidents car insurance will become cheaper. The car insurance model will slowly disappear.

Sounds far fetched? Well, these are at this stage only predictions. However, they need to be on our radar screen as we plan the future. All that we can say, with certainty, is that the future will be very different and we need to be nimble and innovative enough in the years to come to respond to these challenges and continue to be relevant. The alternative does not bear contemplation.

Despite a year of unprecedented hurricane activity with two back-to-back Category 5 storms in 2017, an unfortunate first occurrence for the Caribbean, the main population centres in The Bahamas and Cayman avoided the wrath of nature. For our Group, the stars aligned and we had a record profit year on all fronts. Our President will comment on this in more detail in his remarks. Over the past nineteen years we have achieved many "Firsts" of which we can all be very proud. It is so hard to pick out some of them, but let me highlight a few, as follows:

- The first Bahamian property and casualty insurance company to have a subsidiary outside The Bahamas, in this case Cayman First. This acquisition has been a great success and has helped significantly to spread the risk.
- The first to come close to gender equality at the board level and absolute equality at managerial level.
- The first to introduce Accident Roadside Assistance in First Response.
- The introduction of the Future Leaders Development Programme, which has arguably made us the employer of choice in the insurance industry.
- The establishment of the Innovation Centre.

Many of these "Firsts" directly address transition issues for our future development. During my nineteen-year tenure as your Chairman, I have been blessed by the unwavering support of so many persons, including:

- A series of committed, dedicated and multi-faceted members of the Board of Directors
- A talented and hardworking executive and staff, so ably led by Patrick Ward, an inspiring leader and a true insurance professional
- A highly knowledgeable and loyal reinsurance broker, Aon
- An extraordinary and supportive panel of reinsurers
- A large group of dedicated brokers and agents throughout The Bahamas and The Cayman Islands
- Most importantly, consistent and loyal customers, without whom none of this would be possible
- A group of shareholders who have supported our vision for the future

To all of you I say a hearty Thank You for placing your trust in me, as your Chairman. It has been a singular privilege and honour to serve you. In conclusion all I can say is Godspeed as you continue to chart the course for the future and move on to even greater achievements and much further success. I shall watch your progress with great interest and shall continue to be an ambassador and supporter of Bahamas First.

**ANNUAL REPORT** 2017

# **PRESIDENT'S** MESSAGE

> *We are firmly of the view that human capital and financial resources are the two main competitive advantages in our business and our future depends very much on how we nurture and develop both.*

**PATRICK G.W. WARD**

**I am pleased to report that every key metric of the Group's performance in 2017 shows that we have made both substantial progress and gains in a year of significant Change, Transition and Recovery across the organization. The 2017 year is one that has been characterized by historic natural catastrophe activity, vividly exhibited by the losses generated from the three major hurricanes, Harvey, Irma and Maria, both in the Caribbean Region and elsewhere.**

Hurricane Irma impacted portions of The Bahamas during the third quarter of 2017 but this event proved to be a non-factor in our overall results for the year. Fortunately, the fourth quarter was much quieter in terms of claims or losses compared to the prior year, when Hurricane Matthew devastated parts of The Bahamas. As the year progressed it became clear that our core earnings were trending in the right direction and, in many respects, we were "firing on all cylinders".

For the first time in a number of years, our gross written premium recorded for the year, exceeded the prior year result, due to positive rate movements and strong organic growth in some classes of business. The 3% top line growth from $138.7 million to $143.2 million restored us to a path of prudent growth. More importantly, this growth did not come at the expense of underwriting performance. The loss ratio in 2017 came in at 44% compared to 63% in 2016, while our expense ratio remained flat at 38%. The overall combined ratio reduced to 84% in 2017, compared to 107% in 2016, the latter being impacted by the occurrence of Hurricane Matthew.

During 2017, we earned an underwriting profit in every line of business across the Group and this is reflected in the record level of net underwriting income total of $34 million, which is almost twice the level achieved in 2016. The most recent result is also higher than any of the prior years without a major loss event. The Group's investment income had a strong finish towards the end of 2017, and this made a meaningful contribution to the bottom line results.

The profit for the year increased to $17 million in 2017, compared to $1.4 million the prior year, and the comprehensive income improved to $17.3 million, significantly higher than the 2016 total of $2.5 million. As a consequence of this stellar outcome, the Group's return on equity (ROE) increased to 25% for 2017, with the rolling 3-year average improving to 16%.

For the first time in our existence, the Group's total equity has eclipsed the $70 million mark, and supports a book value of $1.74 per Common Share, compared to $1.41 in 2016. As we previously reported, dividends paid during 2017 amounted to $0.12 per share or $4.4 million, compared to the 2016 payout of $2.9 million, or $0.08 per share.

Having recovered from the dip in earnings in 2016, we pledge to continue our path toward intentional efforts to construct our operations and finances in such a way so that we are able to withstand economic downturns or extreme peril impacts.

We are firmly of the view that human capital and financial resources are the two main competitive advantages in our business and our future depends very much on how we nurture and develop both.

The Chairman has highlighted a number of transitional points and of course the major item relates to his own retirement from the Group. During his tenure as Chairman, Ian has been appropriately firm, in his oversight responsibilities, but his approach was always tempered with an optimistic outlook. This has enabled the leadership, at every level, to clearly identify, embrace and then exploit those opportunities that accompanied every challenge we have faced during his time with us. On a more personal level, I am grateful for his unconditional willingness to mentor me and provide support when needed.

I am sure I speak on behalf of all of our stakeholders when I say that we highly valued his input which will be missed. We are comforted in the knowledge, however, that an intentional and successful succession plan has been developed and activated to ensure that we move forward unimpeded.

Finally, my comments would not be complete if I did not specifically acknowledge the hard work and dedication of my colleagues at every level throughout the organization.

Thank you for a banner year.

# A TRIBUTE TO IAN D. FAIR

**AT A RECENT MEETING of Bahamian financial services professionals Sean McWeeney, a preeminent lawyer from New Providence, said Ian Fair is one of the most respected elder statesmen of the financial services industry of The Bahamas; that he was the founding Chairman of the Bahamas Financial Services Board and had contributed greatly to the development of the industry in the ensuing years.**


As our outgoing Chairman, one who has given us 19 years of leadership, we know full well how much Ian's wisdom, that comes in part from his global experience, has meant to not only Bahamas First, but the insurance industry in general and the broader financial services industry in The Bahamas. One can point to our emergence as the largest property and casualty insurer in The Bahamas, a top three property and casualty Group in the Caribbean Region, the only Bahamian insurance Group owning a significant subsidiary outside of The Bahamas or NUA becoming one the largest Agents/Brokers in The Bahamas as some of Ian's lasting legacies during his 19-year tenure as our Chairman.

For the management, staff and shareholders of the Bahamas First Group, Ian's legacy is much more than stellar financial performance, greater market share and consistent shareholder return. Ian has engrained within Bahamas First the very attributes that have made him, and companies he has been associated with, so successful – a neverending quest to broaden his horizons, innovation, a tireless work ethic and a belief in ourselves as individuals and as a proud Bahamian company. The road to our success owes so much to Ian's guiding hand and the attributes that now characterise the essence of Bahamas First: strategically approaching intermediary acquisition and consolidation; boldly expanding our footprint into Cayman; diversifying our business through the Economical Group partnership; and creating pathways for the Company and its future generation of executives and managers to keep Bahamas First at the forefront of the industry.

We will miss Ian's leadership and wisdom, but the legacy of his chairmanship will be a constant reminder that we are a Company with a solid and growing foundation and a lasting purpose and vision to succeed.

The Board of Directors, the Company's executive, management, staff and shareholders thank you Ian for your years of dedicated service and for helping us become a truly great and proud Bahamian company. ■

*The Company has grown tremendously during your leadership both organically and via acquisition. We have recently gone through several Category Five hurricanes and the Company has emerged through these events on a solid financial footing with our future prospects bright and poised to continue our steady growth.*

*That you now leave us in such a strong position is a tribute to your chairmanship and guidance over these last eighteen years. As a shareholder and as a director, I thank you for all you have done and wish you success in any future endeavours.*

**Neil McKinney**
Director, Bahamas First Holdings

*I was always struck by your respect for other people's opinions and ideas and how well you listened. Long will BFG continue to benefit from the positive changes that you brought through your thoughtful and stellar leadership over all these years.*

*Wishing you all that is good and wonderful in the future.*

**Pauline Ward**
Director, Bahamas First General Insurance Company

*Thank you to Ian Fair for many years of dedicated and distinguished service to Bahamas First. Ian's leadership and wisdom have been an invaluable catalyst for growth, innovation and success at Bahamas First, and he has been a paragon of excellence in corporate governance for his colleagues on our board.*

*We wish Ian and his family all the best in their future endeavours.*

**Michael Padfield**
Director, Bahamas First Holdings

*Ian has been a superb Chairman of the BFH Group of companies and a major contributor to their continued success. He possesses great business acumen, professional expertise and total integrity. He is also a champion of high standards and fairness. I have been especially impressed by his desire and commitment in encouraging and promoting younger members of the staff. His wonderful sense of understated British humour- which I am pleased to observe has been enhanced by Bahamian charm and Caribbean folklore- has stood him well in negotiations and Board deliberations.*

**Bryan Murphy**
Cayman First Insurance Company

# SUMMARY OF RESULTS

## YEAR IN REVIEW

# **SUMMARY** OF RESULTS

FOR THE YEAR ENDED DECEMBER 31, 2017

| | | 2017 | 2016 | % Change | 2015 |
|---|---|---|---|---|---|
| **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** | | | | | |
| | Total assets | 193,739 | 243,460 | -20% | 183,528 |
| | Equity attributable to owners of the parent | 68,559 | 56,601 | 21% | 57,558 |
| | **Book value per common share** | **1.74** | **1.41** | | **1.44** |
| **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** | | | | | |
| | Gross premiums written | 143,177 | 138,686 | 3% | 143,361 |
| | Net written premiums | 63,018 | 57,303 | 10% | 59,158 |
| | Net premiums earned | 62,652 | 57,334 | 9% | 59,872 |
| | Commission income | 24,464 | 21,639 | 13% | 23,153 |
| | Net claims incurred | 27,836 | 36,407 | -24% | 27,336 |
| | Net underwriting income | 33,909 | 17,599 | 93% | 28,500 |
| | Other income | 2,759 | 2,368 | 17% | 2,252 |
| | Total comprehensive income | 17,247 | 2,543 | 578% | 8,982 |
| | Total comprehensive income attributable to owners of the parent | 16,690 | 2,313 | 623% | 8,618 |
| | **Earnings per common share** | **0.44** | **0.02** | | **0.23** |
| **RATIOS** | | | | | |
| | Solvency ratio | 109% | 99% | | 97% |
| | Combined ratio | 84% | 107% | | 89% |
| | Loss ratio | 44% | 63% | | 46% |
| | Expense ratio | 38% | 38% | | 37% |

**SOLVENCY RATIO** Total equity attributable to owners of the parent 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

# **YEAR IN REVIEW:** CHANGE, TRANSITION & RECOVERY.

**For the third year in a row, we lead off this segment of our reporting with a focus on natural catastrophes, specifically hurricane activity. This is not coincidental, but rather a reflection of the fact that our business has, to varying degrees, been impacted by such events for the past three years in succession. The 2017 Atlantic Hurricane Season recorded six major storms (i.e. hurricanes at category level 3 or above) compared to the annual average of 2.7. The level of insured losses generated globally, from these and other events, is reported to be in the range of $128 billion to $136 billion which puts 2017 at the third highest level behind 2011 and 2015.**

This new reality for the Group requires us to make appropriate adjustments to our business model to ensure that we have a realistic prospect for achieving our targeted returns on a consistent basis. In addition to the threats posed by natural catastrophes, we also have to contend with other market specific and more general "disrupters" that are upending conventional thoughts about the way business is conducted. In response to this, we have made a number of changes to facilitate our progress towards a transformation to a more responsive organization with enhanced digital capabilities. These changes, along with other alterations, have also served to more fully embed succession planning into current and future planning.

