

CARIBBEAN ASSURANCE BROKERS LIMITED
UNAUDITED FINANCIAL STATEMENTS
30 SEPTEMBER 2020

CARIBBEAN ASSURANCE BROKERS LIMITED

UNAUDITED FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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UNAUDITED FINANCIAL REPORT TO THE SHAREHOLDERS

Company Performance for the Quarter Ended 30 September 2020

At the end of the 3rd Quarter, the Company earned gross revenues of J\$78.8 million compared to J\$199.7 million in the prior comparable quarter 2019; a decline of \$120.9 million. The net decline in revenue of \$114 million resulted from the reduction in commissions earned from the four divisions. Individual life & Int'l Insurance Division had reductions of \$8.7 million & \$102.6 million respectively while the General Insurance & Employee Benefit Division had reductions below 10%. Other operating income decline by \$6.9 million which was mainly as a result of reduction in our service charge. The main reduction in our income for the quarter was attributed to our International Health Comprehensive Insurance (ICHIP) 2019/2020 policy year being extended for an additional 3 months which would normally due to be renewed in August 2020.

Operating expenses was \$86.4 million for 2020 Q3, compared to \$120.5 million in the 2019 corresponding period; a reduction of \$34.1 million. This was attributable to reduced commission expenses and advertising expenses along with administrative expenses being curtailed. Operating Losses for Q3 was \$7.6 million compared to operating profit of \$79.2 million for the 2019 quarter, With the addition of finance charges of \$1.3million, Loss Before Tax was \$9.9 million.

The Company had a Tax Charge of \$1 million for Q3 compared to \$14.7 million for the 2019 period which resulted in Net Loss of \$9.9 million for the 3rd Quarter compared to Net Profit of \$62.4 million for the comparable quarter in 2019. The reduction in our net profit for the quarter was due to the delayed renewal of the ICHIP product.

The company had other comprehensive income of \$47.5 million for 2019 quarter representing unrealized gain on the revaluation of its Old Hope Road property purchased in January 2019.

The Company's Balance Sheet reported Total Assets for Q3 2020 of J\$706.4 million compared to J\$639.2 million for 2019 Q3; an increase of J67.2 million or 10%. This increase was mainly attributed to (1) increase in property plant & equipment due to assets purchased during year; (2) right of use asset for an operating lease(3) increase in receivables associated with increased premiums from clients, and (4) increased cash and bank balance at the end of the period.

Total liabilities for Q3 2020 was \$429 million compared to \$409.1 million for the corresponding period of 2019; a \$19.9 million increase due to growth in payables.

The Company's Total Equity was J\$277.5 million as at September 2020, compared to \$230.1 million at the same period in 2019. This is an increase of J\$47.4 million, or 20%.

UNAUDITED FINANCIAL REPORT TO THE SHAREHOLDERS

Year to Date Review

For the nine months ended 30 September 2020, the company earned gross revenues of \$232.9 million compared to \$367.2 million in September 2019; a decline of \$134.3 million. The decline resulted mainly from a \$19.2 million reduction in commissions from the Individual Life Division and a \$106.1 million reduction from the Int'l. Insurance Division and a \$8.8 million reduction in our service charge income.

The General Insurance & Employee Benefit Division had increases in commission below 5%.

Operating expenses of \$166.9 million for the nine months ended September 2020 was a reduction of \$13.4 million or 7% compared with September 2019 YTD and the resulting Operating Losses \$16.3 million. With the addition of finance charges of \$4 million, Loss Before Tax was \$20.3 million.

The Company had a tax charge of \$3.1 million which resulted in Net Loss for the nine months amounting to \$23.4 million compared to \$56.7 million for the comparable period in 2019. The company had other comprehensive income of \$47.5 million in 2019 due to a revaluation of building purchased in the year.

The Company's Balance Sheet reported an increase of its total assets to J\$706.4 million from J\$476.5 million for 2019-year end; an increase of J\$229.9 million or 48.2%. This increase was mainly attributed to increase in receivables and cash & bank balances.

