

**Condensed Unaudited Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Three Months Ended March 31, 2011
UNAUDITED**

Message from the Chairman

Dear Shareholders,

We are pleased again to report positive growth in key financial indicators including net income, shareholder equity and gross revenue for the first three months of the financial year. Net income attributable to the Company's ordinary shareholders for the period January 1, 2011 to March 31, 2011 rose to \$1.6 million or \$0.07 per ordinary share, compared to net income of \$1.4 million or \$0.06 per ordinary share for the same period in the prior year. Similarly, gross premium revenues during the first quarter of 2011 have grown by 3.5% or \$1.1 million relative to the comparable period in 2010.

Returns on the investment portfolio have decreased slightly compared to the prior year due to fluctuations in the local equity market. Net investment income for the quarter stood at \$7.2 million compared to \$7.6 million for the same period in 2010.

General and administrative expenses have decreased by \$0.5 million to \$7.2 million, compared to \$7.7 million for the same period in the prior year. Gross policyholder benefits have increased by \$0.9 million to \$22.3 million 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 80.6% of total assets. Total equity stands at \$117.6 million at March 31, 2011 compared to \$115.5 million at December 31, 2010.

Colina continues to meet many of its strategic financial and operational targets as the economy continues its slow recovery from the effects of global recession. Looking ahead, we are optimistic about 2011. We continue to proceed cautiously to enhance our ability to maximize opportunities for sustained growth opportunities, while ensuring that we maintain our commitment to our policyholders, shareholders and team members.



Terence Hilts
Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Balance Sheet

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

	March 31, 2011	December 31, 2010
ASSETS		
Term deposits	\$ 20,520,591	\$ 15,172,686
Investment securities	213,657,251	207,683,148
Mortgages and commercial loans	69,448,167	68,877,119
Policy loans	69,036,774	69,581,644
Investment properties	49,442,770	49,248,407
Investment in associates	<u>10,822,306</u>	<u>10,747,280</u>
Total invested assets	432,927,859	421,310,284
Cash and demand balances	25,052,182	20,011,805
Receivables and other assets	47,299,342	52,296,830
Property and equipment	19,865,695	19,835,270
Goodwill	10,931,580	10,931,580
Other intangible assets	<u>1,062,787</u>	<u>1,211,359</u>
Total assets	<u>\$ 537,139,445</u>	<u>\$ 525,597,128</u>
LIABILITIES		
Provision for future policy benefits	\$ 314,857,317	\$ 311,797,811
Policy dividends on deposit	<u>31,587,288</u>	<u>31,488,577</u>
Total policy liabilities	346,444,605	343,286,388
Third party pension liabilities	26,555,672	26,107,997
Other liabilities	<u>46,537,358</u>	<u>40,704,148</u>
Total liabilities	<u>419,537,635</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	6,988,753	6,985,968
Retained earnings	<u>41,300,206</u>	<u>39,655,010</u>
Total ordinary shareholders' equity	78,647,257	76,999,276
Preference shares	<u>26,287,000</u>	<u>26,027,000</u>
Total shareholders' equity	104,934,257	103,026,276
Non-controlling interests	<u>12,667,553</u>	<u>12,472,319</u>
Total equity	<u>117,601,810</u>	<u>115,498,595</u>
Total liabilities and equity	<u>\$ 537,139,445</u>	<u>\$ 525,597,128</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Income Statement

For the three months ended March 31, 2011
with comparative figures for the three months ended March 31, 2010
(Expressed in Bahamian dollars)

