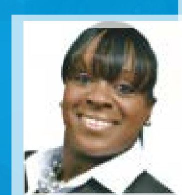
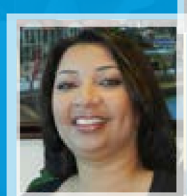


STAYING FIRST THROUGH DIVERSITY AND INNOVATION







BAHAMAS
FIRST
HOLDINGS

2014
ANNUAL
REPORT

BAHAMAS FIRST HOLDINGS LIMITED

ANNUAL REPORT

& CONSOLIDATED FINANCIAL STATEMENTS

BAHAMAS FIRST HOLDINGS LIMITED

ANNUAL REPORT

& CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements in this report include the accounts of Bahamas First Holdings Limited ("BFH" or the "Company") and its subsidiaries which are collectively referred to as the "Group". The subsidiaries are as follows: Bahamas First General Insurance Company Limited ("BFG"), Cayman First Insurance Company Limited ("CFI"), Nassau Underwriters Agency Insurance Agents & Brokers Ltd. ("NUA"), Bahamas First Corporate Services Ltd. ("BFCS"), First Response Limited ("FRL") and BFH International Limited ("BFHIL").

Ian
FAIR

> *Your Board will continue its long standing policy of monitoring existing operations while seeking out selected new opportunities within set parameters.*

MESSAGE FROM
THE CHAIRMAN

I AM DELIGHTED TO REPORT that your Company achieved a 54% increase in the Total Comprehensive Income for 2014 when compared to the previous year. This was largely the result of a benign storm season for both The Bahamas and Cayman, but also caused by an outstanding performance by our executive and staff in pursuing the Group strategy.

Your Group continued its focus during the year on improving operations in our various business segments in our two locations. The prudence of the decision some years ago to expand our operations beyond one jurisdiction was very clearly demonstrated by our results in both The Bahamas and Cayman during 2014. We continue to face challenges, but this is the very essence of the business environment. Focus and attention to detail continue to be of the highest priority and we have to be vigilant and be ready to respond to new challenges and constant change.

In a world of low, or now even negative, interest rates we have to continue our focus on the investment of our assets. No one can predict how long this will continue, but this is one of the many issues that we face on a daily basis.
The Bahamas continues to face its challenges, particularly with the introduction of Value Added Tax (VAT) and a relatively high level of unemployment. However, despite these headwinds the influx of overseas second home owners to our shores provides a positive trend. This is particularly true in developments such as Albany, Old Fort Bay, Bakers Bay and Lyford Cay. There are also a growing number of persons, especially from Europe, deciding to make their permanent home in The Bahamas. This trend is also occurring in Cayman. The imminent opening of Baha Mar in the Cable Beach area of Nassau will also be extremely positive for tourism and employment levels. The world continued to be a volatile place in 2014. Unsettled conditions in Russia, the Ukraine and Greece caused Europe, in particular, to be very uneasy. The outlook for the Euro has many unresolved questions in its near future. This is the first currency to be introduced into an environment where there is no common fiscal and political union and some of the issues related thereto are now manifesting themselves.

The continued tensions and violence in the Middle East, caused in no small part by the growing emergence of ISIS, continue to be a source of much concern. The significant decline in natural resource prices, especially oil, during the past year has also presented many problems.

All of this has caused a flight to the U.S. Dollar, with significant declines in the exchange rates of, amongst others, the Euro, the Russian Rouble, the Canadian Dollar and the Australian Dollar. The U.S. economy has performed well and continues to be the mainstay of the world economy. Japan is also emerging from a long period of major decline. Robust car sales in many parts of the world have also had a positive effect. China continued the trend of addressing its well documented issues as it transitions to the next stage of its development.

Plans continue for our new building in Cayman, where we expect to break ground shortly. This will have a positive effect on our profile as it demonstrates our commitment to the jurisdiction.

During November 2014, the Board approved a share subscription offer which was made available to all Group staff, including our Cayman based employees, and I am delighted to say that a total of 50 persons availed themselves of the opportunity to acquire additional shares in the Company. This speaks volumes about their confidence in the future of the organization. Your Board will continue its long standing policy of monitoring existing operations while seeking out selected new opportunities within set parameters.

Finally your Board continues to appreciate the support that it receives on a consistent basis from all of our valued stakeholders. The dedication and hard work by our loyal staff cannot be overstated.

-IAN D. FAIR

Patrick
WARD

A few years ago we took a bold step to diversify our geographical footprint and this has benefited our overall performance.

MESSAGE FROM THE PRESIDENT

THE 2014 YEAR WAS an unusually quiet period in terms of natural catastrophe events around the globe. The collective costs of economic losses registered globally were 37% below the 10-year average of $211 billion, and the level of insured losses were, similarly, 38% below the average of the last 10 years.

The Atlantic Hurricane season was the quietest we have experienced since 1997, in terms of named storms, which translated into an absence of any material weather related claims in the Caribbean Region. As is the case with predominantly Property & Casualty (P&C) companies around the globe, our bottom-line profitability is largely driven by the technical or underwriting results we are able to achieve, and the investment returns. The strong underwriting results produced during the year, combined with the 4.7% return on our investment assets, has resulted in a banner year for the Group, with most segments registering a very positive contribution to the overall results.

For reasons explained more fully in the following sections, we saw a decline in our top-line premium levels during 2014, but at a more granular level, we were able to achieve very satisfactory retention levels for our core business that ultimately drives our net underwriting results. In both The Bahamas and Cayman we experienced very favourable loss ratios across the P&C portfolios and for the third year in a row, the Health Account produced a very substantial underwriting profit, on the back of a 66.6% Loss ratio. The Group's overall loss ratio for 2014 was 43%, which helped to contain our combined ratio to 89%, which is lower than prior year result of 94%. The combined P&C and Health related Claims for 2014 showed a material positive variance to both our budgeted expectations and the prior-year and was the primary factor propelling the increase of our Net Underwriting Income to $28.8 million. This represents a record performance for the Group. As a result of these positive developments, the Group's profit for the year increased to $10 million, which compares favourably to the prior year result of $5.8 million.

The Total Comprehensive Income for the year was $9.9 million of which $9.4 million is attributable to Owners of the Parent reflecting earnings per share of $0.26 vs. $0.16 in 2013, a substantial improvement indeed.The Group's Return on Equity (ROE) for 2014 was 18.6% and, of particular importance, the 3-year average ROE is 14.9% which is roughly in line with our targeted objective for this metric. The book value of the Group's Ordinary Shares increased from $1.17 to $1.32 per share and the Total Equity at the end of 2014 closed at $56.1 million compared to $50.2 million in 2013.

During 2014, the Company paid a total of $0.10 per share to Common Shareholders, which represents a 25% increase over the prior year. The Directors anticipate a further dividend payment prior to the 2015 Annual General Meeting (AGM).

Maintaining our A. M. Best rating of A-(Excellent) for our two risk taking entities, Bahamas First General Insurance Company Limited (BFG) and Cayman First Insurance Company Limited (CFI), is an important aspect of our Group profile. We were, therefore, delighted to obtain an affirmation of the existing rating levels, with a stable outlook in each case.

A few years ago we took a bold step to diversify our geographical footprint and this has benefited our overall performance. During the course of 2014, we focused, internally, on a number of activities to create more awareness and sensitivity amongst all Group employees, to the benefits that diversity can bring both in terms of creating a more cohesive working environment, and enhancing customer service experience. The maturity and progressive attitudes displayed by the vast majority of our employees, at all levels, was indeed commendable.

This year's theme for the Annual Report highlights the efforts in this regard along with the focus on innovation as a driver of operational efficiency and overall competitive advantage. It is particularly pleasing when hard work is accompanied by the reward of good results. In this respect we are extremely appreciative of the contributions from our colleagues across the Group.

-PATRICK G.W. WARD

2014
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REPORT

2014 SUMMARY OF RESULTS

FOR THE YEAR ENDED DECEMBER 31, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2014	2013	% Change	2012
Total assets	189,713	178,720	6%	175,738
Equity attributable to owners of the parent	53,146	47,727	11%	44,501
Book value per common share	**1.32**	**1.17**		**1.08**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME				
Gross premiums written	152,229	161,319	-6%	157,796
Net written premiums	60,545	61,491	-2%	61,707
Net premiums earned	60,375	61,504	-2%	60,641
Commission income	24,506	23,369	5%	22,479
Net claims incurred	25,808	27,608	-7%	25,818
Net underwriting income	28,796	24,823	16%	23,835
Other income	2,261	2,277	-1%	2,055
Total comprehensive income	9,903	6,442	54%	5,689
Total comprehensive income attributable to owners of the parent	9,385	6,467	45%	5,035
Earnings per common share	**0.26**	**0.16**		**0.13**

RATIOS				
Solvency ratio	88%	78%		72%
Combined ratio	89%	94%		93%
Loss ratio	43%	45%		43%
Expense ratio	36%	34%		33%

SOLVENCY RATIO Total equity attributable to owners of the parent as a % of net written premiums
COMBINED RATIO Net underwriting & administrative expenses as a % of net premiums earned
LOSS RATIO Net claims incurred as a % of net premiums earned
EXPENSE RATIO Administrative expenses as a % of net premiums earned

CONTINUED STRONG GROWTH OF BOTH BUSINESS SEGMENTS

Gross Premiums Written
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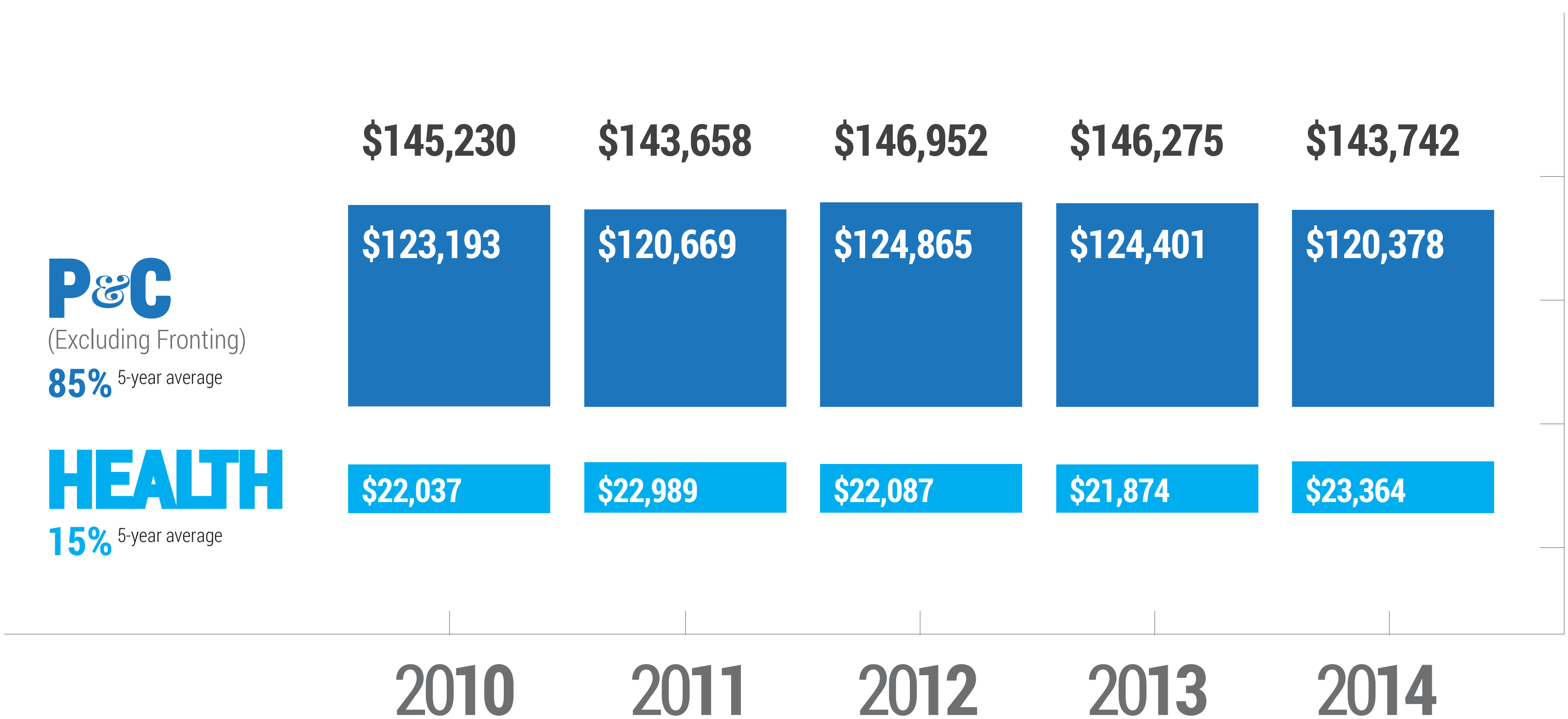

Increase of Book Value & Accumulated Paid Dividends

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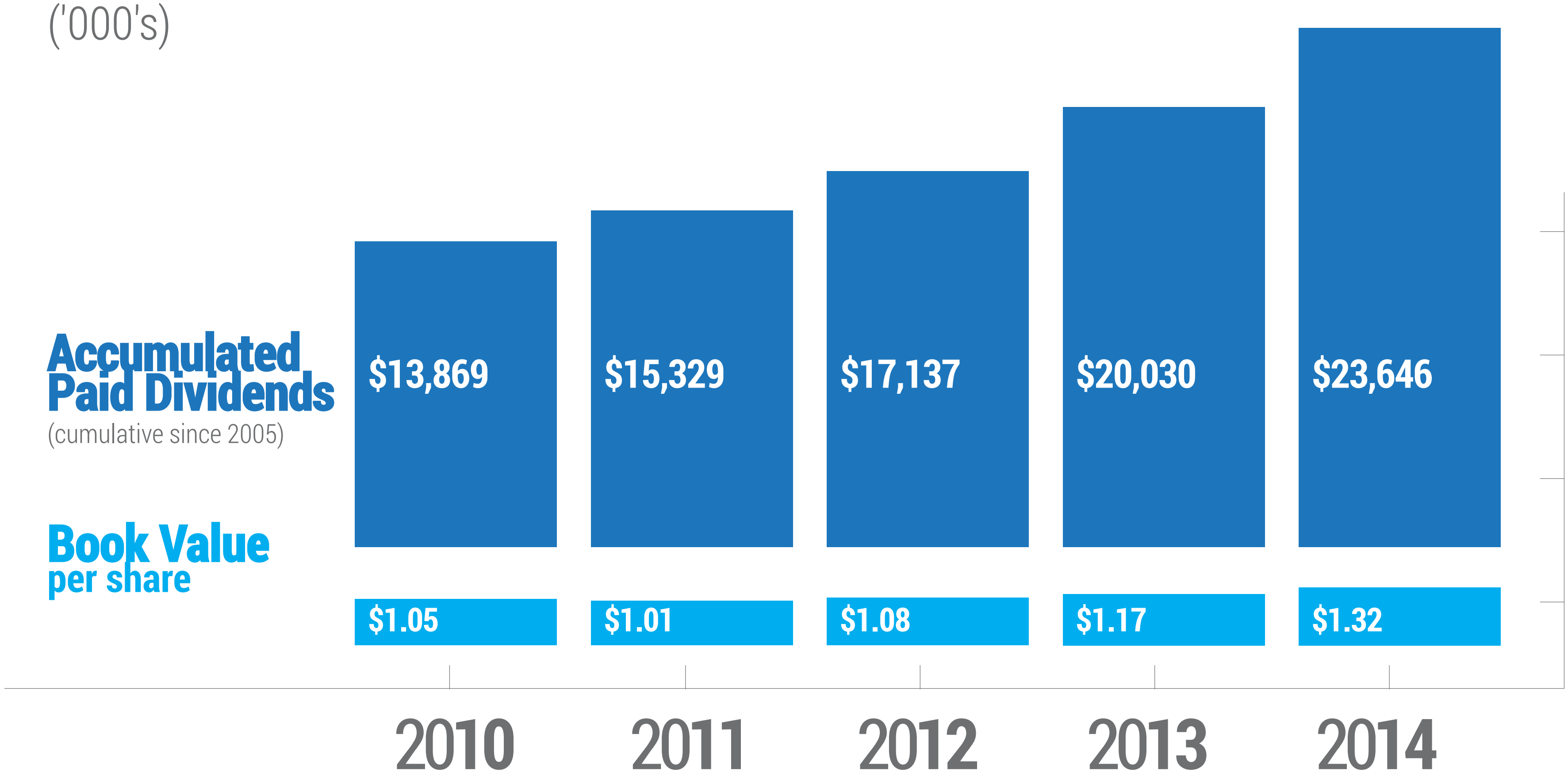

BAHAMAS FIRST HOLDINGS

2014 YEAR IN REVIEW

A BALANCED SCORECARD OF RESULTS

The Chairman, in the opening paragraph of his statement, alluded to the Group's strategy and the success we enjoyed in 2014, insofar as execution is concerned. An integral part of our strategic thrust has been the pursuit of a more balanced and diversified portfolio of business, both from a geographical and product line perspective.

