

SECOND QUARTER

INTERIM REPORT

2015



MANAGING DIRECTOR'S REVIEW

Our net income remained strong in the second quarter of 2015 increasing to \$4,627,686 from \$4,476,808 last year. This growth is encouraging when you consider that 2014 second quarter results were also up 28% on the year before. Although our net claims incurred rose, they are still well within budgeted levels and were offset by a savings on our excess of loss reinsurance costs.

A review of our segment information will reveal that our Agency business is up by 8% on the back of increased net commissions and fee income. Conversely, our Underwriting result declined by 5% in light of slightly elevated insurance expenses.

On July 1, 2015 Value Added Tax (VAT) began for the insurance industry and I am pleased to report that the transition went smoothly for the

company. As we are currently in the early stages of a new method of taxation for The Bahamas, it is becoming increasingly important to provide new ways to meet customer demands. Our management team continues to develop new ideas and implement innovative techniques to meet future growth objectives.

As you might have seen, we recently expanded our Thompson Blvd Branch within the Hillside Plaza to better service our western customers. We have transformed this location into a full service branch, complete with claims facilities to meet your expectations.

Alister I. McKellar, FCII
Managing Director



J.S. JOHNSON
PEACE OF MIND
INSURANCE AGENTS & BROKERS

PEACE OF MIND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2015 (amounts expressed in Bahamian dollars)

	June 2015	December 2014
ASSETS		
Cash and bank balances	\$ 8,977,248	7,754,471
Term deposits	9,357,145	10,240,705
Accounts receivable	10,234,831	9,575,155
Due from insurance carriers	227,531	67,605
Investments in securities		
- fair value through profit or loss	3,629,653	3,500,603
- held-to-maturity	10,869,362	9,891,490
- available for sale	4,885,721	3,072,000
Prepayments and other assets	1,459,429	1,200,816
Prepaid reinsurance premiums	17,760,190	18,628,937
Reinsurance recoveries	9,234,895	9,758,298
Intangible assets	171,166	239,814
Investment properties	1,591,215	1,620,768
Property, plant and equipment	8,997,025	8,742,670
Total assets	\$ 87,395,411	84,293,332
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 20,625,909	21,881,684
Outstanding claims	10,274,454	10,807,703
	<u>30,900,363</u>	<u>32,689,387</u>
Other liabilities:		
Due to related parties	752,357	415,530
Accounts payable	4,695,188	3,432,514
Due to reinsurers	6,764,624	3,935,439
Accrued expenses and other liabilities	1,131,235	1,994,995
Unearned commission reserve	4,880,944	4,990,985
Total liabilities	49,124,711	47,458,850
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	23,702,058	22,574,057
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	25,223	11,295
	<u>23,722,681</u>	<u>22,580,752</u>
Non-controlling interest	14,548,019	14,253,730
Total equity	\$ 38,270,700	36,834,482
Total liabilities and equity	87,395,411	84,293,332

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to June 30, 2015 (amounts expressed in Bahamian dollars)

	June 2015	June 2014
INCOME		
Net commission and fees	9,458,082	9,323,568
Net premiums earned	3,834,472	3,577,509
Investment income	746,295	949,591
Change in net unrealized gain on investments in securities	126,417	17,959
Total income	14,165,266	13,868,627
EXPENSES		
Salaries and employees benefits	5,127,152	5,072,133
Net claims incurred	888,625	712,022
Excess of loss reinsurance	1,199,260	1,303,306
Depreciation and amortization	353,547	312,606
Change in net unrealised loss on investments in securities	-	-
Impairment loss on investment properties	24,164	-
Other operating expenses	1,944,832	1,991,752
Total expenses	9,537,580	9,391,819
Net income	4,627,686	4,476,808
Other comprehensive income		
Unrealized gain on available for sale securities	13,928	-
Total comprehensive income	4,641,614	4,476,808
Equity holders of the Company	3,698,089	3,480,062
Non-controlling interests	943,525	996,746
	4,641,614	4,476,808
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.46	\$ 0.44

