

staying on track

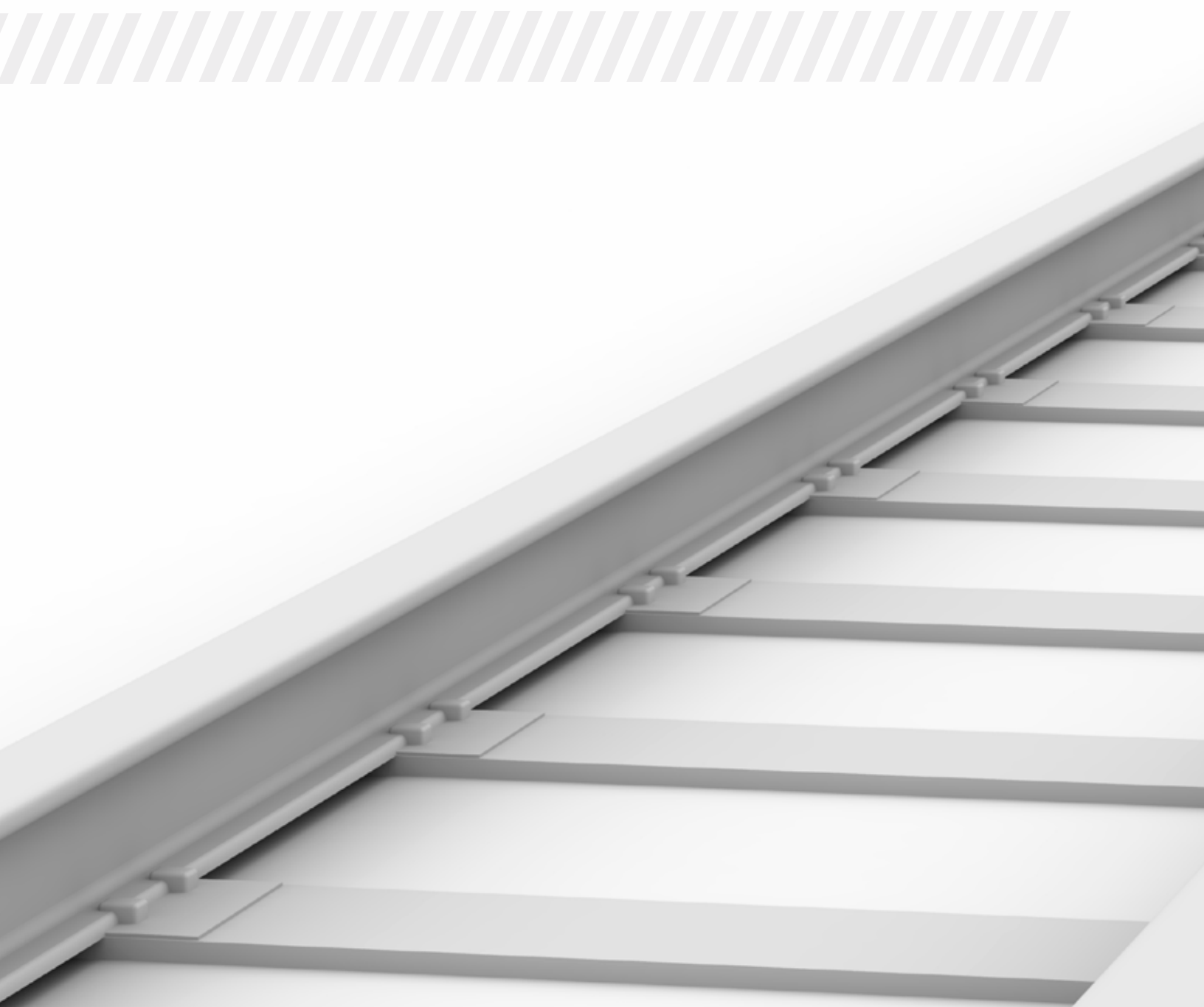


COLINA
HOLDINGS BAHAMAS LIMITED

2014 ANNUAL REPORT

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Terence Hilts
Chairman, Colina Holdings
Bahamas Limited

CHAIRMAN'S **report**



I am pleased to report another year of strong financial results for CHBL. In 2014 our management team, sales force and employees continued to be committed to achieving the company's goals as a market leader, delivering a performance that returned sound value and high quality service for our customers and shareholders. We have been able to maintain our leading market position and robust results over successive quarters of the year continued to reflect consistent profitability, yielding a 6.0% year-over-year increase in net income attributable to equity shareholders and a \$27.9 million growth in the company's asset base.

Net income attributable to the Company's equity shareholders totalled \$14.5 million compared to \$13.7 million in 2013. Basic earnings per ordinary share for 2014 was \$0.49 per share compared to \$0.47 per share in 2013. Total revenues increased by 4.4% to \$170.0 million, compared to \$162.9 million for 2013.

The Company's ordinary equity continues on an upward trend, rising to \$99.4 million at December 31, 2014 compared to \$91.5 million at December 31, 2013. The increase in ordinary equity of \$7.9 million or 8.6% is net of distributions to ordinary shareholders of \$0.20 per share in 2014 and preference share dividends of \$0.06 per share. Total assets have increased to \$633.4 million from \$605.5 million at December 31, 2013. Invested assets remain a significant proportion of the asset base, comprising 84.6% of total assets.

This performance is a strong testament to the soundness of our decisions to invest in technology and our people, providing modern, efficient tools and systems to highly trained and skilled employees and salespersons to deliver the best possible experience for our customers.

Outlook

Notwithstanding our encouraging growth outlook, many challenges remain when we look towards the future. In light of the new tax environment and legislative processes underway regarding the introduction of a public insurer, the Company, like the rest of our industry, remains cautious.

Acknowledgements

I offer my gratitude to my fellow Directors for their diligence and expertise in the strategic and financial management of CHBL 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.



Terence Hilts
Chairman, Colina Holdings Bahamas Limited

EXECUTIVE interview

How would you assess CHBL's performance in 2014? How would you summarize the general outlook for the company in the long term?

Terence Hilts

Chairman, Colina Holdings Bahamas Limited

Our performance in 2014 was very good, especially when you consider the very strong headwinds we had to deal with in 2014 and the many years before going back to the global economic crisis. Financial highlights for the year included returns on investments made in related businesses and our investments in IT. Priorities for the future include continuing our efforts to strengthen our core business through recruitment, innovation and focus, while aggressively seeking out opportunities for growth and expansion within and outside The Bahamas. The long term outlook will, of course, present even more challenges; however, I remain optimistic that these will be dealt with as effectively as those in the past.

Emanuel M. Alexiou

Executive Vice Chairman, Colina Holdings Bahamas Limited
Chief Executive Officer, Colina Insurance Limited

The Company made important progress in 2014, steadily increasing our asset base and growing equity for our shareholders. Each of our businesses have embarked on great opportunities in their respective marketplaces to achieve strong financial results and enhance our ability to meet increasingly sophisticated customer needs. We remain confident in our stable balance sheet, diversity of income streams and the capacity and quality of our people; however, as always, in the current economic and legislative environment, we remain cautiously optimistic in respect of growth.

How is CHBL preparing its infrastructure, technology and workforce to guide the company in meeting its goals?

Steve Haughey

Chief Operating Officer, Colina Holdings Bahamas Limited

At the end of 2014, the group started to consolidate the various group companies'

From left to right:
Terence Hilts

Chairman, Colina Holdings Bahamas Limited
Emanuel M. Alexiou

Executive Vice Chairman, Colina Holdings
Bahamas Limited

Chief Executive Officer, Colina Insurance Limited
Anthony R. Ferguson
President, Colina Financial Advisors Ltd.



Catherine Williams

Vice President, Finance, Colina Insurance Limited

Steve Haughey

Chief Operating Officer, Colina Holdings Bahamas Limited

Emmanuel Komolafe

Chief Risk & Compliance Officer, Colina Holdings
Bahamas Limited



data centres into one location. This consolidation of data centres has reduced the number of our computer networks. In addition to lowering the group's communication expenses, the consolidation has reduced demand on IT support. In 2015, the group plans to introduce a new telephone solution that will improve productivity and greatly enhance the level of customer service. In 2014, Colina successfully converted a legacy life operating platform and in 2015 will convert a legacy health operating platform. These conversions will mean that Colina will have one life platform and one health platform. The reduction in operating platforms will reduce annual maintenance costs and allow for faster future enhancements.

At the start of 2015, Colina introduced electronic forms to the organization. These applications will reduce supply costs while allowing for faster processing of customer requests. In addition to the electronic forms, the group's health division is introducing an online benefits verification site. This online verification will significantly reduce the waiting time for providers and our insureds at verification of benefits.

In addition to these technology and infrastructure improvements, Colina will invest in both in-house and external staff training to improve customer service effectiveness and efficiency.

A.M. Best Company reaffirmed the A-(Excellent) Financial Strength Rating for Colina Insurance Limited during 2014, a rating which Colina has consistently held since its initial rating in 2004. How did Colina maintain a strong financial position throughout the global recession?

Catherine Williams

Vice President, Finance, Colina Insurance Limited

Colina has always maintained conservative provisioning practices with respect to its asset portfolio. While other financial institutions both globally and locally were financially impacted in recent years with significant impairment provisions, Colina's net income during the recessionary period was relatively sheltered from such one-time catch up adjustments.

How is your division working to strengthen existing businesses?

DeAndrea Lewis

Vice President, Life Operations, Colina Insurance Limited

Life Operations has taken a two-pronged approach to strengthening our business by focusing on our clients and our employees.

Our annual customer service survey has allowed us to identify and act on key client needs, not the least of which was revealed to be more modern communications. As the world begins to rely more on technology, so too has our business, with the introduction of notification via text messaging in 2014. We continue to expand our education campaign, providing clients' with information and advice to help them make informed decisions about their coverage and investments.

Our employees are also a key component of our strategy. They are in most instances our first point of contact with clients and so it is important that they are experts at our business. In this vein we have invested in training to ensure that they remain at the top of their game.

Ednol Farquharson

Chief Executive Officer, Colina General Insurance Agents & Brokers Limited

Our mission is to differentiate CGIA's operation from that of our competitors by improving the experiences we provide—essentially converting them to advocates of our message. In this regard, our management approach is to consistently align business structure and other essential capabilities with our vision to make the customers feel "respected, valued and engaged." We believe that this critical interaction between our customers and CGIA will not only give us a competitive advantage in terms of business retention, but it will also boost the acquisition and profitability ratios in the current and future markets.

Wendy N. Butler

Vice President, Group & Health Benefits, Colina Insurance Limited

Our approach to strengthening our client base will be through improving performance, leveraging technology, improving the customer experience and promoting wellness behaviours for our clients.

Management is committed to building an extraordinary team culture that will unlock potential and improve performance, loyalty, and engagement. We have developed individual and team goals that are clear, measurable and align with the Company's mission, vision and values. Clear expectations have been established for employees along with reinforcement of accountability for achieving results.

We are leveraging technology to streamline processes, improve efficiency and reduce costs. In 2015, Colina's group and health clients and healthcare service providers will benefit from our new automated client web portal designed to streamline benefits administration.

By listening to our customers and continuously evaluating and improving our processes and services to keep pace with customer demands and expectations, we hope to improve the customer experience by building and strengthening relationships with employees, salespersons and intermediaries.

We have renewed our commitment to improving the health of our policyholders and the wider community in which we serve through education and wellness programs to help people modify their lifestyles and improve their lives.

Where do you expect to place your focus in 2015?

Emmanuel Komolafe

Chief Risk & Compliance Officer, Colina Holdings Bahamas Limited

There is no doubt that 2015 promises to be a year of significant activity from a legislative and regulatory perspective. As a company committed to compliance with applicable legislation, regulations and guidelines, we will be working with the various units within our Company to ensure a seamless implementation of the Value Added Tax regime and adherence to accompanying laws, regulations and rules in this regard.