The 2014 results provide ample evidence that this is both a prudent and financially viable proposition. The P&C segment in The Bahamas and Cayman combined for approximately 80% of the total profit achieved in 2014, and this roughly reflects the split between this segment and that of Health, in terms of the top-line premiums.

Our gross written premiums in Cayman increased marginally in 2014, primarily as a result of the growth in Health business which contrasts with a decline in gross written premiums in The Bahamas.

As was the case in 2013, we were able to deliver an underwriting profit in every line of business during 2014, in some cases establishing record levels of profitability within certain classes of business.

The Net Underwriting Income of $28.8 million represents a new high for the Group and is 16% more than the 2013 outcome. The good results demonstrate our robust earnings power, even in less than ideal conditions.

BUSINESS DEVELOPMENT

The fairly rapid expansion of the use of "Alternative Capital" within the global reinsurance market, particularly in the peak catastrophic risks zones, continues to reverberate globally and within the Caribbean Region. The most direct impact manifests itself in the form of soft pricing conditions which is clearly linked to a supply and demand imbalance. As we foreshadowed in previous annual reports, these conditions are likely to persist for the short to mid-term, and, as such, the intense level of competition that currently plays out across the region will continue to be a feature of our operating environment.

During 2014, the competition for P&C business, in particular, was elevated to an even higher level than the year before. As usual the Property and Motor business lines were the main points of focus in this regard but the competitive threats also resonated in the other product lines on offer. In both The Bahamas and Cayman we took a deliberate strategic decision to focus on business retention as the main priority for our main lines of business, with a view to containing the inevitable pricing erosion as much as possible. At the same time, we continued to look to seize opportunities to write new business in cases where the risks fell within our acceptance criteria and pricing parameters.

In overall terms, we were very happy with the outcome for 2014. While the top-line reduced by (6%) compared to 2013, we were able to contain the Net Written Premium to a (2%) reduction and, more importantly, we increased the number of policies written across the Group.

The business retention levels achieved in both The Bahamas and Cayman were in line with our expectations but the continuation of soft pricing pressures will, unfortunately, continue to erode premium levels.

PROPERTY: In The Bahamas the gross written premiums in this line of business declined by (3%) compared to 2013, but once again we observed the trend of more and more clients switching to non-catastrophe covers, primarily due to pricing considerations.

In Cayman we also experienced a decline in gross written premiums for property, amounting to (2.5%), compared to 2013. This is almost entirely related to price reductions which have accelerated in recent times.

For both The Bahamas and Cayman, we now have a property portfolio of business that amounts to $78 million. The loss ratios in both locations were exceptionally good during 2014, resulting in significant underwriting profits. This fact alone demonstrates that we were able to maintain the desired rate stability within our portfolios, which allowed us to capitalize on the improved margins resulting from a lower reinsurance cost base.

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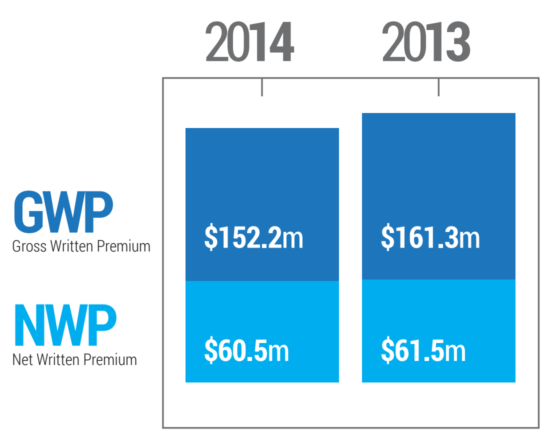

Reaping the Benefits of Strategies Implemented

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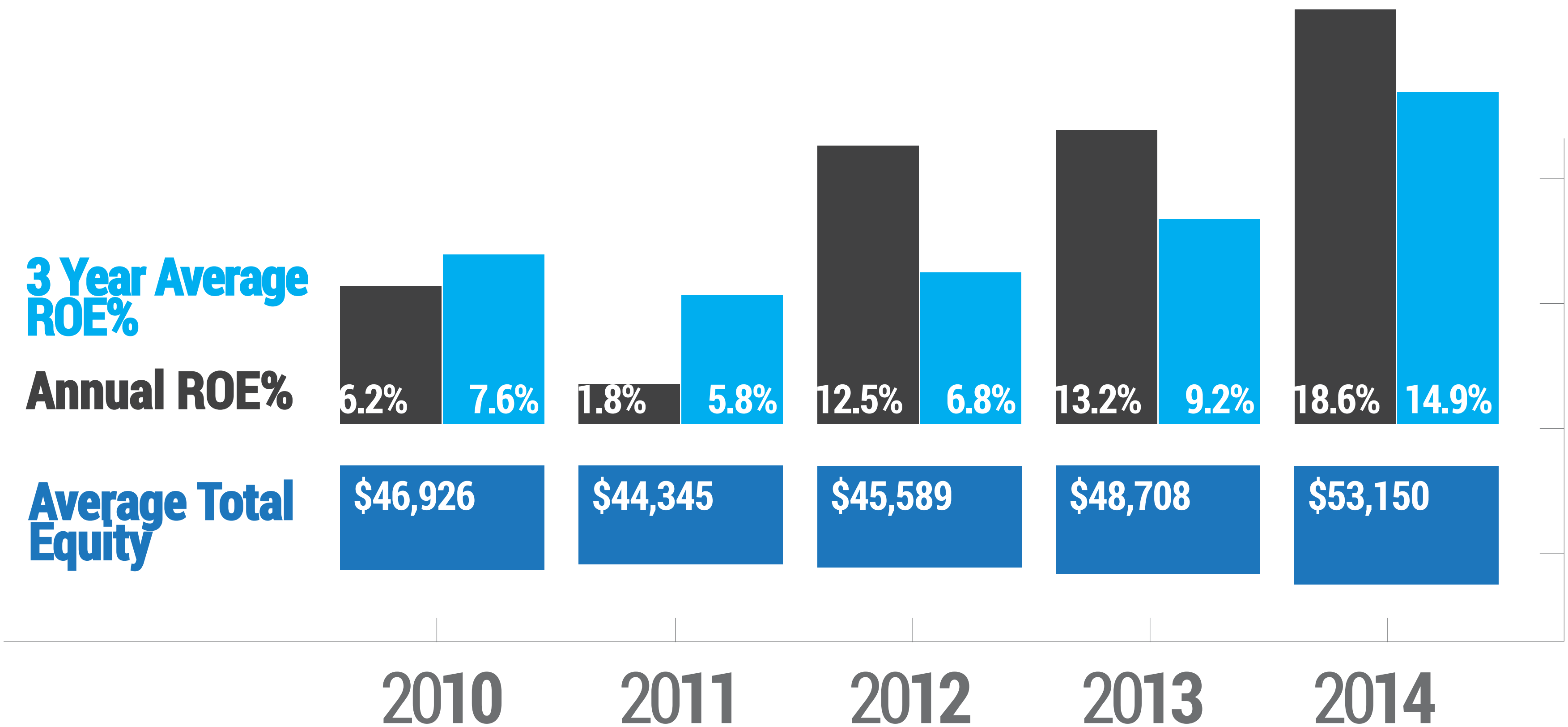

BAHAMAS FIRST HOLDINGS

2014 YEAR IN REVIEW

MOTOR/LIABILITY: Gross premiums for this segment of our business in The Bahamas declined by (2%) compared to 2013, but we increased the number of policies and vehicles insured during 2014. Here again rate or premium pressures, together with a buying trend towards "Third Party" covers account for the top line reduction. In Cayman gross written premiums declined by (1.3%) notwithstanding the fact that more policies were added during 2014. The underwriting results achieved in each market were very good, and, in overall terms, we produced combined premiums in the range of $35 million.

HEALTH: During 2014, the gross premiums within this class grew by 6.8% to $23.4 million in keeping with our planned objectives. As a result of continued stringent oversight of risk selection and claims management, the loss ratio was contained well within budget, finishing the year at 66.6%. This now represents the third year of positive underwriting profits for this line of business which continues to make a meaningful contribution to the Group's bottom-line results.

MARINE: Our premium income associated with this line of business was essentially flat in 2014, compared to the prior year, producing both an acceptable loss ratio and profit margin. Noticeably absent are some of the issues that have plagued this line of business in the past, particularly, the problem of theft of private vessels.

ENGINEERING: In contrast to 2013, we recorded a slight increase in gross written premiums and perhaps this is a precursor to a more broad-based recovery in the construction markets in both The Bahamas and Cayman.

INVESTMENTS & ASSET MANAGEMENT: Generally speaking, in the current low interest rate environment, investment returns will be challenging in the face of a very limited menu of suitable options. The Group's investment returns were therefore in line with expectations. The total investment portfolio increased to $72 million from the prior year's total of $62 million, mostly within the fixed income securities category. The total investment income, including unrealized gains and (losses) on available for sale investments was $3.1 million, compared to $2.5 million in 2013.

Net cash flow from operating activities was essentially flat at $11.5 million in 2014. During the year, the Group paid off the remaining portion of the original loan which was used as part funding for the purchase consideration of CFI in 2010. As a result of a common share rights issue by CFI to raise additional share capital, BFH increased its shareholding to 87.64% by way of payment of $5 million into CFI. This payment was funded by a new loan, details of which are provided in Note 14 of the Audited Financial Statements. The additional capital infusion for CFI will ultimately be used to fund the new purpose built building that will house all of their activities.

CAPITAL & RISK MANAGEMENT:
The Board continues to actively oversee the Company's activities with respect to capital preservation and the execution of the approved enterprise Risk Management framework. The Group's total capital increased to $56.1 million in 2014, an increase of 12% compared to 2013, reflecting the strong earnings for the year.

Both BFG and CFI continue to maintain capital levels that are significantly above the required minimum levels in their respective jurisdictions, and in line with the requirements to maintain the existing rating levels.

FUTURE OUTLOOK

Premium growth in the P&C sector will be weak in the short to mid-term as a consequence of the conditions described earlier in this section of the annual report.

In The Bahamas, there remains considerable anxiety over the potential negative impact that the introduction of VAT charges will have on production levels, following the P&C insurance industry's implementation date of 1st July, 2015. Unfortunately, this introduces a further layer of uncertainty over an already uncertain set of conditions.

What is abundantly clear, however, is that we will need to focus intently on improving operational efficiency and productivity in order to preserve acceptable margins in our business segments. The introduction and launch of our new Innovation Centre will play a central role in this endeavour and we will have to ensure that we extract the maximum benefit from this groundbreaking initiative.

PATRICK G.W. WARD
Group President & CEO

GLEN O.A. RITCHIE
Vice President & CFO

2014

GROUP ACTIVITIES

CAYMAN FIRST – 30 YEARS & COUNTING

GROUP STAFF at CFI 30th Celebrations

30 YEARS STRONG

CAYMAN FIRST INSURANCE COMPANY (CFI) not only celebrated its 30th year anniversary in 2014 but also finalized plans for a new head office that will allow the company to build on its leadership position in the country's general insurance market. When the company was established in 1984 as Cayman General Insurance Ltd., it employed five staff. Today as part of the Bahamas First Group and with more than 40 staff members-- some of whom have been with the company since the start – Cayman First embraces innovation and service excellence to stay first with its customers and at the forefront of the highly competitive general insurance market in the Cayman Islands.

BUILDING FOR THE LONG TERM

The construction of its new 20,000 square foot office with an additional 7800 square feet of under-cover parking not only reflects Cayman First's long term commitment to the market but its core philosophy to provide its staff and customers with a modern, user-focused working and business environment. Scheduled for completion in the spring of 2017, the building is designed to withstand high winds and to survive flooding, such as occurred in Hurricane Ivan in 2004. The offices and service equipment are all on the second floor, with the first floor used mainly for covered car parking.

CAYMAN FIRST HQ Spring 2017

GORDON PHILIP General Manager, CFI

PROVEN LEADERSHIP

Gordon Philip, previously Senior Vice President & Chief Financial Officer of CFI, was also given the additional responsibility for oversight of the entire company in June 2014. Gordon has a long and successful history with the company, and has been a consistent member of the senior leadership team over the course of the various ownership changes. He now leads the organization as General Manager.

This change in CFI management provides an opportunity to promote the growth and development of the existing members of the Cayman management team. The Bahamas First Group is committed to the future success of CFI, and cementing its place in the Cayman market.

LEADERSHIP INNOVATION

FUTURE LEADERS DEVELOPMENT PROGRAMMME

THIRTEEN CANDIDATES ARE enrolled in the third cycle of the Future Leaders Development Programmme (FLDP) which was launched in 2008. Designed to prepare employees for greater supervisory and management roles in the Company, FLDP sessions cover business related and legal topics; insurance and financial services; training sessions on leadership, supervision, communications, presentation and management skills; and generational issues.

Since it was launched the FLDP has seen 19 staff members become better prepared to assume increased leadership responsibilities and help ensure the Company stays on course for future growth and development.

This year's crop of candidates includes representatives from several Bahamas First authorized agencies in an effort by the Company to extend its innovative practices to its close business partners.

From l to r – Rashanna Thompson, Lia Munroe, Bonnie Nguyen, FLDP Coordinator, Blair Thompson-Bain, Marcia Johnson, Arianne Braynen, Devon Bethel, Simone Henfield, Valya Gray, Jeanine Capron, Gabrielle McKenzie, Tanya Knowles and Chanelle Clare.

STAYING FIRST THROUGH DIVERSITY

DIVERSITY FORUM

AT THE BEGINNING of the year 2014 the Corporate Culture Committee (CCC) was given the charge of organizing a Diversity programme for the Bahamas First Group. Realizing that there would initially be reluctance and apprehension by our staff, the CCC decided to compile a year-long list of educational forums to bring awareness to the popular diversity topics. The topics included Race and Ethnicity, Religion, Socio-economic issues, Sexual Orientation, Disabilities, Gender and Age.

