

**Condensed Unaudited Consolidated Interim Financial Statements of  
Colina Holdings Bahamas Limited  
Six Months Ended June 30, 2010  
UNAUDITED**

## Message from the Chairman

Dear Shareholders,

We are pleased to report that Colina continues to meet many of its strategic financial and operational targets despite a challenging economic environment.

The Company continues to improve shareholder value. Net income attributable to the Company's ordinary shareholders for the period January 1, 2010 to June 30, 2010 was \$9.6 million or \$0.39 per ordinary share, compared to net income of \$2.3 million or \$0.09 per ordinary share for the same period in the prior year. Gross premium revenues during the first half of 2010 have decreased by \$3.0 million relative to the comparable period in 2009, which reflected a one-time sale of a single premium annuity contract.

Returns on the investment portfolio are higher than in the prior year with net investment income for the period at \$16.4 million compared to \$11.4 million for the same period in 2009.

As a result of the Company's continued investment to further create operational efficiencies, general and administrative expenses have increased over prior year by \$2.5 million. We have seen a marked improvement in policy retention resulting in reduced maturity and surrender benefit expenses compared to the same period in the prior year.

Our high quality investments and disciplined operational capabilities have strengthened the Company's balance sheet. Invested assets remain a significant proportion of the asset base, comprising 83.3% of total assets. Total equity stands at \$107.9 million at June 30, 2010 compared to \$103.3 million at December 31, 2009. We shall continue to strive to maximize opportunities for growth and deliver sound returns to our shareholders.



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Terence Hilts  
Chairman

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Unaudited Consolidated Interim Balance Sheet**

As at June 30, 2010 with comparative figures as at December 31, 2009  
(Expressed in Bahamian dollars)

	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
Term deposits	\$ 12,007,348	\$ 12,147,223
Investment securities	194,922,027	188,514,129
Mortgages and commercial loans	75,056,443	76,859,904
Policy loans	71,634,565	71,742,995
Investment properties	55,597,651	52,726,442
Investment in associates	<u>11,489,735</u>	<u>11,312,539</u>
Total invested assets	420,707,769	413,303,232
Cash and demand balances	11,519,052	12,821,425
Receivables and other assets	40,000,674	40,169,949
Property and equipment	20,362,503	20,937,852
Goodwill	11,034,383	11,034,383
Other intangible assets	<u>1,615,311</u>	<u>266,885</u>
<b>Total assets</b>	<b><u>\$ 505,239,692</u></b>	<b><u>\$ 498,533,726</u></b>
<b>LIABILITIES</b>		
Provision for future policy benefits	\$ 308,955,637	\$ 304,728,304
Policy dividends on deposit	32,136,605	32,328,725
Total policy liabilities	341,092,242	337,057,029
Bank loan	-	2,903,756
Third party pension liabilities	25,085,808	24,515,926
Other liabilities	<u>31,149,864</u>	<u>30,794,107</u>
<b>Total liabilities</b>	<b><u>397,327,914</u></b>	<b><u>395,270,818</u></b>
<b>EQUITY</b>		
Ordinary shares	24,729,613	24,729,613
Treasury shares	(81,615)	(81,615)
Share premium	5,960,299	5,960,299
Revaluation reserve	5,032,718	5,567,530
Retained earnings	<u>40,028,292</u>	<u>34,105,176</u>
Total ordinary shareholders' equity	75,669,307	70,281,003
Preference shares	<u>21,777,000</u>	<u>20,000,000</u>
Total shareholders' equity	97,446,307	90,281,003
Non-controlling interest	<u>10,465,471</u>	<u>12,981,905</u>
<b>Total equity</b>	<b><u>107,911,778</u></b>	<b><u>103,262,908</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 505,239,692</u></b>	<b><u>\$ 498,533,726</u></b>

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

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Unaudited Consolidated Interim Income Statement**

For the six months ended June 30, 2010  
with comparative figures for the six months ended June 30, 2009  
(Expressed in Bahamian dollars)

