2010.ANNUAL.REPORT

POWERING AHEAD

COLINA
HOLDINGS BAHAMAS LIMITED

powering ahead

Advancing with the power to accomplish stakeholders' goals for sustainable growth through implementing advanced technology, adhering to sound investment principles and empowering the brightest minds in the business. Our power lies in our ability to move ahead with infinite strength together.

contents

message from the Chairman

Terence Hilts / Chairman

For Colina, 2010 was defined by the Company's strongest financial and operational performance to date, despite a difficult global economic climate and a new regulatory environment here at home. The Board of Directors is pleased to report that strategies to reinforce financial strength and enhance shareholder value generated positive results over the prior year, resulting in a 5.2% increase in total net income to $14.1 million and an increase of 22.4% in total comprehensive income to $14.4 million, compared to the prior year.

Delivering a robust performance in a year which presented such a unique mix of challenge and opportunity is largely due to our financial strength and sound investment principles. The Company's diverse, high quality balance sheet has been a distinct competitive advantage, allowing Colina the flexibility to carry out initiatives that helped to grow total shareholder equity to $115.5 million and support the payment of an interim dividend of $0.08 per ordinary share to ordinary shareholders in December, 2010 in respect of the 2010 fiscal year. Total assets for the first time exceed half a billion dollars ($525.6 million) with invested asset yields sustaining momentum of approximately 7.3% due to improved returns on a larger invested asset base.

Share Issue

In May 2009, the Board had resolved to increase the authorized Class "A" Preference Share Capital by 25 million additional shares to provide the Company with the flexibility to increase general working capital as opportunities for future growth and new business prospects arise. After careful consideration, Management determined that approximately $6 million in additional capital would adequately support the Company's strategic initiatives, and we are happy to report that the Company was able to easily raise this capital, issuing 6,027,000 additional Class "A" Preference Shares during 2010.

Regulatory Change

The global financial crisis triggered regulatory reviews of financial systems around the world, including reviews by the regulators in The Bahamas. Long-awaited amendments to the Insurance Act, 2005, which came into force in 2009, emerged at an important juncture in the development of the country's financial system and have become the latest plank in strengthening the sector's regulatory framework. Colina moved swiftly to ensure compliance with the new regulations of the Act, fulfilling one — the filing of registration documents under the new requirements — one full year ahead of the deadline. The new amendments, intended to enhance the financial services industry and the insurance sector in particular, will certainly result in an improved sense of comfort for policyholders and ensure progress and development in our industry.

RND Acquisition

When it emerged that publicly held commercial real estate company RND Holdings Limited was seeking options to further its growth, it was incumbent on us to consider the opportunities raised by that prospect. In January, Colina Insurance Limited, a long-time holder of shares in RND, acquired majority interest in that company following a thorough analysis by the Board. It remains the Board's view that the acquisition of RND and its subsequent renaming to Colina Real Estate Fund Ltd. will deliver long-term value enhancement to our shareholders.

Our Customers and Employees

To reinforce the Company's commitment to continual improvement of service quality, the Board in September approved the appointment of Wendy Butler as Vice President, Life Operations. In October we released a five-point pledge that serves as the guideline for Colina's standard of customer service. The new pledge and service motto "Service Excellence: Our Policy. Our Promise." have brought about renewed energy and enthusiasm among employees and sales representatives who are reporting a greater level of engagement, and have generated numerous telephone calls and letters from clients who were delighted to share their experiences with Colina. By continuing to invest in our people to provide the best service to our valued clients, we sustain our market-leading performance and strengthen our strategic position.

Our Brand

The year 2010 was the first full year of operating under our new but familiar name "Colina Insurance Limited", following a corporate rebranding and adoption of a new logo in 2009, both aimed at enhancing brand recognition and reinforcing Colina's message of confidence and optimism. Our 2009 Annual Report — the first published according to the new brand guidelines — earned us the Silver Quill Award for Publication Design from the Southern Region of the International Association of Business Communicators.

Outlook

While the future is difficult to predict, the Board has confidence in the Company's ability to meet the challenges and opportunities of the coming year. Our management team is strong and focused with the depth of talent to execute the Company's strategy for powering ahead. We are also fortunate to have a cadre of employees and sales representatives dedicated to Colina's success and progress. I would like to thank them all for making 2010 our most successful year to date.

There is much to be done, and we thank you, our shareholders, for your continued support.

a look back on 2010

interview with the Executive Team

"I see a new vigour and enthusiasm among our employees and the way we respond to clients. We are more prepared to reach out to them and there is a more positive attitude radiating from the company."

Emanuel M. Alexiou
Executive Vice Chairman & CEO

What do you consider to be the highlights for Colina in 2010? To what extent did the company meet its targets?

IC: One of the most significant goals any organization strives to achieve is to ensure that its shareholders' return on investment meets or surpasses their expectations with each passing year. In 2010 — an economically challenging year — we exceeded our net income target. Our shareholders are undoubtedly pleased with this performance.

EK: From a Risk Management perspective, we significantly upgraded our compliance and anti-money laundering framework. We also filed re-registration documents under the new insurance regulation one year ahead of the deadline, thereby proving our commitment to compliance.

EMA: For me, it's the significant improvement that our new customer service programme has had on service quality both internally and externally. I see a new vigour and enthusiasm among our team members and the way we respond to clients. We are more prepared to reach out to them and there is a more positive attitude radiating from the Company.

LN: When one has regard for the economic climate that prevailed both in The Bahamas and internationally, and the growth that we achieved, one has to be pleased. We had more MDRT qualifiers than each of the last two years and our Group Health Division continued to perform well.

Ingrid Culmer
Chief Group Internal Auditor

Lindon Nairn
Vice President, Life Sales / Group & Health Benefits

Wendy Butler
Vice President, Life Operations

How did 2010 differ from previous years?

MB: This was a year of considerable regulatory change with the implementation of new insurance regulations. We spent a great deal of management time reviewing the regulations and giving the ICB our recommendations for improvement. The economy also showed some signs of improvement and we have seen both a growth in sales and improved persistency.

WB: During 2010, more emphasis was placed on closing the gap between strategy and execution. Through proper alignment of people, processes, technology, and departmental goals with the strategic goals of the organization, employees were better able to make decisions that supported the organization's vision.

IC: Most economists would say 2009 was more economically depressed than 2010. Colina was able to exceed that year's budgeted net income and then show in 2010 its ability to positively outpace the improvement in the economy.

To what do you attribute last year's success?

CW: Last year's success was a function of strategies that were implemented in 2007 for a long-term profitability outlook. We also continue to gain benefits from the technology that we have and continue to implement.

MB: We have been on a steady course of improvement over the last several years. Our core business performed very well during the recession and is poised for further improvement as the economy turns around.