To jumpstart the group-wide diversity programme we invited Dr. Bahaudin Mujtaba, Business Studies & Diversity Professor at Nova Southeastern University, to speak at forums in both The Bahamas and Cayman. His lecture was a broad overview of the importance and benefits of encouraging a diverse and inclusive working environment. It was for most people an eye-opening session that would act as a promising jumping board for the other informational sessions that would follow.

In addition to the individual educational forums, the diversity topic was embedded into all of the other company-sponsored events in some form or the other. For example, for the team activities leading up to the annual company picnic the committee organized an activity that encouraged teams to research and present to the wider staff body various topics about the top three countries most represented in The Bahamas. Also, in Cayman, the staff there volunteered for and sponsored the Special Needs Foundation of Cayman.

Bahamas First has been lauded by staff (and others) for the efforts and strides it has made in encouraging and facilitating the awareness of diversity issues in the workplace. The next step for us now is to fervently put into action everything we have learned this year. The benefits of such an initiative are tremendous as it has been proven that companies that foster diverse and inclusive working environments benefit from improvements in employee engagement, productivity, morale, job satisfaction and acceptance to name a few.

STAYING FIRST THROUGH INNOVATION

MEMBERS OF THE BFH INNOVATION CENTRE INITIATIVE
L - R: Jamaal Davis, Gina Sands, Drew Bartlett, Andalino Sands

A few years ago, BFH launched a group-wide initiative which involved, as its focal point, the creation of a cross functional collection of employees who were given the mandate to undertake specific internal projects with a view to improving workflow efficiency and customer service experiences. The primary vehicle for achieving this endeavor was the introduction or refinement of technology, thus the acronym "MITASA" which stands for Making Information Technology A Strategic Advantage.

Management recently concluded that there was an urgent need to formalize or institutionalize the process of adopting new ideas or initiatives, either on a department specific or group-wide basis, and to allow for cross fertilization where appropriate.

An Innovation Centre (IC) has been added to the Company's growing group of ongoing initiatives to enrich its internal business operations and enhance its external competitive positioning. This new initiative represents a natural evolution of the role of MITASA, within the context of our larger organizational demands and business objectives.

The IC has been structured to become the mechanism used by the Bahamas First Group to institutionalize and identify business process management initiatives and quality assurance improvements. By aligning projects through the use of available technology, the benefits of this process will be extended in a more coordinated fashion across the Group.

The IC is staffed by four permanently-assigned employees, who previously formed the nucleus of the MITASA team, with expertise in information technology, project management, business process management, risk and quality control, and human resource training and development. Process owners or subject matter experts will be sourced from within the Group and externally, as required.

Bahamas First management anticipates that its Innovation Centre will be the driver for greater operational efficiencies and organizational flexibility, creating distinct competitive advantages now and in the years to come.

GROWING & NURTURING OUR TALENT

RICHENDA KING Group HR Manager

CHARLES SANDS III Underwriting Manager

ENHANCING OUR INTERNAL RESOURCES is a never-ending process within the Bahamas First Group and with the introduction of the Bahamas First Group Mentoring Programme in 2014, we took another step in creating a culture of knowledge-sharing among employees in the Company. The programme, which is open to all employees in The Bahamas and Cayman, aims to develop beneficial one-on-one relationships with employees and mentors by giving them the opportunity to share their own experiences and knowledge to promote learning, growth and career development.

The Bahamas First Group Mentoring Programme provides opportunities for employees to:

- Explore the world of work through interaction with professionals of their choice;
- Gain experience with successful leaders on their perspective in applying textbook concepts to real-life situations;
- Familiarize themselves with corporate protocol and the business environment to develop a higher level of insurance industry business acumen;
- Identify long-term professional development needs;
- Realize the value of networking; and
- Develop a meaningful professional relationship over a specified period of time.

Mentors benefit by allowing them to:

- Contribute to the professional development for succession planning;
- Identify high potential leaders in the Company;
- Assist new employees in beginning successful careers;
- Assist employees in identifying a career path;
- Assist employees in job transitions and change management; and
- Give something back to their profession and the Company.

The past year has also seen a strengthening of our management team with appointments of **Richenda King**, MBA, HRMP, as Human Resources Manager for the Group and **Charles V. Sands III**, ACII, as BFG's Underwriting Manager.

Staff secondments also remain a key element in the growth and nurturing of the Company's talent base. **Richard Uriasz**, NUA's Broking Unit Manager, was seconded to the Cayman office to assist with the full integration of the Group's business development philosophy and culture into CFI; provide knowledge transfer with respect to certain lines of business; and assist with the integration of the Group's operational resources on underwriting and business production matters.

Judy Campbell, CFI's Assistant Vice President, Property and Casualty, also spent a month in The Bahamas working with BFG's Underwriting team and the management group at NUA.

A Lifetime of Achievement.

THE BOARD OF DIRECTORS, Management & Staff of Bahamas First proudly congratulate our Chairman Ian D. Fair on being honoured with the Lifetime Achievement Award from the Bahamas Financial Service Board.

NUA INSURANCE AGENTS & BROKERS LTD.

N.U.A. TEAM AT LAUNCH OF CYBER RISK SECURITY INSURANCE
L - R: Warren Rolle, NUA; Charles Juarbe, Willis Ltd., Stanford Charlton & Richard Uriasz, NUA

THE 2014 YEAR was one that was filled with great competition. As a result of the competitive environment, one of NUA's goals was to develop/introduce a relatively new product to the insurance market to separate the Agency from the competition. The Agency was able to negotiate an exclusive Facility to offer Cyber Risk Security, Network & Privacy Insurance in The Bahamas.

In the ever-evolving technological landscape in which we live, our lives are dominated by technology. The development and widespread usage of the internet also means that more and more aspects of our daily, personal and business lives are moving online. The creation of this digital world has brought about a by-product being Cyber Risk. The Facility allows us to place insurance for various aspects of cover ranging from $250,000 to $2 million at very competitive terms and with fast turnaround time.

The cover provides protection against third party losses as a result of hacking attacks or viruses emanating from the insured computer systems, computer system damage, system business interruption, and regulatory actions to name a few aspects of cover.

On April 24th, 2014, NUA held a cocktail reception and invited 75 of their commercial clients to the product launch. The key note speaker for the presentation was Charles Juarbe from Willis Ltd. An appearance was also made on Bahamas @ Sunrise by Charles Juarbe, Richard Uriasz and Stanford Charlton.

NUA also got a great deal of press coverage after the event via newspapers and television. There were also new marketing adverts created for the new product.

COMMUNITY INVOLVEMENT

COMMUNITY INVOLVEMENT and support for organizations which make a difference in the lives of so many people in The Bahamas and the Cayman Islands are ingrained in the Bahamas First Group of Companies and its employees. We are proud of the many employees who gave so unselfishly to our communities over the past year.

BAHAMAS FIRST DONATIONS & SPONSORSHIPS

- Antique Auto Club of The Bahamas
- Archdiocesan Catholic Men's Association
- Bahamas AIDs Society
- Bahamas Air Rescue Sea Association
- Bahamas Association for Blind and Visually Impaired
- Bahamas Red Cross Society
- Bahamas Debutante Foundation
- Bahamas District Pilot Association
- Bahamas International Club Championship (BICC) Charity Golf Tournament: Benefit of Reach & Bahamas Diabetic Association
- Bahamas Volleyball Federation
- Brain Minders Bahamas District
- Cancer Society of The Bahamas
- Canstruction
- CWI International
- Disabled Persons Organization
- Full Scope Vision
- Grand Bahama Cancer Society
- Her Majesty's Correctional Facility
- IAAP Bahamas Chapter
- Junior Achievement
- Junior Baseball League of Nassau
- King Hoops Basketball Organization
- Kiwanis International
- North Eleuthera Community Youth Programme
- Omega Psi Phi Fraternity Inc.
- Project Read Bahamas
- Red Rose Ball Committee
- Rotary Club of Freeport
- Rotary Club of Nassau
- Rotary Club of West Nassau
- Sherman Smith Sporting Camp
- Skills Bahamas
- Sir Jack Haywood High School Hospitality Department Management Programme
- Sister Sister Support Group
- Spirit of Excellence Track & Field Development Club
- The Castle
- The Children's Emergency Hostel
- The Gentleman Club
- The Heart Foundation
- The Ranfurly Home for Children
- Timothy Education Programme
- Various Churches and Schools throughout The Bahamas
- Youth Against Violence
- Youth Empowerment Programme
- Z-Bandits Junkanoo Group

CAYMAN FIRST DONATIONS & SPONSORSHIPS

- BRAC - Business and Professional Women's Club
- BRAC Lions Public Speaking Contest
- BRAC Swim club
- BRAC Youth Camp
- Breast Cancer Foundation
- Cayman 27 - Christmas for Kids
- Cayman Heart Fund
- Cayman Islands Cancer Society
- C.I. Veterans Association
- Dream Basketball Club
- Police Welfare Fund
- RCIPS (Royal Cayman Islands Police Service)
- Special Needs Foundation Cayman
- Special Olympics Cayman Islands
- The Cayman Islands Red Cross
- The Lighthouse School

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 also Chairman of the Bahamas International Securities Exchange and Chairman of Butterfield Trust (Bahamas) Limited.

JOHN A.G. DUNKLEY

DIRECTOR

Mr. Dunkley has been a Director since 1996. He was President and Managing Director of N.U.A. Insurance Brokers & Agents Ltd. up to December 31, 2010, 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.

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.

LINDA GOSS

DIRECTOR

Ms. Goss who was appointed a Director in March 2014 is Senior Vice President and Chief Actuary for Economical Mutual Insurance Company (Economical). She joined Economical in July 2000 as the assistant vice-president, actuarial services and became vice-president, actuarial services in July 2001.

KAREN GAVAN

DIRECTOR

A Director since June 2011, Ms. Gavan is President and Chief Executive Officer of Economical Mutual Insurance Company. She has 30 years of experience in the Canadian financial services industry. Ms. Gavan was formerly the Chief Operating Officer of Transamerica Life Canada and AEGON Fund Management Inc.

DIRECTORS & OFFICERS

ALISON TRECO

DIRECTOR

Ms. Treco was appointed as a Director of Bahamas First Holdings Limited and several of its subsidiary companies boards in 2012. Ms. Treco previously served on the Audit Committee of Bahamas First Holdings Limited. She is a Director of FT Consultants Ltd., a firm specializing in accounting advisory services.

PATRICK G.W. WARD

DIRECTOR

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 and Bahamas First Corporate Services Ltd.

Group President & CEO

GLEN O.A. RITCHIE

DIRECTOR

Mr. Ritchie was appointed as a Director of BFH in May 2012. He is Vice President and CFO of BFH, overseeing all financial, information technology and risk management related functions within the Group. Prior to joining BFH, he held a number of senior management and leadership roles in both banking and insurance institutions in The Bahamas.

Vice President & CFO

J. LASHELL ADDERLEY

SECRETARY

Miss Adderley is the Corporate Secretary of BFH and its subsidiary companies. She also serves as the Group's Legal and Compliance Manager. Prior to joining BFH, Miss Adderley worked as a Civil Litigation Attorney.

BFG BOARD OF DIRECTORS

GLEN O.A. RITCHIE
Bahamas First Holdings
Bahamas First General
Cayman First

IAN D. FAIR
Bahamas First Holdings
Bahamas First General
Cayman First

PATRICK G.W. WARD
Bahamas First Holdings
Bahamas First General
Cayman First

BRYAN MURPHY
Bahamas First General
Cayman First

KAREN L. GAVAN
Bahamas First Holdings
Bahamas First General

PAULINE P. WARD
Bahamas First General

ALISON J. TRECO
Bahamas First Holdings
Bahamas First General
Cayman First

* Board Member Linda M. Goss not available for the Board photo.

2014

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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

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To the Shareholders of
Bahamas First Holdings Limited:

We have audited the consolidated financial statements of Bahamas First Holdings Limited (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 Bahamas First Holdings Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

March 25, 2015

A member firm of
Deloitte Touche Tohmatsu

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2014 - EXPRESSED IN BAHAMIAN DOLLARS

ASSETS	Notes		2014		2013
Cash		$	20,908,231	$	15,230,928
Term deposits	6		2,047,957		5,435,219
Trade accounts receivable, net	4,9,24		24,306,344		24,842,250
Sundry receivables and prepayments	24		1,923,073		2,325,198
Deferred commission costs	10		5,138,365		5,123,837
Deferred reinsurance premiums	10		36,912,390		39,547,385
Unpaid claims recoverable from reinsurers	4,11		25,140,965		20,689,232
Provision for litigation recoverable	12		-		1,180,925
Investments	7		48,339,118		40,911,171
Investment in associate	8		610,947		526,796
Property and equipment	4,13		12,787,838		11,129,171
Intangible assets and goodwill	4,15		11,597,911		11,777,892
TOTAL		$	**189,713,139**	$	**178,720,004**
LIABILITIES & EQUITY					
LIABILITIES:					
Accrued liabilities			2,665,075		2,495,391
Trade accounts payable			6,310,498		6,015,373
Unearned commission income	10		8,431,826		8,405,409
Unearned premiums	10		52,596,889		55,546,157
Unpaid claims	4,11		43,533,048		38,459,480
Provision for litigation	4,12		-		1,260,000
Loan payable	14		4,808,894		1,108,517
Bonds payable	16		15,248,438		15,248,438
Total liabilities			**133,594,668**		**128,538,765**
EQUITY:					
Common shares	17,27		365,055		365,055
Preference shares	17		5,000,000		5,000,000
Contributed surplus	14		14,885,143		14,884,862
Treasury shares	17,27		(497,886)		(497,886)
General reserve	18		4,000,000		4,000,000
Revaluation reserve	19		3,171,822		3,305,663
Retained earnings			26,221,895		20,669,311
Total equity attributable to owners of the parent			53,146,029		47,727,005
Non-controlling interest			2,972,442		2,454,234
Total equity			**56,118,471**		**50,181,239**
TOTAL		$	**189,713,139**	$	**178,720,004**

These consolidated financial statements were approved by the Board of Directors on March 20, 2015 and are signed on its behalf by:

Chairman
Ian D. Fair

Director
Patrick G. W. Ward

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2014 - EXPRESSED IN BAHAMIAN DOLLARS

	Notes		2014		2013
UNDERWRITING INCOME:					
Gross premiums written	20,24	$	152,228,886	$	161,319,128
Movement in unearned premiums	10		2,949,268		(1,816,639)
			155,178,154		159,502,489
Premiums ceded to reinsurers			(91,683,919)		(99,828,438)
Movement in deferred reinsurance premiums	10		(3,118,772)		1,829,457
Net premiums earned			60,375,463		61,503,508
Commission income			24,506,000		23,368,864
Total underwriting income			84,881,463		84,872,372
UNDERWRITING EXPENSES:					
Net claims incurred	11		25,807,534		27,607,757
Commission expense	24		14,669,749		14,487,191
Cost of excess of loss reinsurance			12,693,632		14,771,074
Premium tax			2,914,470		3,183,242
Total underwriting expenses			56,085,385		60,049,264
Net underwriting income			28,796,078		24,823,108
OTHER EXPENSES:					
Salaries, benefits and bonuses	22,23,24		11,876,325		11,026,625
General and administrative expenses			10,110,453		10,100,797
Total other expenses			21,986,778		21,127,422
NET TECHNICAL RESULTS			6,809,300		3,695,686
INCREASE IN PROVISION FOR LITIGATION	12		(4,253)		(3,246,151)
LITIGATION RECOVERY	12		1,094		2,442,404
UNREALIZED GAIN ON INVESTMENT	7		969,613		598,041
OTHER INCOME, NET	21		2,261,149		2,277,214
PROFIT FOR THE YEAR		**$**	**10,036,903**	**$**	**5,767,194**
ATTRIBUTABLE TO:					
OWNERS OF THE PARENT			9,489,114		5,734,183
NON-CONTROLLING INTEREST			547,789		33,011
		$	10,036,903	$	5,767,194
BASIC AND DILUTED EARNINGS PER COMMON SHARE	17	**$**	**0.26**	**$**	**0.16**

