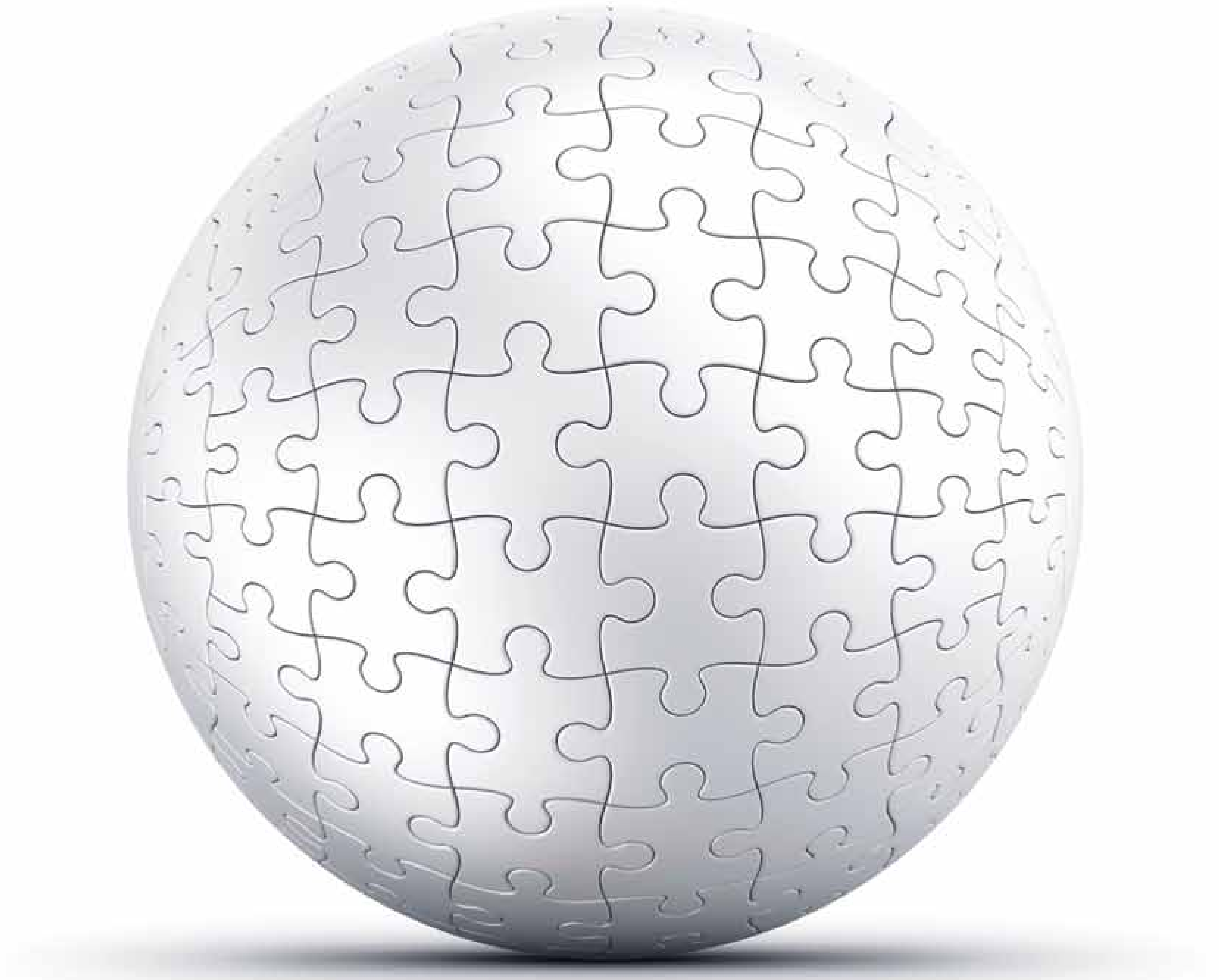


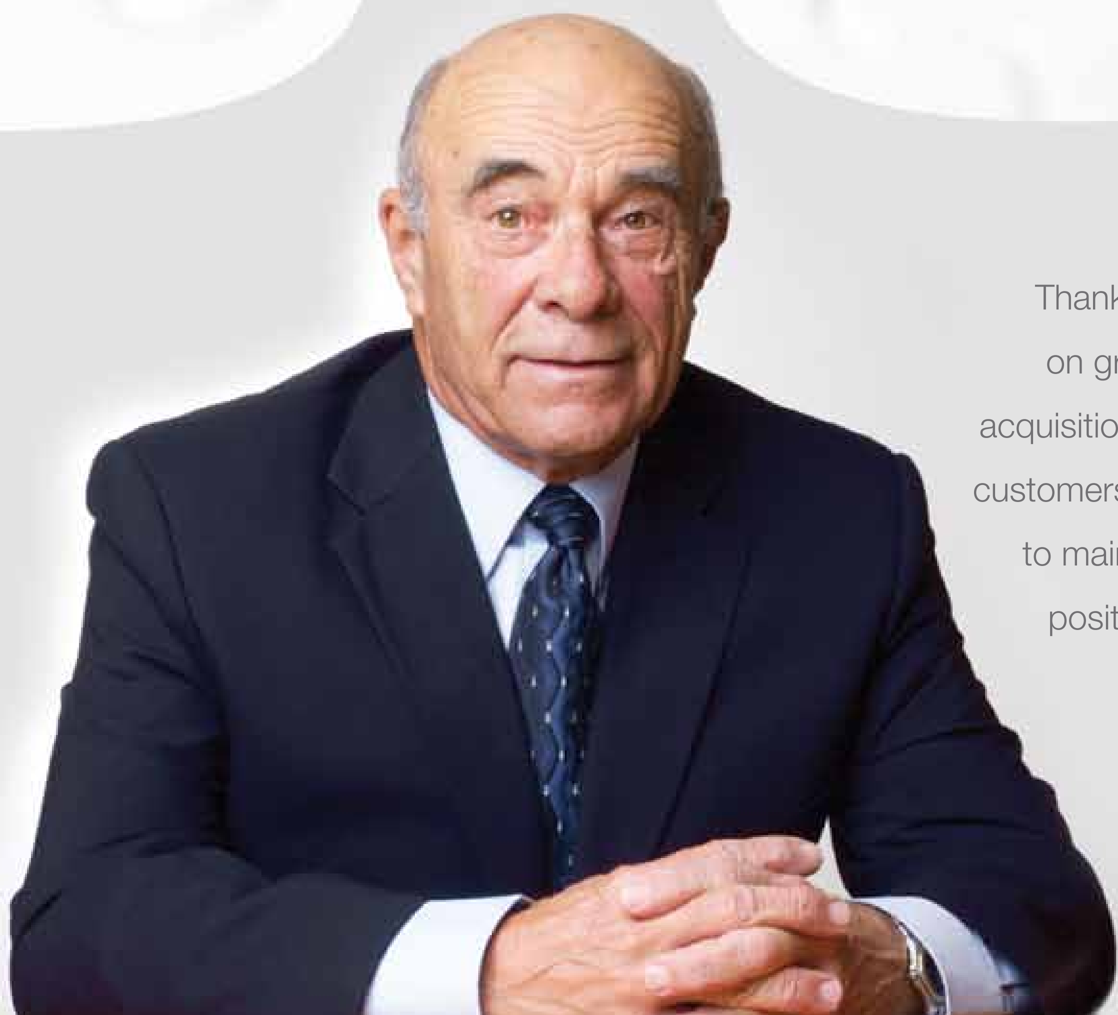
strongertogether

COLINA
HOLDINGS BAHAMAS LIMITED

2013 ANNUAL REPORT

contents

CHAIRMAN'S report



Dear Shareholders,

Thanks to a continued focus on growth through strategic acquisition and the loyalty of our customers, CHBL has been able to maintain its leading market position and stable financial results for 2013.

Terence Hilts Chairman, Colina Holdings Bahamas Limited

Robust results over successive quarters of the year continued to reflect consistent profitability, yielding a 21.4% year-over-year increase in net income attributable to equity shareholders and a $22.3 million growth in the Company's asset base. Net income attributable to the Company's ordinary shareholders for 2013 rose to $11.7 million or $0.47 per ordinary share, compared to $9.4 million or $0.38 per ordinary share in 2012. Total revenues increased by 2.8% to $162.9 million, compared to $158.5 million for 2012.

The Company's ordinary equity continues on an upward trend, rising to $91.5 million at December 31, 2013 compared to $83.7 million at December 31, 2012. The increase in ordinary equity of $7.9 million or 9.4% is net of distributions to ordinary shareholders of $0.18 per share in 2013 and preference share dividends of $0.06 per share. Total assets have increased to $605.5 million from $583.1 million at December 31, 2012. Invested assets remain a significant proportion of the asset base, comprising 83.9% of total assets.

While the Company continues to produce positive results from its core insurance operations, the current economic environment has impacted net investment earnings, which stand at $24.9 million compared to $29.8 million in the prior year.

Stronger Together

In September 2013 the Company acquired all the issued and outstanding shares of investment advisory firm Colina Financial Advisors Ltd. ("CFAL") and its wholly owned subsidiary, CFAL Securities Ltd. The purchase is part of CHBL's blueprint to offer a broad range of financial services under a single brand. We look forward to the continued contributions of CFAL within our group over the long term.

The Company's subsidiary, Colina General Insurance Agents & Brokers Limited ("CGIA") completed its first full year as a Property & Casualty ("P&C") insurance broker, transitioning from its role as an exclusive agent. This development has expanded CGIA's market reach and afforded its P&C clients access to more competitive rates and services.

In May, Colina Insurance Limited ("Colina") launched a suite of new and enhanced individual life insurance products. The products are tailored to suit the needs of all consumers and to equip the insuring public for every milestone in their life cycle. The new offerings made Colina's life insurance suite more competitive than ever before. Colina also boosted its presence in one of New Providence's business districts with the opening of a new sales office at 56 Collins Avenue.

Governance

The Board also established two standing committees to oversee and consider issues of policy outside of regular Board meetings. The mandates of the Strategic Growth Committee and the Reinsurance Steering Committee are outlined in this report.

Acknowledgements

I express gratitude to my fellow Directors for their diligence and professionalism in the strategic and financial management of CHBL in 2013. My thanks also go to former Director John Farmer who recently completed a six-year term on the Board.
I am also highly appreciative of the executive management of the entities within the Company for their contributions during a particularly demanding year for CHBL. I'd like to also recognize the commitment and expertise of the hardworking teams of employees and sales professionals as key contributors to the Company's success.

Outlook

Our strong financial results speak to the Company's ability to adapt to the current economic reality, and to continue our growth in core businesses while pursuing sound investment and operational efficiency initiatives which will enhance value for our customers and shareholders.

However, in light of legislative processes underway regarding tax reform, specifically a Value Added Tax (VAT), the Company, like the rest of our industry, remains cautious about the impact that this may have on the economic climate in which we will operate in 2014.

The Board has confidence that CHBL's management, strategy and people will enable the Company to operate in the best interests of all stakeholders and to deliver on our service promise to our loyal customers.

We thank our shareholders for their ongoing support.

Terence Hilts | Chairman

EXECUTIVE interview

Emanuel M. Alexiou
Executive Vice Chairman, Colina Holdings Bahamas Limited
Chief Executive Officer, Colina Insurance Limited

How would you summarize the general outlook for the Company in the long-term?

The Company's long-term outlook is based on our strategic plan, which focuses on enhancing our ability to meet increasingly sophisticated customer needs by embracing new technologies and pursuing attractive sustainable growth opportunities in our key target sectors. Our long term growth momentum will also be propelled by our ability to improve business performance by unlocking productivity improvements and prioritising capital expenditure on the highest quality projects. We set very high standards for ourselves in 2013 - the Company achieved strong financial results, with businesses performing well across all divisions. Our stable balance sheet, diversity of income streams and the capacity and quality of our people offer great promise for the future.

Catherine Williams
Vice President, Finance,
Colina Insurance Limited

How would you assess CHBL's FY2013? What were the financial and operational highlights of the year?

We were extremely pleased with CHBL's financial performance in fiscal 2013. The coordinated efforts of our group in implementing financial discipline were successful in ensuring that we directed spending towards projects that would improve operational efficiencies over the medium and long-term, particularly given the continued sluggish economic conditions affecting The Bahamas.

All financial performance indicators continued to show positive growth over the prior year and in some instances were at the highest levels in the Company's history. From the perspective of Colina Insurance Limited, it was particularly satisfying to have independent and globally respected rating agency A.M. Best reconfirm the rating of A- (Excellent) with an improvement in the outlook from "negative" to "stable". We are also pleased with the improvement of our return to ordinary equity shareholders.

There were a number of operational successes in the respective subsidiary companies in relation to systems improvements that I believe have already contributed to the Company's consolidated results and will bring added value to CHBL's clients as a whole.

Steve Haughey
Chief Operating Officer, Colina Holdings Bahamas Limited
Formerly, General Manager, Tribune Radio Ltd. (1992-2012)

What are the short to medium-term priorities for the Company for the next 12 to 18 months?

In the next 12-18 months, CHBL's immediate priorities will be the review of several business processes within our key operating divisions to enhance the delivery of service to our customers. In addition to reviewing existing procedures, all of CHBL's principal subsidiary companies are exploring new technologies to further enhance performance and productivity. Plans are in place to introduce new communication methods to improve customer service and internal work flows.

The Company will continue to explore ways to leverage marketing opportunities within the various companies. With the new Strategic Growth Committee, the Company will explore external growth opportunities available within The Bahamas and the wider Caribbean.

Emmanuel Komolafe
Chief Risk & Compliance Officer, Colina Holdings Bahamas Limited
Formerly, Head of Risk & Compliance, Ansbacher (Bahamas) Limited (2007-2009)

How would you describe the current economic environment for financial services in The Bahamas?

On the domestic front, the financial services industry, while expected to be impacted by international conventions and tax cooperation initiatives, is also confronted with the uncertainty and volatility of the local economic environment. The proposed introduction of Value Added Tax (VAT) — a key component of the government's fiscal reform agenda, implementation of the US Foreign Accounts Tax Compliance Act (FATCA), accession to the World Trade Organisation (WTO) and establishment of a credit bureau in The Bahamas in 2014 are expected to impact financial services based on the corresponding effect it is expected to have on consumer demand, sales and the economy as a whole.

The implementation of new standards and prudential requirements set by international agencies following the financial crisis will continue to increase the regulatory burden on financial service providers in The Bahamas. In the final analysis, the financial services industry will have a lot to grapple with in 2014 but there is reason for optimism as the economy recovers and local and foreign direct investments translate into employment in The Bahamas.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"The asset management business is all about skill, trust and track record; we believe we have built a credible global research process from which future asset growth will flow."

Kevin Burrows Sr. Vice President, Colina Financial Advisors Ltd.

How is your division working to strengthen existing businesses?

1. Lindon Nairn

Vice President, Group & Health Benefits, Colina Insurance Limited

Formerly, Vice President, Sales and Group & Health Benefits (2010-2012). Formerly, Vice President, Sales & Customer Service (2009-2010). Formerly, President, Colina General Insurance Agency (2007-2009)

In 2013, the Group & Health Benefits Department made incremental strides to improve customer service. Meetings with group clients were held regularly to review renewal rates, claims history and other pertinent issues. In addition, the Department hosted its first overseas brokers retreat during which time strategies and products were discussed. In 2014, we anticipate supplementing our existing IT infrastructure with new solutions that will yield significant and tangible improvements in key service areas.

2. Doneth Brown-Reid

Director of Sales, Colina Insurance Limited

Formerly, Branch Manager, Guardian Life Limited, Jamaica, West Indies (1999-2012)

In order to strengthen existing life and individual medical businesses and encourage productivity, our Sales department has facilitated the continuous training and development of our sales team.

We will also be revising structures, systems and processes to ensure alignment with the company objectives in the areas of new business, conservation, recruiting and retention of quality insurance advisors.

To improve conservation of our new and existing policies, we are encouraging clients to use one of the automated methods of paying premiums to improve convenience and efficiency.

I am confident that Colina will continue to grow its sales force and share of the market by expanding distribution and streamlining its operations. We look forward to our best year ever in 2014.

3. Kevin Burrows

Sr. Vice President, Colina Financial Advisors Ltd.

Formerly, Director & International Chief Investment Officer, Nedgroup Investments, London, England (2008-2011)

Within the Research function new opportunities exist, both domestically, where we have deepened the analysis of local securities, and in the international space which is an area that CFAL has recently built its capability in. We have spent the past two years building a searchable catalogue of international research opinions and asset allocation recommendations that existing and potential clients can evaluate and compare to other investment managers. The asset management business is all about skill, trust and track record; we believe we have built a credible global research process from which future asset growth will flow.

4. Pamela Q. Musgrove

Vice President, Investments, Colina Financial Advisors Ltd.

We have strengthened our existing business and added new customers by being focused, resourceful and proactive. We have increased marketing and advertising and invested in technological upgrades which have put us in a stronger position and increased our competitiveness. CFAL remains focused on delivering superior customer support and innovation, thereby helping our clients to achieve their individual or institutional financial goals.

5. Sophia Thurston

Vice President, Operations & Pension Administration, Colina Financial Advisors Ltd.

We are working to strengthen our existing business by continuing to be responsive and meeting with our clients to update them on their pension plans and any technology upgrades we have implemented. We have the capability and expertise to offer value-added service to our clients such as Employee Stock Purchase Plan administration. As per our customer service philosophy, we aim to consistently meet our clients' needs and exceed their expectations by providing them with various options and alternatives for information access, such as our secure client portal, secure message center and our website. CFAL is driven by excellence in customer service. Our professional staff continues to attain the highest level of knowledge and skill required to provide guidance and advice of superior quality.

6. Zania Arthur

Operations Manager, Colina General Insurance Agents & Brokers Limited

A key operational objective is to achieve sustainable top-line productivity, profitability and client retention through the Annual Policy Review. In addition to building sustainable relationships, this opportunity is also expected to identify and correct cover deficiencies at renewal date; update client contact information as a part of our 'staying connected' campaign; engage clients in conversation that will provide us with a better understanding of their insurance needs; and facilitate data mining in order to improve retention results.


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What was one of the biggest sources of satisfaction for Colina Insurance Limited's clients in 2013?

Wendy N. Butler

Vice President, Life Operations, Colina Insurance Limited

Formerly, Financial Controller, Colina Insurance Limited (2005-2010)

Based on feedback received from our clients and considering the changing economic landscape, we were pleased to have been able to deliver a suite of enhanced individual life insurance products that were carefully developed to meet the needs of our clients at very competitive pricing. We also continue to improve client communications by enhancing the look and content of our policyholder statements to highlight important information relative to their policies.

