

**Condensed Unaudited Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Six Months Ended June 30, 2011
UNAUDITED**

Message from the Chairman

Dear Shareholders,

As many of you are aware, in June 2011, the Clearing Banks' Association of The Bahamas announced that the Bahamian \$ Prime Interest Rate was reduced to 4.75% from 5.50%. This reduction in interest rates requires long-term insurers including Colina to increase reserves to support future policyholder liabilities. The second quarter results for the Company have been notably impacted by this reduction in the Prime Rate, resulting in reduced total net income and investment earnings at the close of the first half of the year.

For the period January 1, 2011 to June 30, 2011, net income attributable to ordinary shareholders has decreased to \$0.4 million or \$0.02 per ordinary share, compared to net income of \$8.9 million or \$0.36 per ordinary share for the same period in 2010.

This extraordinary change in our reserves has been fully provided for in our second quarter results and, while not unmindful of the challenging economic times we are operating in, we are satisfied that earnings will return to more normal levels over the balance of the year.

Total equity stands at \$110.7 million at June 30, 2011 and while down from last year due to distributions paid to our ordinary shareholders, this figure easily exceeds our solvency requirements and enabled your Company to make all the appropriate adjustments required as a result of the decreased Bahamian Prime Rate. Our strong balance sheet has also proven to be an advantage during this period. For the six months ended June 30, 2011, total assets grew to \$544.8 million, of which \$433.6 million are invested assets.

General and administrative expenses have increased by \$1.3 million to \$15.8 million, compared to \$14.5 million for the same period in the prior year due largely to increased administrative expenses related to the Company's participation in additional reinsurance facilities. Gross policyholder benefits have increased by \$2.8 million to \$43.9 million compared to the same period in the prior year.

Colina continues to look for opportunities to improve stakeholder value, and we are optimistic that the initiatives implemented to mitigate against tempered investment earnings will positively impact our future profitability for the benefit of our stakeholders.

We thank our shareholders, employees and other stakeholders for their continued support.



Terence Hilts
Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Financial Position

As at June 30, 2011 with comparative figures as at December 31, 2010
(Expressed in Bahamian dollars)

	June 30, 2011	December 31, 2010
ASSETS		
Term deposits	\$ 18,527,627	\$ 15,172,686
Investment securities	218,397,468	207,683,148
Mortgages and commercial loans	67,448,130	68,877,119
Policy loans	69,191,739	69,581,644
Investment properties	49,219,000	49,248,407
Investment in associates	<u>10,860,883</u>	<u>10,747,280</u>
Total invested assets	433,644,847	421,310,284
Cash and demand balances	23,148,610	20,011,805
Receivables and other assets	56,155,715	52,296,830
Property and equipment	19,958,780	19,835,270
Goodwill	10,931,580	10,931,580
Other intangible assets	<u>918,567</u>	<u>1,211,359</u>
Total assets	<u>\$ 544,758,099</u>	<u>\$ 525,597,128</u>
LIABILITIES		
Provision for future policy benefits	\$ 323,206,403	\$ 311,797,811
Policy dividends on deposit	<u>31,630,381</u>	<u>31,488,577</u>
Total policy liabilities	354,836,784	343,286,388
Third party pension liabilities	26,576,181	26,107,997
Other liabilities	<u>52,652,919</u>	<u>40,704,148</u>
Total liabilities	<u>434,065,884</u>	<u>410,098,533</u>
EQUITY		
Ordinary shares	24,729,613	24,729,613
Treasury shares	(331,614)	(331,614)
Share premium	5,960,299	5,960,299
Revaluation reserve	7,781,242	6,985,968
Retained earnings	<u>36,071,280</u>	<u>39,655,010</u>
Total ordinary shareholders' equity	74,210,820	76,999,276
Preference shares	<u>26,287,000</u>	<u>26,027,000</u>
Total shareholders' equity	100,497,820	103,026,276
Non-controlling interests	<u>10,194,395</u>	<u>12,472,319</u>
Total equity	<u>110,692,215</u>	<u>115,498,595</u>
Total liabilities and equity	<u>\$ 544,758,099</u>	<u>\$ 525,597,128</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Income