EMA: There were two main factors: First, assuming that a new regulatory regime and new investment opportunities taking place around us would require the need for more capital, we solidified our capital base, raising $6 million. Secondly, the acquisition of the former RND Holdings Limited increased our equity position by $1.2 million. Overall, because of our conservative investment platform, we were able to enhance the value of the Company.

LN: I am sure that it sounds overly simplistic to say that our results reflect the ingenuity and hard work of our staff and sales representatives, but frankly that's the only answer. In the face of uncertain economic conditions, our team set out to be more efficient and more creative with respect to both operational and sales opportunities. It paid off. Now, having been driven to building a stronger foundation, the Company is poised for greater success when the economy rebounds.

What kept you awake at night in 2010?

MB: Perhaps learning and adapting to the new insurance regulatory environment demanded the most change and caused the most sleepless nights.

Catherine Williams
Vice President, Finance

Marcus J. Bosland
Resident Actuary

Emmanuel Komolafe
Chief Risk Officer

CW: The changing economic environment and uncertainty surrounding the same. There was a lot going on politically and economically on the international front and although 2010 was a better year than 2009, it was at times difficult to feel absolute comfort that the upward trend was a solid upward trend.

What makes this team work?

CW: I think it's the mutual respect for one another's expertise and contributions. We tend to come together very easily and are not afraid to get our counterparts' feedback on issues for a different point of view, which generally results in the best possible decision.

MB: Egos don't get in the way of our work. The executive team manages to focus on the work and not on the politics and this helps us pull together rather than fray apart.

EMA: It's our common goal for the Company to be successful, and staying focused on the Company's objectives to meet our obligations to our policyholders, shareholders and employees. Everyone has bought into this mindset.

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

MB: We are about to launch an exciting new product and we are very excited about seeing the fruits of our labour.

CW: I'm looking forward to the completion of our new reinsurance administration system implementation. Also, the renewed vigour from our customer service programme will have a rippling effect on new sales and will be a way for us to reconnect with clients that we haven't touched in a while.

WB: Developing a new service model that will enhance our service delivery methods through the use of technology to meet customers' expectations for faster and more convenient ways to do business. The new service model will be a balanced blend of robust self-service capabilities, customer service centres at each location, and a contact centre.

EK: I'm most looking forward to opportunities for growth for the Company and creating a robust risk management framework fully compatible with the new legislation.

EMA: New products and the possibility of additional expansion outside of The Bahamas.

IC: Sustaining and surpassing our shareholders' expectations in respect to growth, profitability, strength and corporate image.

LN: I am looking forward to developing a stronger sales team in 2011.

financial overview

Trusted To Deliver

Two years ago, Company management took decisive action to secure both the Company's financial strength and flexibility to navigate the recession. Our strategies to focus on protecting core business lines and improving operational efficiencies helped Colina achieve an industry-leading 64.5% increase in net income to $13.4 million in 2009. Net income for the year ended December 31, 2010 builds on this momentum, growing by 5.2% to $14.1 million, compared to the prior year. Net income attributable to ordinary shareholders rose similarly to $11.3 million or $0.46 per share.

When compared to the previous year, operating expenses increased by $3.5 million to $29.9 million, reflecting an improvement in staff benefits and operational investments to enhance policyholder service. The Company had the flexibility to invest in staff and systems as a result of the rise in total revenues to $152.6 million, an increase of 5.5% over prior year. Gross profit margins of both our Life and Health divisions remained healthy, keeping pace with the increased revenues in 2010 due largely to improved net investment returns, prudent management of administrative costs associated with claims, and appropriate adjustments commensurate with risk exposures.

Stability in Difficult Times

Over the past two years our financial strength, stability, and leading position in the domestic insurance industry have proven critically important. In 2010, total assets for the first time exceeded half a billion dollars, standing at $525.6 million at the end of the year, compared to $498.5 million at December 31, 2009.

We evaluate and structure our investment portfolio to deliver sustainable long-term returns based on market opportunities. Our investment portfolio saw a healthy increase in net investment income to $29.5 million compared to $27.8 million in the prior year. This increase was achieved due to improved returns on a larger invested asset base.

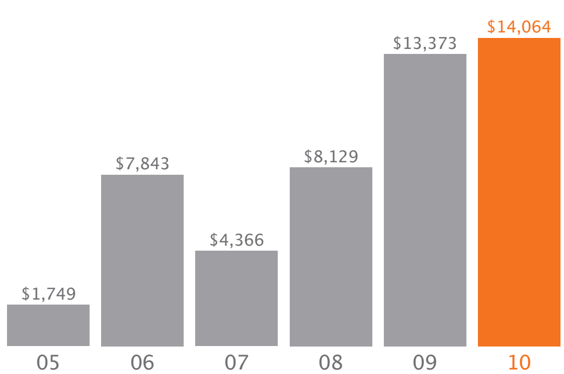
Invested assets increased by $12.3 million to $421.3 million, compared to $409.0 million in the prior year, and remain a significant proportion of total assets at 80.2%. About 35.2% or $148.5 million of invested assets are invested in Bahamas Government Registered Stock. The balance of our investments, none of which exceed 17% of the invested asset portfolio, is invested largely in fixed deposits, listed equities, preference shares, investment property, mortgage loans and policy loans.

statistical financial reporting data

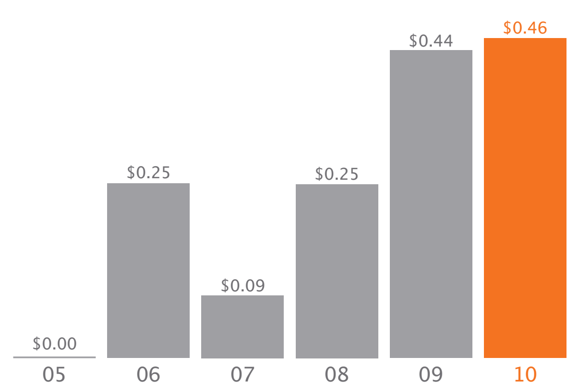
For the year ended December 31, 2010
(All data in B$000s with the exception of $ per share amounts)

	2010	2009	2008	2007	2006	2005
Net income for the year	$ 14,064	$ 13,373	$ 8,129	$ 4,366	$ 7,843	$ 1,749
Net income for equity shareholders	12,956	12,376	7,699	3,807	7,602	218
Net income (loss) for ordinary shareholders	11,343	10,963	6,149	2,257	6,052	(22)
Gross premium revenue*	131,843	128,390	127,567	135,580	133,322	125,724
Net premium revenue	118,173	112,159	115,953	123,610	120,887	116,359
Total assets	$ 525,597	$ 498,534	$ 470,568	$ 462,772	$ 454,607	$ 419,656
Total invested assets	421,310	409,016	385,420	384,083	372,469	342,688
Total ordinary shareholder's equity	76,999	70,281	62,346	54,793	50,368	42,574
Total equity	115,499	103,263	90,612	80,885	76,132	68,543
Return as % of total assets	2.7%	2.7%	1.7%	0.9%	1.7%	0.4%
Return on total equity	13.6%	14.8%	10.1%	5.7%	11.4%	3.7%
Earnings per ordinary share	$0.46	$0.44	$0.25	$0.09	$0.25	$0.00