We have also increased customer awareness about policy loans as one of the "living benefits" offered under a whole life insurance policy, and the benefits of obtaining a policy loan over other types of consumer loans.

> “The Board comprises 10 members, many of whom have been with CHBL for over 10 years. They have been able to provide insight and guidance to the management teams of the companies within the group, which in turn have been able to deliver positive financial results year over year.”

Andrew Alexiou
Vice President & General Counsel, Colina Holdings Bahamas Limited

> “2014 promises to be year of significant change for The Bahamas with the scheduled introduction of Value Added Tax (VAT). As an insurance provider, Colina Insurance Limited will bear higher costs and will have to strive for efficiency in order to minimize the impact of VAT on its cost of operations.”

Marcus J. Bosland
Resident Actuary, Colina Insurance Limited






How important is leadership to the execution of your strategy and delivery of your plans?

Tatjana Jancic-Turner

Chief Group Internal Auditor, Colina Holdings Bahamas Limited

Formerly, Internal Auditor, Ansbacher (Bahamas) Limited (2011-2012). Formerly, Manager, Internal Audit, JS Johnson & Company Ltd. (2010-2011)

Leadership is absolutely critical to the achievement of strategic goals. As a matter of fact, it is the mechanism by which those goals are achieved. While we are working on developing and implementing long term plans and strategies, we still have to deliver on the short term, day to day commitments. This is where the leadership comes in. “Leadership is the capacity to translate vision into reality,” said Warren Bennis, pioneer of the contemporary field of Leadership Studies. Within the Internal Audit Department, we achieve this by always expecting the very best from each member. We invest in each individual and create an environment for each person to change and grow.

Andrew Alexiou

Vice President & General Counsel, Colina Holdings Bahamas Limited

Formerly, Associate, Alexiou, Knowles & Co. Counsel & Attorneys-At-Law (2009-2012)

Leadership is immensely important in a group of companies like CHBL. While it must be demonstrated at all levels of the corporate structure, it is particularly important that it emanate from our Board of Directors.

The Board comprises 10 members, many of whom have been with CHBL for over 10 years. They have been able to provide insight and guidance to the management teams of the companies within the group, which in turn have been able to deliver positive financial results year over year. Last year, 2013, was a particularly interesting year as the Board moved to align the group of companies through the strategic acquisition of CFAL.

Which key factors influenced your company’s performance in 2013?

Anthony Lowe

Financial Controller, Colina General Insurance Agents & Brokers Limited

In spite of the economic challenges facing our country today, CGIA continues to register positive financial results, which, in 2013, was attributed to two main factors: the upgrade of our status from “Agent” to “Agent and Broker”, which enabled us to work in partnership with multiple insurers to extend additional opportunities such as competitive rates and services to a wider cross section of the insurance market; and, secondly, our effective Care Programme and Business Referral Programme, which both improved new and renewal business results in significant ways.

What are your expectations for FY2014?

Anthony R. Ferguson

President, Colina Financial Advisors Ltd.

The uncertainty surrounding the implications of the pending Value Added Tax (VAT) regime makes it difficult to reasonably forecast any economic growth within 12-24 months. Nonetheless, CFAL intends to remain the preferred trusted financial services company in The Bahamas by focusing on the needs of our clients.

Ednol Farquharson

Chief Executive Officer, Colina General Insurance Agents & Brokers Limited

In 2014, CGIA will continue on a path to accelerate new business acquisition and increase retention.

This journey will not be without obstacles related to current economic recovery uncertainty, changing market conditions and consumer demands. However, our response to these challenges will be to assess and re-align the business model – particularly our distribution network, IT infrastructures, and underwriting and claims system – to address customer needs and expectations.

Our employees will be strategically positioned to be at the center of our strategy. We will also consistently reassess operational capabilities and institute initiatives that will give individual and corporate clients the assurance that they are protected by a competent company.

Marcus J. Bosland

Resident Actuary, Colina Insurance Limited

2014 promises to be a year of significant change for The Bahamas with the scheduled introduction of Value Added Tax (VAT). As an insurance provider, Colina Insurance Limited will bear higher costs and will have to strive for efficiency in order to minimize the impact of VAT on its cost of operations. As importantly, VAT will reduce our consumers’ disposable income, leaving them with less available to set aside for savings and protection. We are committed to ensuring that our policyholders understand the value of their insurance policies as they make their individual financial decisions.

Colina is well placed both financially and operationally to manage the change that 2014 will bring. Operationally, a number of key projects are underway which will allow us to continue to administer our insurance products in as cost effective a manner as possible, while granting us further tools to be more responsive to our clients’ needs. I expect that, despite the challenges, Colina will set new standards for service excellence in 2014.

MANAGEMENT'S DISCUSSION & ANALYSIS

Colina Holdings Bahamas Limited
Management's Discussion & Analysis
For the period ended December 31, 2013

This MD&A is dated March 7, 2014

Top left to right:

Simone Coakley Financial Reporting Officer, Colina Insurance Limited
Paula-Maria Hospedales Reinsurance Administration Manager, Colina Insurance Limited

Bottom left to right:

Karen Hawkins Manager, Accounts Payable, Colina Insurance Limited
Charmaine Parker Manager, Premium Accounting, Colina Insurance Limited
Antoinette Moxey Financial Controller, Colina Insurance Limited

FORWARD-LOOKING STATEMENTS

OVERVIEW

Colina Holdings Bahamas Limited ("CHBL" or "the Company") is a holding company incorporated in 1993. CHBL subsidiaries provide financial services solutions through the production, distribution, and administration of insurance and investment products. CHBL's subsidiaries include Colina Insurance Limited ("Colina"), Colina General Insurance Agents & Brokers Limited ("CGIA"), and Colina Financial Advisors Ltd. ("CFAL").

Colina is a wholly-owned life and health insurer whose principal operations are conducted largely in The Bahamas and which is also registered to operate in the Cayman Islands and The Turks and Caicos Islands. CGIA is a general insurance agency service provider that has been in operation in The Bahamas since 2004 and recently expanded its offerings to include general insurance brokerage. CFAL is an investment advisory firm, established to provide financial services including investment management, pension management and administration, corporate advisory services, escrow, registrar and transfer agent services.

All references to financial information presented are in relation to the consolidated financial statements of the Company and its subsidiaries (collectively, "The Group"), unless otherwise identified.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The Consolidated Financial Statements of the Company, on which the information presented in this report is based, have been prepared in accordance with International Financial Reporting Standards. This report should be read in conjunction with the annual consolidated financial statements and accompanying note disclosures.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's accounting policies require the use of judgments relating to a variety of assumptions and estimates that affect amounts reported in the Consolidated Financial Statements. In particular, with respect to insurance related assumptions and estimates, these include expectations of current and future mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. Management has also applied judgement in its assessment of valuations of real estate and goodwill which include assumptions and estimates in relation to rates such as discount, growth, vacancy, and inflation. In applying its accounting policies, management makes subjective and complex judgments that frequently estimate matters which are inherently uncertain. Many of these policies are common in the insurance and financial services industries; others are specific to the Group's business and operations. Due to the inherent uncertainty of using the assumptions and estimates, the effect of certain accounting policies under different conditions or assumptions could be materially different from those reported in the consolidated financial statements. A discussion of the most significant accounting policies follows:

Provision for future policy benefits

The establishment of adequate actuarial reserves to meet the Group's obligations to its policyholders involve estimating liabilities for future policy benefits on life and health insurance policies and requires the use of assumptions such as those relative to future investment yields, mortality, morbidity, longevity, persistency, expenses, and other applicable assumptions based on historical experience modified as necessary to reflect anticipated trends and to include margins for risk and possible adverse deviation.

Goodwill and other intangible assets

Intangible assets on the Company's consolidated balance sheet include goodwill and other intangible assets. The assessment of goodwill requires an annual estimate of the future cash flows of the respective cash-generating units. Revisions to the estimates that result in the impairment of the carrying value of these assets cause the amounts to be expensed in the reporting period in which the revisions are made. Other intangible assets include acquired computer software licenses which are capitalized on the basis of the costs incurred for its acquisition and implementation. Management reviews the carrying amounts annually to determine if there are any indications that these assets are impaired at which time, the impairment losses are recognized.

Revaluation of property and equipment, investment properties, and other real estate holdings

The Group carries investment properties at fair value with changes in fair value recognized in the consolidated statement of income. Land and buildings are measured at their revalued amounts with changes in fair value recognized in the revaluation reserve. Other real estate holdings such as land held for development and properties assumed under mortgage default are held at the lower of cost or realizable value. The valuation of real estate for impairment and changes in fair value are assessed annually by management with reference to periodic appraisals obtained from independent appraisers in intervening periods. Management assessment of the appropriateness of the carrying amounts are carried out using a number of valuation methodologies including the discounted cash flow (DCF) model which requires the use of assumptions including capitalization rates, vacancy rates, rental and expense growth rates.

CHANGES IN ACCOUNTING POLICIES

A description of changes in accounting policies and disclosures is included in Note 2 to the Consolidated Financial Statements.

2013 ECONOMIC REVIEW

In its Monthly Economic & Financial Developments, November 2013 report, the Bahamas Central Bank observed "expectations are that the domestic economy will continue to post positive growth in the near-term, as the tourism sector positions to benefit from the improving economic conditions in key source markets. The outlook is also for modest gains in foreign investment activity, providing for some broadening of employment opportunities." However, they also caution that "headwinds persist, in the context of the still uncertain durability of the global recovery, intensified market competition for the tourism sector, and the elevated unemployment rate."

However, substantial improvements in the unemployment rate (which increased from 14% to 16.2% last year) must first be achieved before the average citizen will be confident that an economic recovery is truly underway.

Notably, it remains to be seen if the proposed implementation of a Value-Added Tax (VAT) system will occur in July 2014 as scheduled, or if the Government will postpone the implementation date to possibly January 2015 as has been proposed by some groups.

The cautiously optimistic forecast is that 2014 will continue to maintain or slightly outperform the growth experienced throughout 2013. The World Bank in its January 2014 Global Economic Prospects report raised its global growth forecasts, citing widespread easing of austerity policies in the developed nations in light of improved economic performance. Improved developed market growth has also increased the prospects for export trade in developing markets.

The World Bank raised its growth forecasts for the global economy for 2014 to 3.2%, up from its earlier projections made in June of 3.0% and its 2.4% rate projected for 2013. Most importantly for The Bahamas, given our close economic ties to the United States, economic growth in the United States is accelerating and looks poised to surpass forecasts. The US economy is projected to grow by 2.8% this year from 1.8% in 2013, firming to 2.9% in 2015 and 3.0% in 2016.

The IMF predicts that The Bahamas will experience a real economic growth rate of 2.1% in 2014 compared to 1.9% in 2013.

We look forward to 2014 with restrained optimism that a rebounding US economy, completion of the Baha Mar project and clarity on tax reform will at least stabilize our stubbornly high unemployment rate, if not begin the long process of receding to historically normal levels.

OVERALL PERFORMANCE

For the year ended December 31, 2013

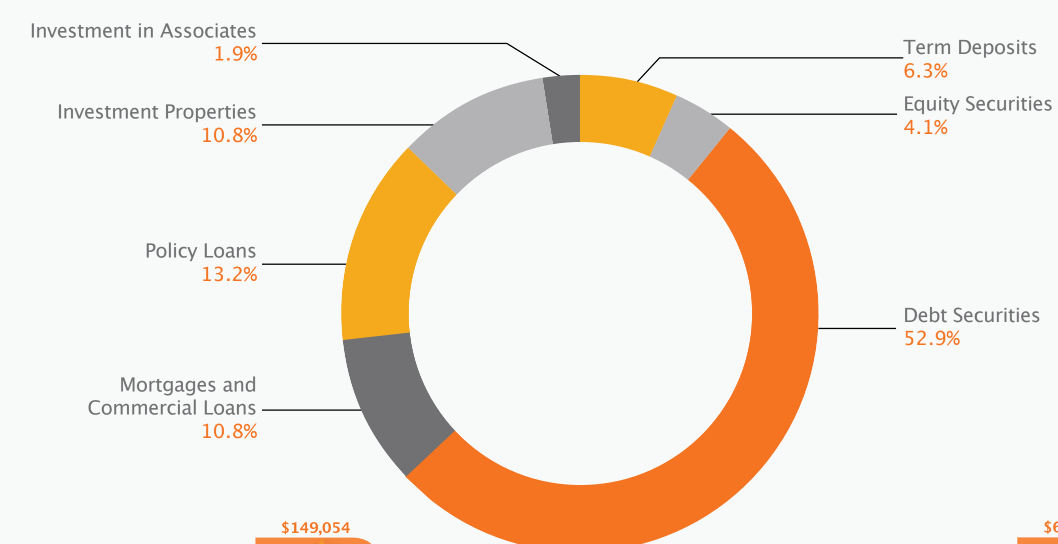
Colina Holdings Bahamas Limited Statistical Financial Reporting Data
(All data in B$000s with the exception of $ per share amounts)

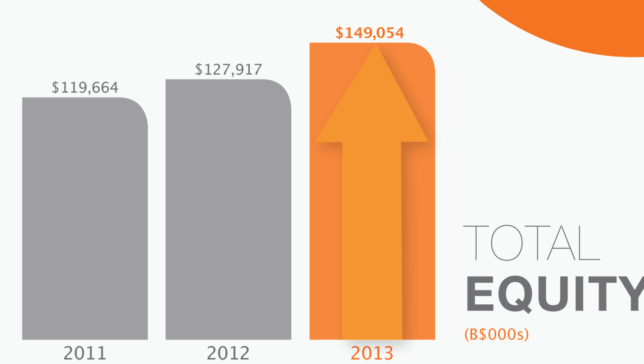
	2013	2012	2011
Net income for the year	$ 14,594	$ 12,271	$ 5,588
Net income for equity shareholders	$ 13,698	$ 11,280	$ 5,030
Net income for ordinary shareholders	$ 11,659	$ 9,384	$ 3,322
Gross premium revenue	$ 140,551	$ 135,067	$ 132,085
Net premium revenue	$ 127,349	$ 120,261	$ 117,449
Net commission income*	$ 3,192	$ 2,438	N/A
Investment management and other fees*	$ 6,771	$ 4,959	N/A
Total revenues	$ 162,869	$ 158,508	$ 153,018
Total assets	$ 605,462	$ 583,135	$ 549,961
Total invested assets	$ 507,883	$ 475,390	$ 457,682
Total ordinary shareholders' equity	$ 91,547	$ 83,683	$ 77,327
Total equity	$ 149,054	$ 127,917	$ 119,664
Return as % of total assets	2.4%	2.1%	1.0%
Return on total opening equity	11.4%	10.3%	4.8%
Earnings per ordinary share	$ 0.47	$ 0.38	$ 0.13
Cash dividends declared per share by class			
Class A Preference Shares	$ 0.06	$ 0.06	$ 0.06
Ordinary Shares	$ 0.18	$ 0.16	$ 0.16

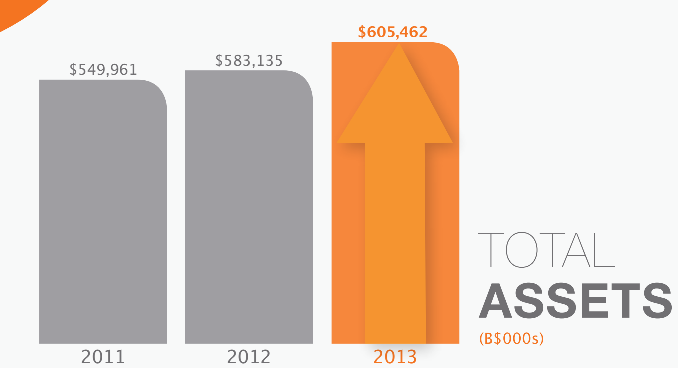
*Corresponding figures have been reclassified to facilitate a more comparative basis of the financial information based on current year presentation

INVESTED ASSETS COMPOSITION

As at December 31, 2013







The Company continued to achieve its objective of balance sheet growth, increasing total assets by $22.3 million to $605.5 million at December 31, 2013, representing a 3.8% increase over total assets as at December 31, 2012. The majority of this asset growth was concentrated in additional investments in high-quality, fixed income securities during the year.

SUMMARY OF FINANCIAL PERFORMANCE

The Company's total revenues have increased over prior year in aggregate, with growth in premium revenues and additional revenue streams from its recent financial services acquisitions. The Company's strategy to diversify revenue streams has been successful in mitigating decreases in net investment income during these challenging economic times. Claims experience within expected levels and management of general and administrative costs commensurate with revenue growth have contributed to positive growth in total net income over prior year.

Total net income was $14.6 million compared to $12.3 million in the prior year, an increase of over $2.3 million or 18.9%.

Gross premium revenues increased by $5.5 million or 4.1%, totaling $140.6 million for the 12 months ended December 31, 2013 compared to $135.1 million in the prior year.

The Company continued to achieve its objective of balance sheet growth, increasing total assets by $22.3 million to $605.5 million at December 31, 2013, representing a 3.8% increase over total assets as at December 31, 2012. The majority of this asset growth was concentrated in additional investments in high-quality, fixed income securities during the year.

The Company has been deliberate and cautious in managing its administrative expense ratios with expenses (excluding policyholder benefits and actuarial reserves) remaining at 21.1% of total revenues, up slightly from 20.9% in the prior year. The Company continues to invest significantly in technology and administrative system improvements that will reduce recurring costs over the long term.

The Company's primary operating segments include its Life Insurance division and its Individual and Group Health Insurance divisions. Results from the Company's reinsurance and other subsidiary and associate operating activities are captured separately. We discuss highlights that affected the Company's segmented operating results:

Colina Insurance Limited ("Colina")

Life Division

The Company's Life Division offers a wide range of whole life and term insurance, pension, annuity, and savings and investment products.

The life division significantly improved its contributions to the Company's bottom line, contributing $5.8 million to Company net income, an increase of $4.2 million over the prior year. Improved claims experience inclusive of policyholder reserve adjustments largely contributed to the increase in profit.

The reduction in net investment income had a significant impact on total revenues for the life division which totalled $78.0 million, a decrease of 4.6% over the prior year of $81.8 million. Life division net premiums totalled $55.8 million for 2013, a slight increase from the prior year's net premiums which totalled $54.7 million.

Net investment income for the life division decreased to $21.9 million in 2013 compared to $26.6 million in 2012. The Company has been able to direct new funds towards fixed income and other quality investment securities, however, such opportunities remain limited. The Company also recognized impairment losses on real estate assumed under mortgage default which also contributed to the reduction in net investment income.

