

## MANAGING DIRECTOR'S REVIEW

Following on from last quarter results, we continue to enjoy an increase in consolidated net income, which rose from \$5,674,433 to \$6,026,779 this year, an increase of 6%. A quiet hurricane season coupled with a reduction in claims has enabled us to exceed prior year gains.

Our Underwriting business continues to exceed expectations with net income increasing from \$824,170 to \$1,708,844. The rise in net premiums earned from \$4,888,475 to \$5,315,384 along with a material reduction in insurance expenses accounted for the improved performance.

In contrast, on the Agency side, net income declined due to a reduction in our net commissions and fees. Competitive market factors have played a role in this decline. Yet, despite the outside market forces, management has concentrated efforts on reducing expenditures to maintain desired results. With value added tax now only months away these cost saving measures will be vital to the future success of the company.

As you may have read in the news, the Company acquired NUA's portfolio in Exuma as of August 1, 2014, which will boost sales of the branch and have a minimal impact on expenses. To better service our New Providence customer base we have also started renovations on expanding and remodeling our Thompson Blvd. Branch. Once completed in early 2015 we look forward to this branch assisting with our growing client base in the Western end of the Island.

  
**Alister I. McKellar, FCII**  
 Managing Director

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

	September 2014	December 2013
<b>ASSETS</b>		
Cash and bank balances	\$ 7,943,881	5,592,087
Term deposits	10,160,028	9,509,260
Accounts receivable	11,849,118	10,108,955
Due from insurance carriers	128,705	334,050
Investments in securities		
- fair value through profit or loss	3,230,116	3,123,521
- held-to-maturity	9,412,176	9,428,539
- available for sale	3,072,000	3,072,000
Prepayments and other assets	1,625,580	1,101,377
Prepaid reinsurance premiums	19,243,889	18,114,441
Reinsurance recoveries	10,832,301	11,674,880
Intangible assets	227,492	298,589
Investment properties	1,623,464	1,631,548
Property, plant and equipment	8,442,202	8,226,916
<b>Total assets</b>	<b>\$ 87,790,952</b>	<b>82,216,163</b>
<b>LIABILITIES</b>		
General insurance funds:		
Unearned premium reserve	\$ 22,796,070	21,540,372
Outstanding claims	11,758,443	12,715,977
	34,554,513	34,256,349
Other liabilities:		
Due to related parties	470,287	917,364
Accounts payable	5,641,276	2,659,416
Due to reinsurers	4,097,893	3,473,922
Accrued expenses and other liabilities	1,738,919	1,682,645
Unearned commission reserve	5,149,468	4,817,126
<b>Total liabilities</b>	<b>51,652,356</b>	<b>47,806,822</b>
<b>Net assets</b>	<b>\$ 36,138,596</b>	<b>34,409,341</b>
<b>EQUITY</b>		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares		
of \$0.01 each	\$ 80,000	80,000
Retained earnings	22,927,962	21,771,848
Interest in own shares	(84,600)	(84,600)
	22,923,362	21,767,248
Non-controlling interest	13,215,234	12,642,093
<b>Total equity</b>	<b>\$ 36,138,596</b>	<b>34,409,341</b>

(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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# THIRD QUARTER

INTERIM REPORT

2014



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

 For the nine months to September 30, 2014  
 (amounts expressed in Bahamian dollars)

	September 2014	September 2013
<b>INCOME</b>		
Net commission and fees	13,314,354	14,285,454
Net premiums earned	5,315,384	4,888,475
Investment income	1,591,112	1,478,218
Change in net unrealized gain on investments in securities	53,245	119,552
Profit on sale of property plant and equipment	6,750	-
<b>Total income</b>	<b>20,280,845</b>	<b>20,771,699</b>
<b>EXPENSES</b>		
Salaries and employees benefits	7,757,525	7,738,550
Net claims incurred	1,110,734	1,535,910
Excess of loss reinsurance	1,951,393	2,219,882
Depreciation and amortization	466,414	569,915
Other operating expenses	2,968,000	3,033,009
<b>Total expenses</b>	<b>14,254,066</b>	<b>15,097,266</b>
<b>Net income</b>	<b>6,026,779</b>	<b>5,674,433</b>
<b>Attributable to:</b>		
Equity holders of the Company	4,990,353	5,164,905
Non-controlling interests	1,036,426	509,528
	<b>6,026,779</b>	<b>5,674,433</b>
Earnings per share for the profit attributable to the equity holders of the Company (nine months)	\$ 0.63	\$ 0.65

(unaudited)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

 For the nine months to September 30, 2014  
 (amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
<b>Balance at December 31, 2012</b>	80,000	21,242,938	(84,600)	21,238,338	11,608,900	32,847,238
Total comprehensive income for the year:						
Net income	-	5,164,905	-	5,164,905	509,528	5,674,433
Distributions to owners:						
Dividends	-	(3,834,241)	-	(3,834,241)	(476,162)	(4,310,403)
<b>Balance at Sept 30, 2013</b>	<b>80,000</b>	<b>22,573,602</b>	<b>(84,600)</b>	<b>22,569,002</b>	<b>11,642,266</b>	<b>34,211,268</b>
<b>Balance at December 31, 2013</b>	80,000	21,771,848	(84,600)	21,767,248	12,642,093	34,409,341
Total comprehensive income for the year:						
Net income	-	4,990,353	-	4,990,353	1,036,426	6,026,779
Distributions to owners:						
Dividends	-	(3,834,239)	-	(3,834,239)	(463,285)	(4,297,524)
<b>Balance at Sept 30, 2014</b>	<b>80,000</b>	<b>22,927,962</b>	<b>(84,600)</b>	<b>22,923,362</b>	<b>13,215,234</b>	<b>36,138,596</b>

