

MANAGING DIRECTOR'S REVIEW

Net income for the first quarter increased by 8% from \$1,506,122 to \$1,630,554. Although total income fell slightly, we were able to achieve cost reductions under almost every expense category with a significant reduction in net claims incurred. The sole increase in other operating expenses resulted from recent renovations at head office and sponsorship of several events including the recently held Carifta Games which we were proud to support.

Both our Agency/Brokerage and Underwriting segments showed an increase in profitability during the first quarter which is a very positive start to 2013. On the Agency side, net commissions and fees grew from 3,945,622 to 4,141,882 which was partially offset by a \$130,270 increase in other expenses. Under the Underwriting arm, net premiums earned fell, however the shortfall was subsidized by an overall reduction in insurance expenses of \$459,775 and an unrealized gain on investment securities.

As a result of our increase in net income, earnings per share rose 2 cents this quarter from \$0.13 cents to \$0.15 cents. Dividends were maintained at 16 cents as in previous quarters. These encouraging results along with positive economic indicators bode well for the remainder of the year. Whilst the economy regains its strength, we continue to focus on innovation and business development to control costs and add value for our shareholders.



Alister I. McKellar, FCII
Managing Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2013
(amounts expressed in Bahamian dollars)

	March 2013	December 2012
ASSETS		
Cash and bank balances	\$ 5,208,405	2,874,309
Term deposits	10,712,726	12,137,415
Accounts receivable	11,043,167	9,393,685
Due from insurance carriers	1,183,821	2,065,839
Investments in securities		
- fair value through profit or loss	2,835,077	2,782,123
- held-to-maturity	8,355,773	8,353,238
- available for sale	2,322,000	2,000,000
Prepayments and other assets	1,290,550	1,541,492
Prepaid reinsurance premiums	17,676,399	17,860,119
Reinsurance recoveries	12,331,220	12,207,893
Intangible asset	347,501	366,698
Investment property	1,639,632	1,642,326
Property, plant and equipment	8,693,942	8,740,963
Total assets	\$ 83,640,213	81,966,100
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 20,925,671	21,438,748
Outstanding claims	13,751,168	14,136,537
	34,676,839	35,575,285
Other liabilities:		
Bank overdraft	-	172,645
Due to related parties	1,293,330	382,656
Accounts payable	3,349,460	2,536,329
Due to reinsurers	3,623,209	2,814,700
Accrued expenses and other liabilities	2,874,739	3,061,173
Unearned commission reserve	4,622,934	4,576,074
Total liabilities	50,440,511	49,118,862
Net assets	\$ 33,199,702	32,847,238
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares		
of \$0.01 each	\$ 80,000	80,000
Retained earnings	21,123,167	21,242,938
Interest in own shares	(84,600)	(84,600)
	21,118,567	21,238,338
Non-controlling interest	12,081,135	11,608,900
Total equity	\$ 33,199,702	32,847,238

(unaudited)

LOCATIONS

Nassau

Collins Avenue	242.397.2100
Thompson Boulevard	242.676.6300
Soldier Road	242.393.6286

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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FIRST QUARTER

INTERIM REPORT
2013



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months to March 31, 2013
(amounts expressed in Bahamian dollars)

	March 2013	March 2012
INCOME		
Net commission and fees	4,184,566	4,011,353
Net premiums earned	1,297,166	1,855,941
Investment income	460,982	452,729
Total income	5,942,714	6,320,023
EXPENSES		
Salaries and employees benefits	2,402,750	2,442,920
Net claims incurred	(24,434)	347,511
Excess of loss reinsurance	742,105	829,935
Depreciation and amortization	179,960	187,065
Change in net unrealized (gains)/losses on investments in securities	(52,954)	156,858
Revaluation gain on investment properties	-	(39,375)
Other operating expenses	1,064,743	888,987
Total expenses	4,312,170	4,813,901
Net income and total comprehensive income	1,630,544	1,506,122
Attributable to:		
Equity holders of the Company	1,158,309	1,073,252
Non-controlling interests	472,235	432,870
	1,630,544	1,506,122
Earnings per share for the profit attributable to the equity holders of the Company (3 months)	\$ 0.15	\$ 0.13