Expenses generally remained within the Company's expected range relative to gross premium volumes.

Health Division

The Company's Health Division offers a wide range of individual medical and group life and medical insurance.

The health division contributed $10.4 million to total net income in 2013 compared to $10.2 million in 2012.

The growth of the business, inclusive of premium rate adjustments for medical inflation and claims experience, increased net premiums for this division by 10.8% to $58.0 million compared to $52.4 million in 2012. The net premiums, however, increased at a slower pace than claims experience as policyholder benefits in 2013 totalled $36.7 million, an increase of $5.4 million or 17.3% compared to prior year.

Mindful of the volatility of claims, the Company continues to rigorously assess renewals of existing business to ensure that they adequately reflect perceived risk exposure and changes in claims experience. The Company will maintain this discipline as it has proven to be effective over the long term and has enabled the Company to limit losses in high claims years.

Colina General Insurance Agents & Brokers Limited ("CGIA")

CGIA recorded another year of positive results and continues to contribute positively to CHBL's overall returns since its acquisition in December 2011. In November 2012, CGIA became registered as an insurance broker and subsequently changed its name to Colina General Insurance Agents & Brokers Limited in December 2012. CGIA's operating results are included in the "Other" category of CHBL's segmented information. The following is a summary of their financial results.

CGIA exceeded commission income, assets and equity growth projections in 2013. Commission income grew by 4.0% over prior year with the successful expansion of its general insurance partnerships to multiple carriers. CGIA added personnel to assist with claims management, and underwriting reviews to address the growth in business and remained within targeted expense ratios relative to revenues.

CGIA management is continuing to explore additional distribution channels and is working with the Group to enhance its financial service product offerings. CGIA also plans to continue strengthening its conservation programmes to further improve renewals and retention rates.

Colina Financial Advisors Ltd. ("CFAL")

CFAL was added to CHBL's complement of financial service entities in September 2013. CFAL is a leading investment and advisory firm and is the largest pension provider in The Bahamas, with a long and proven record of financial stability and integrity in all economic climates. CFAL provides innovative financial planning solutions for institutions and individuals and advises clients both internationally and in The Bahamas on a range of services including pension management, brokerage and investment management accounts. As at March 7, 2014 CFAL is entrusted with the management and administration of more than $1.3 billion in assets.

Capital Management

The Company was successful in issuing an additional $10.5 million in preference share capital to assist with its strategic growth plans. The additional preference share capital, combined with the contributions to equity from profit net of dividend distributions resulted in an increase in the total equity base to $149.1 million in total equity from $127.9 million in the prior year. Ordinary shareholders' equity has increased by $7.9 million to $91.5 million from $83.7 million as at December 31, 2012, notwithstanding capital distributions to ordinary shareholders invested in Bahamas Government Registered Stock. The Company maintains a sufficient amount of liquid assets to meet unanticipated cash flow requirements prior to their maturity.

An analysis of the maturity profile of the financial liabilities of the Company based on remaining contractual obligations on an undiscounted cash flow basis is summarized in Note 34 to the Consolidated Financial Statements.

Colina Holdings Bahamas Limited
Quarterly Financial Information
(All data in B$000s with the exception of $ per share amounts)

	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net premium revenue	$ 33,880	$ 30,985	$ 32,059	$ 30,425	$ 30,658	$ 30,571	$ 27,874	$ 31,158
Total revenue	$ 43,534	$ 39,600	$ 39,410	$ 40,325	$ 40,761	$ 39,652	$ 36,915	$ 41,180
Net Earnings by Quarter								
Total Net income	$ 4,963	$ 2,623	$ 3,444	$ 3,564	$ 2,856	$ 2,458	$ 4,359	$ 2,598
Net income attributable to equity shareholders	$ 4,489	$ 2,508	$ 3,467	$ 3,234	$ 2,705	$ 2,107	$ 4,261	$ 2,207
Net income attributable to ordinary shareholders	$ 4,325	$ 1,570	$ 2,999	$ 2,765	$ 2,706	$ 1,169	$ 3,792	$ 1,717
Quarterly Earnings per Ordinary Share	$ 0.18	$ 0.06	$ 0.12	$ 0.11	$ 0.11	$ 0.05	$ 0.15	$ 0.07

of $4.5 million or $0.18 per ordinary share during fiscal 2013 and preference share distributions to the Class "A" preference shareholders of $2.0 million or $0.06 per preference share.

Colina's Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio, the objective calculation of a company's financial strength, has increased to 212.9% at December 31, 2013 compared to 195.1% at December 31, 2012. Colina also exceeded all statutory solvency margin requirements as required by the Insurance Act (2005) and the Insurance (General) Regulations, 2010 throughout the year.

Liquidity Analysis

The Company's current and short-term cash needs are adequately funded through cash generated from its regular operations. Cash in excess of short-term needs are invested in a managed portfolio where the Company also maintains adequate levels of liquid investments in accordance with established liquidity margin requirements as per the Company's investment mandate. At December 31, 2013, the Company held cash and liquid short-term investments of $61.7 million ($56.4 million in 2012). The Company and its subsidiaries held over $268.6 million in fixed income securities, 79.1% of which were investments in government securities with the majority

Off-Balance Sheet Arrangements

As at December 31, 2013, the Company did not provide any guarantees to third parties. Included, however, in term deposits and investment securities are $0.8 million and $2.2 million, respectively, in restricted balances held in favour of various regulatory bodies.

Other contingent liabilities and commitments are discussed in Note 23 to the Consolidated Financial Statements.

Financial Instruments and Other Instruments

Risk exposures that arise as a result of the financial instruments that the Company invests in - such as financial, interest rate, credit and liquidity risks - are discussed in Note 34 to the Consolidated Financial Statements. The Group's activities also include trading activities which introduce settlement risk exposures which are also discussed in Note 34.

Transactions with Related Parties

In the normal course of business, the Company has entered into transactions with related parties and affiliates. These balances and transactions are identified and discussed in Note 33 to the Consolidated Financial Statements.

OPERATIONAL overview

Ngaio Griffin Asst. Vice President, Pension Administration, Colina Financial Advisors Ltd.

Tamara Evans Manager, Settlements, Colina Financial Advisors Ltd.

Nickara Roberts Manager, IT Systems. Colina Insurance Limited

Vendryes Braham Manager, Application Development, Colina Insurance Limited

Lennox Phillip Sr. Manager, Information Technology, Colina Insurance Limited

Enrique Pyfrom Manager, IT Operations, Colina Insurance Limited

STRATEGIC alignment

On September 30, CHBL completed its acquisition of all the issued and outstanding shares of leading investment advisory firm Colina Financial Advisors Ltd. ("CFAL") and its wholly owned subsidiary CFAL Securities Ltd. The purchase was part of CHBL's blueprint to unify its product offerings under a single financial services brand and diversify income while enhancing shareholder value over the long term.

President Anthony Ferguson continues as CFAL's chief executive. The company operates under its former management structure and continues to maintain a leading market share in the pensions and investment arena.

In 2013 Colina General Insurance Agents & Brokers Limited ("CGIA") completed its first full year as a Property & Casualty ("P&C") insurance broker, transitioning from its role as an exclusive agent. This development has expanded CGIA's market reach and afforded its P&C clients access to more competitive rates and services.

Carlton Adderley Asst. Operations Manager/Human Resources Manager, Colina General Insurance Agents & Brokers Limited

Jacqueline Gardiner Underwriting Manager, Colina General Insurance Agents & Brokers Limited

Charles Nevins III General Manager, Colina Mortgage Corporation

Beverley Ferguson Manager, Credit Collections, Colina Mortgage Corporation

Ken Donathan President, Colina Real Estate Fund Ltd

Richard Coleby Manager, Properties, Colina Insurance Limited

In May, Colina Insurance Limited ("Colina") refreshed its line of Individual Life insurance products launching:

solutions UNWRAPPED

PrimeLife

a simple whole life non-participating product that builds cash value and offers level and guaranteed premiums

UltimateLife

a sophisticated whole life participating product which pays dividends and provides flexible payment options

EssentialLife

a suite of term life products which offer several affordable alternatives to whole life coverage by offering protection for a specified period

There were three significant changes made to the redesigned plans:

1. UltimateLife is more affordable than its predecessor.

2. New premium bands enable the purchase of larger amounts of insurance at lower prices.

3. PrimeLife is now more attractive than its predecessor for certain issue ages.

Sapna Chatlani Actuary, Colina Insurance Limited

Pearl Sylvester Manager, Underwriting, Colina Insurance Limited

DeAndrea Lewis Actuary, Colina Insurance Limited

Kenray Marsh Manager, New Business and Senior Underwriter, Colina Insurance Limited

Angela Taylor Director, Underwriting and New Business, Colina Insurance Limited

CFAL LAUNCHES new fund

Jeanelle Francis
Manager, Brokerage & Trading, Colina Financial Advisors Ltd.

In September, CFAL launched its newest Bahamian $ Fund – the CFAL Target Rate Fund Ltd. The Fund's objective is to preserve principal value while returning a target rate agreed upon by shareholders. The Fund invests in a portfolio of high quality relatively liquid fixed income securities which are issued and payable in Bahamian dollars, including securities issued or guaranteed by the Bahamian government and its agencies; debt securities issued or guaranteed by qualified Bahamian banks, including certificate of deposit, time deposits and other short-term securities; high quality commercial paper and other short-term debt securities, including floating and fixed rate debt instruments of Bahamian corporations; mortgage-related and other asset-backed securities issued by publicly traded companies, sweep vehicles, preferred shares of publicly traded Bahamian companies, fully collateralized loans, and other similar interest rate based securities.

CUSTOMER COMMUNICATIONS OnDemand

Charlene Rodgers Assistant Vice President, Group and Health Benefits, Colina Insurance Limited

Melanie Hutcheson Corporate Communications Officer, Colina Insurance Limited

Sandra Thomas Manager, Administration and Claims, Group and Health Benefits, Colina Insurance Limited

Julie Dean Manager, Customer Services, Colina Insurance Limited

Lavaughn Fernander Manager, Customer Services, Colina Insurance Limited

Colina purchased its current technological solution to improve customer communications in 2011, deploying the solution that year to standardize batch print communications (notices, billings, contracts, cheques) for the Customer Service and Underwriting departments. In 2013 further enhancements to the project continued. By utilizing the Interactive and OnDemand modules, the Group Health Division has been able to use the product as a modern, dynamic and interactive vehicle for automating workflows and creating OnDemand correspondence (proposals, contracts, letters). The department has been able to manage many correspondence types, cut costs, decrease document processing time, automate compliance, enforce branding standards and improve the quality of the documents delivered to current and potential customers.

The ultimate goal is to expand the software to all CHBL entities to make the most of every customer touch point by creating relevant, cost-effective, real-time customer communications.

Janice Butler Manager, Central Processing Unit, Colina Insurance Limited

Millicent Wong Manager, Life Claims, Colina Insurance Limited

TRAINING & PROFESSIONAL development

Colina receives LOMA award

In 2013, Colina Insurance Limited earned its third consecutive Caribbean and Latin America Educational Award for outstanding participation from LOMA, the Life Office Management Association for employee training and development in insurance and financial services. Colina previously earned the award in 2011 and 2012.

Karen Sweeting Manager, Agency Services, Colina Insurance Limited

Leotha Nixon Manager, Human Resources, Colina Insurance Limited

Leaders in their field

Marcus Bosland, Resident Actuary (Colina), was elected "President Elect" of the Caribbean Actuarial Association, the body tasked with supporting the development of actuarial science in the Caribbean and upholding the standards of the actuarial profession in the region.

Emmanuel Komolafe, Chief Risk & Compliance Officer (CHBL), was appointed director of the following bodies: Institute of Internal Auditors (Bahamas Chapter), and the Insurance Institute of The Bahamas; he was also re-appointed to the Statutory Insurance Advisory Committee by the Insurance Commission of The Bahamas and re-elected Deputy Chair of the Bahamas Insurance Association.

Tatjana Turner, Chief Group Internal Auditor (CHBL), successfully completed The Certified Fraud Examiner (CFE) designation. The CFE denotes proven expertise in fraud prevention and detection that will bolster the credibility of CHBL's Anti-Fraud and Corruption programmes.

Prescott Adderley, Compliance Officer (CFAL), passed the New York Bar Exam. Prescott holds an LLB from the University of New Castle Upon Tyne and during 2012 completed the ICA Diploma in Compliance and Anti-Money Laundering which is offered through the Bahamas Institute of Financial Services. Prescott is qualified as an attorney in the state of New York and has plans to pursue the conversion course for The Bahamas Bar.

Master Financial Advisors

Colina continues to partner with insurance research and consulting organization LIMRA for training leading to higher professional development and industry designations among its sales team. Colina now has 30 salespersons holding the "Master Financial Advisor" (MFA) designation and 18 salespersons currently pursuing studies to become Chartered Life Underwriters (CLU).

Salespersons earning the MFA designation

Julie McIntosh Village Branch Manager, Colina Insurance Limited

Gary Cooper Blair Branch Manager, Colina Insurance Limited

Yvonne Gibson-Sands Blair Sales Manager, Colina Insurance Limited

Kino McCartney Collins Branch Manager, Colina Insurance Limited

Sandra Walkes Collins Sales Manager, Colina Insurance Limited

Ingrid Rose Eastern Branch Manager, Colina Insurance Limited

Raleigh Francis Eastern Sales Manager, Colina Insurance Limited

Bradley Ferguson Montagu Branch Manager, Colina Insurance Limited

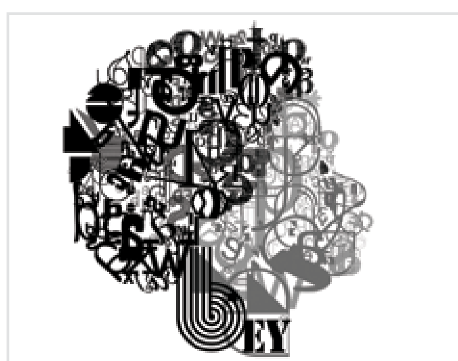
Lynette Thompson Montagu Sales Manager, Colina Insurance Limited

Leslie Gelin Northern Branch Manager, Colina Insurance Limited

Elrod Outten Northern Sales Manager, Colina Insurance Limited

Sandra Smith Rosetta Branch Manager, Colina Insurance Limited

Joseph Sweeting Rosetta Sales Manager, Colina Insurance Limited



Sheila Carey, Charge d'Affaires at the Bahamas Embassy in Beijing; Melanie Hutcheson, Corporate Communications Officer at Colina Insurance Limited; and Attorney General Sen. Hon. Allyson Maynard Gibson attend the National Day reception in Beijing, China marking The Bahamas' 40th anniversary of independence.

Colina partnered with the Bahamas Embassy in Beijing to exhibit, at the Embassy and the ambassador's residence, the artwork of 13 contemporary Bahamian artists featured in Colina's 2013 calendar "Celebrating 40 years of Bahamian Independence and Expression". The exhibition was launched during the National Day reception in Beijing on July 17th as Bahamian citizens living or studying in China celebrated the season of The Bahamas' 40th anniversary of independence.

The "Expressions" exhibition in Beijing was inaugurated by Attorney General Sen. Hon. Allyson Maynard Gibson, who emphasized the role contemporary art plays in creating cross-cultural environments that foster dialogue and understanding between nations. The reception was attended by more than 200 members of the Bahamian community in China, the diplomatic community, Chinese government officials and business leaders.

The 2013 Colina calendar celebrated Bahamian culture by taking the viewers on a colourful year-long journey through the country's most popular idiomatic expressions interpreted and illustrated by young artists affiliated with the National Art Gallery of The Bahamas. Gallery Director Amanda Coulson assisted Colina in compiling an impressive list of young artists for the project.

Colina believes in community

over **$140k** in donations in 2013

Colina is committed to responsible corporate citizenship and helping to improve the quality of life in the communities in which we operate. In 2013, the company has donated more than **$140,000** in philanthropic support to community-building non-profit organizations nationwide.

Major Grant Recipients: $10,000 or more

Partners

Grant recipients

ACKLINS REGATTA SAILING COMMITTEE
BAHAMAS AIDS FOUNDATION
BAHAMA INFANT STIMULATION PROGRAMME
BAHAMAS ACADEMY OF SEVENTH-DAY ADVENTISTS
BAHAMAS CHAMBER OF COMMERCE
BAHAMAS DEBUTANTE FOUNDATION
BAHAMAS GOLF FEDERATION
BAHAMAS INSTITUTE FOR YOUTH LEADERSHIP & DEVELOPMENT
BAHAMAS MUSIC CONSERVATORY
BAHAMAS NATIONAL TRUST
BAHAMAS NATIONAL YOUTH CHOIR
BAHAMAS PHARMACY ASSOCIATION
BAHAMAS RED CROSS
BAHAMAS SALSA SOCIAL NETWORK
BAHAMIAN MUSIC & HERITAGE FESTIVAL
BRITISH LEGION BAHAMAS BRANCH
CANCER SOCIETY OF THE BAHAMAS
CARIBBEAN ACTUARIAL ASSOCIATION
C-LET
COLLEGE OF THE BAHAMAS
FALCONS BOYS CLUB
GRAND BAHAMA CHILDRENS HOME
GRAND BAHAMA HEALTH SERVICES
HANDS FOR HUNGER
INTERNATIONAL ASSOCIATION OF ADMINISTRATIVE PROFESSIONALS
JEFF RODGERS BASKETBALL CAMP
MARATHON BAHAMAS
MEDICAL ASSOCIATION OF THE BAHAMAS
NATIONAL DANCE SCHOOL OF THE BAHAMAS
NORTH ELEUTHERA COMMUNITY YOUTH PROGRAM
NURSES ASSOCIATION OF THE COMMONWEALTH OF THE BAHAMAS
PACE FOUNDATION
PRODIGAL SONS JUNKANOO GROUP
QUALITY BEACH SOCCER ACADEMY
RIDE FOR HOPE
ROYAL BAHAMAS POLICE FORCE BAND
ROYAL RANGERS BOYS CLUB
SANDILANDS REHABILITATION CENTRE
SEA BEES SWIM CLUB
SIR LYNDEN PINDLING FOUNDATION
SIR VICTOR SASSOON (BAHAMAS) HEART FOUNDATION
SISTER SISTER BREAST CANCER SUPPORT GROUP
SKILLS BAHAMAS TRAINING
ST. JOHNS NATIVE BAPTIST CATHEDRAL
ST. MATTHEWS ANGLICAN CHURCH WOMEN
STAR TRACKERS TRACK & FIELD CLUB
STREET LEGENDS
THE CRISIS CENTRE
THE GENTLEMENS CLUB
TOASTMASTERS INTERNATIONAL
WOMEN & SPORTS COMMISSION
YOUTH AGAINST VIOLENCE
ZONTA CLUB OF NEW PROVIDENCE

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CORPORATE governance

Board Composition

The composition of the Board has been designed to include individuals with a broad range of skills, expertise, knowledge and valuable experience to ensure effective oversight of the Company's business. Directors are also expected to possess high standards of integrity, honesty and loyalty to the Company.

