Colina Insurance Limited

Audited Consolidated Financial Statements
Year Ended December 31, 2011
With Report of Independent Auditors

Deloitte.

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

Tel: +1 (242) 302 4800
Fax: +1 (242) 322-3101
http://www.deloitte.com/bahamas

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Colina Insurance Limited:

We have audited the accompanying consolidated financial statements of Colina Insurance Limited (the "Company"), which comprise the consolidated statement of financial position as at December 31, 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

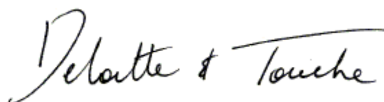
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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.

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



March 27, 2012

OLIVER WYMAN

Oliver Wyman
161 Bay Street
PO Box 501
Toronto, ON M5J 2S5
1 416 868 2700
Fax 1 416 868 7002
www.oliverwyman.com

27 March 2012

Subject: 2011 certification of actuarial liabilities

I have valued the actuarial liabilities of Colina Insurance Limited for its consolidated balance sheet as of 31st December 2011, for a total amount of $326,094,058, and their change in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice, the Canadian Institute of Actuaries' Standards of Practice (for Life companies), and the Canadian valuation method ("CALM"), all of which are accepted in the Bahamas, including selection of appropriate assumptions and methods.

In my opinion, the amount of the actuarial liabilities reported above makes appropriate provision for all future policyholder obligations, and the consolidated financial statements of Colina Insurance Limited present fairly the results of the valuation.

Respectfully submitted,

Jacques Tremblay
Fellow of Canadian Institute of Actuaries, Fellow of Society of Actuaries
Appointed Actuary for Colina Insurance Limited

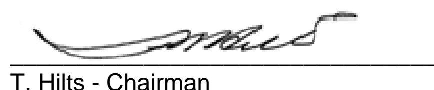
COLINA INSURANCE LIMITED
Consolidated Statement of Financial Position

At December 31, 2011
(Expressed in Bahamian dollars)

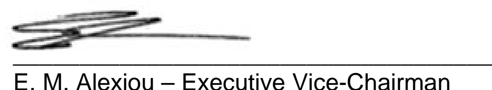
	Notes	2011	2010
ASSETS			
Term deposits	8	$ 32,641,513	$ 15,172,686
Investment securities	9	233,713,661	207,683,148
Mortgages and commercial loans	10	67,662,693	68,877,119
Policy loans	11	64,263,516	69,581,644
Investment properties	12	49,207,360	49,248,407
Investment in associates	13	7,867,818	8,076,435
Total invested assets		455,356,561	418,639,439
Cash and demand balances	8	12,816,836	20,011,805
Receivables and other assets	14	41,876,992	52,296,830
Property and equipment	15	19,903,274	19,835,270
Goodwill	16	8,562,271	8,562,271
Other intangible assets	17	1,369,011	1,211,359
Investment in Parent	18	162,255	331,615
Total assets		**$ 540,047,200**	**$ 520,888,589**
LIABILITIES			
Provision for future policy benefits	19	$ 326,094,058	$ 311,797,811
Policy dividends on deposit		30,695,059	31,488,577
Total policy liabilities		356,789,117	343,286,388
Other liabilities	20	69,652,182	66,811,085
Due to Parent	21	1,131,759	467,779
Total liabilities		427,573,058	410,565,252
EQUITY			
Ordinary share capital	22	3,000,000	3,000,000
Contributed capital		50,578,976	46,643,105
Revaluation reserve	23	8,814,755	7,984,942
Retained earnings		37,742,889	40,222,971
Total shareholders' equity		100,136,620	97,851,018
Non-controlling interests		12,337,522	12,472,319
Total equity		112,474,142	110,323,337
Total liabilities and equity		**$ 540,047,200**	**$ 520,888,589**

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

Approved by the Board of Directors on March 27, 2012 and signed on its behalf by:



T. Hilts - Chairman



E. M. Alexiou – Executive Vice-Chairman

COLINA INSURANCE LIMITED
Consolidated Statement of Income

For the Year Ended December 31, 2011
(Expressed in Bahamian dollars)

	Notes	2011	2010
Revenues:			
Premium revenue		$ 132,084,755	$ 131,842,822
Less: Reinsurance premiums	26	(14,635,344)	(13,669,376)
Net premium revenue	26	117,449,411	118,173,446
Net investment income	27	29,724,403	29,489,333
Share of loss of associates	13	(240,098)	(516,213)
Other income and fees		5,839,791	5,597,167
Total revenues		152,773,507	152,743,733
Benefits and expenses:			
Policyholders' benefits		96,525,935	87,872,347
Less: Reinsurance recoveries	28	(9,131,590)	(11,238,582)
Net policyholders' benefits	28	87,394,345	76,633,765
Changes in provision for future policy benefits	19	14,296,247	14,963,278
General and administrative expenses	29	29,156,949	29,630,379
Commissions		10,282,855	11,825,797
Premium and other tax expense		3,283,281	3,640,339
Finance costs and interest	30	118,660	52,860
Goodwill impairment	16	-	102,803
Other expenses		1,941,153	1,389,057
Total benefits and expenses		146,473,490	138,238,278
Net income for the year		**$ 6,300,017**	**$ 14,505,455**
Net income attributable to:			
Ordinary shareholder of the Company		$ 5,742,175	$ 13,396,885
Non-controlling interests		557,842	1,108,570
Net income for the year		**$ 6,300,017**	**$ 14,505,455**

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

COLINA INSURANCE LIMITED
Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2011
(Expressed in Bahamian dollars)

	2011	2010
Net income for the year	$ 6,300,017	$ 14,505,455
Other comprehensive income:		
Change in available-for-sale financial assets	306,733	304,228
Total comprehensive income for the year	**$ 6,606,750**	**$ 14,809,683**
Attributable to:		
Ordinary shareholder of the Company	$ 6,048,908	$ 13,701,113
Non-controlling interests	557,842	1,108,570
Total comprehensive income for the year	**$ 6,606,750**	**$ 14,809,683**

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

COLINA INSURANCE LIMITED
Consolidated Statement of Changes in Equity

For the Year ended December 31, 2011
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Contributed Capital	Revaluation Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance, December 31, 2009	$ 1,000,000	$ 42,721,105	$ 6,566,504	$ 34,981,608	$ 12,981,905	$ 98,251,122
Net income for the year	-	-	-	13,396,885	1,108,570	14,505,455
Net gain on remeasurement of available-for-sale securities to fair value	-	-	304,228	-	-	304,228
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	(117)	-	-	(117)
Sale of shares in subsidiary	-	-	-	-	2,625,000	2,625,000
Unrealized gain on purchase of shares in subsidiary (Note 23)	-	-	1,114,327	-	-	1,114,327
Acquisition of subsidiaries	-	-	-	-	(4,042,456)	(4,042,456)
Distributions by subsidiaries	-	-	-	-	(200,700)	(200,700)
Capital contribution by Parent	-	5,922,000	-	-	-	5,922,000
Conversion of share premium to additional ordinary share capital	2,000,000	(2,000,000)	-	-	-	-
Dividends paid to ordinary shareholder (Note 31)	-	-	-	(8,155,522)	-	(8,155,522)
Balance, December 31, 2010	3,000,000	46,643,105	7,984,942	40,222,971	12,472,319	110,323,337
Net income for the year	-	-	-	5,742,175	557,842	6,300,017
Net gain on remeasurement of available-for-sale securities to fair value	-	-	306,733	-	-	306,733
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	(3,332)	-	-	(3,332)
Sale of shares in subsidiary	-	-	-	-	650,000	650,000
Unrealized gain on purchase of shares in subsidiary (Note 23)	-	-	526,412	-	(591,619)	(65,207)
Acquisition of subsidiaries	-	-	-	-	(750,000)	(750,000)
Distributions by subsidiaries	-	-	-	-	(1,020)	(1,020)
Capital contribution by Parent	-	3,935,871	-	-	-	3,935,871
Dividends paid to ordinary shareholder (Note 31)	-	-	-	(8,222,257)	-	(8,222,257)
Balance, December 31, 2011	**$ 3,000,000**	**$ 50,578,976**	**$ 8,814,755**	**$ 37,742,889**	**$ 12,337,522**	**$ 112,474,142**

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

COLINA INSURANCE LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2011
(Expressed in Bahamian dollars)

	2011	2010
Cash flows from operating activities:		
Net income	$ 6,300,017	$ 14,505,455
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in unrealized gains on fair value through profit or loss securities	(247,849)	(1,147,244)
Increase in provision for future policy benefits	14,296,247	14,963,278
Changes in loss provisions for loans and receivables	(747,661)	890,509
Depreciation and impairment/amortization charges	2,033,217	2,438,723
Net realized loss on fair value through profit or loss securities	57,008	581,122
Net realized gain on sale of available-for-sale securities	(3,332)	(117)
Interest income	(24,023,551)	(23,927,815)
Dividend income	(1,383,461)	(1,303,532)
Fair value losses/(gains) on investment properties	512,221	(809,407)
Finance costs and interest	118,660	52,860
Operating cash flows before changes in operating assets and liabilities	(3,088,484)	6,243,832
Changes in operating assets and liabilities:		
Decrease/(increase) in other assets	10,776,900	(8,263,189)
Increase in other liabilities	1,219,992	3,033,771
Net cash provided by operating activities	8,908,408	1,014,414

(Continued)

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

COLINA INSURANCE LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2011
(Expressed in Bahamian dollars)

	2011	2010
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	(173,113)	(303,129)
Increase in term deposits with original maturities greater than 90 days	(6,232,405)	(819,905)
Increase in restricted cash balances	(2,559)	(257,062)
Fair value through profit or loss securities purchased	(23,366,203)	(28,512,577)
Proceeds on disposal of fair value through profit or loss securities	6,702,536	18,538,129
Available-for-sale securities purchased	(44,157,785)	(18,322,347)
Proceeds on disposal of available-for-sale securities	35,296,419	9,998,126
Decrease/(increase) in investment in Parent	169,360	(250,000)
Net decrease in loans to policyholders	5,879,413	1,859,749
Net decrease in mortgages and commercial loans	1,501,867	8,187,981
Additions to investment property	(471,174)	-
Interest received	24,359,236	23,912,947
Dividends received	1,383,461	1,303,532
Proceeds on disposal of property and equipment, net	(399)	57,249
Additions to property and equipment	(1,396,718)	(406,323)
Additions to other intangible assets	(782,971)	(1,737,097)
Net cash (used in)/provided by investing activities	(1,291,035)	13,249,273
Cash flows from financing activities:		
Distributions by subsidiaries	(1,020)	(200,700)
Interest paid on other contracts	(118,660)	(16,464)
Payment of interest on bank loan	-	(36,396)
Repayment of principal on bank loan	-	(2,903,756)
Capital contribution by Parent	3,935,871	5,922,000
Dividends paid to ordinary shareholders	(8,222,257)	(8,155,522)
Net cash used in financing activities	(4,406,066)	(5,390,838)
Net increase in cash and cash equivalents	3,211,307	8,872,849
Cash and cash equivalents, beginning of year	29,383,586	20,510,737
Cash and cash equivalents, end of year (Note 8)	**$ 32,594,893**	**$ 29,383,586**

(Concluded)

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

1. Corporate Information

Colina Insurance Limited ("the Company"), formerly "ColinaImperial Insurance Ltd.", was incorporated under the laws of the Commonwealth of The Bahamas. The Company adopted its present name on December 4, 2009.