The Bahamas Government signed a Model 1 Intergovernmental Agreement with the US in November 2014 for the implementation

of the Foreign Accounts Tax Compliance Act (FATCA) by financial institutions in The Bahamas. Focus will be placed on ensuring that Colina Insurance Limited and its affiliates implement the necessary policies, procedures and systems to comply with the local FATCA legislation and make the requisite filings with the local competent authority.

As the Government is seeking to implement National Health Insurance (NHI) beginning January 1, 2016, we will be working with our industry partners and stakeholders to ensure that the right model of a Public Private Partnership is adopted to achieve this goal. As the Chair of the Insurance Advisory Committee and Deputy Chair of the Bahamas Insurance Association, my objective is to assist in bridging the gap between the industry and the policymakers.

From a departmental perspective, we will continue to enhance our Enterprise Risk Management (ERM) framework and maintain our robust compliance structure. We will look to modify where appropriate based on the business requirements, operational changes and evolving regulatory environment. Colina Insurance Limited on its part will be working with the Insurance Commission of The Bahamas as the regulator rolls out its Risk-based Capital Framework in 2015. In the final analysis, we will continue to seek and take advantage of the expertise that exists in entities within our group of companies vis-à-vis risk management and compliance to ensure that we provide the best possible service to our internal and external clients.

Zania Arthur

Operations Manager, Colina General Insurance Agents & Brokers Limited

In 2015 we will foster a greater awareness of CGIA's motto: "Protecting Your Dreams", which quite often represents our customers' greatest investments as they relate to personal property and business continuity risks.

We will be expanding our production channels and developing underwriting, policy administration, information technology and claims liaison systems to meet the new demands and expectations of our customers in the face of changing consumer needs and preferences.

These initiatives will be regularly reassessed to monitor their effectiveness. Management will then be able to keep its focus on the long and short term effects on business profitability.



What will be CHBL's strategy for business as The Bahamas' tax regime evolves?

Marcus J. Bosland
Resident Actuary, Colina Insurance Limited

While we understand and appreciate the need for tax reform, the Company is extremely mindful of the additional pressure that new taxation schemes will place on its customers and policyholders. We strongly believe that the products and services that we offer provide our clients with the tools to manage their financial security and we are working to ensure that our clients understand their financial and insurance needs so that we can guide them through any adjustments to their plans as their disposable income changes. We also are developing some new product offerings to our insurance plans which will provide our clients with some alternative options to their current insurance plans.

As the tax regime develops, we will continue to work closely with our partners in industry, our regulators, and with the Government to ensure that we have ongoing dialogue regarding the impact of these changes on our clients and our business.

What kept you awake at night in 2014?

Tatjana Jancic-Turner
Chief Group Internal Auditor, Colina Holdings Bahamas Limited

What kept me busy (if not necessarily awake at night) was trying to keep abreast of the ever-changing regulatory, business and economic environment and learning as much as possible about emerging risks and ways to mitigate them.

Which key factors influenced your company's financial performance in 2014?

Anthony Lowe
Financial Controller, Colina General Insurance Agents & Brokers Limited

Achieving a full broker status provided CGIA the advantage of expanded business placement opportunities and the opportunity to offer compatible premium rates at a time when customers became more cost sensitive and more discerning in the pursuit of better price options. This strategic advantage has also increased customer loyalty and business retention.

What are you most looking forward to in the year ahead?

Kevin Burrows
Sr. Vice President, CFAL

The year 2015 may well live up to that famous faux-Chinese Confucian curse, "May you live in interesting times" (actually the expression is neither Chinese nor ancient, being fairly recent and decidedly Western).

Global investors now have to contend with geopolitical risks such as a newly-aggressive Russian Federation and the rise of the Islamic State while navigating economic trouble spots such as a slowing Chinese economy and renewed deflation risks in Europe. However, where there is uncertainty there is opportunity for us to assist our clients in making sense of the shifting investment landscape. We have spent the past three years building a credible catalogue of international research opinions and asset allocation recommendations that existing and potential clients can rely upon. We expect the upcoming volatile year will provide further opportunities to gain our clients' trust and grow our international assets.

From left to right:

Pamela Q. Musgrove

Vice President, Investments,
Colina Financial Advisors Ltd.

Sophia Thurston

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

Zania Arthur

Operations Manager, Colina
General Insurance Agents &
Brokers Limited

Kevin Burrows

Sr. Vice President, Colina
Financial Advisors Ltd.

Wendy Butler

Vice President, Life Operations,
Colina Insurance Limited

DeAndrea Lewis

Vice President, Life Operations,
Colina Insurance Limited

Tatjana Jancic-Turner

Chief Group Internal Auditor,
Colina Holdings Bahamas Limited

Andrew Alexiou

Vice President & General Counsel,
Colina Holdings Bahamas Limited

Anthony Lowe

Financial Controller, Colina
General Insurance
Agents & Brokers Limited

Ednol Farquharson

Chief Executive Officer,
Colina General Insurance
Agents & Brokers Limited

Marcus J. Bosland

Resident Actuary, Colina
Insurance Limited





MANAGEMENT'S
DISCUSSION &
ANALYSIS

Colina Holdings Bahamas Limited
Management Discussion & Analysis
For the period ended December 31, 2014

This MD&A is dated March 16, 2015

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 Agency & 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 agent and broker. 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



Simone Coakley Financial Reporting Officer, Colina Insurance Limited



Paula-Maria Hospedales Reinsurance Administration Manager, Colina Insurance Limited



Karen Hawkins Manager, Accounts Payable, Colina Insurance Limited



Charmaine Parker Manager, Premium Accounting, Colina Insurance Limited



Antoinette Moxey Financial Controller, Colina Insurance Limited

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.

OVERALL PERFORMANCE

For the year ended December 31, 2014

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

	2014	2013	2012
Net income for the year	\$ 14,126	\$ 14,594	\$ 12,271
Net income for equity shareholders	\$ 14,521	\$ 13,698	\$ 11,280
Net income for ordinary shareholders	\$ 11,988	\$ 11,659	\$ 9,384
Gross premium revenue	\$ 141,326	\$ 140,551	\$ 135,067
Net premium revenue	\$ 128,460	\$ 127,349	\$ 120,261
Net commission income*	\$ 2,909	\$ 3,192	\$ 2,438
Investment management and other fees*	\$ 11,551	\$ 6,771	\$ 4,959
Total revenues	\$ 170,005	\$ 162,869	\$ 158,508
Total assets	\$ 633,413	\$ 605,462	\$ 583,135
Total invested assets*	\$ 535,777	\$ 507,883	\$ 475,390
Total ordinary shareholders' equity	\$ 99,454	\$ 91,547	\$ 83,683
Total equity	\$ 157,680	\$ 149,054	\$ 127,917
Return as % of total assets	2.2%	2.4%	2.1%
Return on total opening ordinary equity	13.1%	13.9%	12.1%
Earnings per ordinary share	\$0.49	\$0.47	\$0.38
Cash dividends declared per share by class			
Class A Preference Shares	\$0.06	\$0.06	\$0.06
Ordinary Shares	\$0.20	\$0.18	\$0.16

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

2014 ECONOMIC REVIEW

By most accounts, the final quarter of 2014 capped off a year of positive growth for the economy. The major headline over the quarter has been our readiness as a country to finally introduce Value Added Tax (VAT) in January 2015 as its implementation has far-reaching implications for the overall economy. Most business and consumers would have preferred more time as there was some confusion concerning what is 'VATable' and what is not across the private sector and the wider general public. The government, however, was faced with a hard deadline in light of recent credit rating downgrades by the international agencies and so the proverbial can could no longer be kicked down the road.

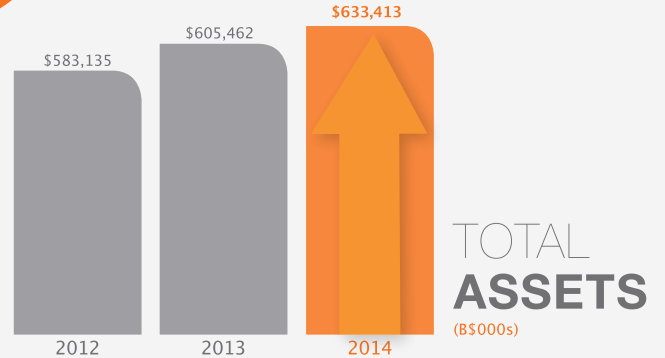
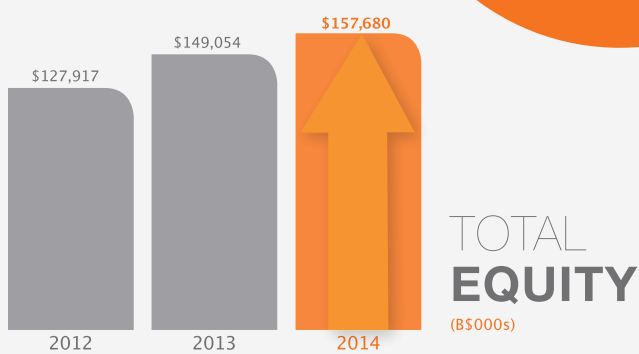
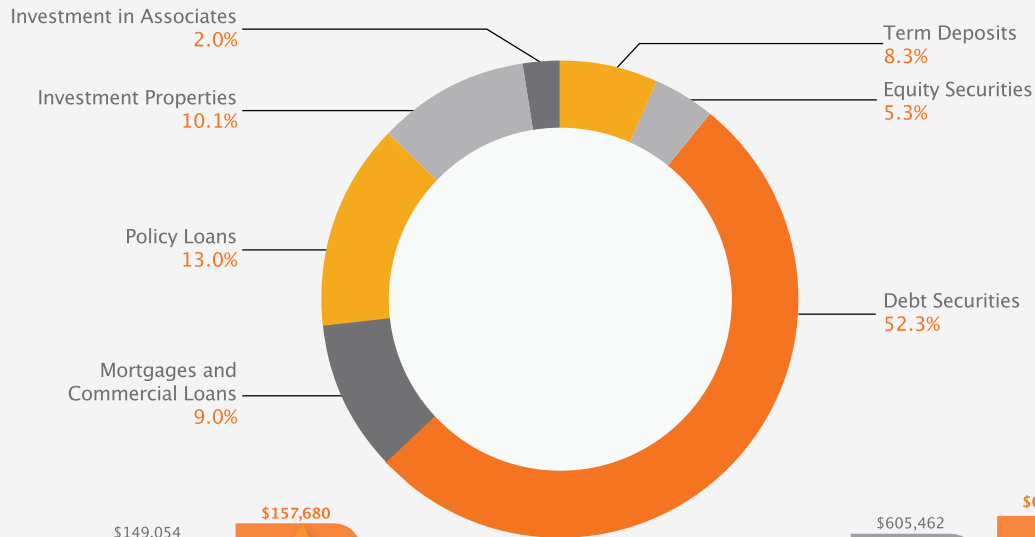
According to the Central Bank's statement "Monthly Economic and Financial Developments," November 2014, the domestic economy is poised for further strengthening in the first half of 2015, as sustained growth in the United States market and the

phased opening of the Baha Mar resort supports gains in the tourism sector. The Bank further stated that continued work on a number of foreign investment projects should provide on-going support for near-term construction activity and contribute to a gradual improvement in employment conditions.

The Bahamas is now at a critical moment in the further development of the economy with the introduction of VAT. Key for 2015 will be how the Government manages these expected proceeds in addressing our fiscal deficit and rising debt levels as the international credit rating agencies will undoubtedly monitor these developments as they seek to assess our financial strength going forward.

INVESTED ASSETS COMPOSITION

As at December 31, 2014



“ The Company continued to achieve its objective of balance sheet growth ”

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 fluctuations in claims reserves related to policyholder benefits.