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

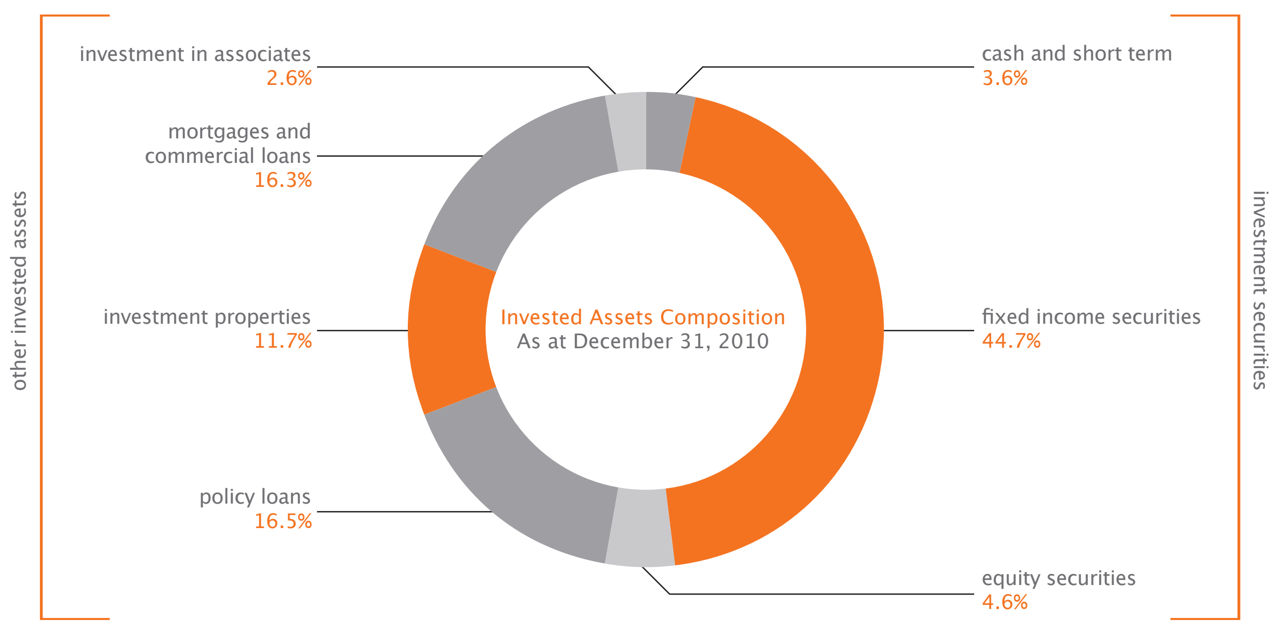


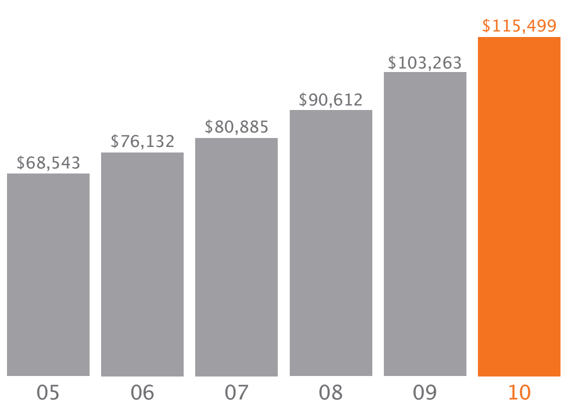
Net Income
(millions of B$)



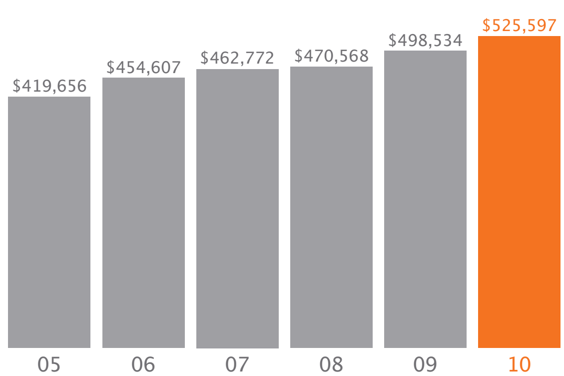
Earnings per Ordinary Share
(B$ per share)

> "Looking ahead, we are very optimistic about the future. We have grown revenues and investment yields"





Total Equity
(millions of B$)



Total Assets
(millions of B$)

01 Natasha Bastian / Financial Analyst
02 Antoinette Moxey / Financial Controller
03 DeAndrea Lewis / Sr. Actuarial Associate
04 Charmaine Parker / Manager, Premium Accounting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From a capital standpoint, we have strengthened our total equity position to $115.5 million, an increase of $12.2 million over the prior year. Ordinary shareholder equity has increased to $77.0 million, compared to $70.3 million in 2009. Our Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio, the objective calculation of a company's financial strength, was 197.9% at December 31, 2010. This indicator increased from 179.0% at the end of 2009.

Over the course of the year, the Company continued to acquire equity in RND Holdings Limited ("RND"), attaining 80% ownership by December 31, 2010. To capitalize on the brand recognition and strength of the Colina name, RND was renamed Colina Real Estate Fund Ltd. ("CREL") in September 2010. We consider the underlying investment assets included in CREL's balance sheet to provide targeted return on equity over the long term, and intend to expand our strategic ties to CREL through its real estate investment capabilities in alignment with our prudent investment philosophy.

A Strong & Focused Business

In the first quarter of 2010 we expanded our capital base by issuing $6,027,000 in Class "A" Preference Share capital based on planned initiatives considered to be opportunities for future growth.

We continue to follow the reserving methodologies established by the Canadian Institute of Actuaries, which has resulted in an increase in the provision for future policy benefits from $296.8 million to $311.8 million as at December 31, 2010. We proceed cautiously to maintain a conservative reserving policy to ensure that our reserves adequately protect our commitment to our policyholders while maintaining an investment outlook that ensures that the capital building the reserves is always efficiently employed.