The principal activity of the Company is the transaction of life and health insurance business. The Company is registered to operate as a life and health insurer in The Bahamas, The Cayman Islands, and The Turks and Caicos Islands.

The Company is wholly owned by Colina Holdings Bahamas Limited ("the Parent") whose majority shareholder is AF Holdings Ltd. ("AFH"). Both the Parent and AFH are Bahamian companies and ordinary shares of the Parent are listed on the Bahamas International Securities Exchange. All significant balances and transactions with AFH and parties related to AFH are disclosed in these consolidated financial statements (See Note 34).

The registered office of the Company is located at Trinity Place Annex, Frederick and Shirley Streets, 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-4728, Nassau, The Bahamas.

The consolidated financial statements of the Company for the year ended December 31, 2011 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 27, 2012.

2. Changes in Accounting Policy and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of January 1, 2011 which the Company has adopted:

- IAS 1 *Presentation of Financial Statements (Amendment):* Amendments resulting from May 2010 Annual Improvements to IFRSs. Effective prospectively for reporting periods beginning on or after January 1, 2011;
- IAS 24 *Related Party Disclosures (Amendment):* Effective prospectively for reporting periods beginning on or after January 1, 2011; and
- IFRIC 14 *Prepayments of a minimum funding requirement (Amendment):* Effective prospectively for reporting periods beginning on or after January 1, 2011.

The adoption of these new and amended International Financial Reporting Standards (IFRS) and International Reporting Interpretations Committee (IFRIC) interpretations has not had any material impact on the amounts reported for current and prior years but may affect the accounting for future transactions and arrangements.

3. Standards Issued but not yet Effective

The Company has not adopted the following IFRS and interpretations issued by the IFRIC that have been issued but are not yet effective.

- IFRS 7 *Financial Instruments: Disclosures* – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities. Effective prospectively for reporting periods beginning on or after January 1, 2013;
- IFRS 9 *Financial Instruments - Classification and Measurement:* Effective prospectively for reporting periods beginning on or after January 1, 2015;
- IFRS 10 *Consolidated Financial Statements* - Effective prospectively for reporting periods beginning on or after January 1, 2013;
- IFRS 11 *Joint Arrangements* - Effective prospectively for reporting periods beginning on or after January 1, 2013;

- IFRS 12 *Disclosure of Interest In Other Entities* - Effective prospectively for reporting periods beginning on or after January 1, 2013;
- IFRS 13 *Fair Value Measurement* - Effective prospectively for reporting periods beginning on or after January 1, 2013;
- IAS 19 *Employee Benefits (Amendments)* - Effective prospectively for reporting periods beginning on or after January 1, 2013;
- IAS 27 *Consolidated Separate Financial Statements (Amendments) – Separate Financial Statements:* Effective prospectively for periods beginning on or after January 1, 2013;
- IAS 28 *Investment In Associates (Amendments) – Investment In Associates and Joint Ventures* - Effective prospectively for periods beginning on or after January 1, 2013; and
- IAS 32 *Financial Instruments: Presentation* – Amendments to application guidelines on the offsetting of financial assets and financial liabilities. Effective prospectively for reporting periods beginning on or after January 1, 2014.

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Company.

4. Summary of Significant Accounting Policies

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

4.1 Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with IFRS.

The Company presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the balance sheet date (current) and more than 12 months after the balance sheet date (non-current) is presented in Note 35.

4.2 Basis of preparation

These consolidated financial statements, comprising the Company and its subsidiaries, have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment properties that are required to be remeasured at fair value. The Company, with the concurrence of The Insurance Commission of The Bahamas, uses actuarial practices generally accepted in Canada for the valuation of its provision for future policyholder benefits as no specific guidance is provided by IFRS for determining such provisions. The adoption of IFRS 4 – Insurance Contracts, permits the Company to continue with this valuation policy.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

4.3 *Significant accounting judgments and key sources of estimation uncertainty*

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of long term insurance contract liabilities and investment contract liabilities with a Discretionary Participation Feature (“DPF”)

The liability for life insurance contracts and investment contracts with DPF is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management’s best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates, and discount rates. The Company bases mortality and morbidity rates on standard industry Canadian mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company’s unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation if appropriate.

Lapse and surrender rates are based on the Company’s historical experience of lapses and surrenders.

Discount rates are based on current industry risk rates, adjusted for the Company’s own risk exposure.

The carrying value at December 31, 2011 of long term insurance contract liabilities is $202,087,021 (2010: $199,519,172) and of investment contract liabilities with DPF is $9,018,040 (2010: $9,659,290).

(b) Medical insurance contract liabilities

For medical insurance contracts, estimates have to be made for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for certain types of policies, IBNR claims form the majority of the balance sheet liability.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a company’s past claims development experience can be used to project future claims development and hence ultimate claims costs.

The carrying value at the balance sheet date of non-life insurance contract liabilities is $16,404,856 (2010: $ 13,524,480).

(c) Goodwill impairment testing

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized.

The carrying value of goodwill is $8,562,271 (2010: $8,562,271).

4.4 Principles of consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries where the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date on which control ceases.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination (See Note 4.5) and the non-controlling interest's share of changes in equity since the date of the combination.

All material inter-company balances and transactions are eliminated on consolidation. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

4.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Once control has been established, the unrealized gain or loss is recorded in the revaluation reserve in the consolidated statement of changes in equity.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognized as measurement period adjustments in accordance with the applicable IFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the Company's share in the net identifiable assets acquired and liabilities assumed and net of the fair value of any previously held equity interest in the acquiree. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4.6 Investment in associates

The Company's investment in associates is accounted for using the equity method of accounting. An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of the net assets of the associate. Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. As goodwill relating to an associate forms part of the carrying amount of an investment in associate and is not separately recognized, it is neither amortized nor individually tested for impairment.

After application of the equity method, the Company assesses at each balance sheet date whether there is any objective evidence that the entire carrying amount of the investment in associate is impaired by comparing its carrying value to its recoverable amount. Any impairment losses are recognized immediately in the consolidated statement of income.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's interest in the relevant associate.

Upon loss of significant influence over an associate, the Company measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

4.7 Foreign currency translation

The Company's functional and presentation currency is the Bahamian dollar. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are translated to Bahamian dollars using the rate of exchange prevailing at the balance sheet date. Income and expense items denominated in foreign currencies are translated at a rate of exchange that approximates the actual rate prevailing at the time of the transaction. Resulting differences are recognized in income in the reporting period in which they arise.

4.8 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise: cash on hand; demand deposits; term deposits with original maturities of 90 days or less; adjusted for restricted cash balances and bank overdrafts.

4.9 Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the classification at every reporting date.

Financial assets at fair value through profit or loss ("FVPL")

Financial assets at FVPL has two sub categories - namely, financial assets held for trading, and those designated at fair value through the income statement at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated at initial recognition as at FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognizing gains and losses on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Loans and receivables

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 or that it has designated as at FVPL or available-for-sale. Balances that are included in this classification include: mortgages and commercial loans, policy loans, receivables arising from insurance contracts, and term deposits with maturities of greater than 90 days.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Regular way purchases and sales of financial assets are recognized on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus, in the case of all financial assets not carried at FVPL, transaction costs that are directly attributable to their acquisition. Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Fair value of financial instruments

Fair value is defined under accounting guidance currently applicable to the Company to be the prices that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. AFS financial assets and financial assets at FVPL are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets classified in the FVPL category are included in the consolidated statement of income in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of financial assets classified as AFS are recognized in the revaluation reserve in the consolidated statement of changes in equity. When financial assets classified as AFS are sold or impaired, the difference between cost or amortized cost and estimated fair value is removed from the revaluation reserve and charged to the consolidated statement of income.

For financial instruments where there is not an active market, the fair value is determined by comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

The carrying value of floating rate and overnight deposits with credit institutions approximates fair value. The carrying value is the cost of the deposit and accrued interest.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 9.

4.10 Impairment of financial assets

Financial assets carried at amortized cost

The Company assesses 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 group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have 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. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, though the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortized cost, 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. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of financial assets are reduced by the impairment loss directly for all financial assets with the exception of trade receivables and mortgage loans, where the carrying value is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Financial assets carried at fair value

The Company assesses at each balance sheet date whether there is objective evidence that an AFS financial asset is impaired, including in the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost. If any evidence exists for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated statement of income. The impairment loss is reversed through the consolidated statement of income if in a subsequent period the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

4.11 Investment properties

Investment properties comprise freehold land and buildings, mainly commercial properties that are held for long-term yields and capital appreciation purposes and are held initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and exclude the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, such properties are measured at estimated fair value based on open market value determined periodically by external appraisers with management valuations in intervening periods. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party, or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the income statement.

4.12 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment losses. Depreciation is charged using the straight-line method to allocate the cost of the assets over their estimated useful lives, as follows:

- Furniture, fixtures and equipment — 5 to 10 years
- Computer hardware — 3 to 5 years
- Motor vehicles — 4 to 5 years
- Leasehold improvements — 5 to 15 years, or shorter lease term
- Land improvements and buildings — 40 to 50 years

Land is not depreciated. The assets' useful lives are reviewed at each balance sheet date and adjusted if appropriate. 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.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve in equity.

Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

4.13 Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquiree at the acquisition date. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For goodwill arising from the purchase of insurance related business, goodwill is allocated to CGUs identified according to the nature and type of insurance contract by major block of business.

For each CGU, the impairment charge is calculated by comparing the present value of the in force and projected new business at time of purchase and currently to determine how much the value has decreased relative to the original amount of goodwill recorded.

The Company's policy for goodwill arising on the acquisition of an associate is described in Note 4.6.

Other intangible assets

Other intangible assets include acquired computer software licenses which are capitalized on the basis of the costs incurred to acquire and implement the specific software. These costs are amortized using the straight-line method over the estimated useful life, not exceeding a period of three years and are included in general and administrative expenses in the consolidated statement of income. At each balance sheet date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Other intangible assets included in investment in associates

These Intangible assets include software, customer relationships, non-competitive agreement and trade name and are carried at cost less accumulated amortization. Intangible assets included in investment in associates are amortized on a straight-line basis as follows:

Software	3 years
Customer relationships	10 years
Non-competitive agreement	2 years
Trade name	5 years

The carrying amount of intangible assets included in investment in associates is reviewed at each balance sheet date to assess whether it is recorded in excess of its recoverable amount. Where the carrying value exceeds this estimated value the asset is written down to the recoverable amount.

4.14 Insurance contracts

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Significant insurance risk is defined as the probability of paying significantly more on the occurrence of an insured event than if the insured event did not occur.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

A number of insurance and investment contracts contain a DPF. This feature entitles the contract holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company, and;
- that are contractually based on:
    - the performance of a specified pool of contracts or a specified type of contract;
    - realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
    - the profit or loss of the Company, fund or other entity that issues the contract.

The amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the Appointed Actuary.

Insurance contracts and investment contracts with and without DPF are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

Short duration life insurance contracts protect the Company's customers from the financial consequences of events (such as death, sickness, or disability). Benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims IBNR.

Individual health insurance premiums are recognized as revenue when received. Group life and health insurance premiums are recognized as revenue over the related contract periods.

Long-term insurance and other contracts

Long-term insurance and other contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are reviewed annually. A margin for adverse deviations is included in the assumptions.

Long-term insurance and other contracts are further classified into the following sub-categories:

- with fixed and guaranteed terms;
- with fixed and guaranteed terms and with DPF;
- without fixed and guaranteed terms; and
- without fixed and guaranteed terms and with DPF.

The contracts containing DPF participate in the profits of the Company. As the Company declares the bonus to be paid, it is credited to the individual policyholders.

Long-term investment contracts with DPF

The fair value of these contracts is determined with reference to the fair value of the underlying financial assets and they are recorded at inception at their fair value.

4.15 Provision for future policy benefits

The provision for future policy benefits represents the amount required, in addition to future premiums and investment income, to provide for future benefit payments, commissions and policy administration expenses for all insurance and annuity policies in force with the Company. The Company's Appointed Actuary is responsible for determining the amount of the policy liabilities such that sufficient funds will be available in the future to meet the Company's contractual obligations.

The provision for future policy benefits is determined using accepted actuarial practices established by the Canadian Institute of Actuaries ("CIA"), which are accepted in The Bahamas. In accordance with these standards, the policy actuarial liabilities have been determined by the Appointed Actuary using the Canadian Asset Liability Method ("CALM") and the CIA Standards of Practice (Practice – Specific Standards For Insurers), Section 2300, Life and Health Insurance ("SOP").

CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations. The method consists of four basic steps:

1. Determination of the period over which these projections are performed.
2. Projection of liability cash flows.
3. Projection of asset cash flows.
4. Performance of interest rate scenario testing under a variety of plausible economic conditions.

The Company maintains specific assets to back the policy liabilities by lines of business. The projection of liability and asset cash flows recognizes these specific assets. The projection period is chosen so as to include all insured events in the valuation process.

The actuarial liabilities for very small blocks of business have been set up as 100% of their annual premiums. IBNR reserves for group life, accident and health are computed as a percentage of related premiums based on experience studies. These bases are in accordance with CALM and SOP.

4.16 Commission expense

Commission expenses comprise commissions earned by the Company's agents in respect of insurance and investment products sold. Commission expenses are recognized when payable.

4.17 Pension business

The pension business consists of third party pension plans with fund accumulations at rates of interest determined by the Company. There are no future interest or annuity rate guarantees. The liability established for future pension benefits for each of these plans is equal to the fund balance at the valuation date. Such third party pension liabilities are included in 'other liabilities,' see Note 20.

4.18 Policy dividends on deposit

Policy dividends on deposit comprise dividends declared on policies but not withdrawn from the Company, together with accrued interest.

4.19 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's Board of Directors. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

4.20 Revenue recognition

Interest income for financial assets that are not classified as at FVPL is recognized using the effective interest method. Dividend income is recognized when the Company's right to receive payment is established – this is the ex-dividend date for equity securities. The Company's policy for recognition of revenue from operating leases is described in Note 4.26. For the revenue recognition policies surrounding insurance contracts, see Note 4.14.

4.21 Reinsurance

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage contracts. Contracts entered into that meet the classification requirements of insurance contracts are classified as reinsurance contracts held. Amounts recoverable from reinsurers are estimated in a manner consistent with the policy liability associated with the reinsured.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums due for reinsurance contracts and are recognized as an expense when due.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated statement of income.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for non-life insurance contracts. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

4.22 Defined contribution pension plan

The Company operates a defined contribution pension plan. Contributions are made to the plan on a mandatory and voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's portion of the contributions is charged to the consolidated statement of income as employee/agent benefits expense in the year to which they relate.

4.23 Share-based payments

The Company operates an Employee Share Ownership Plan ("ESOP"). Under this plan, eligible employees and agents can purchase common shares of the Company on the open market through regular payroll deductions up to a maximum of 10% of eligible earnings. Employee and agent contributions are matched by the Company at rates between 20% to 25% of eligible earnings. The Company's matching contribution fully vests to the employee or agent after a period of 4 years. These share-based payments to employees and agents are measured at the fair value of the equity instruments at the grant date. The cost of matching employee and agent contributions amounted to $8,662 in 2011 (2010: $5,402) and is included in employee/agent benefits expense.

4.24 Taxation

The Company is subject to tax on taxable gross premium income at the flat rate of 3% (2010: 3%). There are no other corporate, income or capital gains taxes levied on the Company in The Bahamas or in any other jurisdictions in which the Company operates.

4.25 Segregated fund

With the acquisition of Imperial Life in 2005, certain contracts were acquired which allow unit holders to invest in a segregated fund managed by the Company for their benefit. Substantially all risks and rewards of ownership accrue to the unit holders and, consequently, the assets held in the segregated fund account are excluded from the assets in the Company's general funds. As of December 31, 2011, these assets amounted to $45.7 million (2010: $45.7 million). The Company has entered into a sub-investment management agreement with its own related party Investment Manager to manage a significant portion of these assets.

4.26 Leases

Rental income due from lessees on operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Where the Company is the lessee, leases in which 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.

4.27 Loans

Loans are initially recognized at fair value, which is the cost of the consideration received, net of issue costs and any discount or premium on settlement. Subsequent to initial recognition, they are measured at amortized cost, using the effective interest rate method.

Borrowing costs are recognized as an expense when incurred.

4.28 Other financial liabilities and insurance, trade and other payables

These items are recognized when due and measured on initial recognition at the fair value of the consideration paid. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Financial liabilities and insurance, trade and other payables are derecognized when the obligation under the liability is discharged, cancelled or expired. When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

4.29 Contingent liabilities

Provisions for contingent liabilities are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. Responsibilities of the Appointed Actuary and Independent Auditors

The Appointed Actuary is appointed by the Board of Directors and is responsible for carrying out an annual valuation of the Company's policy liabilities in accordance with accepted actuarial practice and reporting thereon to the Board of Directors. In performing the valuation, the Appointed Actuary makes assumptions as to the future rates of interest, asset default, mortality, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies taking into consideration the circumstances of the Company and the policies in force. The Appointed Actuary's report outlines the scope of the valuation and the actuary's opinion.

The Independent Auditors have been appointed by the shareholders and are responsible for conducting an independent and objective audit of the consolidated financial statements in accordance with International Standards on Auditing. They report to the shareholders regarding the fairness of the presentation of the Company's consolidated financial statements in accordance with International Financial Reporting Standards. In carrying out their audit, the Independent Auditors also make use of the work of the Appointed Actuary and the Appointed Actuary's report on the policy liabilities. The Independent Auditors' report outlines the scope of their audit and their opinion.

6. Subsidiaries

Subsidiaries of the Company as of December 31, 2011 are as follows:

Name	Place of Incorporation	Shareholding
Mortgage Company		
Colina Mortgage Corporation Ltd. ("CMCO")	The Bahamas	100%
Investment Property Holding Companies		
Bay St. Holdings Ltd.	The Bahamas	100%
Colina Real Estate Fund Ltd.	The Bahamas	81%
CollImpco One Ltd.	The Bahamas	100%
Dax Limited	The Bahamas	100%
Goodman's Bay Development Company Limited ("GBDC")	The Bahamas	81%
IMPCO Properties (Bahamas) Limited	The Bahamas	100%
IMPCO Real Estate Holdings (Bahamas) Limited	The Bahamas	100%
NCP Holdings Ltd.	The Bahamas	100%
P.I. Investments Ltd.	The Bahamas	100%
Wednesday Holding Company Ltd.	The Bahamas	100%
Investment Holding Companies		
Fairway Close Development Company Ltd.	The Bahamas	100%
Partner Investment Ltd.	The Bahamas	100%
PRO Health Holdings Ltd.	The Bahamas	100%
Sharp Investment Ltd.	The Bahamas	100%
Investment Funds		
CFAL Global Bond Fund Ltd.	The Bahamas	93%
CFAL Global Equity Fund Ltd.	The Bahamas	35%

7. Segment Information

For management purposes, the Company is organized into business units based on its products and services and has two reportable operating segments as follows:

- Life Division - offers a wide range of whole life and term insurance, and pension, annuity, savings and investment products.