	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010
Revenues:		
Premium revenue	\$ 32,190,700	\$ 31,107,813
Less: Reinsurance premiums	<u>3,473,189</u>	<u>2,877,933</u>
Net premium revenue	28,717,511	28,229,880
Net investment income	7,200,323	7,645,011
Other income	<u>1,516,140</u>	<u>1,128,190</u>
Total revenues	<u>37,433,974</u>	<u>37,003,081</u>
Benefits and expenses:		
Policyholders' benefits	22,273,164	21,311,688
Less: Reinsurance recoveries	<u>1,166,168</u>	<u>1,928,794</u>
Net policyholders' benefits	21,106,996	19,382,894
Changes in provision for future policy benefits	3,059,506	3,410,672
General and administrative expenses	7,157,969	7,678,634
Commissions	2,441,716	3,130,195
Premium and other tax expense	945,713	869,981
Finance costs	21,636	50,117
Other expenses	<u>358,385</u>	<u>493,444</u>
Total benefits and expenses	<u>35,091,921</u>	<u>35,015,937</u>
Net income for the period:	<u>\$ 2,342,053</u>	<u>\$ 1,987,144</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 2,105,238	\$ 1,750,342
Non-controlling interests	<u>236,815</u>	<u>236,802</u>
Net income for the period	<u>\$ 2,342,053</u>	<u>\$ 1,987,144</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.07</u>	<u>\$ 0.06</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the three months ended March 31, 2011
with comparative figures for the three months ended March 31, 2010
(Expressed in Bahamian dollars)

	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010
Net income for the period	\$ 2,342,053	\$ 1,987,144
Other comprehensive income:		
Change in available-for-sale financial assets	<u>(20,896)</u>	<u>(19,993)</u>
Other comprehensive (expense) for the period	<u>(20,896)</u>	<u>(19,993)</u>
Total comprehensive income for the period	<u>\$ 2,321,157</u>	<u>\$ 1,967,151</u>
Attributable to:		
Equity shareholders of the Company	2,080,311	1,726,567
Non-controlling interests	<u>240,846</u>	<u>240,584</u>
Total comprehensive income for the period	<u>\$ 2,321,157</u>	<u>\$ 1,967,151</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Changes in Equity

For the three months ended March 31, 2011
with comparative figures for the three months ended March 31, 2010
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	Preference Share Capital	Retained Earnings	Non-controlling Interests	Total Equity
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	-	-	-	(19,993)	-	-	-	(19,993)
Net income for the period	-	-	-	-	-	1,750,342	236,802	1,987,144
Changes in non-controlling interests	-	-	-	-	-	-	(2,175,354)	(2,175,354)
Unrealized gain on purchase of shares in subsidiary	-	-	-	774,187	-	-	-	774,187
Issuance of preference shares	-	-	-	-	1,130,000	-	-	1,130,000
Distributions by subsidiaries	-	-	-	-	-	-	(115,350)	(115,350)
Preference share dividends	-	-	-	-	-	(363,183)	-	(363,183)
Balance, March 31, 2010	<u>\$ 24,729,613</u>	<u>\$ (81,615)</u>	<u>\$ 5,960,299</u>	<u>\$ 6,321,724</u>	<u>\$ 21,130,000</u>	<u>\$ 35,492,335</u>	<u>\$ 10,928,003</u>	<u>\$ 104,480,359</u>
Balance, January 1, 2011	\$ 24,729,613	\$ (331,614)	\$ 5,960,299	\$ 6,985,968	\$ 26,027,000	\$ 39,655,010	\$ 12,472,319	\$ 115,498,595
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	(20,896)	-	-	-	(20,896)
Changes in non-controlling interests	-	-	-	-	-	-	(41,581)	(41,581)
Net income for the period	-	-	-	-	-	2,105,238	236,815	2,342,053
Unrealized gain on purchase of shares in subsidiary	-	-	-	23,681	-	-	-	23,681
Issuance of preference shares	-	-	-	-	260,000	-	-	260,000
Preference share dividends	-	-	-	-	-	(460,042)	-	(460,042)
Balance, March 31, 2011	<u>\$ 24,729,613</u>	<u>\$ (331,614)</u>	<u>\$ 5,960,299</u>	<u>\$ 6,988,753</u>	<u>\$ 26,287,000</u>	<u>\$ 41,300,206</u>	<u>\$ 12,667,553</u>	<u>\$ 117,601,810</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the three months ended March 31, 2011
with comparative figures for the three months ended March 31, 2010
(Expressed in Bahamian dollars)