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014 - EXPRESSED IN BAHAMIAN DOLLARS

	Notes		2014		2013
PROFIT FOR THE YEAR		**$**	**10,036,903**	**$**	**5,767,194**
OTHER COMPREHENSIVE INCOME:					
Item that will not be reclassified subsequently to profit or loss:					
Revaluation of land and buildings	13,19		-		1,091,426
			-		1,091,426
Items that may be reclassified subsequently to profit or loss:					
Reclassification adjustment of available-for-sale investment	19,21		-		(145,418)
Unrealized loss on available-for-sale investments	7,19		(133,841)		(271,070)
			(133,841)		(416,488)
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR			(133,841)		674,938
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$**	**9,903,062**	**$**	**6,442,132**
ATTRIBUTABLE TO:					
OWNERS OF THE PARENT			9,384,854		6,467,329
NON-CONTROLLING INTEREST			518,208		(25,197)
		$	**9,903,062**	**$**	**6,442,132**

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014 - EXPRESSED IN BAHAMIAN DOLLARS

	ATTRIBUTABLE TO OWNERS OF THE PARENT								
	Common Shares	Preference Shares	Contributed Surplus	Treasury Shares	General Reserve	Revaluation Reserve	Retained Earnings	Non-Controlling Interest	Total
Balance at January 1, 2013	**$ 365,055**	**$ 5,000,000**	**$ 14,882,944**	**$ (497,886)**	**$ 4,000,000**	**$ 2,630,725**	**$ 18,119,809**	**$ 2,733,249**	**$ 47,233,896**
Profit (loss) for the year	-	-	-	-	-	-	5,792,391	(25,197)	5,767,194
Other comprehensive income (Notes 7,19)	-	-	-	-	-	674,938	-	-	674,938
Total comprehensive income (loss)	-	-	-	-	-	674,938	5,792,391	(25,197)	6,442,132
Dividends paid by CFI	-	-	-	-	-	-	-	(247,250)	(247,250)
Sale of shares in CFI	-	-	-	-	-	-	-	(4,650)	(4,650)
Change in shareholders' interest in CFI (Note 14)	-	-	1,918	-	-	-	-	(1,918)	-
Preference shares dividend paid (Note 17)	-	-	-	-	-	-	(350,000)	-	(350,000)
Dividends paid ($0.08 per common share) (Note 17)	-	-	-	-	-	-	(2,892,889)	-	(2,892,889)
Balance at December 31, 2013	**365,055**	**5,000,000**	**14,884,862**	**(497,886)**	**4,000,000**	**3,305,663**	**20,669,311**	**2,454,234**	**50,181,239**
Profit for the year	-	-	-	-	-	-	9,518,695	518,208	10,036,903
Other comprehensive loss (Notes 7,19)	-	-	-	-	-	(133,841)	-	-	(133,841)
Total comprehensive income (loss)	-	-	-	-	-	(133,841)	9,518,695	518,208	9,903,062
Non-controlling interest participation in CFI's rights offering (Note 14)	-	-	-	-	-	-	-	1,241	1,241
Sale of shares in CFI	-	-	-	-	-	-	-	(960)	(960)
Change in shareholders' interest in CFI (Note 14)	-	-	281	-	-	-	-	(281)	-
Preference shares dividend paid (Note 17)	-	-	-	-	-	-	(350,000)	-	(350,000)
Dividends paid ($0.10 per common share) (Note 17)	-	-	-	-	-	-	(3,616,111)	-	(3,616,111)
Balance at December 31, 2014	**$ 365,055**	**$ 5,000,000**	**$ 14,885,143**	**$ (497,886)**	**$ 4,000,000**	**$ 3,171,822**	**$ 26,221,895**	**$ 2,972,442**	**$ 56,118,471**

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014 - EXPRESSED IN BAHAMIAN DOLLARS

CASH FLOWS FROM OPERATING ACTIVITIES:	Notes	2014	2013
Profit for the year		$ 10,036,903	$ 5,767,194
Adjustments for:			
Depreciation	13	1,163,084	1,163,484
Amortization of intangible assets	15	136,648	186,647
Amortization of premiums and discounts on bonds	7,21	185,196	180,877
Share of net earnings of associate	8,21	(84,151)	(63,006)
Reclassification adjustment of AFS Investment	19,21	-	(145,418)
Realized gains on sales of investments	7,21	(25,769)	(2,615)
Unrealized gain on investment	7	(969,613)	(598,041)
Net gain on sale of general insurance portfolio	15	(70,647)	-
(Income) loss attributed to non-controlling interest		(518,208)	25,197
Gain on disposal of property and equipment	21	-	(9,000)
Profit from operations		**9,853,443**	**6,505,319**
Decrease in trade accounts receivable, net		535,906	1,261,581
Decrease in sundry receivables and prepayments		402,125	556,861
Increase in deferred commission costs	10	(14,528)	(452,330)
Decrease (increase) in deferred reinsurance premiums	10	2,634,995	(1,829,457)
Decrease (increase) in provision for litigation recoverable		1,180,925	(1,180,925)
Increase in accrued liabilities		169,684	590,291
Increase in trade accounts payable		295,125	3,659,237
Increase (decrease) in unearned commission income	10	26,417	(200,564)
(Decrease) increase in unearned premiums	10	(2,949,268)	1,816,639
Increase in net unpaid claims	11	621,835	864,793
Decrease in provision for litigation	12	(1,260,000)	(200,125)
Net cash from operating activities		**11,496,659**	**11,391,320**

(CONTINUED)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014 - EXPRESSED IN BAHAMIAN DOLLARS

CASH FLOWS FROM INVESTING ACTIVITIES:	Notes		2014		2013
Purchase of property and equipment	13	$	(2,821,751)	$	(270,921)
Proceeds from sale and maturity of investments	7		5,836,761		3,939,367
Purchase of investments	7		(12,588,363)		(4,724,086)
Proceeds from disposal of property and equipment			-		9,000
Proceeds from sale of general insurance portfolio	15		113,980		-
Decrease (increase) in term deposits maturing after ninety days	6		3,387,262		(2,099,024)
Net cash used in investing activities			**(6,072,111)**		**(3,145,664)**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Preference shares dividend paid	17		(350,000)		(350,000)
Change in non-controlling interest			518,208		(279,015)
Common shares dividend paid	17		(3,616,111)		(2,892,889)
Proceeds from borrowings	14		5,000,000		-
Repayments of loan payable			(1,299,623)		(3,641,322)
Equity transactions between non-controlling interest	14		281		1,918
Net cash from (used in) financing activities			**252,755**		**(7,161,308)**
NET INCREASE IN CASH AND CASH EQUIVALENTS			5,677,303		1,084,348
CASH AND CASH EQUIVALENTS:					
BEGINNING OF YEAR			15,230,928		14,146,580
END OF YEAR		**$**	**20,908,231**	**$**	**15,230,928**
SUPPLEMENTAL CASH FLOW DISCLOSURES:					
Interest received		$	1,705,937	$	1,674,157
Dividends received		$	530,276	$	543,866
Interest expense paid		$	1,136,815	$	1,131,622

(CONCLUDED)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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 ("BFHIL") and Cayman First Insurance Company Limited ("CFI"), which are 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". The primary activity of the Group is the carrying on of general insurance business (property and casualty) and health and group life insurance. The subsidiaries are as follows:

Registered insurers:

- Bahamas First General Insurance Company Limited ("BFG")
- Cayman First Insurance Company Limited ("CFI")

Registered insurance agencies:

- Nassau Underwriters Agency Insurance Agents & Brokers Ltd. ("NUA")
- Carib Insurance Brokers & Agents 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")

All of the above subsidiaries are wholly-owned except for CFI.

BFHIL acquired a 75.24% equity interest in Sagicor General Insurance (Cayman) Ltd. ("SGI") on June 17, 2010, with an effective date of January 1, 2010. Sagicor General Insurance (Cayman) Ltd. was renamed Cayman First Insurance Company Limited on August 4, 2010.

Through participation in CFI's rights issuances in both May 2011 and June 2014, BFHIL has increased its equity holding in CFI to currently 87.64%.

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)

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB effective for annual reporting periods beginning on or after January 1, 2014. The adoption of these Standards and Interpretations has not led to any changes in the Company's accounting policies.

a. Standards and Interpretations effective but not affecting the reported results or financial position

IAS 27 (Amended) Investment Entities
IAS 32 (Amended) Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amended) Recoverable Amount Disclosures for Non-Financial Assets

IFRS 10 (Amended) Consolidated Financial Statements
IFRS 12 (Amended) Disclosure of Interests in Other Entities
IFRIC 21 Levies

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

b. **Standards and Interpretations in issue but not yet effective**

IFRS 9 (Amended) Financial Instruments
IFRS 11 (Amended) Accounting for Acquisitions of Interest in Joint Operations
IFRS 15 Revenue from Contracts with Customers
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

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 certain investments measured 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. Control exists when the Company has the power, directly or indirectly, to govern financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the potential voting rights that presently are exercisable or convertible are taken into account. 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. Company shares held by a subsidiary are classified as Treasury shares and are included in the consolidated statement of changes in equity at the price paid to acquire them. No gain or loss will be recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Consideration paid or received will be recognized directly in equity.

c. **Business combinations** - Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the consideration transferred (measured at acquisition date fair value), and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition cost incurred is expensed. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Changes in the Company's ownership in a subsidiary that do not result in a loss of control are accounted for as equity transactions, and are recognized in contributed surplus in the consolidated statement of changes in equity.

d. **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. Under the equity method, investments in associates are initially carried at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the associate after the date of acquisition. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. The Company's share of those changes is recognized in the consolidated statement of profit or loss and other comprehensive income.

After application of the equity method, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Losses of 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.

e. **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 ("AFS"); 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.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the classification at each reporting date. 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 and redeemable fixed rate note 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. Investment in fixed income debt securities and mutual funds are classified as available-for-sale and are carried at fair value. Gains and losses arising from changes in fair value of available-for-sale investments are recognized through the consolidated statement of profit or loss and other 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 profit or loss and other 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 assets and liabilities carried at amortized cost, a gain or loss is recognized in the consolidated statement of profit or loss and other comprehensive income when it is derecognized or impaired, as well as through the amortization process.

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

g. **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 profit or loss and other comprehensive income as an expense as incurred.

Depreciation is charged to the consolidated statement of profit or loss and other 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:

Building	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 including depreciation.

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

Any depreciation accumulated on an asset at the date of revaluation is eliminated against the gross carrying amount of the asset and the resulting net amount restated to the revalued amount of the asset. The accumulated depreciation is reduced or eliminated, and any remaining surplus is used to increase cost.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognized in Other Income, net in the consolidated statement of profit or loss and other comprehensive income.

h. **Intangible assets and goodwill** - On acquisition of an investment in an associate/subsidiary any goodwill arising (i.e. the excess of the cost of the investment over the investor's share of the net fair value of the identifiable assets, liabilities and contingent liabilities) is accounted for as follows:

(i) goodwill is included in the carrying amount of the investment for associate and is neither amortized nor individually tested for impairment. For subsidiaries, it is included as goodwill in the consolidated statement of financial position, and is tested for impairment at least annually.

(ii) other intangible assets identified on acquisition of a subsidiary are recognized only if future economic benefits attributable to the asset will flow to the Group, and if the fair value of the asset can be measured reliably. In addition, for purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. On acquisition, the useful life of the asset is estimated and determined to be either finite or indefinite.

(iii) 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 profit or loss and other comprehensive income in the period in which the investment is acquired.

After initial recognition, an intangible asset with a finite useful life is amortized using the straight-line method over the estimated useful life of 15-20 years, and is included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income. An intangible asset with an indefinite useful life is not amortized, but tested for impairment at least annually. 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.

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 profit or loss and other comprehensive income.

i. **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 carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of profit or loss and other 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.

j. **Insurance contracts**

Product classification - Insurance contracts are those that transfer significant insurance risk at the effective date of the contract. Insurance risk is transferred when the Group agrees to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Any contracts not meeting the definition of an insurance contract under IFRS 4 Insurance Contracts are classified as investment contracts. The main insurance contracts issued by the Group are as follows:

Property and casualty ("P&C") insurance contracts - Property and casualty contracts are generally one year renewable contracts issued by the Group covering insurance risks over property, motor, marine, engineering and general accident.

Health and Group Life ("H&L") insurance contracts - Health and Group Life contracts are one year renewable contracts. Health insurance contracts cover insureds for medical expenses incurred. Group Life insurance contracts protect the Group's customers from the consequences of events (such as death or disability). Guaranteed benefits paid on occurrence of the specified insurance event are fixed.

Reinsurance contracts - Contracts with reinsurers under which the Group is compensated for losses are classified as reinsurance contracts held. Insurance contracts in which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term recoverables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense over the period of the contract.

The Company assesses its reinsurance assets for impairment on an ongoing basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated statement of profit or loss and other comprehensive income.

Portfolio Transfer In / (Out) – At the option of the Company and at the anniversary date of the reinsurance agreements, proportional reinsurers agree to relinquish (assume) liability for all policies in force at such anniversary date. The Company debits (credits) the reinsurers with the related portion of the unearned premiums and the outstanding losses calculated in accordance with the method outlined in the agreement.

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.

Premiums ceded - Premiums ceded to reinsurers are recognized as an 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 and unpaid claims recoverable from reinsurers** - The provision for unpaid claims, and the reinsurers' share thereof, 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 profit or loss and other comprehensive income.

At the date of the statement of financial position, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. Management has engaged independent actuaries to assist in performing the liability adequacy test at year-end.

l. **Policy acquisition 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.

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.

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

n. **Investment premiums and discounts** - Premiums and discounts arising on acquisition of fixed income securities are amortized over the period remaining to maturity and are recognized in Other Income, net in the consolidated statement of profit or loss and other comprehensive income.

o. **Cash and cash equivalents** - Cash and cash equivalents consist of cash on hand and deposits with banks maturing within ninety days from the date of acquisition.

p. **Borrowings** - Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated statement of profit or loss and other comprehensive income over the period of borrowing using the effective rate method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan and are capitalized, and included in sundry receivables and prepayments in the consolidated statement of financial position. Capitalized fees are amortized over the period of the facility to which it relates, and are included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

q. **Share capital** - Shares are classified as equity when there is no obligation to transfer cash or other assets. Share capital is comprised of common and preference shares. The preference shares are non-voting and redeemable at the option of the Company. When common shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction in equity.

r. **Foreign currency translation** - The Group's functional and presentation currency is the Bahamian dollar. Assets and liabilities of the foreign subsidiary are translated from its functional currency into Bahamian dollars at the exchange rate in effect at the consolidated statement of financial position date for monetary assets and liabilities, and at historical rate in effect for non-monetary assets and liabilities. With the exception of amortization expense, revenues and expenses are translated at the rate at transaction date, which is approximated by the weighted average rate prevailing during the year. Amortization expense is translated at the same historic rate as the related asset. Adjustments resulting from the translation of the statement of financial position of the foreign operation are included in other comprehensive income (loss) in the consolidated statement of profit or loss and other comprehensive income.

s. **Related parties** - Related parties include:

- Key Management Personnel, close family members of Key Management Personnel, and entities which are controlled individually and/or jointly, or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members; or
- Non-Key Management Personnel who have significant influence over the Group and their close family members. Non-Key Management Personnel who control in excess of 10% of the outstanding common shares are considered to have significant influence over the Group.

