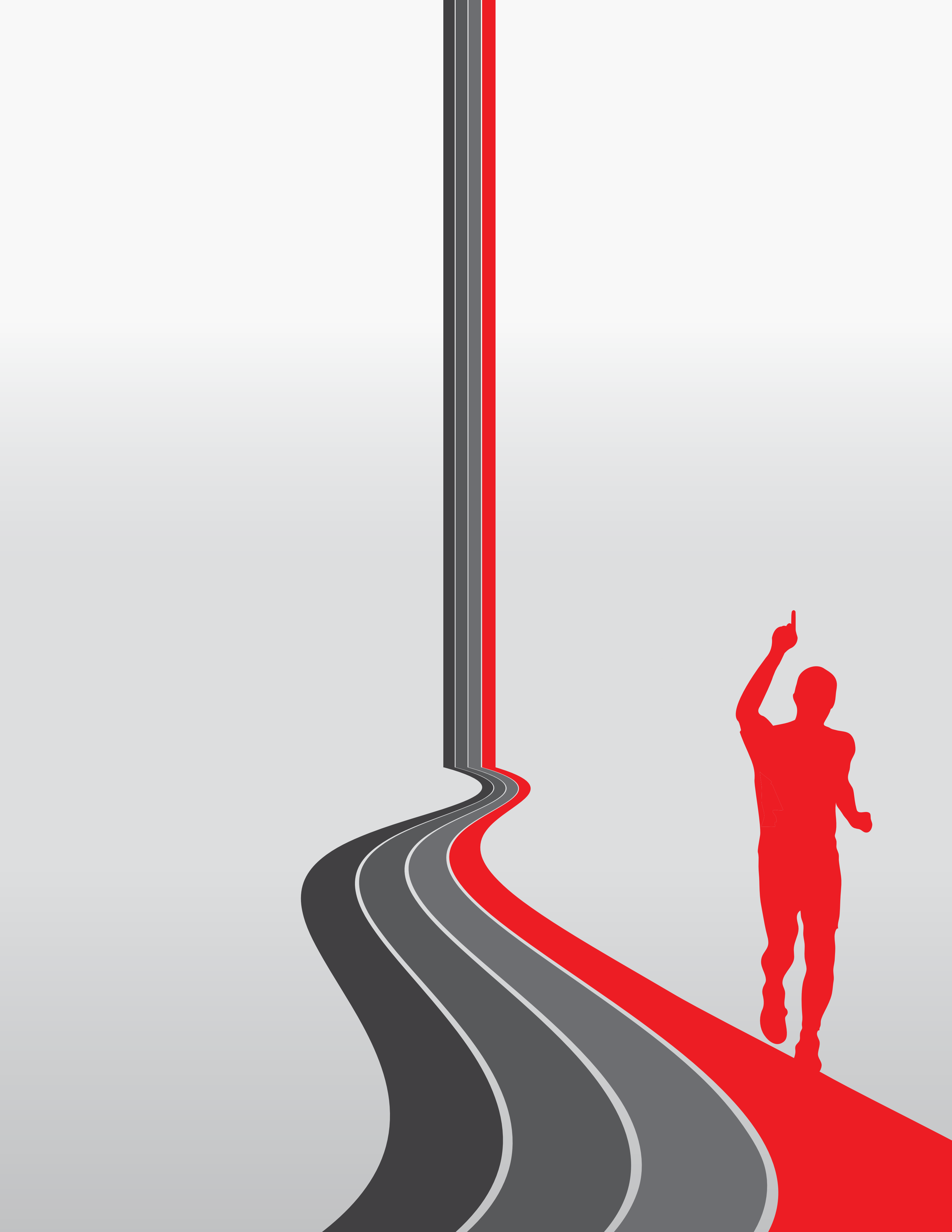
FIRST

...AND STAYING AHEAD

BAHAMAS FIRST HOLDINGS LIMITED

2009 ANNUAL REPORT



FIRST in property, automobile, marine, accident, engineering, liability & professional indemnity insurance.

FIRST Bahamian owned general insurance company.

FIRST in quality and experience for authorized agents across The Bahamas.

FIRST to introduce On-site Accident Assistance Program.

FIRST company in The Bahamas to receive an A- (Excellent) financial strength rating from A.M. Best.

FIRST
Bahamian
owned general
insurance
company.

BAHAMAS FIRST HOLDINGS LIMITED

Annual Report & Consolidated Financial Statements
For The Year Ended December 31, 2009

MESSAGE FROM THE CHAIRMAN

Upon reflection 2009 will be recalled as a year of transition. The year commenced with the economies and capital markets of almost every country in the world in freefall. There were great fears of a huge meltdown, such that many accepted norms would no longer prevail and a massive domino effect would have ravaged the world. The possibility of a full on world depression was very real.

Fortunately, the quick and coordinated approach taken by the major countries of the world, and particularly the G-20, proved to be effective in at least stopping the implosion and providing time for a tentative recovery to commence. By the end of the year, the situation was quite different and certainly the green shoots of recovery are manifesting themselves. However, this will be a much slower recovery than previous downturns largely as a result of its severity. For example, real estate prices remain moribund, unemployment rates are high and a number of countries of the world are still facing severe financial problems. The fear is that in some major countries of the world, such as the United States and the United Kingdom, the cost of recovery has still to be taken into account in assessing how their economies recover.

The theme of this year's report is ***"FIRST... and Staying Ahead"***.

As I have mentioned in a number of previous messages, one of the key mandates of a Board is to focus on future strategy and development. This is vital to the ongoing development and financial security of your Company. As we all know, nothing remains static forever; one is either growing or not and the status quo never lasts for very long. It is for this reason principally that your Board has decided to venture outside of The Bahamas with the acquisition in Cayman of the Sagicor General Insurance business.

Your Board came to this measured decision by way of two principal and overriding conclusions: (1) The ability for your Company to grow to any greater extent within the Bahamas is extremely limited and (2) The opportunity in Cayman is very attractive and is a similar market to our own; therefore, our ability to absorb a new venture is more straightforward.

2009 was another good year for the underwriting and insurance aspects of our business. Our investment portfolio also performed satisfactorily. The President comments upon these matters in greater detail. There continue to be many challenges facing our business, not least of all being the retention of first class personnel who have the drive, ambition and ability to contribute to the Company's future development. Our Young Professionals Program is one such example of our planning for the future.

At the forthcoming AGM we say farewell to two of our Directors who will be retiring from our Board. Robert Inksater and Graham Garner have served your Company in an exemplary fashion and have been the source of much wisdom and guidance. Their dedication, commitment and expertise will be greatly missed. On behalf of all of us, I wish to thank them for their many years of service to your Company.

We have many challenges facing us, but together we can rise to the task and work through them. This is a joint venture to be shared by all of our stakeholders. Your Board appreciates your support, interest and commitment and we look forward to a mutually successful future.

IAN D. FAIR
Chairman

MESSAGE FROM THE PRESIDENT

By the time this 2009 annual report is published, BFH would have marked its 14th anniversary, and, given the success it has enjoyed, the original motivations that gave rise to its formation have all been validated.

The initial set of audited statements showed that the asset base of the company stood at $31 million in 1996, compared to $129 million at December 2009. Shareholders' equity increased from $15.2 million to $47.9 million during the corresponding period, while the book value of the shares grew to $1.19 from the initial $0.64. In the intervening years substantial dividend payments were issued notwithstanding the fact that we experienced as least five natural catastrophe events with cumulative claim payments of approximately $150 million.

By any objective measure, our past will no doubt be judged as a success, but we must guard against the onset of complacency. The strategic business and capital enhancing initiatives that have been pursued have resulted in the creation of significant shareholder value. The true value of the Bahamas First brand goes far beyond the numbers seen in the financial statements as we have become the undisputed market leader in the property and casualty insurance sector in The Bahamas. Our priority has been to focus on our core business while being careful to avoid defining our opportunities too narrowly.

The beginning of the year ushered in the peak of the most severe financial crisis in generations and, fortunately, as the year progressed, we began to see the signs of transition the Chairman alluded to in his comments. These circumstances created a difficult trading environment, the most telling feature of which was the decline in top line revenue from $105 million to $100 million. This 5% decline was at the optimistic end of our expectations for the year and was ahead of the overall market experience during 2009. Fortunately, from an underwriting standpoint, we experienced another exemplary year in net underwriting income, achieving a result of $16.7 million, which is virtually flat compared to the record result from the prior year. The benign claims environment of 2009 has once again been the main contributing factor, but we also saw a net reduction in our underwriting expenses.

The net technical result declined to $2.9 million from $4.7 million the prior year, mainly as a result of increased expenses associated with the consolidation of the GBA Agency for 2009. This was, however, offset by the improved investment income which pushed the net income, before preference share dividends, to $5.2 million, compared to $3.5 million the prior year. The earnings per share increased to $0.13 in 2009 compared to $0.09 in 2008, and once again dividends paid during 2009 amounted to $0.09 per share.