### Business Development

The overall economic scenario and outlook for the Caribbean Region remains a mixed bag of results, but we are beginning to see some level of improvement within The Bahamas, which become more pronounced as we headed into 2018. As for Cayman the level of growth, and the future prospects, are significantly stronger and more evident than in many other countries within the region. Fortunately, we experienced some organic growth in both locations, as described more fully in the sections to follow.

The Group's gross written premium of $143.2 million and net written premium of $63 million exceed the prior year totals by 3% and 10%, respectively.

| | 2017 | 2016 |
|---|---|---|
| Gross Written Premium | $143.2M | $138.7M |
| Net Written Premium | $63M | $57.3M |

The majority of the growth in business occurred in those lines of business where our net retentions are higher, thus the more robust nature of the net written premium increase year over year.

### Property

Competition remains a major part of the landscape, in both The Bahamas and in Cayman and this is expected to continue into the foreseeable future. Despite the frequency and severity of losses, reinsurance capacity remains available throughout the region. Coming out of the hurricane losses of 2016, we were able to obtain some positive rate movement for catastrophe-exposed property business in The Bahamas, but not to the extent envisaged at the start of the year. In Cayman, the decline in property rates continued for most of 2017, but stabilized in the final quarter, as a consequence of intentional proactive actions in response to the 2017 hurricanes.

While our aggregates or exposures did not grow by a meaningful amount in either location, we were able to record gross property premiums slightly in excess of $65 million, which is up on the prior year total of $64 million. Both Cayman, and to a larger extent The Bahamas, produced a very healthy underwriting profit for this line of business. Rate adjustments that we put in place in anticipation of 2018 increases in reinsurance costs should help to curtail any margin deterioration going forward, but this will require a measure of discipline.

### Motor/Liability

The policy count for both Cayman and The Bahamas increased meaningfully in 2017 as we registered good organic growth. The growth in business in The Bahamas was no doubt aided by the improved regulatory systems pertaining to the registration and licensing of vehicles which resulted in a higher level of compliance.

Total gross premiums for both Cayman and The Bahamas exceeded $38 million in 2017, which compared favourably to the 2016 result of $37 million. Both locations delivered excellent loss ratios resulting in a very significant contribution to the overall underwriting income in 2017.

### Health

Our Health account grew by a very healthy clip in 2017, increasing to $27.4 million, compared to the prior year total of $24.1 million. The loss ratio also improved to 69.2%.

The implementation of initiatives going back to the last quarter of 2016 has paid significant dividends for this line of business and we will continue to focus on selective underwriting measures to facilitate prudent growth.

### Marine

We experienced a slight increase in gross premiums for this line of business during 2017 but, more importantly, a significant improvement in the loss ratio resulting in a return to profitability as foreshadowed in 2016.

### Engineering

Again a slight increase in gross premiums year over year and an improvement in the loss ratio recorded for 2017. As the economic outlook continues to improve, we expect to see more positive development on this line of business.

### Investments & Asset Management

Investment Assets declined to $67 million from the prior year total of $76.3 million largely as a result of the reduction in cash holdings at December 2017. The 2016 cash balances were elevated above normal limits due to the infusion of cash from reinsurers to fund their portion of Hurricane Matthew claims. Once again we benefitted from an unrealized gain on our investment in Commonwealth Bank, to an even greater extent than the prior year. Total Investment returns for 2017 were $2.8 million, outpacing the 2016 result of $2.4 million.

### Capital & Risk Management

We have now arrived at a new milestone for the level of capital or total equity, amounting to $72.2 million, compared to $59.7 million the prior year. This will allow us to continue to exceed our minimum capital requirements in both jurisdictions and comfortably meet the new A. M. Best rating changes recently introduced.

### Future Outlook

As we entered into 2018, our confidence about the prospect for the future was boosted by the developments over the course of 2017, and events on the horizon. This year (2018) represents the last in our current three-year strategic plan and we envisage that our main operational and financial objectives will be fulfilled. An important part of this endeavour is the reinsurance platform in both Cayman and The Bahamas and, in this respect, we are confident that we are well placed to move forward in this highly competitive environment.

We are also encouraged by the fact that many of the components that made 2017 such a banner year are still in place and this gives us a tremendous opportunity to deliver another solid performance. ■

# HIGHLIGHTS OF 2017

## GROUP ACTIVITIES

# CHANGE LEADERSHIP: COMMITMENT TO STAY FIRST

**TRANSITION AND CHANGE have always been part of the Bahamas First culture. They create the internal energy and motivation that have enabled the Company to be the market leader. 2017 was an exceptional year in that regard, with the Company launching new initiatives and strengthening existing ones to ensure it will remain First for years to come.**

## SUCCESSION PLANNING

Leading the way was the new Succession Planning Programme launched at the annual Management Forum which presented the 6 Critical Steps for the Group's continued success:

| | | | |
|---|---|---|---|
| **STEP 1** | Defining the current situation by assessing the current roles in the Group and how they impact the business. | **STEP 2** | Defining the future state based on the strategic direction of the business. |
| **STEP 3** | Identifying the scope to include management and key entry level positions. | **STEP 4** | Identifying and assessing the talent of employees and their potential to perform and fit future roles within the Group. |
| **STEP 5** | Develop the talent by implementing a personal growth plan for individuals to become more effective in their current roles and to succeed to potential roles. | **STEP 6** | Track development to ensure that the ongoing development matches the timeframe to succeed. |

This dynamic process has allowed us to identify our bench strengths and determine how we will develop our human resources to match the future business needs within the Group, in a mutually beneficial way, by allowing our staff to take ownership and drive the process. As a result of this extensive look at our resources, we are recruiting and repositioning with succession as a key component.

## MANAGEMENT DEVELOPMENTS

The past year was also marked by a number of important developments in strengthening our Management Team:

### Accounts Department


Recruitment of a Group Chief Financial Officer (CFO) **Mr. Andrae Thompson** and a Financial Controller, **Ms. Kendra Carey**.

### Human Resources


Appointment of **Mrs. Richenda King** to Group Vice President Human Resources & Training/CHRO and **Ms. Nicole Leary** to Manager, Compensation and Benefits.

### Information Technology

Appointment of **Mr. Jamaal Davis** to Group Information Technology Manager.

### Actuary & Analytics

Recruitment of **Mr. Anquin Cooper** to the position of Actuarial Analyst.

### Marketing

Recruitment of a Group Marketing and Communications Manager, **Ms. Leah Davis**.

### Operations

Appointment of **Ms. Deborah McKinney** to Group Operations & Special Projects Manager.

### In Cayman

**Mr. Kahlill Strachan** has been appointed to Operations Manager.

# CHANGE LEADERSHIP

## GROUP COLLABORATION

Every effort continues to be made to advance collaboration throughout the Group, exemplified by the theme for the 2017 Management Forum: "Putting First Things First: Intentional Collaboration For Success".

As we move forward, collaboration within the Group to ensure the right skills and expertise are applied to all aspects of our operations will continue to be a driving force in achieving our strategic objectives.

## TRAINING AND DEVELOPMENT

A renewed focus was placed on leadership development, both internally and with our business partners. Our signature programme, John Maxwell's 5 Levels of Leadership, is now a permanent fixture for management and a vital component of employee orientation. Last year, the programme was rolled out to our supervisory management team, after having been presented to our executive management team a few years ago. Additionally, we have completed two very successful seminars for our business partners in Freeport and in Nassau. The Nassau session, facilitated internally by the Human Resources & Training Department, attracted more than 20 individuals including representatives from our agency partners. ■

Seated Front Row (L to R): Denise Vaval, BFG; Sandra Ferguson, Star General; Patrick Ward, President & CEO, BFG; Shenay Archer, R.M.S.; Charlene Pinder, NUA; Standing Front Row (L to R) : Marvin Bain, BFG; Susan Pennerman, Colina; Shadrian Rolle, Shield; Angela Jean Baptiste, CMA; Gia Marie Ifill, A.S.F.; Tanielle Curtis, A.S.F; Tivona Chandler, C.G.I.A.; Berenthia Smith, Star General ; Eunice Williamson, F.G.; Shelly Wilson, Sunshine; Portia Davis, N.U.A.; Alpin Taylor, B.F.G.; Alicia Culmer, F.G.; Nicole Leary, BFG; Standing Back Row (L to R): Dwayne Swaby, Sunshine; Richenda King, Facilitator, BFG; Cedric Smith, BFG; Jamaal Davis; BFG; Dennis Lockhart, BFG; Tristan Knowles, Shield.

## FUTURE LEADERS DEVELOPMENT PROGRAM

Our Future Leaders Development Programme (FLDP), which focuses on leadership and management, completed year one of the two-year programme for new participants. By utilizing the 5 Levels of Leadership, the programme offers participants comprehensive training in international leadership development, business management and the insurance industry. FLDP participants are also schooled in the practical responsibilities of management from "Change Management" to "Decision Making", two modules of a ten-unit program, "Managing for Productivity".