For the six months ended June 30, 2011
with comparative figures for the six months ended June 30, 2010
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2011	6 Months Ended June 30, 2010
Revenues:		
Premium revenue	\$ 66,589,664	\$ 62,203,674
Less: Reinsurance premiums	<u>7,158,929</u>	<u>6,375,088</u>
Net premium revenue	59,430,735	55,828,586
Net investment income	14,775,375	15,578,767
Other income	<u>2,940,377</u>	<u>2,673,434</u>
Total revenues	<u>77,146,487</u>	<u>74,080,787</u>
Benefits and expenses:		
Policyholders' benefits	43,881,303	41,106,168
Less: Reinsurance recoveries	<u>2,491,018</u>	<u>5,072,359</u>
Net policyholders' benefits	41,390,285	36,033,809
Changes in provision for future policy benefits	11,408,592	3,988,896
General and administrative expenses	15,765,886	14,450,192
Commissions	4,530,130	5,969,293
Premium and other tax expense	1,647,025	2,487,076
Finance costs	48,784	57,368
Other expenses	<u>723,304</u>	<u>986,279</u>
Total benefits and expenses	<u>75,514,006</u>	<u>63,972,913</u>
Net income for the period:	<u>\$ 1,632,481</u>	<u>\$ 10,107,874</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 1,243,785	\$ 9,592,427
Non-controlling interests	<u>388,696</u>	<u>515,447</u>
Net income for the period	<u>\$ 1,632,481</u>	<u>\$ 10,107,874</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.02</u>	<u>\$ 0.36</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2011
with comparative figures for the six months ended June 30, 2010
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2011	6 Months Ended June 30, 2010
Net income for the period	\$ 1,632,481	\$ 10,107,874
Other comprehensive income:		
Change in available-for-sale financial assets	<u>787,368</u>	<u>(534,654)</u>
Total comprehensive income for the period	<u>\$ 2,419,849</u>	<u>\$ 9,573,220</u>
Attributable to:		
Equity shareholders of the Company	2,031,153	9,050,222
Non-controlling interests	<u>388,696</u>	<u>522,998</u>
Total comprehensive income for the period	<u>\$ 2,419,849</u>	<u>\$ 9,573,220</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Income

For the three months ended June 30, 2011
with comparative figures for the three months ended June 30, 2010
(Expressed in Bahamian dollars)

	3 Months Ended June 30, 2011	3 Months Ended June 30 2010
Revenues:		
Premium revenue	\$ 34,398,964	\$ 25,791,690
Less: Reinsurance premiums	<u>3,685,740</u>	<u>3,497,155</u>
Net premium revenue	30,713,224	22,294,535
Net investment income	7,575,052	7,933,756
Other income	<u>1,424,237</u>	<u>1,545,244</u>
Total revenues	<u>39,712,513</u>	<u>31,773,535</u>
Benefits and expenses:		
Policyholders' benefits	21,608,139	14,346,638
Less: Reinsurance recoveries	<u>1,324,850</u>	<u>3,143,565</u>
Net policyholders' benefits	20,283,289	11,203,073
Changes in provision for future policy benefits	8,349,087	721,895
General and administrative expenses	8,607,917	6,771,558
Commissions	2,088,414	2,839,098
Premium and other tax expense	701,312	1,617,095
Finance costs	27,148	7,251
Other expenses	<u>364,918</u>	<u>492,835</u>
Total benefits and expenses	<u>40,422,085</u>	<u>23,652,805</u>
Net income (loss) for the period:	<u>\$ (709,572)</u>	<u>\$ 8,120,730</u>
Net income (loss) attributable to:		
Equity shareholders of the Company	\$ (861,453)	\$ 7,842,085
Non-controlling interests	<u>151,881</u>	<u>278,645</u>
Net income (loss) for the period	<u>\$ (709,572)</u>	<u>\$ 8,120,730</u>
Basic earnings per ordinary share (Note 4)	<u>\$ (0.05)</u>	<u>\$ 0.30</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the three months ended June 30, 2011
with comparative figures for the three months ended June 30, 2010
(Expressed in Bahamian dollars)