The Company's total Equity has grown to J\$277.5 million at September 2020, up from J\$212 million for 2019-year end; this represents an increase of J\$65.4 million or 30%.

The onset of COVID-19 has continued to have a negative impact on our lines of business. As a company we strive to rise above the challenges by recruiting new staff to assist in our revenue growth as well as developing products to attract new customers. We thank our staff for their hard work during this difficult time and wish to thank our customers for their continued support to our business.

Raymond Walker
Chairman/CEO

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

	3 Months	3 Months	9 Months	9 Months	Audited 12 Months Ended December 2019
	Ended Sept. 2020	Ended Sept. 2019	Ended Sept. 2020	Ended Sept. 2019	
	\$	\$	\$	\$	\$
REVENUE	74,055,158	188,060,086	213,669,572	336,060,078	401,478,272
Other operating income	4,725,593	11,576,544	19,266,981	31,149,497	33,745,758
	78,780,751	199,636,630	232,936,553	367,209,575	435,224,030
Administrative and other expenses	55,164,301	60,421,441	166,863,656	180,286,615	239,393,974
Selling expenses	31,261,030	60,031,673	82,360,778	110,286,609	141,662,509
	86,425,331	120,453,114	249,224,434	290,573,224	381,056,483
OPERATING (LOSS)/PROFIT	(7,644,580)	79,183,516	(16,287,881)	76,636,351	54,167,547
Finance costs	1,255,242	2,081,925	3,972,424	5,289,240	7,872,310
(LOSS)/PROFIT BEFORE TAXATION	(8,899,822)	77,101,591	(20,260,305)	71,347,111	46,295,237
Taxation	1,043,448	14,661,656	3,130,345	14,661,656	7,660,475
NET (LOSS)/PROFIT FOR THE PERIOD	(9,943,270)	62,439,935	(23,390,650)	56,685,455	38,634,762
Other Comprehensive Income					
Item that may not be reclassified to profit or loss:					
Unrealised gain on revalued lease equipment & building	-	47,499,134	-	47,499,134	47,499,134
TOTAL COMPREHENSIVE (LOSS)/INCOME	(9,943,270)	109,939,069	(23,390,650)	104,184,589	86,133,896
EARNINGS PER STOCK UNIT	(0.04)	0.26	(0.10)	0.23	0.16

The calculation of earnings per share for 2019 has been adjusted to reflect the shares issued and listed on the JSE Junior Market on 9 March 2020 along with the stock split on 21 January 2020. This has been done for comparative purposes. The weighted average number of shares was used to calculate both periods.

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2020

	Note	<u>Un-Audited</u> <u>Sept. 2020</u> \$	<u>Un- Audited</u> <u>Sept. 2019</u> \$	<u>Audited</u> <u>Dec. 2019</u> \$
<u>ASSETS</u>				
NON-CURRENT ASSETS:				
Property, plant and equipment		239,696,307	235,230,402	234,130,383
Deferred tax asset		12,778,226	12,783,244	15,908,571
Right of use asset		6,509,725	0	9,915,131
		<u>258,984,258</u>	<u>248,013,646</u>	<u>259,954,085</u>
CURRENT ASSETS:				
Receivables		154,211,193	122,629,549	138,096,421
Taxation recoverable		3,985,819	2,574,315	2,622,018
Cash and bank balances		289,227,116	265,960,630	75,799,379
		<u>447,424,128</u>	<u>391,164,494</u>	<u>216,517,818</u>
		<u>706,408,386</u>	<u>639,178,140</u>	<u>476,471,903</u>
<u>EQUITY AND LIABILITIES</u>				
EQUITY:				
Share capital	5	137,589,247	48,765,008	48,765,008
Retained earnings		91,445,087	132,886,430	114,835,737
Capital reserve		48,424,370	48,424,370	48,424,370
		<u>277,458,704</u>	<u>230,075,808</u>	<u>212,025,115</u>
NON-CURRENT LIABILITIES:				
Long term loan		81,767,102	113,155,007	86,547,672
Lease liability		6,296,122	0	6,296,122
		<u>88,063,224</u>	<u>113,155,007</u>	<u>92,843,794</u>
CURRENT LIABILITIES:				
Payables		338,343,665	278,201,303	157,133,091
Bank overdraft		-	-	1,421,118
Short term loan		2,136,469	937,563	0
Current portion of long term loan		0	6,271,574	3,261,197
Current portion of lease liability		406,324	0	3,958,557
Taxation		0	10,536,885	5,829,031
		<u>340,886,458</u>	<u>295,947,325</u>	<u>171,602,994</u>
		<u>706,408,386</u>	<u>639,178,140</u>	<u>476,471,903</u>