Now in its 4th cycle, FLDP began in 2008 and continues to be the premier leadership development program in the Company. The initiative demonstrates the Company's commitment to its core values and in particular, "Employee Development", in promoting opportunities to support employee growth, build leadership capacity and strengthen partnerships with industry stakeholders. ■

# **CORPORATE** SOCIAL RESPONSIBILITY

**THE BAHAMAS FIRST GROUP remains committed to giving back to the communities of which we are a part in both The Bahamas and the Cayman Islands. Through our Corporate Social Responsibility programme, we aim to donate to and support charitable organizations and special events, primarily working to improve the lives of young people in our communities.**

As the leading general insurer in The Bahamas, Bahamas First General Insurance Company continues to partner with local charitable and civic organizations. One of the highlights from 2017 was The Bahamas First Anchors, the Junior Achievement (J.A.) company sponsored by Bahamas First, who captured top awards including the coveted 2017 Overall Company of the Year award. The Bahamas First Anchors made a clean sweep in 2017, capturing not only the sought-after top company award but also awards for Top Sales, Top Exam Scores and Best Annual Report and many individual Achiever awards, including the prestigious 2017 Most Distinguished Achiever, which went to the Company's President, Enrique Pyfrom.

We are very proud of the J.A. Executive Team, under the leadership of Nicole Leary, for this outstanding achievement and we thank them for their commitment and dedication to the program and to the development of young people in The Bahamas.


Junior Achievement Advisory Team pictured L-R are Criselle King; Marcia Johnson; Nicole Leary, Executive Advisor; Donica Picktock; Raymond Imhoff. Not pictured are Drew Bartlett, Ramon Ferguson, Deandra Strachan, Aranah Lloyd, Valya Gray and Gina Brooks.

Bahamas First also sponsored the Bahamas Aquatic Federation's participation at the 2017 Goodwill Games which were held in Guyana. Forty junior swimmers represented The Bahamas at the event.

Additionally, the Company continued their multi-year sponsorship of the Saxon Superstars Junkanoo Group.


Pictured at a sponsorship cheque presentation to Saxons Superstars are L-R Toby Austin, Chairman, Saxons Superstars; Percy 'Vola' Francis, Leader, Saxons Superstars; Patrick Ward, Bahamas First Group President & CEO; Leah R. Davis, Bahamas First Group Marketing & Communications Manager; Olvin Rees, Treasurer, Saxons Superstars.

In addition to its donations and sponsorships, the Company has been working with its agents and clients to educate clients and the public at large on insurance and industry related topics. In July, Bahamas First facilitated a free public education seminar under the topic, Hurricane Prep 101. The event featured a presentation by Caroline Turnquest, Director General for The Bahamas Red Cross on hurricane preparedness followed by a panel discussion with insurance industry experts.


Panel for Hurricane Prep 101. L-R are Leah Davis, Moderator, Group Marketing & Communications Manager; Warren Rolle, Managing Director, NUA; Leonard Sands, President, Bahamas Contractors Association; Keith Rolle, SVP, Underwriting, Bahamas First; and Iain Parish, Managing Director, Technical Adjusters Bahamas.

In The Cayman Islands, the Company continues to lead the way as a good corporate citizen supporting many local community-based and philanthropic programmes.

The Charities of First initiative sees employees making contributions alongside the company to 12 local charities annually. Additionally, Cayman First has been a Platinum Partner with the Cayman Islands Red Cross for many years, helping them to serve the underprivileged and at risk in the community. ■

Charities of First - Cayman First staff during dress down day in support of Feed Our Future, a local charity.

# CAYMAN FIRST

**THE PAST YEAR saw Cayman First Insurance continue to build its reputation as a leading provider of insurance products and services as well as a Company deeply committed to being an engaged corporate contributor to the community.**

With 50 staff members and a 34-year track record in its market, 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. Its product line includes home, motor, marine, commercial and health coverage. In the spring of 2018, following a two year construction period, Cayman First will deliver its products and services from its new 20,000 square foot state-of-the-art office facility. The much anticipated expansion not only reflects Cayman First's long term commitment to the market but its core philosophy to provide its staff and clients with a modern, user-focused working and business environment.

Cayman First Centre

The building is designed to withstand high winds and to survive flooding, such as occurred in Hurricane Ivan in 2004. The offices, meeting rooms and service equipment are all on the second floor, with the first floor providing 7,800 square feet of covered parking. The Company is also pleased to offer an enhanced First Response vehicle inspection service.

Cayman First remains committed to giving back to the local community, donating more than $40,000 in 2017 to local charitable and community-based organizations. Sponsorships and philanthropic giving have always been part of Cayman First's culture, especially those facilitating positive change in the lives of the country's youth and those who have special needs. Two initiatives in particular underscore the Company's positive influence on the community.

Cayman First's **Classroom of the Month** initiative, a video production which recognizes superior student / teacher team efforts within local schools and youth organizations, completed its second full year at the end of 2017. Classroom of the Month brings Cayman First employees into schools to work with teachers and staff, resulting in a monthly video segment airing on Cayman Life TV.

The programme is a shining example of the Company's commitment to youth development and highlights some of the outstanding accomplishments of young people in Cayman.

**Charities of FIRST** reaches deeper into the community. Introduced in 2016, this employee / company charitable collaboration involves Cayman First employees making a fixed monthly donation to their charity of choice, which is at least matched by the Company. Twelve charities were the beneficiaries of almost $20,000 in 2017 through the Charities of First programme.


From left to right: Elfreda Ebanks, Regina Clarke, Richelle Ebanks and Drew Osborne, Cayman First employees on hand for a cheque presentation to Big Brothers Big Sisters, one of twelve beneficiaries of the Charities of FIRST programme in 2017.

Another highlight in 2017 was Cayman First's title sponsorship of the Cayman Islands Triathlon for the second consecutive year. Held on the first Sunday of November each year, this is the flagship event for the Cayman Islands Triathlon Association and triathletes on the island. A number of employee volunteers assisted with race functions and Jonathan Webster, Cayman First's resident triathlete, participated in the event.

Discovery Kid Preschool was one of the classrooms featured in Cayman First's Classroom of the Month programme

# **NUA INSURANCE** AGENTS & BROKERS

**ENHANCING CUSTOMER SERVICE to distinguish NUA in a saturated and highly competitive intermediary market received special focus in 2017.**

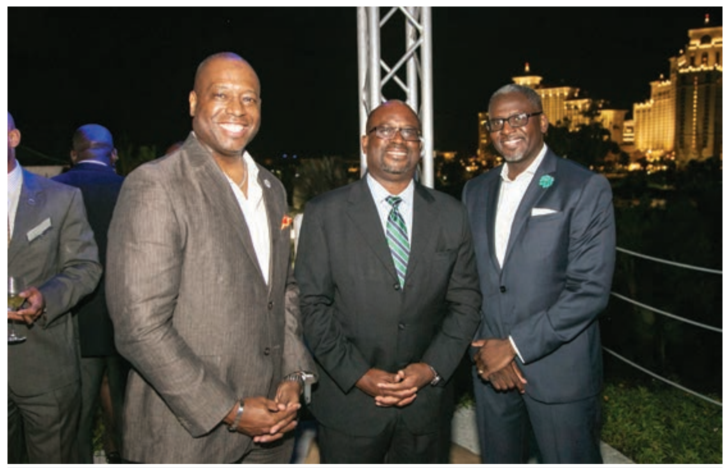
To this end, to complement NUA's internal initiatives, both management and staff took part in a customer service seminar designed to increased employee engagement and enhance service levels across the organization. A number of internal initiatives were also developed to foster a more customer focused culture.

Increasing brand awareness levels to grow market share was also a key priority for NUA in 2017. A number of strategic initiatives were undertaken to deepen existing, and forge new, client relationships.

Targeting the mid to affluent market, NUA partnered with a local realtor to host, The White Party, an exclusive event which generated a significant number of leads. The Company also sponsored Hands for Hunger's signature fundraising event, Paradise Plates, positioning NUA in the forefront with a key target audience.

Later in the year, NUA also hosted a networking event attracting industry leaders from a number of sectors.


Hands for Hunger's Executive Director, Zeleka Knowles, and Warren Rolle, NUA's Managing Director. "Hands for Hunger has been providing a most valuable service to our community for almost 10 years and we are proud to lend support to their efforts this year," said Mr. Rolle.



NUA's Stanford Charlton (left) and Warren Rolle flank Patrick Ward at marketing event with a local realtor.


NUA Executives partnered with ALIV mobile operator to present a lucky winner with a gift at their Networking Event.

# SUPPORTING OUR COMMUNITIES

**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

Artie Johnson Youth Tennis Summer Camp
BAARK
Bahamas AIDS Foundation
Bahamas Aquatics Federation
Bahamas Association for Social Health
Bahamas Children's Emergency Hostel
Bahamas Council For Disability
Bahamas Feeding Network
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
Children's Emergency Hostel
Coach Sherman Smith Basketball Camp
Crime Stoppers Bahamas
Eastern Community Association
First Touch Soccer 242
Governor General's Youth Awards
Hands for Hunger
Impact Tennis Summer Camp
International Basketball Academy
Junior Baseball League of Nassau
King Hoops Basketball
Mangrove Bush Primary School
Mario Ford Baseball Programme
National Family Island Regatta Committee
National Pan Hellenic Council
Police Youth Band
Physically Challenged Children's Committee
Ranfurly Home For Children
RC Athletics
Rotary Clubs of The Bahamas
Royal Bahamas Police Force Dependents' Trust
Royal Bahamas Police Sports & Welfare Fund
Salvation Army
Sandilands Rehabilitation Centre
Saxons Junkanoo Group
Silver Lightning Athletic Club
Sister Sister Breast Cancer Support Group
The Bahamian Project
The Bel Canto Singers
The Crisis Centre
Youth Against Violence
Zonta Club of New Providence

## CAYMAN ISLANDS

100+ Women Who Care – Cayman Islands
Big Brothers Big Sisters of the Cayman Islands
BRAC - Business And Professional Women's Club
BRAC Harmony Learning Centre
BRAC Lions Public Speaking Contest
BRAC Swim Club
Cayman AIDS Foundation
Cayman Ark (Acts Of Random Kindness)
Cayman Cricket
Cayman Hospice Care
Cayman Islands Angling Club
Cayman Islands Basketball Association
Cayman Islands Crisis Centre
Cayman Island Diabetes Association
Cayman Islands Humane Society
Cayman Islands Triathlon Association
Cayman Islands Veterans Association
Dream Out Loud Foundation
Drive Safely in Cayman Handbook
Feed Our Future
Have A Heart Cayman Islands
KRI Performing Arts School
Leadership Cayman (Chamber of Commerce)
Lions Club of Grand Cayman
MS Foundation of the Cayman Islands
National Council Of Voluntary Organizations
Savannah After School Enrichment Program
Special Needs Foundation Cayman
St. Baldricks Foundation
The Cayman Islands Red Cross
The Lighthouse School

# DIRECTORS & OFFICERS

## CORPORATE GOVERNANCE

# **DIRECTORS** & OFFICERS

**IAN FAIR**
Chairman
Director since 1999

Mr. Fair has been the Chairman of the Board and a member of the Board of Directors since 1999. He is also Chairman of Butterfield Trust (Bahamas) Limited. He was the founding Chairman of both The Bahamas Financial Services Board and the Bahamas International Securities Exchange.

