

MANAGING DIRECTOR'S REVIEW

Following on from the first quarter results, both segments experienced declines in Net Income during the first half of 2012. Underwriting Results showed the more significant decline with Net Income dropping 56% from the previous period which is a direct result of the decline in net commission and fees.

Total expenses are down by 2% on last year. The major contributor being Net Claims Incurred which are down 43% on 2011 and 20% on 2010 levels. This decrease has been partially offset by minor increases in the remaining expense categories.

Although Net Income is down for the second quarter of the year by 37% and concurrently total income by 14% the modest decline in total expenses shows promise for the Company in its effort to reduce costs. As mentioned in the Chairman's report at the end of 2011, with the pace of the recovery of the Bahamian economy, the true turnaround will probably not be seen until late 2012. This along with the Company's ability to maintain lower expense levels should yield a better performing result for the last half of the year.



Alister I. McKellar, FCII
Managing Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2012
(amounts expressed in Bahamian dollars)

	June 2012	December 2011
ASSETS		
Cash and bank balances	\$ 12,051,568	6,426,316
Term deposits	8,002,204	8,059,928
Accounts receivable	13,729,777	8,673,547
Due from insurance carriers	1,226,508	1,385,851
Investments in securities		
- fair value through profit or loss	2,661,226	2,782,298
- held-to-maturity	8,999,000	9,711,652
- available for sale	2,000,000	2,000,000
Prepayments and other assets	2,177,244	1,175,870
Prepaid reinsurance premiums	16,754,083	17,056,594
Reinsurance recoveries	10,131,412	15,293,640
Intangible asset	268,458	306,846
Investment property	1,560,799	1,526,516
Property, plant and equipment	8,859,880	8,843,327
Total assets	\$ 88,422,159	83,242,385
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 20,423,486	20,605,805
Outstanding claims	12,016,241	17,746,362
	32,439,727	38,352,167
Other liabilities:		
Due to related parties	6,429,598	578,454
Accounts payable	5,786,247	2,584,715
Due to reinsurers	5,258,354	3,221,643
Accrued expenses and other liabilities	2,722,564	2,937,011
Unearned commission reserve	4,357,920	4,379,196
Total liabilities	56,994,410	52,053,186
Net assets	\$ 31,427,749	31,189,199
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares		
of \$0.01 each	\$ 80,000	80,000
Retained earnings	20,724,520	20,849,873
Interest in own shares	(84,600)	(84,600)
	20,719,920	20,845,273
Non-controlling interest	10,707,829	10,343,926
Total equity	\$ 31,427,749	31,189,199

(unaudited)

LOCATIONS

Nassau

Collins Avenue	242.397.2100
Thompson Boulevard	242.676.6300
Soldier Road	242.676.6301

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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SECOND QUARTER

INTERIM REPORT

2012



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to June 30, 2012

(amounts expressed in Bahamian dollars)

	June 2012	June 2011
INCOME		
Net commission and fees	8,470,128	10,682,148
Net premiums earned	3,703,613	3,598,179
Investment income	917,448	908,972
Revaluation gain on investment properties	39,375	-
Total income	13,130,564	15,189,299
EXPENSES		
Salaries and employees benefits	5,081,675	4,975,872
Net claims incurred	784,193	1,365,477
Excess of loss reinsurance	1,656,031	1,650,469
Depreciation & amortization	367,275	320,705
Interest expense	8,414	-
Change in net unrealized loss on investments in securities	121,072	61,713
Other operating expenses	1,948,601	1,832,233
Total expenses	9,967,261	10,206,469
Net income	3,163,303	4,982,830
Attributable to:		
Equity holders of the Company	2,590,568	4,240,298
Non-controlling interests	572,735	742,532
	3,163,303	4,982,830
Earnings per share for the profit attributable to the equity holders of the Company (six months)	\$ 0.33	\$ 0.53