Philosophy

It is the philosophy of the Board that good corporate governance is a pre-requisite to the achievement of the Company's goals and objectives. The Directors remain committed to the upholding of high standards of corporate governance in the execution of their duties and in the delivery of sustainable value to shareholders.

Leadership

The roles of the Chairman of the Board and Executive Vice Chairman ("EVC") are distinct and clearly defined to ensure appropriate balance and to dilute the powers of decision between both offices. The Chairman is responsible for the long-term strategic development of the Company as well as the leadership and governance of the Board. The EVC is responsible for the development of business plans, the management of the daily affairs of the Company and the implementation of the Board's strategy. The EVC is advised and assisted in the discharge of his duties as delegated by the Board by an executive management team which comprises functional specialists and professionals.

Role of the Board

The Board is responsible for the stewardship of the Company, including supervising its activities and managing its investments and affairs. The management of the daily operations of the Company in this regard is done by proxy through the EVC and the executive management team. However, the Board's Charter sets out matters that are exclusively and specifically reserved to it for decision to ensure that the Board exercises effective control over the affairs of the Company. These matters include but are not limited to, the approval of dividend payments, annual and interim financial results, significant transactions, material changes, strategic plans and matters affecting the Company's share capital.

As of December 31, 2013, the Board comprised ten Directors (including the Chairman, one executive Director and eight non-executive Directors). Director John Farmer resigned from the Board in August to pursue other business ventures. The size of the Board is commensurate to the complexity, geographical spread and nature of the Company.

Terence Hilts Chairman

Emanuel M. Alexiou
Executive Vice Chairman

Anthony Ferguson Director

Lloyd Steinke Director

Sandra J. Knowles Director

Earle Bethell Director

Ednol Farquharson Director

Macgregor Robertson Director

Glenn V. Bannister Director

Willie A. Moss Director

BOARD committees

Board Committees

In order to effectively discharge its duties and fulfil its mandate, the Board has established the following standing Committees to oversee and debate important issues of policy outside of main Board meetings:

Audit & Finance Committee

Chaired by Macgregor Robertson, the Committee's principal role is to assist the Board of Directors in its oversight of the integrity of the Company's financial statements, strategy and objectives. This Committee supervises the qualification, independence and performance of the external auditor and internal auditors of the Company. The Committee met four times in 2013 at appropriate points in the reporting and audit cycle.

Compensation, Nominating and Corporate Governance Committee

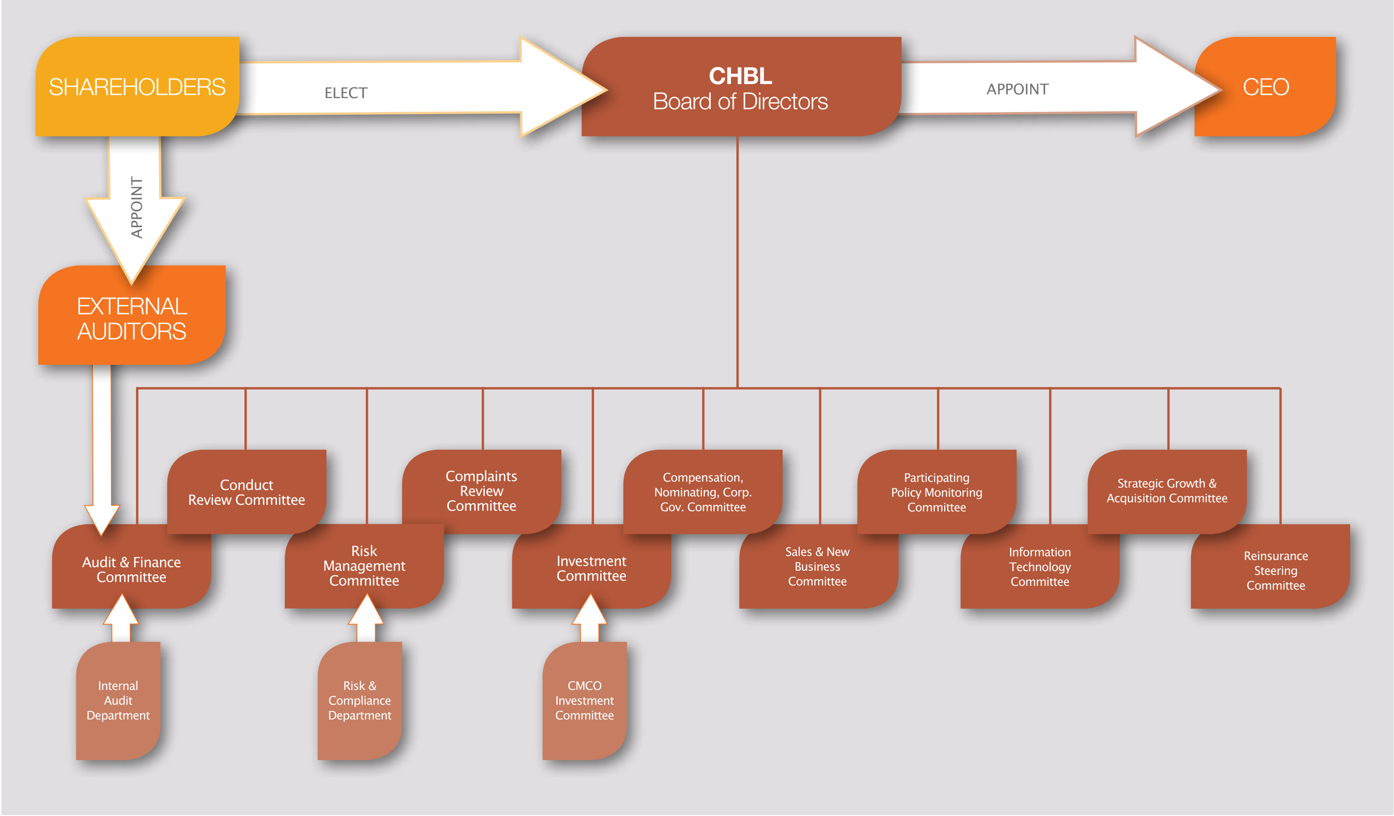
Chaired by Terence Hilts, the Committee's principal role is to assist in the review and oversight of the evaluation of the performance of the executives of the Company, including setting their compensation (including benefits, compensation plans, policies and programmes) and succession planning. The Committee annually reviews the Board's performance and develops criteria for selecting new Board members and identifying and considering candidates. The Committee met four times in 2013.

Complaints Review Committee

Chaired by Emanuel M. Alexiou, the Committee reviews and approves policies and procedures concerning the management of customer complaints, and reviews trends identified in relation to complaints received with a view to recommending corrective actions. The Committee oversees the investigation of any discrepancies, complaints and regulatory concerns emanating from customer complaints or grievances. The Committee met four times in 2013.

Conduct Review Committee

Chaired by Macgregor Robertson, the Committee's principal role is to ensure management establishes procedures for identifying transactions with related parties of the Company that may have a material effect on the stability or solvency of the Company. The Commiittee is charged with reviewing established procedures to ensure compliance with rules on related party transactions. The Committee ensures compliance with the provisions of the Insurance (General) Regulations 2010 (in relation to related party transactions) and the Company's Related Party Transactions Policy. The Committee met four times in 2013 at appropriate points in the reporting and audit cycle.



Information Technology Committee

Chaired by Anthony Ferguson, the Committee serves as an oversight committee on matters of Information Technology and is responsible for setting the Company's overall IT strategic direction. The Committee is charged with recommending and reviewing companywide IT policies, procedures and standards for operational efficiency and system security. The Committee assumes responsibility for developing and approving an effective and robust IT Risk Management Framework and reviews IT risk assessments as conducted by management or external consultants. The Committee also determines priorities for the implementation of applications and capital requests. The Committee met four times in 2013.

Investment Committee

Chaired by Emanuel M. Alexiou, the Committee establishes the Company's policies, standards and procedures, and reviews, approves and monitors the Company's investment strategy, portfolio and results. The Investment Committee designates an Investment Manager(s) and is responsible for the Investment Manager's compliance with the investment policy at all times. The Committee met nine times in 2013.

Participating Policy Monitoring Committee

Chaired by Emanuel M. Alexiou, the Committee is mandated to review and approve policies governing participating policies issued or proposed by the Company, periodically reviewing the rate of premium for participating policies as approved by the Company's actuary for participating policies. The Company's dividend policy, vis-à-vis participating policies, is also reviewed by this Committee, which oversees the investigation and regulatory concerns affecting participating policies issued by the Company. The Committee met once in 2013.

Risk Management Committee

Chaired by Anthony Ferguson, the Committee is charged with identifying and monitoring the key risks to which the Company is exposed (including operational, credit, liquidity, regulatory, legal and reputational risk) and assessing the Company's business strategies and plans from a risk management perspective. The Committee approves risk management policies that establish the corporate risk appetite, appropriate approval levels for decisions and other checks and balances to manage risk. The Committee has oversight of the Company's Enterprise Risk Management (ERM) framework and supervises the performance of the Risk & Compliance Department. The Committee met six times in 2013.

Sales & New Business Committee

Chaired by Lloyd Steinke, the Committee is mandated to develop and promote sales and marketing initiatives that provide the Company with a competitive advantage in attracting and retaining customers. The Committee reviews and approves policies governing the Sales, Underwriting and New Business functions, periodically reviewing the data relating to sales, issued policies, in-force policies and lapsed policies as provided by management. The Committee has responsibility for developing the strategic plan in conjunction with senior management for the Sales, Underwriting and New Business departments. The Committee met twice in 2013.

Strategic Growth & Acquisition Committee

Chaired by Lloyd Steinke, the Committee provides guidance on initiatives that will best support sustainable growth of the Company. Committee members work to identify potential growth opportunities for the Company within The Bahamas and to research and prioritize potential external market entry. The Committee reviews the structure of the Company and evaluates current holdings or businesses and recommends changes as needed. The Committee met three times in 2013.

Reinsurance Steering Committee

Chaired by Emanuel M. Alexiou, the Committee is charged with oversight over all reinsurance matters pertaining to individual products, group products, and assumed reinsurance. The Committee assesses and monitors retention levels and reinsurance arrangements on a regular basis. The Committee met once in 2013.

All Board Committees operate within defined terms of reference as contained in the Company's Corporate Governance Manual. The Chairpersons of the aforementioned Committees reported to the Board at regular intervals during 2013. Additionally, minutes of the Committees' meetings were readily available to all members of the Board for review.

The full remit of each Committee of the Board is available for review on the Company's website www.colina.com.

Board Meeting Attendance

The Board and its Directors meet regularly, operating to an agreed timetable of scheduled meetings. The attendance of Directors at Board meetings held in 2013 is listed below:

No. of Meetings	8
Terence Hilts	8
Emanuel M. Alexiou	8
Anthony Ferguson	4
Sandra J. Knowles	7
Macgregor Robertson	8
Glenn V. Bannister	7
Ednol Farquharson	5
Willie A. Moss	7
Earle Bethell	8
Lloyd Steinke	7

THE DIRECTORS

Terence Hilts (Chairman) [2(c),6,12]
Retired Banking Executive
New Providence, Bahamas
Director since 2004

Emanuel M. Alexiou (Executive Vice Chairman) [2,3(c),6(c),7(c),9,11(c)]
CEO, Colina Insurance Limited
Partner, Alexiou, Knowles & Co.
Publisher, The Nassau Guardian (1844) Ltd
New Providence, Bahamas
Director since 2002

Anthony R. Ferguson [2,3,5(c),8(c),9]
President, CFAL
Executive Vice Chairman, Ansbacher (Bahamas) Limited
New Providence, Bahamas
Director since 2002

Sandra J. Knowles [8]
Chairperson, Cable Cares Foundation
Formerly, General Manager, The Nassau Guardian (1844) Ltd. (2009–2010)
Formerly, Senior Executive, Colina Insurance Limited (2008–2009)
New Providence, Bahamas
Director since 2004

Earle Bethell [3,5]
General Manager, Comfort Suites Paradise Island
New Providence, Bahamas
Director since 2006

Glenn V. Bannister [1,2,4,6]
Retired Executive
New Providence, Bahamas
Director since 2005

Ednol Farquharson [3,9(c)]
President
Colina General Insurance Agency & Brokers Limited
New Providence, Bahamas
Director since 2005

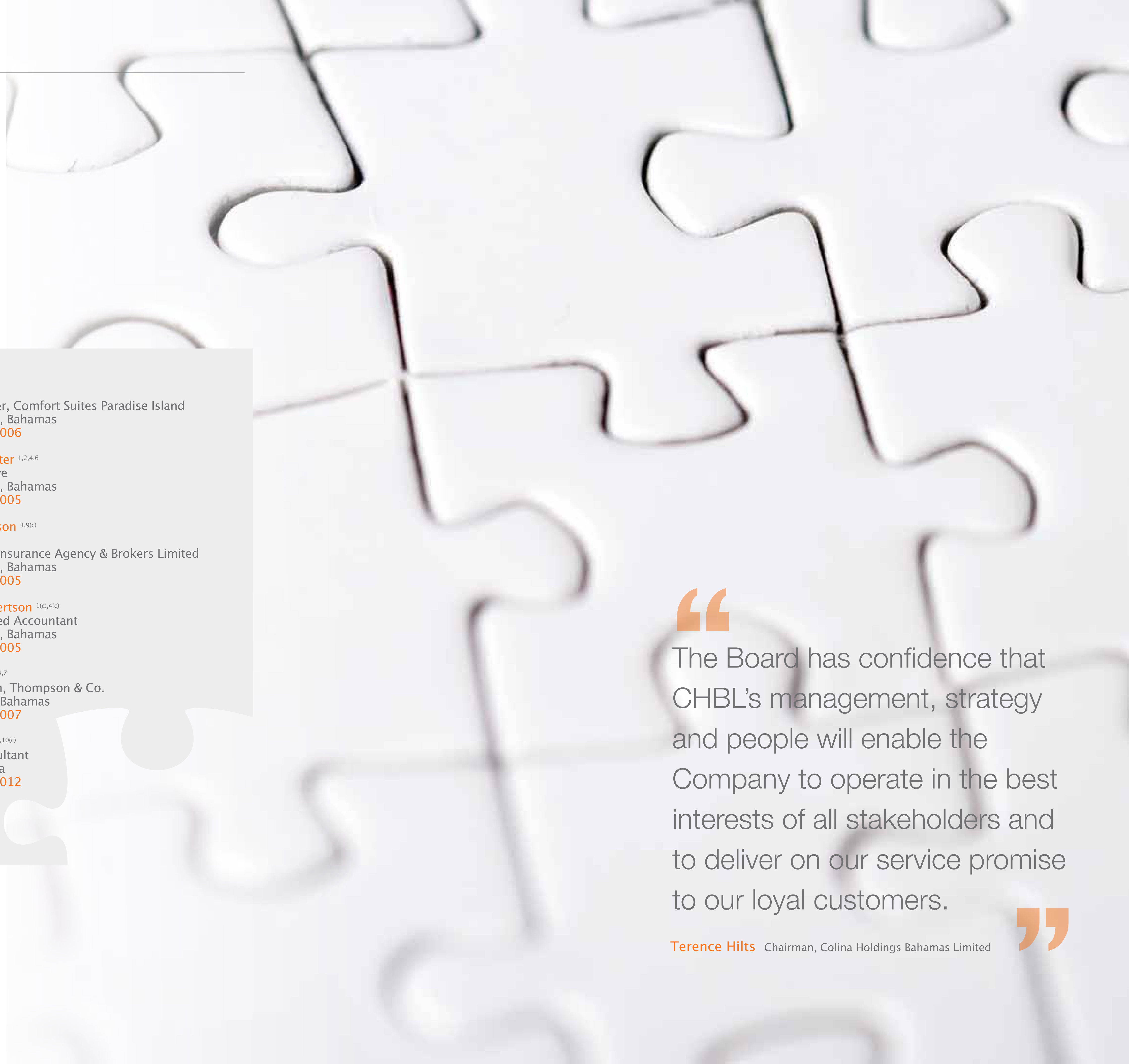
Macgregor Robertson [1(c),4(c)]
Retired Chartered Accountant
New Providence, Bahamas
Director since 2005

Willie A. Moss [1,4,7]
Partner, Graham, Thompson & Co.
Grand Bahama, Bahamas
Director since 2007

Lloyd Steinke [9(c),10(c)]
Executive Consultant
Toronto, Canada
Director since 2012

Board Committees

1 Audit & Finance Committee
2 Compensation, Nominating & Corporate Governance Committee
3 Complaints Review Committee
4 Conduct Review Committee
5 Information Technology Committee
6 Investment Committee
7 Participating Policy Committee
8 Risk Management Committee
9 Sales & New Business Committee
10 Strategic Growth & Acquisition Committee
11 Reinsurance Steering Committee
12 Chairman of the Board of Directors
(c) Committee Chairman



> "The Board has confidence that CHBL's management, strategy and people will enable the Company to operate in the best interests of all stakeholders and to deliver on our service promise to our loyal customers."

Terence Hilts Chairman, Colina Holdings Bahamas Limited

about Colina
HOLDINGS BAHAMAS LIMITED

(at December 31, 2013)

CHBL comprises three principal subsidiary operating companies:

Colina Insurance Limited

Life Division (Life Insurance, Retirement and Investment Planning Products)
Life products include Whole Life, Term and Endowment plans that meet a variety of needs over one's lifetime and which can be built into one's financial plan for final expenses, income protection, investments or retirement.

Health Division (Individual & Group Health Coverage)
Colina's flexible and cost effective comprehensive health plans offer individuals and groups access to vital medical services, preventive care, prescription drugs and the country's largest overseas health network to guarantee access to top medical facilities in The Bahamas and North America. Restore Group Critical Illness coverage is the first of its kind in The Bahamas.

Colina Mortgage Corporation (Residential Mortgage Lending)
A wholly owned subsidiary of Colina Insurance Limited, Colina Mortgage Corporation's mortgage specialists can tailor a highly competitive residential loan solution or home equity refinancing option to help clients make their dream of owning a home a reality.

