SUMMIT INSURANCE COMPANY LIMITED

Consolidated Financial Statements
31 December 2011

pwc

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Summit Insurance Company Limited

We have audited the accompanying consolidated financial statements of Summit Insurance Company Limited, which comprise the consolidated balance sheet as of 31 December 2011, and the consolidated statements of income, 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' judgement, 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.

PricewaterhouseCoopers, Providence House, East Hill Street, P.O. Box N-3910, Nassau, Bahamas
T: +1 242 302 5300, F: +1 242 302 5350, www.pwc.com/bs, E-mail: pwcbs@bs.pwc.com

Auditors' Responsibility (continued)

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 Summit Insurance Company Limited as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

29 May 2012

Summit Insurance Company Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Balance Sheet
As of 31 December 2011
(Expressed in Bahamian dollars)

	Note	2011 $	2010 $ [Restated Note 19]
ASSETS			
Cash in hand and at banks	3	2,369,391	489,746
Term deposits	3	16,576,266	20,269,539
Due from reinsurers		616,072	2,348
Due from agents		8,718,124	6,643,794
Deferred commission expense		3,650,210	3,289,260
Prepayments and other assets	4	342,573	593,712
Investments in securities	5		
Available-for-sale		3,782,157	3,490,097
Loans and receivables		2,155,287	2,084,891
Investment property	6	191,570	196,419
Property, plant and equipment	7	1,621,945	336,976
Total assets		**40,023,595**	**37,396,782**
LIABILITIES			
General insurance funds			
Unearned premium reserve		8,811,143	7,319,225
Deferred commission income		2,706,828	2,982,317
Outstanding claims reserve	8	4,520,464	4,167,929
		16,038,435	14,469,471
Other liabilities			
Due to reinsurers		4,658,609	2,885,381
Accounts payable and accrued expenses		428,287	378,329
Total liabilities		**21,125,331**	**17,733,181**

The accompanying notes are an integral part of these financial statements.

Summit Insurance Company Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Balance Sheet
As of 31 December 2011
(Continued)
(Expressed in Bahamian dollars)

	Note	2011 $	2010 $ [Restated Note 19]
EQUITY			
Share capital	9	5,000,000	5,000,000
Treasury shares	9	(910,000)	(910,000)
General reserve	10	1,000,000	1,000,000
Fair value reserve		607,634	587,836
Retained earnings		13,200,630	13,985,765
Total equity		**18,898,264**	**19,663,601**
Total liabilities and equity		**40,023,595**	**37,396,782**

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Director **Director**

29 May 2012
Date

The accompanying notes are an integral part of these financial statements.

Summit Insurance Company Limited

Consolidated Statement of Income
For the Year Ended 31 December 2011
(Expressed in Bahamian dollars)

	Note	2011 $	2010 $ [Restated Note 19]
REVENUE			
Premiums written		42,384,526	39,079,052
Premium tax		(518,686)	(466,481)
Premiums ceded to reinsurers		(25,094,977)	(23,529,695)
Net premiums written		16,770,863	15,082,876
Change in unearned premium reserve		(1,491,918)	572,603
Portfolio transfer	11	(13,533)	(14,949)
Net premiums earned		15,265,412	15,640,530
DIRECT EXPENSES			
Net claims incurred	8	7,211,372	4,584,930
Net commissions incurred	12	677,470	1,190,836
Catastrophe and excess of loss reinsurance		6,296,183	6,128,211
Total direct expenses		14,185,025	11,903,977
Underwriting gain		**1,080,387**	**3,736,553**
OTHER INCOME			
Interest income		1,046,653	1,075,449
Dividend income		146,585	150,344
Net realized loss on investments in securities	5	-	(1,000,000)
Foreign exchange gains and other income		187,935	180,597
Total other income		**1,381,173**	**406,390**
OPERATING EXPENSES			
Personnel costs	13	1,074,431	874,296
Depreciation	6, 7	72,854	230,830
General and administrative		629,410	606,856
Total operating expenses		**1,776,695**	**1,711,982**
Net income		**684,865**	**2,430,961**

The accompanying notes are an integral part of these financial statements.