**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, Bahamas. She has served on various other company and civic Boards.

**ALISON TRECO**
Director
since 2012

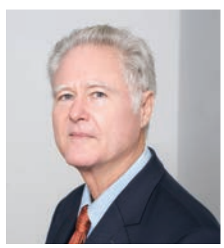
Ms. Treco was elected as a Director of the Bahamas First Holdings Limited and several of its Subsidiary companies' Boards in 2012. She also serves as Chair of the Audit Committee. She is a Director of FT Consultants Ltd., a firm specializing in accounting advisory services. On the 14th December, 2017, Ms. Treco was appointed as the Deputy Chair of the Bahamas First Holdings Limited Board with the intent that she will transition to Chair following the Company's Annual General Meeting in May 2018.

**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 had 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 had 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.

# CORPORATE GOVERNANCE

### 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:**

Alison J. Treco
**Chairman**

Ian D. Fair
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:**

Ian D. Fair
**Chairman**

Judith A. Whitehead
Michael Padfield

### HUMAN RESOURCES & COMPENSATION COMMITTEE

The Committee is responsible for reviewing and approving the Group's compensation plan, and evaluating executive performance.

**MEMBERS:**

Ian D. Fair
**Chairman**

Alison J. Treco
Samir Mikhael

### FINANCE & INVESTMENT COMMITTEE

The Committee focuses on two objectives: financial risk management and investment policy oversight.

**MEMBERS:**

Ian D. Fair
**Chairman**

Alison J. Treco
Patrick G. W. Ward
Michael Padfield
Neil McKinney

### 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
**Chairman**

Linda Goss
Ian D. Fair
Valarie F. Darville
Pauline P. Ward
V. Keith Rolle
Patrick G. W. Ward
Samir Mikhael
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
(Term: 2016-2018)
Warren T. Rolle
(Term: 2015-2017)

# KEY CONTACTS

### HEAD OFFICE

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

### AUDITORS

Deloitte & Touche
Chartered Accountants
& Management
Consultants
2nd Terrace, Centreville
Nassau, Bahamas

### 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

### BOARD OF DIRECTORS

# 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

CMA Insurance Brokers & Agents Ltd.
T: [242] 393-6735

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

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

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

Response Insurance Agency Ltd.
T: [242] 328-7316/7/8

RMS Insurance Agents and Brokers Limited
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 Limited
T: [242] 676-0800

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

Tavares Higgs Insurance Agents & Brokers
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

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

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

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

### Exuma

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

## 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

# BAHAMAS FIRST HOLDINGS LIMITED

# 2017

## FINANCIAL STATEMENTS

# **INDEPENDENT** AUDITORS' REPORT

**Deloitte.**

Chartered Accountants & Management Consultants
2nd Terrace, Centreville, P. O. Box N-7120, Nassau, Bahamas
Tel: +1 (242) 302-4800 | Fax: +1 (242) 322-3101

**TO THE SHAREHOLDERS OF BAHAMAS FIRST HOLDINGS LIMITED:**

**Opinion**

We have audited the consolidated financial statements of Bahamas First Holdings Limited (the Group), which comprise the consolidated statement of financial position as at December 31,2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, 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. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2017, and its financial performance and its 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.

**Other Information**

Management and those charged with governance are responsible for the Other Information. The Other Information comprises all the information in the Bahamas First Holdings Limited 2017 annual report other than the consolidated financial statements and our auditors' report thereon ("the Other Information"). Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are 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 IFRSs, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche

**April 6, 2018**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017 - EXPRESSED IN BAHAMIAN DOLLARS

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | | $ 18,277,335 | $ 24,148,392 |
| Term deposits | 6 | - | 42,664 |
| Trade accounts receivable, net | 4,9,24 | 24,073,400 | 24,708,014 |
| Sundry receivables and prepayments | 24 | 2,113,575 | 4,011,384 |
| Deferred commission costs | 10 | 4,769,172 | 4,711,217 |
| Deferred reinsurance premiums | 10 | 31,481,998 | 33,638,521 |
| Unpaid claims recoverable from reinsurers | 4,11 | 29,612,913 | 69,343,459 |
| Investments | 7 | 48,026,516 | 51,476,661 |
| Investment in associate | 8 | 672,875 | 659,759 |
| Property and equipment | 4,12 | 21,586,044 | 17,335,047 |
| Intangible assets and goodwill | 4,15 | 13,125,194 | 13,385,092 |
| TOTAL | | $ 193,739,022 | $ 243,460,210 |
| **LIABILITIES AND EQUITY** | | | |
| LIABILITIES: | | | |
| Accrued liabilities | | $ 3,519,868 | $ 2,336,682 |
| Trade accounts payable | | 2,323,688 | 22,813,507 |
| Unearned commission income | 10 | 8,738,862 | 8,859,442 |
| Unearned premiums | 10 | 46,181,146 | 47,679,262 |
| Unpaid claims | 4,11 | 49,379,265 | 89,728,281 |
| Loan payable | 13 | - | 861,122 |
| Bonds payable | 16 | 11,422,962 | 11,437,500 |
| Total liabilities | | 121,565,791 | 183,715,796 |
| EQUITY: | | | |
| Common shares | 17 | 365,116 | 365,116 |
| Preference shares | 17 | 5,000,000 | 5,000,000 |
| Contributed surplus | 13 | 14,912,047 | 14,912,047 |
| General reserve | 18 | 4,000,000 | 4,000,000 |
| Revaluation reserve | 19 | 4,269,576 | 4,091,587 |
| Retained earnings | | 40,012,273 | 28,231,809 |
| Total equity attributable to owners of the parent | | 68,559,012 | 56,600,559 |
| Non-controlling interest | | 3,614,219 | 3,143,855 |
| Total equity | | 72,173,231 | 59,744,414 |
| **TOTAL** | | **$ 193,739,022** | **$ 243,460,210** |

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on March 8, 2018 and are signed on its behalf by:

Chairman
**Ian D. Fair**

Director
**Patrick G.W. Ward**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2017 - EXPRESSED IN BAHAMIAN DOLLARS

| | Notes | 2017 | 2016 |
|---|---|---|---|
| UNDERWRITING INCOME: | | | |
| Gross premiums written | 20,24 | $ 143,177,099 | $ 138,686,467 |
| Movement in unearned premiums | 10 | 1,498,116 | 132,826 |
| | | 144,675,215 | 138,819,293 |
| Premiums ceded to reinsurers | | (80,159,311) | (81,383,609) |
| Movement in deferred reinsurance premiums | 10 | (1,863,951) | (101,726) |
| Net premiums earned | | 62,651,953 | 57,333,958 |
| Commission income | | 24,464,139 | 21,639,234 |
| Total underwriting income | | 87,116,092 | 78,973,192 |
| UNDERWRITING EXPENSES: | | | |
| Net claims incurred | 11 | 27,835,931 | 36,406,653 |
| Commission expense | 24 | 13,131,007 | 12,821,036 |
| Cost of excess of loss reinsurance | | 9,533,969 | 9,522,884 |
| Premium tax | | 2,706,028 | 2,623,540 |
| Total underwriting expenses | | 53,206,935 | 61,374,113 |
| Net underwriting income | | 33,909,157 | 17,599,079 |
| OTHER EXPENSES: | | | |
| Salaries, benefits and bonuses | 22,23,24 | 13,287,196 | 12,324,969 |
| General and administrative expenses | | 8,290,710 | 7,694,039 |
| Interest expense | | 1,096,894 | 953,808 |
| Depreciation and amortization of intangible assets | | 1,089,611 | 915,005 |
| Total other expenses | | 23,764,411 | 21,887,821 |
| UNREALIZED GAIN ON INVESTMENT | 7 | 4,165,119 | 3,317,387 |
| OTHER INCOME, NET | 21 | 2,758,780 | 2,367,929 |
| PROFIT FOR THE YEAR | | $ 17,068,645 | $ 1,396,574 |
| ATTRIBUTABLE TO: | | | |
| OWNERS OF THE PARENT | | $ 16,511,855 | $ 1,166,768 |
| NON-CONTROLLING INTEREST | | 556,790 | 229,806 |
| | | $ 17,068,645 | $ 1,396,574 |
| BASIC AND DILUTED EARNINGS PER COMMON SHARE | 17 | $ 0.44 | $ 0.02 |

See notes to consolidated financial statements.

# **CONSOLIDATED STATEMENT** OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2017 - EXPRESSED IN BAHAMIAN DOLLARS

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | **$ 17,068,645** | **$ 1,396,574** |
| OTHER COMPREHENSIVE INCOME (LOSS): | | | |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| Revaluation of land and buildings | 12,19 | - | 644,235 |
| | | - | 644,235 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Unrealized gain on available-for-sale investments | 7,19 | 177,989 | 502,441 |
| | | 177,989 | 502,441 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | 177,989 | 1,146,676 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **$ 17,246,634** | **$ 2,543,250** |
| ATTRIBUTABLE TO: | | | |
| OWNERS OF THE PARENT | | $ 16,689,844 | $ 2,313,444 |
| NON-CONTROLLING INTEREST | | 556,790 | 229,806 |
| | | $ 17,246,634 | $ 2,543,250 |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017 - EXPRESSED IN BAHAMIAN DOLLARS

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Shares | Preference Shares | Contributed Surplus | General Reserve | Revaluation Reserve | Retained Earnings | Non-Controlling Interest | Total |
| **Balance at December 31, 2015** | **$ 365,116** | **$ 5,000,000** | **$ 14,912,047** | **$ 4,000,000** | **$ 2,944,911** | **$ 30,335,868** | **$ 3,086,973** | **$ 60,644,915** |
| Profit for the year | - | - | - | - | - | 1,166,768 | 229,806 | 1,396,574 |
| Other comprehensive income (Notes 19) | - | - | - | - | 1,146,676 | - | - | 1,146,676 |
| Total comprehensive income | - | - | - | - | 1,146,676 | 1,166,768 | 229,806 | 2,543,250 |
| Dividends paid by CFI | - | - | - | - | - | - | (172,924) | (172,924) |
| Preference shares dividend paid (Note 17) | - | - | - | - | - | (350,000) | - | (350,000) |
| Dividends paid ($0.08 per common share) (Note 17) | - | - | - | - | - | (2,920,827) | - | (2,920,827) |
| **Balance at December 31, 2016** | **$ 365,116** | **$ 5,000,000** | **$ 14,912,047** | **$ 4,000,000** | **$ 4,091,587** | **$ 28,231,809** | **$ 3,143,855** | **$ 59,744,414** |
| Profit for the year | - | - | - | - | - | 16,511,855 | 556,790 | 17,068,645 |
| Other comprehensive income (Note 19) | - | - | - | - | 177,989 | - | - | 177,989 |
| Total comprehensive income | - | - | - | - | 177,989 | 16,511,855 | 556,790 | 17,246,634 |
| Dividends paid by CFI | - | - | - | - | - | - | (86,426) | (86,426) |
| Preference shares dividend paid (Note 17) | - | - | - | - | - | (350,000) | - | (350,000) |
| Dividends paid ($0.12 per common share) (Note 17) | - | - | - | - | - | (4,381,391) | - | (4,381,391) |
| **Balance at December 31, 2017** | **$ 365,116** | **$ 5,000,000** | **$ 14,912,047** | **$ 4,000,000** | **$ 4,269,576** | **$ 40,012,273** | **$ 3,614,219** | **$ 72,173,231** |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017 - EXPRESSED IN BAHAMIAN DOLLARS