Net income attributable to equity shareholders was \$14.5 million, compared to \$13.7 million in the prior year, an increase of \$0.8 million or 6.0%.

Gross premium revenues increased by \$0.78 million or 0.6%, totaling \$141.3 million for the 12 months ended December 31, 2014, compared to \$140.6 million in the prior year.

The Company continued to achieve its objective of balance sheet growth, increasing total assets by \$27.9 million to \$633.4 million at December 31, 2014, representing a 4.6% increase over total assets as at December 31, 2013. 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 administrative expenses comprising 21.2% of total revenues, compared to 21.1% in 2013. The Company continues to invest significantly in technology and administrative system improvements that will reduce recurring costs over the long term.

The Company divides its operating segments into three classifications of Life, Health and Other. The Life and Health divisions include the Company's Life Insurance and Individual and Group Health Insurance business respectively. Results from the Company's reinsurance and other subsidiary and associate operating activities are captured in Other. We discuss highlights that affected the Company's segmented operating results:

Colina Insurance Limited

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 contributed \$1.8 million to the Company's operating profit, a decrease of \$4.0 million over the prior year. As can be expected in this line of business, benefits and claim related expenses can be volatile and as such, the experience in 2014 trended negatively compared to 2013.

However, offsetting the impact of the claims and related reserve adjustments was an increase in net investment income

attributable to this division, contributing \$25.4 million to the Life division's operating revenues, compared to \$21.9 million in 2013. The Company has been able to direct new funds towards fixed income and other quality investment securities during the period that contributed to the increased return.

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 \$13.1 million to total net income in 2014 compared to \$10.4 million in 2013.

While net premium revenue decreased by \$1.0 million to \$57.0 million in 2014, this division was positively impacted by improved loss ratios and reduced medical claims experience relative to the 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 Agency & Brokers Limited ("CGIA")

CGIA recorded another year of positive results and continues to contribute 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 Agency & 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's commission revenues have exceeded 2013 results by 6.5% 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 has been successful in exploring additional distribution channels and is working with the Group to enhance its financial service product offerings. CGIA has also implemented plans that contribute to the strengthening of 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.

The following comments compare CFAL’s operating information for the 12 months December 31, 2014 to the 12 months December 31, 2013 for comparability. Note, however, that CHBL’s 2013 consolidated results include only the post-acquisition earnings of CFAL from September 1, 2013 to December 31, 2013.

CFAL’s revenue base has increased relative to prior year with investment and pension management fees for the 12 months ended December 31, 2014 increasing by 8.7% over the same period in 2013. Expenses increased slightly by 4.4% but remained within target range.

Capital Management

The Company was successful in issuing an additional \$10.5 million in preference share capital to assist with its strategic growth plan in 2013. 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 \$157.7 million in total equity from \$149.1 million in the prior year. Ordinary shareholders’ equity has increased by \$7.9 million to \$99.5 million from \$91.5 million as at December 31, 2013, notwithstanding capital distributions to ordinary shareholders of \$4.9 million or \$0.20 per ordinary share during fiscal 2014 and preference share distributions to the Class A preference shareholders of \$2.5 million or \$0.06 per preference share.

Throughout 2014 and at the fiscal year end, Colina exceeded both the statutory margin requirement and the minimum ratio requirement of qualifying to admissible assets as set by the Insurance Commission of The Bahamas.

Colina also 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% and at December 31, 2014, Colina’s MCCSR exceeded the target.

Summary of Quarterly Results and analysis of Q4 Results

Colina Holdings Bahamas Limited

Quarterly Financial Information

(All data in B\$000s with the exception of \$ per share amounts)

	2014			
	Q4	Q3	Q2	Q1
Net premium revenue	\$ 31,285	\$ 35,186	\$ 30,461	\$ 31,528
Total revenue	\$ 37,799	\$ 46,235	\$ 44,022	\$ 41,949
Net Earnings by Quarter				
Total Net income	\$ 3,366	\$ 2,994	\$ 3,420	\$ 4,346
Net income attributable to equity shareholders	\$ 4,032	\$ 3,442	\$ 2,932	\$ 4,115
Net income attributable to ordinary shareholders	\$ 3,397	\$ 2,810	\$ 2,299	\$ 3,482
Quarterly Earnings per Ordinary Share	\$ 0.15	\$ 0.11	\$ 0.09	\$ 0.14

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, 2014, the Company held cash and liquid short-term investments of \$67.2 million (\$61.7 million in 2013). The Company and its subsidiaries held over \$280.0 million in fixed income securities, 81.2% of which were investments in government securities with the majority 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 33 to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

As at December 31, 2014, 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 22 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 33 to the Consolidated Financial Statements. The Group's activities also include trading activities which introduce settlement risk exposures which are also discussed in Note 33.

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 32 to the Consolidated Financial Statements.





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



Tamara Evans Manager, Settlements,
Colina Financial Advisors Ltd.



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



Enrique Pyfrom Manager, IT Operations,
Colina Insurance Limited



Nickara Roberts Manager, IT Systems,
Colina Insurance Limited



Vendryes Braham Manager, Application
Development, Colina Insurance Limited

OPERATIONAL overview

LEVERAGING **technology**

Colina Introduces Text Messaging

On June 3, 2014 Colina launched SMS text messaging as another means of communicating with policyowners. These instant alerts serve as a convenient method of notifying clients of important policyowner information to assist them in better managing their policy(s), as well as advising them of important company news, notices and promotions. Clients receiving text messages are individual life policyowners who would have provided a current mobile number on a recent Client Update form and granted the company permission to communicate with them electronically by signing an Electronic Indemnity form.

Essentially, text messages will be generated in the same instances in which a paper notice is generated, including (but not limited to):

- When a client's policy is in danger of lapsing
- When a client missed a payment and payment was made under the policy's Automatic Premium Loan (APL) provision
- When the client's policy has a high loan balance
- On a client's birthday
- When a client's Annual Policy Statement has been mailed

A Single Life Insurance Platform

At the beginning of 2014 Colina had multiple software applications and interfaces developed in-house connecting the Company's core applications to the general ledger and other supporting systems. With the standardization of Line of Business systems becoming a strategic objective of the insurance company, the mammoth task was undertaken to convert the life insurance business to a single platform, enhancing policy administration and productivity.



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

TRAINING & development

Emmanuel Komolafe earns FICA designation

In 2014 Emmanuel O. Komolafe, Chief Risk & Compliance Officer at Colina Holdings Bahamas Limited (CHBL), became a Fellow of the International Compliance Association (ICA) with the accompanying designation "FICA; Certified Professional". Fellowship is the highest level of professional membership of the ICA and the Certified Professional status signifies the highest level of competence and achievement. The year 2014 proved to be an historic one for Emmanuel, marked also by his election as chairman of the Bahamas Insurance Advisory Committee (IAC). The Committee is a statutory body established pursuant to the Insurance Act, 2005 (as amended) and advises the Insurance Commission of The Bahamas on matters relating to the domestic and international insurance industry. In addition to chairing the Insurance Advisory Committee, Emmanuel is also a member of the Ministry of Financial Services Foreign Account Tax Compliance Act (FATCA) Advisory Committee.



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



Sapna Chatlani Actuary, Colina Insurance Limited



Pearl Sylvester
Manager, Underwriting, Colina Insurance Limited



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



Karen Sweeting
Manager, Agency Services, Colina Insurance Limited



Leatha Nixon Manager, Human Resources, Colina Insurance Limited



Leah Major Actuarial Associate, Colina Insurance Limited



Clothie Lockhart Manager, Sales Training, Colina Insurance Limited

Colina receives LOMA's highest student enrollment award for 4th consecutive year

Leatha Nixon, Manager, Human Resources at Colina flew to San Francisco, California in October to accept LOMA's Educational Achievement Award for Latin America & the Caribbean (2014) on behalf of Colina Insurance Limited. The award was presented to Colina for outstanding participation in LOMA's education programs. Colina has the highest student enrollment in the region and has won the award for the 4th consecutive year.



Sandradee Henfield becomes MDRT Lifetime Member

Sales representative in Colina's Northern Branch, Sandradee Henfield, poses with the plaques commemorating her Lifetime Membership in the Million Dollar Roundtable (MDRT), an international, independent association of the world's leading life insurance and financial services professionals. MDRT membership is recognized internationally as the standard of excellence in the life insurance and financial services business.



Colina's Todney Marsh is third Bahamian to Earn Falu

Quality Control Supervisor Todney Marsh earned the distinction of becoming a Fellow of the Academy of Life Underwriters, a professional programme sponsored by the Association of Home Office Underwriters and the Canadian Institute of Underwriters. Todney became only the third Bahamian and one of only a few Falu recipients in the Caribbean region to receive the Falu designation, joining her husband, who earned the designation in 2009, and Colina's Director of Underwriting & New Business Angela Taylor who completed the programme in 1995.



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).



Julie McIntosh Village Branch Manager, Colina Insurance Limited



Yvonne Gibson-Sands Montagu Sales Manager, Colina Insurance Limited



Jeffrey Randall Montagu Branch Manager, Colina Insurance Limited



Amanda Knowles Collins Sales Manager, Colina Insurance Limited



Elrod Outten Northern Branch Manager, Colina Insurance Limited



Sandra Smith Rosetta Branch Manager, Colina Insurance Limited



Bridgette Sands Collins Sales Manager, Colina Insurance Limited



Joseph Sweeting Rosetta Sales Manager, Colina Insurance Limited



Lynette Thompson Montagu Sales Manager, Colina Insurance Limited



Anthony Cartwright Rosetta Sales Manager, Colina Insurance Limited



Sandra Walkes Asst. Collins Branch Manager, Colina Insurance Limited



Kino McCartney Collins Branch Manager, Colina Insurance Limited



Osmond Johnson Rosetta Sales Manager, Colina Insurance Limited



Melanie Hutcheson Director, Corporate Communications & Customer Service, Colina Insurance Limited



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



Julie Dean Manager, Customer Services, Colina Insurance Limited



Lavaughn Fernander Manager, Customer Services, Colina Insurance Limited

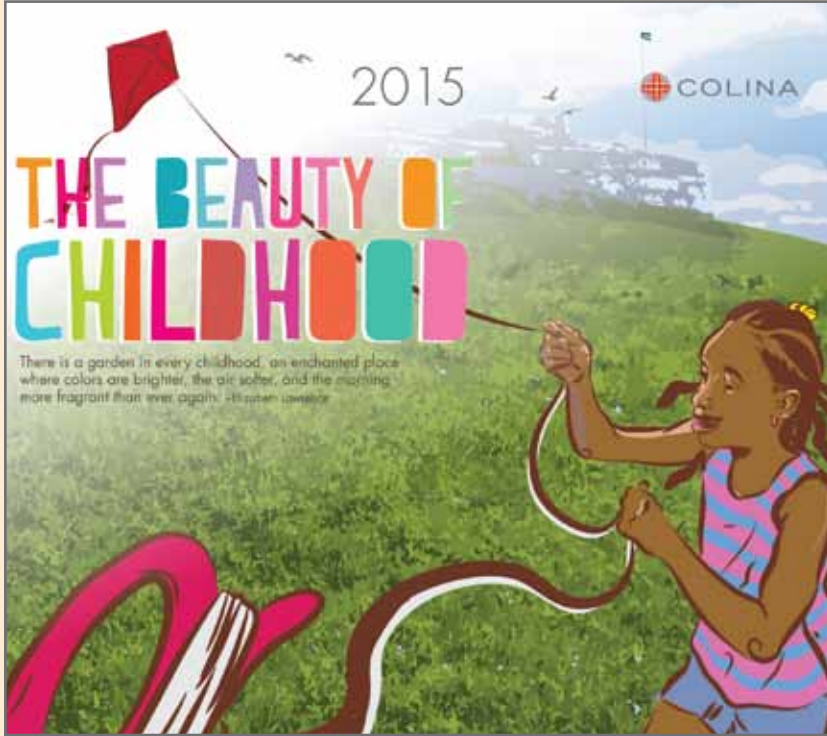


Janice Butler Manager, Central Processing Unit, Colina Insurance Limited



Millicent Wong Manager, Life Claims, Colina Insurance Limited

COLINA BELIEVES IN **community**



The Beauty of Childhood Spurs Holiday Generosity

On Sunday December 14, 2014 Colina launched its 2015 calendar The Beauty of Childhood with a Fun Day at the Ranfurly Homes for Children. The volunteer spirit and generosity at work during the planning and execution of this event were exceptional. The Company hosted about 100 children from Ranfurly, the Bilney Lane Home, the Nazareth Centre and the Children's Emergency Hostel to a full day of activities, including traditional Bahamian games, bouncing castles, a magic show, an ice cream truck, an appearance by Dairy Queen's mascot Curly, and a Junkanoo rush-out by The Prodigal Sons. The calendar features illustrations of the fun, wholesome games and activities enjoyed by generations of Bahamian children. The Beauty of Childhood colouring book also debuted at the calendar launch for use by Ranfurly as a teaching and fundraising tool. The models in The Beauty of Childhood calendar are students of Colina's Kids Care Centre.