Colina General Insurance Agents & Brokers Limited (Property & Casualty)

Colina General Insurance Agents & Brokers Limited is a wholly owned subsidiary of CHBL which offers general insurance coverage for home, auto, marine and business and safeguards the financial wellbeing of its clients by providing insurance solutions that best suit their needs and financial position.

Colina Financial Advisors Ltd. (Pensions, Investments, Brokerage, Corporate Advisory)

Colina Financial Advisors Ltd. ("CFAL") is a leading investment and advisory firm and the largest pension provider in The Bahamas, with a long and proven record of financial stability and integrity in all economic climates. CFAL provides innovative financial planning solutions for institutions and individuals and advises clients both internationally and in The Bahamas on a range of services including pension management, brokerage and investment management accounts.

1899
Imperial Life Assurance Company of Canada establishes agency in The Bahamas.

1965
Insurance Company of North America (INA) (later CIGNA International), begins operations in The Bahamas.

1997
Colina Insurance Company Limited is purchased from CIGNA by Bahamian consortium INVESCO.

2002
Colina merges with Global Life Assurance Bahamas Limited. The newly formed Colina Holdings Bahamas Limited (CHBL) is registered on the Bahamas International Stock Exchange (BISX).

2004
Colina's intended acquisition of The Bahamas operations of Imperial Life Financial is announced. Colina finalizes acquisition of Canada Life Insurance Company. The Company earns an A– (Excellent) rating from A.M. Best Company.

2005
Colina and Imperial Life Financial merge, forming the largest life and health insurer in The Bahamas – ColinaImperial Insurance Limited.

2009
The name "Imperial" is retired. The Company is now known as Colina Insurance Limited and adopts a new logo.

2010
Colina acquires majority interest in RND Holdings Limited, which later changed its name to Colina Real Estate Fund Ltd.

2011
CHBL acquires all issued and outstanding shares in Colina General Insurance Agency Limited ("CGIA").

2012
Colina General Insurance Agency Limited ("CGIA") changes its name to Colina General Insurance Agents & Brokers Limited.

2013
CHBL acquires all issued and outstanding shares of Colina Financial Advisors Ltd. ("CFAL") and its wholly owned subsidiary CFAL Securities Ltd.

shareholder
INFORMATION

As required by the Company's Corporate Governance guidelines, CHBL and its subsidiaries review its relationships with key service providers on an annual basis and from time to time may rotate appointments.

CHBL's key professional relationships are summarized below:

Corporate Headquarters
308 East Bay Street
Second Floor
PO Box N-4728
Nassau, Bahamas

General Enquiries
242.396.2000
info@colina.com
www.colina.com

Listing
Bahamas International Securities Exchange (BISX)
Symbol: CHL

Registrar and Transfer Agent
Bahamas Central Securities Depository Ltd.
202 British Colonial Hilton
PO Box N-9307
Nassau, Bahamas

Auditors
Ernst & Young Chartered Accountants

Legal Counsel
Alexiou Knowles & Co.

Bankers
CIBC FirstCaribbean International Bank Ltd.
Citibank, N.A.

Reinsurers
Munich Reinsurance Company Canada Branch (Life)
International Reinsurance Managers, LLC
Swiss Re Life and Health Canada
Optimum Re Insurance Company
RGA Life Reinsurance Company of Canada
Manulife Reinsurance
Custom Disability Solutions

Actuarial Consultants
Oliver Wyman

Communication with Shareholders
The following reports are available on our website www.colina.com
Annual Report
Quarterly Reports

Annual General Meeting
The Annual General Meeting of the Company will be held at 5:30pm on Monday, April 28, 2014 at the JW Pinder Centre at the Colina complex at 21 Collins Avenue. The Notice of the meeting, detailing the business of the meeting, is sent to all shareholders.

CONSOLIDATED financial statements

EY
Building a better working world

One Montague Place
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Independent Auditors' Report

The Shareholders
Colina Holdings Bahamas Limited

We have audited the accompanying consolidated financial statements of Colina Holdings Bahamas Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2013, 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 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 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' judgment, 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 Group as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

March 7, 2014

Jacques Tremblay FCIA, MAAA, FSA
Partner

OLIVER WYMAN

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March 7, 2014

Subject: **2013 Certification of actuarial liabilities**

I have valued the actuarial liabilities of Colina Holdings Bahamas Limited for its consolidated balance sheet as of December 31, 2013, for a total amount of $352,911,498, 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 Holdings Bahamas Limited present fairly the results of the valuation.

Respectfully submitted,

Jacques Tremblay

Jacques Tremblay FCIA, MAAA, FSA,

Fellow of Canadian Institute of Actuaries, Member of the American Academy of Actuaries, Fellow of Society of Actuaries

Appointed Actuary for Colina Insurance Limited

MARSH & McLENNAN COMPANIES

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Financial Position

At December 31, 2013
(Expressed in Bahamian dollars)

	Notes	2013	2012
ASSETS			
Term deposits	9	$ 31,784,777	$ 32,507,472
Investment securities	10	289,400,060	258,285,312
Mortgages and commercial loans	11	54,771,731	58,507,747
Policy loans	12	67,145,774	65,749,812
Investment properties	13	54,998,301	49,476,534
Investment in associates	14	9,782,328	10,862,733
Total invested assets		507,882,971	475,389,610
Cash and demand balances	9	29,933,030	23,900,097
Receivables and other assets	15	28,959,718	50,416,789
Property and equipment	16	19,871,616	19,951,616
Goodwill	17	18,391,916	12,512,749
Other intangible assets	18	422,514	963,873
Total assets		**$ 605,461,765**	**$ 583,134,734**
LIABILITIES			
Provision for future policy benefits	19	$ 352,911,498	$ 342,605,833
Policy dividends on deposit		28,209,136	29,367,158
Total policy liabilities		381,120,634	371,972,991
Other liabilities	20	75,286,788	83,245,161
Total liabilities		456,407,422	455,218,152
EQUITY			
Ordinary shares	21	24,729,613	24,729,613
Treasury shares	21	(50,549)	(154,531)
Contributed capital		5,960,299	5,960,299
Revaluation reserve	22	9,287,941	8,736,942
Retained earnings		51,619,384	44,410,992
Total ordinary shareholders' equity		91,546,688	83,683,315
Preference shares	21	40,500,000	30,000,000
Total shareholders' equity		132,046,688	113,683,315
Non-controlling interests		17,007,655	14,233,267
Total equity		149,054,343	127,916,582
Total liabilities and equity		**$ 605,461,765**	**$ 583,134,734**

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

Approved by the Board of Directors on March 7, 2014 and signed on its behalf by:

T. Hilts - Chairman

E. M. Alexiou – Executive Vice-Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Income

For the Year Ended December 31, 2013
(Expressed in Bahamian dollars)

	Notes	2013	2012
Revenues:			
Premium revenue		$ 140,550,656	$ 135,066,511
Less: Reinsurance premiums	25	(13,201,455)	(14,805,294)
Net premium revenue	25	127,349,201	120,261,217
Net investment income	26	24,920,678	29,790,034
Share of net (loss)/gain of associates	14	(1,036,419)	173,172
Net commission income		3,192,117	2,437,848
Investment management and other fees		6,770,955	4,959,388
Other income and fees		1,672,701	886,114
Total revenues		162,869,233	158,507,773
Benefits and expenses:			
Policyholders' benefits		97,023,398	93,674,841
Less: Reinsurance recoveries	27	(10,010,922)	(13,519,323)
Net policyholders' benefits	27	87,012,476	80,155,518
Changes in provision for future policy benefits	19	10,305,665	16,511,775
General and administrative expenses	28	34,293,271	33,137,877
Commission expense		11,276,264	11,040,187
Premium and other tax expense		3,683,323	3,637,020
Finance costs and interest	29	1,703,999	1,344,898
Goodwill impairment	17	-	409,161
Total benefits and expenses		148,274,998	146,236,436
Net income for the year		**$ 14,594,235**	**$ 12,271,337**
Net income attributable to:			
Equity shareholders of the Company	30	$ 13,697,979	$ 11,279,918
Non-controlling interests		896,256	991,419
Net income for the year		**$ 14,594,235**	**$ 12,271,337**
Basic earnings per ordinary share	30	**$ 0.47**	**$ 0.38**

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Comprehensive Income

For the Year Ended December 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
Net income for the year	$ 14,594,235	$ 12,271,337
Other comprehensive income:		
Change in available-for-sale financial assets	(157,149)	488,705
Total comprehensive income for the year	**$ 14,437,086**	**$ 12,760,042**
Attributable to:		
Equity shareholders of the Company	$ 13,540,830	$ 11,768,623
Non-controlling interests	896,256	991,419
Total comprehensive income for the year	**$ 14,437,086**	**$ 12,760,042**

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Changes in Equity

For the Year ended December 31, 2013
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	Preference Share Capital	Retained Earnings	Non-controlling Interests	Total Equity
Balance, December 31, 2011	$ 24,729,613	$ (162,254)	$ 5,960,299	$ 7,815,781	$ 30,000,000	$ 38,983,366	$ 12,337,522	$ 119,664,327
Decrease in treasury shares	-	7,723	-	-	-	-	-	7,723
Net income for the year	-	-	-	-	-	11,279,918	991,419	12,271,337
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-	488,705	-	-	-	488,705
Unrealized gain on purchase of shares in subsidiary	-	-	-	23,335	-	-	-	23,335
Changes in non-controlling interests	-	-	-	-	-	-	904,326	904,326
Revaluation of land and buildings	-	-	-	409,121	-	-		409,121
Dividends paid to ordinary shareholders (Note 30)	-	-	-	-	-	(3,956,738)	-	(3,956,738)
Preference share dividends (Note 30)	-	-	-	-	-	(1,895,554)	-	(1,895,554)
Balance, December 31, 2012	24,729,613	(154,531)	5,960,299	8,736,942	30,000,000	44,410,992	14,233,267	127,916,582
Decrease in treasury shares	-	103,982	-	-	-	-	-	103,982
Net income for the year	-	-	-	-	-	13,697,979	896,256	14,594,235
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	(157,149)	-	-	-	(157,149)
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	-	80,297	-	-	-	80,297
Unrealized gain on purchase of shares in subsidiary	-	-	-	627,851	-	-	-	627,851
Changes in non-controlling interests	-	-	-	-	-	-	1,878,132	1,878,132
Issuance of preference share capital	-	-	-	-	10,500,000	-	-	10,500,000
Dividends paid to ordinary shareholders (Note 30)	-	-	-	-	-	(4,450,524)	-	(4,450,524)
Preference share dividends (Note 30)	-	-	-	-	-	(2,039,063)	-	(2,039,063)
Balance, December 31, 2013	**$ 24,729,613**	**$ (50,549)**	**$ 5,960,299**	**$ 9,287,941**	**$ 40,500,000**	**$ 51,619,384**	**$ 17,007,655**	**$ 149,054,343**

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
Cash flows from operating activities:		
Net income	$ 14,594,235	$ 12,271,337
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	1,914,124	(3,100,968)
Increase in provision for future policy benefits	10,305,665	16,511,775
Changes in loss provisions for loans and receivables	2,128,112	(2,029,354)
Depreciation and impairment/amortization charges	2,439,355	2,947,024
Net realized loss/(gain) on fair value through profit or loss securities	(22,816)	(5,909)
Net realized loss on sale of available-for-sale securities	165,079	-
Interest income	(22,874,875)	(22,830,758)
Dividend income	(1,840,962)	(1,294,124)
Fair value (gain)/losses (net) on investment properties	(999,140)	371,725
Finance costs and interest	1,703,999	1,344,898
Proceeds on disposal of property and equipment, net	144,612	374
Operating cash flows before changes in operating assets and liabilities	7,657,388	4,186,020
Changes in operating assets and liabilities:		
Decrease/(increase) in other assets	18,235,640	(6,065,150)
(Decrease)/increase in other liabilities	(8,636,286)	8,402,834
Net cash provided by operating activities	17,256,742	6,523,704

(Continued)

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2013
(Expressed in Bahamian dollars)

	2013	2012
Cash flows from investing activities:		
Acquisition of subsidiary, net of cash acquired	(8,111,481)	-
Unrealized gain on purchase of shares in subsidiary	627,851	23,335
(Increase)/decrease in term deposits with original maturities greater than 90 days	(11,319,688)	796,181
Decrease in restricted cash balances	6,625	998,622
Fair value through profit or loss securities purchased	(18,533,086)	(6,395,562)
Proceeds on disposal of fair value through profit or loss securities	2,104,449	585,476
Available-for-sale securities purchased	(21,936,590)	(15,834,169)
Proceeds on disposal of available-for-sale securities	7,164,941	668,186
Disposal of treasury shares	103,982	7,723
Net increase in loans to policyholders	(1,401,846)	(1,293,170)
Net decrease in mortgages and commercial loans	2,343,213	10,158,213
Additions to investment property	(235,185)	(640,899)
Interest received	21,998,427	23,383,830
Dividends received	1,840,962	1,294,124
Additions to property and equipment	(1,616,578)	(999,864)
Additions to other intangible assets	-	(573,100)
Net cash provided by/(used in) investing activities	(26,964,004)	12,178,926
Cash flows from financing activities:		
Changes in non-controlling interests	1,878,132	904,326
Interest paid on other contracts	(1,703,999)	(1,344,898)
Net proceeds of preference share offering	10,500,000	-
Dividends paid to ordinary shareholders	(4,450,524)	(3,956,738)
Dividends paid to preference shareholders	(2,039,063)	(1,895,554)
Net cash used in financing activities	4,184,546	(6,292,864)
Net increase in cash and cash equivalents	(5,522,716)	12,409,766
Cash and cash equivalents, beginning of year	45,331,638	32,921,872
Cash and cash equivalents, end of year (Note 9)	$ 39,808,922	**$ 45,331,638**

(Concluded)

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

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year ended December 31, 2013
(Expressed in Bahamian dollars)

1. Corporate Information

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

The Company acts principally as a holding company of its principal subsidiaries, Colina Insurance Limited ("Colina"), a wholly-owned life and health insurer incorporated in The Bahamas; Colina General Insurance Agency & Brokers Limited ("CGIA"), a wholly-owned general insurance agent and broker; and Colina Financial Advisors Ltd. ("CFAL"), a wholly-owned financial services company. CFAL was acquired by the Company on September 30, 2013 (See Note 7).

Colina is registered to operate as a life and health insurer in The Bahamas, The Cayman Islands, and The Turks and Caicos Islands. CGIA holds a dual registration as a general insurance broker and agent for operations in The Bahamas. CFAL is licensed as a broker dealer in The Bahamas.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At December 31, 2013, approximately 58.2% (2012: 58.2%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. ("AFH") and 41.8% (2012: 41.8%) by the Bahamian public. All significant balances and transactions with AFH and parties related to AFH are disclosed in these consolidated financial statements (See Note 33).

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 and its subsidiaries (collectively, "the Group") for the year ended December 31, 2013 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 7, 2014.

2. Changes in Accounting Policies 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, 2013. The following accounting policies adopted were amended in the year commencing January 1, 2013:

- IFRS 10 - Consolidated Financial Statements and IAS 27 Separate Financial Statements;
- IFRS 11 - Joint Arrangements and IAS 28 – Investment in Associates and Joint Ventures;
- IFRS 12 - Disclosure of Interest in Other Entities;
- IFRS 13 - Fair Value Measurement;
- IAS 1 - Presentation of Items of Other Comprehensive Income – Amendments to IAS1;
- IAS1 - Clarification of requirement for comparative information (Amendment);
- IAS 19 – Employee Benefits; and
- Recoverable amounts Disclosure for Non-Financial Assets Amendment to IAS 36 Impairment of Assets.

Other than the adoption of IFRS 13, 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. The adoption of IFRS 13 has resulted in additional disclosures regarding fair value measurements for investment properties.

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year ended December 31, 2013
(Expressed in Bahamian dollars)

3. Standards Issued but not yet Effective

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

- IFRS 9 *Financial Instruments - Classification and Measurement:* Effective prospectively for reporting periods beginning on or after January 1, 2015;
- IFRS 12 *Disclosure of Interest In Other Entities* - Effective prospectively for reporting periods beginning on or after January 1, 2014;
- IAS 27 *Consolidated Separate Financial Statements (Amendments) – Separate Financial Statements:* Effective prospectively for periods beginning on or after January 1, 2014;
- 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;
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to hedge accounting of derivatives designated as hedging instruments. Effective prospectively for reporting periods beginning on or after January 1, 2014; and
- IFRIC Interpretation 21 Levies – Effective for annual periods beginning on or after January 1, 2014.

Management has not yet assessed the full impact of the relevant adoption of these standards and interpretations in future periods against the consolidated financial statements of the Group.

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 Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in Note 34.

4.2 Basis of preparation

The consolidated financial statements of the Group 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 Group to continue with this valuation policy.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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 Group.

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year ended December 31, 2013
(Expressed in Bahamian dollars)

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 the accompanying disclosures and the 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.

(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 Group bases mortality and morbidity rates on standard industry Canadian mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group'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 Group's historical experience of lapses and surrenders.

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

The carrying value at December 31, 2013 of long term insurance contract liabilities with DPF is $210,551,988 (2012: $207,986,878) and of investment contract liabilities with DPF is $7,968,052 (2012: $8,322,256).

(b) Accident & health insurance contract liabilities

For medical insurance contracts, estimates have to be made for the expected ultimate cost of claims reported at the consolidated statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the consolidated statement of financial position date. 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 consolidated statement of financial position 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 consolidated statement of financial position date of accident & health insurance contract liabilities is $14,685,464 (2012: $16,354,079).

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year ended December 31, 2013
(Expressed in Bahamian dollars)

(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. Impairment losses relating to goodwill cannot be reversed in future periods.

The carrying value of goodwill is $18,391,916 (2012: $12,512,749).

(d) Revaluation of property and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in the revaluation reserve. The Group assesses its property holdings through the use of independent valuation specialists on a periodic basis, performing management assessments in the intervening years. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data due to the nature of the properties. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property. Key assumptions used to determine the fair value of the properties and sensitivity analysis are discussed in Note 13.

4.4 *Principles of consolidation*

The consolidated financial statements include the accounts of the Company and subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of equity in the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

Where the Company has control, 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. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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 Group.

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year ended December 31, 2013
(Expressed in Bahamian dollars)

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. Acquisition related costs are expensed as incurred and included in administrative expenses.

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. This includes separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and any resulting gain or loss is recognized through profit or loss. It is then considered in the determination of goodwill.

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 aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. 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, from the acquisition date, 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 Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity over which the Group 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. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate. Any excess of the cost of acquisition over the Group'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 Group assesses at each consolidated statement of financial position 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.

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The consolidated statement of income 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 Group 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 Group and the associate are eliminated to the extent of the Group's interest in the relevant associate.