	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010
Cash flows from operating activities:		
Net income	\$ 2,342,053	\$ 1,987,144
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized loss/(gain) on fair value through income securities	151,055	(778,382)
Increase in provision for future policy benefits	3,059,506	3,267,001
Changes in loss provisions for loans and receivables	59,410	175,457
Depreciation and amortization charges	461,219	439,734
Net realized loss on fair value through income securities	2,875	46,448
Net realized loss on sale of available-for-sale securities	-	1,500
Interest income	(5,848,310)	(6,037,350)
Dividend income	(516,046)	(442,568)
Finance costs	-	47,879
Operating cash flows before changes in operating assets and liabilities	(288,238)	(1,293,137)
Changes in operating assets and liabilities:		
Decrease/(increase) in other assets	4,634,150	(1,505,433)
Increase in other liabilities	3,715,564	1,950,984
Net cash provided by/(used in) operating activities	<u>8,061,476</u>	<u>(847,586)</u>

(Continued)

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the three months ended March 31, 2011
with comparative figures for the three months ended March 31, 2010
(Expressed in Bahamian dollars)

	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	23,681	774,187
Decrease /(increase) in term deposits with original maturities greater than 90 days	3,236,327	(3,718,364)
(Increase)/decrease in restricted cash	(218)	395,154
Fair value through income securities purchased	(6,859,052)	(4,171,224)
Proceeds on disposal of fair value through income securities	326,107	1,769,266
Available-for-sale securities purchased	(1,366,950)	(421,417)
Proceeds on disposal of available-for-sale securities	1,750,963	977,085
Decrease in loans to policyholders	478,264	225,329
Additions to investment property	(194,363)	-
Net change in mortgage and commercial loans	(430,932)	1,160,152
Interest received	6,003,704	5,992,382
Dividends received	516,046	442,568
Proceeds on disposal of property and equipment, net	(400)	-
Additions to property and equipment	<u>(342,672)</u>	<u>(171,328)</u>
Net cash provided by investing activities	<u>3,140,505</u>	<u>3,253,790</u>
Cash flows used in financing activities:		
Proceeds from issuance of preference shares	260,000	1,130,000
Distributions by subsidiaries	-	(115,350)
Interest paid on guaranteed investment & other contracts	-	(2,238)
Payment of bank loan interest	-	(45,641)
Dividends paid to preference shareholders	(460,042)	(363,183)
Repayment of bank loan principal	<u>-</u>	<u>(2,903,756)</u>
Net cash used in financing activities	<u>(200,042)</u>	<u>(2,300,168)</u>
Net increase in cash and cash equivalents	11,001,940	106,036
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>\$ 40,385,526</u>	<u>\$ 20,616,773</u>

(Concluded)

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

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

For the period ended March 31, 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 March 31, 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 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:

	March 31, 2011	March 31, 2010
Term deposits	\$ 20,520,591	\$ 18,359,286
Less: Deposits with original maturities of greater than 90 days	<u>(1,104,370)</u>	<u>(7,239,156)</u>
Short-term deposits	19,416,221	11,120,130
Cash and demand balances	25,052,182	11,653,516
Less: Restricted cash balances	(1,002,906)	(350,472)
Less: Bank overdraft	<u>(3,079,971)</u>	<u>(1,806,401)</u>
Total cash and cash equivalents	<u>\$ 40,385,526</u>	<u>\$ 20,616,773</u>

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

For the period ended March 31, 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.

	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010
Net income attributable to equity shareholders	<u>\$ 2,105,238</u>	<u>\$ 1,750,342</u>
Net income attributable to ordinary shareholders	<u>\$ 1,645,196</u>	<u>\$ 1,387,159</u>
Weighted average number of ordinary shares outstanding	<u>24,601,070</u>	<u>24,701,070</u>
Basic earnings per ordinary share	<u>\$ 0.07</u>	<u>\$ 0.06</u>

5. Corresponding Figures

Certain corresponding figures have been reclassified to facilitate a more comparative basis of the 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 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.

Balances related to ASO Groups

In prior years, premium income and claim expenses for ASO (Administrative Services Only) groups to their participants where the Company acts solely as an administrator were classified with the Company's premium income and expenses. The Company has reclassified the net of premium and claim amounts relating to ASO groups on the income statement such that the financial statement reflects only the fees earned and expenses incurred by the Company for administering these ASO groups. As a result of the reclassification on the income statement, premium revenues have decreased by \$5,304,171, policyholders' benefits have decreased by \$5,447,842, and the change in provision for future policy benefits has increased by \$143,671.