Approved for issue by the Board of Directors on xx November 2020 and signed on its behalf by:

Raymond Walker - Director

Barrington Whyte - Director

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	<u>Note</u>	<u>Share Capital</u> \$	<u>Capital Reserve</u> \$	<u>Accumulated Surplus</u> \$	<u>Total</u> \$
BALANCE AT 1 JANUARY 2019		48,765,008	925,236	79,700,975	129,391,219
Total Comprehensive Income					
Net profit		-	-	56,685,455	56,685,455
Other comprehensive Income		-	47,499,134		47,499,134
		<u>-</u>	<u>47,499,134</u>	<u>56,685,455</u>	<u>104,184,589</u>
TRANSACTION WITH OWNERS					
Dividends paid				-3,500,000	-3,500,000
		<u>0</u>	<u>47,499,134</u>	<u>53,185,455</u>	<u>100,684,589</u>
BALANCE AT 30 SEPTEMBER 2019		<u>48,765,008</u>	<u>48,424,370</u>	<u>132,886,430</u>	<u>230,075,808</u>
BALANCE AT 1 JANUARY 2020		48,765,008	48,424,370	114,835,737	212,025,115
Total Comprehensive Income					
Net loss		-	-	(23,390,650)	(23,390,650)
Issue of shares, net transaction cost	5	88,824,239	-	-	88,824,239
BALANCE AT 30 SEPTEMBER 2020		<u>137,589,247</u>	<u>48,424,370</u>	<u>91,445,087</u>	<u>277,458,704</u>

STATEMENT OF CASHFLOW

PERIOD ENDED 30 SEPTEMBER 2020

	Un-Audited Sept. 2020 ₤	Un-Audited Sept. 2019 ₤	Audited Dec. 2019 ₤
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/profit	(23,390,650)	(5,754,480)	38,634,762
Items not affecting cash resources:			
Exchange (gain)/loss on foreign balances	(8,059,446)	(10,080,873)	(6,640,606)
Amortization of right of use asset	2,591,690	6,244,351	5,569,060
Depreciation	2,847,113	-	10,917,104
Loss on disposal of property, plant and equipment	-	-	77,037
Interest income	(866,474)	(906,879)	(2,249,183)
Interest expense	2,353,237	3,207,315	6,954,082
Interest on right of use asset	363,945	-	918,228
Taxation expense	3,130,345	-	7,660,475
	<u>(21,030,240)</u>	<u>(7,290,566)</u>	<u>61,840,959</u>
Changes in operating assets and liabilities:			
Receivables	(13,302,485)	48,814,460	85,981,937
Payables	182,503,407	67,560,658	16,456,165
	<u>148,170,682</u>	<u>109,084,552</u>	<u>164,279,061</u>
Taxation paid	<u>(6,200,575)</u>	<u>(1,762,772)</u>	<u>(3,750,344)</u>
Net cash (used in)/provided by operating activities	<u>141,970,107</u>	<u>107,321,780</u>	<u>160,528,717</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	866,474	906,879	2,249,183
Purchase of property, plant and equipment	<u>(4,005,249)</u>	<u>(153,492,116)</u>	<u>(155,705,377)</u>
Net cash used in investing activities	<u>(3,138,775)</u>	<u>(152,585,237)</u>	<u>(153,456,194)</u>
CASH FLOW FROM FINANCING ACTIVITIES:			
Interest paid on right of use asset	(363,945)	-	(918,228)
Interest paid	(2,353,237)	-	(6,954,082)
Principal paid on right of use asset	(2,754,858)	-	(5,229,512)
Loan repayment	(12,150,828)	(15,858,589)	(44,912,976)
Loan proceeds	2,904,345	94,690,775	96,936,101
Net proceeds from the issue of shares	88,824,239	(3,207,315)	-
Dividend Paid	-	-	(3,500,000)
Net cash provided by financing activities	<u>74,105,716</u>	<u>75,624,871</u>	<u>35,421,303</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>212,937,048</u>	<u>30,361,414</u>	<u>42,493,826</u>
Effect of exchange rate translation on cash and cash equivalents	<u>3,954,326</u>	<u>5,459,124</u>	<u>(186,202)</u>
	<u>216,891,374</u>	<u>35,820,538</u>	<u>42,307,624</u>
Cash and cash equivalents at beginning of period/year	<u>74,378,261</u>	<u>32,070,637</u>	<u>32,070,637</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD/ YEAR	<u>291,269,635</u>	<u>67,891,175</u>	<u>74,378,261</u>