Summit Insurance Company Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2011
(Expressed in Bahamian dollars)

	Note	2011 $	2010 $ [Restated Note 19]
Net income		684,865	2,430,961
OTHER COMPREHENSIVE INCOME			
Net change in unrealized appreciation/depreciation of investments in securities	5	19,798	12,737
Total comprehensive income		**704,663**	**2,443,698**

The accompanying notes are an integral part of these financial statements.

Summit Insurance Company Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2011
(Expressed in Bahamian dollars)

	Share Capital $	Treasury Shares $	General Reserve $	Fair Value Reserve $	Retained Earnings $	Total $
As of 1 January 2010	5,000,000	(910,000)	1,000,000	575,099	13,269,804	18,934,903
Comprehensive income						
Net income, as restated (Note 19)	-	-	-	-	2,430,961	2,430,961
Other comprehensive income						
Net change in unrealized appreciation/depreciation of investments in securities	-	-	-	12,737	-	12,737
Total comprehensive income, as restated (Note 19)	-	-	-	12,737	2,430,961	2,443,698
Transactions with owners						
Dividends	-	-	-	-	(1,715,000)	(1,715,000)
Total transactions with owners	-	-	-	-	(1,715,000)	(1,715,000)
As of 31 December 2010, as restated	**5,000,000**	**(910,000)**	**1,000,000**	**587,836**	**13,985,765**	**19,663,601**
As of 1 January 2011	5,000,000	(910,000)	1,000,000	587,836	13,985,765	19,663,601
Comprehensive income						
Net income	-	-	-	-	684,865	684,865
Other comprehensive income						
Net change in unrealized appreciation/depreciation of investments in securities	-	-	-	19,798	-	19,798
Total comprehensive income	-	-	-	19,798	684,865	704,663
Transactions with owners						
Dividends	-	-	-	-	(1,470,000)	(1,470,000)
Total transactions with owners	-	-	-	-	(1,470,000)	(1,470,000)
As of 31 December 2011	**5,000,000**	**(910,000)**	**1,000,000**	**607,634**	**13,200,630**	**18,898,264**

Dividends per share (Note 9): $0.30 (2010: $0.35)

The accompanying notes are an integral part of these financial statements.

Summit Insurance Company Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2011
(Expressed in Bahamian dollars)

	2011 $	2010 $ [Restated Note 19]
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	684,865	2,430,961
Adjustments for:		
Interest income	(1,046,653)	(1,075,449)
Dividend income	(146,585)	(150,344)
Gain on sale of property, plant and equipment	(8,200)	(2,500)
Depreciation	72,854	230,830
Net realized loss on investments in securities	-	1,000,000
(Increase)/Decrease in operating assets		
Due from reinsurers	(613,724)	17,096
Due from agents	(2,074,330)	843,909
Deferred commission expense	(360,950)	(30,753)
Prepayments and other assets	242,572	(449,861)
Increase/(Decrease) in operating liabilities		
Unearned premium reserve	1,491,918	(572,603)
Deferred commission income	(275,489)	(114,241)
Outstanding claims reserve	352,535	(157,852)
Due to reinsurers	1,773,228	4,455
Accounts payable and accrued expenses	49,958	(35,916)
Net cash from operating activities	**141,999**	**1,937,732**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,063,102	1,066,562
Dividends received	155,152	144,066
Net increase in term deposits	(1,740,388)	1,489,025
Purchase of investments in securities	(427,662)	(1,372,900)
Sale/Redemption of investments in securities	82,100	65,000
Purchase of property, plant and equipment	(1,352,974)	(298,034)
Proceeds from sale of property, plant and equipment	8,200	2,500
Net cash from/(used in) investing activities	**(2,212,470)**	**1,096,219**

The accompanying notes are an integral part of these financial statements.