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, being the Officers and Directors.

Close family members include the spouse of Key and Non-Key Management Personnel and the children and dependents of Key and Non-Key Management Personnel or their spouse.

t. **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 profit or loss and other comprehensive income.

u. **Share–based payments** - The Company has a share option plan for executives and on occasion a share subscription offer for non-management employees. When the options are exercised the Company issues new shares and the proceeds received are credited to common shares and contributed surplus in the consolidated statement of changes in equity.

v. **Earnings per share** - Earnings per share is computed by dividing the profit attributable to the common shareholders by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding during the year is the number of common shares outstanding at the beginning of the period, adjusted by the number of common shares repurchased or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. There is no material difference between basic earnings per share and fully diluted earnings per share.

w. **Leases** - Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All of the Group's leases are operating leases. Payments made under operating leases are recognized as an expense on a straight line basis over the term of the lease.

x. **Taxation** - Subsidiaries of the Group operating in The Bahamas are subject to tax on taxable gross premium income at the flat rate of 3% (2013: 3%). There are no other taxes on corporate income or capital gains levied on the Group in any of the jurisdictions in which the Company operates.

y. **Segment reporting** - In identifying its operating segments, management generally follows the Group's business operating activities by geographic location (Bahamas & Cayman). The Bahamas' segment includes general insurance only and Cayman's segment includes both general insurance and health and group life. General insurance comprises fire, motor, marine, engineering and general accident. The health and life insurance segment includes group life and medical insurance.

z. **Contingent liabilities** - A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle that obligation at the reporting date and are discounted to present value. Potential recoveries from third parties are recognized as a receivable when it is virtually certain that the recoveries will be received and the amount can be measured reliably.

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.

The provision for unpaid claims is necessarily based on estimates due to the fact that ultimate disposition of claims incurred prior to the date of the consolidated statement of financial position, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include, inter alia, jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, changes in medical costs and the cost of automobile and property repair materials and labour rates.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management estimates and judgments are based on the Company's claims experience, relevant circumstances and/or advice from legal counsel.

Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within one to three months after the claims event. Health claims are normally reported within three months of the event and are usually settled within days of being reported.

Information for long-tail claims such as casualty claims for bodily injury, general third party liability, employers' liability, workmen's compensation and long term disability may not be readily available. The provision for the long-tail claims is continually evaluated by management and is based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group does not establish provisions for catastrophes (such as natural disasters) in advance of the occurrence of such events. These events can cause significant volatility in the Group's level of incurred losses and the provision for unpaid claims.

The impact of critical accounting estimates and judgments on the ultimate liability arising from claims made under insurance contracts is partially mitigated through relief arising from reinsurance contracts held.

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 $43,533,048 (2013: $38,459,480). The amount of reinsurance recoveries estimated at the consolidated statement of financial position date is $25,140,965 (2013: $20,689,232).

Refer to Note 11 for further information on the provision for unpaid claims.

ii. Pro-ration of Premiums and Commissions

As described in Note 3j, unearned premiums and deferred reinsurance 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. Similarly as per Note 3l, deferred and unearned commissions at year end represent the proportion of the commission paid to agents and brokers and received from reinsurers which relate 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.

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iii. **Impairment of goodwill and intangible assets**

Determining whether goodwill or intangible assets are impaired requires an estimation of (a) the value in use or (b) the fair value less costs to sell of the cash-generating unit or group of units to which the value has been allocated:

a) The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit(s) and a suitable discount rate in order to calculate present value, both of which are material sources of uncertainty.

b) The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit(s) between knowledgeable willing parties, less the costs of disposal.

The carrying value at the consolidated statement of financial position date for intangible assets and goodwill was $11,597,911 (2013: $11,777,892).

iv. **Provision for bad debts**

As described in Note 3f, provision for bad debts is based on management's evaluation of the respective portfolios. This evaluation is based on the aged analysis of the trade accounts receivable. Trade accounts receivable, which is shown net of provision for bad debts, is comprised of (1) amounts receivable from insurance agents that have signed agency agreements with the Group insurers ("insurer trade receivables"); (2) clients of the Group's agency subsidiaries ("policyholders' receivables"); and (3) amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held ("reinsurers' receivables"). Provisions are recorded for policyholders' receivables as follows:

Over 6 months	10% provision
Over 9 months	20% provision
Over 1 year	100% provision

The carrying value at the consolidated statement of financial position date for trade accounts receivable, net was $24,306,344 (2013: $24,842,250).

v. **Provision for litigation**

CFI was, for a number of years, involved in protracted litigation issues relating to a Hurricane Ivan claim (the "Windsor Village litigation"), certain aspects of which progressed through the Grand Court of the Cayman Islands, the Cayman Islands Court of Appeal, the Judicial Committee of the Privy Council in the UK, and negotiated settlements with the third parties. The provision held at December 31, 2013 was based upon a negotiated settlement agreed on February 26, 2014, which effectively concluded the Windsor Village litigation. Refer to Note 12 for further information related to this provision.

vi. **Depreciation**

Depreciation is based on management estimates of the future useful life of property and equipment. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation charges. The Company reviews the future useful life of property and equipment periodically, taking into consideration the factors mentioned above and all other important factors. In case of significant changes in the estimated useful lives, depreciation charges are adjusted prospectively.

vii. **Fair value of financial assets and liabilities**

The fair values of listed equities are based on current bid prices reported on recognized exchanges. The fair value of debt securities is based on either current bid prices reported on recognized exchanges or pricing data provided by internationally recognized pricing services. Mutual funds are carried at fair value based on the net asset value per share provided by the administrator of the fund. If prices are not readily available, the fair value is estimated using either dealer quotes or pricing models or discounted cash flow models or management's estimate of amounts that could be realized under current market conditions and which are based on observable market-based inputs when available.

Where fair value has been determined using data provided by a recognized pricing service, dealer quotes, pricing models or net asset value per share, the Group has obtained an understanding of the methods, models and inputs used in pricing and has controls in place that management considers sufficient to validate that prices represent fair value.

Investments for which observable market prices 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 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).

For certain financial instruments carried at cost, the carrying amounts approximate to fair value due to the short term nature of these instruments. Such instruments include, premiums receivable, reinsurance balances receivable, other receivables, reinsurance balances payable and other short term liabilities. Refer to Notes 5 and 7 for further information on the fair value of financial assets and liabilities.

5. RISK MANAGEMENT

As an insurance company, the Group is concerned about the risks inherent in its business activities (insurance risk) and the risks associated with the management of the financial assets and liabilities (financial risk) which support the operational activities. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management structure. The Group has established the Technical Review and Risk Compliance Committee, and the Finance and Investment Committee to ensure that management has a system which details the risk policies, procedures, measurement, reporting and compliance. The Group's Internal Audit reviews the risk management policies and processes and reports directly to the Audit Committee. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Group. The committees report regularly to the Board of Directors on their activities. The Group has exposures to risks that may develop in each class of business within each operating segment and could have a material impact upon the Group's financial position.

INSURANCE RISK

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. Risk factors that affect insurance are many and include the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Group insures the risks of entities within The Bahamas and the Cayman Islands. There is a concentration of insurance risk in those territories. Below is a discussion of insurance risks specific to the lines of coverage provided by the operating segments within the Group.

Property and casualty insurance risks

Property risks are comprised of physical damage to property. Property policies are underwritten by reference to the commercial replacement value of the properties and content insured. Casualty risks are comprised of personal injury from motor claims, public liability, employers' liability, workmen's compensation and personal liability coverage. For the Group's property and casualty insurance contracts, significant risk exposure arises from low frequency, high severity events such as hurricanes. Single events, such as flooding and fires may also generate significant claims. Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The costs of rebuilding properties, replacement or indemnity for contents are the key factors that influence the level of claims under these policies.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Group 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. The Group actively manages and pursues early settlement of all claims to reduce its exposure to unpredictable developments. It has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Company will, where necessary, appoint lawyers to act on the Company's behalf in respect of serious bodily injury claims thus ensuring settlements and avoiding claims development.

The Group follows the policy of underwriting and reinsuring contracts of insurance, which generally limit the liability for any one risk. 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 Group is exposed to contractual disputes with its reinsurers and the possibility of default by its reinsurers. The Group is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance constraints.

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The Group's strategy is to select reinsurers with the best combination of financial strength, price and capacity. In the event that the Group's reinsurers were unable to meet their obligations under the reinsurance programs in place, the Group would still be obligated to pay all claims made under the insurance policies it issues, but would only receive reimbursement to the extent that the reinsurers could meet their above mentioned obligations. Management does not anticipate that there will be any issues with the collection of amounts due from reinsurers as they become due, and is not aware of any disputes with reinsurers, overdue amounts or any specific credit issues.

Health and group life insurance risks

The most significant factors that could increase the overall frequency of claims relating to health and group life insurance contracts are epidemics or widespread changes in lifestyle, resulting in earlier or more claims than expected. The reinsurance program used by the Group is reviewed and approved by the Technical Review and Risk Compliance Committee on an annual basis.

FINANCIAL RISK

The Group is exposed to financial risk through its financial assets and liabilities. The components of financial risk that have an impact on the Group are credit risk, market risk and liquidity risk. Market risk exposure results from adverse movements in market rates and prices and as a result the Group is exposed to interest rate risk, foreign currency risk and price risk. Financial risk is a significant risk for the Group's operations. The risk framework combines investment policies, limits, stress tests and regular monitoring to control the nature and level of financial risk and to ensure adherence to Group and regulatory policies and guidelines. The following table reconciles financial assets and financial liabilities to the Group's statement of financial position:

		2014		2013
FINANCIAL ASSETS:				
Cash and term deposits	$	22,956,188	$	20,666,147
Investments:				
Held-to-maturity		6,459,000		4,459,000
At fair value through profit or loss		12,331,147		12,528,163
Available-for-sale		29,548,971		23,924,008
Loans and receivables:				
Trade accounts receivable, net		24,306,344		24,842,250
Other receivables*		1,363,842		1,311,299
Total financial assets		96,965,492		87,730,867
Non-financial assets		92,747,647		90,989,137
Total assets	**$**	**189,713,139**	**$**	**178,720,004**
FINANCIAL LIABILITIES:				
Payables at amortized cost:				
Trade accounts payable, accrued expenses and other liabilities	$	8,975,573	$	8,510,764
Bonds and loan payable		20,057,332		16,356,955
Total financial liabilities		29,032,905		24,867,719
Non - financial liabilities		104,561,763		103,671,046
Total liabilities	**$**	**133,594,668**	**$**	**128,538,765**

* excludes prepaid expenses of $559,231 (2013: $1,013,899)

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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. Key areas where the Group is exposed to credit risk are in the cash and cash equivalents, investment portfolios, reinsurance receivables, premiums receivable, and other receivables. The Group's investment policy permits the Group to invest in fixed income securities, equity securities, private placements of financial institutions, term deposits, and to limit exposure to any one issuer. The Group's deposits are placed with well-known high quality financial institutions. Policies and guidelines are in place to limit the exposure faced by the Group.

The Group is exposed to credit risk with respect to the amounts recoverable from its reinsurers. The Group's liability as primary insurer is not discharged if a reinsurer defaults on the obligation to pay. The Technical Review and Risk Compliance Committee ensures that management assesses the creditworthiness of all reinsurers by reviewing credit ratings as determined by independent rating agencies and other publicly available financial information. The concentration of credit risk is also monitored to minimize the Group's exposure to significant losses from reinsurer insolvency. The following assets of the Group are exposed to credit risk:

		2014		2013
Held-to-maturity debt securities:				
Bahamas Government Registered Stocks	$	6,459,000	$	4,459,000
Available-for-sale securities:				
Fixed income debt securities		22,458,505		18,817,286
Mutual funds		5,004,966		2,081,722
Preference shares		2,085,500		3,025,000
Loans and receivables:				
Trade accounts receivable		26,872,389		26,989,232
Other receivables		1,363,842		1,311,299
Reinsurers' share of provision for unpaid claims		25,140,965		20,689,232
Cash and term deposits		22,956,188		20,666,147
Total	**$**	**112,341,355**	**$**	**98,038,918**

Fixed income debt securities are analyzed in the table below using Standard & Poor's ("S&P") ratings (or an equivalent rating when not available from S&P).

		2014		2013
AAA	$	-	$	514,699
AA		2,655,293		2,094,656
A		7,972,922		9,237,149
BBB		13,211,493		7,690,586
Not rated		5,077,797		3,739,196
Total debt securities	**$**	**28,917,505**	**$**	**23,276,286**

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Financial assets exposed to credit risk that are neither past due nor impaired, past due but not impaired and those that are impaired are analyzed in the table below:

At December 31, 2014	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Held-to-maturity debt securities	$ 6,459,000	$ -	$ -	$ 6,459,000
Available-for-sale debt securities	29,548,971	-	-	29,548,971
Loans and receivables:				
Trade accounts receivable	16,700,524	7,605,820	2,566,045	26,872,389
Other receivables	1,363,842	-	-	1,363,842
Reinsurers' share of provision for				
unpaid claims	25,140,965	-	-	25,140,965
Cash and term deposits	22,956,188	-	-	22,956,188
Total assets exposed to credit risk	**$ 102,169,490**	**$ 7,605,820**	**$ 2,566,045**	**$ 112,341,355**

At December 31, 2013	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Held-to-maturity debt securities	$ 4,459,000	$ -	$ -	$ 4,459,000
Available-for-sale debt securities	23,924,008	-	-	23,924,008
Loans and receivables:				
Trade accounts receivable	18,033,517	6,808,733	2,146,982	26,989,232
Other receivables	1,311,299	-	-	1,311,299
Reinsurers' share of provision for				
unpaid claims	20,689,232	-	-	20,689,232
Cash and term deposits	20,666,147	-	-	20,666,147
Total assets exposed to credit risk	**$ 89,083,203**	**$ 6,808,733**	**$ 2,146,982**	**$ 98,038,918**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Group does not hold collateral as security.

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 and fluctuating financial instruments, which the Group intends to hold for the long-term. The Group's investment in fixed income debt securities, money market fund, cash and cash equivalents, and its loan and bonds payables are all subject to interest rate risk. Fluctuations in interest rates impact the level of gains and losses on the Group's interest bearing financial instruments. The coupon rates associated with the fixed income debt securities held by the Group range from 2.60% to 8.50% (2013: 2.60% to 8.50%). The underlying debt securities of the money market fund may be affected by changes in interest rates. The Group's loan payable is at a rate of 1.50% above U.S. prime rate (effective rate: 4.75%). Interest on the Series I and II bonds payable are at B$ prime rate plus 1.75% and 2.00%, respectively (effective rate 6.50% and 6.75%, respectively).