Upon loss of significant influence over an associate, the Group 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 Group'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 consolidated statement of financial position 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 Group 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 consolidated statement of income 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 Group 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 Group 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 Group has also transferred substantially all risks and rewards of ownership.

AFS financial assets and financial assets at FVPL are 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.

4.10 Fair value measurement

The Group measures financial instruments and non-financial assets such as investment properties at fair value at each balance sheet date. Fair value is defined under accounting guidance currently applicable to the Group 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or;
- In the absence of a principal market, in the most advantageous and accessible market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

4.11 Impairment of financial assets

Financial assets carried at amortized cost

The Group assesses at each consolidated statement of financial position 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 Group 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 Group assesses at each consolidated statement of financial position 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.

4.12 Investment properties

Investment properties comprise freehold land and buildings, residential rental properties, and commercial properties that are held for long-term yields and capital appreciation. Investment properties 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 consolidated statement of income 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 consolidated statement of income 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 Group 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 Group 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 consolidated statement of income.

4.13 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 consolidated statement of financial position 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.

4.14 Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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. Impairment losses related to goodwill cannot be reversed in future periods. Goodwill is allocated to 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 Group's policy for goodwill arising on the acquisition of an associate is described in Note 4.6.

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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 consolidated statement of financial position date, the Group 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 customer relationships, non-competitive agreement, trade name, and software and are carried at cost less accumulated amortization. Intangible assets included in investment in associates are amortized on a straight-line basis as follows:

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

The carrying amount of intangible assets included in investment in associates is reviewed at each consolidated statement of financial position 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.

4.15 Insurance contracts

The Group 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.

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 Group, 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 Group; or
  - the profit or loss of the Group, 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 Group, 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.

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Short-term insurance contracts

Short duration life insurance contracts protect the Group'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 consolidated statement of financial position date even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group 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 Group. As the Group 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.

4.16 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 Group. The Group'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 Group'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.

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3. Projection of asset cash flows.
4. Performance of interest rate scenario testing under a variety of plausible economic conditions.

The Group 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.

4.17 Commission expense

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

4.18 Pension business

The pension business consists of third party pension plans with fund accumulations at rates of interest determined by the Group. 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.

4.19 Policy dividends on deposit

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

4.20 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.

Where any subsidiary purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs.

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 consolidated statement of financial position date are dealt with as an event after the consolidated statement of financial position date.

4.21 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment will be made. Revenue is measured at the fair value of the consideration received or receivable. 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 Group's right to receive payment is established – this is the ex-dividend date for equity securities. Commission income is earned on completion of the sale and is recognized at the effective date of writing the policy. Interest income on financing of premiums to customers is recognized over the financing period. The Group's policy for recognition of revenue from operating leases is described in Note 4.27. For the revenue recognition policies surrounding insurance contracts, see Note 4.15.

4.22 Reinsurance

In the normal course of business, the Group 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 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 of recoverable amounts 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 Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group 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 Group from its obligations to policyholders.

The Group 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.

4.23 Defined contribution pension plan

The Group's subsidiaries operate separate defined contribution pension plans. Contributions are made to the plans 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/salespersons' benefits expense in the year to which they relate.

4.24 Share-based payments

The Group's subsidiaries operate separate Employee Share Ownership Plans ("ESOP"). Under these plans, eligible employees and salespersons 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 salespersons' contributions are matched by the Company at rates between 20% to 100% of eligible earnings. The Group's matching contribution fully vests to the employee or salesperson after a period of 1-4 years, subject to the individual plan requirements. These share-based payments to employees and salespersons are measured at the fair value of the equity instruments at the grant date. The cost of matching employee and salespersons' contributions amounted to $16,942 in 2013 (2012: $9,742) and is included in employee/salespersons' benefits expense.

4.25 Taxation

The Group is subject to tax on taxable gross premium income at the flat rate of 3% (2012: 3%). There are no other corporate, income or capital gains taxes levied on the Group in The Bahamas or in any other jurisdictions in which the Group operates.

4.26 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 Group 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 Group's general funds. As of December 31, 2013, these assets amounted to $43.0 million (2012: $42.3 million). The Group has entered into a sub-investment management agreement with CFAL to manage a significant portion of these assets.

4.27 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 Group 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

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operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

4.28 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.

4.29 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.

4.30 Contingent liabilities

Provisions for contingent liabilities are recognized when: the Group 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 consolidated statement of financial position 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.

4.31 Corresponding figures

The following corresponding figures have been reclassified to facilitate a more comparative basis of the financial statements based on current year presentation:

Net commission income

Net commission income totaling $2,437,848 was reclassified from other income and fees to net commission income on the consolidated statement of operations.

Other (income)/expense

Income totaling $199,471 was reclassified from other (income)/expenses to commission expense on the consolidated statement of operations.

Other income and fees

Other income and fees totaling $4,959,388 was reclassified from other income and fees to investment management and other fees.

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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 Group'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 Group 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 Group's consolidated financial statements in accordance with IFRS. 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, 2013 are as follows:

Name	Place of Incorporation	Shareholding
Life and Health Insurance Company		
Colina Insurance Limited ("Colina")	The Bahamas	100%
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	83%
CoIImpco One Ltd.	The Bahamas	100%
Dax Limited	The Bahamas	100%
Goodman's Bay Development Company Limited ("GBDC")	The Bahamas	86%
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	89%
CFAL Global Equity Fund Ltd.	The Bahamas	32%
General Insurance Agency		
Colina General Insurance Agency & Brokers Limited ("CGIA")	The Bahamas	100%
Administrative and Corporate Services		
Colina Corporate Services Limited	The Bahamas	100%
Investment Brokerage and Advisory Services		
Colina Financial Advisors Ltd. ("CFAL")	The Bahamas	100%
CFAL Securities Ltd.	The Bahamas	100%

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During October 2013, the Company acquired all issued and outstanding shares in Colina Financial Advisors Ltd. ("CFAL"). See Note 7.

7. Business Combination

On August 13, 2013, the Company entered into an agreement with AFH to purchase all of the issued and outstanding shares in Colina Financial Advisors Ltd. ("CFAL"). The agreement was amended on December 5, 2013 with an effective date of September 30, 2013. CFAL was incorporated in The Commonwealth of The Bahamas on March 23, 1998, and commenced operations on April 1, 1998. CFAL was established to provide financial services including investment management, pension management and administration, corporate advisory services, escrow, registrar, and transfer agent services. CFAL's wholly owned subsidiary, CFAL Securities Ltd. which is incorporated in The Bahamas and was established to provide domestic and international brokerage, market making, and other corporate advisory services. CFAL Securities Ltd. is licensed as a broker dealer with The Securities Commission of The Bahamas and holds a Class 1 license.

The fair value of the identifiable assets and liabilities of CFAL at the date of acquisition were:

	Fair value recognized on acquisition	Previous carrying value
Cash	$ 1,466,850	$ 1,466,850
Accounts receivable	1,033,575	1,033,575
Prepaid expenses	132,820	132,820
Due from related party	1,260,728	1,260,728
Available for sale investments	2,047,701	2,047,701
Property and equipment	184,613	184,613
TOTAL ASSETS	$ 6,126,287	$ 6,126,287
Accounts payable and other liabilities	324,399	324,399
Due to related parties	528,506	528,506
TOTAL LIABILITIES	852,905	852,905
TOTAL IDENTIFIABLE NET LIABILITIES ACQUIRED	$ 5,273,382	$ 5,273,382
Total net assets acquired	$ 5,273,382	
Purchase price	11,152,549	
Goodwill arising (see Note 17)	$ 5,879,167	

8. Segment Information

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

- Life Division - offers a wide range of whole life and term insurance, pension, annuity, and savings and investment products.
- Group and Health Division – offers a wide range of individual medical and group life and health medical insurance.
- Other – includes the Group's participation in International Reinsurance Managers, LLC (IRM) reinsurance facilities and the operations of its other subsidiary and associate companies.

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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 2013 and 2012. 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:

	2013			
	Life	Health	Other	Total
INCOME				
Net premium revenue	$ 55,778,151	$ 58,006,919	$ 13,564,131	$ 127,349,201
Net investment income	21,882,812	601,856	1,399,591	23,884,259
Net commission income	-	-	3,192,117	3,192,117
Investment management and other fees	-	5,629,503	1,141,452	6,770,955
Other income and fees	321,655	134,404	1,216,642	1,672,701
Total revenues	77,982,618	64,372,682	20,513,933	162,869,233
POLICYHOLDER BENEFITS	48,955,474	36,688,187	11,674,480	97,318,141
EXPENSES	23,197,853	17,309,509	10,449,495	50,956,857
NET INCOME / (LOSS)	$ 5,829,291	$ 10,374,986	$ (1,610,042)	$ 14,594,235
TOTAL ASSETS	$ 525,905,553	$ 39,317,417	$ 40,238,795	$ 605,461,765
TOTAL LIABILITIES	$ 416,329,948	$ 33,144,496	$ 6,932,978	$ 456,407,422

	2012			
	Life	Health	Other	Total
INCOME				
Net premium revenue	$ 54,688,893	$ 52,365,189	$ 13,207,135	$ 120,261,217
Net investment income	26,561,117	732,803	2,669,286	29,963,206
Net commission income	-	-	2,437,848	2,437,848
Investment management and other fees	-	4,959,388	-	4,959,388
Other income and fees	533,420	286,691	66,003	886,114
Total revenues	81,783,430	58,344,071	18,380,272	158,507,773
POLICYHOLDER BENEFITS	54,369,153	31,269,935	11,028,205	96,667,293
EXPENSES	25,791,222	16,895,894	6,882,027	49,569,143
NET INCOME	$ 1,623,055	$ 10,178,242	$ 470,040	$ 12,271,337
TOTAL ASSETS	$ 501,518,211	$ 51,149,082	$ 30,467,441	$ 583,134,734
TOTAL LIABILITIES	$ 400,865,442	$ 43,652,980	$ 10,699,730	$ 455,218,152

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9. Cash and Cash Equivalents

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

	2013	2012
Term deposits	$ 31,784,777	$ 32,507,472
Less: Deposits with original maturities of greater than 90 days	(21,096,609)	(9,776,921)
Short-term deposits	10,688,168	22,730,551
Cash and demand balances	29,933,030	23,900,097
Less: Restricted cash balances	-	(6,625)
Less: Bank overdraft (See Note 20)	(812,276)	(1,292,385)
Total cash and cash equivalents	$ 39,808,922	$ 45,331,638

The carrying amounts disclosed above reasonably approximate fair value at the consolidated statement of financial position date.

As of the consolidated statement of financial position date, the weighted-average interest rate on short-term deposits is 2.84% (2012: 2.81%). These deposits have an average maturity of 91 days (2012: 45 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 2.99% (2012: 3.79%).

Included in deposits with original maturities of greater than 90 days are restricted amounts of $824,436 (2012: $612,752). No restricted amounts are included in cash and demand balances (2012: $6,625). The restricted balances in 2013 relate to deposits held as support for insurance liabilities in favour of various regulatory bodies.

10. Investment Securities

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

	2013	2012
Equity securities		
Fair value through profit or loss	$ 10,139,683	$ 9,109,388
Available-for-sale	10,670,181	10,522,869
Total equity securities	20,809,864	19,632,257
Debt securities		
Fair value through profit or loss	62,718,605	49,211,571
Available-for-sale	205,871,591	189,441,484
Total debt securities	268,590,196	238,653,055
Total investment securities	$ 289,400,060	$ 258,285,312

Financial assets at fair value through profit or loss are comprised primarily of financial instruments in the Bahamas Investment Fund (See Note 32).

Included in debt securities are government securities which are mainly comprised of variable rate bonds tied to the Bahamian $ Prime Rate issued by The Bahamas Government. These securities have interest rates ranging from 4.35% to 6.95% per annum (2012: from 4.35% to 6.63% per annum) and scheduled maturities between 2014 and 2037 (2012: between 2013 and 2038).

Included in debt securities is $2,185,000 (2012: $2,295,000) 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

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minimum of $2,000,000 in assets be deposited in favour of the Insurance Commission of The Bahamas by registered insurers in respect of any entities which propose 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, 2011	$ 49,403,996	$ 184,309,665	$ 233,713,661
Additions	6,395,562	15,834,169	22,229,731
Disposals and maturities	(585,476)	(668,186)	(1,253,662)
Net fair value gains	3,106,877	488,705	3,595,582
At December 31, 2012	58,320,959	199,964,353	258,285,312
Additions	18,533,086	21,936,590	40,469,676
Acquisition of CFAL (Note 7)	-	2,047,701	2,047,701
Disposals and maturities	(2,104,449)	(7,164,941)	(9,269,390)
Net fair value losses	(1,891,308)	(241,931)	(2,133,239)
At December 31, 2013	$ 72,858,288	$ 216,541,772	$ 289,400,060

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

At December 31, 2013	Level 1	Level 2	Total Fair Value
Financial assets designated at fair value through profit or loss:			
Equity securities	$ 9,107,166	$ 147,674	$ 9,254,840
Shares in investment funds	-	884,844	884,844
Government securities	-	46,574,412	46,574,412
Preferred shares	-	1,550,000	1,550,000
Other debt securities	-	14,594,192	14,594,192
Total	$ 9,107,166	$ 63,751,122	$ 72,858,288
Available-for-sale financial assets:			
Equity securities	$ 9,464,388	$ 149,556	$ 9,613,944
Shares in investment funds	-	1,056,236	1,056,236
Government securities	-	165,789,572	165,789,572
Preferred shares	-	21,870,351	21,870,351
Other debt securities	-	18,211,669	18,211,669
Total	$ 9,464,388	$ 207,077,384	$ 216,541,772

The Group did not have any financial instruments classified as Level 3 as at December 31, 2013.

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At December 31, 2012	Level 1	Level 2	Total Fair Value
Financial assets designated at fair value through profit or loss:			
Equity securities	$ 8,889,962	$ 69,426	$ 8,959,388
Shares in investment funds	-	150,000	150,000
Government securities	-	35,351,587	35,351,587
Preferred shares	-	1,650,000	1,650,000
Other debt securities	-	12,209,984	12,209,984
Total	$ 8,889,962	$ 49,430,997	$ 58,320,959
Available-for-sale financial assets:			
Equity securities	$ 9,678,033	$ 154,754	$ 9,832,787
Shares in investment funds	-	690,082	690,082
Government securities	-	154,741,949	154,741,949
Preferred shares	-	11,104,354	11,104,354
Other debt securities	-	23,595,181	23,595,181
Total	$ 9,678,033	$ 190,286,320	$ 199,964,353

The Group did not have any financial instruments classified as Level 3 as at December 31, 2012.

11. Mortgages and Commercial Loans

Mortgages and commercial loans are comprised of the following:

	2013	2012
Mortgages and commercial loans	$ 57,180,482	$ 59,523,695
Accrued interest	6,459,183	6,002,324
Subtotal	63,639,665	65,526,019
Less: Provisions	(8,867,934)	(7,018,272)
Mortgages and commercial loans, net	$ 54,771,731	$ 58,507,747

Mortgages and commercial loans are classified into the following categories:

	2013	2012
Residential mortgages	$ 34,746,311	$ 37,171,989
Commercial mortgages	19,118,086	19,061,367
Commercial paper	3,316,085	3,290,339
Subtotal	57,180,482	59,523,695
Accrued interest	6,459,183	6,002,324
Total	$ 63,639,665	$ 65,526,019

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

Included in residential mortgages at December 31, 2013 are loans to employees and salespersons amounting to $6,556,469 (2012: $6,535,393).

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Provisions on mortgages and commercial loans are as follows:

	2013	2012
Residential mortgages	$ 1,648,057	$ 1,446,752
Commercial mortgages	2,557,132	1,520,401
Commercial paper	519,255	522,274
Accrued interest	4,143,490	3,528,845
Total provisions on mortgages and commercial loans	$ 8,867,934	$ 7,018,272

The movement in loan loss provisions is as follows:

	2013	2012
Balance, beginning of year	$ 7,018,272	$ 8,797,875
Increase in provisions	2,681,231	2,226,070
Provisions written back to income	(831,569)	(4,005,673)
Balance, end of year	$ 8,867,934	$ 7,018,272

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

	2013	2012
Residential mortgages	7.47%	7.58%
Commercial mortgages	9.14%	9.02%
Commercial paper	8.19%	8.20%

12. Policy Loans

Policy loans are comprised of:

	2013	2012
Policy loans	$ 63,562,539	$ 62,160,693
Accrued interest on policy loans	3,594,677	3,601,060
Subtotal	67,157,216	65,761,753
Less: Provisions	(11,442)	(11,941)
Policy loans, net	$ 67,145,774	$ 65,749,812

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of $11,442 (2012: $11,941) 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, 2013. 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 11.6% (2012: 11.6%).

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13. Investment Properties

The Group's investment properties consist of land holdings, residential rental properties, and commercial office rental properties and are carried at fair value. All investment properties have been classified as Level 3 in the fair value measurement hierarchy and there were no transfers from or to Level 3 during the period. Movements in investment properties classified by category are as follows:

	Land	Residential	Commercial Office	Total
At December 31, 2011	$ 650,000	$ 675,000	$ 47,882,360	$ 49,207,360
Additions (subsequent expenditure)	-	-	640,899	640,899
Net loss from fair value adjustments	-	(25,000)	(346,725)	(371,725)
At December 31, 2012	650,000	650,000	48,176,534	49,476,534
Additions (subsequent expenditure)	-	-	235,185	235,185
Transfers from other assets	4,287,442	-	-	4,287,442
Net gain from fair value adjustments	-	-	999,140	999,140
At December 31, 2013	$ 4,937,442	$ 650,000	$ 49,410,859	$ 54,998,301

Land holdings with a fair value of $4,287,442 were transferred from "land held for development" in the "Receivables and other assets" classification to investment properties during the year.

During the period, one of the commercial office properties was valued by P. Neil Williams of Quantum Appraisal Services Ltd., an accredited independent appraiser with experience in the location and category of the investment property valued. In accordance with the Group's policy for the valuation of investment property holdings in intervening periods, the fair values of all other properties at December 31, 2013 were based on valuations performed by management using the Discounted Cash Flow Method (DCF), Income Capitalization Method (IC) and the Sales Comparison Method (SC).