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months to March 31, 2013
(amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholder Equity	Non- Controlling Interest	Total Equity
Balance at January 1, 2012	80,000	20,849,873	(84,600)	20,845,273	10,343,926	31,189,199
Total comprehensive income for the year: Net income	-	1,073,252	-	1,073,252	432,870	1,506,122
Distributions to owners: Dividends	-	(1,277,840)	-	(1,277,840)	-	(1,277,840)
Balance at March 31, 2012	80,000	20,645,285	(84,600)	20,640,685	10,776,796	31,417,481
Balance at January 1, 2013	80,000	21,242,938	(84,600)	21,238,338	11,608,900	32,847,238
Total comprehensive income for the year: Net income	-	1,158,309	-	1,158,309	472,235	1,630,544
Distributions to owners: Dividends	-	(1,278,080)	-	(1,278,080)	-	(1,278,080)
Balance at March 31, 2013	80,000	21,123,167	(84,600)	21,118,567	12,081,135	33,199,702

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months to March 31, 2013
(amounts expressed in Bahamian dollars)

	March 2013	March 2012
Cash flows from operating activities:		
Net income for the period	1,630,544	1,506,122
Adjustments for:		
Unearned premium reserve	338,975	(186,002)
Depreciation and amortization	179,960	206,256
Change in net unrealized (gains)/losses on investments in securities	(52,954)	406,758
Revaluation gain on investment properties	-	(39,375)
Interest income	(244,155)	(275,452)
Dividend income	(78,743)	(43,263)
Cash from operations before changes in assets and liabilities	1,773,627	1,575,044
(Increase)/decrease in assets:		
Accounts receivable	(1,649,482)	(299,088)
Due from insurance carriers	882,018	122,530
Prepayments and other assets	250,942	(822,443)
Prepaid reinsurance premiums	183,720	1,143,408
Reinsurance recoveries	(123,327)	4,062,270
Increase/(decrease) in liabilities:		
Unearned premium reserve	(852,052)	(1,143,408)
Outstanding claims	(385,369)	(4,611,029)
Due to related parties	910,674	759,427
Accounts payable, accrued expenses and other liabilities	626,696	(2,066,348)
Due to reinsurers	808,509	(1,591,450)
Unearned commission reserve	46,860	(245,509)
Net cash provided by (used in) operating activities	2,472,816	(3,116,596)
Cash flows from investing activities:		
Net maturity of term deposits	1,294,144	98,901
Purchase of property, plant and equipment	(111,047)	(220,906)
(Purchase)/maturity of investments in securities	(322,000)	426,579
Interest received	372,166	327,972
Dividends received	78,742	45,154
Net cash provided by investing activities	1,312,005	677,700
Cash flows from financing activities:		
Dividends paid to shareholders	(1,278,080)	(1,277,840)
Net cash used in financing activities	(1,278,080)	(1,277,840)
Net Increase/(Decrease) in cash and cash equivalents	2,506,741	(3,716,736)
Cash and cash equivalents at beginning of period	2,701,664	6,426,316
Cash and cash equivalents at end of period	5,208,405	2,709,580

(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, 2012.

2. SEGMENT INFORMATION

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

The segment results for the period ended March 31, 2013 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 4,141,882	42,684	4,184,566
Net premiums earned	-	1,297,166	1,297,166
Interest Income	31,114	213,041	244,155
Dividend Income	23,985	54,758	78,743
Other income	25,619	112,465	138,084
	\$ 4,222,600	1,720,114	5,942,714

Insurance expenses	-	717,671	717,671
Depreciation & amortization	169,686	10,274	179,960
Change in net unrealized (gain) loss on investments in securities	-	(52,954)	(52,954)
Other expenses	3,214,121	253,372	3,467,493
	\$ 3,383,807	928,363	4,312,170
NET INCOME	\$ 838,793	791,751	1,630,544

The segment results for the period ended March 31, 2012 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 3,945,622	65,731	4,011,353
Net premiums earned	-	1,855,941	1,855,941
Interest Income	38,780	236,671	275,451
Dividend Income	-	67,248	67,248
Other income	71,720	38,310	110,030
	\$ 4,056,122	2,263,901	6,320,023

Insurance expenses	-	1,177,446	1,177,446
Depreciation	172,060	15,005	187,065
Change in net unrealized losses on investments in securities	-	156,858	156,858
Revaluation gain on investments properties	-	(39,375)	(39,375)
Other expenses	3,083,851	248,056	3,331,907
	\$ 3,255,911	1,557,990	4,813,901
NET INCOME	\$ 800,211	705,911	1,506,122

The segment assets and liabilities as at March 31, 2013 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 27,375,689	56,264,524	83,640,213
Total liabilities	13,304,443	37,136,068	50,440,511

The segment assets and liabilities as at March 31, 2012 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 22,012,204	52,374,146	74,386,350
Total liabilities	8,241,989	34,726,880	42,968,869