The Group's investment income will move with interest rates over the medium to long term with short term interest rate fluctuations creating unrealized gain or losses in other comprehensive income. The average interest yields of investments held during the year are as follows:

Debt securities	5.09% (2013: 5.03%)
Cash, term deposits and money market funds	1.39% (2013: 1.64%)

FOREIGN CURRENCY RISK

Foreign currency risk relates to the Group operating in different currencies and converting non- Bahamian earnings at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Group is not directly exposed to foreign currency risk, as investments are denominated in Bahamian dollars and US dollars. The Group's investments in The Bahamas are denominated in Bahamian dollars, which is fixed to the US dollar at the following rate: B$1 = US$1. CFI has investments denominated in US dollars. The Cayman Island dollar is fixed to the US$ at the following rate: CI$1 = US$1.20, at the date of the consolidated statement of financial position. The Group is indirectly exposed to foreign currency risk, where it holds investments in mutual funds. The underlying investments of the mutual funds could be denominated in foreign currencies, resulting in exposure to fluctuations in foreign exchange rates.

PRICE RISK

The Group is subject to price risk on its equity securities due to changes in market values. One of the primary objectives of the Group's risk management policy is to mitigate potential adverse impacts of market movements.

LIQUIDITY RISK

Liquidity risk is the risk that the Group may have difficulty liquidating its positions due to existing or unforeseen market constraints to meet obligations associated with financial instruments. In respect of catastrophic events, the Group is exposed to liquidity risk associated with the timing differences between cash flows and expected reinsurance recoveries to meet its insurance liability obligation. Most of the Group's investments are either in a market that is not highly active or 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. The Group mitigates this risk by maintaining significant holdings in cash and term deposits and also ensures that there are set guidelines for asset allocations, portfolio limit structures and maturity profiles of investments. The following tables indicate the timing of undiscounted cash flows arising from financial liabilities as at December 31, 2014 and 2013:

			Cash flows	
2014 Financial liabilities	**Total**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accrued expenses and other liabilities	$ 2,665,075	$ 2,623,558	$ 41,517	$ -
Trade accounts payable	6,310,498	6,310,498	-	-
Loan payable	4,808,894	406,453	1,836,036	2,566,405
Bonds payable	15,248,438	248,438	-	15,000,000
Total undiscounted cash flows	**$ 29,032,905**	**$ 9,588,947**	**$ 1,877,553**	**$ 17,566,405**

			Cash flows	
2013 Financial liabilities	**Total**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accrued expenses and other liabilities	$ 2,495,391	$ 2,454,490	$ 40,901	$ -
Trade accounts payable	6,015,373	6,015,373	-	-
Provision for litigation	1,260,000	1,260,000	-	-
Loan payable	1,108,517	639,881	468,636	-
Bonds payable	15,248,438	248,438	-	15,000,000
Total undiscounted cash flows	**$ 26,127,719**	**$ 10,618,182**	**$ 509,537**	**$ 15,000,000**

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SENSITIVITY ANALYSIS

The Group predominantly funds its net insurance liabilities through its cash and term deposits generated in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may be required to be funded through the Group's portfolio of investments. Insurance liabilities are calculated using historical claims data to determine 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 at the date of the statement of financial position. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims development on which the projections are based. As such, the sensitivity of the insurance liabilities is based on the financial impact of changes to the reported loss ratio. The provision for long tail claims is determined by using the incurred loss method and loss ratio method. The loss development factors used are based on the Group's experience. The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant. The analyses assume that there is no correlation between the assumptions.

Sensitivity factor	Description of sensitivity factor applied
Interest rates- cash and cash equivalents	The impact of a change in market interest rates by 1%
Underwriting expenses	The impact of a change in underwriting expenses by 5%
Loss ratio	The impact of a change in loss ratio by 5%

December 31, 2014	**Interest rates**		**Underwriting expenses**		**Loss ratio**	
In $	**+1%**	**-1%**	**+5%**	**-5%**	**+5%**	**-5%**
Impact on profit	218,112	(218,112)	(1,513,893)	1,513,893	(3,018,773)	3,018,773
Impact on equity	633,757	(633,757)	(1,513,893)	1,513,893	(3,018,773)	3,018,773

December 31, 2013	**Interest rates**		**Underwriting expenses**		**Loss ratio**	
In $	**+1%**	**-1%**	**+5%**	**-5%**	**+5%**	**-5%**
Impact on profit	190,745	(190,745)	(1,622,075)	1,622,075	(3,075,175)	3,075,175
Impact on equity	460,940	(460,940)	(1,622,075)	1,622,075	(3,075,175)	3,075,175

Price risk arises primarily from changes in the value of equity investments that may be bought and sold. The Group is sensitive to price risk on its fair value through profit or loss and available-for-sale equity securities. These securities are managed according to the benchmarks as specified in the Group's statement of investment policy and guidelines. The effect of a 10% increase (2013:10%) and a 10% decrease (2013:10%) in equity prices at the date of the statement of financial position are set out below:

At December 31, 2014		**Carrying Value**		**Effect on profit and equity +10%**		**Effect on profit and equity -10%**
Listed on stock exchanges/markets	$	12,331,147	$	1,233,115	$	(1,233,115)
Listed/unlisted mutual funds		5,004,966		500,497		(500,497)
Total	**$**	**17,336,113**	**$**	**1,733,612**	**$**	**(1,733,612)**
At December 31, 2013						
Listed on stock exchanges/markets	$	12,528,163	$	1,252,816	$	(1,252,816)
Listed/unlisted mutual funds		2,081,722		208,172		(208,172)
Total	**$**	**14,609,885**	**$**	**1,460,988**	**$**	**(1,460,988)**

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CAPITAL MANAGEMENT

The Group's objectives when managing Capital are:

- To safeguard the Group's ability to continue as a going concern through prudent and sustainable growth, so that it can continue to maximize returns for shareholders;
- To ensure that it maintains a strong credit rating (minimum AM Best rating of A- Excellent) and healthy capital ratios in order to support its business objectives; and
- To comply with the regulatory capital requirements in the jurisdictions in which the Group operates.

The Group actively monitors its capital requirements and is in compliance with all relevant laws, rules and regulations.

6. TERM DEPOSITS

Term deposits are denominated in Bahamian and United States dollars with an average interest rate of 2.39% (2013: 2.85%) per annum at the consolidated statement of financial position date. All term deposits have maturities beyond ninety days.

7. INVESTMENTS

		2014		2013
Held-to-maturity:				
Bahamas Government Registered Stocks - at amortized cost				
Unrestricted	$	5,459,000	$	3,459,000
Restricted		1,000,000		1,000,000
Total held-to-maturity		**6,459,000**		**4,459,000**
At fair value through profit or loss:				
Bahamas International Securities Exchange Limited (BISX)				
12 (2013: 12) common shares - at cost $130,556				
(2013: $130,556) less impairment		5,557		5,557
Commonwealth Bank Limited				
1,643,412 (2013: 1,812,244) common shares				
Cost $2,033,926 (2013: $2,242,876)		12,325,590		12,522,606
Total at fair value through profit or loss		**12,331,147**		**12,528,163**
Available-for-sale:				
Fixed income debt securities, at fair value;				
amortised cost $22,290,752 (2013: $18,408,267)		22,458,505		18,817,286
Mutual funds, at fair value;				
cost less impairment $4,797,045 (2013: $2,014,267)		5,004,966		2,081,722
Preference shares, at fair value		2,085,500		3,025,000
Total available-for-sale		**29,548,971**		**23,924,008**
Total investments	**$**	**48,339,118**	**$**	**40,911,171**

Held-to-maturity investments are recorded at amortized cost based on the effective interest rate method. These investments are variable interest rate instruments tied to Prime, with interest rates ranging from 4.00% to 4.94% per annum (2013: 4.77% to 4.94%) and scheduled maturities between 2015 and 2030 (2013: 2015 and 2030) at the date of the consolidated statement of financial position. The investments are carried at amortized cost as the Group has the intent and ability to hold them to maturity.

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In 2011, in accordance with the Insurance Act 2005 (Amended 2009), and regulations 61 and 62 of the Insurance (General) Regulations 2010, the Group established a Trust Account (the "BFG Trust") in which $1,000,000 of the Bahamas Government Registered Stocks have been placed in Trust. This amount is restricted for regulatory purposes but the interest income accrues to the Group.

The investment in Commonwealth Bank Limited (the "Bank") was valued at $7.50 (2013: $6.91) per share, which is the listed price at the date of the consolidated statement of financial position on the Bahamas International Securities Exchange ("BISX"). As a result, the Group recorded an unrealized gain of $969,613 (2013: $598,041).

The amortized cost and fair value of available-for-sale fixed income debt securities held at December 31, 2014 by contractual maturities are shown below.

Actual maturities may differ from contractual maturities because borrowers may have the right to repay obligations early without repayment penalties. Interest rates range from 2.60% to 8.50% (2013: 2.60% to 8.50%) per annum at the date of the consolidated statement of financial position.

	2014		2013	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Available For Sale Cost/Fair Value				
Due in less than 1 year	$ 3,159,208	$ 3,173,748	$ 2,626,854	$ 2,683,071
Due from 1 through 5 years	9,921,612	10,134,173	9,799,616	10,014,364
Due after 5 years	9,209,932	9,150,584	5,981,797	6,119,851
Total	**$ 22,290,752**	**$ 22,458,505**	**$ 18,408,267**	**$ 18,817,286**

The Group's available-for-sale fixed income debt securities are comprised of the following:

Available For Sale by Type	**2014**	**2013**
Corporate debt securities	$ 18,297,111	$ 15,539,210
Government debt securities	4,141,394	3,258,076
Other debt securities	20,000	20,000
Total	**$ 22,458,505**	**$ 18,817,286**

The geographical locations of the Group's portfolio of investments are as follows:

	2014	**%**	**2013**	**%**
Bahamas	$ 30,914,887	64%	$ 25,238,592	62%
USA	9,622,730	20%	11,310,396	28%
Europe	1,645,232	4%	1,601,942	4%
United Kingdom	1,595,492	3%	624,227	1%
Australia	1,586,389	3%	1,073,401	3%
Asia	1,457,328	3%	1,042,613	2%
Caribbean	540,770	1%	20,000	0%
South Africa	493,424	1%	-	0%
Canada	482,866	1%	-	0%
Total	**$ 48,339,118**	**100%**	**$ 40,911,171**	**100%**

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Reconciliation of movements in the balance of investments is provided below:

	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Total
At December 31, 2012	**$ 4,459,000**	**$ 12,066,697**	**$ 23,452,046**	**$ 39,977,743**
Cost of investments purchased	-	-	4,724,086	4,724,086
Proceeds from sales and maturities	-	(139,233)	(3,800,134)	(3,939,367)
Amortization of premiums / discounts on bonds (Note 21)	-	-	(180,877)	(180,877)
Realized gains (losses) on sales of investments (Note 21)	-	2,658	(43)	2,615
Net change in fair value of investments	-	598,041	(271,070)	326,971
At December 31, 2013	**4,459,000**	**12,528,163**	**23,924,008**	**40,911,171**
Cost of investments purchased	2,000,000	-	10,588,363	12,588,363
Proceeds from sales and maturities	-	(1,195,214)	(4,641,547)	(5,836,761)
Amortization of premiums / discounts on bonds (Note 21)	-	-	(185,196)	(185,196)
Realized gains (losses) on sales of investments (Note 21)	-	28,585	(2,816)	25,769
Net change in fair value of investments	-	969,613	(133,841)	835,772
At December 31, 2014	**$ 6,459,000**	**$ 12,331,147**	**$ 29,548,971**	**$ 48,339,118**

Management believes that there is no objective evidence of impairment of its investment portfolio as there has not been a significant or prolonged decline in the fair value of any of its securities.

FAIR VALUE MEASUREMENT

In accordance with IFRS 7 Financial Instruments: Disclosure, fair value measurements are classified as Level 1, 2 or 3 based on the degree to which 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).

In addition to the measurement hierarchy, financial instruments which have significant unobservable inputs (classified as Level 3) require the disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognized in other comprehensive income, purchases, sales, issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions. Disclosure is also required of the movements between different levels of the fair value hierarchy and the reason for those movements.

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The following table presents the Group's financial assets measured at fair value at December 31, 2014, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at fair value through profit or loss:				
Equity securities	$ 12,331,147	$ -	$ -	$ 12,331,147
Total	**12,331,147**	-	-	**12,331,147**
Available-for-sale financial assets:				
Fixed income debt securities	-	22,438,505	20,000	22,458,505
Mutual funds	-	4,962,096	42,870	5,004,966
Preference shares	-	2,085,500	-	2,085,500
Total	**-**	**29,486,101**	**62,870**	**29,548,971**
Total assets measured at fair value	**$ 12,331,147**	**$ 29,486,101**	**$ 62,870**	**$ 41,880,118**

There were no transfers between the various levels during the year. The following table presents the Group's financial assets measured at fair value at December 31, 2013, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at fair value through profit or loss:				
Equity securities	$ 12,528,163	$ -	$ -	$ 12,528,163
Total	**12,528,163**	-	-	**12,528,163**
Available-for-sale financial assets:				
Fixed income debt securities	-	18,797,286	20,000	18,817,286
Mutual funds	-	2,017,857	63,865	2,081,722
Preference shares	-	3,025,000	-	3,025,000
Total	-	23,840,143	83,865	23,924,008
Total assets measured at fair value	**$ 12,528,163**	**$ 23,840,143**	**$ 83,865**	**$ 36,452,171**

There were no transfers between the various levels during 2013. The following table presents the changes in Level 3 instruments during the year:

	2014	**2013**
Balance at January 1	$ 83,865	$ 128,010
Proceeds from sale of investments	(20,118)	(31,189)
Realized loss on sale of investment	(2,816)	(7,671)
Change in fair value	1,939	(5,285)
Balance at December 31	**$ 62,870**	**$ 83,865**

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8. INVESTMENT IN ASSOCIATE

The Company holds a 20% (2013: 20%) equity interest in Star General Agency (Grand Bahama) Limited ("Star General").

		2014		2013
Balance at January 1	$	526,796	$	463,790
Share of net earnings for the year (Note 21)		84,151		63,006
Balance at December 31	**$**	**610,947**	**$**	**526,796**
Share of associate's unaudited statement of financial position:				
Total assets	$	924,057	$	911,853
Total liabilities		(421,110)		(493,057)
Net assets		502,947		418,796
Goodwill		108,000		108,000
Carrying value of investment in associate	**$**	**610,947**	**$**	**526,796**
Share of associate's unaudited statement of comprehensive income:				
Revenues	**$**	**427,370**	**$**	**425,134**
Net income	**$**	**84,151**	**$**	**63,006**

Investment in associate includes $108,000 (2013: $108,000) in goodwill. At December 31, 2014 the recoverable amount exceeded the carrying amount of the investment in associate, accordingly no provision for impairment was considered necessary.

9. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivable, which is shown net of provision for bad debts, is comprised of:

- amounts receivable from insurance agents that have signed agency agreements with the Group insurers ("insurer trade receivables"),
- clients of the Group's agency subsidiaries ("policyholders' receivables"), and
- amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held ("reinsurers' receivables").