Significant unobservable inputs used in the valuations were as follows:

Property Classification	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land and land lots	DCF	Estimated rental rate/sqft/p.a. Discount rate Rent growth p.a. Expense inflation p.a. Capitalization rate for terminal value Vacancy rate	$3 ($3) 8.75% 3.0% 3.0% 9.0% 0.0%
	SC	Sales price / acre	$15,000-$300,000 ($16,000)
Residential	SC	Sales price / sq.ft	$340
Commercial office	IC	Estimated rental value/sqft/p.a. Capitalization rate	$24-$48 ($36) 9.0%
	DCF	Estimated rental rate/sqft/p.a. Discount rate	$4-$90 8.75%-9.25%

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		Rent growth p.a. Expense inflation p.a. Capitalization rate for terminal value Vacancy rate	3.0% 3.0% 9.0%-10.0% 0%-32%
	SC	Sales price / sqft	$3

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. A market-derived discount rate is applied to establish the present value of the income streams associated with the property. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of the inflows and outflows are determined by events such as lease renewals, and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of property. Periodic cash flows are typically estimated as gross rental income less vacancy, non-recoverable expenses, maintenance and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Under the SC method, fair value is determined by a comparison of recent property sales similar to the subject property. The prices for these properties provide the basis for estimating the value of the subject by comparison. Appropriate adjustments are made for the differences in the properties as they compare to the subject. The adjusted process yields various indicators of value which are analyzed and correlated to provide a value estimate for the subject property.

The IC method is the process of estimating the value of an income producing property by capitalization of the annual net operating income expected to be produced by the property during its remaining economic life.

Significant increases (decreases) in estimated rental values and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the property. Significant increase (decrease) in long-term vacancy rates and discount rates in isolation would result in a significantly lower (higher) fair value. Increases/(decreases) in the capitalization rate would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate and an opposite change in the long term vacancy rate.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment property for repair, maintenance and enhancement.

Investment properties, with carrying values totaling approximately $40.8 million, have been mortgaged in support of loans advanced to subsidiary companies by the Group that have been eliminated on consolidation. Income from investment properties, which amounted to $4,482,252 (2012: $4,494,540), is included in rental income in net investment income. Direct expenses related to generating rental income from investment properties, amounting to $1,594,776 (2012: $1,599,526), are included in general and administrative expenses.

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14. Investment in Associates

Investment in Associates is comprised of:

		2013		2012
Walk-In Holdings Limited	$	4,423,560	$	4,358,010
SBL Ltd.		5,358,768		6,504,723
Total	$	9,782,328	$	10,862,733

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

		2013		2012
Share of profit/(loss) of investment in associate				
Walk-In Holdings Limited	$	223,534	$	319,467
SBL Ltd.		(222,147)		(146,295)
Impairment of goodwill - SBL		(1,037,806)		-
Share of net (loss)/gain of associates	$	(1,036,419)	$	173,172

Walk-In Holdings Limited

In November 2007, the Group, 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:

		2013		2012
Total assets	$	8,535,104	$	8,923,184
Total liabilities		(1,232,412)		(2,365,606)
Net assets of WIHL	$	7,302,692	$	6,557,578
Company's share of WIHL's balance sheet	$	2,190,859	$	2,125,309
Goodwill		2,232,701		2,232,701
Total investment in WIHL	$	4,423,560	$	4,358,010

Management estimates that the carrying value of the investment in WIHL approximates its fair value at the consolidated statement of financial position date.

The Group's share of WIHL's profit is as follows:

		12 Months Ended Dec. 31, 2013		12 Months Ended Dec. 31, 2012
Total revenue	$	7,105,044	$	7,364,944
Total profit for the period	$	745,114	$	1,064,722
Share of WIHL's profit	$	223,534	$	319,467

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SBL Ltd.

In July 2009, the Company and Colina, purchased 7% and 12% of SBL Ltd. ("SBL") at a cost of $3 million and $5 million respectively. In considering the classification of its 19% equity holding in SBL, the Group 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. In May 2009, SBL acquired the issued and outstanding shares of Ansbacher (Bahamas) Limited ("ABL") and in July 2009, merged ABL subsequently with Sentinel Bank & Trust Limited ("SBT") 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.

During 2012, the Company and Colina made additional capital contributions of $124,473 and $213,382 respectively in SBL Ltd. The funds were used by SBL's subsidiary, ABL to partially fund the acquisition of Finter Bank and Trust (Bahamas) Limited. CHBL and Colina's percentage ownership in SBL Ltd. after the capital contribution remained at 7% and 12% respectively.

The investment in SBL is comprised of the following:

	2013	2012
Total assets	$ 398,432,176	$ 273,727,948
Total liabilities	(370,563,990)	(244,954,702)
Net assets of SBL	$ 27,868,186	$ 28,773,246
Company's share of SBL's balance sheet	$ 4,835,036	$ 4,938,899
Goodwill	-	1,037,806
Intangible assets	523,732	528,018
Total investment in SBL	$ 5,358,768	$ 6,504,723

Management estimates that the carrying value of the investment in SBL approximates its fair value at the consolidated statement of financial position date.

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

	12 Months Ended Dec. 31, 2013	12 Months Ended Dec. 31, 2012
Total revenue	$ 9,567,960	$ 7,142,322
Total loss for the period	$ (896,809)	$ (1,055,317)
Share of SBL's loss	$ (222,147)	$ (146,295)

The following table shows an analysis of goodwill and other intangible assets included in investment in associates for the years ending December 31, 2013 and 2012:

	Goodwill	Other Intangible Assets	Total
Balance as of December 31, 2011	$ 3,270,507	$ 495,317	$ 3,765,824
Acquired during the year	-	504,403	504,403
Amortization	-	(471,702)	(471,702)
Balance as of December 31 , 2012	3,270,507	528,018	3,798,525
Acquired during the year	-	157,131	157,131
Amortization	-	(161,417)	(161,417)
Impairment losses	(1,037,806)	-	(1,037,806)
Balance as of December 31 , 2013	$ 2,232,701	$ 523,732	$ 2,756,433

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The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2013, is shown below.

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	$ 522,120	$ (239,305)	$ 282,815
Non-competitive agreement	86,260	(86,260)	-
Trade name	140,980	(129,232)	11,748
Software	754,310	(525,141)	229,169
Total Other Intangible Assets	$ 1,503,670	$ (979,938)	$ 523,732

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
2014	$ 173,135
2015	135,558
2016	88,860
2017	52,212
2018 and thereafter	73,967
	$ 523,732

15. Receivables and Other Assets

Receivables and other assets are comprised of the following:

	2013	2012
Financial assets		
Premiums receivable	$ 8,804,011	$ 24,373,540
Less: Provision on premiums receivable	(2,662,679)	(2,681,317)
Reinsurance recoveries receivable	5,943,107	4,898,602
Net balances payable on ASO plans	(9,074,587)	(5,413,442)
Agents' balances	1,493,184	1,231,045
Less: Provision on agents' balances	(1,455,990)	(1,158,403)
Accrued interest income	3,457,523	3,031,551
Receivables from related parties (See Note 33)	162,741	207,404
Participation in IRM reinsurance facilities	1,245,003	3,800,554
Non-financial assets		
Properties assumed under mortgage defaults	2,629,500	4,436,500
Land held for development	3,672,058	6,257,006
Prepayments and other assets	14,745,847	11,433,749
Total receivables and other assets	$ 28,959,718	$ 50,416,789

The carrying amounts disclosed above reasonably approximate fair value at the consolidated statement of financial position date.

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Included in receivables and other assets are amounts (due to)/from groups to whom the Group provides administrative services only ("ASO").

The Group 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 Group'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.

16. Property and Equipment

	Land, land improvements and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
At December 31, 2012	$ 21,596,891	$ 2,243,499	$ 4,337,497	$ 77,014	$ 28,254,901
Acquired in purchase of subsidiary	-	77,533	1,504,272	15,511	1,597,316
Additions	419,292	632,993	564,293	-	1,616,578
Disposals	-	(396,158)	(180,826)	-	(576,984)
At December 31, 2013	$ 22,016,183	$ 2,557,867	$ 6,225,236	$ 92,525	$ 30,891,811
Accumulated depreciation:					
At December 31, 2012	$ 4,506,402	$ 1,253,673	$ 2,501,812	$ 41,398	$ 8,303,285
Acquired in purchase of subsidiary	-	47,450	1,363,960	1,293	1,412,703
Depreciation charge	644,819	278,746	797,776	15,238	1,736,579
Disposals	-	(296,797)	(135,575)	-	(432,372)
At December 31, 2013	$ 5,151,221	$ 1,283,072	$ 4,527,973	$ 57,929	$ 11,020,195
Net book value:					
At December 31, 2013	$ 16,864,962	$ 1,274,795	$ 1,697,263	$ 34,596	$ 19,871,616
At December 31, 2012	$ 17,090,489	$ 989,826	$ 1,835,685	$ 35,616	$ 19,951,616

The opening balances have been adjusted for fully depreciated assets.

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

	2013	2012
Land and land improvements	$ 4,860,523	$ 4,860,523
Buildings	17,155,660	16,736,368
Total cost	$ 22,016,183	$ 21,596,891

Properties are stated at their revalued amounts, as assessed by qualified independent property appraisers or management valuation in intervening periods. 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 $11.9 million (2012: $12.0 million).

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17. Goodwill

	2013	2012
Cost	$ 22,116,032	$ 16,236,865
Accumulated impairment charges	(3,724,116)	(3,724,116)
Net book amount	$ 18,391,916	$ 12,512,749
Balance, beginning of year	$ 12,512,749	$ 12,921,910
Acquisition of CFAL (See Note 7)	5,879,167	-
Impairment charge	-	(409,161)
Balance, end of year	$ 18,391,916	$ 12,512,749

The Company acquired 100% of the issued and outstanding shares of CFAL on October 1, 2013 which resulted in goodwill of $5,879,167 at that date.

18. Other Intangible Assets

	2013	2012
Cost	$ 5,512,019	$ 5,512,019
Accumulated amortization	(5,089,505)	(4,548,146)
Net book amount	$ 422,514	$ 963,873
Balance, beginning of year	$ 963,873	$ 1,369,011
Additions	-	573,100
Amortization charge	(541,359)	(978,238)
Balance, end of year	$ 422,514	$ 963,873

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.

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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 $56.3 million or decrease by $42.0 million.

Expenses

The administration expense assumption is based on an expense study conducted by the Company. 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 were to differ by 10% from that assumed, the liability would increase by $6.7 million or decrease by $6.6 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 were to differ by 10% from that assumed, the liability would increase by $8.6 million or decrease by $8.2 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 were to differ by 10% from that assumed, the liability would increase by $5.6 million or decrease by $5.6 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 $1.2 million, with the net liabilities increasing by $1.1 million. If the average claim costs were to decrease by 10%, gross liabilities would decrease by $1.2 million, with the net liabilities decreasing by $1.1 million.

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Analysis of provision for future policy benefits

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

	2013	2012
Life insurance	$ 308,501,979	$ 295,873,396
Annuities	21,756,003	22,056,102
Accident and health	14,685,464	16,354,079
Colina Investment Plan (See Note 32)	7,968,052	8,322,256
Total provision for future policy benefits	$ 352,911,498	$ 342,605,833

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

	2013	2012
Short-term insurance contracts	$ 14,995,188	$ 16,634,398
Long-term insurance and other contracts		
-with fixed and guaranteed terms	98,113,794	88,113,895
-with fixed and guaranteed terms and with DPF	195,847,346	193,811,207
-without fixed and guaranteed terms	21,282,476	21,548,406
-without fixed and guaranteed terms and with DPF	14,704,642	14,175,671
Long-term investment contracts with DPF	7,968,052	8,322,256
Total provision for future policy benefits	$ 352,911,498	$ 342,605,833

Analysis of change in provision for future policy benefits

	2013	2012
Balance, beginning of year	$ 342,605,833	$ 326,094,058
Normal changes in policy liabilities	8,980,745	12,475,605
Changes in assumptions and refinement of estimates	1,324,920	4,036,170
Balance, end of year	$ 352,911,498	$ 342,605,833

Closed Participating Fund

Included in the provision for future policy benefits as of December 31, 2013 are actuarial reserves totaling $31.6 million (2012: $31.1 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.

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The Appointed Actuary's valuation of the Closed Par Fund as of December 31, 2013 shows that it had the following asset mix: government securities – 49.2%; policy loans – 23.5%; mortgage loans – 11.0%; corporate bonds – 1.2%; equity securities – 7.8%; preference shares – 3.9%; and cash and cash equivalents – 3.4% (2012: government securities – 48.7%; policy loans – 23.3%; mortgage loans – 12.5%; corporate bonds – 1.3%; equity securities – 7.9%; preference shares – 4.0%; and cash and cash equivalents – 2.3%).

20. Other Liabilities

		2013		2012
Third party pension liabilities	$	24,945,777	$	25,031,314
Benefits payable to policyholders		17,427,658		13,477,578
Accrued expenses and other liabilities		30,375,154		41,917,161
Bank overdraft (See Note 9)		812,276		1,292,385
Reinsurance payables		1,725,923		1,526,723
Total other liabilities	$	75,286,788	$	83,245,161

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

21. Share Capital

		2013		2012
Authorized:				
45,000,000 Class "A" preference shares of B$1 each (2012: 45,000,000)	$	45,000,000	$	45,000,000
35,000,000 Ordinary shares of B$1 each (2012: 35,000,000)	$	35,000,000	$	35,000,000
Issued and fully paid:				
40,500,000 Class "A" preference shares of B$1 each (2012: 30,000,000)	$	40,500,000	$	30,000,000
24,709,631 Ordinary shares of B$1 each (2012: 24,669,631)	$	24,679,064	$	24,575,082

Treasury shares are stated at cost and at December 31, 2013, comprise 19,982 (2012: 59,982) ordinary shares of the Company that are held by Colina.

The Class "A" preference shares were authorized for issue on September 30, 2005, as non-voting and redeemable at the discretion of the Board of Directors at anytime after September 30, 2006, upon 90 days notice. The shares were issued with dividends payable quarterly at the Bahamian $ Prime rate plus 2.25% per annum on the par value outstanding to shareholders of record on the record date.

The Company gave notice to the Class "A" preference shareholders on October 29, 2008 of its intention to retire all issued and fully paid Class "A" preference shares. Preference Shareholders of record on that date were provided with the first right of refusal to subscribe for an equivalent amount of Par Value of Class "A" preference shares which were issued at a dividend rate payable quarterly at the Bahamian $ Prime rate plus 1.5% per annum. On January 31, 2009, 20,000,000 of the Class "A" Preference Shares were issued at the new dividend rate. The Class "A" preference shares rank in priority to the ordinary shares in a winding up with respect to repayment of capital and any cumulative dividends in arrears.

On May 28, 2009, the Company's Shareholders approved a resolution to increase the authorized Class "A" preference share capital by 25,000,000 shares. The Company subsequently issued 3,973,000 and 10,500,000 additional Class "A" Preference shares in 2011 and 2013 respectively.

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22. 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 are unrealized gains related to the purchase of additional equity in a subsidiary company subsequent to the date control was first established.

		2013		2012
Balance, beginning of year	$	8,736,942	$	7,815,781
Net fair value (losses)/gains during the year		(76,852)		488,705
Revaluation of land and buildings		-		409,121
Unrealized gain on purchase of shares in subsidiary		627,851		23,335
Balance, end of year	$	9,287,941	$	8,736,942

23. Contingent Liabilities and Commitments

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

Legal proceedings and regulations

The Group operates in the insurance and financial services 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 Group 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 Group's compliance or lack of compliance with such regulations.

Contingent liabilities

The Group may have 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. As at December 31, 2013, the Group did not provide any guarantees to third parties in the ordinary course of business. (2012: NIL).

The Group, is from time to time, in connection with its normal 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 Group.

Commitments

Lending: Commitments to extend credit for mortgages and commercial loans amounted to $235,911 (2012: $871,161).

Purchase of property and equipment: The Company had no commitments for the purchase of capital equipment or services at December 31, 2013 (2012: $196,907).

Leases: The Group 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, 2013 are as follows:

No later than 1 year	$	847,728
Later than 1 year and no later than 5 years		1,936,955
Later than 5 years		924,075
Total	$	3,708,758

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24. Future Minimum Lease Payments Receivable

The Group 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, 2013 are as follows:

No later than 1 year	$	3,993,714
Later than 1 year and no later than 5 years		6,275,061
Total	$	10,268,775

25. Net Premium Revenue

Net premium revenue is comprised of the following:

		2013		2012
Life and health insurance premiums	$	126,761,460	$	121,859,376
Less: Reinsurance premiums		(13,201,455)		(14,805,294)
Subtotal		113,560,005		107,054,082
Premiums from IRM reinsurance facilities (See Note 15)		13,789,196		13,207,135
Net premium revenue	$	127,349,201	$	120,261,217

Net premium revenues are classified in the following categories:

		2013		2012
Short-term insurance contracts	$	77,535,005	$	73,139,663
Long-term insurance and other contracts				
-with fixed and guaranteed terms		27,466,043		24,125,993
-with fixed and guaranteed terms and with DPF		21,729,026		22,157,332
-without fixed and guaranteed terms		139,717		240,212
-without fixed and guaranteed terms and with DPF		13,458,860		15,162,756
Long-term investment contracts with DPF		222,005		240,555
Total premium revenue arising from contracts issued		140,550,656		135,066,511
Premiums ceded to reinsurers		(13,201,455)		(14,805,294)
Net premium revenue	$	127,349,201	$	120,261,217

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26. Net Investment Income

Net investment income is classified as follows:

		2013		2012
Term deposits	$	895,208	$	1,070,319
Investment securities		11,122,938		15,752,702
Net fair value (losses)/gains included in the revaluation reserve (See Note 22)		(76,852)		488,705
Less: Investment management fees (See Note 33)		(1,067,325)		(1,465,184)
Net investment return on managed assets		10,873,969		15,846,542
Mortgages and commercial loans		3,381,407		2,599,916
Policy loans		7,251,163		7,279,124
Rental income		4,584,603		4,547,440
Net fair value gains/(losses) on investment properties (See Note 13)		999,140		(371,725)
Fair value losses on property assumed under mortgage default		(1,663,000)		-
Other fees and income		(583,456)		377,442
Total return on invested assets		24,843,826		30,278,739
Less: Fair value losses/(gains) in the revaluation reserve		76,852		(488,705)
Total net investment income recognized in income	$	24,920,678	$	29,790,034

There are no impairment charges included in net investment income from investment securities (2012: $Nil).

27. Net Policyholders' Benefits

Net policyholders' benefits are comprised of the following:

		2013		2012
Life and health policyholder benefits	$	83,073,001	$	82,424,404
Less: Reinsurance recoveries		(10,010,922)		(13,519,323)
Subtotal		73,062,079		68,905,081
Benefits paid on IRM reinsurance facilities (See Note 15)		13,950,397		11,250,437
Total net policyholders' benefits	$	87,012,476	$	80,155,518

Included in life and health policyholder benefits is $868,416 related to interest on policy dividends on deposit (2012: $999,263).