- Group and Health Division – offers a wide range of individual medical and group life and health medical insurance.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the consolidated financial statements.

No inter-segment transactions occurred in 2011 and 2010. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results would then include those transfers between business segments which would then be eliminated on consolidation.

The segment results for the period ended December 31 are as follows:

	2011		
	Life	**Health**	**Total**
INCOME			
Net premium revenue	$ 55,454,314	$ 61,995,097	$ 117,449,411
Net investment income	28,642,639	841,666	29,484,305
Other income and fees	357,982	5,481,809	5,839,791
Total revenues	84,454,935	68,318,572	152,773,507
POLICYHOLDER BENEFITS	51,639,759	50,050,833	101,690,592
EXPENSES	27,827,332	16,955,566	44,782,898
NET INCOME	$ 4,987,844	$ 1,312,173	$ 6,300,017
TOTAL ASSETS	$ 494,225,394	$ 45,821,806	$ 540,047,200
TOTAL LIABILITIES	$ 391,294,433	$ 36,278,625	$ 427,573,058

	2010		
	Life	**Health**	**Total**
INCOME			
Net premium revenue	$ 58,245,233	$ 59,928,213	$ 118,173,446
Net investment income	28,141,811	831,309	28,973,120
Other income and fees	439,835	5,157,332	5,597,167
Total revenues	86,826,879	65,916,854	152,743,733
POLICYHOLDER BENEFITS	49,752,639	41,844,404	91,597,043
EXPENSES	28,469,690	18,171,545	46,641,235
NET INCOME	$ 8,604,550	$ 5,900,905	$ 14,505,455
TOTAL ASSETS	$ 476,692,349	$ 44,196,240	$ 520,888,589
TOTAL LIABILITIES	$ 375,729,701	$ 34,835,551	$ 410,565,252

8. Cash and Cash Equivalents

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

	2011	2010
Term deposits	$ 32,641,513	$ 15,172,686
Less: Deposits with original maturities of greater than 90 days	(10,573,102)	(4,340,697)
Short-term deposits	22,068,411	10,831,989
Cash and demand balances	12,816,836	20,011,805
Less: Restricted cash balances	(1,005,247)	(1,002,688)
Less: Bank overdraft (See Note 20)	(1,285,107)	(457,520)
Total cash and cash equivalents	$ 32,594,893	$ 29,383,586

The carrying amounts disclosed above reasonably approximate fair value at the balance sheet date.

As of the balance sheet date, the weighted-average interest rate on short-term deposits is 3.56% (2010: 4.30%). These deposits have an average maturity of 85 days (2010: 48 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 3.78% (2010: 3.83%).

Included in deposits with original maturities of greater than 90 days are restricted amounts of $680,434 (2010: $678,886). Included in cash and demand balances are restricted amounts of $1,005,247 (2010: $1,002,688). These restricted balances included a letter of credit in favour of a reinsurance company acting as a lead reinsurer for the Company for its participation in certain management years within the reinsurance facilities managed by International Reinsurance Managers, LLC (see Note 14) and deposits held as support for insurance liabilities in favour of regulatory bodies in jurisdictions other than The Bahamas.

9. Investment Securities

Investment securities comprise equity and debt securities classified into the following categories:

	2011	2010
Equity securities		
Fair value through profit or loss	$ 8,917,430	$ 9,641,384
Available-for-sale	10,802,425	9,901,515
Total equity securities	19,719,855	19,542,899
Debt securities		
Fair value through profit or loss	40,486,566	22,908,104
Available-for-sale	173,507,240	165,232,145
Total debt securities	213,993,806	188,140,249
Total investment securities	$ 233,713,661	$ 207,683,148

Financial assets at fair value through profit or loss are comprised primarily of financial instruments in the Bahamas Investment Fund (See Note 33).

As of the balance sheet date, government securities mainly comprise variable rate bonds tied to the Bahamian $ Prime Rate issued by The Bahamas Government with interest rates ranging from 4.78% to 8.75% per annum (2010: from 5.53% to 8.75% per annum) and scheduled maturities between 2012 and 2037 (2010: between 2011 and 2037). In June 2011, the Bahamian $ Prime Rate was reduced by 75 basis points from 5.50% to 4.75%.

Included in debt securities is $2,185,000 (2010: $Nil) representing a restricted balance which is held in favour of the CILStatutory Trust (the "Trust"). The Trust was established in accordance with the Insurance Act, 2005 and Insurance (General) Regulations 2010 (as amended). The aforementioned legislation requires that a minimum of $2,000,000 in assets be deposited with the Insurance Commission of The Bahamas by a registered insurer in respect of an entity which proposes to carry on life and/or health insurance business.

The movements in the categories of investment securities are as follows:

	FVPL	Available-for-sale	Total
At December 31, 2009	$ 22,008,918	$ 166,505,211	$ 188,514,129
Additions	28,512,577	18,322,347	46,834,924
Disposals and maturities	(18,538,129)	(9,998,126)	(28,536,255)
Net fair value gains	566,122	304,228	870,350
At December 31, 2010	32,549,488	175,133,660	207,683,148
Additions	23,366,203	44,157,785	67,523,988
Disposals and maturities	(6,702,536)	(35,296,419)	(41,998,955)
Net fair value gains	190,841	314,639	505,480
At December 31, 2011	$ 49,403,996	$ 184,309,665	$ 233,713,661

Determination of fair value and fair value hierarchy

The use of fair value to measure certain assets with resulting unrealized gains or losses is pervasive within the Company's financial statements, and is a critical accounting policy and estimate for the Company. The following is the fair value hierarchy used by the Company that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identifiable assets or liabilities, and a lower priority to less observable inputs.

The three levels of the fair value hierarchy are described below:

- Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access. Fair value is determined by multiplying the quoted price by the quantity held by the Company.

- Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices.

- Level 3 inputs are based on unobservable inputs for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

There have been no material changes in the Company's valuation techniques in the period represented by these consolidated financial statements.

The following table shows an analysis of financial instruments recorded at fair value by level within the fair value hierarchy:

At December 31, 2011	Level 1	Level 2	Total Fair Value
Financial assets designated at fair value through profit or loss:			
Equity securities	$ 8,649,933	$ 117,497	$ 8,767,430
Shares in investment funds	-	150,000	150,000
Government securities	30,947,486	-	30,947,486
Preferred shares	-	1,650,000	1,650,000
Other debt securities	-	7,889,080	7,889,080
Total	$ 39,597,419	$ 9,806,577	$ 49,403,996
Available-for-sale financial assets:			
Equity securities	$ 10,069,616	$ 67,042	$ 10,136,658
Shares in investment funds	-	665,767	665,767
Government securities	133,265,000	-	133,265,000
Preferred shares	-	9,061,153	9,061,153
Other debt securities	-	31,181,087	31,181,087
Total	$ 143,334,616	$ 40,975,049	$ 184,309,665

The Company did not have any financial instruments classified as Level 3 as at December 31, 2011.

At December 31, 2010	Level 1	Level 2	Total Fair Value
Financial assets designated at fair value through profit or loss:			
Equity securities	$ 9,372,936	$ 117,497	$ 9,490,433
Shares in investment funds	-	150,951	150,951
Government securities	17,109,863	-	17,109,863
Preferred shares	-	1,687,000	1,687,000
Other debt securities	-	4,111,241	4,111,241
Total	$ 26,482,799	$ 6,066,689	$ 32,549,488
Available-for-sale financial assets:			
Equity securities	$ 8,922,609	$ 338,824	$ 9,261,433
Shares in investment funds	-	640,082	640,082
Government securities	131,381,700	-	131,381,700
Preferred shares	-	9,015,450	9,015,450
Other debt securities	-	24,834,995	24,834,995
Total	$ 140,304,309	$ 34,829,351	$ 175,133,660

The Company did not have any financial instruments classified as Level 3 as at December 31, 2010.

10. Mortgages and Commercial Loans

Mortgages and commercial loans are comprised of the following:

	2011	2010
Mortgages and commercial loans	$ 69,681,908	$ 71,183,775
Accrued interest	6,778,660	6,712,691
Subtotal	76,460,568	77,896,466
Less: Provisions	(8,797,875)	(9,019,347)
Mortgages and commercial loans, net	$ 67,662,693	$ 68,877,119

Mortgages and commercial loans are classified into the following categories:

	2011	2010
Residential mortgages	$ 40,950,554	$ 42,716,611
Commercial mortgages	25,393,210	24,893,939
Commercial paper	3,338,144	3,573,225
Subtotal	69,681,908	71,183,775
Accrued interest	6,778,660	6,712,691
Total	$ 76,460,568	$ 77,896,466

The totals above represent the Company's gross exposure on mortgages and commercial loans. It is the Company's policy not to lend more than 75% of collateralized values pledged reducing the Company's overall net exposure.

Included in residential mortgages at December 31, 2011 are loans to employees and agents amounting to $6,320,903 (2010: $6,192,279).

Provisions on mortgages and commercial loans are as follows:

	2011	2010
Residential mortgages	$ 1,653,826	$ 1,016,750
Commercial mortgages	2,137,446	2,280,919
Commercial paper	620,250	854,614
Accrued interest	4,386,353	4,867,064
Total provisions on mortgages and commercial loans	$ 8,797,875	$ 9,019,347

The movement in loan loss provisions is as follows:

	2011	2010
Balance, beginning of year	$ 9,019,347	$ 9,186,303
Increase in provisions	987,787	2,584,016
Provisions written back to income	(1,209,259)	(2,750,972)
Balance, end of year	$ 8,797,875	$ 9,019,347

As of the year-end reporting date, the approximate weighted average interest rates on mortgages and commercial loans are as follows:

	2011	2010
Residential mortgages	7.70%	7.85%
Commercial mortgages	9.06%	9.14%
Commercial paper	8.25%	8.25%

11. Policy Loans

Policy loans are comprised of:

	2011	2010
Policy loans	$ 60,867,523	$ 66,746,936
Accrued interest on policy loans	3,575,654	3,886,990
Subtotal	64,443,177	70,633,926
Less: Provisions	(179,661)	(1,052,282)
Policy loans, net	$ 64,263,516	$ 69,581,644

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of $179,661 (2010: $1,052,282) in policy overloans. Policy overloans represent policy loans in excess of the cash surrender values of the policies on which the loans are made. These overloans are not secured by cash surrender values; however, the related policies remain in force. The policy overloans have been fully provided for at December 31, 2011. Interest is accrued on a monthly basis and the loans are settled on termination of the policy, if not repaid while the policy remains in force. The approximate effective interest rate on policy loans is 11.5 % (2010: 11.2%).

