

FIRST QUARTER

INTERIM REPORT

2016



MANAGING DIRECTOR'S REVIEW

Our results for the first quarter of 2016 are very encouraging. Total income is up 8% on the back of a respectable gain in net commissions and fees. In addition, total expenses are down slightly resulting in an overall 33% rise in net income from \$1,683,390 to \$2,245,207.

Our Underwriting business led the way this period with net income levels doubling from \$748,105 to \$1,520,391. An increase in net commissions and fees together with increased unrealized gains bolstered the income this year. Our Agency business however declined in light of falling net commissions and fees and a slight rise in expenses.

The industry is currently predicting a flat year in the property and casualty market. While the negative effects from VAT being applied to premiums as of July 1, 2015 have been somewhat contained through rate reductions, the impact of taxation on the overall economy is being felt and is contributing to a challenging sales atmosphere. As the economy regains its strength, we continue to focus on innovation and business development to control costs and add value for our shareholders. The year has started well and we hope that trend continues. However, given the overall contraction that we are witnessing in the Bahamian Economy we remain cautiously optimistic going forward.

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 March 31, 2016 (amounts expressed in Bahamian dollars)

	March 2016	December 2015
ASSETS		
Cash and bank balances	\$ 5,613,691	4,066,278
Term deposits	9,975,603	9,963,416
Accounts receivable	8,704,308	10,835,493
Due from insurance carriers	46,432	122,943
Investments in securities		
- fair value through profit or loss	4,266,472	4,052,340
- held-to-maturity	10,712,930	10,705,373
- available for sale	4,885,242	4,890,840
Prepayments and other assets	2,890,243	1,350,038
Prepaid reinsurance premiums	16,008,532	17,410,387
Reinsurance recoveries	8,671,670	8,358,602
Intangible assets	124,045	138,130
Investment properties	1,583,693	1,585,826
Property, plant and equipment	8,980,102	9,076,569
Total assets	\$ 82,462,963	82,556,235
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 19,013,953	20,702,877
Outstanding claims	9,897,074	9,477,799
	<u>28,911,027</u>	<u>30,180,676</u>
Other liabilities:		
Due to related parties	451,104	331,326
Accounts payable	3,982,678	3,679,373
Due to reinsurers	2,993,208	3,422,086
Accrued expenses and other liabilities	2,625,449	1,472,228
Unearned commission reserve	4,444,621	4,849,937
Total liabilities	43,408,087	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	23,274,805	23,267,294
Interest in own shares	(84,600)	(84,600)
Other comprehensive income	24,742	30,340
	<u>23,294,947</u>	<u>23,293,034</u>
Non-controlling interest	15,759,929	15,327,575
Total equity	\$ 39,054,876	38,620,609
Total liabilities and equity	82,462,963	82,556,235

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months to March 31, 2016 (amounts expressed in Bahamian dollars)

	March 2016	March 2015
INCOME		
Net commission and fees	4,605,929	4,233,643
Net premiums earned	1,676,436	1,714,184
Investment income	517,466	427,580
Change in net unrealized gain on investments in securities	140,981	26,973
Total income	6,940,812	6,402,380
EXPENSES		
Salaries and employees benefits	2,602,149	2,509,085
Net claims incurred	478,968	503,244
Excess of loss reinsurance	495,170	600,261
Impairment loss on investment properties	-	24,164
Depreciation and amortization	160,500	170,044
Other operating expenses	958,818	912,192
Total expenses	4,695,605	4,718,990
Net income	2,245,207	1,683,390
Other comprehensive income		
Unrealized (loss)/gain on available for sale securities	(5,598)	4,848
Total comprehensive income	2,239,609	1,688,238
Equity holders of the Company	\$ 1,279,993	1,236,089
Non-controlling interests	959,616	452,149
	2,239,609	1,688,238
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.16	\$ 0.16

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months to March 31, 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	-	1,231,241	-	-	1,231,241	452,149	1,683,390
Unrealised gain on available for sale securities	-	-	-	4,848	4,848	-	4,848
Distributions to owners:							
Dividends	-	(1,278,080)	-	-	(1,278,080)	(649,236)	(1,927,316)
Balance at March 31, 2015	80,000	22,527,218	(84,600)	16,143	22,538,761	14,056,643	36,595,404
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	-	1,285,591	-	-	1,285,591	959,616	2,245,207
Unrealised loss on available for sale securities	-	-	-	(5,598)	(5,598)	-	(5,598)
Distributions to owners:							
Dividends	-	(1,278,080)	-	-	(1,278,080)	(527,262)	(1,805,342)
Balance at March 31, 2016	80,000	23,274,805	(84,600)	24,742	23,294,947	15,759,929	39,054,876

