

SECOND QUARTER

INTERIM REPORT

2016



MANAGING DIRECTOR'S REVIEW

Continuing on from the first quarter, our results have again outperformed last year with an increase in net income of 13% from \$4,627,686 to \$5,225,871. Total income is up marginally, a pleasing result given the current business climate and soft market. This combined with lower expenditure has produced an excellent result for the first six months of 2016.

Our Underwriting segment again had a strong quarter with net income rising just over 60% compared with 2015. Gains in net commission and fees and some improvement in our investment portfolio resulted in a 14% upswing of total income. Expenditure also fell on lower reinsurance costs and an improved claims experience over last year.

Although our Agency business results declined by 11% on the back of reduced commission and fees, we are holding our own in a challenging market. The Company continues to focus on

our core values of strong client relationships to be well positioned for the time when market stability returns.

At the half year mark there is little sign of recovery in the local economy. The industry is still predicting a flat year at best in the property and casualty market. Rates continue to be under pressure from both local and international competition driven by surplus capital in the financial services sector. Given the cycle that we are in our main emphasis is on cost containment and process reengineering to make the Company more efficient, relevant and accessible to our customer base.

A handwritten signature in black ink, appearing to read 'Alister I. McKellar'.

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, 2016 (amounts expressed in Bahamian dollars)

	June 2016	December 2015
ASSETS		
Cash and bank balances	\$ 5,342,016	4,066,278
Term deposits	10,041,302	9,963,416
Accounts receivable	12,246,119	10,835,493
Due from insurance carriers	72,558	122,943
Investments in securities		
- fair value through profit or loss	4,454,753	4,052,340
- held-to-maturity	10,708,615	10,705,373
- available for sale	4,896,810	4,890,840
Prepayments and other assets	2,644,453	1,350,038
Prepaid reinsurance premiums	16,507,076	17,410,387
Reinsurance recoveries	7,895,587	8,358,602
Intangible assets	165,158	138,130
Investment properties	1,580,436	1,585,826
Property, plant and equipment	9,000,365	9,076,569
Total assets	\$ 85,555,248	82,556,235
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 19,663,220	20,702,877
Outstanding claims	8,968,138	9,477,799
	<u>28,631,358</u>	<u>30,180,676</u>
Other liabilities:		
Due to related parties	784,660	331,326
Accounts payable	4,502,702	3,679,373
Due to reinsurers	4,391,341	3,422,086
Accrued expenses and other liabilities	1,962,650	1,472,228
Unearned commission reserve	4,513,510	4,849,937
Total liabilities	44,786,221	43,935,626
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	24,391,961	23,267,294
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	36,310	30,340
	<u>24,423,671</u>	<u>23,293,034</u>
Non-controlling interest	16,345,356	15,327,575
Total equity	\$ 40,769,027	38,620,609
Total liabilities and equity	85,555,248	82,556,235

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to June 30, 2016 (amounts expressed in Bahamian dollars)

	June 2016	June 2015
INCOME		
Net commission and fees	9,831,580	9,458,082
Net premiums earned	3,346,206	3,834,472
Investment income	850,840	746,295
Change in net unrealized gain on investments in securities	317,693	126,417
Total income	14,346,319	14,165,266
EXPENSES		
Salaries and employees benefits	5,103,730	5,127,152
Net claims incurred	731,377	888,625
Excess of loss reinsurance	995,486	1,199,260
Impairment loss on investment properties	-	24,164
Depreciation and amortization	365,597	353,547
Other operating expenses	1,924,258	1,944,832
Total expenses	9,120,448	9,537,580
Net income	5,225,871	4,627,686
Other comprehensive income		
Unrealized gain on available for sale securities	5,970	13,928
Total comprehensive income	5,231,841	4,641,614
Equity holders of the Company	\$ 3,686,797	3,698,089
Non-controlling interests	1,545,044	943,525
	5,231,841	4,641,614
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.46	\$ 0.46

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2016 *(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, 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
Balance at December 31, 2015	80,000	23,267,294	(84,600)	30,340	23,293,034	15,327,575	38,620,609
Total comprehensive income for the year:							
Net income	-	3,680,827	-	-	3,680,827	1,545,044	5,225,871
Unrealised loss on available for sale securities	-	-	-	5,970	5,970	-	5,970
Distributions to owners:							
Dividends	-	(2,556,160)	-	-	(2,556,160)	(527,263)	(3,083,423)
Balance at June 30, 2016	80,000	24,391,961	(84,600)	36,310	24,423,671	16,345,356	40,769,027

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to June 30, 2016 (amounts expressed in Bahamian dollars)

	June 2016	June 2015
Cash flows from operating activities:		
Net income for the period	5,225,871	4,627,686
Adjustments for:		
Unearned premium reserve	96,602	387,027
Depreciation and amortization	365,597	353,547
Impairment loss on investment property	-	24,164
Change in net unrealized gains on investments in securities	(317,693)	(126,417)
Interest income	(459,031)	(477,124)
Dividend income	(261,243)	(211,247)
Bad debts	24,000	24,000
Cash from operations before changes in assets and liabilities	4,674,103	4,601,636
(Increase)/decrease in assets:		
Accounts receivable	(1,434,625)	(683,676)
Due from insurance carriers	50,385	(159,927)
Prepayments and other assets	(1,294,416)	(258,613)
Prepaid reinsurance premiums	903,311	868,747
Reinsurance recoveries	463,015	523,403
Increase/(decrease) in liabilities:		
Unearned premium reserve	(1,136,259)	(1,642,802)
Outstanding claims	(509,661)	(533,249)
Due to related parties	453,333	336,827
Accounts payable, accrued expenses and other liabilities	1,313,751	398,915
Due to reinsurers	969,255	2,829,185
Unearned commission reserve	(336,427)	(110,041)
Net cash provided by operating activities	4,115,765	6,170,405
Cash flows from investing activities:		
Net maturity of term deposits	5,617	747,292
Purchase of property, plant and equipment	(311,031)	(533,865)
Purchase of investments in securities	(77,220)	(2,763,149)
Interest received	364,786	596,243
Dividends received	261,243	211,247
Net cash provided by/(used in) investing activities	243,395	(1,742,232)
Cash flows from financing activities:		
Dividends paid to shareholders	(2,556,160)	(2,556,160)
Dividends paid to non-controlling interest	(527,262)	(649,236)
Net cash used in financing activities	(3,083,422)	(3,205,396)
Net Increase in cash and cash equivalents	1,275,738	1,222,777
Cash and cash equivalents at beginning of period	4,066,278	7,754,471
Cash and cash equivalents at end of period	5,342,016	8,977,248

(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, 2015.

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, 2016 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	9,405,842	425,738	9,831,580
Net premiums earned		-	3,346,206	3,346,206
Interest Income		39,454	419,577	459,031
Dividend Income		51,633	209,610	261,243
Other income		17,937	112,629	130,566
Change in net unrealized gain on investments in securities		-	317,693	317,693
	\$	9,514,866	4,831,453	14,346,319
Insurance expenses		-	1,726,863	1,726,863
Depreciation & amortization		343,390	22,207	365,597
Other expenses		6,457,667	570,321	7,027,988
	\$	6,801,057	2,319,391	9,120,448
NET INCOME	\$	2,713,809	2,512,062	5,225,871

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
Change in net unrealized gain on investment in securities		-	126,417	126,417
Other income		(36,448)	94,371	57,923
	\$	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 assets and liabilities as at June 30, 2016 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	28,534,642	57,020,606	85,555,248
Total liabilities		13,884,400	30,901,821	44,786,221

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