12. Investment Properties

	2011	2010
Balance, beginning of year	$ 49,248,407	$ 48,439,000
Additions	471,174	-
Net (losses)/gains from fair value adjustments	(512,221)	809,407
Balance, end of year	$ 49,207,360	$ 49,248,407

Land and buildings have been purchased for investment purposes and are carried at fair value. Investment properties, with carrying values totaling approximately $40.6 million (2010: $40.6 million), have been mortgaged in support of loans advanced to subsidiary companies by the Company that have been eliminated on consolidation. Income from investment properties, which amounted to $4,615,240 (2010: $4,576,638), is included in rental income in net investment income. Direct expenses related to generating rental income from investment properties, amounting to $2,042,537 (2010: $1,393,786), are included in general and administrative expenses.

13. Investment in Associates

Investment in Associates is comprised of:

	2011	2010
Walk-In Holdings Limited	$ 3,880,557	$ 3,622,129
SBL Ltd.	3,987,261	4,454,306
Total	$ 7,867,818	$ 8,076,435

Gains and losses from the Company's investment in associates are comprised of the following:

	2011	2010
Share of profit/(loss) of investment in associate		
Walk-In Holdings Limited	$ 252,262	$ (260,297)
SBL Ltd.	(40,703)	(87,789)
Impairment of goodwill - SBL	(451,657)	(168,127)
Share of loss of associates	$ (240,098)	$ (516,213)

Walk-In Holdings Limited

In November 2007, the Company, through its wholly-owned subsidiary, PRO Health Holdings Ltd., acquired a 30% interest in Walk-In Holdings Limited ("WIHL"), a privately-held company incorporated in The Bahamas at a cost of $3,402,631. WIHL owns and operates three medical clinics.

The investment in WIHL is comprised of the following:

	2011	2010
Total assets	$ 8,816,404	$ 8,308,899
Total liabilities	(3,323,552)	(3,677,472)
Net assets of WIHL	$ 5,492,852	$ 4,631,427
Company's share of WIHL's balance sheet	$ 1,647,856	$ 1,389,428
Goodwill	2,232,701	2,232,701
Total investment in WIHL	$ 3,880,557	$ 3,622,129

Management estimates that the carrying value of the investment in WIHL approximates its fair value at the balance sheet date.

The Company's share of WIHL's profit/(loss) is as follows:

	12 Months Ended Dec. 31, 2011	12 Months Ended Dec. 31, 2010
Total revenue	$ 3,593,412	$ 5,563,745
Total profit/(loss) for the period	$ 840,872	$ (867,658)
Share of WIHL's profit/(loss)	$ 252,262	$ (260,297)

SBL Ltd.

In July 2009, the Company purchased 12% of SBL Ltd. ("SBL") at a cost of $5 million. The Company's Parent purchased 7% of SBL at a cost of $3 million. In considering the classification of its equity holding in SBL, the Company has classified its investment in SBL as an investment in associate as two of the ten Board members of SBL are also Directors of the Company. SBL, in May 2009 acquired the issued and outstanding shares of Ansbacher (Bahamas) Limited ("ABL") and merged ABL subsequently with Sentinel Bank & Trust Limited ("SBT") in July 2009 with the surviving entity retaining the name Ansbacher (Bahamas) Limited. ABL's principal activities comprise private and specialist banking, wealth protection and management, and fiduciary services.

The investment in SBL is comprised of the following:

	2011	2010
Total assets	$ 135,617,645	$ 136,852,542
Total liabilities	(107,852,609)	(108,959,264)
Net assets of SBL	$ 27,765,036	$ 27,893,278
Company's share of SBL's balance sheet	$ 3,018,973	$ 2,962,705
Goodwill	655,456	1,107,113
Intangible assets	312,832	384,488
Total investment in SBL	$ 3,987,261	$ 4,454,306

Management estimates that the carrying value of the investment in SBL approximates its fair value at the balance sheet date.

The Company's share of SBL's loss is as follows:

	12 Months Ended Dec. 31, 2011	12 Months Ended Dec. 31, 2010
Total revenue	$ 7,057,684	$ 8,198,026
Total loss for the period	$ (339,189)	$ (731,577)
Share of SBL's loss	$ (40,703)	$ (87,789)

The following table shows an analysis of goodwill and other intangible assets included in investment in associates for the years ending December 31, 2011 and 2010:

	Goodwill	Other Intangible Assets	Total
Balance as of December 31, 2009	$ 3,507,941	$ 458,192	$ 3,966,133
Acquired during the year	-	17,937	17,937
Amortization	-	(91,641)	(91,641)
Impairment losses	(168,127)	-	(168,127)
Balance as of December 31 , 2010	3,339,814	384,488	3,724,302
Acquired during the year	-	7,129	7,129
Amortization	-	(78,785)	(78,785)
Impairment losses	(451,657)	-	(451,657)
Balance as of December 31 , 2011	$ 2,888,157	$ 312,832	$ 3,200,989

The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2011, is shown below:

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	$ 329,760	$ (85,188)	$ 244,572
Non-competitive agreement	54,480	(54,480)	-
Trade name	89,040	(46,004)	43,036
Software	58,596	(33,372)	25,224
Total Other Intangible Assets	$ 531,876	$ (219,044)	$ 312,832

The useful life of intangible assets with finite lives ranges from 2 to 10 years, with a weighted average amortization period of 9 years. Expected amortization of the intangible assets is shown below:

	Other intangible assets included in Investment in Associates
2012	$ 68,456
2013	56,636
2014	42,095
2015	32,976
2016 and thereafter	112,669
	$ 312,832

14. Receivables and Other Assets

Receivables and other assets are comprised of the following:

	2011	2010
Financial assets		
Premiums receivable	$ 14,137,044	$ 13,451,866
Less: Provision on premiums receivable	(2,623,193)	(2,235,057)
Reinsurance recoveries receivable	4,342,843	7,676,382
Net balances receivable on ASO plans	598,856	10,116,382
Agents' balances	1,407,370	1,410,833
Less: Provision on agents' balances	(1,298,558)	(1,340,262)
Accrued interest income	2,833,693	2,924,011
Receivables from related parties (See Note 34)	609,966	673,529
Participation in IRM reinsurance facilities	4,739,259	4,061,374
Non-financial assets		
Properties assumed under mortgage defaults	4,740,739	4,502,765
Land held for development	6,254,330	6,147,731
Prepayments and other assets	6,134,643	4,907,276
Total receivables and other assets	$ 41,876,992	$ 52,296,830

The carrying amounts disclosed above reasonably approximate fair value at the balance sheet date.

The Company participates in reinsurance facilities managed by International Reinsurance Managers, LLC (“IRM”), an underwriting management company domiciled in the United States of America which provides group health reinsurance services to small and medium sized insurance companies in the Caribbean and Latin America. The Company’s participation in these facilities varies from 8.3% to 80.0% for differing underwriting years and its interest is included above. The underlying assets of the reinsurance facilities are principally comprised of US Treasury money market instruments.

15. Property and Equipment

	Land, land improvements and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
At December 31, 2010	$ 20,573,363	$ 1,831,536	$ 3,528,591	$ 58,014	$ 25,991,504
Additions	441,507	306,154	609,962	39,095	1,396,718
Disposals	-	-	(516,096)	-	(516,096)
At December 31, 2011	$ 21,014,870	$ 2,137,690	$ 3,622,457	$ 97,109	$ 26,872,126
Accumulated depreciation:					
At December 31, 2010	$ 3,309,752	$ 835,101	$ 1,977,930	$ 33,451	$ 6,156,234
Depreciation charge	587,242	167,055	561,511	13,305	1,329,113
Disposals	-	-	(516,495)	-	(516,495)
At December 31, 2011	$ 3,896,994	$ 1,002,156	$ 2,022,946	$ 46,756	$ 6,968,852
Net book value:					
At December 31, 2011	$ 17,117,876	$ 1,135,534	$ 1,599,511	$ 50,353	$ 19,903,274
At December 31, 2010	$ 17,263,611	$ 996,435	$ 1,550,661	$ 24,563	$ 19,835,270

The cost of land, land improvements and buildings is comprised of the following:

	2011	2010
Land and land improvements	$ 4,860,523	$ 4,860,523
Buildings	16,154,347	15,712,840
Total cost	$ 21,014,870	$ 20,573,363

Properties are stated at their revalued amounts, as assessed by qualified independent property appraisers. The revalued amount is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses.

If land, land improvements and buildings were stated on a historical cost basis, the carrying amount would be $12.3 million (2010: $12.5 million).

16. Goodwill

	2011	2010
Cost	$ 10,473,068	$ 10,473,068
Accumulated impairment charges	(1,910,797)	(1,910,797)
Net book amount	$ 8,562,271	$ 8,562,271
Balance, beginning of year	$ 8,562,271	$ 8,665,074
Impairment charge	-	(102,803)
Balance, end of year	$ 8,562,271	$ 8,562,271

17. Other Intangible Assets

	2011	2010
Cost	$ 4,938,919	$ 4,155,948
Accumulated amortization	(3,569,908)	(2,944,589)
Net book amount	$ 1,369,011	$ 1,211,359
Balance, beginning of year	$ 1,211,359	$ 266,885
Additions	782,971	1,737,097
Amortization charge	(625,319)	(792,623)
Balance, end of year	$ 1,369,011	$ 1,211,359

18. Investment in Parent

The investment in Parent comprises 63,068 (2010: 128,543) ordinary shares of the Parent that are held by the Company amounting to $162,255 (2010: $331,615). The fair value of this quoted investment based on the year-end bid price was $163,977 (2010: $308,503).

19. Provision for Future Policy Benefits

The provision for future policy benefits is calculated using expected future policy lapse rates, mortality, morbidity, investment yield and policy maintenance expense assumptions and any other relevant contingency.