	<b>6 Months Ended June 30, 2010</b>	<b>6 Months Ended June 30, 2009</b>
<b>Revenues:</b>		
Premium revenue	\$ 62,203,674	\$ 65,467,297
Less: Reinsurance premiums	6,375,088	8,012,517
Net premium revenue	55,828,586	57,454,780
Net investment income	16,352,954	11,359,642
Other income	<u>2,673,434</u>	<u>2,599,495</u>
Total revenues	<u>74,854,974</u>	<u>71,413,917</u>
<b>Benefits and expenses:</b>		
Policyholders' benefits	41,106,168	44,972,393
Less: Reinsurance recoveries	<u>5,072,359</u>	<u>3,330,105</u>
Net policyholders' benefits	36,033,809	41,642,288
Changes in provision for future policy benefits	3,988,896	4,864,657
General and administrative expenses	14,450,192	12,178,991
Commissions	5,969,293	6,489,007
Premium and other tax expense	2,487,076	2,068,090
Finance costs	57,368	247,793
Other expenses	<u>986,279</u>	<u>622,504</u>
Total benefits and expenses	<u>63,972,913</u>	<u>68,113,330</u>
<b>Net income for the period:</b>	<b><u>\$ 10,882,061</u></b>	<b><u>\$ 3,300,587</u></b>
Net income attributable to:		
Equity shareholders of the Company	\$ 10,366,614	\$ 3,031,693
Non-controlling interests	<u>515,447</u>	<u>268,894</u>
<b>Net income for the period</b>	<b><u>\$ 10,882,061</u></b>	<b><u>\$ 3,300,587</u></b>
<b>Basic earnings per ordinary share (Note 4)</b>	<b>\$ 0.39</b>	<b>\$ 0.09</b>

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

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Unaudited Consolidated Interim Income Statement**

For the three months ended June 30, 2010  
with comparative figures for the three months ended June 30, 2009  
(Expressed in Bahamian dollars)

	<b>3 Months Ended June 30, 2010</b>	<b>3 Months Ended June 30, 2009</b>
<b>Revenues:</b>		
Premium revenue	\$ 25,791,690	\$ 27,683,668
Less: Reinsurance premiums	<u>3,497,155</u>	<u>3,870,451</u>
Net premium revenue	22,294,535	23,813,217
Net investment income	7,933,756	5,647,332
Other income	<u>1,545,244</u>	<u>1,339,814</u>
Total revenues	<u>31,773,535</u>	<u>30,800,363</u>
<b>Benefits and expenses:</b>		
Policyholders' benefits	14,346,638	17,274,676
Less: Reinsurance recoveries	<u>3,143,565</u>	<u>2,788,764</u>
Net policyholders' benefits	11,203,073	14,485,912
Changes in provision for future policy benefits	721,895	4,067,361
General and administrative expenses	6,771,558	5,834,268
Commissions	2,839,098	3,287,756
Premium and other tax expense	1,617,095	1,063,297
Finance costs	7,251	91,365
Other expenses	<u>492,835</u>	<u>622,504</u>
Total benefits and expenses	<u>23,652,805</u>	<u>29,452,463</u>
<b>Net income for the period:</b>	<b><u>\$ 8,120,730</u></b>	<b><u>\$ 1,347,900</u></b>
Net income attributable to:		
Equity shareholders of the Company	\$ 7,842,085	\$ 1,144,798
Non-controlling interests	<u>278,645</u>	<u>203,102</u>
<b>Net income for the period</b>	<b><u>\$ 8,120,730</u></b>	<b><u>\$ 1,347,900</u></b>
<b>Basic earnings per ordinary share (Note 4)</b>	<b>\$ 0.30</b>	<b>\$ 0.03</b>

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Unaudited Consolidated Interim Statement of Comprehensive Income**

For the six months ended June 30, 2010  
with comparative figures for the six months ended June 30, 2009  
(Expressed in Bahamian dollars)

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	<b>6 Months Ended 2010</b>	<b>6 Months Ended 2009</b>
<b>Net income for the period</b>	\$ 10,882,061	\$ 3,300,587
<b>Other comprehensive income:</b>		
Change in available-for-sale financial assets	(534,654)	(1,015,705)
<b>Total comprehensive income for the period</b>	<b><u>\$ 10,347,407</u></b>	<b><u>\$ 2,284,882</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	9,824,409	2,013,511
Non-controlling interests	<u>522,998</u>	<u>271,371</u>
<b>Total comprehensive income for the period</b>	<b><u>\$ 10,347,407</u></b>	<b><u>\$ 2,284,882</u></b>

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

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Unaudited Consolidated Statement of Changes in Equity**