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

		2013		2012
Short-term insurance contracts	$	51,782,930	$	48,475,248
Long-term insurance and other contracts				
-with fixed and guaranteed terms		11,946,176		11,796,011
-with fixed and guaranteed terms and with DPF		23,554,659		23,889,953
-without fixed and guaranteed terms		2,062,542		1,747,072
-without fixed and guaranteed terms and with DPF		6,535,492		6,502,663
Long-term investment contracts with DPF		1,141,599		1,263,894
Total policyholders' benefits		97,023,398		93,674,841
Reinsurance recoveries		(10,010,922)		(13,519,323)
Net policyholders' benefits	$	87,012,476	$	80,155,518

28. General and Administrative Expenses

General and administrative expenses are comprised of:

		2013		2012
Salaries and employee/salesperson benefits	$	15,453,610	$	13,356,224
Fees, insurance and licences		5,124,221		5,120,713
IRM reinsurance facilities expenses (See Note 15)		2,117,489		2,226,071
Advertising and communications expense		3,990,011		4,612,101
Depreciation and amortization		2,277,938		2,537,863
Premises and maintenance		3,357,263		3,533,052
Underwriting fees		823,531		805,606
Other expenses		1,149,208		946,247
Total general and administrative expenses	$	34,293,271	$	33,137,877

29. Finance Costs and Interest

Finance costs and interest are comprised of:

		2013		2012
Interest on third party pension liabilities	$	1,193,232	$	1,162,500
Interest on liabilities due to ASO groups		510,767		182,398
Total finance costs and interest	$	1,703,999	$	1,344,898

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30. Earnings Per Share and Dividends Per Share

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

		2013		2012
Net income attributable to equity shareholders	$	13,697,979	$	11,279,918
Net income attributable to ordinary shareholders	$	11,658,916	$	9,384,364
Weighted average number of ordinary shares outstanding		24,696,298		24,668,490
Basic earnings per ordinary share	$	0.47	$	0.38

Dividends to the Company's shareholders are recognized as a liability in the period in which they are declared by the Board of Directors. Dividends paid by the Company to ordinary shareholders in 2013 totalled $4,450,524 ($0.18 per share) (2012: $3,956,738 ($0.16 per share)).

Dividends paid by the Company to the Class "A" preference shareholders during 2013 totalled $2,039,063 (2012: $1,895,554).

The Company does not have any dilutive shares.

31. Pension Plan

The Group's subsidiaries operate various defined contribution plans for eligible administrative employees and salespersons which are administered by CFAL. Under the respective plans, eligible staff and salespersons contribute between 5% to 7.5% of pensionable earnings with the subsidiary Companies contributing between 5% to 7.5%. The subsidiary Group's matching contributions vest with the employee/salesperson on various scales but fully vest after five years. Pension expense for the year was $678,075 and is included in salaries and employee/salespersons' benefits expense (2012: $604,088).

32. 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 Group.

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 Group may have guaranteed investors in the CIP a minimum rate of return of either 4% or 4.5% per annum, payable at maturity. The liabilities in relation to these guarantees are included in the provision for future policy benefits.

Issuance of new CIP policies was discontinued in January 2001.

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The underlying assets of the BIF and CIP that are included in their respective categories in the consolidated statement of financial position at December 31, 2013 are as follows:

	Bahamas Investment Fund		Colina Investment Plan	
	2013	2012	2013	2012
Equities - listed	$ 6,725,334	$ 6,791,538	$ 2,166,286	$ 2,116,846
Equities - unquoted	66,894	69,426	15,000	15,000
Preferred shares - unquoted	550,000	400,000	168,000	68,000
Government securities	6,092,800	5,399,300	6,160,497	6,071,842
Debt securities - unquoted	539,286	1,050,000	46,429	50,000
Term deposits	1,165,434	1,148,360	529,736	599,500
Policy loans	-	-	789,683	952,385
Cash	162,782	80,344	265,204	70,978
Due to general fund	(3,173,638)	(2,655,018)	(2,172,783)	(1,622,295)
Total assets	$ 12,128,892	$ 12,283,950	$ 7,968,052	$ 8,322,256

33. 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 2013	Total 2012
Revenues					
Group and life insurance	$ 9,920	$ 937,931	$ 634,882	$ 1,582,733	$ 1,538,372
Rental and other income	-	24,000	2,500	26,500	6,000
Sub-investment fees	-	-	-	-	71,726
Total	$ 9,920	$ 961,931	$ 637,382	$ 1,609,233	$ 1,616,098
Expenses					
Legal fees	$ 51,687	$ 439,847	$ -	$ 491,534	$ 627,450
Investment management fees	-	-	1,067,325	1,067,325	1,465,184
Administration, Registrar and Transfer Agent fees	-	95,873	45,695	141,568	129,778
Property management fees	-	61,920	-	61,920	58,320
Advertising and Marketing	-	271,616	-	271,616	321,375
Property rental	-	545,441	-	545,441	653,790
Medical lab expenses	-	-	632,300	632,300	644,971
Other	-	281,152	-	281,152	671,035
Total	$ 51,687	$ 1,695,849	$ 1,745,320	$ 3,492,856	$ 4,571,903

Investment and sub-investment management fee transactions between the Group and CFAL for the period subsequent to the acquisition date of September 30, 2013 have been eliminated on consolidation.

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Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and its subsidiaries, directly or indirectly, including any director (whether executive or otherwise) of the Group. Compensation for key management personnel for the year ended December 31, 2013 was $2,653,446 (2012: $1,974,897).

Directors' fees

Fees paid to Directors for services rendered on the Company's Board and Board Committees for the year ended December 31, 2013 totaled $299,125 (2012: $272,500).

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

The following related party amounts are included in the consolidated statement of financial position as at December 31:

	AFH	Other affiliates	Other related parties	Key Management / Directors	Total 2013	Total 2012
Assets						
Investment securities	$ -	$ 117,857	$ -	$ -	$ 117,857	$ 279,500
Mortgages and and commercial loans, net	$ -	$ 299,776	$ -	$ 2,242,473	$ 2,542,249	$ 2,756,145
Cash and bank balances	$ -	$ -	$ 4,591,561	$ -	$ 4,591,561	$ 9,996,630
Receivables and other assets	$ -	$ 99,501	$ 63,240	$ -	$ 162,741	$ 207,404
Liabilities						
Other liabilities	$ 114,000	$ 24,328	$ 3,333	$ -	$ 141,661	$ 216,468

Loans advanced to related parties included in mortgages and commercial loans carry interest rates between 5.50% and 6.50% p.a. (2012: 5.50% and 8.00% p.a.).

34. 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 Group 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 Group is required to comply to ensure that the Group is satisfactorily managing affairs for their benefit. The operations of the Group are subject also to regulatory requirements in the foreign jurisdictions in which it operates. The Group's regulators are interested in ensuring that the Group 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 Group 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

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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 Group 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 Group. 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.

	2013 (in $000s)	2012 (in $000s)
$0 to $49,999	$ 508,652	$ 538,347
$50,000 to $99,999	1,002,420	1,012,240
$100,000 to $149,999	2,200,515	2,227,576
$150,000 and over	3,156,838	3,069,827
Total	$ 6,868,425	$ 6,847,990

The Group 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 Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group 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 Group has retention limits on insurance policies as follows:

	2013	2012
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 Group's liability as the primary insurer and failure of reinsurers to honour their obligations could result in losses to the Group.

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Financial risk

The Group 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 Group primarily faces due to the nature of its investments and liabilities is interest rate risk.

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

Interest rate risk

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

The Group 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 Group'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 Group'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 Group'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 Group'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 Group except in those instances where impairment provisions have been made.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group 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 Group'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 Group's main reinsurer is Munich Reinsurance Company Canada Branch (Life).

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

December 31, 2013 (in $000s)	Balances with no scheduled repayment dates	Current: Investment Grade	Current: Non-Graded	Current: 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	$ 30,090	$ -	$ -	$ 1,695	$ -	$ -	$ -	$ 31,785
FVPL securities	-	2,383	56,501	13,974	-	-	-	72,858
AFS securities	-	7,297	200,688	8,556	-	-	-	216,541
Mortgages and commercial loans	-	-	25,574	-	7,809	21,389	-	54,772
Policy loans	66,356	-	-	790	-	-	-	67,146
Cash and demand balances	29,505	-	-	428	-	-	-	29,933
Premiums receivable	-	-	3,516	-	2,528	97	-	6,141
Reinsurance receivables	-	-	1,391	-	2,706	1,846	-	5,943
Other financial assets	1,445	3,457	(9,075)	-	-	-	-	(4,173)
Total financial assets	$ 127,396	$ 13,137	$ 278,595	$ 25,443	$ 13,043	$ 23,332	$ -	$ 480,946

December 31, 2012 (in $000s)	Balances with no scheduled repayment dates	Current: Investment Grade	Current: Non-Graded	Current: 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	$ 30,759	$ -	$ -	$ 1,748	$ -	$ -	$ -	$ 32,507
FVPL securities	-	2,099	42,512	13,710	-	-	-	58,321
AFS securities	-	7,560	184,082	8,322	-	-	-	199,964
Mortgages and commercial loans	-	-	30,478	-	6,667	21,363	-	58,508
Policy loans	64,798	-	-	952	-	-	-	65,750
Cash and demand balances	23,749	-	-	151	-	-	-	23,900
Premiums receivable	-	-	8,217	-	7,670	5,805	-	21,692
Reinsurance receivables	-	-	2,091	-	996	1,812	-	4,899
Other financial assets	4,081	3,032	(5,413)	-	-	-	-	1,700
Total financial assets	$ 123,387	$ 12,691	$ 261,967	$ 24,883	$ 15,333	$ 28,980	$ -	$ 467,241

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 Group 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 Group based on remaining contractual obligations (undiscounted cash flow basis):

December 31, 2013 (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	$ 7,878	$ 34	$ 27	$ -	$ 6,899	$ 14,838
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(11,962)	(25,091)	528,028	-	5,936	496,911
-with fixed and guaranteed terms, with DPF	7,015	38,952	606,060	-	7,679	659,706
-without fixed and guaranteed terms	1,768	6,858	22,949	-	365	31,940
-without fixed and guaranteed terms, with DPF	2,062	5,868	13,575	-	(105)	21,400
Long-term investment contracts with DPF	-	-	-	-	7,968	7,968
Financial Liabilities						
Policy dividends on deposit	-	-	-	28,209	-	28,209
Other financial liabilities	-	-	-	75,287	-	75,287
Total	$ 6,761	$ 26,621	$ 1,170,639	$ 103,496	$ 28,742	$ 1,336,259

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December 31, 2012 (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	$ 7,313	$ (100)	$ (20)	$ -	$ 9,244	$ 16,437
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(11,490)	(23,716)	508,986	-	4,423	478,203
-with fixed and guaranteed terms, with DPF	5,726	34,341	657,044	-	6,404	703,515
-without fixed and guaranteed terms	1,717	6,772	23,263	-	613	32,365
-without fixed and guaranteed terms, with DPF	1,723	5,334	15,343	-	(338)	22,062
Long-term investment contracts with DPF	-	-	-	-	8,322	8,322
Financial Liabilities						
Policy dividends on deposit	-	-	-	29,367	-	29,367
Other financial liabilities	-	-	-	83,245	-	83,245
Total	$ 4,989	$ 22,631	$ 1,204,616	$ 112,612	$ 28,668	$ 1,373,516

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, 2013 (in $000s)	Current	Non-Current	Unit Linked	Total
Term deposits	$ 30,090	$ -	$ 1,695	$ 31,785
Investment securities				
FVPL securities	-	58,884	13,974	72,858
AFS securities	-	207,986	8,556	216,542
Mortgages and commercial loans	1,317	53,455	-	54,772
Policy loans	-	66,356	790	67,146
Investment properties	-	54,998	-	54,998
Investment in associates	9,782	-	-	9,782
Cash and demand balances	29,505	-	428	29,933
Receivables and other assets	28,959	-	-	28,959
Property and equipment	-	19,872	-	19,872
Goodwill	-	18,392	-	18,392
Other intangible assets	-	423	-	423
Total Assets	$ 99,653	$ 480,366	$ 25,443	$ 605,462

December 31, 2012 (in $000s)	Current	Non-Current	Unit Linked	Total
Term deposits	$ 30,759	$ -	$ 1,748	$ 32,507
Investment securities				
FVPL securities	-	44,611	13,710	58,321
AFS securities	-	191,642	8,322	199,964
Mortgages and commercial loans	849	57,659	-	58,508
Policy loans	-	64,798	952	65,750
Investment properties	-	49,476	-	49,476
Investment in associates	10,863	-	-	10,863
Cash and demand balances	23,749	-	151	23,900
Receivables and other assets	50,417	-	-	50,417
Property and equipment	-	19,952	-	19,952
Goodwill	-	12,513	-	12,513
Other intangible assets	-	964	-	964
Total Assets	$ 116,637	$ 441,615	$ 24,883	$ 583,135

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Price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group has a relatively small investment in local equities which are exposed to market price risk arising from uncertainties about the future values of the investment. A sensitivity analysis has therefore not been presented. Securities reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors and/or respective Board Committees review and approve equity investment decisions meeting thresholds established in each respective subsidiary's Investment guidelines.

Settlement Risk

The Group's trading activities may give rise to the risk that at the time of settlement of those trades. Settlement risk is the risk of loss due to the failure of counterparty to honor its obligations to deliver cash, securities, or other assets as contractually agreed.

For those transactions, the Group mitigates settlement risk by the simultaneous commencement of the payment and the delivery parts of the transaction.

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 Group.

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

Capital Management

The Group 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 Group'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.

Subsidiary Capital Requirements

The Company and its subsidiaries 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. The following is a summary of capital requirements by principal subsidiary:

Colina

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. At December 31, 2012, Colina exceeded both the statutory margin requirement and the minimum ratio requirement of qualifying to admissible assets. Further objectives are set by management and the Board 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 statement of financial position excluding goodwill and with limitations placed on all but the strongest forms of capital.

In addition to the solvency margins as required by statute, Colina 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, 2013, Colina's MCCSR exceeded the target.

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CFAL

CFAL is required to have a minimum capital of $25,000 calculated as per the Securities Act and was well in excess of the minimum requirement.

CGIA

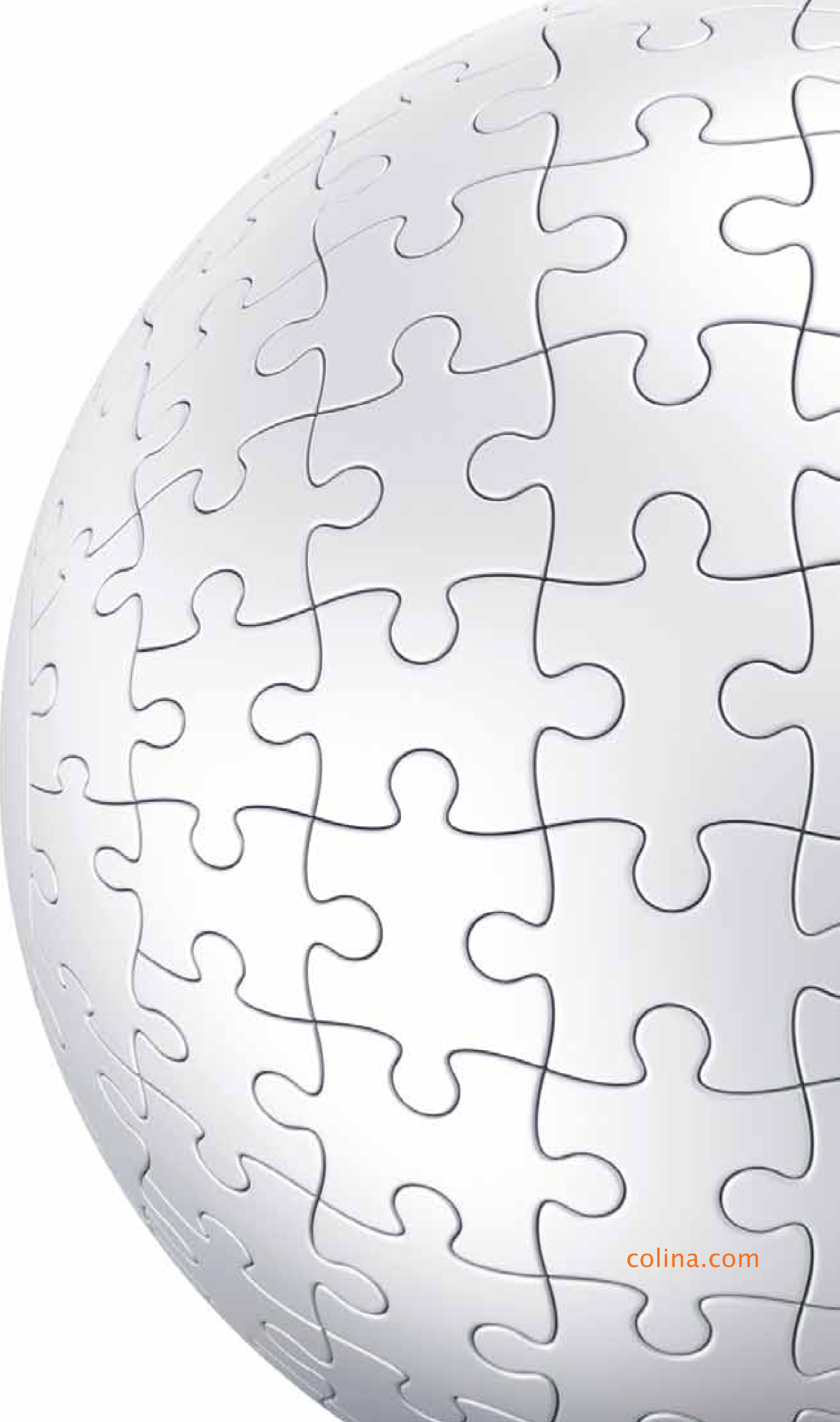
CGIA's Board of Directors reviews its capital structure on an annual basis and considers the cost of capital and the risks associated with each class of capital.

35. Other Subsequent Events

Dividends declared for Ordinary and Preference Shareholders

The Board of Directors, by resolution dated February 25, 2014, authorized the payment of preference share dividends for the Class "A" Preference Shareholders of the Company for the quarter ended March 31, 2014, subject to any regulatory requirements.

The Board further approved a dividend to ordinary shareholders of $0.16 per share on all issued and outstanding ordinary shares of record on April 4, 2014, subject to regulatory requirements.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