30 SEPTEMBER 2020

1 IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) Caribbean Assurance Brokers Limited is a limited liability company incorporated and domiciled in Jamaica and is regulated by the Financial Services Commission of Jamaica. The registered office of the company is 94d Old Hope Road, Kingston 6, St. Andrew, Jamaica.
- (b) The principal activity of the company is to search the insurance market place for a company in which to place the insured's business for the lowest cost to the insured.
- (c) The company became listed on the Junior Market of the Jamaica Stock Exchange on 9 March 2020. Consequently the company is entitled to a remission of taxes for ten (10) years in proportions set out below, provided the shares remain listed for at least 15 years.

Years 1-5	100%
Years 6-10	50%

2 REPORTING CURRENCY:

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING POLICIES:

The same accounting policies and methods of computations are followed in the interim financial statements as compared with the most recent annual audited financial statements.

4 EARNINGS PER STOCK UNIT:

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue at end of period.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

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5 SHARE CAPITAL:

	<u>2020</u>	<u>2019</u>
	\$	\$
Authorised		
Unlimited ordinary shares of no par value (2019-50,000,000)		
Issued and fully paid		
262,500,000 ordinary shares of no par value (2019 - 35,000,000) (Net of transaction costs)	<u>137,589,247</u>	<u>48,765,008</u>

6 TOP TEN SHAREHOLDERS:

	<u>Shares Held</u>	<u>% of Issued Shares</u>
Raymond Walker	107,100,000	40.80
Rion Hall & Veviene Hall	31,668,724	12.06
C&WJ Co-op Credit Union Limited	21,680,616	8.26
Dr. Karen Rajpat	18,899,952	7.20
Mayberry Jamaican Equities Limited	13,639,395	5.20
Gail Minott	13,402,600	5.10
Dr. Paul L. Brown	12,781,740	4.87
Errol Duhaney	6,985,412	2.66
Sandra Kenny	2,801,586	1.07
Barrington Whyte	1,701,500	0.65
Norman Minott	<u>1,701,500</u>	<u>0.65</u>
Total	<u>232,363,025</u>	<u>88.52</u>
Total Issued shares	<u>262,500,000</u>	<u>100.00</u>

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7 DIRECTORS & SENIOR OFFICERS:

	<u>Shares Held</u>	<u>% of Issued Shares</u>
Directors:		
Raymond Walker	107,100,000	40.80
Rion Hall	31,668,724	12.06
Barrington Whyte	1,701,500	0.65
Norman Minott	1,701,500	0.65
Tania Waldron-Gooden	<u>1,570,500</u>	<u>0.60</u>
	<u>143,742,224</u>	<u>54.76</u>
Senior Officers:		
Donnisha Brooks	959,962	0.37
Carlton Raymond	78,400	0.03
Heather Muirhead-Brown	78,000	0.03
Michelle Harris	67,900	0.02
Krystal Gayle	61,467	0.02
Godfrey Heron	<u>1,759</u>	<u>-</u>
	<u>1,247,488</u>	<u>0.47</u>