

## MANAGING DIRECTOR'S REVIEW

Although Consolidated Net Income is down, it has not affected Net Income or Earnings per Share attributable to Equity Holders of the Company, both of which are flat compared with 2010. This is due to the fact that most of the decline in Profits is on the Underwriting side of the business.

Consolidated Net Income for the six months to June 2011 is down by 11.8% over the corresponding period last year. Total Income declined by 2% as a result of reductions in Net Premiums Earned and Investment Income.

Total Expenses have increased by 3.6% from \$9.85M to \$10.21M. Contributing to this were increases in Salaries and Employee Benefits, Net Claims Incurred and Other Operating Expenses.

Accounts Receivable Balances, Accounts Payable and amounts due to related parties, are all up significantly over the position at 31st December, 2010. However, these are not out of line with the position a year ago (June 2010) are mainly due to timing differences in business written.

With regard to the Segment Results, our Agency and Brokerage Net Income is up by 11% as a result of increased Net Commission and Fees, including Profit Commissions. On the Underwriting side, Insurance Company of The Bahamas' Net Income is down by 30% due mainly to a decrease in Net Premiums Earned and the increase in Insurance Expenses.

The amalgamation of operations in Turks & Caicos has now been completed and all staff are in the new location at Grace Way Plaza.



Marvin V. Bethell, FCII  
Managing Director

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at June 30, 2011 (amounts expressed in Bahamian dollars)

	December 31,	
	2011	2010
<b>ASSETS</b>		
Cash and bank balances	\$ 6,074,881	5,573,352
Term deposits	8,268,177	8,536,162
Accounts receivable	19,205,374	9,808,323
Due from insurance carriers	691,224	829,212
Investments in securities		
- fair value through profit or loss	2,827,064	2,638,877
- held-to-maturity	9,104,914	9,236,911
- available for sale	2,312,500	2,312,500
Prepayments and other assets	2,523,043	1,106,889
Prepaid reinsurance premiums	16,817,698	16,780,244
Reinsurance recoveries	11,113,825	11,266,798
Investment property	1,963,405	1,969,463
Property, plant and equipment	8,793,646	8,861,725
<b>Total assets</b>	<b>\$ 89,695,751</b>	<b>78,920,456</b>
<b>LIABILITIES</b>		
General insurance funds:		
Unearned premium reserve	\$ 20,354,213	20,283,926
Outstanding claims	13,168,581	13,172,341
	33,522,794	33,456,267
Other liabilities:		
Due to related parties	5,422,438	520,586
Accounts payable	8,037,226	4,262,434
Due to reinsurers	4,752,882	3,736,059
Accrued expenses and other liabilities	2,079,903	2,882,805
Unearned commission reserve	4,385,001	4,284,724
<b>Total liabilities</b>	<b>58,200,244</b>	<b>49,142,875</b>
<b>Net assets</b>	<b>\$ 31,495,507</b>	<b>29,777,581</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	21,021,553	19,337,415
Interest in own shares	(84,600)	(84,600)
	21,016,953	19,332,815
Non-controlling interest	10,478,554	10,444,766
<b>Total equity</b>	<b>\$ 31,495,507</b>	<b>29,777,581</b>

(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
----------------	--------------

[www.jsjohnson.com](http://www.jsjohnson.com)

## COVERAGE YOU CAN COUNT ON

Homeowners • Automobile • Annuities • Pensions

Marine • Aviation • Crime • Office • Travel

Computers • Life & Health • Special Risks

Bankers' Bonds • Personal Accident

Directors & Officers • Commercial Liability

Professional Indemnity • Sports

# SECOND QUARTER

INTERIM REPORT

2011



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months to June 30, 2011

(amounts expressed in Bahamian dollars)

	2011	June 30, 2010
<b>INCOME</b>		
Net commission and fees	10,682,148	10,148,107
Net premiums earned	3,598,179	4,192,592
Investment income	908,972	1,145,173
Profit on sale of property, plant & equipment	-	18,000
<b>Total income</b>	<b>15,189,299</b>	<b>15,503,872</b>
<b>EXPENSES</b>		
Salaries and employees benefits	4,975,872	4,814,821
Net claims incurred	1,365,477	974,405
Excess of loss reinsurance	1,650,469	1,845,138
Depreciation	320,705	340,131
Change in net unrealized loss on investments in securities	61,713	127,852
Other operating expenses	1,832,233	1,752,836
<b>Total expenses</b>	<b>10,206,469</b>	<b>9,855,183</b>
<b>Net income</b>	<b>4,982,830</b>	<b>5,648,689</b>
<b>Attributable to:</b>		
Equity holders of the Company	4,240,298	4,252,808
Non-controlling interests	742,532	1,395,881
	<b>4,982,830</b>	<b>5,648,689</b>
Earnings per share for the profit attributable to the equity holders of the Company (six months)	\$ 0.53	\$ 0.53

(unaudited)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months to June 30, 2011

(amounts expressed in Bahamian dollars)

	Share Capital	Retained Earnings	Interest in own Shares	Total Shareholder Equity	Non-Controlling Interest	Total Equity
<b>Balance at January 1, 2010</b>	<b>80,000</b>	<b>17,470,986</b>	<b>(84,600)</b>	<b>17,466,386</b>	<b>8,101,652</b>	<b>25,568,038</b>
Total comprehensive income for the year:						
Net income	-	4,252,808	-	4,252,808	1,395,881	5,648,689
Distributions to owners:						
Dividends	-	(2,556,160)	-	(2,556,160)	-	(2,556,160)
<b>Balance at June 30, 2010</b>	<b>80,000</b>	<b>19,167,634</b>	<b>(84,600)</b>	<b>19,163,034</b>	<b>9,497,533</b>	<b>28,660,567</b>
<b>Balance at January 1, 2011</b>	<b>80,000</b>	<b>19,337,415</b>	<b>(84,600)</b>	<b>19,332,815</b>	<b>10,444,766</b>	<b>29,777,581</b>
Total comprehensive income for the year:						
Net income	-	4,240,298	-	4,240,298	742,532	4,982,830
Distributions to owners:						
Dividends	-	(2,556,160)	-	(2,556,160)	(708,744)	(3,264,904)
<b>Balance at June 30, 2011</b>	<b>80,000</b>	<b>21,021,553</b>	<b>(84,600)</b>	<b>21,016,953</b>	<b>10,478,554</b>	<b>31,495,507</b>