	3 Months Ended June 30, 2011	3 Months Ended June 30, 2010
Net income (loss) for the period	\$ (709,572)	\$ 8,120,730
Other comprehensive income:		
Change in available-for-sale financial assets from unrealized available-for-sale net gains	<u>808,264</u>	<u>(514,661)</u>
Total comprehensive income for the period	<u>\$ 98,692</u>	<u>\$ 7,606,069</u>
Attributable to:		
Equity shareholders of the Company	(53,189)	7,327,424
Non-controlling interests	<u>151,881</u>	<u>278,645</u>
Total comprehensive income for the period	<u>\$ 98,692</u>	<u>\$ 7,606,069</u>

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, 2011
with comparative figures for the six months ended June 30, 2010
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	Retained Earnings	Preference Share Capital	Non-controlling Interests	Total Equity
Balance, January 1, 2010	\$ 24,729,613	\$ (81,615)	\$ 5,960,299	\$ 5,567,530	\$ 34,105,176	\$ 20,000,000	\$ 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 loss transferred to income on disposal of available-for-sale securities	-	-	-	(158)	-	-	-	(158)
Net income for the period	-	-	-	-	9,592,427	-	515,447	10,107,874
Changes in non-controlling interests	-	-	-	-	-	-	(2,916,531)	(2,916,531)
Ordinary share dividends	-	-	-	-	(3,709,442)	-	-	(3,709,442)
Unrealized gain on purchase of shares in subsidiary	-	-	-	774,187	-	-	-	774,187
Issuance of preference shares	-	-	-	-	-	1,777,000	-	1,777,000
Distributions by subsidiaries	-	-	-	-	-	-	(115,350)	(115,350)
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>\$ 5,806,905</u>	<u>\$ 39,254,105</u>	<u>\$ 21,777,000</u>	<u>\$ 10,465,471</u>	<u>\$ 107,911,778</u>
Balance, January 1, 2011	\$ 24,729,613	\$ (331,614)	\$ 5,960,299	\$ 6,985,968	\$ 39,655,010	\$ 26,027,000	\$ 12,472,319	\$ 115,498,595
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-	787,368	-	-	-	787,368
Changes in non-controlling interests	-	-	-	-	-	-	(2,666,620)	(2,666,620)
Net income for the period	-	-	-	-	1,243,785	-	388,696	1,632,481
Ordinary share dividends	-	-	-	-	(3,956,738)	-	-	(3,956,738)
Unrealized gain on purchase of shares in subsidiary	-	-	-	7,906	-	-	-	7,906
Issuance of preference shares	-	-	-	-	-	260,000	-	260,000
Preference share dividends	-	-	-	-	(870,777)	-	-	(870,777)
Balance, June 30, 2011	<u>\$ 24,729,613</u>	<u>\$ (331,614)</u>	<u>\$ 5,960,299</u>	<u>\$ 7,781,242</u>	<u>\$ 36,071,280</u>	<u>\$ 26,287,000</u>	<u>\$ 10,194,395</u>	<u>\$ 110,692,215</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, 2011
with comparative figures for the six months ended June 30, 2010
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2011	6 Months Ended June 30, 2010
Cash flows from operating activities:		
Net income	\$ 1,632,481	\$ 10,107,874
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized loss/(gain) on fair value through income securities	516,846	(63,116)
Increase in provision for future policy benefits	11,408,592	3,988,896
Changes in loss provisions for loans and receivables	(812,093)	(425,297)
Depreciation and amortization charges	906,248	1,153,106
Net realized (gain)/loss on fair value through income securities	(182,850)	84,884
Net realized (gain)/loss on sale of available-for-sale securities	(3,332)	1,342
Interest income	(12,194,469)	(12,688,227)
Dividend income	(805,776)	(739,630)
Fair value gains on investment properties	-	(1,029,407)
Bank loan interest costs	-	47,879
Operating cash flows before changes in operating assets and liabilities	<u>465,647</u>	<u>438,304</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in other assets	(3,696,459)	257,500
Increase/(decrease) in other liabilities	<u>8,133,382</u>	<u>(1,756,167)</u>
Net cash provided by/(used in) operating activities	<u>4,902,570</u>	<u>(1,060,363)</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, 2011
with comparative figures for the six months ended June 30, 2010
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2011	6 Months Ended June 30, 2010
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	7,906	774,187
Decrease /(increase) in term deposits with original maturities greater than 90 days	3,284,134	(449,427)
(Increase)/decrease in restricted cash	(218)	395,087
Fair value through income securities purchased	(14,966,117)	(14,322,904)
Proceeds on disposal of fair value through income securities	5,043,420	7,209,224
Available-for-sale securities purchased	(4,695,397)	(1,510,323)
Proceeds on disposal of available-for-sale securities	4,360,478	1,658,183
Decrease in loans to policyholders	371,341	184,151
Additions to investment property	29,407	(1,841,802)
Net change in mortgage and commercial loans	1,799,360	2,220,149
Interest received	12,378,725	12,355,694
Dividends received	805,776	739,630
Proceeds on disposal of property and equipment, net	(400)	-
Additions to property and equipment	(736,566)	(204,496)
Additions to other intangible assets	-	(1,721,687)
	<u>7,681,849</u>	<u>5,485,666</u>
Net cash provided by investing activities		
Cash flows used in financing activities:		
Proceeds from issuance of preference shares	260,000	1,777,000
Distributions by subsidiaries	-	(115,350)
Interest paid on guaranteed investment and other contracts	-	(2,238)
Payment of bank loan interest	-	(45,641)
Dividends paid to ordinary shareholders	(3,956,738)	(3,709,442)
Dividends paid to preference shareholders	(870,777)	(734,056)
Repayment of bank loan principal	-	(2,903,756)
	<u>(4,567,515)</u>	<u>(5,733,483)</u>
Net cash used in financing activities		
Net increase/(decrease) in cash and cash equivalents	8,016,904	(1,308,180)
Cash and cash equivalents, beginning of period	<u>29,383,586</u>	<u>20,510,737</u>
Cash and cash equivalents, end of period (Note 3)	<u>\$ 37,400,490</u>	<u>\$ 19,202,557</u>