Summit Insurance Company Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2011
(Continued)
(Expressed in Bahamian dollars)

	2011 $	2010 $ [Restated Note 19]
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,470,000)	(1,715,000)
Net cash used in financing activities	**(1,470,000)**	**(1,715,000)**
Net increase/(decrease) in cash and cash equivalents	**(3,540,471)**	**1,318,951**
Cash and cash equivalents as of the beginning of the year	7,128,296	5,809,345
Cash and cash equivalents as of the end of the year (Note 3)	**3,587,825**	**7,128,296**

The accompanying notes are an integral part of these financial statements.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011

1. General Information

Summit Insurance Company Limited (the Company) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas) and is licensed to operate as a property and casualty insurance company in The Bahamas under the Insurance Act, 2005.

The Company is sole beneficiary of a trust established to comply with regulations promulgated by the Insurance Commission of The Bahamas (Note 3). The Company consolidates the trust for financial reporting purposes.

The Company's registered office is at Sassoon House, Shirley Street and Victoria Avenue, Nassau, Bahamas.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, except as disclosed in the accounting policies below. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Notes 2(d), 2(e), 2(h) and 2(i).

Amendments and interpretations to published standards that became effective for the financial year beginning 1 January 2011 were not relevant to the Company's operations and accordingly did not impact the Company's accounting policies or consolidated financial statements.

With the exception of IFRS 9 *Financial Instruments*, the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Company's accounting policies or consolidated financial statements in the period of initial application.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. Upon adoption, IFRS 9 will require financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the Company's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial assets measured at fair value, fair value gains and losses will be recognized in the statement of income. The Company has not yet assessed the full impact of adopting IFRS 9, but intends to adopt IFRS 9 no later than the financial year beginning on 1 January 2015.

(b) Foreign currency translation

The consolidated financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognized in the consolidated statement of income.

(c) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and at banks and unrestricted term deposits with original contractual maturities of three months or less.

(d) Financial assets

The Company classifies its financial assets into the following categories: available-for-sale (investments in equity securities) and loans and receivables (due from reinsurers and agents; and investments in debt securities and certain preference shares). Management determines the classification of its financial assets at initial recognition and re-evaluates this at each reporting date.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(d) Financial assets (continued)

Available-for-sale securities are financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in market conditions (interest rates, exchange rates or equity prices). Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell in the short term.

Regular-way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from them have expired or when they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Available-for-sale securities are subsequently carried at fair value based on quoted prices for investments traded in active markets or valuation techniques, including recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants for investments not traded in active markets.

Gains and losses arising from changes in the fair value of available-for-sale securities are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the consolidated statement of income as net realized gain or loss on financial assets.

Loans and receivables are carried at amortized cost using the effective interest method, less any provision for impairment.

(e) Impairment of financial assets

The Company evaluates at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(e) Impairment of financial assets (continued)

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. By comparison, the amount of loss on available-for-sale securities is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of interest for a similar financial asset.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of income. When a financial asset is uncollectible, it is written off against the related allowance account. Recoveries of accounts previously written off are recognized directly in the consolidated statement of income.

(f) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation, except land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' costs to their residual values over their estimated useful lives, as follows:

Buildings	50 years
Computer software	3 – 5 years
Leasehold improvements	Lesser of lease term and 20 years
Furniture and equipment	3 years
Motor vehicles	3 years

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(f) Property, plant and equipment (continued)

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are recognized in the consolidated statement of income.

(g) Investment property

Property held for long-term rental yields and capital appreciation is classified as investment property. Investment property comprises residential property and is accounted for using the accounting policies applicable to property, plant and equipment.

(h) General insurance funds

General insurance funds comprise unearned premium reserve, deferred commission income and outstanding claims reserve. Unearned premium reserve represents the portion of the net premiums written that relate to periods of insurance coverage subsequent to the balance sheet date.