For the six months ended June 30, 2010  
with comparative figures for the six months ended June 30, 2009  
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	Preference Share Capital	Retained Earnings	Non-controlling Interest	Total Equity
Balance, January 1, 2009	\$ 24,729,613	\$ (81,615)	\$ 5,960,299	\$ 7,462,729	\$ 20,000,000	\$ 24,274,927	\$ 8,265,830	\$ 90,611,783
Transfers from revaluation reserve	-	-	-	(292,674)	-	292,674	-	-
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	(1,015,705)	-	-	-	(1,015,705)
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	-	(662,996)	-	-	-	(662,996)
Changes in non-controlling interests	-	-	-	-	-	-	245,615	245,615
Net income for the period	-	-	-	-	-	3,031,693	268,894	3,300,587
Ordinary share dividends	-	-	-	-	-	(1,483,777)	-	(1,483,777)
Preference share dividends	-	-	-	-	-	(712,500)	-	(712,500)
Balance, June 30, 2009	<u>\$ 24,729,613</u>	<u>\$ (81,615)</u>	<u>\$ 5,960,299</u>	<u>\$ 5,491,354</u>	<u>\$ 20,000,000</u>	<u>\$ 25,403,017</u>	<u>\$ 8,780,339</u>	<u>\$ 90,283,007</u>
Balance, January 1, 2010	\$ 24,729,613	\$ (81,615)	\$ 5,960,299	\$ 5,567,530	\$ 20,000,000	\$ 34,105,176	\$ 12,981,905	\$ 103,262,908
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	(534,654)	-	-	-	(534,654)
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	-	(158)	-	-	-	(158)
Changes in non-controlling interests	-	-	-	-	-	-	(2,916,531)	(2,916,531)
Net income for the period	-	-	-	-	-	10,366,614	515,447	10,882,061
Issuance of preference share capital	-	-	-	-	1,777,000	-	-	1,777,000
Distributions by subsidiaries	-	-	-	-	-	-	(115,350)	(115,350)
Ordinary share dividends	-	-	-	-	-	(3,709,442)	-	(3,709,442)
Preference share dividends	-	-	-	-	-	(734,056)	-	(734,056)
Balance, June 30, 2010	<u>\$ 24,729,613</u>	<u>\$ (81,615)</u>	<u>\$ 5,960,299</u>	<u>\$ 5,032,718</u>	<u>\$ 21,777,000</u>	<u>\$ 40,028,292</u>	<u>\$ 10,465,471</u>	<u>\$ 107,911,778</u>

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

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Unaudited Consolidated Statement of Cash Flows**

For the six months ended June 30, 2010  
with comparative figures for the six months ended June 30, 2009  
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
<b>Cash flows from operating activities:</b>		
Net income	\$ 10,882,061	\$ 3,300,587
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized (gain)/loss on fair value through income securities	(63,116)	1,072,576
Increase in provision for future policy benefits	4,227,333	6,701,502
Changes in loss provisions for loans and receivables	(425,297)	2,434,458
Depreciation and amortization charges	1,153,106	1,077,101
Net realized loss on fair value through income securities	84,884	27,900
Net realized loss/(gain) on sale of available-for-sale securities	1,342	(662,996)
Interest income	(12,688,227)	(9,869,723)
Dividend income	(739,630)	(570,281)
Fair value gains on investment properties	(1,029,407)	(26,200)
Finance costs	<u>47,879</u>	<u>247,793</u>
Operating cash flows before changes in operating assets and liabilities	1,450,928	3,732,717
Changes in operating assets and liabilities:		
Decrease/(increase) in other assets	257,500	(6,089,105)
Decrease in other liabilities	<u>(1,994,604)</u>	<u>(4,595,145)</u>
Net cash used in operating activities	<u>(286,176)</u>	<u>(6,951,533)</u>

(Continued)

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



**COLINA HOLDINGS BAHAMAS LIMITED**  
**Unaudited Consolidated Statement of Cash Flows**

For the six months ended June 30, 2010  
with comparative figures for the six months ended June 30, 2009  
(Expressed in Bahamian dollars)

