

SECOND QUARTER

INTERIM REPORT

2019



MANAGING DIRECTOR'S REVIEW

Net income remained strong in the second quarter of 2019 increasing to \$3,679,402 from \$2,377,684 last year. This 55% growth is reassuring and indicative among other things of an uptick in economic activity.

A review of our segment information reveals that both of our divisions enjoyed profitability gains this year. Agency profitability is up \$393,957 as an 11% increase in other expenses was surpassed by a 12% rise in net revenue from contracts with customers.

In addition, our Underwriting result rebounded from a loss of \$1,266 in 2018 to a profit of \$906,495. There were many contributing factors to this impressive performance. Insurance expenses decreased over 40% largely due to a lower claims experience this

year. Moreover, losses on our investment portfolio were much lower at \$26,921 as compared to \$442,564 in the prior year.

I am pleased to report that 100th anniversary celebrations have been well received by our clients and shareholders to date and again welcome you to share in the remaining events for the year.

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, 2019 (amounts expressed in Bahamian dollars)

	June 2019	December 2018
ASSETS		
Cash and bank balances	\$ 9,769,984	9,700,629
Term deposits	8,126,080	6,084,607
Accounts receivable	16,465,501	14,334,352
Due from insurance carriers	115,416	45,233
Investments in securities		
- fair value through profit or loss	9,504,395	10,215,346
- Amortized costs	11,861,162	11,242,588
Prepayments and other assets	2,021,629	1,772,945
Prepaid reinsurance premiums	20,080,119	19,402,972
Reinsurance recoveries	8,469,750	9,373,273
Intangible assets	2,673	10,693
Investment properties	972,812	973,935
Property, plant and equipment	8,427,116	8,481,045
Total assets	\$ 95,816,637	91,637,618
LIABILITIES		
General insurance funds:		
Unearned premium reserve	\$ 23,549,143	22,897,180
Outstanding claims	9,026,388	10,101,411
	<u>32,575,531</u>	<u>32,998,591</u>
Other liabilities:		
Due to related parties	929,613	188,029
Accounts payable	6,557,922	5,202,717
Due to reinsurers	5,893,128	4,582,436
Accrued expenses and other liabilities	2,129,097	2,139,004
Unearned commission reserve	5,476,286	5,243,608
Total liabilities	53,561,577	50,354,385
EQUITY		
Share capital		
Authorized, issued and fully paid:-		
8,000,000 ordinary shares of \$0.01 each	\$ 80,000	80,000
Retained earnings	26,051,457	25,355,007
Interest in own shares	(84,600)	(84,600)
	<u>26,046,857</u>	<u>25,350,407</u>
Non-controlling interest	16,208,203	15,932,826
Total equity	\$ 42,255,060	41,283,233
Total liabilities and equity	95,816,637	91,637,618

(unaudited)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months to June 30, 2019 (amounts expressed in Bahamian dollars)

	June 2019	June 2018
INCOME		
Net revenue from contracts with customers	9,355,756	8,543,725
Net premiums earned	2,095,168	1,899,738
Investment income	863,168	716,715
Profit on sale of property plant & equipment	22,000	-
Total income	12,336,092	11,160,178
EXPENSES		
Salaries and employees benefits	5,170,047	4,745,477
Net claims incurred	691,229	1,162,987
Depreciation and amortization	279,689	282,941
Change in net unrealised loss on investments in securities	26,921	442,564
Other operating expenses	2,488,804	2,148,525
Total expenses	8,656,690	8,782,494
Net income	3,679,402	2,377,684
Other comprehensive income		
Unrealized gain on available for sale securities	-	9,793
Total comprehensive income	3,679,402	2,387,477
Equity holders of the Company	\$ 3,092,850	2,345,982
Non-controlling interests	586,552	41,495
	3,679,402	2,387,477
Earnings per share for the profit attributable to the equity holders of the Company	\$ 0.39	\$ 0.29

(unaudited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to June 30, 2019 (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, 2017	80,000	23,972,942	(84,600)	50,530	24,018,872	15,153,887	39,172,759
Total comprehensive income for the year:							
Net income	-	2,336,189	-	-	2,336,189	41,495	2,377,684
Unrealised loss on available for sale securities	-	-	-	9,793	9,793	-	9,793
Distributions to owners:							
Dividends	-	(2,396,400)	-	-	(2,396,400)	(121,634)	(2,518,034)
Balance at June 30, 2018	80,000	23,912,731	(84,600)	60,323	23,968,454	15,073,748	39,042,202
Balance at December 31, 2018	80,000	25,355,007	(84,600)	-	25,350,407	15,932,826	41,283,233
Total comprehensive income for the year:							
Net income	-	3,092,850	-	-	3,092,850	586,552	3,679,402
Unrealised loss on available for sale securities	-	-	-	-	-	-	-
Distributions to owners:							
Dividends	-	(2,396,400)	-	-	(2,396,400)	(311,175)	(2,707,575)
Balance at June 30, 2019	80,000	26,051,457	(84,600)	-	26,046,857	16,208,203	42,255,060