(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, 2011
(Expressed in Bahamian dollars)

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, 2011, 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 consolidated 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 consolidated financial 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 consolidated 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:

	June 30, 2011	June 30, 2010
Term deposits	\$ 18,527,627	\$ 12,007,348
Less: Deposits with original maturities of greater than 90 days	<u>(1,056,563)</u>	<u>(3,970,219)</u>
Short-term deposits	17,471,064	8,037,129
Cash and demand balances	23,148,610	11,519,052
Less: Restricted cash balances	(1,002,906)	(350,539)
Less: Bank overdraft	<u>(2,216,278)</u>	<u>(3,085)</u>
Total cash and cash equivalents	<u>\$ 37,400,490</u>	<u>\$ 19,202,557</u>

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

For the period ended June 30, 2011
(Expressed in Bahamian dollars)

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.

	6 Months Ended June 30, 2011	6 Months Ended June 30, 2010
Net income attributable to equity shareholders	\$ 1,243,785	\$ 9,592,427
Net income attributable to ordinary shareholders	<u>\$ 373,008</u>	<u>\$ 8,858,371</u>
Weighted average number of ordinary shares outstanding	<u>24,601,070</u>	<u>24,701,070</u>
Basic earnings per ordinary share	<u>\$ 0.02</u>	<u>\$ 0.36</u>
	3 Months Ended June 30, 2011	3 Months Ended June 30, 2010
Net income (loss) attributable to equity shareholders	\$ (861,453)	\$ 7,842,085
Net income (loss) attributable to ordinary shareholders	<u>\$ (1,272,188)</u>	<u>\$ 7,471,212</u>
Weighted average number of ordinary shares outstanding	<u>24,601,070</u>	<u>24,701,070</u>
Basic earnings per ordinary share	<u>\$ (0.05)</u>	<u>\$ 0.30</u>

5. Corresponding Figures

Certain corresponding figures have been reclassified to facilitate a more comparative basis of the consolidated financial statements based on current year presentation.

Unrealized gain on purchase of shares in subsidiary

To remain consistent with the accounting classifications and policies as adopted in the December 31, 2010 consolidated financial statements, the Company has reclassified \$774,187 from net investment income and included this gain in the revaluation reserve on the consolidated balance sheet.