

MANAGING DIRECTOR'S REVIEW

Our results were very strong for the second quarter of 2014 increasing 28% year on year, the heart of which stemmed from a quiet beginning to the year in regards to net claims incurred. In addition to this, we also enjoyed a reduction in other operating expenses. As a result, we ended the first half with a net income of \$4,476,808.

Our Underwriting business has lead the way by more than doubling last year's results with an increase in net income from \$595,342 to \$1,642,775. Increases in income and decreases to expenses contributed to the turnaround. On the Agency side, our results were not quite as impressive as we sustained a slight \$75,377 fall in income. There was a 3% decline in earnings as a result of reduced net commission and fees, which was partially supplemented by a reduction in expenses from \$6,921,056 to \$6,818,383. Given the pending implementation of VAT in 2015, we continue to focus on cost reductions across the board to maintain profitability levels.

According to predictions issued by NOAA, this 2014 Atlantic hurricane season outlook is forecast to be a near-normal or below-normal season similar to 2013 with fewer hurricanes forming than average. Although no one knows the future outcome, with this positive outlook, we hope to maintain these strong results through the end of the year.



Alister I. McKellar, FCII
Managing Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at June 30, 2014 (amounts expressed in Bahamian dollars)

	June 2014	December 2013
ASSETS		
Cash and bank balances	\$ 8,306,291	5,592,087
Term deposits	9,595,682	9,509,260
Accounts receivable	13,392,814	10,108,955
Due from insurance carriers	259,403	334,050
Investments in securities		
- fair value through profit or loss	3,194,830	3,123,521
- held-to-maturity	9,444,873	9,428,539
- available for sale	3,072,000	3,072,000
Prepayments and other assets	2,124,538	1,101,377
Prepaid reinsurance premiums	18,074,715	18,114,441
Reinsurance recoveries	12,200,683	11,674,880
Intangible assets	234,524	298,589
Investment properties	1,626,158	1,631,548
Property, plant and equipment	8,324,364	8,226,916
Total assets	\$ 89,850,875	82,216,163
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 21,392,574	21,540,372
Outstanding claims	13,483,669	12,715,977
	34,876,243	34,256,349
Other liabilities:		
Due to related parties	2,833,355	917,364
Accounts payable	4,967,767	2,659,416
Due to reinsurers	5,461,188	3,473,922
Accrued expenses and other liabilities	1,004,959	1,682,645
Unearned commission reserve	4,840,658	4,817,126
Total liabilities	53,984,170	47,806,822
Net assets	\$ 35,866,705	34,409,341
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares		
of \$0.01 each	\$ 80,000	80,000
Retained earnings	22,695,751	21,771,848
Interest in own shares	(84,600)	(84,600)
	22,691,151	21,767,248
Non-controlling interest	13,175,554	12,642,093
Total equity	\$ 35,866,705	34,409,341

(unaudited)

LOCATIONS

Nassau

Collins Avenue	242.397.2100
Thompson Boulevard	242.676.6300
Soldier Road	242.676.6301

Family Islands

Freeport	242.352.7119
Abaco	242.367.2688
Exuma	242.336.2420

Turks and Caicos Islands

Providenciales	649.946.4761
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SECOND QUARTER INTERIM REPORT 2014



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

 For the six months to June 30, 2014
 (amounts expressed in Bahamian dollars)

	June 2014	June 2013
INCOME		
Net commission and fees	9,323,568	9,757,060
Net premiums earned	3,577,509	3,080,874
Investment income	949,591	854,973
Change in net unrealized gain on investments in securities	17,959	85,058
Total income	13,868,627	13,777,965
EXPENSES		
Salaries and employees benefits	5,072,133	4,968,200
Net claims incurred	712,022	1,315,295
Excess of loss reinsurance	1,303,306	1,480,123
Depreciation and amortization	312,606	369,758
Other operating expenses	1,991,752	2,139,837
Total expenses	9,391,819	10,273,213
Net income and total comprehensive income	4,476,808	3,504,752
Attributable to:		
Equity holders of the Company	3,480,062	3,137,689
Non-controlling interests	996,746	367,063
	4,476,808	3,504,752
Earnings per share for the profit attributable to the equity holders of the Company (six months)	\$ 0.44	\$ 0.39