Colina treated 100 residents of the Ranfurly Homes for Children, Nazareth Centre, Children's Emergency Hostel and Bilney Lane Children's Home to a Fun Day at the launch of its 2015 calendar. Gifts for the residents were donated by Colina staff and salespersons. Director of Corporate Communications & Customer Service, Melanie Hutcheson (second from right) is pictured making donations to representatives of the homes on behalf of Colina.



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.



As of December 31, 2014, the Board comprised ten Directors (including the Chairman, one executive Director and nine non-executive Directors). The size of the Board is commensurate to the complexity, geographical spread and nature of the Company. The Directors as of December 31, 2014 were:

Terence Hilts Chairman



Emanuel M. Alexiou
Executive Vice Chairman



Anthony Ferguson Director



Ednol Farquharson Director



Macgregor Robertson Director



Lloyd Steinke Director



Sandra J. Knowles Director



Earle Bethell Director



Glenn V. Bannister Director



Willie A. Moss Director



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.



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 2014.

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 three times in 2014.

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 2014.

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 Committee 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 2014.

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 three times in 2014.

Investment Committee

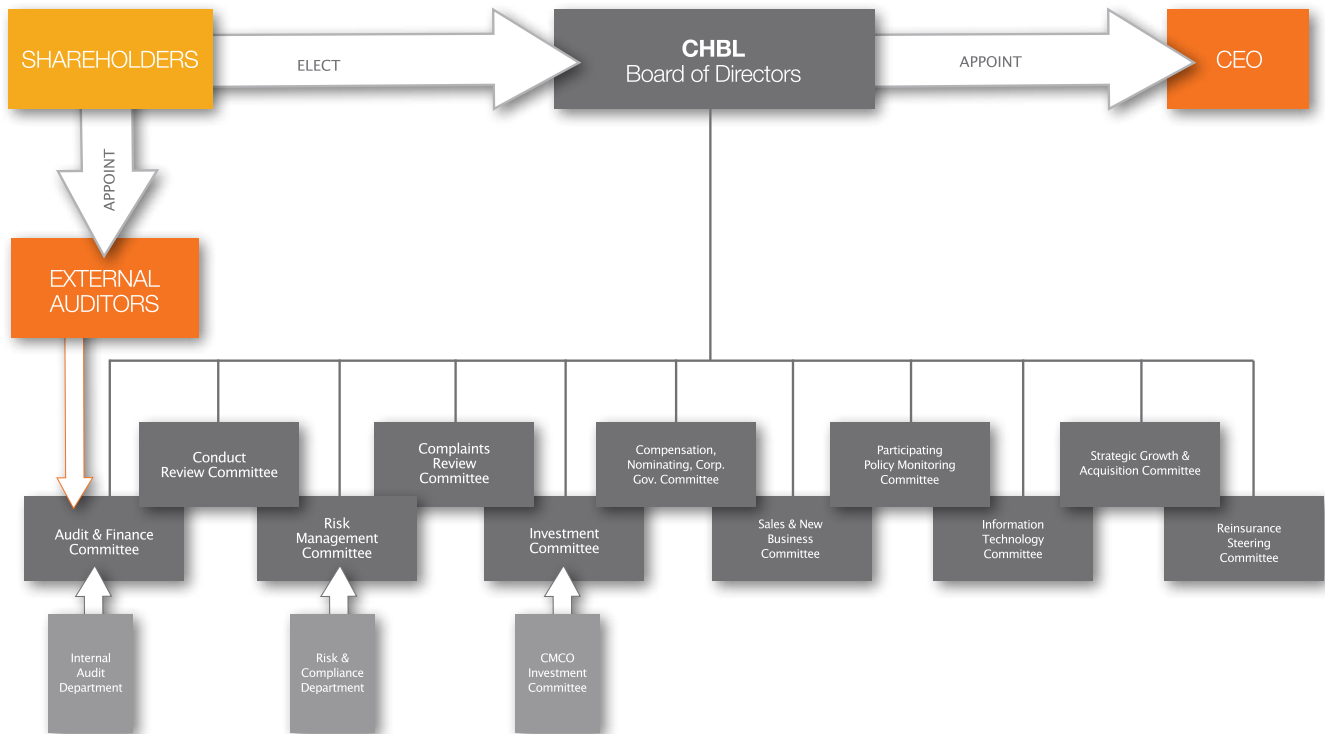
Chaired by Emanuel M. Alexiou, the Committee establishes the Company's policies, standards and procedures, and reviews, approves and monitors the Company's investment strategy, portfolio and results. The Investment Committee designates an Investment Manager(s) and is responsible for the Investment Manager's compliance with the investment policy at all times. The Committee met eleven times in 2014.

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.

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 four times in 2014.



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 five times in 2014.

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 2014.

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 four times in 2014.

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 2014. 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 2014 is listed below:

No. of Meetings	6
Terence Hilts	6
Emanuel M. Alexiou	6
Anthony Ferguson	4
Sandra J. Knowles	5
Macgregor Robertson	6
Glenn V. Bannister	6
Ednol Farquharson	5
Willie A. Moss	4
Earle Bethell	5
Lloyd Steinke	6

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
New Providence, Bahamas
Director since 2004

Earle Bethell ^{3,5}

General Manager, Hope Town Harbour Lodge,
Abaco, 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

Lloyd Steinke ^{9(c),10(c)}

Executive Consultant
Toronto, Canada
Director since 2012

Board Committees

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



“

In 2014 our management team, sales force and employees continued to be committed to achieving the company's goals as a market leader

”

Terence Hilts Chairman, Colina Holdings Bahamas Limited

about Colina

HOLDINGS BAHAMAS LIMITED

(at December 31, 2014)

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.

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 Wednesday, June 3rd, 2015 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**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Appointed Actuary's Report

Consolidated Statement of Financial Position

Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements





One Montague Place
3rd Floor
East Bay Street
P.O. Box N-3231
Nassau, Bahamas

Tel: +242 502 6000
Fax: +242 502 6090
ey.com

Independent Auditors' Report

The Shareholders
Colina Holdings Bahamas Limited

We have audited the accompanying financial statements of Colina Holdings Bahamas Limited and its Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2014, 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditor considers 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, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

March 16, 2015



Jacques Tremblay FCIA, MAAA, FSA
Partner

Oliver Wyman
161 Bay Street, P.O. Box 501
Toronto, ON M5J 2S5
Canada
Tel: +1 416 868 7071
jacques.tremblay@oliverwyman.com

March 16, 2015

Subject: **2014 Certification of actuarial liabilities**

I have valued the actuarial liabilities of Colina Holdings Bahamas Limited for its consolidated balance sheet as of December 31, 2014, for a total amount of \$369,693,794 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,

A handwritten signature in black ink that reads '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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Financial Position

 At December 31, 2014
 (Expressed in Bahamian dollars)

	Notes	2014	2013
ASSETS			
Term deposits	8	\$ 44,579,342	\$ 31,784,777
Investment securities	9	308,347,632	289,400,060
Mortgages and commercial loans	10	48,444,180	54,771,731
Policy loans	11	69,561,430	67,145,774
Investment properties	12	54,165,435	54,998,301
Investment in associates	13	<u>10,678,574</u>	<u>9,782,328</u>
Total invested assets		535,776,593	507,882,971
Cash and demand balances	8	22,613,360	29,933,030
Receivables and other assets	14	36,193,930	28,959,718
Property and equipment	15	21,065,123	19,871,616
Goodwill	16	13,519,916	18,391,916
Other intangible assets	17	<u>4,243,694</u>	<u>422,514</u>
Total assets		<u>\$ 633,412,616</u>	<u>\$ 605,461,765</u>
LIABILITIES			
Provision for future policy benefits	18	\$ 369,693,794	\$ 352,911,498
Policy dividends on deposit		<u>27,685,794</u>	<u>28,209,136</u>
Total policy liabilities		397,379,588	381,120,634
Other liabilities	19	<u>78,353,208</u>	<u>75,286,788</u>
Total liabilities		<u>475,732,796</u>	<u>456,407,422</u>
EQUITY			
Ordinary shares	20	24,729,613	24,729,613
Treasury shares	20	(50,549)	(50,549)
Contributed capital		5,960,299	5,960,299
Revaluation reserve	21	10,148,509	9,287,941
Retained earnings		<u>58,665,932</u>	<u>51,619,384</u>
Total ordinary shareholders' equity		99,453,804	91,546,688
Preference shares	20	<u>40,500,000</u>	<u>40,500,000</u>
Total shareholders' equity		139,953,804	132,046,688
Non-controlling interests		<u>17,726,016</u>	<u>17,007,655</u>
Total equity		<u>157,679,820</u>	<u>149,054,343</u>
Total liabilities and equity		<u>\$ 633,412,616</u>	<u>\$ 605,461,765</u>

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

Approved by the Board of Directors on March 16, 2015 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, 2014
(Expressed in Bahamian dollars)

	Notes	2014	2013
Revenues:			
Premium revenue		\$ 141,325,616	\$ 140,550,656
Less: Reinsurance premiums	24	<u>(12,865,989)</u>	<u>(13,201,455)</u>
Net premium revenue	24	128,459,627	127,349,201
Net investment income	25	25,119,422	24,920,678
Share of net gain/(loss) of associates	13	896,248	(1,036,419)
Net commission income		2,909,107	3,192,117
Investment management and other fees		11,551,456	6,770,955
Other income and fees		<u>1,069,322</u>	<u>1,672,701</u>
Total revenues		<u>170,005,182</u>	<u>162,869,233</u>
Benefits and expenses:			
Policyholders' benefits		99,808,613	97,023,398
Less: Reinsurance recoveries	26	<u>(12,734,083)</u>	<u>(10,010,922)</u>
Net policyholders' benefits	26	87,074,530	87,012,476
Changes in provision for future policy benefits	18	16,782,296	10,305,665
General and administrative expenses	27	35,994,379	34,293,271
Commission expense		10,414,387	11,276,264
Premium and other tax expense		3,828,953	3,683,323
Finance costs and interest	28	<u>1,785,075</u>	<u>1,703,999</u>
Total benefits and expenses		<u>155,879,620</u>	<u>148,274,998</u>
Net income for the year		<u>\$ 14,125,562</u>	<u>\$ 14,594,235</u>
Net income attributable to:			
Equity shareholders of the Company	29	\$ 14,520,524	\$ 13,697,979
Non-controlling interests		<u>(394,962)</u>	<u>896,256</u>
Net income for the year		<u>\$ 14,125,562</u>	<u>\$ 14,594,235</u>
Basic earnings per ordinary share	29	<u>\$ 0.49</u>	<u>\$ 0.47</u>

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, 2014
(Expressed in Bahamian dollars)