Deferred commission income represents the portion of commissions earned on premiums ceded that relate to periods of insurance coverage subsequent to the balance sheet date. Deferred commission expense represents the portion of commissions incurred on premiums written that relate to insurance coverage subsequent to the balance sheet date.

The outstanding claims reserve comprises liabilities for unpaid claims that are estimated using: the input of assessments for individual cases reported to the Company; and statistical analyses for claims incurred but not reported, and the estimate of the expected ultimate cost of more complex claims that may be affected by external factors. The Company does not discount its liabilities for outstanding claims.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(i) Revenue and expense recognition

Net premiums written (premiums written less premiums ceded) are recognized as revenue over the periods covered by the related policies. Commission expense incurred on premiums written and commission income earned on premiums ceded are recognized in the same manner as net premiums written.

The Company's net share of claims and loss adjustment expenses are recognized as incurred based on the estimated liability for compensation owed to policyholders or third parties damaged by policyholders. They include direct and indirect claims settlement costs that arise from events that have occurred up to the balance sheet date regardless of whether or not they have been reported.

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method. Profit and loyalty commission income and expense, and dividend income are recognized when the Company's right to receive, or obligation to make, payment has been established. Other income and expenses are recognized on the accrual basis.

(j) Taxation

Premium tax is incurred at a rate of 3% of premiums written in The Bahamas, less the proportion that is recoverable from reinsurers for premiums ceded.

Under the current laws of The Bahamas, the country of domicile of the Company, there are no income, capital gains or other corporate taxes imposed. The Company's operations do not subject it to taxation in any other jurisdiction.

(k) Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(l) Employee benefits

The Company has a defined contribution pension plan, combined with that of a related party, for its eligible employees, whereby the Company makes fixed contributions to a privately administered pension plan. The Company has no further payment obligations if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The Company's contributions to the defined contribution pension plan are charged to the consolidated statement of income in the year to which they relate.

(m) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation adopted in the current year.

3. Cash and Cash Equivalents

	2011 $	2010 $
Cash in hand and at banks	2,369,391	489,746
Term deposits	16,576,266	20,269,539
	18,945,657	20,759,285
Less:		
Term deposits with original contractual maturities greater than three months	(14,052,746)	(13,312,358)
Restricted term deposit	(1,000,000)	-
Accrued interest	(305,086)	(318,631)
	3,587,825	**7,128,296**

The restricted term deposit represents funds placed by the Company in a trust that cannot be distributed without the permission of the Insurance Commission of The Bahamas.

Interest rates on term deposits range from 3.00% to 6.25% (2010: 3.25% to 7.00%) per annum.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

4. Prepayments and Other Assets

	2011 $	2010 $
Dividends receivable	41,007	49,574
Prepayments	39,288	35,104
Other receivables	262,278	509,034
	342,573	**593,712**

5. Investments in Securities

Available-for-sale

The Company ranks its investments in securities based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity securities and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

5. Investments in Securities (Continued)

Available-for-sale (continued)

	2011 $	2010 $
Level 1		
Equity securities	2,251,318	2,125,545
Level 2		
Equity securities	1,350,000	1,200,000
Level 3		
Mutual fund shares	180,839	164,552
Total available-for-sale investments	**3,782,157**	**3,490,097**

As of 31 December 2011, the cost of financial assets available-for-sale totalled $3,174,523 (2010: $2,902,261), of which $158,002 (2010: $135,700) represented Level 3 securities.