		2014		2013
Insurer trade receivables	$	14,797,794	$	14,422,542
Policyholders' receivables		11,556,433		11,868,828
Reinsurers' receivables		518,162		697,862
		26,872,389		26,989,232
Provision for bad debts:				
Balance at January 1		2,146,982		1,431,708
Increase in provision for the year		419,063		715,274
Balance at December 31		2,566,045		2,146,982
Trade accounts receivable, net	**$**	**24,306,344**	**$**	**24,842,250**

Ageing of trade accounts receivable, net is as follows:		2014		2013
Less than 3 months	$	16,700,524	$	18,033,517
3 - 6 months		4,439,586		4,671,440
6 months - 1 year		2,954,284		2,126,860
Over 1 year		211,950		10,433
	$	**24,306,344**	**$**	**24,842,250**

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10. DEFERRED/UNEARNED PREMIUMS AND COMMISSION COSTS

	Insurance Assets		Insurance Liabilities		
	Deferred Reinsurance Premiums	Deferred Commission Costs	Unearned Premiums	Unearned Commission Income	Net
Balance at January 1, 2013	**$ 37,717,928**	**$ 4,671,507**	**$ (53,729,518)**	**$ (8,605,973)**	**$ (19,946,056)**
Movement during the year	1,829,457	452,330	(1,816,639)	200,564	665,712
Balance at December 31, 2013	**39,547,385**	**5,123,837**	**(55,546,157)**	**(8,405,409)**	**(19,280,344)**
Portfolio transfer out	483,777	-	-	-	483,777
Movement during the year	(3,118,772)	14,528	2,949,268	(26,417)	(181,393)
Balance at December 31, 2014	**$ 36,912,390**	**$ 5,138,365**	**$ (52,596,889)**	**$ (8,431,826)**	**$ (18,977,960)**

11. UNPAID CLAIMS AND CLAIMS INCURRED

	Gross	Reinsurance	Net
Unpaid claims at December 31, 2012	**$ 40,448,568**	**$ (23,543,113)**	**$ 16,905,455**
Claims incurred	44,858,916	(17,251,159)	27,607,757
Claims paid	(46,848,004)	20,105,040	(26,742,964)
Unpaid claims at December 31, 2013	**38,459,480**	**(20,689,232)**	**17,770,248**
Portfolio transfer out	-	(30,948)	(30,948)
Claims incurred	43,436,986	(17,629,452)	25,807,534
Claims paid	(38,363,418)	13,208,667	(25,154,751)
Unpaid claims at December 31, 2014	**$ 43,533,048**	**$ (25,140,965)**	**$ 18,392,083**

The following tables show 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.

P&C	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
Gross claims incurred at end of reporting year	$ 19,565,254	$ 55,935,718	$ 28,308,565	$ 22,711,266	$ 21,381,285	
One year later	22,956,965	60,976,921	33,412,374	24,083,788	-	
Two years later	21,469,137	60,771,109	32,564,083	-	-	
Three years later	23,048,223	61,216,350	-	-	-	
Four years later	23,337,556	-	-	-	-	
Total incurred to date	23,337,556	61,216,350	32,564,083	24,083,788	21,381,285	
Cumulative payments to date	(20,247,694)	(58,607,569)	(28,487,912)	(19,675,363)	(10,769,383)	
Liability included in the consolidated statement of financial position	3,089,862	2,608,781	4,076,171	4,408,425	10,611,902	24,795,141
Reserves for prior years						16,360,308
Total unpaid claims for P&C business including amount recoverable from reinsurer						**$ 41,155,449**

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H&L	2010	2011	2012	2013	2014	Total
Gross claims incurred at end of reporting year	$ 17,826,814	$ 18,680,377	$ 16,193,273	$ 17,060,494	$ 16,369,190	
One year later	18,363,287	18,390,587	15,634,408	16,777,219	-	
Total incurred to date	18,363,287	18,390,587	15,634,408	16,777,219	16,369,190	
Cumulative payments to date	(18,363,287)	(18,390,587)	(15,634,408)	(16,679,620)	(14,269,190)	
Liability included in the consolidated statement of financial position	-	-	-	97,599	2,100,000	2,197,599
Reserves for prior years						180,000
Total unpaid claims for H&L business including amount recoverable from reinsurer						**$ 2,377,599**
Total unpaid claims including amount recoverable from reinsurer in the consolidated statement of financial position						**$ 43,533,048**

12. PROVISION FOR LITIGATION & PROVISION FOR LITIGATION RECOVERABLE

Hurricane Ivan claims

CFI has, for a number of years, been involved in protracted litigation issues relating to a Hurricane Ivan claim (the "Windsor Village litigation"), certain aspects of which have progressed through the Grand Court of the Cayman Islands ("the Court"), the Cayman Islands Court of Appeal ("The Court of Appeal"), the Judicial Committee of the Privy Council in the UK ("the JCPC"), and negotiated settlements with the third parties. At the date of acquisition in June 2010, BFHIL and Sagicor Life of the Cayman Islands Limited ("SLCI") executed a Share Purchase Agreement ("SPA") for the sale of SLCI's 75.24% holding in CFI to BFHIL. Based on the terms of the SPA, SLCI agreed to indemnify BFHIL in relation to 75.24% of all costs, claims and demands directly arising out of or in connection with the Windsor Village litigation and certain other specified potential liabilities. On December 9, 2011, the Court issued its ruling against CFI on the issue of costs relating to both the counterclaims related to abuse of process and the Mareva Injunction undertaking. CFI subsequently filed notice of appeal against the ruling. Prior to the appeal being heard by the Court of Appeal, CFI and the various third parties entered into a Deed of Settlement and Release Agreement dated January 30, 2013, whereby the final and full settlement for all claims in the proceedings between CFI and the third parties were agreed upon. CFI withdrew its appeal and settled the agreed amount in full. In accordance with the terms of the SPA, BFHIL recovered 75.24% of the agreed amount from SLCI.

On March 14, 2011, the Court issued a judgment ruling in favour of CFI in relation to the counterclaims related to abuse of process, and no damages were awarded to the third parties. Subsequent to the ruling, one of the third parties filed notice of appeal on March 28, 2011. The Court of Appeal heard the matter in November 2011 and issued its ruling on April 5, 2012 dismissing the appeal against the Court's ruling, and awarding costs in favour of CFI. Following the Court of Appeal ruling, the third party appealed further to the JCPC. The JCPC heard the matter in January 2013 and issued its ruling on June 13, 2013 against CFI and awarded damages of $1.6 million in favour of the third party. The amounts were settled in June 2013, and BFHIL recovered its 75.24% share from SLCI. Following the JCPC's ruling, CFI and the third party made their submissions on both interest and costs, and the JCPC issued its ruling on both matters on November 25, 2013. CFI was ordered to pay interest of $309,544. The amount was paid in December 2013, and BFHIL subsequently recovered its 75.24% from SLCI. On the issue of costs, CFI and the third party entered into and concluded a negotiated settlement agreement dated February 26, 2014, whereby the final and full settlement for all costs in the proceedings between both parties was agreed upon. CFI settled the agreed amount in full on February 28, 2014. The provision for litigation of $1,260,000 as at December 31, 2013 in the consolidated statement of financial position is based upon the negotiated settlement agreed on February 26, 2014, plus estimated legal fees, which effectively concluded the Windsor Village litigation. The movement in the provision for litigation for the amounts provided for, is an increase of $4,253 (2013: $3,246,151) and is recorded in the consolidated statement of profit or loss and other comprehensive income.

Provision for Litigation:	2014	2013
Balance at January 1	$ 1,260,000	$ 1,460,125
Increase in provision for litigation	4,253	3,246,151
CFI payments during the year	(1,264,253)	(3,446,276)
Balance at December 31	**$ -**	**$ 1,260,000**

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Based on the terms of the SPA, a litigation recovery, equivalent to 75.24% of the increase in the provision for litigation, totaling $1,094 (2013: $2,442,404) is recorded in the consolidated statement of profit or loss and other comprehensive income. As at December 31, 2013, the balance due from SLCI totaled $1,180,925, and was recorded as a provision for litigation recoverable in the consolidated statement of financial position. This balance was received in 2014.

Provision for Litigation Recoverable:		**2014**		**2013**
Balance at January 1	$	1,180,925	$	-
BFHIL's litigation recoverable from SLCI		1,094		2,442,404
Less: amounts recovered from SLCI during the year		(1,182,019)		(1,261,479)
Balance at December 31	**$**	**-**	**$**	**1,180,925**

13. PROPERTY AND EQUIPMENT

2014		**Land**		**Buildings**		**Construction in Progress**		**Furniture & Equipment**		**Leasehold Improvements and Others**		**Computer Software**		**Total**
COST/VALUATION:														
At January 1, 2014	$	2,493,750	$	7,361,945	$	-	$	2,711,727	$	1,720,977	$	3,717,494	$	18,005,893
Additions		2,265,066		-		126,419		390,579		4,098		35,589		2,821,751
At December 31, 2014		4,758,816		7,361,945		126,419		3,102,306		1,725,075		3,753,083		20,827,644
ACCUMULATED DEPRECIATION:														
At January 1, 2014	$	-	$	503,346	$	-	$	1,679,729	$	1,514,530	$	3,179,117	$	6,876,722
Charge for the year		-		234,786		-		352,087		93,938		482,273		1,163,084
At December 31, 2014		-		738,132		-		2,031,816		1,608,468		3,661,390		8,039,806
Carrying amount 2014	**$**	**4,758,816**	**$**	**6,623,813**	**$**	**126,419**	**$**	**1,070,490**	**$**	**116,607**	**$**	**91,693**	**$**	**12,787,838**

2013		**Land**		**Buildings**		**Construction in Progress**		**Furniture & Equipment**		**Leasehold Improvements and Others**		**Computer Software**		**Total**
COST/VALUATION:														
At January 1, 2013	$	2,493,750	$	7,321,202	$	-	$	2,561,143	$	1,702,828	$	3,689,104	$	17,768,027
Additions		-		40,743		-		183,639		18,149		28,390		270,921
Disposals		-		-		-		(33,055)		-		-		(33,055)
At December 31, 2013		2,493,750		7,361,945		-		2,711,727		1,720,977		3,717,494		18,005,893
ACCUMULATED DEPRECIATION:														
At January 1, 2013	$	-	$	1,418,518	$	-	$	1,372,242	$	1,345,599	$	2,701,360	$	6,837,719
Charge for the year		-		176,254		-		340,542		168,931		477,757		1,163,484
Revaluation of land and buildings (Note 19)		-		(1,091,426)		-		-		-		-		(1,091,426)
Disposals		-		-		-		(33,055)		-		-		(33,055)
At December 31, 2013		-		503,346		-		1,679,729		1,514,530		3,179,117		6,876,722
Carrying amount 2013	**$**	**2,493,750**	**$**	**6,858,599**	**$**	**-**	**$**	**1,031,998**	**$**	**206,447**	**$**	**538,377**	**$**	**11,129,171**

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In September 2013, the land and buildings were revalued to fair market value based on a valuation performed by an independent appraiser for financial statement purposes. The fair value of the land and buildings was estimated to be $2,493,750 and $6,906,250, respectively, based on the combined effect of the cost, income and sales comparison approach. There was no change in the valuation technique during 2013. The fair value measurement of the Company's land and buildings is categorized in Level 3 in the fair value hierarchy. There were no transfers between the various levels during the year. The net book value of the land and buildings of the Group, ignoring the effects of previous revaluations, would have been $2,118,844 and $4,057,368, respectively.

During the year, CFI acquired land to develop its own purpose built corporate headquarters. The development process is in its preliminary stages, and the costs incurred to December 31, 2014 have been recorded under construction in progress. The development is expected to be completed in 2017 and the estimated cost, including the land, is projected to be approximately $9,000,000.

14. LOAN PAYABLE

BFHIL, a wholly owned subsidiary, acquired a 75.24% interest in CFI on June 17, 2010 with an effective date of January 1, 2010. Purchase consideration for the acquisition was partly funded by a non-revolving 10-year demand loan totalling $5,398,258 from The Cayman National Bank at a rate of 1.5% above U.S. prime rate (effective rate - 4.75%). The balance of the demand loan as at December 31, 2013 was $1,108,517. In June 2014, this loan was paid off.

In May 2014, the Board of Directors of CFI resolved to raise additional share capital by way of a rights issue to its existing shareholders. During June 2014, CFI offered a rights issue of 1 share for every 3 shares held to all holders of its ordinary voting shares for a total offering of 500,000 additional shares. One minority shareholder took up 125 shares at a cost of $1,241. BFHIL acquired 499,875 shares to increase its equity holding from 83.52% to 87.64%.

BFHIL's participation in the rights issue was funded by a non-revolving 10-year demand loan totalling $5,000,000 from The Cayman National Bank at a rate of 1.5% above U.S. prime rate (effective rate - 4.75%). As a prerequisite of the facility, CFI entered into a Deed of Guarantee guaranteeing the payment of the loan, all interest and all other sums payable in respect of the loan facility. Pursuant to a pledge agreement, CFI has provided to Cayman National Bank, security interest over its investments as collateral for the credit facility. Consequently, CFI's investments have been hypothecated to the extent required to collateralize the credit facility issued to BFHIL. The balance of the new demand loan as at December 31, 2014 was $4,808,894.

During 2014, BFHIL acquired 100 (2013: 500) shares from minority shareholders at a cost of $960 (2013: 4,650), thereby increasing its holding. The effect of this increase in BFHIL's ownership resulted in an increase of $281 (2013: $1,918) in contributed surplus and a corresponding decrease in non-controlling interest, and is reflected in the consolidated statement of changes in equity.

15. INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Intangible Assets		Total
		Finite Life	Indefinite Life	
Balance at January 1, 2013	**$ 7,125,088**	**$ 2,146,892**	**$ 2,692,559**	**$ 11,964,539**
Reclassification from Indefinite to Finite	-	100,000	(100,000)	-
Amortization	-	(186,647)	-	(186,647)
Balance at December 31, 2013	**7,125,088**	**2,060,245**	**2,592,559**	**11,777,892**
Sale of General Insurance Portfolio	-	(43,333)	-	(43,333)
Amortization	-	(136,648)	-	(136,648)
Balance at December 31, 2014	**$ 7,125,088**	**$ 1,880,264**	**$ 2,592,559**	**$ 11,597,911**

In January 2006, NUA acquired ownership of the portfolio of one of its sub-agents for a consideration of $100,000. At acquisition, this intangible asset which represented the acquisition of a customer list was considered to have an indefinite useful life. Therefore, it was not being amortized, but tested for impairment annually. During 2013, this intangible asset was deemed to generate benefits to NUA over a finite period of time.

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Therefore, it was reclassified as "finite" and amortized over its remaining useful life. As at December 31, 2013, its unamortized cost totalled $46,667. In August 2014, it was sold at a net gain of $70,647, as follows:

		2014
Proceeds from sale of general insurance portfolio	$	113,980
Carrying value of intangible asset		(43,333)
Net gain on sale of general insurance portfolio	**$**	**70,647**

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives, and amortization expense is included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income. Intangible assets with indefinite lives and goodwill acquired through business combinations have been allocated to two cash-generating units, which are also operating and reportable segments, for impairment testing as follows:

Bahamas' cash-generating unit	$	7,685,717
Cayman's cash-generating unit		2,031,930
	$	**9,717,647**

The Group performed its annual impairment test as at December 31, 2014. The recoverable amounts of both the Bahamas and Cayman's cash-generating units have been determined using the fair value less costs to sell calculation. As the recoverable amounts exceeded the carrying amounts, management did not identify any impairment for either cash-generating unit.