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Profit for the year | | $ 17,068,645 | $ 1,396,574 |
| Adjustments for: | | | |
| Depreciation | 12 | 829,713 | 687,120 |
| Amortization of intangible assets | 15 | 259,898 | 227,885 |
| Amortization of premiums and discounts on bonds | 7,21 | 170,339 | 170,065 |
| Share of net earnings of associate | 8,21 | (13,116) | (52,608) |
| Realized gains on sales of investments | 7,21 | (771,954) | (216,250) |
| Unrealized gain on investment | 7 | (4,165,119) | (3,317,387) |
| Gain on disposal of property and equipment | 21 | - | (5,000) |
| Decrease (increase) in trade accounts receivable, net | | 634,614 | (3,650) |
| Decrease (increase) in sundry receivables and prepayments | | 1,897,809 | (808,613) |
| (Increase) decrease in deferred commission costs | 10 | (57,955) | 46,790 |
| Decrease (increase) in deferred reinsurance premiums | 10 | 2,156,523 | (797,518) |
| Increase (decrease) in accrued liabilities | | 1,183,186 | (588,445) |
| Decrease in accrued interest on bonds | 16 | (14,538) | (60,938) |
| (Decrease) increase in trade accounts payable | | (20,489,819) | 20,104,279 |
| (Decrease) increase in unearned commission income | 10 | (120,580) | 544,370 |
| Decrease in unearned premiums | 10 | (1,498,116) | (132,826) |
| (Decrease) increase in net unpaid claims | 11 | (618,470) | 1,442,200 |
| **Net cash (used in) from operating activities** | | **$ (3,548,940)** | **$ 18,636,048** |

See notes to consolidated financial statements.

(CONTINUED)

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017 - EXPRESSED IN BAHAMIAN DOLLARS

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property and equipment | 12 | $ (5,080,710) | $ (4,432,625) |
| Proceeds from disposal of property and equipment | 21 | - | 5,000 |
| Proceeds from sale and maturity of investments | 7 | 9,620,574 | 8,720,997 |
| Purchase of investments | 7 | (1,225,706) | (6,558,079) |
| Acquisition of general insurance portfolios | 15 | - | (1,625,880) |
| Dividends received from associate | 8 | - | 12,000 |
| Decrease in term deposits | 6 | 42,664 | 580,485 |
| **Net cash from (used in) investing activities** | | **3,356,822** | **(3,298,102)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Preference shares dividend paid | 17 | (350,000) | (350,000) |
| Changes in non-controlling interest | | (86,426) | (172,924) |
| Common shares dividend paid | 17 | (4,381,391) | (2,920,827) |
| Redemption of Series I bonds payable | 16 | - | (3,750,000) |
| Repayments of loan payable | 13 | (861,122) | (868,024) |
| **Net cash used in financing activities** | | **(5,678,939)** | **(8,061,775)** |
| **NET (DECREASE) INCREASE IN** | | | |
| CASH AND CASH EQUIVALENTS | | (5,871,057) | 7,276,171 |
| CASH AND CASH EQUIVALENTS: | | | |
| BEGINNING OF YEAR | | 24,148,392 | 16,872,221 |
| **END OF YEAR** | | **$ 18,277,335** | **$ 24,148,392** |
| CASH AND CASH EQUIVALENTS ARE COMPRISED OF: | | | |
| Cash | | $ 18,277,335 | $ 24,148,392 |
| Term deposits maturing within ninety days | 6 | - | - |
| | | $ 18,277,335 | $ 24,148,392 |
| **SUPPLEMENTAL CASH FLOW DISCLOSURES:** | | | |
| Interest received | | $ 1,558,793 | $ 1,739,219 |
| Dividends received | | $ 432,626 | $ 469,165 |
| Interest expense paid | | $ 705,645 | $ 953,808 |

See notes to consolidated financial statements.

(CONCLUDED)

## 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")
- Carib Insurance Brokers & Agents Limited ("CIA")

***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 87.65%.

In September 2016, BFHIL acquired all of the issued and outstanding shares of BIA, a company incorporated under the laws of the Cayman Islands, and holding an insurance broker license issued by the Cayman Islands Monetary Authority (see Note 14).

BFHS is an Exempted Company incorporated in September 2016 under the Companies Law (2016 Revision) of the Cayman Islands. BFHS is the appointed exclusive agent in the Bahamas, to refer patients to Health City Cayman Islands ("HCCI"). HCCI operates an international hospital on Grand Cayman providing the highest standards in a state-of-the-art, patient-centred environment, at an affordable cost.

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 (the "IFRIC") of the IASB effective for annual reporting periods beginning on or after January 1, 2017. The adoption of these Standards and Interpretations has not led to any significant impact in the Group's accounting policies, operations or consolidated financial statements other than certain additional disclosures.

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

| | |
|---|---|
| IFRS 12 | Amendments from Annual improvements IFRSs 2014–2016 Cycle (clarifying scope) |
| IAS 7 | Disclosure initiative - Amendments to enable users to evaluate changes in liabilities arising from financing activities |

b. ***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 consolidated financial statements of the Group. Effective date annual periods beginning on or after January 1, 2018

| | |
|---|---|
| IFRS 4 and IFRS 9 | Amendments regarding the interaction of IFRS 4 and IFRS 9 |
| IFRS 9 | Financial Instruments |
| IFRS 7 | Additional disclosures (and consequential amendments) resulting from IFRS 9 |
| IFRS 15 | Revenue from contracts with customers |

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

| | |
|---|---|
| IFRS 16 | Leases |

Effective date annual periods beginning on or after January 1, 2021

| | |
|---|---|
| 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.

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 revalued every three years.

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

b. ***Basis of consolidation*** - Subsidiaries are those enterprises 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 acquirer 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 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 without any deduction 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;
(ii) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

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.

Term deposits are classified as held-to-maturity financial instruments. They have fixed or determinable payments and fixed maturity dates, and the Group has the intent and ability to hold them to maturity.

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 held-to-maturity and are carried at amortized cost. Preference share and redeemable fixed rate note investments are classified as available-for-sale and are carried at cost, as this is considered to be the fair value at the consolidated statement of financial position date. Investment in fixed income debt securities and mutual funds are classified as available-for-sale and are carried at fair value.

Gains and losses arising from changes in fair value of available-for-sale investments are recognized through the consolidated statement of profit or loss and 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. The Group recognizes/derecognizes financial assets purchased or sold on the trade date.

Investments held-to-maturity are recognized/derecognized on the day they are transferred to/by the Group. Financial liabilities are derecognized when they are extinguished. For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in the consolidated statement of profit or loss when it is derecognized or impaired, as well as through the amortization process.

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.

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 every three years. The fair value measurement is categorized in Level 3 in the fair value hierarchy. A revaluation increment is recorded in other comprehensive income 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.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognized in Other Income, net in the consolidated statement of profit or loss.

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 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*** - The carrying amounts of the Group's assets, including goodwill and intangible assets are reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of profit or loss.

An impairment loss in respect of held-to-maturity assets is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

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 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. The agency profit commissions and reinsurance profit and override commissions are recorded on an accrual basis.

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 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) Controlling shareholders;
(ii) Directors;
(iii) Subsidiaries;
(iv) Associates;
(v) Individuals owning, directly or indirectly, an interest in the voting power that gives them significant influence over the enterprise, i.e. normally more than 20% of shares (plus close family members of such individuals);
(vi) Key management personnel (plus close family members of such individuals);
(vii) Enterprises owned by the individuals described in (v) and (vi).

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, being the Officers and Directors. Close family members include the spouse of Key and Non-Key Management Personnel and the children and dependents of Key and Non-Key Management Personnel.

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% (2016: 3%) for premium tax; and at 7.5%, effective July 1, 2015, 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.

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 $49,379,265 (2016: $89,728,281). The amount of reinsurance recoveries estimated at the consolidated statement of financial position date is $29,612,913 (2016: $69,343,459).

Refer to Note 11 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 $13,125,194 (2016: $13,385,092).

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 $24,073,400 (2016: $24,708,014).

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 7 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:

| | 2017 | 2016 |
|---|---|---|
| Financial assets: | | |
| Cash and term deposits | $ 18,277,335 | $ 24,191,056 |
| Investments: | | |
| Held-to-maturity | 5,429,600 | 8,218,000 |
| At fair value through profit or loss | 17,165,657 | 13,100,506 |
| Available-for-sale | 25,431,259 | 30,158,155 |
| Loans and receivables: | | |
| Trade accounts receivable, net | 24,073,400 | 24,708,014 |
| Other receivables* | 1,559,181 | 3,696,070 |
| Total financial assets | 91,936,432 | 104,071,801 |
| Non - financial assets | 101,802,590 | 139,388,409 |
| Total assets | $ 193,739,022 | $ 243,460,210 |
| Financial liabilities: | | |
| Payables at amortized cost: | | |
| Trade accounts payable, accrued expenses and other liabilities | $ 5,843,556 | $ 25,150,189 |
| Bonds and loan payable | 11,422,962 | 12,298,622 |
| Total financial liabilities | 17,266,518 | 37,448,811 |
| Non - financial liabilities | 104,299,273 | 146,266,985 |
| Total liabilities | $ 121,565,791 | $ 183,715,796 |

* excludes prepaid expenses of $554,394 (2016: $315,314)