(unaudited)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

 For the nine months to September 30, 2014  
 (amounts expressed in Bahamian dollars)

	September 2014	September 2013
<b>Cash flows from operating activities:</b>		
Net income for the period	6,026,779	5,674,433
<b>Adjustments for:</b>		
Unearned premium reserve	(126,250)	(258,651)
Depreciation and amortization	466,414	569,915
Profit on sale of property, plant and equipment	(6,750)	-
Change in net unrealized gain on investments in securities	(53,245)	(119,552)
Interest income	(762,467)	(764,753)
Dividend income	(297,502)	(283,365)
Bad Debts	36,000	50,000
<b>Cash from operations before changes in assets and liabilities</b>	<b>5,282,979</b>	<b>4,868,027</b>
<b>(Increase)/decrease in assets:</b>		
Accounts receivable	(1,776,163)	(5,444,238)
Due from insurance carriers	205,345	2,065,839
Prepayments and other assets	(524,203)	(140,130)
Prepaid reinsurance premiums	(1,129,448)	(1,753,620)
Reinsurance recoveries	842,579	(168,730)
<b>Increase/(decrease) in liabilities:</b>		
Unearned premium reserve	1,381,948	2,270,921
Outstanding claims	(957,534)	(659,750)
Due to related parties	(447,077)	1,664,752
Accounts payable, accrued expenses and other liabilities	3,038,134	(165,688)
Due to reinsurers	623,971	1,736,744
Unearned commission reserve	332,342	616,491
<b>Net cash provided by operating activities</b>	<b>6,872,873</b>	<b>4,890,618</b>
<b>Cash flows from investing activities:</b>		
Net (placement)/maturity of term deposits	(721,255)	2,642,452
Purchase of intangible asset	(25,000)	-
Proceeds from sale of property, plant and equipment	6,750	-
Purchase of property, plant and equipment	(577,518)	(407,635)
Sale/(Purchase) of investments in securities	8,380	(965,281)
Interest received	787,587	813,293
Dividends received	297,501	283,365
<b>Net cash (used in)/provided by investing activities</b>	<b>(223,555)</b>	<b>2,366,194</b>
<b>Cash flows from financing activities:</b>		
Dividends paid to shareholders	(3,834,239)	(3,834,241)
Dividends paid to non-controlling interest	(463,285)	(476,162)
<b>Net cash used in financing activities</b>	<b>(4,297,524)</b>	<b>(4,310,403)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,351,794</b>	<b>2,946,409</b>
Cash and cash equivalents at beginning of period	5,592,087	2,701,664
<b>Cash and cash equivalents at end of period</b>	<b>7,943,881</b>	<b>5,648,073</b>

(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 &amp; Brokers and General Insurance.

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

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 14,106,539	(792,185)	13,314,354
Net premiums earned	-	5,315,384	5,315,384
Interest Income	119,578	642,889	762,467
Dividend Income	71,954	225,548	297,502
Other income	397,945	133,198	531,143
Change in net unrealized gain on investments in securities	-	53,245	53,245
Profit on sale of property plant and equipment	6,750	-	6,750
	<b>\$ 14,702,766</b>	<b>5,578,079</b>	<b>20,280,845</b>

Insurance expenses	-	3,062,127	3,062,127
Depreciation & amortization	444,131	22,283	466,414
Other expenses	9,940,700	784,825	10,725,525
	<b>\$ 10,384,831</b>	<b>3,869,235</b>	<b>14,254,066</b>
<b>NET INCOME</b>	<b>\$ 4,317,935</b>	<b>1,708,844</b>	<b>6,026,779</b>

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

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 14,982,979	(697,525)	14,285,454
Net premiums earned	-	4,888,475	4,888,475
Interest Income	151,893	612,860	764,753
Dividend Income	73,990	209,375	283,365
Change in net unrealized gain on investments in securities	-	119,552	119,552
Other income	193,290	236,810	430,100
	<b>\$ 15,402,152</b>	<b>5,369,547</b>	<b>20,771,699</b>

Insurance expenses	-	3,755,792	3,755,792
Depreciation & amortization	541,423	28,492	569,915
Other expenses	10,010,466	761,093	10,771,559
	<b>\$ 10,551,889</b>	<b>4,545,377</b>	<b>15,097,266</b>
<b>NET INCOME</b>	<b>\$ 4,850,263</b>	<b>824,170</b>	<b>5,674,433</b>

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

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 29,933,294	57,857,658	87,790,952
Total liabilities	14,796,929	36,855,427	51,652,356

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

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 29,436,610	58,925,695	88,362,305
Total liabilities	13,600,315	40,550,722	54,151,037

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