(unaudited)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months to June 30, 2011

(amounts expressed in Bahamian dollars)

	2011	June 2010
<b>Cash flows from operating activities:</b>		
Net income for the period	\$ 4,982,830	5,648,689
<b>Adjustments for:</b>		
Unearned premium reserve	149,249	-
Depreciation	320,705	340,131
Profit on sale of property, plant and equipment	-	(18,000)
Change in net unrealized (gain)/loss on investments in securities	(188,187)	-
Interest income	151,834	(404,574)
Dividend income	90,948	(140,841)
Bad debts	-	10,000
<b>Cash from operations before changes in assets and liabilities</b>	<b>5,507,379</b>	<b>5,435,405</b>
<b>(Increase)/decrease in current assets:</b>		
Accounts receivable	(9,397,050)	(7,906,581)
Due from insurance carriers	137,988	1,082,181
Due from reinsurers	-	1,251,286
Due from related parties	-	432,547
Prepayments and other assets	(1,416,154)	(720,209)
Prepaid reinsurance premiums	(37,454)	1,588,195
Reinsurance recoveries	152,973	-
<b>(Increase)/decrease in current liabilities:</b>		
Unearned premium reserve	(78,962)	(2,022,442)
Outstanding claims	(3,760)	(1,342,584)
Due to related parties	4,901,852	3,698,309
Accounts payable, accrued expenses and other liabilities	2,971,889	3,473,752
Due to reinsurers	1,016,823	1,630,118
Unearned commission reserve	100,277	(238,071)
<b>Net cash provided by operating activities</b>	<b>3,855,801</b>	<b>6,361,906</b>
<b>Cash flows from investing activities:</b>		
Net maturity/(placement) of term deposits	267,985	(1,692,041)
Purchase of investment property	483	(1,319,864)
Proceeds from sale of property, plant and equipment	-	18,000
Purchase of property, plant and equipment	(247,052)	(74,057)
Maturity of investments in securities	263,994	252,097
Interest received	(283,830)	566,033
Dividends received	(90,948)	140,841
<b>Net cash provided by (used) in investing activities</b>	<b>(89,368)</b>	<b>(2,108,991)</b>
<b>Cash flows from financing activities:</b>		
Dividends paid to shareholders	(2,556,160)	(2,556,160)
Dividends paid to non-controlling interests	(708,744)	-
<b>Net cash used in financing activities</b>	<b>(3,264,904)</b>	<b>(2,556,160)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>501,529</b>	<b>1,696,755</b>
Cash and cash equivalents at beginning of period	5,573,352	3,594,471
<b>Cash and cash equivalents at end of period</b>	<b>\$ 6,074,881</b>	<b>5,291,226</b>
<b>Represented by:</b>		
Cash and current accounts	6,074,881	5,291,226
Interest bearing accounts	-	-
<b></b>	<b>6,074,881</b>	<b>5,291,226</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, 2010.

**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, 2011 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 9,163,962	1,518,186	10,682,148
Net premiums earned	-	3,598,179	3,598,179
Interest Income	171,908	515,257	687,165
Dividend Income	-	151,107	151,107
Other income	70,700	-	70,700
<b>NET INCOME</b>	<b>\$ 9,406,570</b>	<b>5,782,279</b>	<b>15,189,299</b>

Insurance expenses	-	3,015,946	3,015,946
Depreciation	286,682	34,023	320,705
Change in net unrealized loss on investments in securities	-	61,713	61,713
Other expenses	6,294,566	513,539	6,808,105
<b>NET INCOME</b>	<b>\$ 6,581,248</b>	<b>3,625,221</b>	<b>10,206,469</b>
<b>NET INCOME</b>	<b>\$ 2,825,322</b>	<b>2,157,508</b>	<b>4,982,830</b>

The segment results for the period ended June 30, 2010 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 8,730,532	1,417,575	10,148,107
Net premiums earned	-	4,192,592	4,192,592
Interest Income	205,512	476,975	682,487
Dividend Income	10,000	130,841	140,841
Other income	18,000	321,845	339,845
<b>NET INCOME</b>	<b>\$ 8,964,044</b>	<b>6,539,828</b>	<b>15,503,872</b>

Insurance expenses	-	2,819,543	2,819,543
Depreciation	299,329	40,802	340,131
Change in net unrealized loss on investments in securities	-	127,852	127,852
Other expenses	6,121,396	446,261	6,567,657
<b>NET INCOME</b>	<b>\$ 6,420,725</b>	<b>3,434,458</b>	<b>9,855,183</b>
<b>NET INCOME</b>	<b>\$ 2,543,319</b>	<b>3,105,370</b>	<b>5,648,689</b>

The segment assets and liabilities as at June 30, 2011 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 35,066,661	54,629,090	89,695,751
Total liabilities	20,742,775	37,457,469	58,200,244

The segment assets and liabilities as at June 30, 2010 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 34,775,443	53,599,512	88,374,955
Total liabilities	21,641,094	38,073,250	59,714,344

PEACE OF MIND