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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:

| | 2017 | 2016 |
|---|---|---|
| Held-to-maturity debt securities: | | |
| Bahamas Government Registered Stocks | $ 5,429,600 | $ 8,218,000 |
| Available-for-sale securities: | | |
| Fixed income debt securities | 21,522,880 | 22,790,939 |
| Mutual funds | 1,832,879 | 5,286,716 |
| Preference shares | 2,075,500 | 2,080,500 |
| Loans and receivables: | | |
| Trade accounts receivable | 25,128,693 | 26,407,869 |
| Other receivables | 1,559,181 | 3,696,070 |
| Reinsurers' share of provision for unpaid claims | 29,612,913 | 69,343,459 |
| Cash and term deposits | 18,277,335 | 24,191,056 |
| Total | $ 105,438,981 | $ 162,014,609 |

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).

| | 2017 | 2016 |
|---|---|---|
| AA | 1,021,720 | 2,082,546 |
| A | 8,578,776 | 8,178,644 |
| BBB | 11,218,423 | 14,974,625 |
| Below BBB or Not rated | 6,133,561 | 5,773,124 |
| Total debt securities | $ 26,952,480 | $ 31,008,939 |

EXPRESSED IN BAHAMIAN DOLLARS

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, 2017 | Neither past due nor impaired | Past due but not impaired | Impaired | Total |
|---|---|---|---|---|
| Held-to-maturity debt securities | $ 5,429,600 | $ - | $ - | $ 5,429,600 |
| Available-for-sale debt securities | 25,431,259 | - | - | 25,431,259 |
| Loans and receivables: | | | | |
| 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 and term deposits | 18,277,335 | - | - | 18,277,335 |
| Total assets exposed to credit risk | $ 99,243,764 | $ 5,139,924 | $ 1,055,293 | $ 105,438,981 |

| At December 31, 2016 | Neither past due nor impaired | Past due but not impaired | Impaired | Total |
|---|---|---|---|---|
| Held-to-maturity debt securities | $ 8,218,000 | $ - | $ - | $ 8,218,000 |
| Available-for-sale debt securities | 30,158,155 | - | - | 30,158,155 |
| Loans and receivables: | | | | |
| Trade accounts receivable | 18,163,906 | 6,544,108 | 1,699,855 | 26,407,869 |
| Other receivables | 3,696,070 | - | - | 3,696,070 |
| Reinsurers' share of provision for unpaid claims | 69,343,459 | - | - | 69,343,459 |
| Cash and term deposits | 24,191,056 | - | - | 24,191,056 |
| Total assets exposed to credit risk | $ 153,770,646 | $ 6,544,108 | $ 1,699,855 | $ 162,014,609 |

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 loan and 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 6.75% (2016: 2.95% to 7.00%). The underlying debt securities of the money market fund may be affected by changes in interest rates. The Group's loan payable is at a rate of 1.50% above U.S. prime rate (effective rate: 5.25%). 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 | 4.04% (2016: 4.64%) |
| Cash, term deposits and money market funds | 0.31% (2016: 0.70%) |

**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.

**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.

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The following tables indicate the timing of undiscounted cash flows arising from financial liabilities as at December 31, 2017 and 2016:

| 2017 Financial liabilities | Cash flows 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 |

| 2016 Financial liabilities | Cash flows Total | < 1 year | 1 - 5 years | > 5 years |
|---|---|---|---|---|
| Accrued expenses and other liabilities | $ 2,336,682 | $ 2,336,682 | $ - | $ - |
| Trade accounts payable | 22,813,507 | 22,813,507 | - | - |
| Unpaid claims | 89,728,281 | 56,432,776 | 20,138,459 | 13,157,046 |
| Less: unpaid claims recoverable from reinsurers | (69,343,459) | (48,585,038) | (12,785,019) | (7,973,402) |
| Loan payable | 861,122 | 599,300 | 261,822 | - |
| Bonds payable | 11,437,500 | 187,500 | 3,750,000 | 7,500,000 |
| Total undiscounted cash flows | $ 57,833,633 | $ 33,784,727 | $ 11,365,262 | $ 12,683,644 |

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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, 2017 in $ | Interest rates | | Underwriting expenses | | Loss ratio | |
|---|---|---|---|---|---|---|
| | +1% | -1% | +5% | -5% | +5% | -5% |
| Impact on profit | 236,619 | (236,619) | (1,268,550) | 1,268,550 | (3,132,598) | 3,132,598 |
| Impact on equity | 236,619 | (236,619) | (1,268,550) | 1,268,550 | (3,132,598) | 3,132,598 |

| December 31, 2016 in $ | Interest rates | | Underwriting expenses | | Loss ratio | |
|---|---|---|---|---|---|---|
| | +1% | -1% | +5% | -5% | +5% | -5% |
| Impact on profit | 205,103 | (205,103) | (1,248,070) | 1,248,070 | (2,866,698) | 2,866,698 |
| Impact on equity | 642,469 | (642,469) | (1,248,070) | 1,248,070 | (2,866,698) | 2,866,698 |

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 (2016: 10%) and a 10% decrease (2016:10%) in prices at the date of the statement of financial position are set out below:

| At December 31, 2017 | Carrying value | Effect on profit and equity +10% | Effect on profit and equity -10% |
|---|---|---|---|
| Listed on stock exchanges / markets | $ 17,160,100 | $ 1,716,010 | $ (1,716,010) |
| Listed / unlisted mutual funds | 1,832,879 | 183,288 | (183,288) |
| Total | $ 18,992,979 | $ 1,899,298 | $ (1,899,298) |
| **At December 31, 2016** | | | |
| Listed on stock exchanges / markets | $ 13,094,949 | $ 1,309,495 | $ (1,309,495) |
| Listed / unlisted mutual funds | 5,286,716 | 528,672 | (528,672) |
| Total | $ 18,381,665 | $ 1,838,167 | $ (1,838,167) |

**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.

## 6. TERM DEPOSITS

Term deposits are denominated in Bahamian dollars with an average interest rate of nil% (2016: 1.95%) per annum at the consolidated statement of financial position date. All term deposits have maturities beyond ninety days.

EXPRESSED IN BAHAMIAN DOLLARS

## 7. INVESTMENTS

| | 2017 | 2016 |
|---|---|---|
| Held-to-maturity: | | |
| Bahamas Government Registered Stocks - at amortized cost | | |
| Unrestricted | $ 4,429,600 | $ 7,218,000 |
| Restricted | 1,000,000 | 1,000,000 |
| Total held-to-maturity | 5,429,600 | 8,218,000 |
| At fair value through profit or loss: | | |
| Bahamas International Securities Exchange Limited (BISX) 12 (2016: 12) common shares - at cost $130,556 (2016: $130,556) less impairment | 5,557 | 5,557 |
| Commonwealth Bank Limited 3,516,414 (2016: 1,247,138) common shares - Cost $1,450,666 (2016: $1,543,488) | 17,160,100 | 13,094,949 |
| Total at fair value through profit or loss | 17,165,657 | 13,100,506 |
| Available-for-sale: | | |
| Fixed income debt securities, at fair value; amortised cost $21,284,959 (2016: $22,612,182) | 21,522,880 | 22,790,939 |
| Mutual funds, at fair value; cost less impairment $1,618,937 (2016: $4,847,310) | 1,832,879 | 5,286,716 |
| Preference shares, at fair value | 2,075,500 | 2,080,500 |
| Total available-for-sale | 25,431,259 | 30,158,155 |
| Total investments | $ 48,026,516 | $ 51,476,661 |

EXPRESSED IN BAHAMIAN DOLLARS

Held-to-maturity investments are recorded at amortized cost based on the effective interest rate method. These investments are variable interest rate instruments tied to Prime, with interest rates ranging from 4.00% to 4.94% per annum (2016: 4.00% to 4.94%) and scheduled maturities between 2018 and 2030 (2016: 2017 and 2030) at the date of the consolidated statement of financial position. The investments are carried at amortized cost as the Group has the intent and ability to hold them to maturity.

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, 2017, the investment in Commonwealth Bank Limited (the "Bank") was valued at $4.88 (2016: $10.50) 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 gain of $4,165,119 (2016: $3,317,387).

The amortized cost and fair value of available-for-sale fixed income debt securities held at December 31, 2017 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 6.75% (2016: 2.95% to 7.00%) per annum at the date of the consolidated statement of financial position.

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Available-for-sale: | | | | |
| Due in less than 1 year | $ 1,695,384 | $ 1,699,641 | $ 1,709,127 | $ 1,717,954 |
| Due from 1 through 5 years | 10,358,272 | 10,507,234 | 9,859,928 | 10,055,063 |
| Due after 5 years | 9,231,303 | 9,316,005 | 11,043,127 | 11,017,922 |
| Total | $ 21,284,959 | $ 21,522,880 | $ 22,612,182 | $ 22,790,939 |

The Group's available-for-sale fixed income debt securities are comprised of the following:

| | 2017 | 2016 |
|---|---|---|
| Corporate debt securities | $ 18,345,665 | $ 19,489,585 |
| Government debt securities | 3,157,215 | 3,281,354 |
| Other debt securities | 20,000 | 20,000 |
| Total | $ 21,522,880 | $ 22,790,939 |

EXPRESSED IN BAHAMIAN DOLLARS

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

| | 2017 | % | 2016 | % |
|---|---|---|---|---|
| Bahamas | $ 31,606,081 | 66% | $ 33,919,596 | 66% |
| USA | 6,724,296 | 14% | 6,820,103 | 13% |
| Asia | 2,796,554 | 6% | 2,923,117 | 6% |
| Europe | 2,672,248 | 6% | 2,629,799 | 5% |
| United Kingdom | 2,099,115 | 4% | 2,580,170 | 5% |
| Australia | 1,056,292 | 2% | 1,050,325 | 2% |
| Caribbean | 563,820 | 1% | 540,985 | 1% |
| Canada | - | 0% | 513,736 | 1% |
| South Africa | 508,110 | 1% | 498,830 | 1% |
| Total | $ 48,026,516 | 100% | $ 51,476,661 | 100% |

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

| | Held-to-maturity | Fair value through profit or loss | Available-for-sale | Total |
|---|---|---|---|---|
| At December 31, 2015 | $ 8,218,000 | $ 11,351,119 | $ 30,204,447 | $ 49,773,566 |
| Cost of investments purchased | - | - | 6,558,079 | 6,558,079 |
| Proceeds from sales and maturities | - | (1,750,282) | (6,970,715) | (8,720,997) |
| Amortization of premiums / discounts on bonds (Note 21) | - | - | (170,065) | (170,065) |
| Realized gains on sales of investments (Note 21) | - | 182,282 | 33,968 | 216,250 |
| Net change in fair value of investments | - | 3,317,387 | 502,441 | 3,819,828 |
| At December 31, 2016 | 8,218,000 | 13,100,506 | 30,158,155 | 51,476,661 |
| Cost of investments purchased | - | - | 1,225,706 | 1,225,706 |
| Proceeds from sales and maturities | (2,788,400) | (794,380) | (6,037,794) | (9,620,574) |
| Amortization of premiums / discounts on bonds (Note 21) | - | - | (170,339) | (170,339) |
| Realized gains on sales of investments (Note 21) | - | 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 | $ 5,429,600 | $ 17,165,657 | $ 25,431,259 | $ 48,026,516 |

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.