Looking ahead, we are very optimistic about the future. We have grown revenues and investment yields and stayed true to our disciplined focus on risk management. We will continue to bring an intense focus to executing our growth strategies, enabling us to meet the expanding financial needs of our customers.

cautious optimism ahead

By James Smith / Consultant

The US economy is slowly recovering from the worst recession in 70 years — one which, according to a recent review by an IMF team that visited The Bahamas, "…had a profound impact on the Bahamian economy. Tourist arrivals declined by 10% and foreign direct investment fell by over 30% leading to a sharp contraction in domestic activity and a large rise in unemployment…".

However, the statement concluded on an upbeat note, indicating that despite a deteriorated fiscal position and a weakened banking system, "…stress tests conducted by the authorities suggest that the banking system has adequate buffers and capital adequacy ratios remain high… real GDP for 2010/2011 is projected to grow modestly with tourists arrivals benefiting from increased marketing efforts…".

In a similar vein, the Central Bank of The Bahamas has commented in its monthly report on Economic and Financial Developments that tourism output showed a modest upturn, noting in particular a rebound in air arrivals. That growth is attributed to the modest recovery in the northeastern states of the US which account for approximately 80% of visitors to The Bahamas. Another contributor to the growth was the initiation of a number of successful Ministry of Tourism sponsored promotional campaigns aimed at boosting air arrivals. Data obtained from hotels in Nassau and on Paradise Island show total revenue up by 7.7%; average occupancy rates increased by 3.1% to 69.3%; and average daily room rates advanced by 2.8% to $241.06.

Foreign and direct investment activity in The Bahamas has increased significantly with several investment and infrastructure projects recently announced in the press. These projects are expected to have a material impact on improving employment levels and will be the catalyst for economic growth in 2011.

Estimated GDP growth for 2011 is expected to be in the region of 1%.

operational achievements

"Our customers are demanding easier and more convenient ways to interact with us. In 2011, new technology will help us enhance our service offerings through the expanded capabilities of our website and client contact centre."

01 Pearl Sylvester / Manager, Underwriting
02 Karen Sweeting / Manager, Agency Services
03 Lavaughn Fernander / Manager, Customer Services


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service excellence:
our policy. our promise.

Colina customers across the country are noticing something different when they phone or walk into one of our branches. The Company's new customer service pledge is taking root and clients are reaping the benefits. The five-point pledge serves as the guideline for Colina's standard of client interaction and service quality and underscores our comprehensive new service culture that speaks to everything from telephone etiquette and client wait limits to the proper way to address coworkers on Company premises.

The pledge is mounted in all Colina branches, featuring the new service motto "Service Excellence: Our Policy. Our Promise.". The programme launched with a week of customer appreciation activities and giveaways at all branches in Nassau and the Family Islands.

Our customers deserve our best effort as well as our respect and courtesy. By placing the customer as the central element of all of our work, we will enhance our culture of customer awareness and sustain the highest quality of customer satisfaction, personal accountability and professional commitment.

The new service paradigm focuses on the anticipation of the needs of clients as human beings as well as patrons of our establishment. A greeting within seconds of entering any Colina branch, for example, is a primary tenet of the programme and caters to every individual's basic desire to be acknowledged. The programme encourages and rewards professional proactivity and initiative. Internal reinforcement campaigns such as Customer Service Professional of the Week and Keep Quality Service Top of Mind were implemented to underscore the importance of the desired behaviours across all departments and among our team members.

01 Millicent Wong / Manager, Life Claims
02 Julie Dean / Manager, Customer Services
03 Janice Butler / Manager, Central Processing Unit
04 Angela Taylor / Director, Underwriting & New Business

We've recognized that customer service must be more proactive and go beyond satisfying the customer's basic need. This means exceeding a customer's expectation by delivering a service prior to the turnaround time wherever possible, or facilitating a customer's special requests as appropriate.

Saturday transaction services continue to give us a distinct competitive advantage over other life and health insurers in The Bahamas, as we remain the only Company to offer this service to the public.

Plans are also underway to open a new location at Carmichael Road in the second quarter of 2011.

Our customers are demanding easier and more convenient ways to interact with us. In 2011, new technology will help us enhance our service offerings through the expanded capabilities of our website and client contact centre. The ability to meet customer demands and service expectations is being influenced more and more by technology, which continues to shape service delivery.

1 2 3 4 5

5-Point Pledge to Quality Customer Service

Our Policy of Service Excellence is our commitment to our customers to deliver on our promise of protection and integrity.

I. We are in business because of our customers.
Our policy is to sustain the highest quality of customer satisfaction through personal accountability and professional commitment. We will strive to treat all customers we encounter with courteous and prompt service. We will deliver thoughtful, appropriate and timely solutions and suggestions to meet our customers' needs.

II. We offer confidence for life.
Our policy is to be direct, open, and honest with you at every phase of our relationship — before, during, and after the purchase. In servicing your everyday needs we will maintain your trust and confidence — knowing that it is your right as a customer to fully understand your contract, its terms, obligations and benefits.

III. We will listen to you.
Our policy as a market-leading insurance company is to deliver products and services that exceed your expectations. To do this we will continue to solicit your feedback to improve how we address your changing needs and develop products that suit your unique circumstances.

IV. We will respect you.
Our policy is to safeguard your personal information and allow it to be used only for the purpose it was given to us and as required by law.

V. We will be responsive.
Our policy is to answer your questions and resolve issues promptly and accurately. We will keep our commitments to provide information and documents, return a call or pay a visit. We will continually strive to exceed your expectations.

leveraging technology
for strategic business advantage

Speed, Flexibility & Cost
Information Technology has continued to play a major role in Colina creating a sustainable competitive advantage within the industry. During the second quarter of 2010, we initiated implementation of a new reinsurance system which we expect will lead to significant improvements in the efficiency of our reinsurance processing and provide management with enhanced reinsurance information that will allow for quick adaptation to changes in risk exposure. The project is on schedule for launch in 2011.

We are also currently involved in an upgrade of our Document Management System to state-of-the-art software for integrated document management.

New Leadership
The Company appointed Mr. Lennox Phillip, Senior Manager, Information Technology in December. Mr. Phillip has over 30 years of Information Systems experience and has responsibility for implementing the Company's strategic IT objectives.

Real Time Claims Processing
On February 1, we launched our new automated claims processing system, designed to streamline benefits administration for Colina health claims in The Bahamas and the United States. Chief advantages resulting from this service innovation include real-time online benefit verification and faster claims processing.

01 Lennox Phillip / Sr. Manager, Information Technology
02 Nickara Roberts / Manager, IT Systems
03 Paula-Maria Hospedales / Manager, Reinsurance
04 Sandra Thomas / Manager, Administration & Claims
05 Charlene Rodgers / Asst. Vice President, Group & Health Benefits
06 Enrique Pyfrom / Manager, IT Operations

The key to this service innovation is the system's rules-based engine which easily facilitates change processes and provides Management with information to respond to trends that impact the bottom line. Additional features include auto adjudication, custom reports and ad hoc analytical reporting.