The provisions for adverse deviation recognize uncertainty in establishing these best estimates and allow for possible deterioration in experience. As the best estimate assumption is realized, the provisions for adverse deviations will be released in future income to the extent that they are no longer required to cover adverse experience.

The assumptions used in determining the provision for future policy benefits are reviewed regularly, compared to emerging experience and updated when appropriate. The assumptions that are most sensitive to change are investment yields, expenses, policy lapse rates, and mortality and morbidity.

Margins for Adverse Deviation Assumptions

The basic assumptions made in establishing provisions for future policy benefits are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the provisions are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase provisions and decrease the income that would be recognized on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Company uses assumptions which take into account the risk profiles of the business. The Closed Participating Fund ("Closed Par Fund"), discussed below, has the lowest margins, as the risk is passed back to the policyholders by dividend distributions.

Investment yields

The computation of provisions takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or forgone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to projections of interest rates and the magnitude of losses from asset defaults. The Company accounts for such uncertainties by incorporating provisions for losses into projections of investment income. A margin for adverse deviation is calculated by interest rate scenario testing under the CALM methodology. The margin in the most adverse scenario can be interpreted as deducting 35 basis points from the current (Prime) rates immediately and assuming future interest rates remain at that level in the long term. If future interest rates were to differ by 100 basis points from that assumed in the valuation, without changing the policyholder dividend scale, the liability would increase by $56.4 million or decrease by $41.4 million.

Expenses

The administration expense assumption is based on an expense study conducted by the Company for 2011. The expenses are allocated by line of business using allocation factors developed by the Company. Such expense studies are conducted annually, and are subject to changes in the Company's cost structure as well as the rate of inflation. Expenses are assumed to increase with inflation of 2.11% in all years. Expenses are increased by a range of 0% to 6.25%, where the Closed Par Fund has no margin. If future expenses are to differ by 10% from that assumed, the liability would increase by $6.9 million or decrease by $6.9 million.

Policy lapse rates

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. The Company bases its estimate of future lapse rates on previous experience for a block of policies. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by a range of 5% to 20%. If future lapse rates are to differ by 10% from that assumed, the liability would increase by $7.9 million or decrease by $7.5 million.

Mortality and Morbidity

Assumptions for life business are based on Company and industry experience. A margin is added for adverse deviation in the range of 4.0 to 11.25 per 1000 divided by the expectation of life for mortality, and between 15% and 20% for morbidity. The Closed Par Fund has the lowest margin added. If future mortality and morbidity are to differ by 10% from that assumed, the liability would increase by $5.7 million or decrease by $5.5 million.

Medical claims costs

The principal assumption underlying the estimate of the medical claims reserve is the Company's past claims development experience. This includes assumptions in respect of average claim costs and claims inflation factors. If the average claim costs were to increase by 10%, gross liabilities would increase by $0.9 million, with the net liabilities increasing by $0.8 million. If the average claim costs were to decrease by 10%, gross liabilities would decrease by $0.9 million, with the net liabilities decreasing by $0.9 million.

Analysis of provision for future policy benefits

The following is a summary of the provision for future policy benefits by product line:

	2011	2010
Life insurance	$ 278,260,526	$ 266,286,656
Annuities	22,410,636	22,327,385
Accident and health/IBNR	16,404,856	13,524,480
Colina Investment Plan (See Note 33)	9,018,040	9,659,290
Total provision for future policy benefits	$ 326,094,058	$ 311,797,811

The following is a summary of the provision for future policy benefits by contract category:

	2011	2010
Short-term insurance contracts	$ 16,713,434	$ 13,856,616
Long-term insurance and other contracts		
-with fixed and guaranteed terms	76,443,434	67,496,598
-with fixed and guaranteed terms and with DPF	188,068,834	185,765,073
-without fixed and guaranteed terms	21,832,129	21,266,135
-without fixed and guaranteed terms and with DPF	14,018,187	13,754,099
Long-term investment contracts with DPF	9,018,040	9,659,290
Total provision for future policy benefits	$ 326,094,058	$ 311,797,811

Analysis of change in provision for future policy benefits

	2011	2010
Balance, beginning of year	$ 311,797,811	$ 296,834,533
Changes in discretionary participation features	(10,504,480)	-
Normal changes in policy liabilities	10,992,201	12,776,658
Changes in assumptions and refinement of estimates	13,808,526	2,186,620
Balance, end of year	$ 326,094,058	$ 311,797,811

Closed Participating Fund

Included in the provision for future policy benefits as of December 31, 2011 are actuarial reserves totaling $30.8 million (2010: $30.3 million) relating to Colina's commitment to maintain and operate a Closed Participating Fund ("Closed Par Fund") covering the individual participating business (both life and annuity) of the Canada Life portfolio of business acquired on January 1, 2004. The objective of this Closed Par Fund is to finance the participating policyholders' reasonable expectations that Colina will: (i) pay the benefits guaranteed by each participating policy according to its terms; (ii) pay dividends according to the current dividend scale provided that current experience continues; and (iii) make an equitable adjustment to the dividend scale in future years to reflect any deviations from the current experience, in accordance with the insurer's dividend policy as well as applicable actuarial standards. Future profits that may emerge within the Closed Par Fund are for the sole benefit of the participating policyholders.

The Appointed Actuary's valuation of the Closed Par Fund as of December 31, 2011 shows that it had the following asset mix: government securities –46.1%; policy loans –22.8%; mortgage loans –13.4%; corporate bonds –1.6%; equity securities –6.7%; preference shares – 4.1%; and cash and cash equivalents – 5.3% (2010: government securities – 42.4%; policy loans – 25.2%; mortgage loans – 15.4%; corporate bonds – 3.5%; equity securities – 7.0%; preference shares – 4.2%; cash and equivalents – 2.1%; and commercial loans – 0.2%).

20. Other Liabilities

	2011	2010
Third party pension liabilities	$ 28,074,215	$ 26,107,997
Benefits payable to policyholders	9,924,679	11,556,922
Accrued expenses and other liabilities	29,716,096	25,737,338
Bank overdraft (See Note 8)	1,285,107	457,520
Reinsurance payables	652,085	2,951,308
Total other liabilities	$ 69,652,182	$ 66,811,085

The carrying amounts disclosed above reasonably approximate fair value at the balance sheet date.

21. Due to Parent

The balance due to Parent of $1,131,759 (2010: $467,779) is a result of a net dividend liability declared.

22. Share Capital

	2011	2010
Authorized:		
1,000,000 Ordinary shares of B$1 each (2010: 1,000,000)	$ 1,000,000	$ 1,000,000
20,000 Ordinary shares of B$0.01 each (2010: 20,000)	200	200
Total authorized share capital	$ 1,000,200	$ 1,000,200
Issued and fully paid:		
1,000,000 Ordinary shares of B$1 each (2010: 1,000,000)	$ 1,000,000	$ 1,000,000
20,000 Ordinary shares of B$0.01 each (2010: 20,000)	200	200
Share Premium	1,999,800	1,999,800
Total issued and fully paid share capital	$ 3,000,000	$ 3,000,000

In August 2010, the Board of Directors of the Company by resolution authorized an additional 20,000 Ordinary Shares with a par value of $0.01 to be offered at a share premium of $99.99 each.

The Company then immediately offered to its Parent these additional 20,000 Ordinary Shares by converting $2,000,000 of its share premium into paid up share capital of $2,000,000 in the Company resulting in the additional issued shares totaling $200 at a share premium of $1,999,800.

23. Revaluation Reserve

The revaluation reserve is comprised of the net gain/(loss) on remeasurement of available-for-sale securities to fair value and revaluation adjustments related to land and buildings. Also included in the revaluation reserve is an unrealized gain related to the purchase of additional equity in a subsidiary company subsequent to the date control was first established.

	2011	2010
Balance, beginning of year	$ 7,984,942	$ 6,566,504
Fair value gains during the year	306,733	304,228
Unrealized gain on purchase of shares in subsidiary	526,412	1,114,327
Transfers to net income	(3,332)	(117)
Balance, end of year	$ 8,814,755	$ 7,984,942

24. Contingent Liabilities and Commitments

The Company has the following contingent liabilities and commitments as of the year-end reporting date:

Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

The Company is also subject to insurance solvency regulations in all the jurisdictions in which it operates and has complied with all regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

Contingent liabilities

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material loss will arise from the contingent liabilities. The Company has given guarantees to third parties in the ordinary course of business amounting to $1,685,681 (2010: $1,681,574).

The Company, like all other insurers, is from time to time, in connection with its operations, named as a defendant in actions for damages and costs allegedly sustained by the plaintiffs. The Board of Directors is of the opinion, based upon the advice of counsel, that the final outcome of such actions will not have a material adverse effect on the financial position of the Company.

Commitments

Lending: Commitments to extend credit for mortgages and commercial loans amounted to $568,148 (2010: $2,587,148).

Purchase of property and equipment: Commitments for the purchase of capital equipment or services at December 31, 2011 was $499,043 (2010: $201,193).