By the close of the year our solvency ratio improved to 140% and this will no doubt augur well for the continuation of our current A M Best rating of A-(Excellent) which was once again reaffirmed, with a stable outlook. As a result of the Cayman based acquisition A M Best followed their standard practice by putting the company on watch with negative implications, but we fully expect to see this removed in 2010.

Our future success will depend on many factors that were not a part of the landscape in the past. Our willingness to take measured risks and develop our core talents will feature prominently in our ability to deliver on expectations in the future. We are confident that the steps taken to build our infrastructure and people will enable us to exploit opportunities both here in The Bahamas and in the wider region. In solidarity with the Chairman I would also wish to express, on behalf of my colleagues throughout the organization, our sincere thanks and appreciation for the significant contributions made by both Bob and Graham. It is no accident that they both chaired important board committees and we wish them well in their future endeavors.

PATRICK G. W. WARD
President & CEO

SUMMARY OF RESULTS

FINANCIAL SUMMARY Year Ended December 31, 2009	**2009**	**2008**	**% Change**
	In thousands, except for per share data and ratios.		
BALANCE SHEET			
Total assets	$ 128,846	$ 128,041	1%
Shareholders' equity	47,949	46,366	3%
Book value per common share	**1.19**	**1.15**	
STATEMENT OF OPERATIONS			
Gross premiums written	100,064	105,401	-5%
Net written premiums	34,282	36,066	-5%
Net premiums earned	34,563	37,185	-7%
Commission received	18,843	17,842	6%
Net claims incurred	7,426	7,771	-4%
Net underwriting income	16,679	16,884	-1%
Other income	1,677	(1,191)	241%
Net income, before preference share dividend	5,187	3,465	50%
earnings per common share	**0.14**	**0.10**	
Net income	4,837	3,115	55%
earnings per common share	**0.13**	**0.09**	
RATIOS			
Solvency ratio	140%	129%	
Combined operating ratio	90%	87%	
Loss ratio	21%	21%	
Expense ratio	38%	33%	

2009 YEAR IN REVIEW

The benign claims environment for reinsurers for three years in a row helped to facilitate favorable terms and conditions for our reinsurance contracts with a natural perils component.

Past experience has shown that periods of economic slowdown are typically accompanied by an escalation in certain crime related claims, but, apart from one line of business, we did not see a material development in this regard during 2009. The Bahamian general insurance sector remains a competitive and open market, with many established local and external options for consumers.

Challenging Business Development Environment

The extent of economic contraction in 2009 has only recently become crystal clear with GDP in The Bahamas declining by 4%. Some experts have indicated that, were it not for the level of increased government spending during the year, the recession would have been far worse.

As expected our production of new business and maintenance of renewals were adversely impacted by the fall-off in economic activity with gross and net written premiums falling by 5% compared to 2008.

	2009	2008
Gross Written Premium	100,063,789	105,401,253
Net Written Premium	34,281,793	36,065,978

Having regard to the prevailing economic conditions, we were able to hold the line on a significant deterioration in our book of business during 2009, and each product line produced a positive contribution to the underwriting or technical result. The claims expense for the year showed a significant positive variance to budget and was slightly below the result achieved in 2008.

Prudent and sustainable growth is the life blood of our business and it is important for our future development and profitability that we continue to find suitable channels for such opportunities.

Property: The gross written premium for this line of business receded by just over 4% to approximately $58 million in 2009, as the combined effects of rate competition and economic difficulties materialized over the course of the year. Despite the drop in top line income, this class of business made a sizeable contribution to the underwriting profitability achieved in 2009.

The claims experience increased by a marginal amount but it has to be borne in mind that last year's experience was positively impacted by a substantial recovery from a Fire Claim that was booked in 2008.

Motor and Liability: As with the property account, we saw a slight reduction in gross written premium for these lines of business and an overall reduction in the number of vehicles insured compared to 2008. The reduction was more acute in the commercial sector and generally reflected a shift in vehicle buying patterns where more and more persons were electing to either retain their existing vehicles for longer periods, or purchase pre-owned vehicles.

The claims generated in 2009, including theft related losses, showed a positive variance to budget and we are convinced that the higher utilization of the First Response Accident Assistance Unit and the ancillary technologies are enhancing both our claims servicing and loss mitigation capabilities.

The liability segment of our casualty book of business once again provided a meaningful contribution to our underwriting profit despite the reduction in premium income derived from this class of business.

The combined motor and liability loss ratios for 2009 were slightly lower, compared to 2008, and together accounted for the majority of the underwriting profit achieved during the year.

Marine: Notwithstanding efforts by the law enforcement authorities to stem the increased incidents of private pleasure craft thefts, we continued to observe far too many instances where these efforts proved to be futile. The premiums produced in this class were slightly down compared to 2008, and the reduction in total claims resulted in a modest underwriting profit for the year.

Other Lines: We were happy to note that all of the lines of business produced underwriting profits during 2009, and while the record result for 2008 has not been matched, the current outcome has to be seen in the context of the prevailing economic conditions.

Capital & Investment Management

The unrealized loss related to the Commonwealth Bank equity investment that occurred in 2008 was happily not repeated in 2009. We continue to hold the view that the investment represents a value proposition for the group and, as with other investments, the board maintains a close watching brief on developments that might impact the movement in values.

The performance of the Group's other investment instruments were broadly in line with expectations for the year.

Continued on page 6

2009 YEAR IN REVIEW

Continued from page 5

Combining Agency Base

As previously mentioned, the board endorsed a decision, in 2009, to combine the operations of the group's wholly owned subsidiary agencies into a single unit, operating under the NUA brand. This proved to be a cost effective measure which also resulted in a more efficient platform for the delivery of customer service and handling of administrative affairs at the agency level.

This move has also made it possible for the launch of a Carmichael Road customer service site, which is scheduled to be officially opened in the second half of 2010.

Corporate Governance

The financial crisis felt around the world, together with the palpable impact of the high profile failure of a regional insurance conglomerate, has resulted in a shift in focus and intensity by the regulatory regime here in The Bahamas. The insurance sector makes up a large component of the overall financial services sector and its prudent supervision makes sense for both consumers and industry participants alike.

The full impact of the new insurance legislation is expected to come on stream in 2010, and our efforts to sensitize both our own staff and the agents and brokers that represent us have continued.

A significant number of the changes revolve around the new corporate governance requirements and our previous initiative to bring the group into line with international standards puts us ahead of the game.

While BFH embraces a higher level of prudent supervision and oversight, we are, like our responsible market counterparts, eager to see an appropriate commitment to putting in place both the right level of infrastructure and resources to enable the authorities to properly discharge this important responsibility.

The current line-up of board committees and their respective mandates are featured on page 31 in the annual report.

Future Outlook

There are already green shoots of an economic recovery evident on a worldwide basis and here in The Bahamas. While it is too soon to declare victory, there are some encouraging signs that 2010 will continue the transition that the Chairman highlighted in his statement.

New and renewal business bookings for 2010 are ahead of budget for our Bahamas based business and there are early positive signs about the Cayman based operation that we have acquired a controlling interest in, subsequent to the close of the year. Going forward BFH will have a more geographically diverse business platform as well as a more diverse product lineup. Both of these factors will have a positive impact on our risk profile and our ability to grow.

A number of persons from across the group have taken advantage of training opportunities both here and abroad during the course of 2009. Our association with the Economical Insurance Group has been extremely beneficial in this regard and we will continue to utilize this option.

PATRICK G. W. WARD | President & CEO

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

ASSETS	Notes	2009	2008
Cash		$ 2,334,409	$ 5,125,243
Term deposits	5	3,898,509	3,708,154
Investments	6	18,348,357	18,348,357
Investment in associates	7	234,826	691,482
Trade accounts receivable	8, 20	27,942,471	30,140,100
Sundry receivables and prepayments	20	4,750,870	1,460,332
Deferred commission costs	9	5,018,135	4,055,400
Deferred reinsurance premiums	9	28,344,905	28,665,499
Deferred reinsurance costs	9	3,789,271	3,787,991
Unpaid claims recoverable from reinsurers	10	12,070,918	11,167,182
Property and equipment	11	14,327,286	13,105,091
Intangible asset and goodwill	13	7,785,717	7,785,717
TOTAL		**$ 128,845,674**	**$ 128,040,548**

LIABILITIES & SHAREHOLDERS' EQUITY	Notes	2009	2008
Bank overdraft		$ 1,648,893	$ 4,089,092
Accrued liabilities		3,041,699	3,129,470
Trade accounts payable		4,158,220	4,202,869
Unearned commission income	9	6,896,626	6,768,693
Unearned premiums	9	42,073,491	42,674,996
Unpaid claims	10	21,922,049	20,809,709
Total liabilities		**79,740,978**	**81,674,829**
SHAREHOLDERS' EQUITY:			
Common shares	14	362,955	359,819
Preference shares	14	5,000,000	5,000,000
Contributed surplus		17,101,172	16,840,529
Treasury shares	14	(256,316)	-
General reserves	15	4,000,000	4,000,000
Revaluation reserve	16	1,932,558	1,932,558
Retained earnings		19,808,310	18,232,813
Total shareholders' equity		47,948,679	46,365,719
Non controlling interest	12	1,156,017	-
Total equity		**49,104,696**	**46,365,719**
TOTAL		**$ 128,845,674**	**$ 128,040,548**