	2014	2013
Net income for the year	\$ 14,125,562	\$ 14,594,235
Other comprehensive income:		
Reclassification during the year to profit and loss	492,000	-
Change in available-for-sale financial assets		
from unrealized available-for-sale net gains	<u>368,568</u>	<u>(157,149)</u>
Other comprehensive income for the year	<u>860,568</u>	<u>(157,149)</u>
Total comprehensive income for the year	<u>\$ 14,986,130</u>	<u>\$ 14,437,086</u>
Attributable to:		
Equity shareholders of the Company	\$ 15,381,092	\$ 13,540,830
Non-controlling interests	<u>(394,962)</u>	<u>896,256</u>
Total comprehensive income for the year	<u>\$ 14,986,130</u>	<u>\$ 14,437,086</u>

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, 2014
(Expressed in Bahamian Dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium
Balance, December 31, 2012	\$ 24,729,613	\$ (154,531)	\$ 5,960,299
Decrease in treasury shares	-	103,982	-
Net income for the year	-	-	-
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	-
Unrealized gain on purchase of shares in subsidiary	-	-	-
Changes in non-controlling interests	-	-	-
Issuance of preference share capital	-	-	-
Dividends paid to ordinary shareholders (Note 29)	-	-	-
Preference share dividends (Note 29)	-	-	-
Balance, December 31, 2013	24,729,613	(50,549)	5,960,299
Net income for the year	-	-	-
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-
Reclassification during the year to profit and loss	-	-	-
Changes in non-controlling interests	-	-	-
Dividends paid to ordinary shareholders (Note 29)	-	-	-
Preference share dividends (Note 29)	-	-	-
Balance, December 31, 2014	<u>\$ 24,729,613</u>	<u>\$ (50,549)</u>	<u>\$ 5,960,299</u>

Revaluation Reserve	Preference Share Capital	Retained Earnings	Non-controlling Interests	Total Equity
\$ 8,736,942	\$ 30,000,000	\$ 44,410,992	\$ 14,233,267	\$ 127,916,582
-	-	-	-	103,982
-	-	13,697,979	896,256	14,594,235
(157,149)	-	-	-	(157,149)
80,297	-	-	-	80,297
627,851	-	-	-	627,851
-	-	-	1,878,132	1,878,132
-	10,500,000	-	-	10,500,000
-	-	(4,450,524)	-	(4,450,524)
-	-	(2,039,063)	-	(2,039,063)
9,287,941	40,500,000	51,619,384	17,007,655	149,054,343
-	-	14,520,524	(394,962)	14,125,562
368,568	-	-	-	368,568
492,000	-	-	-	492,000
-	-	-	1,113,323	1,113,323
-	-	(4,941,926)	-	(4,941,926)
-	-	(2,532,050)	-	(2,532,050)
\$ 10,148,509	\$ 40,500,000	\$ 58,665,932	\$ 17,726,016	\$ 157,679,820

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2014
(Expressed in Bahamian dollars)

	2014	2013
Cash flows from operating activities:		
Net income	\$ 14,125,562	\$ 14,594,235
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in unrealized losses on fair value through profit or loss securities	447,554	1,914,124
Increase in provision for future policy benefits	16,782,296	10,305,665
Changes in loss provisions for loans and receivables	2,743,530	2,128,112
Depreciation and impairment/amortization charges	3,016,514	2,439,355
Net realized gains on fair value through profit or loss securities	(2,054,119)	(22,816)
Net realized (gain)/loss on sale of available-for-sale securities	(40,026)	165,079
Interest income	(27,308,333)	(22,874,874)
Dividend income	(2,058,452)	(1,840,962)
Fair value loss/(gain) (net) on investment properties	912,442	(999,140)
Finance costs and interest	1,785,075	1,703,999
Proceeds on disposal of property and equipment, net	-	144,612
Operating cash flows before changes in operating assets and liabilities	8,352,043	7,657,388
Changes in operating assets and liabilities:		
(Increase)/decrease in other assets	(9,448,053)	18,235,640
Increase/(decrease) in other liabilities	1,689,502	(8,636,286)
Net cash provided by operating activities	593,492	17,256,742

(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, 2014
 (Expressed in Bahamian dollars)

	2014	2013
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
Decrease/(increase) in term deposits with original maturities greater than 90 days	4,393,706	(11,319,688)
Decrease in restricted cash balances	-	6,625
Fair value through profit or loss securities purchased	(15,943,170)	(18,533,086)
Proceeds on disposal of fair value through profit or loss securities	3,996,175	2,104,449
Available-for-sale securities purchased	(9,661,887)	(21,936,590)
Proceeds on disposal of available-for-sale securities	4,676,469	7,164,941
Reclassification during the year to profit and loss	492,000	-
Disposal of treasury shares	-	103,982
Net increase in loans to policyholders	(2,288,936)	(1,401,846)
Net decrease in mortgages and commercial loans	5,531,091	2,343,213
Additions to investment property	(79,576)	(235,185)
Interest received	26,377,539	21,998,427
Dividends received	2,058,452	1,840,962
Additions to property and equipment	(2,984,602)	(1,616,578)
Net cash provided by/(used in) investing activities	<u>16,567,261</u>	<u>(26,964,004)</u>
Cash flows from financing activities:		
Changes in non-controlling interests	1,113,323	1,878,132
Interest paid on other contracts	(1,785,075)	(1,703,999)
Net proceeds of preference share offering	-	10,500,000
Dividends paid to ordinary shareholders	(4,941,926)	(4,450,524)
Dividends paid to preference shareholders	(2,532,050)	(2,039,063)
Net cash (used in)/provided by financing activities	<u>(8,145,728)</u>	<u>4,184,546</u>
Net increase/(decrease) in cash and cash equivalents	9,015,025	(5,522,716)
Cash and cash equivalents, beginning of year	<u>39,808,922</u>	<u>45,331,638</u>
Cash and cash equivalents, end of year (Note 8)	<u>\$ 48,823,947</u>	<u>\$ 39,808,922</u>

(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, 2014
(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.

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, 2014, approximately 58.1% (2014: 58.2%) of the Company’s issued ordinary shares were owned by AF Holdings Ltd. (“AFH”) and 41.9% (2014: 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 32).

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, 2014 were authorized for issue in accordance with a resolution of the Company’s Board of Directors on March 16, 2015.

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. The following accounting policies adopted were amended in the year commencing January 1, 2014:

- IFRS 12 Disclosure of Interest In Other Entities;
- IAS 27 Consolidated Separate Financial Statements (Amendments) – Separate Financial Statements; and
- IAS 32 Financial Instruments: Presentation.

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

3. Standards Issued but not yet Effective

The 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, 2018;
- IFRS 15 *Revenue from Contracts with Customers*. Effective for annual periods beginning on or after January 1, 2017;
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests* – Amendments to joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business. Effective prospectively for annual periods beginning on or after January 1, 2016;

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Notes to Consolidated Financial Statements

For the Year ended December 31, 2014
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- Amendments to IAS 16 and IAS38 *Clarification of Acceptable Methods of Depreciation and Amortization*. Amendments to application guidelines on the use of revenue based depreciation methods. The Amendments are effective prospectively for annual periods beginning on or after January 1, 2016;
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*. The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. The Amendments are effective retrospectively for annual periods beginning on or after January 1, 2016; and
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. The Amendments are effective for annual periods beginning on or after January 1, 2016.

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 33.

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.

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.

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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, 2014 of long term insurance contract liabilities with DPF is \$211,914,259 (2013: \$210,551,988) and of investment contract liabilities with DPF is \$7,356,177 (2013: \$7,968,052).

(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 \$13,984,839 (2013: \$14,685,464).

(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 \$13,519,916 (2013: \$18,391,916).

(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 12.

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

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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.

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

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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.

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

COLINA HOLDINGS BAHAMAS LIMITED
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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

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- 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

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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, with the exception of certain Land improvements and buildings, 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

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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.

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 to 9 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.

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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.

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.

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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.
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 19.

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

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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 \$29,779 in 2014 (2013: \$16,942) and is included in employee/salespersons' benefits expense.

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4.25 Taxation

The Group is subject to tax on taxable gross premium income at the flat rate of 3% (2013: 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, 2014, these assets amounted to \$43.7 million (2013: \$43.0 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 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.

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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.

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6. Subsidiaries

Subsidiaries of the Company as of December 31, 2014 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	84%
Collmpco 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	91%
CFAL Global Equity Fund Ltd.	The Bahamas	32%
Ikonc Fund SAC Limited	The Bahamas	76%
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%

During 2014, the Company acquired 76% of the shares in the IKONIC Fund SAC Limited (the IKONIC Fund). The IKONIC Fund is a fund organized under the International Business Companies Act, 2000 of the Commonwealth of the Bahamas in September 2013 and is registered and licensed by as a Standard Fund by the Securities Commission of The Bahamas. The IKONIC Fund has no investment restrictions and has an investment objective to maximize appreciation of its assets.

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7. 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.

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 2014 and 2013. 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:

	2014			
	Life	Health	Other	Total
INCOME				
Net premium revenue	\$ 56,484,465	\$ 56,995,869	\$ 14,979,293	\$ 128,459,627
Net investment income	25,382,370	920,604	(287,304)	26,015,670
Net commission income	-	-	2,909,107	2,909,107
Investment management and other fees	-	6,054,646	5,496,810	11,551,456
Other income and fees	311,202	270,574	487,546	1,069,322
Total revenues	<u>82,178,037</u>	<u>64,241,693</u>	<u>23,585,452</u>	<u>170,005,182</u>
POLICYHOLDER BENEFITS				
	56,497,153	32,803,818	14,555,855	103,856,826
EXPENSES				
	<u>23,856,151</u>	<u>18,323,225</u>	<u>9,843,418</u>	<u>52,022,794</u>
NET INCOME / (LOSS)	<u>\$ 1,824,733</u>	<u>\$ 13,114,650</u>	<u>\$ (813,821)</u>	<u>\$ 14,125,562</u>
TOTAL ASSETS				
	<u>\$ 568,977,810</u>	<u>\$ 41,206,410</u>	<u>\$ 23,228,396</u>	<u>\$ 633,412,616</u>
TOTAL LIABILITIES				
	<u>\$ 436,941,952</u>	<u>\$ 31,202,928</u>	<u>\$ 7,587,916</u>	<u>\$ 475,732,796</u>

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	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	<u>77,982,618</u>	<u>64,372,682</u>	<u>20,513,933</u>	<u>162,869,233</u>
POLICYHOLDER BENEFITS	48,955,474	36,688,187	11,674,480	97,318,141
EXPENSES	<u>23,197,853</u>	<u>17,309,509</u>	<u>10,449,495</u>	<u>50,956,857</u>
NET INCOME	<u>\$ 5,829,291</u>	<u>\$ 10,374,986</u>	<u>\$ (1,610,042)</u>	<u>\$ 14,594,235</u>
TOTAL ASSETS	<u>\$ 525,905,553</u>	<u>\$ 39,317,417</u>	<u>\$ 40,238,795</u>	<u>\$ 605,461,765</u>
TOTAL LIABILITIES	<u>\$ 416,329,948</u>	<u>\$ 33,144,496</u>	<u>\$ 6,932,978</u>	<u>\$ 456,407,422</u>

8. Cash and Cash Equivalents

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

	2014	2013
Term deposits	\$ 44,579,342	\$ 31,784,777
Less: Deposits with original maturities of greater than 90 days	<u>(16,702,903)</u>	<u>(21,096,609)</u>
Short-term deposits	27,876,439	10,688,168
Cash and demand balances	22,613,360	29,933,030
Less: Bank overdraft (See Note 19)	<u>(1,665,852)</u>	<u>(812,276)</u>
Total cash and cash equivalents	<u>\$ 48,823,947</u>	<u>\$ 39,808,922</u>

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 1.70% (2013: 2.84%). These deposits have an average maturity of 78 days (2013: 91 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 1.71% (2013: 2.99%).