Members of our group health plans are able to present a new identification card at participating providers to receive medical care, prescription drugs or medical supplies. Plans are in development for the implementation of a web based application interface that would allow clients to swipe the cards at their participating provider for services or medication just as one would a credit or debit card. Improvements to the system will also allow healthcare providers the expanded capability to submit claims electronically.

Our new benefits administration system and automated membership cards perfectly complement the superior features offered by our Stellar Care Series health plan launched in 2008 and are another sign of our commitment to enhancing service quality through product innovation.

strategic realignment

Acquisition of RND Holdings Limited

In January, Colina Insurance Limited announced that it had acquired majority interest in publicly held commercial real estate company RND Holdings Limited. While Colina had owned shares in RND since its initial public offering in 1998, the transaction put Colina's holdings in excess of 50% of the equity in RND, whose principal subsidiary, RND Properties Limited, managed the rental of commercial facilities RND Plaza West, RND Plaza Freeport and RND Plaza Abaco.

The new ownership structure has brought about renewed vigour for RND and Colina and has established certain synergies to increase the RND's cash flow, improve the physical plant of the properties in the portfolio and bolster investor confidence. In March 2010, Colina assisted with the restructuring of RND's long term debt, thereby allowing RND to significantly improve its cash flow position.

In September RND changed its name to Colina Real Estate Fund Ltd. to better reflect its position as a real estate holding entity, the new market opportunities that it is pursuing, and ties to Colina as its parent company. A motion calling for the name change was raised as a matter of extraordinary business at RND's Annual General Meeting held in Nassau on September 23, 2010 and was agreed by shareholders of that company present in person or by proxy.

01 Richard Coleby / Manager, Properties
02 Beverley Ferguson / Manager, Credit Collections, CMCO
03 Charles Nevins III / General Manager, CMCO
04 Ken Donathan / President, Colina Real Estate Fund Ltd.

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01 Melanie Hutcheson / Corporate Communications Officer
02 Leotha Nixon / Manager, Human Resources


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ahead of the curve


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Award Winning Publication Design

In October 2010, the Company received a Silver Quill Award in Publication Design for its 2009 Annual Report from the International Association of Business Communicators (IABC).

Colina's entry was submitted as a part of the IABC Southern Region, which includes 28 chapters in the United States and 4 Caribbean countries. The 2010 ceremony was held in Atlanta.

The report, entitled "Ahead of the Curve", was the result of a successful collaboration with local design firm Karma Design and was the first publication issued by the Company following its adoption of the new name and logo in December 2009. "Ahead of the Curve" positioned the Company's new brand and core values in the minds of its primary audiences, showcased the Company's strong financial performance and outlined strategies for achieving outstanding results and sustainable growth in 2009.

Exceeding Expectations

The new Insurance Act, 2005 ("Act") which came into force in The Bahamas on July 2, 2009, contains new provisions which are intended to strengthen the safety and soundness of the insurance industry.

The Insurance (General) Regulations 2010 ("Regulations") were completed and gazetted on June 8, 2010 with an initial deadline of September 30, 2010 set for compliance with the Regulations and re-registration under the Act. However, the Insurance Commission of The Bahamas ("ICB") extended the deadline for compliance with the Regulations and certain aspects of the Act to September 30, 2011 following deliberations with industry participants. All licensees of the Insurance Commission of The Bahamas were further required to re-register under the new Act by September 30, 2011. In accordance with the new legislation and in line with its commitment to full compliance with applicable laws and regulations, Colina re-registered under the new Act on September 30, 2010 — one full year prior to the revised deadline.

We view the implementation of the new Act and Regulations as an opportunity to further improve our operational efficiency, process effectiveness, and strategy.

Professional Development

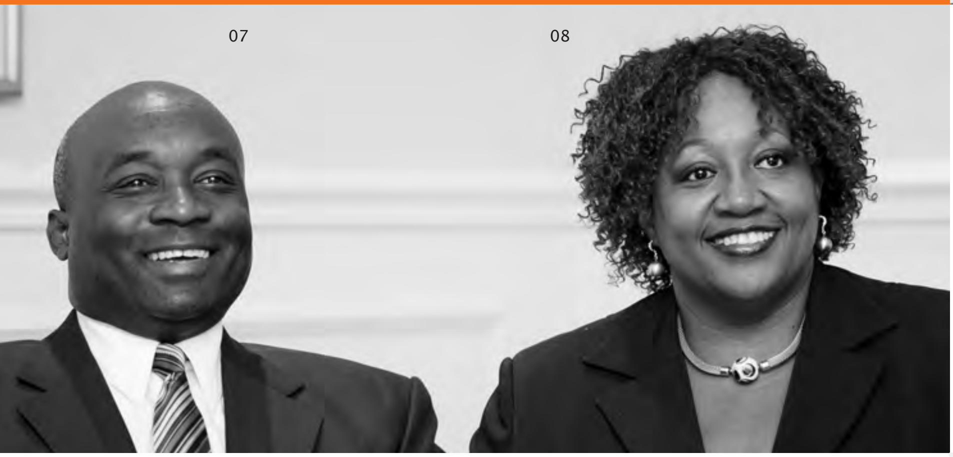
We are pleased to announce that three members of our administrative team became Fellows of the Life Management Institute (FLMI) in 2010. Todney Marsh, Claims Adjudicator, earned the designation in September. In December, Actuarial Trainee Jefay Simmons completed the programme in a record 4 months. And Underwriter Kenray Marsh earned the FLMI with distinction in July. In 2009 he became only the second Bahamian to become a Fellow of the Academy of Life Underwriters (FALU), joining Colina's Director of Underwriting and New Business, Angela Taylor, who earned the fellowship in 1995. He and Taylor are among only five FALU recipients in the Caribbean.

03 Sandra Walkes
Sales Manager, Collins
04 C. Kino McCartney
Branch Manager, Collins

01 Elrod Outten
Sales Manager, Northern Region
02 I. Leslie Gelin
Branch Manager, Northern Region

sales leadership team

What makes a first class sales leadership team? The very best leaders promote a culture where their people value themselves, the company and the customers. They understand how their work makes a difference in people's lives. This helps to build a commitment to higher standards, innovation and service excellence. Our dynamic team of sales leaders help drive the company's strategy for sales and business development, including building relationships with agents and brokers, and cultivating talent among the company's in-house sales force.