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on May 31, 2010 and are signed on its behalf by:

_______________ Director
Ian D. Fair

_______________ Director
Patrick G. W. Ward

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

UNDERWRITING INCOME:	Notes	2009	2008
Gross premiums written	17, 20	$100,063,789	$105,401,253
Movement in unearned premiums	9	601,505	11,989
		100,665,294	105,413,242
Premiums ceded to reinsurers		(65,781,996)	(69,335,275)
Movement in deferred reinsurance premiums	9	(320,594)	1,107,524
Net premiums earned		34,562,704	37,185,491
Commission income		18,842,931	17,841,674
Total underwriting income		**53,405,635**	**55,027,165**
UNDERWRITING EXPENSES:			
Net claims incurred	10	7,426,176	7,771,478
Commission expense		11,622,553	12,179,802
Cost of excess of loss reinsurance		14,763,080	15,121,511
Premium tax		2,914,480	3,069,964
Total underwriting expenses		36,726,289	38,142,755
Net underwriting income		**16,679,346**	**16,884,410**
OTHER EXPENSES:			
Salaries, benefits and bonuses	19, 20	7,304,649	6,327,623
General and administrative expenses		6,491,948	5,901,025
Total other expenses		**13,796,597**	**12,228,648**
NET TECHNICAL RESULTS		2,882,749	4,655,762
OTHER INCOME	18	1,676,610	1,731,284
UNREALIZED LOSS ON INVESTMENTS	6	-	(2,922,210)
PROFIT BEFORE PREFERENCE SHARES DIVIDEND		4,559,359	3,464,836
PREFERENCE SHARES DIVIDEND	14	(350,000)	(350,000)
TOTAL COMPREHENSIVE INCOME		**$4,209,359**	**$3,114,836**
ATTRIBUTABLE TO:			
COMMON SHAREHOLDERS		4,837,031	3,114,836
NON CONTROLLING INTEREST	12	(627,672)	-
		$4,209,359	$3,114,836
BASIC AND DILUTED EARNINGS PER			
COMMON SHARE	**14**	**$0.13**	**$0.09**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

	Common Shares	Preference Shares	Contributed Surplus	Treasury Shares
Balance at December 31, 2007	$359,819	$5,000,000	$16,840,529	$ -
Preference shares dividend paid (Note 14)	-	-	-	-
Profit	-	-	-	-
Dividends paid ($0.09 per common share)	-	-	-	-
Balance at December 31, 2008	**359,819**	**5,000,000**	**16,840,529**	**-**
Opening equity in management controlled subsidiary	-	-	-	-
Shares issued (Note 14)	3,136	-	260,643	-
Treasury shares (Note 14)	-	-	-	(256,316)
Preference shares dividend paid (Note 14)	-	-	-	-
Profit/(loss)	-	-	-	-
Dividends paid ($0.09 per common share)	-	-	-	-
Balance at December 31, 2009	**$362,955**	**$5,000,000**	**$17,101,172**	**$(256,316)**

See notes to consolidated financial statements.

General Reserve	Revaluation Reserve	Retained Earnings	Non Controlling Interest	Total
$4,000,000	$1,932,558	$18,356,349	$ -	$46,489,255
-	-	(350,000)	-	(350,000)
-	-	3,464,836	-	3,464,836
-	-	(3,238,372)	-	(3,238,372)
4,000,000	**1,932,558**	**18,232,813**	**-**	**46,365,719**
-	-	-	1,783,689	1,783,689
-	-	-	-	263,779
-	-	-	-	(256,316)
-	-	(350,000)	-	(350,000)
-	-	5,187,031	(627,672)	4,559,359
-	-	(3,261,534)	-	(3,261,534)
$4,000,000	**$1,932,558**	**$19,808,310**	**$1,156,017**	**$49,104,696**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

CASH FLOWS FROM OPERATING ACTIVITIES:	Notes	2009	2008
Profit before preference shares dividend		$4,559,359	$3,464,836
Adjustments for:			
Unrealized loss on investments		-	2,922,210
Depreciation and amortization	11	1,161,782	1,083,745
Interest income	18	(268,476)	(324,984)
Dividend income	18	(744,500)	(872,480)
Share of net earnings of associates	7	(101,099)	(125,674)
Comprehensive income attributed to non controlling interest		627,672	-
Loss on disposal of property and equipment		10,219	51,266
Profit from operations		**5,244,957**	**6,198,919**
Decrease (increase) in trade accounts receivable		2,197,629	(2,769,006)
Increase in sundry receivables and prepayments		(3,290,538)	(75,284)
Decrease in receivable from reinsurers		-	235,213
(Increase) decrease in deferred reinsurance costs		(1,280)	247,343
Increase in deferred commission costs		(962,735)	(50,718)
Decrease (increase) in deferred reinsurance premiums		320,594	(1,837,940)
Decrease in trade accounts payable		(44,649)	(10,569,606)
Increase in unearned commission income		127,933	916,088
Increase in net unpaid claims		208,604	951,630
(Decrease) increase in accrued liabilities		(87,771)	1,246,832
Decrease in unearned premiums		(601,505)	(11,989)
Net cash from (used in) operating activities		**3,111,239**	**(5,518,518)**

CASH FLOWS FROM INVESTING ACTIVITIES:		2009	2008
Purchase of property and equipment	11	(2,400,907)	(818,500)
Elimination of investment in management controlled subsidiary	7	517,755	-
Interest received		268,476	324,984
Dividends received		744,500	1,006,480
Dividends received from associate	7	40,000	-
Proceeds from disposal of property and equipment		6,711	6,450
(Increase) decrease in term deposits maturing after ninety days		(14,852)	128,178
Net cash (used in) from investing activities		**(838,317)**	**647,592**

See notes to consolidated financial statements. (Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

CASH FLOWS FROM FINANCING ACTIVITIES:	Notes	2009	2008
Preference share dividends paid	14	(350,000)	(350,000)
Non controlling interest		1,156,017	-
Common share dividends paid		(3,261,534)	(3,238,372)
Transaction on treasury shares	14	(256,316)	-
Proceeds from issue of common shares	14	263,779	-
Net cash used in financing activities		**(2,448,054)**	**(3,588,372)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(175,132)	(8,459,298)
CASH AND CASH EQUIVALENTS:			
BEGINNING OF YEAR		3,528,395	11,987,693
END OF YEAR		**$3,353,263**	**$3,528,395**
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:			
Cash		$2,334,409	$5,125,243
Bank overdraft		(1,648,893)	(4,089,092)
Term deposits maturing within ninety days	5	2,667,747	2,492,244
		$3,353,263	**$3,528,395**
Interest expense paid		$95,297	$104,072

See notes to consolidated financial statements. (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

1. GENERAL

Bahamas First Holdings Limited ("BFH" or the "Company") and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas except BFH International Limited which is incorporated under the laws (2009 Revision) of the Cayman Islands. These consolidated financial statements include the accounts of BFH and its subsidiaries, which are hereinafter collectively referred to as "the Group" and the accounts of General Brokers and Agents Ltd. ("GBA"). BFH has a 30% interest in GBA, significant influence and management control. The primary activity of the Group is the carrying on of general insurance business. The subsidiaries that are all wholly-owned are as follows:

Registered general insurers:

- Bahamas First General Insurance Company Limited ("BFG")
- Allied Bahamas Insurance Company Limited ("ABI")

Registered insurance agencies:

- Nassau Underwriters Agency Insurance Agents & Brokers Ltd. ("NUA")
- Moseley Burnside Insurance Agency Limited ("MBI")
- Carib Insurance Agents & Brokers Limited ("CIA")

Management company:

- Bahamas First Corporate Services Ltd. ("BFCS")

BFCS provides administrative and corporate services to the Group and charges management fees to the various Group companies, which are eliminated on consolidation.

Claims servicing company:

- First Response Limited ("FRL")

FRL provides motor claim roadside assistance and claim adjusting services to BFG.

Insurance holding company:

- BFH International Limited ("BFHIL")

At its Board of Directors meeting held on March 9, 2009, the Company resolved to combine effective January 1, 2009, the business portfolios of MBI and CIA with NUA, all wholly owned subsidiaries. NUA is now the operating company.

The registered office of the Group is located at 32 Collins Avenue, Nassau, Bahamas.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

a. Standards effective in the current period

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2009.