Included in deposits with original maturities of greater than 90 days are restricted amounts of \$825,517 (2013: \$824,436). No restricted amounts are included in cash and demand balances (2013: NIL). The restricted balances in 2014 relate to deposits held as support for insurance liabilities in favour of various regulatory bodies.

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9. Investment Securities

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

	2014	2013
Equity securities		
Fair value through profit or loss	\$ 15,284,288	\$ 10,139,683
Available-for-sale	<u>13,059,377</u>	<u>10,670,181</u>
Total equity securities	<u>28,343,665</u>	<u>20,809,864</u>
Debt securities		
Fair value through profit or loss	71,127,560	62,718,605
Available-for-sale	<u>208,876,407</u>	<u>205,871,591</u>
Total debt securities	<u>280,003,967</u>	<u>268,590,196</u>
Total investment securities	<u>\$ 308,347,632</u>	<u>\$ 289,400,060</u>

Financial assets at fair value through profit or loss are comprised primarily of financial instruments in the Bahamas Investment Fund (See Note 31).

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 6.37% per annum (2013: from 4.35% to 6.95% per annum) and scheduled maturities between 2015 and 2044 (2013: between 2014 and 2037).

Included in debt securities is \$2,185,000 (2013: \$2,185,000) representing a restricted balance which is held in favour of the CIL Statutory Trust (the "Trust"). The Trust was established in accordance with the Insurance Act, 2005 and Insurance (General) Regulations 2010 (as amended). The aforementioned legislation requires that a minimum of \$2,000,000 in assets be deposited 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, 2012	\$ 58,320,959	\$ 199,964,353	\$ 258,285,312
Additions	18,533,086	21,936,590	40,469,676
Acquisition of CFAL	-	2,047,701	2,047,701
Disposals and maturities	(2,104,449)	(7,164,941)	(9,269,390)
Net fair value losses	<u>(1,891,308)</u>	<u>(241,931)</u>	<u>(2,133,239)</u>
At December 31, 2013	72,858,288	216,541,772	289,400,060
Additions	15,943,170	9,661,887	25,605,057
Disposals and maturities	(3,996,175)	(4,676,469)	(8,672,644)
Net fair value gains	<u>1,606,565</u>	<u>408,594</u>	<u>2,015,159</u>
At December 31, 2014	<u>\$ 86,411,848</u>	<u>\$ 221,935,784</u>	<u>\$ 308,347,632</u>

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

At December 31, 2014	Level 1	Level 2	Total Fair Value
<i>Financial assets designated at fair value through profit or loss:</i>			
Equity securities	\$ 10,376,742	\$ 2,357,448	\$ 12,734,190
Shares in investment funds	-	2,550,098	2,550,098
Government securities	-	56,627,974	56,627,974
Preferred shares	-	1,550,000	1,550,000
Other debt securities	-	12,949,586	12,949,586
Total	<u>\$ 10,376,742</u>	<u>\$ 76,035,106</u>	<u>\$ 86,411,848</u>
<i>Available-for-sale financial assets:</i>			
Equity securities	\$ 4,386,006	\$ 5,163,695	\$ 9,549,701
Shares in investment funds	-	3,509,676	3,509,676
Government securities	-	170,737,648	170,737,648
Preferred shares	-	19,495,290	19,495,290
Other debt securities	-	18,643,469	18,643,469
Total	<u>\$ 4,386,006</u>	<u>\$ 217,549,778</u>	<u>\$ 221,935,784</u>

The Group did not have any financial instruments classified as Level 3 as at December 31, 2014.

At December 31, 2013	Level 1	Level 2	Total Fair Value
<i>Financial assets designated at fair value through profit or loss:</i>			
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	<u>\$ 9,107,166</u>	<u>\$ 63,751,122</u>	<u>\$ 72,858,288</u>
<i>Available-for-sale financial assets:</i>			
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	<u>\$ 9,464,388</u>	<u>\$ 207,077,384</u>	<u>\$ 216,541,772</u>

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

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10. Mortgages and Commercial Loans

Mortgages and commercial loans are comprised of the following:

	2014	2013
Mortgages and commercial loans	\$ 51,649,391	\$ 57,180,482
Accrued interest	<u>7,181,999</u>	<u>6,459,183</u>
Subtotal	58,831,390	63,639,665
Less: Provisions	<u>(10,387,210)</u>	<u>(8,867,934)</u>
Mortgages and commercial loans, net	<u><u>\$ 48,444,180</u></u>	<u><u>\$ 54,771,731</u></u>

Mortgages and commercial loans are classified into the following categories:

	2014	2013
Residential mortgages	\$ 31,147,169	\$ 34,746,311
Commercial mortgages	17,693,153	19,118,086
Commercial paper	<u>2,809,069</u>	<u>3,316,085</u>
Subtotal	51,649,391	57,180,482
Accrued interest	<u>7,181,999</u>	<u>6,459,183</u>
Total	<u><u>\$ 58,831,390</u></u>	<u><u>\$ 63,639,665</u></u>

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, 2014 are loans to employees and salespersons amounting to \$5,575,919 (2013: \$6,556,469).

Provisions on mortgages and commercial loans are as follows:

	2014	2013
Residential mortgages	\$ 2,064,937	\$ 1,648,057
Commercial mortgages	3,572,271	2,557,132
Commercial paper	-	519,255
Accrued interest	<u>4,750,002</u>	<u>4,143,490</u>
Total provisions on mortgages and commercial loans	<u><u>\$ 10,387,210</u></u>	<u><u>\$ 8,867,934</u></u>

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The movement in loan loss provisions is as follows:

	2014	2013
Balance, beginning of year	\$ 8,867,934	\$ 7,018,272
Increase in provisions	2,759,034	2,681,231
Provisions written back to income	<u>(1,239,758)</u>	<u>(831,569)</u>
Balance, end of year	<u><u>\$ 10,387,210</u></u>	<u><u>\$ 8,867,934</u></u>

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

	2014	2013
Residential mortgages	7.51%	7.47%
Commercial mortgages	8.37%	9.14%
Commercial paper	7.94%	8.19%

11. Policy Loans

Policy loans are comprised of:

	2014	2013
Policy loans	\$ 65,851,475	\$ 63,562,539
Accrued interest on policy loans	<u>3,715,952</u>	<u>3,594,677</u>
Subtotal	69,567,427	67,157,216
Less: Provisions	<u>(5,997)</u>	<u>(11,442)</u>
Policy loans, net	<u><u>\$ 69,561,430</u></u>	<u><u>\$ 67,145,774</u></u>

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of \$5,997 (2013: \$11,442) 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, 2014. 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 11.7% (2013: 11.6%).

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12. 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, 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
Additions (subsequent expenditure)	-	-	79,576	79,576
Net loss from fair value adjustments	(912,442)	-	-	(912,442)
At December 31, 2014	\$ 4,025,000	\$ 650,000	\$ 49,490,435	\$ 54,165,435

During the period, one of the commercial office properties was valued by R. Brownrigg of Bahamas Realty 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, 2014 were based on valuations performed by management using the Discounted Cash Flow Method (DCF), Cost Approach Method (CA) 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	\$13,500-\$300,000 (\$14,800)
Residential	SC	Sales price / sq.ft	\$340
Commercial office	DCF	Estimated rental rate/sqft/p.a. Discount rate	\$9-\$100 8.70%-9.70%
		Rent growth p.a. Expense inflation p.a. Capitalization rate for terminal value Vacancy rate	3.0% 3.0% 9.0%-10.0% 0.0%-22%

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	CA	Cost / sqft	\$86(\$86)
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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 CA method provides an analysis showing the fee simple value of the land, the value of site improvements and the cost to construct the building at current building rates. Physical depreciation is then deducted from the construction cost. Functional obsolescence and economic depreciation are also factored in the depreciation if applicable.

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 \$41.9 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 \$4,549,229 (2013: \$4,482,252), is included in rental income in net investment income. Direct expenses related to generating rental income from investment properties, amounting to \$1,039,996 (2013: \$1,594,776), are included in general and administrative expenses.

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13. Investment in Associates

Investment in Associates is comprised of:

	2014	2013
Walk-In Holdings Limited	\$ 4,640,156	\$ 4,423,560
SBL Ltd.	6,038,418	5,358,768
Total	<u>\$ 10,678,574</u>	<u>\$ 9,782,328</u>

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

	2014	2013
Share of profit/(loss) of investment in associate		
Walk-In Holdings Limited	\$ 216,597	\$ 223,534
SBL Ltd.	679,651	(222,147)
Impairment of goodwill - SBL	-	(1,037,806)
Share of net gain/(loss) of associates	<u>\$ 896,248</u>	<u>\$ (1,036,419)</u>

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:

	2014	2013
Total assets	\$ 8,771,280	\$ 8,535,104
Total liabilities	(913,665)	(1,232,412)
Net assets of WIHL	<u>\$ 7,857,615</u>	<u>\$ 7,302,692</u>
Company's share of WIHL's balance sheet	\$ 2,407,455	\$ 2,190,859
Goodwill	2,232,701	2,232,701
Total investment in WIHL	<u>\$ 4,640,156</u>	<u>\$ 4,423,560</u>

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, 2014	12 Months Ended Dec. 31, 2013
Total revenue	\$ 7,017,817	\$ 7,105,044
Total profit for the period	<u>\$ 731,460</u>	<u>\$ 745,114</u>
Share of WIHL's profit	<u>\$ 216,597</u>	<u>\$ 223,534</u>

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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 2013, 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:

	2014	2013
Total assets	\$ 768,801,903	\$ 398,432,176
Total liabilities	<u>(737,312,553)</u>	<u>(370,563,990)</u>
Net assets of SBL	<u>\$ 31,489,350</u>	<u>\$ 27,868,186</u>
Company's share of SBL's balance sheet	\$ 5,529,585	\$ 4,835,036
Intangible assets	<u>508,833</u>	<u>523,732</u>
Total investment in SBL	<u>\$ 6,038,418</u>	<u>\$ 5,358,768</u>

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 income is as follows:

	12 Months Ended Dec. 31, 2014	12 Months Ended Dec. 31, 2013
Total revenue	\$ 18,296,097	\$ 9,567,960
Total gain/(loss) for the period	<u>\$ 4,077,109</u>	<u>\$ (896,809)</u>
Share of SBL's gain/(loss)	<u>\$ 679,651</u>	<u>\$ (222,147)</u>

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The following table shows an analysis of goodwill and other intangible assets included in investment in associates for the years ending December 31, 2014 and 2013:

	Goodwill	Other Intangible Assets	Total
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
Acquired during the year	-	159,700	159,700
Amortization	-	(174,599)	(174,599)
Balance as of December 31, 2014	\$ 2,232,701	\$ 508,833	\$ 2,741,534

The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2014, is shown below.

Other Intangible Assets		
Gross Carrying Value	Accumulated Amortization	Total
\$ 522,120	\$ (291,517)	\$ 230,603
86,260	(86,260)	-
140,980	(140,980)	-
914,010	(635,780)	278,230
\$ 1,663,370	\$ (1,154,537)	\$ 508,833

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
2015	158,694
2016	110,666
2017	73,546
2018 and thereafter	165,927
	\$ 508,833

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14. Receivables and Other Assets

Receivables and other assets are comprised of the following:

	2014	2013
Financial assets		
Premiums receivable	\$ 9,097,790	\$ 8,804,011
Less: Provision on premiums receivable	(3,705,171)	(2,662,679)
Reinsurance recoveries receivable	8,685,645	5,943,107
Net balances payable on ASO plans	(4,608,475)	(9,074,587)
Agents' balances	1,634,568	1,493,184
Less: Provision on agents' balances	(1,643,197)	(1,455,990)
Accrued interest income	3,544,226	3,457,523
Receivables from related parties (See Note 32)	371,099	162,741
Participation in IRM reinsurance facilities	31,552	1,245,003
Non-financial assets		
Properties assumed under mortgage defaults	2,616,700	2,629,500
Land held for development	5,708,704	3,672,058
Prepayments and other assets	14,460,489	14,745,847
Total receivables and other assets	<u>\$ 36,193,930</u>	<u>\$ 28,959,718</u>

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

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.