Movements in available-for-sale securities comprise:

	Level 1 $	Level 2 $	Level 3 $	Total $
Balance as of 1 January 2011	2,125,545	1,200,000	164,552	3,490,097
Purchases	99,960	150,000	22,302	272,262
Sales	-	-	-	-
Net realized gain/(loss)	-	-	-	-
Net change in unrealized appreciation/depreciation	25,813	-	(6,015)	19,798
Balance as of 31 December 2011	**2,251,318**	**1,350,000**	**180,839**	**3,782,157**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

5. Investments in Securities (Continued)

Available-for-sale (continued)

	Level 1 $	Level 2 $	Level 3 $	Total $
Balance as of 1 January 2010	2,409,641	1,100,000	809,819	4,319,460
Purchases	-	100,000	57,900	157,900
Sales	-	-	-	-
Net realized gain/(loss) (Note 19)	-	-	(1,000,000)	(1,000,000)
Net change in unrealized appreciation/depreciation (Note 19)	(284,096)	-	296,833	12,737
Balance as of 31 December 2010	**2,125,545**	**1,200,000**	**164,552**	**3,490,097**

Loans and receivables

	Interest Rate	Maturity	2011 $	2010 $
Bahamas Government registered stocks	Prime + 0.830% to 0.875%	14/06/2011 to 26/07/2037	1,215,200	1,191,900
Clifton Heritage Authority bonds	Prime + 0.500% to + 0.750%	20/05/2025 to 20/05/2035	232,300	232,300
Bank of The Bahamas Limited bonds	Prime + 1.75%	31/12/2022	202,000	202,000
Consolidated Water (Bahamas) Limited Series A bonds	Prime + 2.500%	20/06/2015	170,000	170,000
Cable Bahamas Limited Series 4 preference shares	8.000%	2019	100,000	100,000
Cable Bahamas Limited Series 5 preference shares	7.000%	2015	100,000	100,000
The College of the Bahamas redeemable term notes	7.000%	30/06/2026	100,000	-
Bridge Authority bonds	Prime + 1.625%	24/03/2029	11,600	11,600
Caribbean Crossings Limited Series B preference shares	Prime + 1.500%	30/06/2016	-	50,000
			2,131,100	2,057,800
Accrued interest			24,187	27,091
Total			**2,155,287**	**2,084,891**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

6. Investment Property

The Company owns property located on Abaco, Bahamas that is classified as investment property. Movement in investment property is summarized as follows:

	2011 $	2010 $
Net book value as of beginning of year	196,419	201,268
Depreciation	(4,849)	(4,849)
Net book value as of end of year	**191,570**	**196,419**
Cost	242,450	242,450
Accumulated depreciation	(50,880)	(46,031)
Net book value	**191,570**	**196,419**

The last independent appraisal was performed during the year ended 31 December 2011 and the fair value of investment property at that time was $235,000. Included in other income is $2,923 (2010: $7,000) in rental income earned on the investment property.

7. Property, Plant and Equipment

	Land & Buildings $	Computer Software $	Leasehold Improvements $	Furniture & Equipment $	Motor Vehicles $	Total $
Year ended 31 December 2011						
Opening net book value	130,000	97,190	-	85,189	24,597	336,976
Additions	1,276,540	25,574	-	6,560	44,300	1,352,974
Disposals						
Cost	-	(553,819)	-	-	(35,000)	(588,819)
Accumulated depreciation	-	553,819	-	-	35,000	588,819
Depreciation	-	(32,398)	-	(18,111)	(17,496)	(68,005)
Closing net book value	**1,406,540**	**90,366**	**-**	**73,638**	**51,401**	**1,621,945**
As of 31 December 2011						
Cost	1,406,540	122,764	58,856	211,675	77,695	1,877,530
Accumulated depreciation	-	(32,398)	(58,856)	(138,037)	(26,294)	(255,585)
Net book value	**1,406,540**	**90,366**	**-**	**73,638**	**51,401**	**1,621,945**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