IFRS 7	(Amended) Financial Instruments: Disclosures
IAS 1	(Revised 2007) Presentation of Financial Statements
IAS 39	(Amended) Financial Instruments: Recognition and Measurement

The standards above affect the presentation and disclosure related to these consolidated financial statements and have resulted in changes to the titles of the consolidated financial statements and increased disclosures.

b. Standards effective but not affecting the reported results or financial position

IFRS 1/IAS 27	(Amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2	(Amended) Share-based Payment - Vesting Conditions and Cancellations
IFRS 8	Operating Segments
IAS 23	(Revised 2007) Borrowing Costs
IAS 28	(Amended) Investments in Associates
IAS 31	(Amended) Interest in Joint Ventures

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

IAS 32/IAS 1	(Amended) Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 38	(Amended) Intangible Assets

The above standards have not led to changes in the financial position of the Company during the current year.

c. Standards and Interpretations in issue but not yet effective

IFRS 3	(Revised 2008) Business Combinations
IFRS 5	(Amended) Non-current Assets Held-for-Sale and Discontinued Operations
IFRS 9	Financial Instruments
IAS 7	(Amended) Statement of Cash Flows
IAS 17	(Amended) Leases
IAS 24	(Revised 2009) Related Party Disclosure
IAS 27	(Revised 2008) Consolidated and Separate Financial Statements
IAS 36	(Amended) Impairment of Assets
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the consolidated financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of the significant accounting policies:

a. **Basis of preparation** - These consolidated financial statements have been prepared on the accrual basis and under the historical cost convention, except for investments carried at fair value and land and buildings, which are revalued every three years.

The accounting policies are consistent with those used in the previous years.

b. **Basis of consolidation** - Subsidiaries are those enterprises controlled by BFH. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment in the associates. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Company shares held by the management controlled subsidiary are classified as Treasury shares and are included in the consolidated statement of equity.

c. **Investment in associates** - An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Investments in associates are carried in the consolidated statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognized.

Where a company within the Group transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

d. Financial instruments:

Classification and measurement - On initial recognition a financial asset or liability is measured at its fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition financial assets are classified as either financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; or available-for-sale; and are measured at their fair values without any deduction for transaction costs, except for the following financial assets:

(i) loans and receivables and held-to-maturity financial instruments are measured at amortized cost using the effective interest rate method;

(ii) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

After initial recognition financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value. Term deposits are classified as held-to-maturity financial instruments. They have fixed or determinable payments and fixed maturity dates, and the Group has the intent and ability to hold them to maturity.

Trade accounts receivable, sundry receivables and receivable from insurers are classified as loans and receivables and are carried at cost, which equates to amortized cost, less provision for bad debts. Trade accounts payable and accrued liabilities are financial liabilities, which are carried at cost.

Investments in Bahamas Government Registered Stock are designated as held-to-maturity and are carried at amortized cost. Preference share investments are classified as available-for-sale and are carried at cost, as this is considered to be the fair value at the consolidated statement of financial position date. Gains and losses arising from changes in fair value of available-for-sale investments are recognized through the consolidated statement of comprehensive income until the investments are disposed of or are determined to be permanently impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income is included in profit or loss for the period. All other investments are classified as financial assets at fair value through profit or loss. They are measured at fair value with reference to market prices, or, for non-listed companies, financial information on the company.

Recognition and derecognition - The Group recognizes/derecognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group recognizes/derecognizes financial assets purchased or sold on the trade date. The gain or loss on investments classified as at fair value through profit or loss is recognized in the consolidated statement of comprehensive income.

Investments held-to-maturity are recognized/derecognized on the day they are transferred to/by the Group. Financial liabilities are derecognized when they are extinguished. For financial asset and liabilities carried at amortized cost, a gain or loss is recognized in the consolidated statement of comprehensive income when it is derecognized or impaired, as well as through the amortization process.

e. Trade accounts receivable - Trade accounts receivable are stated at cost less provision for bad debts. The bad debt provision is based on management's evaluation of the accounts receivable portfolio.

f. Property and equipment - Property and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and amortization and impairment losses.

Expenditure incurred in the construction or replacement of property and equipment is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the consolidated statement of comprehensive income as an expense as incurred.

Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives. Land is not depreciated and expenditure incurred in the construction-in-progress is not depreciated until construction is completed.

The estimated useful lives are as follows:

Buildings	40	years
Furniture and equipment	5 - 10	years
Leasehold improvements and others	3 - 5	years
Computer software	3 - 7	years

Freehold land and buildings are stated at fair market value, based on independent professional appraisals, which are performed every three years. A revaluation increment is recorded in other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognized as an expense and is transferred to retained earnings to the extent realized by complete or partial disposal of the related asset.

Any revaluation decrease is recognized as an expense unless it reverses a revaluation increase that was previously recognized in other comprehensive income.

g. **Intangible assets and goodwill** - On acquisition of an investment in an associate/subsidiary any difference between the cost of the investment and the investor's share of the net fair value of the identifiable assets, liabilities and contingent liabilities is accounted for as follows:

(i) any goodwill arising on the acquisition i.e. the excess of the cost of the investment over the investor's share of the fair value of the net assets is included in the carrying amount of the investment for associate; and for wholly owned subsidiaries is included as goodwill in the consolidated statement of financial position. Amortization of goodwill is not permitted, instead goodwill is tested for impairment at least annually.

(ii) any excess of the investor's share of the fair value of the net assets over the cost of the investment is included in the consolidated statement of comprehensive income in the period in which the investment is acquired.

For insurance portfolios acquired, an intangible asset is accounted for under IFRS 4, representing the difference between the fair value of the contractual insurance rights acquired and insurance obligations assumed and any liability for insurance contracts that it issues. The subsequent measurement of this intangible asset is consistent with the measurement of the related insurance liability. IAS 38 Intangible Assets does not apply to this intangible asset; however, it does apply to customer lists and relationships reflecting the expectation of future contracts that are not part of the contractual insurance rights and insurance obligations that existed at the date of the business combination or portfolio transfer.

Intangible assets recognized under IAS 38 are initially carried at cost. After initial recognition an intangible asset with a finite useful life is amortized, whereas an intangible asset with an indefinite useful life is not amortized. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the entity. The intangible asset is tested for impairment at least annually.

An intangible asset shall be derecognized on disposal or when no future economic benefit is expected from its use or disposal. The gain or loss arising from the derecognition is recognized in the consolidated statement of comprehensive income.

h. **Impairment** - The carrying amounts of the Group's assets, including goodwill and intangible assets are reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is determined using the future cash flows and applying the appropriate discount rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income.

An impairment loss in respect of held-to-maturity assets is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

i. **Premiums** - Premiums written are recognized as income over the periods covered by the related policies taking into consideration the exposure period to which they relate. The adjustment to apportion the gross premiums written and ceded over the life of the policy is made through the movement in the unearned premiums.

Unearned premiums at year end represent the proportion of the premiums which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis.

j. **Premiums ceded** - Premiums ceded to reinsurers are recognized as expense over the periods covered by the related policies taking into consideration the exposure period to which they relate.

Deferred reinsurance premiums in the consolidated statement of financial position at year end represent the proportion of the premiums ceded which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis.

k. **Unpaid claims** - The provision for unpaid claims represents an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred on or before each consolidated statement of financial position date.

The provision is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. Changes in estimate of the ultimate liability are included in net claims incurred in the consolidated statement of comprehensive income.

l. **Deferred acquisition costs**

Reinsurance costs - Certain costs related to excess of loss reinsurance contracts are deferred and matched with the income related to these costs. Deferred reinsurance costs in the consolidated statement of financial position at year end represent the deferred portion of these costs.

Deferred and unearned commissions - At year end, deferred and unearned commissions represent the proportion of the commission paid to agents and brokers and received from reinsurers which related to periods of insurance subsequent to the consolidated statement of financial position date. These amounts are calculated on a quarterly pro-rated basis taking into consideration the exposure period to which they relate.

m. **Commission income and expense** - Base commissions paid to agents and received from insurers and reinsurers are calculated based on gross premiums written and reinsured. Base commissions paid and received are adjusted so that they are recognized over the period covered by the related policies taking into consideration the exposure period to which they relate.

Profit commissions received from reinsurers and non-group insurers, calculated based on past underwriting results, are received from other insurance companies for whom Group agents may act and from the Group's reinsurers. The agency profit commissions are recorded in the year in which Group agents receive notification of the commission and reinsurance profit and override commissions are recorded on an accruals basis.

n. **Dividend and interest income** - Dividend income is recorded when the dividend is declared. Interest income is accounted for on an accrual basis.

o. **Cash and cash equivalents** - Cash and cash equivalents consist of cash on hand and deposits with banks maturing within 90 days.

p. **Related parties** - Related parties include key management personnel, directors, associated company, shareholders with shareholding in excess of 10% of outstanding common shares, and companies that are controlled by these parties.

q. Pension benefits – The Group's employees participate in a defined contribution plan. Under the plan, the Group contributes a fixed percentage of annual salary that is expensed in the year. Once the contributions have been made, the Group has no further obligations. The expensed amount is included in salaries, benefits and bonuses in the consolidated statement of comprehensive income.

r. Earnings per share - Earnings per share is computed by dividing the net income, after deducting dividends declared on preference shares, by the weighted average number of common shares outstanding during the year. There is no material difference between basic earnings per share and fully diluted earnings per share.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i. The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Group will ultimately pay to settle such claims.