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months to March 31, 2016 (amounts expressed in Bahamian dollars)

	March 2016	March 2015
Cash flows from operating activities:		
Net income for the period	2,245,207	1,683,390
Adjustments for:		
Unearned premium reserve	247,325	85,685
Depreciation and amortization	160,500	170,044
Impairment loss on investment property	-	24,164
Change in net unrealized gains on investments in securities	(140,981)	(26,973)
Interest income	(231,334)	(253,657)
Dividend income	(131,650)	(104,060)
Bad debts	12,000	12,000
Cash from operations before changes in assets and liabilities	2,161,067	1,590,593
(Increase)/decrease in assets:		
Accounts receivable	2,119,185	1,062,234
Due from insurance carriers	76,510	(113,572)
Prepayments and other assets	(1,540,205)	(648,404)
Prepaid reinsurance premiums	1,401,855	1,111,346
Reinsurance recoveries	(313,068)	124,902
Increase/(decrease) in liabilities:		
Unearned premium reserve	(1,936,249)	(1,282,719)
Outstanding claims	419,275	(50,268)
Due to related parties	119,778	360,666
Accounts payable, accrued expenses and other liabilities	1,456,528	1,421,392
Due to reinsurers	(428,878)	(231,124)
Unearned commission reserve	(405,316)	(228,884)
Net cash provided by operating activities	3,130,482	3,116,162
Cash flows from investing activities:		
Net maturity of term deposits	5,617	747,814
Purchase of property, plant and equipment	(47,815)	(340,098)
Purchase of investments in securities	(69,401)	(1,505,036)
Interest received	202,223	414,949
Dividends received	131,650	104,060
Net cash provided by/(used in) investing activities	222,274	(578,311)
Cash flows from financing activities:		
Dividends paid to shareholders	(1,278,080)	(1,278,080)
Dividends paid to non-controlling interest	(527,262)	(649,236)
Net cash used in financing activities	(1,805,342)	(1,927,316)
Net Increase in cash and cash equivalents	1,547,414	610,535
Cash and cash equivalents at beginning of period	4,066,277	7,754,471
Cash and cash equivalents at end of period	5,613,691	8,365,006

(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 March 31, 2016 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	3,986,232	619,697	4,605,929
Net premiums earned		-	1,676,436	1,676,436
Interest Income		25,082	206,252	231,334
Dividend Income		25,817	105,833	131,650
Other income		71,542	82,940	154,482
Change in net unrealized gain on investments in securities		-	140,981	140,981
	\$	4,108,673	2,832,139	6,940,812
Insurance expenses		-	974,138	974,138
Depreciation & amortization		149,430	11,070	160,500
Other expenses		3,234,427	326,540	3,560,967
	\$	3,383,857	1,311,748	4,695,605
NET INCOME	\$	724,816	1,520,391	2,245,207

The segment results for the period ended March 31, 2015 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Net commission & fees	\$	4,181,447	52,196	4,233,643
Net premiums earned		-	1,714,184	1,714,184
Interest Income		43,059	210,599	253,658
Dividend Income		23,985	80,076	104,061
Change in net unrealized gain on investment in securities		-	26,973	26,973
Other income		41,356	28,505	69,861
	\$	4,289,847	2,112,533	6,402,380
Insurance expenses		-	1,103,505	1,103,505
Depreciation & amortization		159,442	10,602	170,044
Impairment loss on investment properties		24,164	-	24,164
Other expenses		3,170,956	250,321	3,421,277
	\$	3,354,562	1,364,428	4,718,990
NET INCOME	\$	935,285	748,105	1,683,390

The segment assets and liabilities as at March 31, 2016 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	24,530,411	57,932,552	82,462,963
Total liabilities		10,604,164	32,803,923	43,408,087

The segment assets and liabilities as at March 31, 2015 are as follows:

		AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$	25,427,000	58,702,003	84,129,003
Total liabilities		11,278,880	36,254,719	47,533,599