(unaudited)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to June 30, 2019 (amounts expressed in Bahamian dollars)

	June 2019	June 2018
Cash flows from operating activities:		
Net income for the period	3,679,402	2,377,684
Adjustments for:		
Unearned premium reserve	(216,278)	(105,586)
Depreciation and amortization	279,689	282,941
Realized gain on disposal of fixed asset	(22,000)	-
Change in net unrealized losses on investments in securities	26,921	442,564
Interest income	(404,772)	(346,844)
Dividend income	(328,059)	(246,363)
Bad debts	24,000	24,000
Cash from operations before changes in assets and liabilities	3,038,903	2,428,396
(Increase)/decrease in assets:		
Accounts receivable	(2,155,149)	1,008,856
Due from insurance carriers	(70,182)	323,886
Prepayments and other assets	(248,684)	3,148,988
Prepaid reinsurance premiums	(677,147)	440,160
Reinsurance recoveries	903,523	5,736,404
Increase/(decrease) in liabilities:		
Unearned premium reserve	868,241	(333,851)
Outstanding claims	(1,075,023)	(6,820,175)
Due to related parties	741,584	1,974,618
Accounts payable, accrued expenses and other liabilities	1,345,297	(4,487,599)
Due to reinsurers	1,310,692	(4,825,426)
Unearned commission reserve	232,678	(9,643)
Net cash provided by/(used in) operating activities	4,214,733	(1,415,386)
Cash flows from investing activities:		
Net placement of term deposits	(2,161,029)	(118,638)
Proceeds from sale of property, plant and equipment	22,000	-
Purchase of property, plant and equipment	(216,617)	(96,304)
(Purchase)/Sale of investments in securities	63,814	106,250
Interest received	525,970	454,599
Dividends received	328,059	246,363
Net cash (used in)/provided by investing activities	(1,437,803)	592,270
Cash flows from financing activities:		
Dividends paid to shareholders	(2,396,400)	(2,396,400)
Dividends paid to non-controlling interest	(311,175)	(121,634)
Net cash used in financing activities	(2,707,575)	(2,518,034)
Net increase/(decrease) in cash and cash equivalents	69,355	(3,341,150)
Cash and cash equivalents at beginning of period	9,700,629	13,797,166
Cash and cash equivalents at end of period	9,769,984	10,456,016

(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, 2018.

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, 2019 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 9,946,002	(590,246)	9,355,756
Net premiums earned	-	2,095,168	2,095,168
Interest Income	36,246	368,525	404,771
Dividend Income	49,485	278,573	328,058
Other income	39,414	90,925	130,339
Profit on sale of property plant & equipment	-	22,000	22,000
	\$ 10,071,147	2,264,945	12,336,092
Insurance expenses	-	691,229	691,229
Depreciation & amortization	259,153	20,536	279,689
Change in net unrealized loss on investments in securities	-	26,921	26,921
Other expenses	7,039,087	619,764	7,658,851
	\$ 7,298,240	1,358,450	8,656,690
NET INCOME	\$ 2,772,907	906,495	3,679,402

The segment results for the period ended June 30, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Net revenue from contracts with customers	\$ 8,874,273	(330,548)	8,543,725
Net premiums earned	-	1,899,738	1,899,738
Interest Income	40,440	306,405	346,845
Dividend Income	24,230	222,132	246,362
Other income	49,055	74,453	123,508
	\$ 8,987,998	2,172,180	11,160,178
Insurance expenses	-	1,162,987	1,162,987
Depreciation & amortization	259,736	23,205	282,941
Change in net unrealized loss on investment in securities	-	442,564	442,564
Other expenses	6,349,312	544,690	6,894,002
	\$ 6,609,048	2,173,446	8,782,494
NET INCOME	\$ 2,378,950	(1,266)	2,377,684

The segment assets and liabilities as at June 30, 2019 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 35,311,865	60,504,772	95,816,637
Total liabilities	18,505,198	35,056,379	53,561,577

The segment assets and liabilities as at June 30, 2018 are as follows:

	AGENTS & BROKERS	UNDERWRITING	TOTAL
Total assets	\$ 29,951,263	59,257,687	89,208,950
Total liabilities	14,555,427	35,611,321	50,166,748