7. Property, Plant and Equipment (Continued)

	Land & Buildings $	Computer Software $	Leasehold Improvements $	Furniture & Equipment $	Motor Vehicles $	Total $
Year ended 31 December 2010						
Opening net book value	-	203,963	-	60,960	-	264,923
Additions	130,000	97,191	-	37,448	33,395	298,034
Disposals						
Cost	-	-	-	-	(8,435)	(8,435)
Accumulated depreciation	-	-	-	-	8,435	8,435
Depreciation	-	(203,964)	-	(13,219)	(8,798)	(225,981)
Closing net book value	**130,000**	**97,190**	**-**	**85,189**	**24,597**	**336,976**
As of 31 December 2010						
Cost	130,000	651,009	58,856	205,115	68,395	1,113,375
Accumulated depreciation	-	(553,819)	(58,856)	(119,926)	(43,798)	(776,399)
Net book value	**130,000**	**97,190**	**-**	**85,189**	**24,597**	**336,976**

8. Outstanding Claims Reserve and Net Claims Incurred

	2011 $	2010 $ [Restated Note 19]
Outstanding claims reserve		
Gross outstanding claims	7,296,037	5,584,156
Amounts recoverable from reinsurers	(2,964,386)	(1,807,017)
Provision for reported claims	4,331,651	3,777,139
Provision for incurred but not reported claims	188,813	390,790
	4,520,464	**4,167,929**
Net claims incurred		
Gross claims incurred	15,625,908	7,139,698
Amounts recoverable from reinsurers	(8,414,536)	(2,554,768)
	7,211,372	**4,584,930**

Summit Insurance Company Limited

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31 December 2011
(Continued)

8. Outstanding Claims Reserve and Net Claims Incurred (Continued)

Insurance claims – Gross

Movements in gross outstanding claims, based on the policy year to which claims relate, can be analyzed as follows:

Accident year	2007 $	2008 $	2009 $	2010 $	2011 $	Total $
Estimate of ultimate claims cost:						
At end of accident year	6,110,905	5,161,318	2,893,344	4,882,619	15,213,790	34,261,976
One year later	8,709,927	6,853,149	5,497,198	5,325,004	-	-
Two years later	8,589,385	7,006,426	5,668,273	-	-	-
Three years later	8,543,877	6,843,503	-	-	-	-
Four years later	8,909,254	-	-	-	-	-
Current estimate of cumulative claim	8,909,254	6,843,503	5,668,273	5,325,004	15,213,790	41,959,824
Cumulative payments to date	(8,234,765)	(6,258,243)	(5,065,045)	(3,893,066)	(11,512,324)	(34,963,443)
Liability included in gross claims	**674,489**	**585,260**	**603,228**	**1,431,938**	**3,701,466**	**6,996,381**
Liability in respect of prior years						299,656
Liability included in gross outstanding claims						**7,296,037**

Insurance claims – Net

Accident year	2007 $	2008 $	2009 $	2010 $	2011 $	Total $
Liability included in net claims	**368,483**	**520,557**	**469,021**	**889,660**	**1,829,885**	**4,077,606**
Liability in respect of prior years						254,045
Provision for claims incurred but not reported						188,813
Total liability included in consolidated balance sheet						**4,520,464**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

9. Share Capital

	Number of Issued Shares	Share Capital $	Treasury Shares $	Total $
Balance as of 31 December 2011	4,650,000	5,000,000	(910,000)	4,090,000
Balance as of 31 December 2010	4,650,000	5,000,000	(910,000)	4,090,000

The Company has authorized share capital of $10,000,000, comprised of 10,000,000 ordinary shares with a par value of $1.00 each. The Company originally issued 5,000,000 ordinary shares with a par value of $1.00 each. In prior years, the Company acquired 350,000 of its ordinary shares directly from a shareholder for $910,000, and it has the right to reissue these shares at a later date; accordingly, these shares are classified as treasury shares. Treasury shares are not in issue and are therefore deducted from the total number of issued shares.

Included in issued share capital are 1,000,000 ordinary shares designated as founder shares that entitle the holder to the right as regards to dividends and retained earnings as though he were the holder of 1.25 ordinary shares for each founder share.