Significant areas requiring judgments include:

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims provisions ("IBNR") included within provisions for insurance and reinsurance contracts.
- The corresponding estimate of the amount of reinsurance recoveries which will become due as a result of these estimated claims.
- The recoverability of amounts due from reinsurers.
- Estimates of the proportion of exposure which has expired in the period as represented by the earned proportion of premiums written.

The carrying value at the consolidated statement of financial position date of gross claims reported and loss adjustment expenses and claims incurred but not reported was $21,922,049 (2008: $20,809,709). The amount of reinsurance recoveries estimated at the consolidated statement of financial position date is $12,070,918 (2008: $11,167,182).

ii. Impairment of goodwill and intangible assets

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use or fair value less costs to sell of the cash-generating unit to which the value has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value both of which are material sources of uncertainty. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash generating unit between knowledgeable willing parties, less the costs of disposal. The carrying value at the consolidated statement of financial position date for intangible asset and goodwill was $7,785,717 (2008: $7,785,717).

iii. Provision for bad debts

As described in Note 3, provision for bad debts is based on management's evaluation of the respective portfolios. This evaluation is based on the aged analysis of the accounts receivable. Full provisions are recorded for Agency receivables in excess of 12 months.

The carrying value at the consolidated statement of financial position date for trade accounts receivable was $27,942,471 (2008: $30,140,100).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

5. TERM DEPOSITS AND BANK OVERDRAFT

Term deposits are denominated in Bahamian dollars with an average interest rate of 4.0% (2008: 5.42%) at the consolidated statement of financial position date.

	2009	2008
Term deposits maturing within 90 days	$2,667,747	$2,492,244
Term deposits maturing after 90 days	1,230,762	1,215,910
	$3,898,509	**$3,708,154**

The Company also has a bank overdraft facility with Commonwealth Bank Limited up to $3,000,000 (2008 - $4,500,000), which bears interest at prime plus 1.5% per annum. The overdraft facility is secured by the term deposits.

6. INVESTMENTS

	2009	2008
Held-to-maturity:		
Bahamas Government Registered Stock - at amortized cost		
$231,000 5.53% (2008: 5.53%) per annum 2015	$231,000	$231,000
$180,800 5.69% (2008: 5.69%) per annum 2020	180,800	180,800
	411,800	411,800
At fair value through profit or loss:		
Bahamas International Securities Exchange Limited (BISX)		
12 (2008: 12) common shares - at cost $130,556		
(2008: $130,556) less impairment	5,557	5,557
Commonwealth Bank Limited		
2,133,000 (2008: 2,133,000) common shares		
Cost $2,639,852 (2008: $2,639,852)	14,931,000	14,931,000
	14,936,557	14,936,557
Available-for-sale:		
Commonwealth Bank Limited		
4,000 “A” Class preference shares at $500 each - at cost	2,000,000	2,000,000
FamGuard Corporation Limited		
500 variable rate cumulative redeemable preference		
shares at $1,000 each - at cost	500,000	500,000
FOCOL Holdings Limited		
500,000 preference shares at $1 each - at cost	500,000	500,000
	3,000,000	3,000,000
Total investments	**$18,348,357**	**$18,348,357**

The Commonwealth Bank Limited (“the Bank”) “A” Class preference shares are redeemable at the option of the Bank and bear interest at the rate of 7% per annum (2008: 7%). At December 31, 2009, the Bank’s common shares were valued at $7.00 (2008: $7.00), which was the price quoted by BISX at that date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group owns 500 variable rate cumulative redeemable preference shares in FamGuard Corporation Limited (the "Corporation"). The shares bear interest at the rate of prime plus 1.5% per annum, presently 7% (2008: 7%).

The Group also owns 500,000 cumulative redeemable preference shares in FOCOL Holdings Limited. The shares are redeemable at the option of FOCOL Holdings Limited and bear interest at the rate of prime plus 1.75%, presently 7.25% (2008: 7.25%).

7. INVESTMENT IN ASSOCIATES

From 2007 the Company held a 30% interest in GBA, an agent of BFG, and accounted for it as an associate (See note 12). The consideration for this acquisition of $500,000 was applied to GBA's receivable account with BFG. The Company holds a 20% (2008: 20%) equity interest in Star General Agency (Grand Bahama) Limited ("Star General").

Share of associates unaudited statement of financial position:	2009	2008
Balance at January 1	$691,482	$699,808
Elimination of management controlled subsidiary	(517,755)	-
Dividends received during the year	(40,000)	(134,000)
Share of net earnings for the year	101,099	125,674
Balance at December 31	**$234,826**	**$691,482**
Total assets	$1,266,585	$2,806,623
Total liabilities	(1,088,762)	(2,310,260)
Net assets	177,823	496,363
Goodwill	57,003	195,119
Carrying value of investment in associates	**$234,826**	**$691,482**
Share of associates unaudited statement of comprehensive income:		
Revenues	**$654,847**	**$1,150,967**
Net income	**$101,099**	**$125,674**

Investment in associates included $57,003 (2008: $195,119) in goodwill. At December 31, 2009 the recoverable amount exceeded the carrying amount of the investment in associate, accordingly no provision for impairment was considered necessary.

8. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivable which are shown net of bad debt provision, is comprised of amounts receivable from insurance agents that have signed agency agreements with the Group insurers and clients of the Group's agency subsidiaries. At December 31, 2009, trade accounts receivable net are as follows:

	2009	2008
Insurer trade receivables	$18,509,606	$20,120,522
Agency trade receivables	11,292,813	11,308,210
	29,802,419	31,428,732
Provision:		
Balance at January 1	1,288,632	1,025,071
Increase in provision for the year	714,538	299,500
Bad debts written off for the year	(143,222)	(35,939)
Balance at December 31	1,859,948	1,288,632
Trade accounts receivable, net	**$27,942,471**	**$30,140,100**

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Insurer receivables

Included in the insurer's trade receivable are debtors with a carrying amount of $10,703,069 (2008: $8,669,320) which are past due at the reporting date. In this past due amount are trade receivables totaling $4,258,746 (2008: $4,703,199) which are secured by parent company guarantee. In view of the long-term relationship with the majority of the agency entities, their payment history and the fact that there has been no significant change in the credit quality, management does not consider that a provision is required.

Aging of past due balances:	2009	2008
91 - 120 days	$6,767,222	$6,092,240
121 - 180 days	2,525,562	1,497,204
180 days and over	1,410,285	1,079,876
	$10,703,069	**$8,669,320**

The average age of Insurer's receivables is 124 days (2008: 137 days).

Agency receivables

Included in the agency trade receivables are debtors with a carrying amount of $6,363,644 (2008: $9,788,105) for which there are provisions totaling $1,859,948 (2008: $1,288,632).

Aging of past due balances:	2009	2008
91 - 120 days	$1,284,592	$3,539,595
121 - 180 days	3,001,935	3,198,728
180 days and over	2,077,137	3,049,782
	$6,363,664	**$9,788,105**

The average age of agency receivables is 89 days (2008: 84 days).

9. DEFERRED/UNEARNED PREMIUMS AND COMMISSIONS

	Insurance Assets			Insurance Liabilities		
	Deferred Reinsurance Premiums	Deferred Commission Costs	Deferred Reinsurance Costs	Unearned Premiums	Unearned Commission Income	Net
Balance at December 31, 2007	$26,827,559	$4,004,682	$4,035,334	$(42,686,985)	$(5,852,605)	$(13,672,015)
Portfolio transfer as a result of change in net retention	730,416	-	-	-	(266,602)	463,814
Movement during the year	1,107,524	50,718	(247,343)	11,989	(649,486)	273,402
Balance at December 31, 2008	**$28,665,499**	**$4,055,400**	**$3,787,991**	**$(42,674,996)**	**$(6,768,693)**	**$(12,934,799)**
Movement during the year	(320,594)	962,735	1,280	601,505	(127,933)	1,116,993
Balance at December 31, 2009	**$28,344,905**	**$5,018,135**	**$3,789,271**	**$(42,073,491)**	**$(6,896,626)**	**$(11,817,806)**

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

10. UNPAID CLAIMS AND CLAIMS INCURRED

	Gross	Reinsurance	Net
Unpaid claims at January 1, 2008	**$19,429,325**	**$(10,738,428)**	**$8,690,897**
Claims incurred	20,636,289	(12,864,811)	7,771,478
Claims paid	(19,255,905)	12,436,057	(6,819,848)
Unpaid claims at December 31, 2008	**$20,809,709**	**$(11,167,182)**	**$9,642,527**
Claims incurred	18,551,148	(11,124,972)	7,426,176
Claims paid	(17,438,808)	10,221,236	(7,217,572)
Unpaid claims at December 31, 2009	**$21,922,049**	**$(12,070,918)**	**$9,851,131**

The table below shows the development of claims over a period of time on a gross basis, and also shows the cumulative incurred claims, including both notified and IBNR claims for each successive accident year.