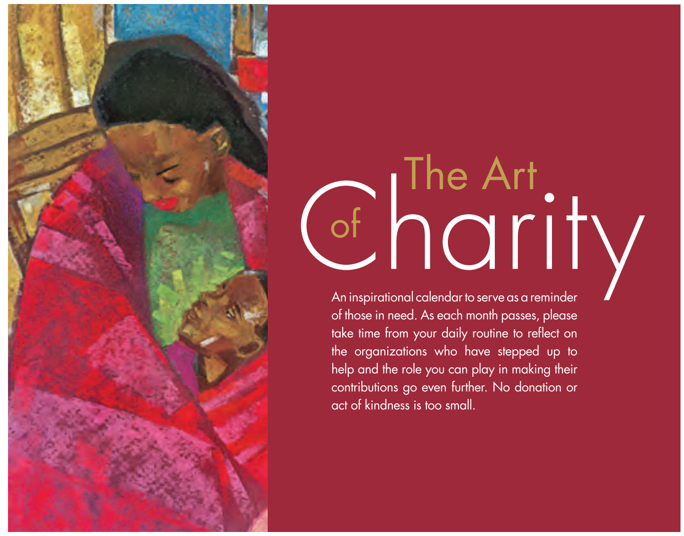
05 Sandra Smith
Branch Manager, Rosetta
06 Joseph Sweeting
Sales Manager, Rosetta

07 Bradley Ferguson
Branch Manager, Montagu
08 Lynette Thompson
Sales Manager, Montagu

community

"Colina touches the lives of a broad cross section of Bahamians. Consequently we aim to have a positive influence on the communities in which we operate."

the art of charity



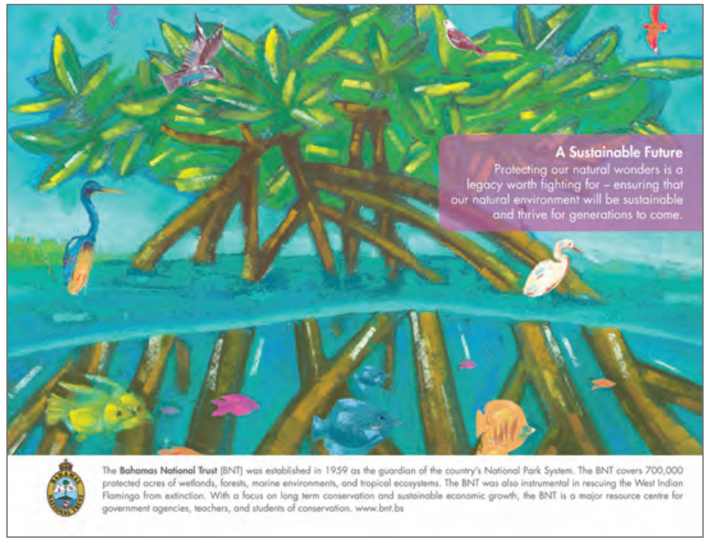
Colina's charity-centred calendar raises funds and awareness for local non-profits. Sales of first edition prints of artwork featured in "The Art of Charity" raised $8,000 for 12 worthy causes.

After producing Generations of Bahamian Culture, the 2010 corporate calendar featuring familiar personalities and new faces of The Bahamas' visual and performing arts scene, we released our 2011 calendar under the theme The Art of Charity. The calendar highlighted the work of 12 local charitable organizations who, through service, have contributed greatly to nation building. From humanitarian aid and disaster relief to music education and animal rights, the organizations featured in the calendar bring to light the diversity of non-profit groups at work to alleviate suffering in The Bahamas.

Each organization's mission statement was used to inspire an illustration by artist Theo McClain of local branding and advertising firm Karma Design. The calendar launched in December 2010 with a showing of the featured artwork and a silent auction of limited first edition prints. With art enthusiasts and patrons of the respective charities on hand, funds raised from the sale of the 12 pieces totalled $8,000 and were donated to each of the charities just before Christmas.

The calendar was also designed as a promotional tool for the featured organizations, and lists the dates of each organization's major fundraising events in order to boost interest, support and donations for their key initiatives.

The calendar featured Rotary Clubs of Nassau (volunteerism); Zonta Club of Nassau (advancing the rights of women); The Bahamas Scout Association (youth development); REACH (autism awareness); Bahamas Humane Society (ethical treatment of animals); Ranfurly Homes for Children (abandoned and neglected children); Bahamas National Trust (environmental sustainability); Nassau Music Society (music education); Bahamas Historical Society (historical preservation); The Bahamas AIDS Foundation (HIV/AIDS treatment, research and support); The Salvation Army (humanitarian aid); and The Bahamas Red Cross (disaster relief), featured on the cover.



Health

In 2010 Colina hosted the 17th Annual Red Ribbon Ball in support of The Bahamas AIDS Foundation. The Ball represents Colina's vision for corporate philanthropy and is The Bahamas' largest annual AIDS awareness event and the major fundraiser for The Foundation. In its short history, the Red Ribbon Ball has netted more than $750,000 for the programmes and initiatives of the Foundation. This includes an annual $25,000 donation by event partner Kerzner International.

Science & Math Education

Colina's Science Summer Camp captures the imagination of budding young scientists from around The Bahamas. The camp is an initiative of our Adventures in Science and Mathematics Programme geared towards increasing knowledge and experience in areas related to science, technology, engineering and mathematics. The camp brings together students with a passion for science and mentors from The College of The Bahamas utilizing the laboratories and other resources of St. Andrew's School, another valued partner in the initiative. The annual project is a natural fit for science-minded individuals and our industry which, in addition to sales skills, also includes niches for medicine, nursing, actuarial science, and computer systems programming and development

The Environment

Colina continues to support marine science and environmental education with a five-year grant (2007-2011) to the Bahamas National Trust (BNT), a non-profit established to develop and manage the Bahamas' National Park System. Sponsored programmes have included Treasures of the Sea (a BNT education resource programme focusing on educating science teachers on protected marine species), teacher workshops in the Family Islands, and the expansion of the BNT's Discovery Club, a hands-on youth environmental awareness association for children ages 6-12.

"Colina's Red Ribbon Ball has netted more than $750,000 for the programmes and initiatives of The Bahamas AIDS Foundation"

corporate governance

> “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”

Terence Hilts / Chairman

Emanuel M. Alexiou / Executive Vice Chairman & CEO

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 upholding the 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 Chief Executive Officer ("CEO") 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 CEO 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 CEO 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 CEO 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 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, 2010, the Board comprised ten Directors including the Chairman, one executive Director and eight non-executive Directors. In recognition of the important role that independent non-executive Directors play in good governance, half of the members of the Board are independent non-executive Directors and bring enhanced objectivity and insight to the Board's deliberations. The size of the Board is commensurate to the complexity, geographical spread and nature of the Company.