10. General Reserve

The general reserve is established for unforeseeable risks and future losses. Distributions from the general reserve can only be made following the approval of the Board of Directors.

11. Portfolio Transfer

During the year, the Company increased the percentage of risk retained on its motor and liability portfolio resulting in the Company receiving the unearned premiums and claims outstanding reserves, along with any funds corresponding to those liabilities. The Company continued the same percentage of risk retained on its property portfolio.

During 2010, the Company decreased the percentage of risk retained on its motor and liability portfolio resulting in the Company distributing the unearned premiums and outstanding claims reserves to reinsurers, along with the funds corresponding to those liabilities.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

12. Net Commissions Incurred

	2011 $	2010 $ [Restated Note 19]
Amounts paid to agents	6,993,978	7,163,333
Amounts received from insurers and reinsurers	(5,680,069)	(5,827,503)
	1,313,909	1,335,830
Movement in deferred commission expense	(360,950)	(30,753)
Movement in deferred commission income	(275,489)	(114,241)
	677,470	**1,190,836**

13. Personnel Costs

Pension costs recognized in personnel costs in the consolidated statement of income total $36,054 (2010: $37,388). The Company's contributions to the pension plan vest 50% upon completion of 5 years of employment, and fully vest upon 10 years of employment.

14. Related Party Balances and Transactions

Related parties comprise significant shareholders and the directors, and entities they control or over which they exercise significant influence; and key management personnel. Of the premiums written during the year, 97% (2010: 97%) were generated by an insurance agency whose principal is a director of the Company and owns 25% of the Company's shares in issue. The consolidated financial statements include the following balances and transactions with related parties:

	2011 $	2010 $
Consolidated Balance Sheet		
Due from agents	8,641,705	6,487,378
Prepayments and other assets – cash advance to agent	250,000	500,000
Accounts payable and accrued expenses – directors' fees	-	5,000

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

14. Related Party Balances and Transactions (Continued)

	2011 $	2010 $
Consolidated Statement of Income		
Premiums written	1,427,155	1,392,167
Commission paid to agents, including profit commissions	6,979,714	7,115,854
General and administrative expense – directors' fees	20,000	20,000
General and administrative expense – consultant fees	109,833	74,660

During the year, personnel costs for key management personnel totalled $523,159 (2010: $560,617), which included $21,308 (2010: $17,314) in pension benefits.

15. Commitments and Contingent Liabilities

Commitments

The Company leases office and storage space under an operating lease. The operating lease expires in August 2012, and has an option to renew for a further five years. The future minimal rental payments required under operating leases are as follows:

	2011 $	2010 $
Not later than one year	37,366	56,049
Later than one year but not later than five years	-	37,366

Contingent Liabilities

The Company is a party to several legal actions involving claims. Management believes that the resolution of these matters will not have a material impact on the Company's financial statements and adequate provision has been made in the outstanding claims reserve.

16. Risk Management

The Company engages in transactions that expose it to insurance, credit, liquidity, interest rate and price risks in the normal course of business. The Company's financial performance is affected by its capacity to understand and effectively manage these risks and its challenge is not only to measure and monitor these risks but also to manage them as profit opportunities.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

16. Risk Management (Continued)

(a) Insurance risk

Insurance risk is the risk under insurance contracts that the insured event occurs and the amount of the resulting claim is uncertain. In the normal course of business, the Company seeks to limit its exposure to losses that may arise from any single occurrence through the use of reinsurance arrangements. Reinsurance is primarily placed using a combination of proportional, facultative and excess of loss treaties.

Obtaining reinsurance does not, however, relieve the Company of its primary obligations to the policyholders; therefore the Company is exposed to the risk that the reinsurers may be unable to fulfill their obligations under the contracts. The Company seeks to mitigate this risk by placing its reinsurance coverage with multi-national reinsurers and Lloyd's syndicates.