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2015 (amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Other Comprehensive Income	Total Shareholders' Equity	Non- Controlling Interest	Total Equity
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
Balance at December 31, 2014	80,000	22,574,057	(84,600)	11,295	22,580,752	14,253,730	36,834,482
Total comprehensive income for the year:							
Net income	-	3,684,161	-		3,684,161	943,525	4,627,686
Unrealised gain on available for sale securities				13,928	13,928		13,928
Distributions to owners:							
Dividends	-	(2,556,160)	-		(2,556,160)	(649,236)	(3,205,396)
Balance at June 30, 2015	80,000	23,702,058	(84,600)	25,223	23,722,681	14,548,019	38,270,700

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to June 30, 2015 (amounts expressed in Bahamian dollars)

	June 2015	June 2014
Cash flows from operating activities:		
Net income for the period	4,627,686	4,476,808
Adjustments for:		
Unearned premium reserve	387,027	108,071
Depreciation and amortization	353,547	312,606
Impairment loss on investment properties	24,164	
Change in net unrealized (gains)/losses on investments in securities	(126,417)	(17,959)
Interest income	(477,124)	(525,439)
Dividend income	(211,247)	(204,251)
Bad Debts	24,000	24,000
Cash from operations before changes in assets and liabilities	4,601,636	4,173,836
(Increase)/decrease in assets:		
Accounts receivable	(683,676)	(3,307,859)
Due from insurance carriers	(159,927)	74,647
Prepayments and other assets	(258,613)	(1,023,161)
Prepaid reinsurance premiums	868,747	39,726
Reinsurance recoveries	523,403	(525,803)
Increase/(decrease) in liabilities:		
Unearned premium reserve	(1,642,802)	(255,869)
Outstanding claims	(533,249)	767,692
Due to related parties	336,827	1,915,991
Accounts payable, accrued expenses and other liabilities	398,915	1,630,665
Due to reinsurers	2,829,185	1,987,266
Unearned commission reserve	(110,041)	23,532
Net cash provided by operating activities	6,170,405	5,500,663
Cash flows from investing activities:		
Net maturity/(placement) of term deposits	747,292	(203,055)
Purchase of property, plant and equipment	(533,865)	(340,599)
Purchase of investments in securities	(2,763,149)	(29,835)
Interest received	596,243	602,223
Dividends received	211,247	204,251
Net cash (used in)/provided by investing activities	(1,742,232)	232,985
Cash flows from financing activities:		
Dividends paid to shareholders	(2,556,160)	(2,556,159)
Dividends paid to non-controlling interest	(649,236)	(463,285)
Net cash used in financing activities	(3,205,396)	(3,019,444)
Net Increase in cash and cash equivalents	1,222,777	2,714,204
Cash and cash equivalents at beginning of period	7,754,471	5,592,087
Cash and cash equivalents at end of period	8,977,248	8,306,291

(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, 2014.

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, 2015 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	9,855,708	(397,626)	9,458,082
Net premiums earned		-	3,834,472	3,834,472
Interest Income		58,056	419,068	477,124
Dividend Income		47,970	163,278	211,248
Other income		(36,448)	94,371	57,923
Change in net unrealized gain on investments in securities		-	126,417	126,417
	\$	9,925,286	4,239,980	14,165,266
Insurance expenses		-	2,087,885	2,087,885
Depreciation & amortization		332,342	21,205	353,547
Impairment loss on investment properties		24,164	-	24,164
Other expenses		6,506,266	565,718	7,071,984
	\$	6,862,772	2,674,808	9,537,580
NET INCOME	\$	3,062,514	1,565,172	4,627,686

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
Change in net unrealized losses on investments in securities		-	17,959	17,959
Other income		90,923	128,978	219,901
	\$	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 assets and liabilities as at June 30, 2015 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	27,572,117	59,823,294	87,395,411
Total liabilities		12,564,266	36,560,445	49,124,711

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	83,850,875
Total liabilities		16,668,327	37,315,843	53,984,170