Anthony R. Ferguson / Director

Sandra J. Knowles / Director & Corporate Secretary

The Directors as of December 31, 2010 were:

Terence Hilts [2(c),6,10]
Director since 2004

Emanuel M. Alexiou [2,3(c),6(c),7(c),9]
Director since 2002

Anthony R. Ferguson [2,3,5,8(c),9]
Director since 2002

Sandra J. Knowles [8,CS]
Director since 2004

Earle Bethell [3,5]
Director since 2006

Glenn Bannister [1,2,4,6]
Director since 2005

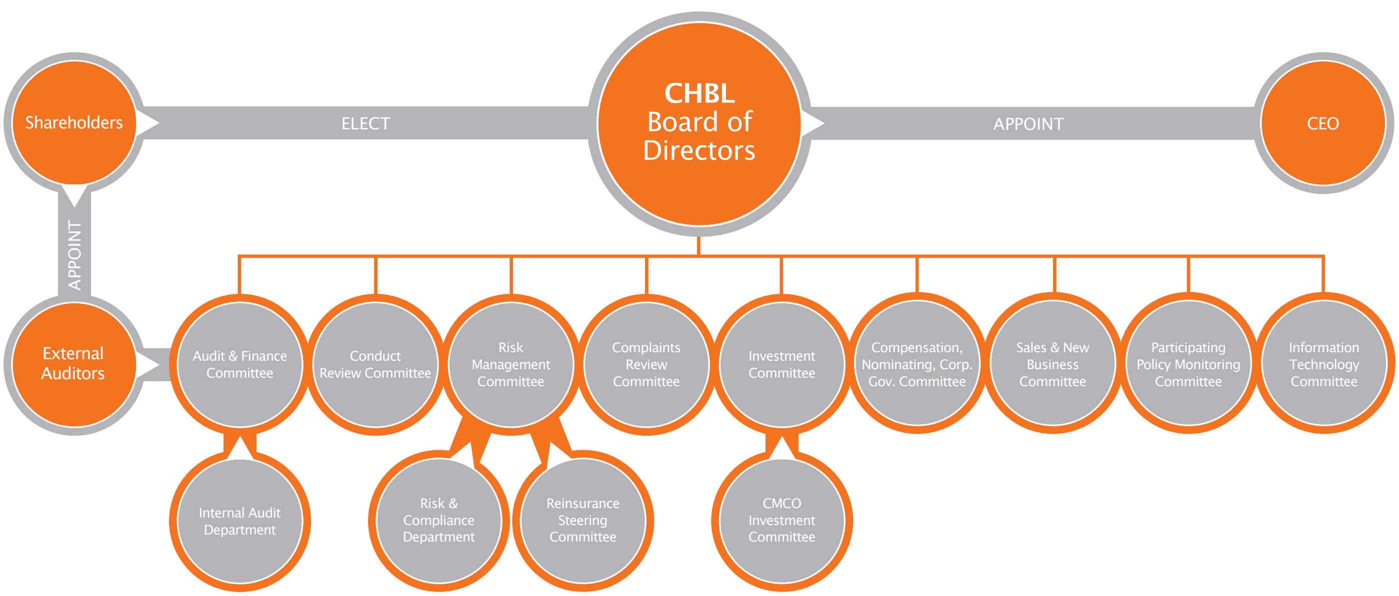
Ednol Farquharson [3,9(c)]
Director since 2005

Macgregor Robertson [1(c),4(c)]
Director since 2005

Willie Moss [1,4,7]
Director since 2007

John Farmer [5(c),8]
Director since 2007

1 Audit & Finance Committee
2 Compensation Nominating & Corporate Governance Committee
3 Complaints Review Committee
4 Conduct Review Committee
5 Information Technology Committee
6 Investment Committee
7 Participating Policy Committee
8 Risk Management Committee
9 Sales & New Business Committee
10 Chairman of the Board of Directors
(c) Committee Chairman
(CS) Corporate Secretary



Earle Bethell / Director

Glenn Bannister / Director

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 and internal auditors of the Company.

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.

Complaints Review Committee

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

Conduct Review Committee

Formerly the Related Party Transaction Committee, this Committee is chaired by Macgregor Robertson with its principal role being 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 established rules on related party transactions. The Committee is also responsible for ensuring ongoing compliance with the provisions of the Insurance (General) Regulations 2010 on related party transactions and the Company's Related Party Transactions Policy.

Information Technology Committee

Chaired by John Farmer, the Committee serves as the 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

Ednol Farquharson / Director

Macgregor Robertson / Director

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.

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 oversees the appointment of an Investment Manager(s) and is responsible for the Investment Manager's compliance with the investment policy at all times.

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 of all matters 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 perspective. The Committee is responsible for the approval of the Company's risk management policy that establishes the risk architecture, risk strategy and risk protocols of the Company. The Committee also oversees the implementation of appropriate approval levels for decisions and other checks and balances to manage risk.

Sales & New Business Committee

Chaired by Ednol Farquharson, 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.

Willie Moss / Director

John Farmer / Director

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 2010. Additionally, minutes of the Committees' meetings were readily available to all members of the Board for review.

The Board and its Directors meet regularly, according to an agreed timetable of scheduled meetings. The attendance of Directors at Board meetings held in 2010 is shown in the table at the right:

No. of Meetings	8
Terence Hilts	8
Emanuel M. Alexiou	8
Anthony R. Ferguson	7
Sandra J. Knowles	8
Earle Bethell	7
Glenn Bannister	6
Ednol Farquharson	7
Macgregor Robertson	7
Willie Moss	8
John Farmer	8

about Colina

9 OFFICES
on 4 Bahamian islands and a presence in both the Turks & Caicos Islands and the Cayman Islands

215 EMPLOYEES
plus a wide network of career and independent sales representatives and qualified brokers

100,000+ CUSTOMERS

Life Division
(Life Insurance, Retirement & 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)
Our 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.

Colina Mortgage Corporation (CMCO)
(Residential Mortgage Lending)
Our 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.

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, resulting in the formation of CHBL.

2004
Colina's 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 AM Best Company.

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

2009
The name "Imperial" is retired and The Company is now known as Colina Insurance Limited – accompanied by a corporate rebranding initiative, including a new logo.

2010
Acquired majority interest in RND Holdings Limited, which later changed its name Colina Real Estate Fund Ltd. (CREL).

information for shareholders

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
Symbol: CHL

Registrar and Transfer Agent
Bahamas Central Securities Depository Ltd.
50 Exchange Place
Bay Street
PO Box EE-15672
Nassau Bahamas

Auditors
Deloitte & Touche

Legal Counsel
Alexiou Knowles & Co
Callenders & Co

Bankers
FirstCaribbean International Bank

Reinsurers
Custom Disability Solutions (CDS)
International Reinsurance Managers (IRM), LLC
Manulife Reinsurance, Canada
Munich Re (Canada) Life
Optimum Re Insurance Company
RGA Life Reinsurance Company of Canada
Swiss Reinsurance Company Limited

Actuarial Consultants
Oliver Wyman

Communication with Shareholders
The following reports are available on our website:
Annual Report
Quarterly Reports

Annual General Meeting
The Annual General Meeting of the Company will be held at 5:30pm on Thursday 12 May 2011 at the JW Pinder Training 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

Colina Holdings Bahamas Limited

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Deloitte.