Leases: The Company leases office and other space for use in its day-to-day business activities pursuant to the terms of non-cancelable operating leases. The expenditures related to these lease arrangements are not considered to be material. The future aggregate minimum lease payments under operating leases as of December 31, 2011 are as follows:

No later than 1 year	$ 730,836
Later than 1 year and no later than 5 years	2,119,866
Total	$ 2,850,702

25. Future Minimum Lease Payments Receivable

The Company derives rental income from certain of its investment properties under non-cancellable rental agreements. The future minimum lease payments due to be received under these agreements as of December 31, 2011 are as follows:

No later than 1 year	$ 3,759,719
Later than 1 year and no later than 5 years	8,558,359
Later than 5 years	30,000
Total	$ 12,348,078

26. Net Premium Revenue

Net premium revenue is comprised of the following:

	2011	2010
Life and health insurance premiums	$ 118,501,443	$ 115,449,397
Less: Reinsurance premiums	(14,635,344)	(13,669,376)
Subtotal	103,866,099	101,780,021
Premiums from IRM reinsurance facilities (See Note 14)	13,583,312	16,393,425
Net premium revenue	$ 117,449,411	$ 118,173,446

Net premium revenues are classified in the following categories:

	2011	2010
Short-term insurance contracts	$ 70,192,048	$ 67,767,942
Long-term insurance and other contracts		
-with fixed and guaranteed terms	22,679,293	20,875,713
-with fixed and guaranteed terms and with DPF	22,372,871	24,051,396
-without fixed and guaranteed terms	191,105	151,195
-without fixed and guaranteed terms and with DPF	16,388,874	18,625,381
Long-term investment contracts with DPF	260,564	371,195
Total premium revenue arising from contracts issued	132,084,755	131,842,822
Premiums ceded to reinsurers	(14,635,344)	(13,669,376)
Net premium revenue	$ 117,449,411	$ 118,173,446

27. Net Investment Income

Net investment income is classified as follows:

	2011	2010
Term deposits	$ 893,682	$ 836,869
Investment securities	12,758,620	12,857,651
Fair value gains net included in the revaluation reserve (See Note 23)	306,733	304,228
Less: Investment management fees (See Note 34)	(1,304,833)	(1,016,979)
Net investment return on managed assets	12,654,202	12,981,769
Mortgages and commercial loans	3,839,189	4,344,990
Policy loans	8,348,067	7,501,471
Rental income	4,842,034	5,595,865
Fair value (losses)/gains on investment properties (See Note 12)	(512,221)	809,407
Other fees and income	859,865	(1,439,941)
Total return on invested assets	30,031,136	29,793,561
Less: Fair value gains in the revaluation reserve	(306,733)	(304,228)
Total net investment income recognized in income	$ 29,724,403	$ 29,489,333

There are no impairment charges included in net investment income from investment securities (2010: $ Nil).

28. Net Policyholders' Benefits

Net policyholders' benefits are comprised of the following:

	2011	2010
Life and health policyholder benefits	$ 89,431,384	$ 78,391,468
Less: Reinsurance recoveries	(9,131,590)	(11,238,582)
Subtotal	80,299,794	67,152,886
Benefits paid on IRM reinsurance facilities (See Note 14)	7,094,551	9,480,879
Total net policyholders' benefits	$ 87,394,345	$ 76,633,765

Included in life and health policyholder benefits is $1,002,769 related to interest on policy dividends on deposit (2010: $1,101,318).

Policyholders' benefits for the year by contract classification were as follows:

	2011	2010
Short-term insurance contracts	$ 49,636,674	$ 42,928,768
Long-term insurance and other contracts		
-with fixed and guaranteed terms	12,449,466	12,317,285
-with fixed and guaranteed terms and with DPF	24,532,621	22,815,622
-without fixed and guaranteed terms	1,836,369	1,794,154
-without fixed and guaranteed terms and with DPF	6,740,287	6,722,656
Long-term investment contracts with DPF	1,330,518	1,293,862
Total policyholders' benefits	96,525,935	87,872,347
Reinsurance recoveries	(9,131,590)	(11,238,582)
Net policyholders' benefits	$ 87,394,345	$ 76,633,765

29. General and Administrative Expenses

General and administrative expenses are comprised of:

	2011	2010
Salaries and employee/agent benefits	$ 11,671,059	$ 11,870,641
Fees, insurance and licences	5,672,918	4,537,354
IRM reinsurance facilities expenses (See Note 14)	1,800,643	3,216,706
Advertising and communications expense	2,569,905	2,938,499
Depreciation and amortization	2,037,375	2,335,920
Premises and maintenance	3,325,290	2,783,784
Underwriting fees	691,569	940,975
Other expenses	1,388,190	1,006,500
Total general and administrative expenses	$ 29,156,949	$ 29,630,379

30. Finance Costs and Interest

Finance costs and interest are comprised of:

	2011	2010
Interest on bank loans	$ -	$ 36,396
Interest on other contracts	32,925	9,488
Interest on liabilities due to ASO groups	85,735	6,976
	$ 118,660	$ 52,860

31. Dividends Per Share

Dividends to the Company's shareholder are recognized as a liability in the period in which they are declared by the Board of Directors. Dividends paid by the Company to the ordinary shareholder in 2011 totaled $8,222,257 ($8.06 per share) (2010: $8,155,522 ($7.20 per share)).

32. Pension Plan

The Company operates a defined contribution plan for administrative staff and agents. The plan is administered by an affiliated company. Under the plan, all eligible staff and agents contribute 5% of pensionable earnings and the Company contributes 5%. The Company's matching contributions vest fully with the employee after five years. Pension expense for the year was $582,720 and is included in salaries and employee/agent benefits expense (2010: $568,720).

33. Unit Linked Funds and Investment Plans

Certain policy contracts allow the policyholder to invest in units in a notional fund called the Bahamas Investment Fund (the "BIF"). The value of the units is linked to the performance of the underlying assets of the BIF. These assets may be varied by the Company from time to time and neither the policyholder nor any other person who may be entitled to benefit has any legal or beneficial interest in the BIF or the units or any underlying assets, which are solely the property of the Company.

Certain policy contracts, obtained through the acquisition of the former Colina in 2002, allow the policyholder to acquire units in a notional investment fund known as the Colina Investment Plan (the "CIP"). The value of the units is based on the performance of the underlying assets of the CIP. These assets may be varied from time to time.

Depending on the issue date of their policy, the Company may have guaranteed investors in the CIP a minimum rate of return of either 4% or 4.5% per annum, payable at maturity.

Issuance of new CIP policies was discontinued in January 2001.

The underlying assets of the BIF and CIP that are included in their respective categories in the consolidated balance sheet at December 31, 2011 are as follows:

	Bahamas Investment Fund		Colina Investment Plan	
	2011	**2010**	**2011**	**2010**
Equities - listed	$ 6,332,136	$ 7,140,886	$ 2,107,892	$ 1,889,395
Equities - unquoted	117,497	117,497	15,000	15,000
Preferred shares - unquoted	400,000	437,000	68,000	68,000
Shares in investment funds	-	951	-	-
Government securities	4,234,007	5,200,900	4,656,851	5,849,479
Debt securities - unquoted	1,050,000	719,688	50,000	-
Term deposits	886,589	1,109,593	436,853	583,575
Policy loans	-	-	1,030,267	1,319,497
Cash	119,810	80,110	230,784	83,683
Due (to)/from general fund	(1,717,926)	(1,605,834)	422,393	(149,339)
Total assets	$ 11,422,113	$ 13,200,791	$ 9,018,040	$ 9,659,290

34. Related Party Balances and Transactions

Related parties are entities or individuals where there is effective control or significant influence by the Company, its directors, AFH or its shareholders. All significant balances and transactions with AFH and entities or individuals controlled or significantly influenced by AFH or otherwise related to it, are disclosed in these consolidated financial statements as being with related parties.

Transactions with related parties

The following transactions were carried out with related parties:

	AFH	Other affiliates	Other related parties	Total 2011	Total 2010
Revenues					
Group and life insurance	$ 3,572	$ 740,357	$ 545,691	$ 1,289,620	$ 1,448,431
Rental income	-	-	6,000	6,000	54,000
Sub-investment fees	-	-	79,469	79,469	77,415
Total	$ 3,572	$ 740,357	$ 631,160	$ 1,375,089	$ 1,579,846
Expenses					
Legal fees	$ -	$ 406,002	$ -	$ 406,002	$ 336,300
Investment management fees	-	-	1,304,833	1,304,833	1,016,979
Administration, Registrar and Transfer Agent fees	-	9,306	182,080	191,386	215,720
Property management fees	-	58,320	-	58,320	-
Advertising and Marketing	-	118,551	-	118,551	259,167
Property rental	13,728	590,955	-	604,683	577,440
Medical lab expenses	-	-	538,432	538,432	523,977
Other	32,400	770,425	-	802,825	463,810
Total	$ 46,128	$ 1,953,559	$ 2,025,345	$ 4,025,032	$ 3,393,393

The investment management fees totaling $1,304,833 (2010: $1,016,979) were charged by a related party Investment Manager pursuant to the terms of an Investment Management Agreement dated January 1, 2004 and revised on May 25, 2011. Such fees are charged monthly at various basis point rates depending on the class of assets managed. The Investment Manager is a registered broker-dealer and, as such, has custody of a significant portion of the Company's invested assets.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Compensation for key management personnel for the year ended December 31, 2011 was $1,326,384 (2010: $1,726,819). There were no termination benefits paid during the year ended December 31, 2011 in respect of former key management personnel (2010: $Nil).

Directors' fees

Fees paid to Directors for services rendered on Board and Board Committees for the year ended December 31, 2011 totaled $263,500 (2010: $227,750).

Year-end balances arising from sales/purchases of products and /or services

The following related party amounts are included in the consolidated balance sheet as at December 31:

	AFH	Other affiliates	Other related parties	Key Management / Directors	Total 2011	Total 2010
Assets						
Investment securities	$ -	$ 551,865	$ -	$ -	$ 551,865	$ 406,477
Mortgages and Provisions on mortgages and commercial loans, net	$ -	$ 304,913	$ -	$ 2,541,370	$ 2,846,283	$ 2,003,034
Cash and bank balances	$ -	$ -	$ 1,072,165	$ -	$ 1,072,165	$ 3,812
Receivables and other assets	$ -	$ 254,434	$ 355,532	$ -	$ 609,966	$ 673,529
Liabilities						
Other liabilities	$ 578	$ 21,092	$ 384,041	$ -	$ 405,711	$ 470,542

Loans advanced to related parties included in mortgages and commercial loans carry interest rates between 5.50% and 6.50% p.a. (2010: 5.50% and 6.75% p.a.).

35. Risk Management

Governance Framework

The primary objective of the Company's Corporate Governance framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place. The Company has a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

Regulatory Framework

Regulators are primarily interested in protecting the rights of the policyholders and have established guidelines and regulations by which the Company is required to comply to ensure that the Company is satisfactorily managing affairs for their benefit. The operations of the Company are subject also to regulatory requirements in the foreign jurisdictions in which it operates. The Company's regulators are interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from changes in the economic environment. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as they arise.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The table below indicates the concentration of insured benefits across four bands of insured benefits per coverage insured rounded to the nearest thousand.

	2011 (in $000s)	2010 (in $000s)
$0 to $49,999	$ 556,587	$ 598,670
$50,000 to $99,999	1,008,457	1,051,998
$100,000 to $149,999	2,223,882	2,288,755
$150,000 and over	2,945,777	2,962,470
Total	$ 6,734,703	$ 6,901,893

The Company manages risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Company's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Company limits the amount of loss on any one policy by reinsuring certain levels of risk in various areas of exposure with other insurers.