15. Property and Equipment

	Land, land improvements and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
At December 31, 2013	\$ 22,016,183	\$ 2,549,532	\$ 5,982,029	\$ 92,525	\$ 30,640,269
Additions	2,350,000	11,349	623,253	-	2,984,602
At December 31, 2014	<u>\$ 24,366,183</u>	<u>\$ 2,560,881</u>	<u>\$ 6,605,282</u>	<u>\$ 92,525</u>	<u>\$ 33,624,871</u>
Accumulated depreciation:					
At December 31, 2013	\$ 5,151,221	\$ 1,274,737	\$ 4,284,766	\$ 57,929	\$ 10,768,653
Depreciation charge	667,617	263,695	845,263	14,520	1,791,095
At December 31, 2014	<u>\$ 5,818,838</u>	<u>\$ 1,538,432</u>	<u>\$ 5,130,029</u>	<u>\$ 72,449</u>	<u>\$ 12,559,748</u>
Net book value:					
At December 31, 2014	<u>\$ 18,547,345</u>	<u>\$ 1,022,449</u>	<u>\$ 1,475,253</u>	<u>\$ 20,076</u>	<u>\$ 21,065,123</u>
At December 31, 2013	<u>\$ 16,864,962</u>	<u>\$ 1,274,795</u>	<u>\$ 1,697,263</u>	<u>\$ 34,596</u>	<u>\$ 19,871,616</u>

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The opening balances have been adjusted for fully depreciated assets.

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

	2014	2013
Land and land improvements	\$ 6,035,523	\$ 4,860,523
Buildings	<u>18,330,660</u>	<u>17,155,660</u>
Total cost	<u>\$ 24,366,183</u>	<u>\$ 22,016,183</u>

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 \$13.7 million (2013: \$11.9 million).

16. Goodwill

	2014	2013
Cost	\$ 17,244,032	\$ 22,116,032
Accumulated impairment charges	<u>(3,724,116)</u>	<u>(3,724,116)</u>
Net book amount	<u>\$ 13,519,916</u>	<u>\$ 18,391,916</u>
Balance, beginning of year	\$ 18,391,916	\$ 12,512,749
Acquisition of CFAL	-	5,879,167
Transfer of identified intangible assets related to CFAL acquisition (Note 17)	<u>(4,872,000)</u>	<u>-</u>
Balance, end of year	<u>\$ 13,519,916</u>	<u>\$ 18,391,916</u>

17. Other Intangible Assets

	2014	2013
Cost	\$ 10,384,019	\$ 5,512,019
Accumulated amortization	<u>(6,140,325)</u>	<u>(5,089,505)</u>
Net book amount	<u>\$ 4,243,694</u>	<u>\$ 422,514</u>

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The following table shows an analysis of other intangible assets for the years ending December 31, 2014 and 2013:

	From acquisitions	Other Intangible Assets	Total
Balance as of December 31, 2012	\$ -	\$ 963,873	\$ 963,873
Amortization	-	(541,359)	(541,359)
Balance as of December 31, 2013	-	422,514	422,514
Transfer of identified intangible assets related to CFAL acquisition	4,872,000	-	4,872,000
Amortization	(672,500)	(378,320)	(1,050,820)
Balance as of December 31, 2014	<u>\$ 4,199,500</u>	<u>\$ 44,194</u>	<u>\$ 4,243,694</u>

Upon acquisition of CFAL in September 2013, the excess of the purchase price over total net assets acquired totalled \$5,879,167 and was recognised as goodwill. At the time of acquisition, the analysis to identify intangible assets for allocation purposes of purchase price over net assets acquired had not been completed.

During 2014, an independent valuation exercise was performed in order to determine this allocation at the valuation date of October 1, 2013. As a result of this, an amount of \$4,872,000 was allocated to intangible assets. The gross carrying value and accumulated amortization by major category of other intangible assets from acquisitions as of December 31, 2013 is shown below:

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	\$ 4,572,000	\$ (635,000)	\$ 3,937,000
Trade name	300,000	(37,500)	262,500
Total Other Intangible Assets	<u>\$ 4,872,000</u>	<u>\$ (672,500)</u>	<u>\$ 4,199,500</u>

18. 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

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deterioration in experience and to provide greater comfort that the provisions are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

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

Investment yields

The computation of provisions takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or forgone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to projections of interest rates and the magnitude of losses from asset defaults. The Company accounts for such uncertainties by incorporating provisions for losses into projections of investment income. A margin for adverse deviation is calculated by interest rate scenario testing under the CALM methodology. The margin in the most adverse scenario can be interpreted as deducting 35 basis points from the current (Prime) rates immediately and assuming future interest rates remain at that level in the long term. If future interest rates were to differ by 100 basis points from that assumed in the valuation, without changing the policyholder dividend scale, the liability would increase by \$57.7 million or decrease by \$43.5 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. Best estimate expenses are assumed to increase with inflation of 2.11% in all years. Expenses are increased by a range of 0% to 6.25%, where the Closed Par Fund has no margin. If future expenses are to differ by 10% from that assumed, the liability would increase by \$7.0 million or decrease by \$6.9 million.

Policy lapse rates

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. The Company bases its estimate of future lapse rates on previous experience for a block of policies. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by a range of 5% to 20%. If future lapse rates are to differ by 10% from that assumed, the liability would increase by \$8.9 million or decrease by \$8.5 million.

Mortality and Morbidity

Assumptions for life business are based on Company and industry experience. A margin is added for adverse deviation in the range of 4.0 to 11.25 per 1000 divided by the expectation of life for mortality, and between 15% and 20% for morbidity. The Closed Par Fund has the lowest margin added. If future mortality and morbidity are to differ by 10% from that assumed, the liability would increase by \$3.6 million or decrease by \$3.3 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 \$1.0 million, with the net liabilities increasing by \$0.9 million. If the average claim costs were to decrease by 10%, gross liabilities would decrease by \$1.0 million, with the net liabilities decreasing by \$0.9 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:

	2014	2013
Life insurance	\$ 326,958,909	\$ 308,501,979
Annuities	21,393,869	21,756,003
Accident and health	13,984,839	14,685,464
Colina Investment Plan (See Note 31)	<u>7,356,177</u>	<u>7,968,052</u>
Total provision for future policy benefits	<u>\$ 369,693,794</u>	<u>\$ 352,911,498</u>

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

	2014	2013
Short-term insurance contracts	\$ 14,318,572	\$ 14,995,188
Long-term insurance and other contracts		
-with fixed and guaranteed terms	114,850,969	98,113,794
-with fixed and guaranteed terms and with DPF	195,750,519	195,847,346
-without fixed and guaranteed terms	21,253,817	21,282,476
-without fixed and guaranteed terms and with DPF	16,163,740	14,704,642
Long-term investment contracts with DPF	<u>7,356,177</u>	<u>7,968,052</u>
Total provision for future policy benefits	<u>\$ 369,693,794</u>	<u>\$ 352,911,498</u>

Analysis of change in provision for future policy benefits

	2014	2013
Balance, beginning of year	\$ 352,911,498	\$ 342,605,833
Changes in discretionary participation features	(8,712,256)	-
Normal changes in policy liabilities	10,090,575	8,980,745
Changes in assumptions and refinement of estimates	<u>15,403,977</u>	<u>1,324,920</u>
Balance, end of year	<u>\$ 369,693,794</u>	<u>\$ 352,911,498</u>

Closed Participating Fund

Included in the provision for future policy benefits as of December 31, 2014 are actuarial reserves totaling \$31.8 million (2013: \$31.6 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, 2014 shows that it had the following asset mix: government securities – 51.5%; policy loans – 25.2%; mortgage loans – 8.4%; corporate bonds – 1.3%; equity securities – 8.8%; preference shares – 4.1%; and cash and cash equivalents – 0.7% (2013: 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%).

19. Other Liabilities

	2014	2013
Third party pension liabilities	\$ 26,584,541	\$ 24,945,777
Benefits payable to policyholders	17,582,205	17,427,658
Accrued expenses and other liabilities	29,910,602	30,375,154
Bank overdraft (See Note 8)	1,665,852	812,276
Reinsurance payables	<u>2,610,008</u>	<u>1,725,923</u>
Total other liabilities	<u>\$ 78,353,208</u>	<u>\$ 75,286,788</u>

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

20. Share Capital

	2014	2013
Authorized:		
45,000,000 Class "A" preference shares of B\$1 each (2013: 45,000,000)	\$ 45,000,000	\$ 45,000,000
35,000,000 Ordinary shares of B\$1 each (2013: 35,000,000)	\$ 35,000,000	\$ 35,000,000
Issued and fully paid:		
40,500,000 Class "A" preference shares of B\$1 each (2013: 40,500,000)	\$ 40,500,000	\$ 40,500,000
24,709,631 Ordinary shares of B\$1 each (2013: 24,709,631)	\$ 24,679,064	\$ 24,679,064

Treasury shares are stated at cost and at December 31, 2014, comprise 19,982 (2013: 19,982) 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.

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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 2014 respectively.

21. 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.

	2014	2013
Balance, beginning of year	\$ 9,287,941	\$ 8,736,942
Net fair value gains/(losses) during the year	368,568	(76,852)
Unrealized gain on purchase of shares in subsidiary	492,000	627,851
	<hr/>	<hr/>
Balance, end of year	<u>\$ 10,148,509</u>	<u>\$ 9,287,941</u>

22. 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, 2014, the Group did not provide any guarantees to third parties in the ordinary course of business. (2013: 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 \$271,161 (2013: \$235,911).

Purchase of property and equipment: The Company had no commitments for the purchase of capital equipment or services at December 31, 2014 (2013: NIL).

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, 2014 are as follows:

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No later than 1 year	\$ 801,612
Later than 1 year and no later than 5 years	1,436,563
Later than 5 years	<u>616,050</u>
Total	<u>\$ 2,854,225</u>

23. 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, 2014 are as follows:

No later than 1 year	\$ 2,920,267
Later than 1 year and no later than 5 years	<u>4,903,730</u>
Total	<u>\$ 7,823,997</u>

24. Net Premium Revenue

Net premium revenue is comprised of the following:

	2014	2013
Life and health insurance premiums	\$ 125,961,742	\$ 126,761,460
Less: Reinsurance premiums	<u>(12,865,989)</u>	<u>(13,201,455)</u>
Subtotal	113,095,753	113,560,005
Premiums from IRM reinsurance facilities (See Note 14)	<u>15,363,874</u>	<u>13,789,196</u>
Net premium revenue	<u>\$ 128,459,627</u>	<u>\$ 127,349,201</u>

Net premium revenues are classified in the following categories:

	2014	2013
Short-term insurance contracts	\$ 78,498,189	\$ 77,535,005
Long-term insurance and other contracts		
-with fixed and guaranteed terms	29,978,543	27,466,043
-with fixed and guaranteed terms and with DPF	21,251,063	21,729,026
-without fixed and guaranteed terms	140,367	139,717
-without fixed and guaranteed terms and with DPF	8,723,941	13,458,860
Long-term investment contracts with DPF	<u>2,733,513</u>	<u>222,005</u>
Total premium revenue arising from contracts issued	141,325,616	140,550,656
Premiums ceded to reinsurers	<u>(12,865,989)</u>	<u>(13,201,455)</u>
Net premium revenue	<u>\$ 128,459,627</u>	<u>\$ 127,349,201</u>

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25. Net Investment Income

Net investment income is classified as follows:

	2014	2013
Term deposits	\$ 1,035,739	\$ 895,208
Investment securities	10,874,873	11,122,938
Net fair value gains/(losses) included in the revaluation reserve (See Note 21)	368,568	(76,852)
Less: Investment management fees (See Note 32)	<u>-</u>	<u>(1,067,325)</u>
Net investment return on managed assets	12,279,180	10,873,969
Mortgages and commercial loans	2,490,095	3,381,407
Policy loans	7,566,115	7,251,163
Rental income	4,812,056	4,584,603
Net fair value (losses)/gains on investment properties (See Note 12)	(912,442)	999,140
Fair value losses on property assumed under mortgage default	-	(1,663,000)
Other fees and income	<u>(747,014)</u>	<u>(583,456)</u>
Total return on invested assets	25,487,990	24,843,826
Less: Fair value (gains)/losses in the revaluation reserve	<u>(368,568)</u>	<u>76,852</u>
Total net investment income recognized in income	<u>\$ 25,119,422</u>	<u>\$ 24,920,678</u>

There are no impairment charges included in net investment income from investment securities (2013: \$Nil).