EXPRESSED IN BAHAMIAN DOLLARS

**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).

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, 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 | - | 21,502,880 | 20,000 | 21,522,880 |
| Mutual funds | - | 1,832,879 | - | 1,832,879 |
| Preference shares | - | 2,075,500 | - | 2,075,500 |
| Total | - | 25,411,259 | 20,000 | 25,431,259 |
| Total assets measured at fair value | $ 17,165,657 | $ 25,411,259 | $ 20,000 | $ 42,596,916 |

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

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The following table presents the Group's financial assets measured at fair value at December 31, 2016, by the level in the fair value hierarchy into which the fair value measurement is categorized:

**2016**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets designated at fair value through profit or loss: | | | | |
| Equity securities | $ 13,100,506 | $ - | $ - | $ 13,100,506 |
| Total | 13,100,506 | - | - | 13,100,506 |
| Available-for-sale financial assets: | | | | |
| Fixed income debt securities | - | 22,770,939 | 20,000 | 22,790,939 |
| Mutual funds | - | 5,286,716 | - | 5,286,716 |
| Preference shares | - | 2,080,500 | - | 2,080,500 |
| Total | - | 30,138,155 | 20,000 | 30,158,155 |
| Total assets measured at fair value | $ 13,100,506 | $ 30,138,155 | $ 20,000 | $ 43,258,661 |

There were no transfers between the various levels during 2016.

There were no changes in the carrying value of Level 3 instruments during 2017 and 2016.

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## 8. INVESTMENT IN ASSOCIATE

The Company holds a 20% (2016: 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.

| | 2017 | 2016 |
|---|---|---|
| Balance at January 1 | $ 659,759 | $ 619,151 |
| Share of dividends declared and paid during the year | - | (12,000) |
| Share of net earnings for the year (Note 21) | 13,116 | 52,608 |
| Balance at December 31 | $ 672,875 | $ 659,759 |

Share of associate's unaudited statement of financial position:

| | 2017 | 2016 |
|---|---|---|
| Total assets | $ 1,180,165 | $ 1,153,334 |
| Total liabilities | (615,290) | (601,575) |
| Net assets | 564,875 | 551,759 |
| Goodwill | 108,000 | 108,000 |
| Carrying value of investment in associate | $ 672,875 | $ 659,759 |

Share of associate's unaudited statement of comprehensive income:

| | 2017 | 2016 |
|---|---|---|
| Revenues | $ 514,383 | $ 523,806 |
| Net income | $ 13,116 | $ 52,608 |

Investment in associate includes $108,000 (2016: $108,000) in goodwill. At December 31, 2017 the recoverable amount exceeded the carrying amount of the investment in associate, accordingly no provision for impairment was considered necessary.

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## 9. 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”).

| | 2017 | 2016 |
|---|---|---|
| Insurer trade receivables | $ 12,991,271 | $ 14,623,663 |
| Policyholders' receivables | 11,465,426 | 11,679,763 |
| Reinsurers' receivables | 671,996 | 104,443 |
| | 25,128,693 | 26,407,869 |
| Provision for bad debts: | | |
| Balance at January 1 | 1,699,855 | 1,634,198 |
| (Decrease) increase in provision for the year | (21,691) | 68,304 |
| Bad debt written off during the year | (622,871) | (2,647) |
| Balance at December 31 | 1,055,293 | 1,699,855 |
| Trade accounts receivable, net | $ 24,073,400 | $ 24,708,014 |

Ageing of trade accounts receivable, net is as follows:

| | 2017 | 2016 |
|---|---|---|
| Less than 3 months | $ 17,573,134 | $ 18,163,906 |
| 3-6 months | 4,000,236 | 4,170,239 |
| 6 months - 1 year | 2,500,030 | 2,373,869 |
| | $ 24,073,400 | $ 24,708,014 |

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## 10. DEFERRED/UNEARNED PREMIUMS AND COMMISSION COSTS

| | Insurance Assets | | Insurance Liabilities | |
|---|---|---|---|---|
| | Deferred Reinsurance Premiums | Deferred Commission Costs | Unearned Premiums | Unearned Commission Income |
| Balance at January 1, 2016 | $ 32,841,003 | $ 4,758,007 | $ (47,812,088) | $ (8,315,072) |
| Portfolio transfer out | 899,244 | - | - | - |
| Movement during the year | (101,726) | (46,790) | 132,826 | (544,370) |
| 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) |

## 11. UNPAID CLAIMS AND CLAIMS INCURRED

| | Gross | Reinsurance | Net |
|---|---|---|---|
| Unpaid claims at December 31, 2015 | $ 44,144,391 | $ (25,201,769) | $ 18,942,622 |
| Claims incurred | 131,158,189 | (94,751,536) | 36,406,653 |
| Claims paid | (85,574,299) | 50,609,846 | (34,964,453) |
| 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 |

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 | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
| Gross claims incurred at end of reporting year | $ 22,711,266 | $ 23,695,599 | $ 30,382,164 | $ 113,514,913 | $ 22,918,793 | |
| One year later | 27,080,120 | 23,168,363 | 29,418,761 | 107,507,658 | - | |
| Two years later | 26,278,441 | 23,851,734 | 27,598,709 | - | - | |
| Three years later | 26,309,085 | 22,275,874 | - | - | - | |
| Four years later | 25,371,153 | - | - | - | - | |
| Total incurred to date | 25,371,153 | 22,275,874 | 27,598,709 | 107,507,658 | 22,918,793 | |
| Cumulative payments to date | (22,992,074) | (19,136,634) | (23,051,415) | (98,182,548) | (14,071,045) | |
| Liability included in the consolidated statement of financial position | 2,379,079 | 3,139,240 | 4,547,294 | 9,325,110 | 8,847,748 | 28,238,471 |
| Reserves for prior years | | | | | | 18,211,194 |
| Total unpaid claims for P&C business including amount recoverable from reinsurer | | | | | | $ 46,449,665 |

| | H&L | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
| Gross claims incurred at end of reporting year | $ 17,060,494 | $ 16,369,190 | $ 17,853,743 | $ 18,638,992 | $ 19,645,726 | |
| One year later | 16,777,220 | 15,957,295 | 18,164,801 | 17,974,956 | - | |
| Total incurred to date | 16,777,220 | 15,957,295 | 18,164,801 | 17,974,956 | 19,645,726 | |
| Cumulative payments to date | (16,679,620) | (15,957,295) | (18,152,801) | (17,974,956) | (17,005,726) | |
| Liability included in the consolidated statement of financial position | 97,600 | - | 12,000 | - | 2,640,000 | 2,749,600 |
| Reserves for prior years | | | | | | 180,000 |
| Total unpaid claims for H&L business including amount recoverable from reinsurer | | | | | | $ 2,929,600 |
| Total unpaid claims including amount recoverable from reinsurer in the consolidated statement of financial position | | | | | | $ 49,379,265 |

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## 12. PROPERTY AND EQUIPMENT

| 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 | - | - | - | - | - | - |
| Revaluation of Land and Buildings (Note 19) | - | - | - | - | - | - |
| 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 |

| 2016 | Land & Buildings | Construction in Progress | Furniture and Equipment | Leasehold Improvements and Others | Computer Software | Total |
|---|---|---|---|---|---|---|
| COST/VALUATION: | | | | | | |
| At January 1, 2016 | $ 12,120,761 | $ 648,910 | $ 3,311,937 | $ 1,753,406 | $ 3,811,406 | $ 21,646,420 |
| Additions | 333,717 | 2,724,345 | 248,320 | 11,718 | 1,114,525 | 4,432,625 |
| Disposals | - | - | (26,513) | - | - | (26,513) |
| Revaluation of Land and Buildings (Note 19) | 644,235 | - | - | - | - | 644,235 |
| At December 31, 2016 | 13,098,713 | 3,373,255 | 3,533,744 | 1,765,124 | 4,925,931 | 26,696,767 |
| ACCUMULATED DEPRECIATION: | | | | | | |
| At January 1, 2016 | $ 975,670 | $ - | $ 2,368,090 | $ 1,653,413 | $ 3,703,940 | $ 8,701,113 |
| Charge for the year | 248,664 | - | 343,029 | 11,089 | 84,338 | 687,120 |
| Disposals | - | - | (26,513) | - | - | (26,513) |
| At December 31, 2016 | 1,224,334 | - | 2,684,606 | 1,664,502 | 3,788,278 | 9,361,720 |
| Carrying amount 2016 | $ 11,874,379 | $ 3,373,255 | $ 849,138 | $ 100,622 | $ 1,137,653 | $ 17,335,047 |

During 2014, CFI acquired land to develop its own purpose built corporate headquarters. The development process is well underway, and the costs incurred to December 31, 2017 have been recorded under construction in progress. The development is expected to be completed in the first quarter of 2018 and the estimated cost, including the land, is projected to be approximately $10,200,000.

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

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## 13. LOAN PAYABLE

In May 2014, the Board of Directors of CFI resolved to raise additional share capital by way of a rights issue to its existing shareholders. During June 2014, CFI offered a rights issue of 1 share for every 3 shares held to all holders of its ordinary voting shares for a total offering of 500,000 additional shares. One minority shareholder took up 125 shares at a cost of $1,241. BFHIL acquired 499,875 shares to increase its equity holding from 83.52% to 87.64%.

BFHIL's participation in the rights issue was funded by a non-revolving 10-year demand loan totaling $5,000,000 from The Cayman National Bank at a rate of 1.5% above U.S. prime rate (effective rate - 5.25% (2016: 5.00%)). As a prerequisite of the facility, CFI entered into a Deed of Guarantee guaranteeing the payment of the loan, all interest and all other sums payable in respect of the loan facility. Pursuant to a pledge agreement, CFI has provided to Cayman National Bank, security interest over its investments as collateral for the credit facility. Consequently, CFI's investments have been hypothecated to the extent required to collateralize the credit facility issued to BFHIL. The balance of the demand loan as at December 31, 2017 was $Nil (2016: $861,122). During 2015, BFHIL acquired 250 shares from minority shareholders at a cost of $3,000, further increasing its holding to 87.65%. The effect of this increase in BFHIL's ownership resulted in a decrease of $870 in contributed surplus and a corresponding change in non-controlling interest, and is reflected in the consolidated statement of changes in equity.