Generally, the Company has retention limits on insurance policies as follows:

	2011	2010
Individual life	$ 50,000	$ 50,000
Individual accidental death and dismemberment	$ 50,000	$ 50,000
Individual personal accident	$ 50,000	$ 50,000
Group accidental death and dismemberment	$ 50,000	$ 50,000
Individual and Group Medical	$ 250,000	$ 250,000

Reinsurance ceded does not discharge the Company's liability as the primary insurer and failure of reinsurers to honour their obligations could result in losses to the Company.

Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, credit risk and liquidity risk.

These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk.

The Company manages these positions within an asset liability management ("ALM") framework that has been developed to maximize long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Company's ALM is to match cash flows from assets to the liability cash flows arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

Interest rate risk

The Company is vulnerable to periods of declining interest rates given that most of its investments in government bonds and mortgages and commercial loans have floating interest rates tied to the Bahamian $ Prime rate. The Company manages this risk by attempting to retain a level of assets to liabilities with similar principal values, effective interest rates and maturity dates.

The Company monitors interest rate risk by calculating the duration of the investment portfolio and the liabilities issued. The duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The duration of the liabilities is determined by projecting expected cash flows from the contracts using best estimates of mortality, morbidity and terminations. No future discretionary supplemental benefits are assumed to accrue. The duration of the assets is calculated in a consistent manner. Any gap between the duration of the assets and the duration of the liabilities is minimized by means of buying and selling securities of different durations. The Company's sensitivity to interest rate risk is included in Note 19.

Credit risk

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. From this perspective, the Company's credit risk exposure is primarily concentrated in its deposits placed with other financial institutions, loans to policyholders and other clients, and amounts due from reinsurers and insurance contract holders.

The Company's deposits are primarily placed with well-known high quality financial institutions. Loans to policyholders are generally collateralized by cash surrender values of the respective policies. Mortgage loans are adequately secured by properly registered legal charges on real property. With respect to the Company's unsecured commercial paper loans and other material unsecured receivables, management is satisfied that the debtors concerned are both financially able and willing to meet their obligations to the Company except in those instances where impairment provisions have been made.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. The Appointed Actuary advises management with respect to the Company's reinsurance placement policy and assists with assessing the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information. The Company's main reinsurer is Munich Reinsurance Company Canada Branch (Life).

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's internal assessments of the credit ratings of counterparties. The table also includes an aging analysis of financial assets, providing information regarding the Company's exposures on amounts current, and past due:

December 31, 2011 (in $000s)	Balances with no scheduled repayment dates	Current: Investment Grade	Current: Non-Graded	Unit Linked	Past due but not impaired: 30 - 90 days	Past due but not impaired: >90 days	Past due and/or impaired	Total
Financial assets								
Term deposits	$ -	$ -	$ 31,318	$ 1,323	$ -	$ -	$ -	$ 32,641
FVPL securities	-	27,463	9,807	12,134	-	-	-	49,404
AFS securities	-	136,437	40,975	6,898	-	-	-	184,310
Mortgages and commercial loans	-	-	31,651	-	8,046	19,168	8,798	67,663
Policy loans	63,054	-	-	1,030	-	-	180	64,264
Cash and demand balances	12,466	-	-	351	-	-	-	12,817
Premiums receivable	-	-	2,978	-	6,871	1,665	-	11,514
Reinsurance receivables	-	-	4,343	-	-	-	-	4,343
Other financial assets	5,458	2,834	599	-	-	-	-	8,891
Total financial assets	$ 80,978	$ 166,734	$ 121,671	$ 21,736	$ 14,917	$ 20,833	$ 8,978	$ 435,847

December 31, 2010 (in $000s)	Balances with no scheduled repayment dates	Investment Grade	Current Non-Graded	Unit Linked	Past due but not impaired 30 - 90 days	Past due but not impaired >90 days	Past due and/or impaired	Total
Financial assets								
Term deposits	$ -	$ -	$ 13,480	$ 1,693	$ -	$ -	$ -	$ 15,173
FVPL securities	-	5,043	6,067	21,439	-	-	-	32,549
AFS securities	-	140,305	34,829	-	-	-	-	175,134
Mortgages and commercial loans	-	-	38,950	-	6,615	14,293	9,019	68,877
Policy loans	67,211	-	-	1,319	-	-	1,052	69,582
Cash and demand balances	19,848	-	-	164	-	-	-	20,012
Premiums receivable	-	-	9,402	-	1,354	461	-	11,217
Reinsurance receivables	-	-	7,676	-	-	-	-	7,676
Other financial assets	4,806	2,924	9,865	-	-	-	-	17,595
Total financial assets	$ 91,865	$ 148,272	$ 120,269	$ 24,615	$ 7,969	$ 14,754	$ 10,071	$ 417,815

Management's internal credit rating assessment allows for Government Securities and listed equity securities to be included in the 'Investment Grade' classification.

Liquidity risk

The Company is exposed to daily calls on its available cash resources, mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand.

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining contractual obligations (undiscounted cash flow basis):

December 31, 2011 (in $000s)	Up to a year	1-5 years	Over 5 years	No Term	Not Classified	Total
Insurance and Investment Contracts						
Short-term insurance contracts	$ 7,448	$ 2	$ 30	$ -	$ 9,065	$ 16,545
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(10,841)	(22,705)	494,815	-	3,405	464,674
-with fixed and guaranteed terms, with DPF	4,189	29,383	733,187	-	1,578	768,337
-without fixed and guaranteed terms	1,674	6,827	24,848	-	508	33,857
-without fixed and guaranteed terms, with DPF	1,260	4,443	17,067	-	327	23,097
Long-term investment contracts with DPF	-	-	-	-	9,018	9,018
Financial Liabilities						
Policy dividends on deposit	-	-	-	30,695	-	30,695
Other financial liabilities	42,470	-	-	28,314	-	70,784
Total	$ 46,200	$ 17,950	$ 1,269,947	$ 59,009	$ 23,901	$ 1,417,007

December 31, 2010 (in $000s)	Up to a year	1-5 years	Over 5 years	No Term	Not Classified	Total
Insurance and Investment Contracts						
Short-term insurance contracts	$ 6,311	$ (118)	$ 37	$ -	$ 7,441	$ 13,671
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(10,690)	(23,715)	499,458	-	3,704	468,757
-with fixed and guaranteed terms, with DPF	4,791	32,777	626,199	-	5,867	669,634
-without fixed and guaranteed terms	1,665	6,633	26,216	-	531	35,045
-without fixed and guaranteed terms, with DPF	1,334	4,654	21,470	-	918	28,376
Long-term investment contracts with DPF	-	-	-	-	9,659	9,659
Financial Liabilities						
Policy dividends on deposit	-	-	-	31,489	-	31,489
Other financial liabilities	40,704	-	-	26,575	-	67,279
Total	$ 44,115	$ 20,231	$ 1,173,380	$ 58,064	$ 28,120	$ 1,323,910

Due to system limitations, certain balances were not able to be classified and have been included in the caption ‘not classified’.

The table below summarizes the expected recovery or settlement of assets:

December 31, 2011 (in $000s)	Current	Non-Current	Unit Linked	Total
Term deposits	$ 31,318	$ -	$ 1,323	$ 32,641
Investment securities				
FVPL securities	-	37,270	12,134	49,404
AFS securities	-	177,412	6,898	184,310
Mortgages and commercial loans	2	67,661	-	67,663
Policy loans	-	63,234	1,030	64,264
Investment properties	-	49,207	-	49,207
Investment in associates	-	7,868	-	7,868
Cash and demand balances	12,466	-	351	12,817
Receivables and other assets	41,877	-	-	41,877
Property and equipment	-	19,903	-	19,903
Goodwill	-	8,562	-	8,562
Other intangible assets	-	1,369	-	1,369
Investment in Parent	-	162	-	162
Total Assets	$ 85,663	$ 432,648	$ 21,736	$ 540,047

December 31, 2010 (in $000s)	Current	Non-Current	Unit Linked	Total
Term deposits	$ 13,480	$ -	$ 1,693	$ 15,173
Investment securities				
FVPL securities	-	26,074	6,475	32,549
AFS securities	-	140,945	34,189	175,134
Mortgages and commercial loans	299	68,578	-	68,877
Policy loans	-	69,582	-	69,582
Investment properties	-	49,248	-	49,248
Investment in associates	-	8,076	-	8,076
Cash and demand balances	19,848	-	164	20,012
Receivables and other assets	52,297	-	-	52,297
Property and equipment	-	19,835	-	19,835
Goodwill	-	8,562	-	8,562
Other intangible assets	-	1,211	-	1,211
Investment in Parent	-	332	-	332
Total Assets	$ 85,924	$ 392,443	$ 42,521	$ 520,888

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. Internal processes include activities relating to accounting, reporting, operations, compliance and personnel management. Such risk manifests itself in various breakdowns, errors and business interruptions and can potentially result in financial losses and other damage to the Company.

The Company regularly assesses new systems which will better enable the Company to monitor and control its exposure to operational risk in order to keep operational risk at appropriate levels.

Capital Management

Externally imposed capital requirements for Colina are set and regulated by the Insurance Commission of The Bahamas. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders' value. For the purposes of assessing its capital position, Colina uses the capital on its consolidated balance sheet excluding goodwill and with limitations placed on all but the strongest forms of capital.

The Company measures its solvency ratio using Canadian reserving methodologies and solvency standards as measured by the Minimum Continuing Capital and Surplus Requirement ("MCCSR"). The Canadian Insurance regulator has set a MCCSR supervisory target of 150%. At December 31, 2011, the Company's MCCSR exceeded the target.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or return of capital to the shareholders.

The Company fully complied with all externally imposed capital requirements during the reported financial period and no changes were made to the Company's capital base, objectives, policies and processes from the prior year.

36. Other Significant Events

Dividends to ordinary shareholder

The Board of Directors by resolutions dated February 29, 2012 and March 27, 2012 approved dividends of $0.92 and $2.91 per issued and outstanding ordinary share to be paid to the Company's shareholder of record as at March 30, 2012 and April 30, 2012 respectively. The dividends will be paid subject to any regulatory requirements.