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

 For the six months to June 30, 2014
 (amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
Balance at December 31, 2012	80,000	21,242,938	(84,600)	21,238,338	11,608,900	32,847,238
Total comprehensive income for the year:						
Net income	-	3,137,689	-	3,137,689	367,063	3,504,752
Distributions to owners:						
Dividends	-	(2,556,161)	-	(2,556,161)	(476,162)	(3,032,323)
Balance at June 30, 2013	80,000	21,824,466	(84,600)	21,819,866	11,499,801	33,319,667
Balance at December 31, 2013	80,000	21,771,848	(84,600)	21,767,248	12,642,093	34,409,341
Total comprehensive income for the year:						
Net income	-	3,480,062	-	3,480,062	996,746	4,476,808
Distributions to owners:						
Dividends	-	(2,556,159)	-	(2,556,159)	(463,285)	(3,019,444)
Balance at June 30, 2014	80,000	22,695,751	(84,600)	22,691,151	13,175,554	35,866,705

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

 For the six months to June 30, 2014
 (amounts expressed in Bahamian dollars)

	June 2014	June 2013
Cash flows from operating activities:		
Net income for the period	4,476,808	3,504,752
Adjustments for:		
Unearned premium reserve	108,071	201,515
Depreciation and amortization	312,606	369,758
Change in net unrealized gain on investments in securities	(17,959)	(85,058)
Interest income	(525,439)	(476,596)
Dividend income	(204,251)	(187,501)
Bad Debts	24,000	50,000
Cash from operations before changes in assets and liabilities	4,173,836	3,376,870
(Increase)/decrease in assets:		
Accounts receivable	(3,307,859)	(5,551,195)
Due from insurance carriers	74,647	2,065,839
Prepayments and other assets	(1,023,161)	92,863
Prepaid reinsurance premiums	39,726	(223,700)
Reinsurance recoveries	(525,803)	(2,799,339)
Increase/(decrease) in liabilities:		
Unearned premium reserve	(255,869)	(179,331)
Outstanding claims	767,692	2,601,641
Due to related parties	1,915,991	3,882,508
Accounts payable, accrued expenses and other liabilities	1,630,665	(456,841)
Due to reinsurers	1,987,266	2,143,578
Unearned commission reserve	23,532	211,449
Net cash provided by operating activities	5,500,663	5,164,342
Cash flows from investing activities:		
Net (placement)/maturity of term deposits	(203,055)	2,662,581
Purchase of property, plant and equipment	(340,599)	(308,021)
Purchase of investments in securities	(29,835)	(467,925)
Interest received	602,223	574,331
Dividends received	204,251	187,501
Net cash provided by investing activities	232,985	2,648,467
Cash flows from financing activities:		
Dividends paid to shareholders	(2,556,159)	(2,556,161)
Dividends paid to non-controlling interest	(463,285)	(476,162)
Net cash used in financing activities	(3,019,444)	(3,032,323)
Net Increase in cash and cash equivalents	2,714,204	4,780,486
Cash and cash equivalents at beginning of period	5,592,087	2,701,664
Cash and cash equivalents at end of period	8,306,291	7,482,150

(unaudited)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
1. ACCOUNTING POLICIES

These consolidated interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year December 31, 2013.

2. SEGMENT INFORMATION

The Group is organized into two business segments; Insurance Agents & Brokers and General Insurance.

The segment results for the period ended June 30, 2014 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 9,412,233	(88,665)	9,323,568
Net premiums earned	-	3,577,509	3,577,509
Interest Income	101,291	424,148	525,439
Dividend Income	47,969	156,282	204,251
Other income	90,923	128,978	219,901
Change in net unrealized gain on investments in securities	-	17,959	17,959
	\$ 9,652,416	4,216,211	13,868,627
Insurance expenses	-	2,015,328	2,015,328
Depreciation & amortization	297,897	14,709	312,606
Other expenses	6,520,486	543,399	7,063,885
	\$ 6,818,383	2,573,436	9,391,819
NET INCOME	\$ 2,834,033	1,642,775	4,476,808

The segment results for the period ended June 30, 2013 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 9,646,600	110,460	9,757,060
Net premiums earned	-	3,080,874	3,080,874
Interest Income	64,831	411,765	476,596
Dividend Income	50,006	137,495	187,501
Change in net unrealized gain on investments in securities	-	85,058	85,058
Other income	69,029	121,847	190,876
	\$ 9,830,466	3,947,499	13,777,965
Insurance expenses	-	2,795,418	2,795,418
Depreciation & amortization	349,156	20,602	369,758
Other expenses	6,571,900	536,137	7,108,037
	\$ 6,921,056	3,352,157	10,273,213
NET INCOME	\$ 2,909,410	595,342	3,504,752

The segment assets and liabilities as at June 30, 2014 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 31,595,789	58,255,086	89,850,875
Total liabilities	16,668,327	37,315,843	53,984,170

The segment assets and liabilities as at June 30, 2013 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 30,886,117	59,784,286	90,670,403
Total liabilities	15,708,746	41,641,990	57,350,736

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