Accident Years	2005	2006	2007	2008	2009	Total
Gross claims incurred at						
end of reporting year	$21,233,541	$15,131,676	$18,731,278	$17,093,172	$15,057,157	
One year later	21,952,158	18,026,630	22,092,362	19,349,635		
Two years later	23,309,773	17,409,169	23,014,578			
Three years later	23,591,223	19,023,210				
Four years later	23,251,948					
Total incurred to date	23,251,948	19,023,210	23,014,578	19,349,635	15,057,157	
Cumulative payments to date	(22,044,983)	(16,151,762)	(18,858,957)	(15,617,939)	(11,457,905)	
Liability included in the Consolidated statement of financial position	1,206,965	2,871,448	4,155,621	3,731,696	3,599,252	$15,564,982
Reserves for prior years						6,357,067
Total unpaid claims including amount recoverable from reinsurer in the consolidated statement of financial position						**$21,922,049**

11. PROPERTY AND EQUIPMENT

2009	Land	Buildings	Furniture & Equipment	Leasehold Improvements and Others	Computer Software	Total
COST/VALUATION:						
At January 1, 2009	$2,493,750	$6,892,220	$2,234,005	$707,906	$3,662,787	$15,990,668
Additions	-	-	258,797	37,380	2,088	298,265
Additions through management controlled subsidiary	480,000	1,424,325	150,852	-	47,465	2,102,642
Disposals	-	-	(31,512)	(7,477)	(190,271)	(229,260)
At December 31, 2009	**$2,973,750**	**$8,316,545**	**$2,612,142**	**$737,809**	**$3,522,069**	**$18,162,315**

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2009	Land	Buildings	Furniture & Equipment	Leasehold Improvements and Others	Computer Software	Total
ACCUMULATED DEPRECIATION:						
At January 1, 2009	$ -	$ 640,717	$1,026,943	$428,162	$ 789,755	$ 2,885,577
Charge for the year	-	212,096	329,187	79,256	541,243	1,161,782
Disposals	-	-	(12,975)	(6,292)	(193,063)	(212,330)
At December 31, 2009	$ -	$ 852,813	$1,343,155	$501,126	$ 1,137,935	$ 3,835,029
Carrying amount 2009	**$2,973,750**	**$7,463,732**	**$1,268,987**	**$236,683**	**$ 2,384,134**	**$14,327,286**

2008	Land	Buildings	Furniture & Equipment	Leasehold Improvements and Others	Computer Software	Total
COST/VALUATION:						
At January 1, 2008	$2,493,750	$6,892,220	$2,115,483	$523,998	$3,574,231	$15,599,682
Additions	-	-	534,125	193,844	90,531	818,500
Disposals	-	-	(415,603)	(9,936)	(1,975)	(427,514)
At December 31, 2008	**$2,493,750**	**$6,892,220**	**$2,234,005**	**$707,906**	**$3,662,787**	**$15,990,668**
ACCUMULATED DEPRECIATION:						
At January 1, 2008	$ -	$ 473,026	$1,138,123	$379,945	$ 180,536	$ 2,171,630
Charge for the year	-	167,691	247,864	58,153	610,037	1,083,745
Disposals	-	-	(359,044)	(9,936)	(818)	(369,798)
At December 31, 2008	$ -	$ 640,717	$1,026,943	$428,162	$ 789,755	$ 2,885,577
Carrying amount 2008	**$2,493,750**	**$6,251,503**	**$1,207,062**	**$279,744**	**$2,873,032**	**$13,105,091**

The land and the buildings were revalued to fair market value based on a valuation performed by an independent appraiser. The fair value of the land and building was estimated to be $2,973,750 and $7,899,625, respectively, based on the combined effect of the cost, income and sales comparison approach. The surplus arising on the revaluation is included in shareholders' equity (See Note 16). The net book value of the land and buildings of the Group, ignoring the effects of the revaluation, would have been $2,598,844 and $5,936,807 (2008: $2,118,844 and $4,709,045) respectively.

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12. BUSINESS COMBINATION

As mentioned in Note 7, the Company holds a 30% interest in GBA and previously accounted for it as an associate. On January 13, 2009, the Company acquired management control and now accounts for GBA as a subsidiary. In accordance with IAS 27, Consolidated and Separate Financial Statements, the audited financial statements of GBA as at September 30, 2009 were consolidated with BFH. The equity related to the non controlling interest of $1,156,017 at September 30, 2009 is reflected in the consolidated statement of financial position.

	Book Value (unaudited at January 13, 2009)	Fair Value and Accounting Policy Adjustments (unaudited)	Fair Value (unaudited at January 13, 2009)
ASSETS			
Cash and cash equivalents	$ 369,823	$ -	$ 369,823
Receivables and other financial assets	3,691,989	-	3,691,989
Property, plant and equipment	793,518	1,280,681	2,074,199
Total assets	$4,855,330	$1,280,681	$6,136,011
LIABILITIES			
Accounts payable	$3,261,604	$ -	$3,261,604
Other liabilities	326,280	-	326,280
Total liabilities	$3,587,884	$ -	$3,587,884
Net assets acquired	$1,267,446	$1,280,681	$2,548,127
Non controlling interest	$ 887,212	$ 896,477	$1,783,689
The Company's interest	$ 380,234	$ 384,204	$ 764,438
Goodwill	137,521	-	137,521
Carrying value of investment	**$ 517,755**	**$ 384,204**	**$ 901,959**

The assets and liabilities as at the acquisition date in the table above are stated at their provisional fair values. The fair values were based on management's best estimates of the likely values. The contribution of the management controlled subsidiary to the consolidated results of the Group has been $1,313,749 to total income and $269,002 net loss.

13. INTANGIBLE ASSET AND GOODWILL

	Goodwill	Intangible Asset	Total
Balance at December 31, 2008	$5,093,158	$2,692,559	$7,785,717
Balance at December 31, 2009	**$5,093,158**	**$2,692,559**	**$7,785,717**

Goodwill

Goodwill is attributed to one cash-generating unit and the impairment testing on the carrying value has been carried out on this unit. The recoverable amount has been determined to be the fair value less costs to sell, which is higher than the carrying value and accordingly there is no requirement for an impairment loss to be recognized. The fair value is based on a multiple of the projected commission income.

Intangible asset

Intangible asset of $2,692,559 arises on the acquisition of an insurance portfolio and is a separate cash-generating unit. The recoverable amount has been determined to be the fair value less costs to sell, which is higher than the carrying value and accordingly there is no requirement for an impairment loss to be recognized. The fair value is based on a multiple of the cash flow, which is projected to be generated from underwriting the portfolio.

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

14. SHARE CAPITAL

The Group's share capital is comprised as follows:

	2009	2008
Common shares		
Authorised: 45,000,000 (2008: 45,000,000) at $0.01 each		
Issued and fully paid: 36,295,471 (2008: 35,981,965) par		
value $0.01 per share	**$362,955**	**$359,819**
Preference shares		
Authorised: 5,000,000 (2008: 5,000,000) at $1.00 each		
Issued and fully paid: 5,000,000 (2008: 5,000,000) par		
value $1.00 per share	**$5,000,000**	**$5,000,000**

The weighted average number of common shares for the purposes of earnings per common share is 35,951,336 (2008: 35,981,965).

The Preference Shares are non-convertible, non-voting, cumulative, redeemable "A" with a dividend rate of 7% per annum. These shares are redeemable at the option of the Company.

In April 2006, the directors extended a share option to a certain executive director to purchase 250,000 common shares of the Company at a purchase price of $0.75. The option was fully exercised on August 1, 2009.

In August 2008, the directors approved a subscription share offer to non management staff to purchase common shares of the Company at a purchase price of $1.20 per share. In April 2009, 63,506 shares were issued as a result of the offer.

Since the Company's shares are not derived from quoted prices, the fair value applied to the shares issued during the year was based on the last significant transaction which amounted to $1.50 per share.

Treasury shares totaling 183,316 shares at a book value of $256,316 represent the Company's shares held by the management controlled subsidiary. This represents 0.5% of the outstanding shares of the Company.

15. GENERAL RESERVE

The Group has established a general reserve from retained earnings in the amount of $4,000,000 (2008: $4,000,000), which the directors have determined is not available for distribution.