## 14. BUSINESS COMBINATION

Effective September 1, 2016, BFHIL acquired all the issued and outstanding shares of BRAC Insurance Associates Ltd. ("BIA"), a company incorporated under the laws of the Cayman Islands. As per the Share Purchase Agreement dated September 26, 2016 (defined as the completion date), 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 was paid in two installments as follows:

- $1,350,000 due on the completion date; and
- The balance due upon determination of the post completion retention rate.

The post completion retention rate exceeded 85% resulting in a $450,000 balance payment in September 2017. The fair values of the net assets acquired, the purchase consideration and the goodwill arising on acquisition are set out below.

| | Book Value Unaudited August 31 2016 | Fair Value Unaudited September 1 2016 |
|---|---|---|
| Assets: | | |
| Cash | $ 7,553 | $ 7,553 |
| Trade accounts receivables, net | 95,680 | 95,680 |
| Sundry receivables and prepayments | 17,767 | 17,767 |
| Total assets | $ 121,000 | $ 121,000 |
| Liabilities: | | |
| Accrued liabilities | $ 120,880 | $ 120,880 |
| Total liabilities | $ 120,880 | $ 120,880 |
| Net assets acquired | 120 | 120 |
| Purchase consideration | | 1,350,000 |
| Intangible assets and goodwill (Note 15) | | $ 1,349,880 |

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The intangible assets and goodwill of $1,349,880 arising from the acquisition consists largely of the synergies and financial benefits expected from combining the operations of BIA with BFH. The acquiree's comprehensive income for the year ended December 31, 2017 amounted to $123,472 (four months ended December 31, 2016: $76,378).

## 15. INTANGIBLE ASSETS AND GOODWILL

| | | Intangible Assets | | |
|---|---|---|---|---|
| | Goodwill | Finite Life | Indefinite Life | Total |
| Balance at January 1, 2016 | $ 7,125,088 | $ 2,269,450 | $ 2,592,559 | $ 11,987,097 |
| Acquisition of BIA (Note 14) | 618,880 | 731,000 | - | 1,349,880 |
| Acquisition of General Insurance Portfolio | - | 276,000 | - | 276,000 |
| Amortization | - | (227,885) | - | (227,885) |
| Balance at December 31, 2016 | 7,743,968 | 3,048,565 | 2,592,559 | 13,385,092 |
| Amortization | - | (259,898) | - | (259,898) |
| Balance at December 31, 2017 | $ 7,743,968 | $ 2,788,667 | $ 2,592,559 | $ 13,125,194 |

In February 2016, CFI acquired the general insurance portfolio of one of its sub-agents for a consideration of $276,000. This acquisition of customer relationships is expected to generate benefits to CFI over a finite period of time, and is therefore amortized using the straight-line method over its estimated useful life of five years.

In December 2015, NUA acquired the general insurance portfolio of one of its exclusive sub-agents for a consideration of $522,500. 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, which are also operating and reportable segments, for impairment testing as follows:

| | 2017 | 2016 |
|---|---|---|
| Bahamas' cash-generating unit | $ 7,685,717 | $ 7,685,717 |
| Cayman's cash-generating unit | 2,650,810 | 2,650,810 |
| | $ 10,336,527 | $ 10,336,527 |

The Group performed its annual impairment test as at December 31, 2017. 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.

## 16. 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% 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, 2016, 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 50% of the outstanding Series I Corporate Bonds.

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| | 2017 | 2016 |
|---|---|---|
| **Series I Corporate Bonds** | | |
| $3,750,00 (2016: $3,750,000) at B$ prime rate + 1.75% presently 6.00% (2016: 6.50%) per annum - Due 2020 | $ 3,750,000 | $ 3,750,000 |
| **Series II Corporate Bonds** | | |
| $7,500,000 at B$ prime rate + 2.00%, presently 6.25% (2016: 6.75%) per annum - Due 2025 | 7,500,000 | 7,500,000 |
| Accrued interest | 172,962 | 187,500 |
| Total | $ 11,422,962 | $ 11,437,500 |

## 17. SHARE CAPITAL

The Group's share capital is comprised as follows:

| | 2017 | 2016 |
|---|---|---|
| Common shares | | |
| Authorized: 45,000,000 (2016: 45,000,000) at $0.01 each | | |
| Issued and fully paid: 36,511,589 (2016: 36,511,589) par value $0.01 per share | $ 365,116 | $ 365,116 |
| Preference shares | | |
| Authorized: 5,000,000 (2016: 5,000,000) at $1.00 each | | |
| Issued and fully paid: 5,000,000 (2016: 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:

| | 2017 | 2016 |
|---|---|---|
| Profit for the year attributable to owners of the parent | $ 16,511,855 | $ 1,166,768 |
| Preference shares dividend paid | (350,000) | (350,000) |
| Profit for the year attributable to common shareholders | 16,161,855 | 816,768 |
| Weighted average number of common shares outstanding | 36,511,589 | 36,511,589 |
| Basic and diluted earnings per common share | $ 0.44 | $ 0.02 |

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 $0.12 (2016: $0.08) per common share [total dividends $4,381,391 (2016: $2,920,827)] were declared and subsequently paid.

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.

## 18. GENERAL RESERVE

The Group has established a general reserve from retained earnings in the amount of $4,000,000 (2016: $4,000,000), which the Board of Directors have determined is not available for distribution.

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## 19. REVALUATION RESERVE

| | Land & Buildings | AFS Investments | Total |
|---|---|---|---|
| Balance at January 1, 2016 | $ 2,870,508 | $ 74,403 | $ 2,944,911 |
| Revaluation of Land & Buildings (Note 12) | 644,235 | - | 644,235 |
| Net increase in fair value of AFS investments | - | 502,441 | 502,441 |
| Other comprehensive income | 644,235 | 502,441 | 1,146,676 |
| Balance at December 31, 2016 | 3,514,743 | 576,844 | 4,091,587 |
| Revaluation of Land & Buildings (Note 12) | - | - | - |
| 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 |

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.

## 20. GROSS PREMIUMS WRITTEN

| | 2017 | 2016 |
|---|---|---|
| Group agents and insurers | $ 92,753,769 | $ 90,648,821 |
| Non-Group agents | 48,955,974 | 46,500,561 |
| Associate | 1,467,357 | 1,537,085 |
| Total | $ 143,177,099 | $ 138,686,467 |

## 21. OTHER INCOME, NET

| | 2017 | 2016 |
|---|---|---|
| Interest income | $ 1,559,585 | $ 1,738,936 |
| Dividend income | 432,626 | 469,165 |
| Realized gains on sales of investments (Note 7) | 771,954 | 216,250 |
| Share of net earnings from associate (Note 8) | 13,116 | 52,608 |
| Write-back of provision for accrued liabilities | - | 42,664 |
| Other income | 151,838 | 13,371 |
| Gain on disposal of property and equipment | - | 5,000 |
| Amortization of premiums and discounts on bonds (Note 7) | (170,339) | (170,065) |
| Total | $ 2,758,780 | $ 2,367,929 |

## 22. SALARIES, BENEFITS AND BONUSES

Included in salaries, benefits and bonuses is a bonus payable to management and staff amounting to $842,500 (2016: $640,202). This amount was determined and approved by the Board of Directors.

## 23. 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 $439,651 (2016: $394,114) and are included in "Salaries, benefits and bonuses" in the consolidated statement of profit or loss.

EXPRESSED IN BAHAMIAN DOLLARS

## 24. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances are as follows:

| | 2017 | 2016 |
|---|---|---|
| Gross premiums written - associate | $ 1,467,357 | $ 1,537,085 |
| Commission expense - associate | $ 261,450 | $ 280,901 |
| Trade accounts receivable - associate | $ (42,292) | $ 260,118 |
| Directors' fees paid | $ 367,500 | $ 369,627 |

The trade accounts receivable - associate is secured by a guarantee. The receivable balance will 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.

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:

| | 2017 | 2016 |
|---|---|---|
| Salaries and other benefits | $ 1,606,145 | $ 1,424,771 |
| Post employment benefits | 85,356 | 59,700 |
| Total | $ 1,691,500 | $ 1,484,471 |
| Commission expense | $ 213,191 | $ 206,054 |
| Receivables from key management personnel | $ 13,299 | $ 32,798 |

As part of its reinsurance program, the Group purchased reinsurance from Economical Mutual Insurance Company ("Economical") for motor and liability quota share.

Economical holds a 20% ownership in the Group. During 2017, the ceded motor and liability quota share was 50.5% (2016: 50.5%) and Economical's reinsurance participation was nil% (2016: 10%).

EXPRESSED IN BAHAMIAN DOLLARS

## 25. 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 has a sublease on one of the locations which expires in 2017. Rent expense for the year ended December 31, 2017 totaled $800,603 (2016: $829,008). The related sublease payments were $33,600 (2016: $33,600).

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

| **2017** | **<1 year** | **1 - 5 years** | **Total** |
|---|---|---|---|
| Operating lease agreements and rental payments | $ 281,643 | $ 1,196,280 | $ 1,477,923 |
| Sublease payments receivable | (33,600) | (168,000) | (201,600) |
| Total | $ 248,043 | $ 1,028,280 | $ 1,276,323 |

| **2016** | **<1 year** | **1 - 5 years** | **Total** |
|---|---|---|---|
| Operating lease agreements and rental payments | $ 239,256 | $ 1,196,280 | $ 1,435,536 |
| Sublease payments receivable | (33,600) | (168,000) | (201,600) |
| Total | $ 205,656 | $ 1,028,280 | $ 1,233,936 |

### 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.

## 26. 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)

EXPRESSED IN BAHAMIAN DOLLARS

The segment results for the years ended December 31, 2017 and 2016 are as follows:

| | 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 | 139,834,944 | 35,410,795 | 18,493,283 | 193,739,022 |
| 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 | Cayman | | |
|---|---|---|---|---|
| | P&C | P&C | H&L | Total |
| | $ | $ | $ | $ |
| **2016** | | | | |
| Net underwriting income | 9,099,149 | 4,661,703 | 3,838,227 | 17,599,079 |
| Depreciation of property & equipment | 626,373 | 31,892 | 28,855 | 687,120 |
| Amortization of intangible assets | 174,619 | 17,846 | 35,420 | 227,885 |
| Segment Profit for the Year | (158,283) | 818,184 | 736,673 | 1,396,574 |
| Total segment assets | 193,700,070 | 33,293,004 | 16,467,136 | 243,460,210 |
| Total segment liabilities | 159,412,175 | 21,407,003 | 2,896,618 | 183,715,796 |
| Capital expenditure | 1,320,133 | 1,571,958 | 1,540,534 | 4,432,625 |

# BAHAMAS FIRST HOLDINGS LIMITED
2017 ANNUAL REPORT

**BAHAMAS FIRST CENTRE** /// 32 COLLINS AVENUE /// NASSAU, THE BAHAMAS