16. BONDS PAYABLE

On October 15, 2010, the Group effected a private offering of Series I & II Redeemable Cumulative Variable Rate Corporate Bonds ("the bonds"). The net proceeds were used for general corporate purposes. Interest on the bonds are payable at B$ prime rate plus 1.75% and 2.00% respectively. The bonds rank equally among themselves and with all other existing and future unsubordinated and unsecured debt of the Company.

The bonds rank senior to the Company's existing and all future preference and ordinary shares. Maturity dates are as follows:

- Series I bonds maturing October 15, 2020, in the outstanding principal amount of $7,500,000. The bonds, while callable only at the option of the Company, may not be called prior to the fifth anniversary date from the closing date of the issue.
- Series II bonds maturing October 15, 2025, in the outstanding principal amount of $7,500,000. The bonds, while callable only at the option of the Company, may not be called prior to the tenth anniversary date from the closing date of the issue.

The Company may at its option redeem in whole or in part any principal amount invested in the bond subject to a notice period of ninety days on any date following the expiration of the anniversary date for the respective series.

		2014		2013
Series I Corporate Bonds				
$7,500,000 at B$ prime rate + 1.75%, presently 6.50% (2013: 6.50%) per annum - Due 2020	$	7,500,000	$	7,500,000
Series II Corporate Bonds				
$7,500,000 at B$ prime rate + 2.00%, presently 6.75% (2013: 6.75%) per annum - Due 2025		7,500,000		7,500,000
Accrued interest		248,438		248,438
Total	**$**	**15,248,438**	**$**	**15,248,438**

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17. SHARE CAPITAL

The Group's share capital is comprised as follows:

	2014	2013
Common shares		
Authorized: 45,000,000 (2013: 45,000,000) at $0.01 each		
Issued and fully paid: 36,505,471 (2013: 36,505,471) par		
value $0.01 per share	$ 365,055	$ 365,055
Preference shares		
Authorized: 5,000,000 (2013: 5,000,000) at $1.00 each		
Issued and fully paid: 5,000,000 (2013: 5,000,000) par		
value $1.00 per share	$ 5,000,000	$ 5,000,000

The calculation of basic earnings per share as at December 31, 2014 was based on profit for the year attributable to common shareholders of $9,489,114 (2013: $5,734,183) and the weighted average number of common shares outstanding, adjusted by the number of common shares repurchased or issued during the year, of 36,161,108 (2013: 36,161,108). There were no transactions that would dilute earnings per share. Dividends are accounted for in the period in which they are declared by the Group's Board of Directors. During the year, dividends of $0.10 (2013: $0.08) per common share (total dividends $3,616,111 (2013: $2,892,889)) were declared and subsequently paid. 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. As at December 31, 2014, treasury shares comprise 344,363 (2013: 344,363) of the Company's shares. This represents 0.9% (2013: 0.9%) of the outstanding shares of the Company. Subsequent to year-end, all of the Company's treasury shares were reissued as part of the Group's staff share subscription offer, effective January 1, 2015 (Refer to Note 27).

18. GENERAL RESERVE

The Group has established a general reserve from retained earnings in the amount of $4,000,000 (2013: $4,000,000), which the Board of Directors have determined is not available for distribution.

19. REVALUATION RESERVE

	Land & Buildings	AFS Investments	Total
Balance at January 1, 2013	**$ 1,779,082**	**$ 851,643**	**$ 2,630,725**
Reclassification adjustment of AFS Investment			
disposed of during the year (Note 21)	-	(145,418)	(145,418)
Net decrease in fair value of AFS investments (Note 7)	-	(271,070)	(271,070)
Revaluation of land and buildings (Note 13)	1,091,426	-	1,091,426
Other comprehensive income (loss)	1,091,426	(416,488)	674,938
Balance at December 31, 2013	**2,870,508**	**435,155**	**3,305,663**
Net decrease in fair value of AFS investments (Note 7)	-	(133,841)	(133,841)
Balance at December 31, 2014	**$ 2,870,508**	**$ 301,314**	**$ 3,171,822**

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. Freehold land and buildings were independently valued at September 30, 2013. The next appraisal is due in 2016.

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20. GROSS PREMIUMS WRITTEN

		2014		2013
Group agents and insurers	$	97,681,714	$	98,425,504
Non-Group agents		52,594,915		60,758,017
Associate		1,952,257		2,135,607
Total	**$**	**152,228,886**	**$**	**161,319,128**

21. OTHER INCOME, NET

		2014		2013
Interest income	$	1,694,321	$	1,632,176
Dividend income		530,276		543,866
Reclassification adjustment of AFS Investment				
disposed of during the year (Note 19)		-		145,418
Share of net earnings from associate (Note 8)		84,151		63,006
Net gain on sale of general insurance portfolio (Note 15)		70,647		-
Other income		41,181		62,010
Gain on disposal of property and equipment		-		9,000
Realized gains on sales of investments (Note 7)		25,769		2,615
Amortization of premiums and discounts on bonds (Note 7)		(185,196)		(180,877)
Total	**$**	**2,261,149**	**$**	**2,277,214**

22. SALARIES, BENEFITS AND BONUSES

Included in salaries, benefits and bonuses is a bonus payable to management and staff amounting to $915,345 (2013: $723,047). This amount was determined and approved by the Board of Directors.

23. PENSION PLAN

Employees of the Group participate in defined contribution plans registered in The Bahamas and in the Cayman Islands. These plans are administered by independent administrators and trustees and membership is mandatory for all eligible employees. Under these plans, the Group paid contributions of 3% - 5% per annum of base salary. Contributions under these plans totalled $377,609 (2013: $369,066) and are included in "Salaries, benefits and bonuses" in the consolidated statement of profit or loss and other comprehensive income.

24. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances are as follows:

		2014		2013
Gross premiums written	$	1,952,257	$	2,135,607
Commission expense - associate	$	354,736	$	450,738
Trade accounts receivable - associate	$	272,591	$	274,320
Directors' fees paid	$	333,813	$	334,295

The trade accounts receivable - associate is secured by 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.

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Compensation to key management personnel is included in salaries, benefits and bonuses in the consolidated statement of profit or loss and other comprehensive income and receivables from key management personnel is included in sundry receivables and prepayments in the consolidated statement of financial position and are as follows:

		2014		2013
Salaries and other benefits	$	1,609,818	$	1,347,301
Post employment benefits		61,262		53,049
Total	**$**	**1,671,080**	**$**	**1,400,350**
Receivables from key management personnel	$	77,941	$	54,287

As part of its reinsurance program, the Group purchases reinsurance from Economical Mutual Insurance Company ("Economical") for motor and liability quota share. Economical holds a 20% ownership in the Group. The ceded motor and liability quota share is 50.5% and Economical's reinsurance participation is 10%.

25. COMMITMENTS AND CONTINGENCIES

Commitments: The Group has commitments relating to leased premises. The Group has leased office space with expiration terms and renewal terms extending up to five years. Lease terms vary with the last lease term expiring in 2018. The Group also has a sublease on one of the locations which expires in 2017. Rent expense for the year ended December 31, 2014 totaled $761,988 (2013: $762,431).

The related sublease payments were $30,800 (2013: $39,854). Future lease payments under the operating leases and the sublease income are as follows:

2014		< 1 year		1 -5 years		> 5 years		Total
Operating lease agreements and rental payments	$	172,160	$	253,500	$	-	$	425,660
Sublease payments receivable		(46,960)		(78,266)		-		(125,226)
Total	**$**	**125,200**	**$**	**175,234**	**$**	**-**	**$**	**300,434**

2013		<1 year		1 - 5 years		>5 years		Total
Operating lease agreements and rental payments	$	392,334	$	360,660	$	-	$	752,994
Sublease payments receivable		(46,960)		(125,226)		-		(172,186)
Total	**$**	**345,374**	**$**	**235,434**	**$**	**-**	**$**	**580,808**

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. The Group is of the opinion that litigation arising from these legal proceedings will not have a significant impact (except as disclosed in Note 12) on the financial position, results of operation or cash flows of the Group.

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26. SEGMENTED INFORMATION

In accordance with IFRS 8 Operating Segments, the Group has identified the Chief Operating Decision Maker as the Board of Directors. Key decisions on assessing performance and allocation of resources are reviewed by the Board or its sub-committees. The Group's operations are segmented into the following business segments by geographic location:

- General Insurance / Property and Casualty (P&C)
- Health and Life (H&L)

The segment results for the years ended December 31, 2014 and 2013 are as follows:

	Bahamas	Cayman		
	P&C	P&C	H&L	Total
2014	$	$	$	$
Net underwriting income	17,576,474	5,764,953	5,454,651	28,796,078
Depreciation of property				
& equipment	1,069,937	48,131	45,016	1,163,084
Amortization of intangible assets	136,648	-	-	136,648
Segment Profit for the Year	5,604,955	2,351,570	2,080,378	10,036,903
Total segment assets	140,861,697	32,277,304	16,574,138	189,713,139
Total segment liabilities	108,792,113	21,881,412	2,921,143	133,594,668
Capital expenditure	382,300	1,183,134	1,256,317	2,821,751
2013				
Net underwriting income	14,976,742	6,052,361	3,794,005	24,823,108
Depreciation of property				
& equipment	1,027,328	68,498	67,658	1,163,484
Amortization of intangible assets	186,647	-	-	186,647
Segment Profit (Loss) for the Year	5,566,887	(521,734)	722,041	5,767,194
Total segment assets	138,284,330	28,026,290	12,409,384	178,720,004
Total segment liabilities	102,494,980	23,214,775	2,829,010	128,538,765
Capital expenditure	166,863	70,168	33,890	270,921

27. SUBSEQUENT EVENT

On November 15, 2014, the Board of Directors resolved to approve a staff share subscription offer to all full-time employees to acquire common shares of the Company. Since the Company's shares are not derived from quoted prices, the fair value applied to the shares issued was based on a recent independent valuation.

On January 1, 2015, 350,481 shares were issued as a result of the offer. The shares issued included all 344,363 of the treasury shares of the Company that existed as at December 31, 2014.

CORPORATE GOVERNANCE & INFORMATION

AUDIT COMMITTEE

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.

MEMBERS:
Alison Treco
Chairman
Ian D. Fair
John A.G. Dunkley
Linda Goss

CORPORATE GOVERNANCE CONDUCT REVIEW & NOMINATIONS COMMITTEE

The Committee measures the Group's governance against best practices and makes recommendations for Board appointments and composition.

MEMBERS:
Ian D. Fair
Chairman
Judith Whitehead
Karen Gavan

HUMAN RESOURCES & COMPENSATION COMMITTEE

The Committee is responsible for reviewing and approving the Group's compensation plan, and evaluating executive performance.

MEMBERS:
Ian D. Fair
Chairman
Alison Treco

FINANCE & INVESTMENT COMMITTEE

The Committee focuses on two objectives: financial risk management and investment policy oversight.

MEMBERS:
Ian D. Fair
Chairman
Alison Treco
John A.G. Dunkley
Glen O.A. Ritchie
Patrick G.W. Ward
Karen Gavan

TECHNICAL REVIEW & RISK COMPLIANCE COMMITTEE

The Committee is responsible for ensuring adherence to risk management guidelines as it relates to reviewing and assessing technical and reinsurance matters.

MEMBERS:
Bryan D. Murphy
Chairman
Linda Goss
Tracy Bonczek
Valarie F. Darville
John A.G. Dunkley
Glen O.A. Ritchie
Pauline P. Ward
V. Keith Rolle
Patrick G.W. Ward
Bebie Farrington

THE BFH GROUP RETIREMENT FUND COMMITTEE

Plan Administrator:
Colonial Pension Services (Bahamas) Limited

Trustee/Custodian:
Butterfield Bank (Bahamas) Limited

INVESTMENT COMMITTEE:
Company Representatives:
Glen O.A. Ritchie, Chairman
Independent Representative:
John A.G. Dunkley
Secretary

Staff Representatives:
Kevin Hudson(Term: 2014-2016)
Warren T. Rolle (Term: 2012-2015)

HEAD OFFICE

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and Management Consultants
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Nassau, Bahamas

ATTORNEYS

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Graham Thompson & Co.
Sasson House
Shirley Street & Victoria Avenue
Nassau, Bahamas

Cayman Islands:

Maples and Calder
Ugland House
Grand Cayman
Cayman Islands

REGISTRAR & TRANSFER AGENTS

Bahamas Central Securities Depository Limited (BCSD)
Suite 202, Fort Nassau Building
British Colonial Hilton
Nassau, Bahamas

AUTHORIZED AGENTS & BROKERS

OUR EXTENSIVE NETWORK OF AGENTS

in The Bahamas stretches from Grand Bahama to Inagua and everywhere in between. In the Cayman Islands, we enjoy the support of a vibrant network of agents and brokers for all of our product lines. They have been the backbone of our Company since we first offered insurance services, and continue to deliver the highest quality service to our customers.

THE BAHAMAS

NEW PROVIDENCE

A Scott Fitzgerald Insurance Brokers & Agents
(242) 324-0865

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 & Agents
(242) 323-6920

FG Insurance Agents & Brokers Limited
(242) 396-1300

FINCO
(242) 328-0559

LIV Insurance Agents and Brokers Ltd.
(242) 361-5123

N.U.A. Insurance Agents & Brokers Ltd.
(242) 302-9100

Professional Insurance Consultants
(242) 327-2143

Response Insurance Agency Ltd.
(242) 328-7316

RMS Insurance Agents & Brokers Limited
(242) 698-7233

Shield Insurance Agents & Brokers Ltd.
(242) 356-7707

Star General Insurance Agency
(242) 393-5529

Sunshine Insurance Agency
(242) 394-0011

Tavares Higgs Insurance Brokers & Agents
(242) 327-8606

ABACO

Abaco Insurance Agency
(242) 367-2549

GRAND BAHAMA

N.U.A. Insurance Agents & Brokers Ltd.
(242) 352-7891

Star General Insurance (G.B.) Ltd.
(242) 352-5705

Freeport Insurance Agents & Brokers Limited
(242) 352-8501

ELEUTHERA

J.H. (Andy) Higgs Insurance Agents Ltd.
(242)333-4105

N.U.A. Insurance Agents & Brokers Ltd.
(242) 332-0451/2

CAYMAN ISLANDS

CAYMAN BRAC

Brac Insurance Associates
(345) 948-2266

GRAND CAYMAN

AON Risk Solutions (Cayman)
(345) 945-1266

Balderamos Insurance Services
(345) 945-3450

Bogle Insurance Brokers
(345) 949-0579

Caribbean Insurance Practice
(345) 943-2475

Cayman Insurance Centre
(345) 949-4657

Fidelity Insurance (Cayman)
(345) 949-7221

First Financial Insurance Brokers
(345) 946-2276

FIS Insurance Brokers
(345) 945-5616

Hyperion Risk Solutions (Cayman)
(345) 623-6500

Island Insurance Brokers
(345) 949-0883

Marsh Management Services Cayman
(345) 949-7988

Pensum Services
(345) 945-1830

Premier Group Insurance Brokers
(345) 769-0092

Radmak Insurance Brokers
(345) 949-6829

Rossborough (Cayman Islands)
(345) 945-0030

Scotiabank (Cayman)
(345) 949-7666

Willis Management (Cayman)
(345) 946-2632

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