26. Net Policyholders' Benefits

Net policyholders' benefits are comprised of the following:

	2014	2013
Life and health policyholder benefits	\$ 85,932,346	\$ 83,073,001
Less: Reinsurance recoveries	<u>(12,734,083)</u>	<u>(10,010,922)</u>
Subtotal	73,198,263	73,062,079
Benefits paid on IRM reinsurance facilities (See Note 14)	<u>13,876,267</u>	<u>13,950,397</u>
Total net policyholders' benefits	<u>\$ 87,074,530</u>	<u>\$ 87,012,476</u>

Included in life and health policyholder benefits is \$839,879 related to interest on policy dividends on deposit (2013: \$868,416).

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

	2014	2013
Short-term insurance contracts	\$ 50,315,998	\$ 51,782,930
Long-term insurance and other contracts		
-with fixed and guaranteed terms	15,846,475	11,946,176
-with fixed and guaranteed terms and with DPF	21,772,896	23,554,659
-without fixed and guaranteed terms	1,747,771	2,062,542
-without fixed and guaranteed terms and with DPF	9,093,091	6,535,492
Long-term investment contracts with DPF	<u>1,032,382</u>	<u>1,141,599</u>
Total policyholders' benefits	99,808,613	97,023,398
Reinsurance recoveries	<u>(12,734,083)</u>	<u>(10,010,922)</u>
Net policyholders' benefits	<u>\$ 87,074,530</u>	<u>\$ 87,012,476</u>

27. General and Administrative Expenses

General and administrative expenses are comprised of:

	2014	2013
Salaries and employee/salesperson benefits	\$ 17,897,495	\$ 15,453,610
Fees, insurance and licences	5,955,701	5,124,221
IRM reinsurance facilities expenses (See Note 14)	1,974,874	2,117,489
Advertising and communications expense	3,135,223	3,990,011
Depreciation and amortization	2,841,915	2,277,938
Premises and maintenance	4,018,756	3,357,263
Underwriting fees	563,001	823,531
Other(income)/expenses	<u>(392,586)</u>	<u>1,149,208</u>
Total general and administrative expenses	<u>\$ 35,994,379</u>	<u>\$ 34,293,271</u>

28. Finance Costs and Interest

Finance costs and interest are comprised of:

	2014	2013
Interest on third party pension liabilities	\$ 1,230,189	\$ 1,193,232
Interest on liabilities due to ASO groups	<u>554,886</u>	<u>510,767</u>
Total finance costs and interest	<u>\$ 1,785,075</u>	<u>\$ 1,703,999</u>

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29. 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.

	2014	2013
Net income attributable to equity shareholders	\$ 14,520,524	\$ 13,697,979
Net income attributable to ordinary shareholders	\$ 11,988,474	\$ 11,658,916
Weighted average number of ordinary shares outstanding	24,709,631	24,696,298
Basic earnings per ordinary share	\$ 0.49	\$ 0.47

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 2014 totalled \$4,941,926 (\$0.20 per share) (2013: \$4,450,524 (\$0.18 per share)).

Dividends paid by the Company to the Class "A" preference shareholders during 2014 totalled \$2,532,050 (2013: \$2,039,063).

The Company does not have any dilutive shares.

30. 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 \$806,737 and is included in salaries and employee/salespersons' benefits expense (2013: \$678,075).

31. 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, 2014 are as follows:

	Bahamas Investment Fund		Colina Investment Plan	
	2014	2013	2014	2013
Equities - listed	\$ 7,442,934	\$ 6,725,334	\$ 2,295,893	\$ 2,166,286
Equities - unquoted	66,894	66,894	15,000	15,000
Preferred shares - unquoted	550,000	550,000	318,000	168,000
Government securities	6,102,800	6,092,800	6,340,721	6,160,497
Debt securities - unquoted	528,572	539,286	42,858	46,429
Term deposits	1,184,630	1,165,434	539,155	529,736
Policy loans	-	-	807,280	789,683
Cash	258,129	162,782	114,230	265,204
Due to general fund	(2,245,997)	(3,173,638)	(3,116,960)	(2,172,783)
Total assets	\$ 13,887,962	\$ 12,128,892	\$ 7,356,177	\$ 7,968,052

32. 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 2014	Total 2013
Revenues					
Group and life insurance	\$ 10,387	\$ 962,921	\$ 715,201	\$ 1,688,509	\$ 1,582,733
Rental and other income	-	24,000	-	24,000	26,500
Total	\$ 10,387	\$ 986,921	\$ 715,201	\$ 1,712,509	\$ 1,609,233
Expenses					
Legal fees	\$ 52,292	\$ 635,299	\$ -	\$ 687,591	\$ 491,534
Investment management fees	-	-	-	-	1,067,325
Administration, Registrar and Transfer Agent fees	-	64,969	78,876	143,845	141,568
Property management fees	-	61,920	-	61,920	61,920
Advertising and Marketing	-	232,866	-	232,866	271,616
Property rental	-	436,593	-	436,593	545,441
Medical lab expenses	-	-	494,260	494,260	632,300
Other	-	250,000	-	250,000	281,152
Total	\$ 52,292	\$ 1,681,647	\$ 573,136	\$ 2,307,075	\$ 3,492,856

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Investment and sub-investment management fee transactions between the Group and CFAL for the period subsequent to the acquisition date of September 30, 2014 have been eliminated on consolidation and are not consequently presented in the above table.

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, 2014 was \$3,707,833 (2013: \$2,653,446).

Directors' fees

Fees paid to Directors for services rendered on the Company's Board and Board Committees for the year ended December 31, 2014 totaled \$283,658 (2013: \$299,125).

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 2014	Total 2013
Assets						
Investment securities	\$ -	\$ 116,126	\$ -	\$ -	\$ 116,126	\$ 117,857
Mortgages and and commercial loans, net	\$ -	\$ -	\$ -	\$ 1,607,240	\$ 1,607,240	\$ 2,542,249
Cash and bank balances	\$ -	\$ -	\$ 7,640,156	\$ -	\$ 7,640,156	\$ 4,591,561
Receivables and other assets	\$ -	\$ 80,211	\$ 290,888	\$ -	\$ 371,099	\$ 162,741
Liabilities						
Other liabilities	\$ -	\$ 52,480	\$ 2,832	\$ -	\$ 55,312	\$ 141,661

Loans advanced to related parties included in mortgages and commercial loans carry interest rates between 5.50% and 8.50% p.a. (2013: 5.50% and 6.50% p.a.).

33. 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

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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 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.

	2014 (in \$000s)	2013 (in \$000s)
\$0 to \$49,999	\$ 483,214	\$ 508,652
\$50,000 to \$99,999	968,045	1,002,420
\$100,000 to \$149,999	2,154,493	2,200,515
\$150,000 and over	<u>3,163,176</u>	<u>3,156,838</u>
Total	<u>\$ 6,768,929</u>	<u>\$ 6,868,425</u>

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.

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

	2014		2013
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.

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 18.

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.

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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).

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, 2014 (in \$000s)	Balances with		Current		Past due but not impaired		Past due	Total
	no scheduled repayment dates	Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days	and/or impaired	
Financial assets								
Term deposits	\$ 42,856	\$ -	\$ -	\$ 1,724	\$ -	\$ -	\$ -	\$ 44,579
FVPL securities	-	2,935	68,786	14,691	-	-	-	86,412
AFS securities	-	2,089	210,834	9,012	-	-	-	221,936
Mortgages and commercial loans	-	-	25,655	-	2,943	19,846	-	48,444
Policy loans	68,754	-	-	807	-	-	-	69,561
Cash and demand balances	22,241	-	-	372	-	-	-	22,613
Premiums receivable	-	-	2,443	-	1,956	994	-	5,393
Reinsurance receivables	-	-	1,443	-	3,948	3,295	-	8,686
Other financial assets	395	3,544	(4,608)	-	-	-	-	(669)
Total financial assets	\$ 134,246	\$ 8,568	\$ 304,552	\$ 26,607	\$ 8,847	\$ 24,135	\$ -	\$ 506,956

December 31, 2013 (in \$000s)	Balances with		Current		Past due but not impaired		Past due	Total
	no scheduled repayment dates	Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days	and/or impaired	
Financial assets								
Term deposits	\$ 30,090	\$ -	\$ -	\$ 1,695	\$ -	\$ -	\$ -	\$ 31,785
FVPL securities	-	2,383	56,501	13,974	-	-	-	72,858
AFS securities	-	7,297	200,689	8,556	-	-	-	216,542
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	\$ 278,596	\$ 25,443	\$ 13,043	\$ 23,332	\$ -	\$ 480,947

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

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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, 2014 (in \$000s)	Up to a year	1-5 years	Over 5 years	No Term	Not Classified	Total
Insurance and Investment Contracts						
Short-term insurance contracts	\$ 6,801	\$ 122	\$ 73	\$ -	\$ 7,204	\$ 14,200
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(11,394)	(23,329)	551,679	-	6,945	523,901
-with fixed and guaranteed terms, with DPF	7,707	41,030	548,698	-	6,912	604,347
-without fixed and guaranteed terms	1,808	6,916	21,582	-	382	30,688
-without fixed and guaranteed terms, with DPF	2,715	7,208	13,321	-	(632)	22,612
Long-term investment contracts with DPF	-	-	-	-	7,356	7,356
Financial Liabilities						
Policy dividends on deposit	-	-	-	27,686	-	27,686
Other financial liabilities	-	-	-	78,353	-	78,353
Total	\$ 7,637	\$ 31,947	\$ 1,135,353	\$ 106,039	\$ 28,167	\$ 1,309,143

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

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

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

December 31, 2014 (in \$000s)	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 42,855	\$ -	\$ 1,724	\$ 44,579
Investment securities				
FVPL securities	-	71,721	14,691	86,412
AFS securities	-	212,924	9,012	221,936
Mortgages and commercial loans	1,694	46,750	-	48,444
Policy loans	-	68,754	807	69,561
Investment properties	-	54,165	-	54,165
Investment in associates	10,679	-	-	10,679
Cash and demand balances	22,241	-	372	22,613
Receivables and other assets	36,194	-	-	36,194
Property and equipment	-	21,065	-	21,065
Goodwill	-	13,520	-	13,520
Other intangible assets	-	4,244	-	4,244
Total Assets	\$ 113,663	\$ 493,142	\$ 26,607	\$ 633,412
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

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.

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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, 2014, 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, 2014, Colina's MCCSR exceeded the target.

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.

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34. Other Subsequent Events

Dividends declared for Ordinary and Preference Shareholders

The Board of Directors, by resolution dated March 2, 2015, authorized the payment of preference share dividends for the Class "A" Preference Shareholders of the Company for the quarter ended March 31, 2015.

The Board further approved a dividend to ordinary shareholders of \$0.16 per share for all issued and outstanding ordinary shareholders of record on April 30, 2015.



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