(b) Credit risk

Credit risk arises from the potential failure of a counterparty to perform according to the terms of the contract. The Company's exposure to credit risk includes the majority of its financial assets. To mitigate this risk, the Company places cash and term deposits with financial institutions in good standing with the Central Bank of The Bahamas; monitors the payment history of its agents before continuing to do business with them; places reinsurance coverage as noted in (a) above; and invests in debt securities of financially sound companies.

As of 31 December 2011, amounts due from reinsurers and agents are current.

(c) Liquidity risk

Liquidity risk is the risk that the Company may not have the necessary financial resources to honor all of its financial commitments including claims. All 'other liabilities' are due on demand and claims principally have short-term cash outflows. The remaining general insurance liabilities could result in cash outflows within one year.

The Company manages its liquidity risk by maintaining an appropriate level of liquid assets, which mature or could be sold immediately to meet cash requirements for normal operating purposes.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

16. Risk Management (Continued)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments may fluctuate significantly as a result of changes in market interest rates. The Company mitigates fair value interest rate risk by investing in interest-bearing assets with interest rates that periodically reset to market rates, or investing in financial instruments that have short terms to maturity. Cash flow interest rate risk is not hedged and considered a profit opportunity.

(e) Price risk

Price risk is the risk that the fair value and/or amounts realized on sale of financial instruments may fluctuate significantly as a result of changes in market prices. The available-for-sale securities expose the Company to price risk. The Company invests in private equity securities of companies demonstrating profit potential generally accompanying underlying assets with fair values in excess of the entity's equity. Investments are also made in exchange traded securities of companies that the Company's directors, with the advice of investment managers, consider to have income and/or capital gains potential.

17. Capital Management

The Company's objectives when managing capital are:

- To comply with the capital requirements imposed by the Insurance Commission of The Bahamas and other regulators of the insurance markets in which the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide adequate returns to shareholders by pricing insurance contracts commensurate with the level of risk.

The Insurance Commission of The Bahamas specifies the minimum amount and type of capital that must be held and solvency ratio that must be maintained.

The minimum capital requirement applicable to the Company as of 31 December 2011 is \$2,000,000 (2010: \$2,000,000). The Company has complied with all of the externally imposed capital requirements to which it is subject.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2011
(Continued)

18. Fair Value of Financial Instruments

Financial instruments utilized by the Company include recorded financial assets and liabilities in the balance sheet. These financial instruments are carried at fair value, are relatively short term in nature or have interest rates that periodically reset to market interest rates, and accordingly, the estimated fair values are not significantly different from the carrying value as reported in the consolidated balance sheet.

19. Prior Period Adjustments

During the year, the Company discovered that terms regarding the calculation of certain profit commissions for the year ended 31 December 2010 had been changed in the reinsurance contracts but the change had not been effected in the calculation for the year then ended. This resulted in an understatement of net commissions incurred totalling $678,804 and an overstatement of net claims incurred totalling $210,560. Further, during the year certain events provided evidence that the unrealized depreciation of available-for-sale Level 3 equity securities recognized during 2010 was a permanent impairment of the securities. Accordingly, the net realized loss on investments in securities was understated by $1,000,000 and net change in unrealized appreciation/depreciation was overstated by an equal amount.

The consolidated financial statements for the year ended 31 December 2010 have been restated to increase net commissions incurred by $678,804, decrease net claims incurred by $210,560, increase net realized loss on investments in securities by $1,000,000 and decrease the net change in unrealized appreciation/depreciation on investments in securities by $1,000,000. As of 31 December 2010, the due to reinsurers increased by $468,244, fair value reserve increased by $1,000,000 and retained earnings decreased by $1,468,244.

The prior period adjustments did not impact the consolidated balance sheet as of 31 December 2009, and accordingly, no opening balance sheet for the year ended 31 December 2010 has been presented.

20. Subsequent Events

Subsequent to the year end, the Board of Directors approved dividends of $245,000 ($0.05 per share).