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2012

(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, 2011	80,000	19,337,415	(84,600)	19,332,815	10,444,766	29,777,581
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)
Balance at June 30, 2011	80,000	21,021,553	(84,600)	21,016,953	10,478,554	31,495,507
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	-	2,590,568	-	2,590,568	572,735	3,163,303
Distributions to owners:						
Dividends	-	(2,715,921)	-	(2,715,921)	(208,832)	(2,924,753)
Balance at June 30, 2012	80,000	20,724,520	(84,600)	20,719,920	10,707,829	31,427,749

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to June 30, 2012

(amounts expressed in Bahamian dollars)

	June 2012	June 2011
Cash flows from operating activities:		
Net income for the period	\$ 3,163,303	4,982,830
Adjustments for:		
Unearned premium reserve	120,193	149,249
Depreciation & amortization	367,275	320,705
Profit on sale of property, plant and equipment	-	-
Change in net unrealized (gains)/losses on investments in securities	121,072	(188,187)
Revaluation (gain)/ loss on investment properties	(39,375)	-
Interest income	(553,059)	151,834
Dividend income	(183,478)	90,948
Interest expense	8,414	-
Bad debts	3,557	-
Cash from operations before changes in assets and liabilities	3,007,902	5,507,379
(Increase)/decrease in assets:		
Accounts receivable	(5,059,787)	(9,397,050)
Due from insurance carriers	159,343	137,988
Prepayments and other assets	(1,003,264)	(1,416,154)
Prepaid reinsurance premiums	302,511	(37,454)
Reinsurance recoveries	5,162,228	152,973
Increase/(decrease) in liabilities:		
Unearned premium reserve	(302,511)	(78,962)
Outstanding claims	(5,730,121)	(3,760)
Due to related parties	5,851,144	4,901,852
Accounts payable, accrued expenses and other liabilities	2,987,082	2,971,889
Due to reinsurers	2,036,711	1,016,823
Unearned commission reserve	(21,276)	100,277
Net cash provided by operating activities	7,389,962	3,855,801
Cash flows from investing activities:		
Net maturity/(placement) of term deposits	30,465	267,985
Purchase of investment property	3,256	483
Purchase of property, plant and equipment	(343,605)	(247,052)
(Purchase)/Maturity of investments in securities	687,393	263,994
Interest received	605,580	(283,830)
Dividends received	185,368	(90,948)
Net cash provided by (used) in investing activities	1,168,457	(89,368)
Cash flows from financing activities:		
Dividends paid to shareholders	(2,715,921)	(2,556,160)
Dividends paid to non-controlling interests	(208,832)	(708,744)
Interest paid	(8,414)	-
Net cash used in financing activities	(2,933,167)	(3,264,904)
Net Increase/(Decrease) in cash and cash equivalents		
	5,625,252	501,529
Cash and cash equivalents at beginning of period	6,426,316	5,573,352
Cash and cash equivalents at end of period	\$12,051,568	6,074,881
Represented by:		
Cash and current accounts	12,051,568	6,074,881
Interest bearing accounts	-	-
	12,051,568	6,074,881

(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, 2011.

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, 2012 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Net commission & fees	\$ 8,860,975	(390,847)	8,470,128
Net premiums earned	-	3,703,613	3,703,613
Interest Income	103,256	449,803	553,059
Dividend Income	50,005	133,473	183,478
Other income	73,080	107,831	180,911
Revaluation gain on investment properties	-	39,375	39,375
	\$ 9,087,316	4,043,248	13,130,564
Insurance expenses	-	2,440,224	2,440,224
Depreciation & amortization	336,967	30,308	367,275
Change in net unrealized loss on investments in securities	-	121,072	121,072
Interest expense	-	8,414	8,414
Other expenses	6,528,208	502,068	7,030,276
	\$ 6,865,175	3,102,086	9,967,261
NET INCOME	\$ 2,222,141	941,162	3,163,303

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
	\$ 9,406,570	5,782,279	15,189,299
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
	\$ 6,581,248	3,625,221	10,206,469
NET INCOME	\$ 2,825,322	2,157,508	4,982,830

The segment assets and liabilities as at June 30, 2012 are as follows:

	Agents & Brokers	Underwriting	TOTAL
Total assets	\$ 36,906,938	51,515,221	88,422,159
Total liabilities	22,323,451	34,670,959	56,994,410

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