16. REVALUATION RESERVE

	Freehold		
	Land	Buildings	Total
Balance at December 31, 2008	$441,870	$1,490,688	$1,932,558
Balance at December 31, 2009	**$441,870**	**$1,490,688**	**$1,932,558**

In accordance with the Group's accounting policy, Freehold land and buildings are subject to a revaluation exercise that is performed by an independent professional appraiser every three years. The next appraisal is due in 2010.

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

17. GROSS PREMIUMS WRITTEN

	2009	2008
Group agents	$ 45,643,913	$ 48,947,758
Non group agents	50,663,570	49,224,074
Associates	3,756,306	7,229,421
	$100,063,789	**$105,401,253**

18. OTHER INCOME

	2009	2008
Dividend income	$ 744,500	$ 872,480
Claims handling fees	45,775	57,375
Interest income	268,476	324,984
Share of net earnings from associates (Note 7)	101,099	125,674
Other income	516,760	350,771
	$1,676,610	**$1,731,284**

19. SALARIES, BENEFITS AND BONUSES

Included in salaries, benefits and bonuses is a profit sharing and performance bonus payable to management and staff amounting to $594,224 (2008: $507,112). This amount was determined and approved by the Board of Directors.

The majority of the Group's employees participate in a defined contribution pension plan, to which the Group contributes 3% to 5% per annum of base salary. The Group paid contributions for the year amounting to $187,110 (2008: $167,906).

20. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances are as follows:

	2009	2008
Gross premiums written - associates	$3,652,892	$7,121,991
- others	103,414	107,430
	$3,756,306	$7,229,421
Commission expense - associates	$754,287	$1,428,915
Trade accounts receivable - associates	$1,819,266	$4,699,119
Directors fees paid	$ 200,047	$ 196,352

The trade accounts receivable - associate is secured by collateral and a guarantee. The receivable balance will be settled in cash. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Key management personnel include members of the Group's management team having authority and responsibility for planning, directing and controlling the activities of the Group's operation. Compensation to key management personnel is included in salaries, benefits and bonuses in the consolidated statement of comprehensive income and receivables from key management personnel is included in sundry receivables and prepayment in the consolidated statement of financial position and are as follows:

YEAR ENDED DECEMBER 31, 2009. EXPRESSED IN BAHAMIAN DOLLARS.

	2009	2008
Salaries and other benefits	$889,126	$875,415
Post employment benefits	32,535	32,535
	$921,661	**$907,950**
Receivables from key management personnel	$175,786	$179,706

21. CONTINGENCIES

In the normal course of its business, the Group is involved in various legal proceedings arising out of and incidental to its insurance operations. Management of the Group does not anticipate that the losses, if any, incurred as a result of these legal proceedings will materially affect the financial position of the Group.

22. INSURANCE RISK

BFG issues contracts that transfer insurance or financial risk or both. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

BFG follows the policy of underwriting and reinsuring contracts of insurance, which generally limit the liability of BFG for any one risk to a maximum amount of not more than 1% of BFH's capital and reserves. In addition, catastrophe reinsurance is obtained to limit liability to a maximum of 10% of the Group's capital and reserves in the event of a series of claims arising out of a single occurrence.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. BFG manages this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. BFG actively manages and pursues early settlement of all claims to reduce its exposure to unpredictable developments.

23. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Group's investments are exposed to market price risk, interest rate risk, credit risk and liquidity risk. The Group is also exposed to credit risk on accounts receivable and amounts due from reinsurers.

Market price risk - Market price risk is the risk that the value will fluctuate as a result of changes in market prices.

Interest rate risk - Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This is primarily a concern with fixed interest rate investments, which the Group intends to hold for the long-term.

The Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvency.

Credit risk - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management assesses the credit rating of its primary reinsurers to ensure that they are financially viable to meet their reinsurance commitments. Other receivables are monitored for impairment and provided for if considered necessary.

Liquidity risk - Liquidity risk is the risk that the Group may have difficulty liquidating its positions due to existing or unforeseen market constraints. The Group's investments in quoted available-for-sale shares are in a market that is not highly active and comprises large blocks of shares in each investment. The other investments in preferred shares do not have a market and therefore may not be readily realizable. As a result, the Group may not be able to quickly liquidate its investments at an amount close to their fair value in order to meet liquidity requirements. Management does not anticipate that it will be required to quickly liquidate its investments to meet its commitments.

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of the Group's financial assets and liabilities are estimated to approximate their carrying values at the consolidated statement of financial position date for one or all of the following reasons:

a. Short-term maturities; or
b. Interest rates approximate current market rates, and
c. Carrying values approximate current market values

Fair value of financial instruments

Fair value measurements recognized in the statement of financial position.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial instrument, where this would be relevant is fair value through profit or loss - Commonwealth Bank Limited which would be in level 1. The other investments would be in level 3. There were no transfers between the various levels during the period.

Significant assumptions used in determining fair value of financial assets and liabilities in level 3:

Unlisted shares

The financial statements include holdings in unlisted shares which are measured at fair value (Notes 6 and 7). Fair value is estimated using assumptions that may not be supported by observable market prices or rates. In determining the fair value, the following assumptions were used: the cost, cost less impairment and the book value available at the statement of financial position date, for Investment in Associates. Investments for which observable market prices in active markets do not exist are reported at fair value, as determined in good faith by management. Fair value is based on the best information available and is determined by reference to information including, but not limited to, the following: projected revenues, net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), book value, relevant public or private transactions, valuations for publicly-traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. The amount determined to be fair value may incorporate management's own assumptions (including appropriate risk adjustments for non-performance and lack of marketability).

25. EVENT AFTER THE REPORTING PERIOD

On February 23, 2010, the Company through its wholly owned subsidiary, BFH International Limited executed a share purchase agreement for Sagicor Life of the Cayman Islands Limited's 75.24% interest in Sagicor General Insurance (Cayman) Ltd. subject to regulatory approval.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte & Touche
Chartered Accountants
and Management Consultants
2nd Terrace, Centreville
P. O. Box N-7120
Nassau, Bahamas

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http://www.deloitte.com.bs

To the Shareholders of
Bahamas First Holdings Limited:

We have audited the accompanying consolidated financial statements of Bahamas First Holdings Limited (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

May 31, 2010

A member firm of
Deloitte Touche Tohmatsu

CORPORATE GOVERNANCE

As a public company BFH has pioneered the way for best practice in the area of corporate governance. We believe good governance requires adherence to all legal requirements, regulations and our stated company policies, as well as a developed culture of responsibility.

For these reasons BFH has developed a compliance framework that gives each of our employees, agents and strategic partners the resources, guidance and tools necessary to make ethical and value-based decisions that will effectively minimize and manage the risks inherent to our business.

Five corporate governance committees of the board are in place, each chaired by a non executive director:

AUDIT COMMITTEE

Chaired by Graham Garner, the committee assists the board in fulfilling its oversight responsibilities as they relate to the Group's accounting policies, financial reporting, internal control and the legal and regulatory environment. Other committee members include:

- Alison Treco
- Ian Fair
- Sandeep Uppal

CORPORATE GOVERNANCE & NOMINATIONS COMMITTEE

Chaired by Ian Fair, the committee measures the Group's governance against best practices and makes recommendations for board appointments and composition. Other committee members include:

- Judith Whitehead

EXECUTIVE REMUNERATION COMMITTEE

The committee is responsible for reviewing and approving the Group's compensation plan, and evaluating executive performance. Members include:

- Ian Fair
- Quentin Chisnall

FINANCE & INVESTMENT COMMITTEE

The committee focuses on two objectives: financial risk management and investment policy oversight. The committee is chaired by Ian Fair. Other members of the committee include:

- Graham Garner
- John Dunkley*
- Patrick Ward*
- Quentin Chisnall
- Valarie Darville*
- Noel Walpole

TECHNICAL REVIEW & RISK COMPLIANCE COMMITTEE

Chaired by Robert Inksater, the committee is responsible for ensuring adherence to risk management guidelines as well as reviewing and assessing technical and reinsurance matters. Other committee members include:

- John Dunkley*
- Patrick Ward*
- Pauline Ward*
- Valarie Darville*
- Noel Walpole
- Tracy Bonczek*

* Denotes Executives and Staff.

DIRECTORS & OFFICERS

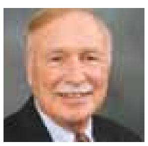
IAN D. FAIR | Chairman | Mr. Fair has been the Chairman of the Board and a member of the Board of Directors since 1999. He is Chairman of the Bahamas International Securities Exchange and Deputy Chairman of Butterfield Bank (Bahamas) Limited. He also serves as Chairman of The Bahamas Maritime Authority.

PATRICK G.W. WARD | President and CEO | Mr. Ward has been a Director since 1998 and prior to that President and Managing Director of Bahamas First General Insurance Company Ltd. He is President and CEO of Bahamas First Holdings Limited, Bahamas First General Insurance Company Limited, Allied Bahamas Insurance Company Limited and Bahamas First Corporate Services. He also serves as Chairman of the National Insurance Board.