	<b>6 Months Ended June 30, 2010</b>	<b>6 Months Ended June 30, 2009</b>
<b>Cash flows from investing activities:</b>		
Increase in term deposits with original maturities greater than 90 days	(449,427)	(3,811,531)
Decrease/(increase) in restricted cash	395,087	(925)
Fair value through income securities purchased	(14,322,904)	(4,829,812)
Proceeds on disposal of fair value through income securities	7,209,224	1,627,885
Available-for-sale securities purchased	(1,510,323)	(18,667,987)
Proceeds on disposal of available-for-sale securities	1,658,183	21,809,267
Decrease in loans to policyholders	184,151	3,365,726
Additions to investment property	(1,841,802)	-
Net decrease/(increase) in mortgage and commercial loans	2,220,149	(7,064,848)
Interest received	12,355,694	9,235,770
Dividends received	739,630	570,281
Proceeds on disposal of property and equipment, net	-	400
Additions to property and equipment	(204,496)	(205,739)
Additions to other intangible assets	<u>(1,721,687)</u>	<u>-</u>
Net cash provided by investing activities	<u>4,711,479</u>	<u>2,028,487</u>
<b>Cash flows used in financing activities:</b>		
Issuance of preference share capital	1,777,000	-
Distributions by subsidiaries	(115,350)	-
Interest paid on guaranteed investment & other contracts	(2,238)	(14,010)
Payment of bank loan interest	(45,641)	(233,783)
Dividends paid to ordinary shareholders	(3,709,442)	(1,483,777)
Dividends paid to preference shareholders	(734,056)	(712,500)
Repayment of bank loan principal	<u>(2,903,756)</u>	<u>(678,923)</u>
Net cash used in financing activities	<u>(5,733,483)</u>	<u>(3,122,993)</u>
Net decrease in cash and cash equivalents	(1,308,180)	(8,046,039)
Cash and cash equivalents, beginning of period	<u>20,510,737</u>	<u>19,904,768</u>
Cash and cash equivalents, end of period (Note 3)	<b>\$ 19,202,557</b>	<b>\$ 11,858,729</b>

(Concluded)

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

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Selected Explanatory Notes to the Unaudited Consolidated Financial Statements**

For the period ended June 30, 2010  
(Expressed in Bahamian dollars)

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**1. General Information**

Colina Holdings Bahamas Limited ("the Company") was incorporated under the laws of the Commonwealth of The Bahamas on July 6, 1993.

The Company acts principally as the holding company of Colina Insurance Limited ("Colina"), a wholly-owned life and health insurer incorporated and registered to operate as a life and health insurer in The Bahamas, The Cayman Islands and The Turks and Caicos Islands.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At June 30, 2010, approximately 58.1% of the Company's issued ordinary shares were owned by A.F. Holdings Ltd. and 41.9% by the Bahamian public.

The registered office of the Company is located at St. Andrew's Court, Frederick Street Steps, P.O. Box N-4805, Nassau, The Bahamas and its principal place of business is located at 308 East Bay Street, P.O. Box N-3013, Nassau, The Bahamas.

**2. Significant Accounting Policies**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial information. Accordingly, they do not include all of the information and footnotes required by IFRS for complete financial statements. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these statements. The preparation of unaudited condensed consolidated financial statements in conformity 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**3. Cash and Cash Equivalents**

For the purposes of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Term deposits	\$ 12,007,348	\$ 11,892,741
Less: Deposits with original maturities of greater than 90 days	(3,970,219)	(10,191,825)
Short-term deposits	8,037,129 -	1,700,916
Cash and demand balances	11,519,052	10,914,387
Less: Restricted cash balances	(350,539)	(744,905)
Less: Bank overdraft	(3,085)	(11,669)
Total cash and cash equivalents	\$ 19,202,557	\$ 11,858,729

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Selected Explanatory Notes to the Unaudited Consolidated Financial Statements**

For the period ended June 30, 2010  
(Expressed in Bahamian dollars)

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**4. Basic Earnings Per Ordinary Share**

Basic earnings per ordinary share is calculated by dividing net income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued and outstanding during the period, excluding ordinary shares of the Company acquired by Colina held as treasury shares.

	<b>6 Months Ended June 30, 2010</b>	<b>6 Months Ended June 30, 2009</b>
Net income attributable to equity shareholders	\$ 10,366,614	\$ 3,031,693
Net income attributable to ordinary shareholders	<u>\$ 9,632,558</u>	<u>\$ 2,319,193</u>
Weighted average number of ordinary shares outstanding	<u>24,701,070</u>	<u>24,701,070</u>
Basic earnings per ordinary share	\$ 0.39	\$ 0.09

	<b>3 Months Ended June 30, 2010</b>	<b>3 Months Ended June 30, 2009</b>
Net income attributable to equity shareholders	<u>\$ 7,842,085</u>	<u>\$ 1,144,798</u>
Net income attributable to ordinary shareholders	<u>\$ 7,463,962</u>	<u>\$ 794,798</u>
Weighted average number of ordinary shares outstanding	<u>24,701,070</u>	<u>24,701,070</u>
Basic earnings per ordinary share	<u>\$ 0.30</u>	<u>\$ 0.03</u>

**5. Corresponding Figures**

Certain corresponding figures have been reclassified to conform to the financial statement presentation adopted in the current period.