JOHN A.G. DUNKLEY | Vice President and Director | Mr. Dunkley has been a Director and Vice President since 1996. He is President and Managing Director of Nassau Underwriters Brokers & Agents, President and a Director of Moseley Burnside Brokers & Agents and a Director of Bahamas First Corporate Services Ltd. He was also a Board member for Bahamas First General Insurance Company Limited from 1991 to 1997.

QUENTIN CHISNALL | Director | A Director since the inception of Bahamas First Holdings Limited (BFH) in 1996, Mr. Chisnall also served as the first President until December 2003. He has served and is still a Director on the Boards of several BFH subsidiary companies. Mr. Chisnall was also the Managing Director of Nassau Underwriters Agency Limited for a 23 year period until 1996.

GRAHAM C. GARNER | Director | A Director since 2000, Mr. Garner holds directorships in a number of other Bahamian companies in the financial, retail, property and insurance sectors. He was a partner with Coopers & Lybrand (now known as PricewaterhouseCoopers) in The Bahamas for 20 years before retiring in 1990. Mr. Garner is a fellow of the Institute of Chartered Accountants of England and Wales and a member of the Bahamas Institute of Chartered Accountants.

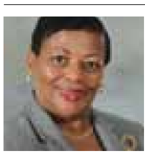


ROBERT INKSATER | Director | Mr. Inksater, who resides in Toronto, Canada, has been a BFH Director since 2003 and a Director of Bahamas First General Insurance Company Limited since 1999. He was Executive Vice President of Aon Re Canada Inc., before retiring in 1998. Mr. Inksater's insurance career also includes Sterling Offices of Canada Limited; IOC Reinsurance Brokers Ltd, where he was President and Director; and J.H. Minet Ltd. where he was Senior Vice President.

JUDITH WHITEHEAD | Director | A Director since 2005, Mrs. Whitehead is the Managing Partner of Graham Thompson & Co, a leading law firm in Nassau, Bahamas. She has served on various other company and civic boards.

NOEL WALPOLE | Director | A Director since 2008, Mr. Walpole is President and Chief Executive Officer of The Economical Insurance Group. He held various senior management positions in the insurance industry before joining The Economical Insurance Group. In addition to his membership on The Group's Board of Directors where he is the Chairman of the Investment Committee, he holds, or has held, directorships with the Facility Association, Insurance Bureau of Canada, The Insurance Institute of Canada, the Centre for Study of Insurance Operations. He is also a Member of the Dean's Advisory Council, School of Business and Economics for Wilfred Laurier University, in Waterloo, Ontario.

SANDEEP UPPAL | Director | A Director since 2008, Mr. Uppal is Senior Vice President and Chief Financial Officer at The Economical Insurance Group. He serves on all committees of The Group's Board of Directors. He is a member of the Board of Directors for Family Insurance, Westmount Financial Inc., and Mattei Companies. Mr. Uppal is also President and CEO of Mattei Holding Company, Inc. and Corporate Secretary of TEIG Holding Company (U.S.), Inc. He is a member of the ICAO and an advisor for two not-for-profit organizations. He is a past member of the Board of Directors for the Canadian Insurance Accounting Association and a current member of several professional associations.



CAROLYN A. MILLER | Secretary | Mrs. Miller is Secretary of BFH and prior to that served as Assistant Secretary of BFH and its subsidiary companies since 2002. She joined BFH in 1999 after spending many years with various financial institutions in the Bahamas including Roywest Banking Corporation, NatWest Trust Corporation (Bahamas) Limited and Coutts & Co., (Bahamas) Limited, now known as S.G. Hambros Bank & Trust (Bahamas) Limited.

AUTHORIZED AGENTS

OUR EXTENSIVE NETWORK of agents stretches from Grand Bahama to Inagua and everywhere in between. They have been the backbone of our company since we first offered insurance services, and continue to deliver the highest quality of service to our customers.

NEW PROVIDENCE
A Scott Fitzgerald Insurance Brokers & Agents | (242) 356-5709
Andeaus Insurance Broker Co. Ltd. | (242) 323-4545
Bethel Thompson Agency | (242) 394-7251
Chandler Gilbert Insurance Associates Limited | (242) 676-2306
CMA Insurance Brokers & Agents | (242) 393-6735
Colina General Insurance Agency | (242) 677-2050
Confidence Insurance Brokers & Agencts | (242) 323-6920
FINCO | (242) 328-0559
General Brokers & Agents | (242) 322-1871
LIV Insurance Agents and Brokers Ltd. | (242) 361-5123
N.U.A. Insurance Agents & Brokers Ltd. | (242) 328-5992 / (242) 302-9100
Professional Insurance Consultants | (242) 327-2143
Response Insurance Agency Ltd. | (242) 393-3277
Star General Insurance Agency | (242) 393-5529
Sunshine Insurance Agency | (242) 394-0011
ABACO
Abaco Insurance Agency | (242) 367-2549
GRAND BAHAMA
Star General Insurance (G.B.) Ltd. | (242) 352-5705

CORPORATE INFORMATION

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REGISTRAR AND TRANSFER AGENTS

Royal Fidelity Share Registrars
& Transfer Agents Limited
51 Frederick Street
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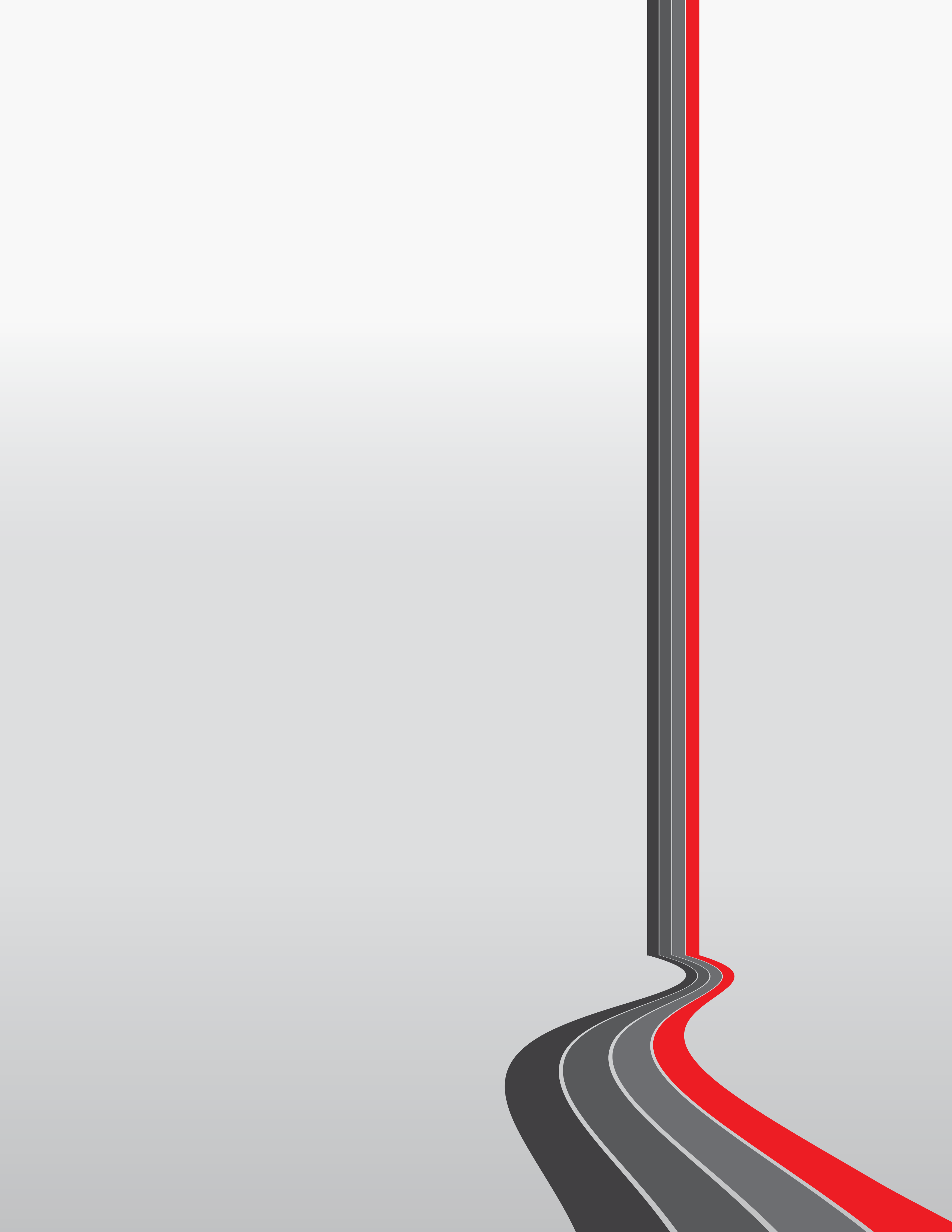

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