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

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Colina Holdings Bahamas Limited:

We have audited the consolidated financial statements of Colina Holdings Bahamas Limited (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2010, 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 notes. The prior year financial statements were audited by other independent auditors, whose report dated March 25, 2010 expressed an unqualified opinion.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte + Touche

March 9, 2011

OLIVER WYMAN

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

February 28, 2011

Subject:
2010 certification of actuarial liabilities

The majority of the assets of Colina Holdings Bahamas Limited is its wholly owned subsidiary, Colina Insurance Limited, for which I am also the Appointed Actuary.

I have valued the actuarial liabilities of Colina Insurance Limited for its consolidated balance sheet as of 31st December 2010, for a total amount of $311,797,811, and their change in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice, the Canadian Institute of Actuaries' Standards of Practice (for Life companies), and the Canadian valuation method ("CALM"), all of which are accepted in the Bahamas, including selection of appropriate assumptions and methods.

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

Respectfully submitted,

Jacques Tremblay

Jacques Tremblay
Fellow of Canadian Institute of Actuaries, Fellow of Society of Actuaries
Appointed Actuary for Colina Holdings Bahamas Limited and Colina Insurance Limited
February 28, 2011

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Financial Position

At December 31, 2010
(Expressed in Bahamian dollars)

	Notes	2010	2009
ASSETS			
Term deposits	8	$ 15,172,686	$ 12,147,223
Investment securities	9	207,683,148	188,514,129
Mortgages and commercial loans	10	68,877,119	76,859,904
Policy loans	11	69,581,644	71,742,995
Investment properties	12	49,248,407	48,439,000
Investment in associates	13	10,747,280	11,312,539
Total invested assets		421,310,284	409,015,790
Cash and demand balances	8	20,011,805	12,821,425
Receivables and other assets	14	52,296,830	44,457,391
Property and equipment	15	19,835,270	20,937,852
Goodwill	16	10,931,580	11,034,383
Other intangible assets	17	1,211,359	266,885
Total assets		**$ 525,597,128**	**$ 498,533,726**
LIABILITIES			
Provision for future policy benefits	18	$ 311,797,811	$ 296,834,533
Policy dividends on deposit		31,488,577	32,328,725
Total policy liabilities		343,286,388	329,163,258
Bank loans	19	-	2,903,756
Other liabilities	20	66,812,145	63,203,804
Total liabilities		410,098,533	395,270,818
EQUITY			
Ordinary shares	21	24,729,613	24,729,613
Treasury shares	21	(331,614)	(81,615)
Share premium		5,960,299	5,960,299
Revaluation reserve	22	6,985,968	5,567,530
Retained earnings		39,655,010	34,105,176
Total ordinary shareholders' equity		76,999,276	70,281,003
Preference shares	21	26,027,000	20,000,000
Total shareholders' equity		103,026,276	90,281,003
Non-controlling interests		12,472,319	12,981,905
Total equity		115,498,595	103,262,908
Total liabilities and equity		**$ 525,597,128**	**$ 498,533,726**

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

Approved by the Board of Directors on February 28, 2011 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, 2010
(Expressed in Bahamian dollars)

	Notes	2010	2009
Revenues:			
Premium revenue		$ 131,842,822	$ 128,389,436
Less: Reinsurance premiums	25	(13,669,376)	(16,230,623)
Net premium revenue	25	118,173,446	112,158,813
Net investment income	26	29,528,576	27,761,149
Share of loss of associates	13	(674,649)	(395,914)
Other income and fees		5,597,167	5,187,147
Total revenues		152,624,540	144,711,195
Benefits and expenses:			
Policyholders' benefits		87,872,347	85,591,694
Less: Reinsurance recoveries	27	(11,238,582)	(9,087,877)
Net policyholders' benefits	27	76,633,765	76,503,817
Changes in provision for future policy benefits	18	14,963,278	10,200,329
General and administrative expenses	28	29,952,409	26,437,326
Commissions		11,825,797	13,263,168
Premium and other tax expense		3,640,339	3,041,081
Finance costs and interest	29	52,860	226,905
Goodwill impairment	16	102,803	-
Other expenses		1,389,057	1,665,443
Total benefits and expenses		138,560,308	131,338,069
Net income for the year		**$ 14,064,232**	**$ 13,373,126**
Net income attributable to:			
Equity shareholders of the Company	30	$ 12,955,662	$ 12,375,798
Non-controlling interests		1,108,570	997,328
Net income for the year		**$ 14,064,232**	**$ 13,373,126**
Basic earnings per ordinary share	30	**$ 0.46**	**$ 0.44**

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, 2010
(Expressed in Bahamian dollars)

		2010		2009
Net income for the year	$	14,064,232	$	13,373,126
Other comprehensive income:				
Transfers to retained earnings		-		(350,728)
Change in available-for-sale financial assets		304,228		(1,286,836)
Other comprehensive income/(expense) for the year		304,228		(1,637,564)
Total comprehensive income for the year	**$**	**14,368,460**	**$**	**11,735,562**
Attributable to:				
Equity shareholders of the Company		13,263,830		10,744,008
Non-controlling interests		1,104,630		991,554
Total comprehensive income for the year	**$**	**14,368,460**	**$**	**11,735,562**

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, 2010
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares
Balance, December 31, 2008	$ 24,729,613	$ (81,615)
Net income for the year	-	-
Net loss on remeasurement of available-for-sale securities to fair value	-	-
Transfers	-	-
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-
Sale of shares in subsidiary	-	-
Acquisition of subsidiaries	-	-
Distributions by subsidiaries	-	-
Dividends paid to ordinary shareholders (Note 30)	-	-
Preference share dividends (Note 30)	-	-
Balance, December 31, 2009	24,729,613	(81,615)
Increase in treasury shares	-	(249,999)
Net income for the year	-	-
Net gain on remeasurement of available-for-sale securities to fair value	-	-
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-
Sale of shares in subsidiary	-	-
Unrealized gain on purchase of shares in subsidiary (Note 22)	-	-
Acquisition of subsidiaries	-	-
Distributions by subsidiaries	-	-
Issuance of preference share capital	-	-
Dividends paid to ordinary shareholders (Note 30)	-	-
Preference share dividends (Note 30)	-	-
Balance, December 31, 2010	**$ 24,729,613**	**$ (331,614)**

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

	Share Premium		Revaluation Reserve		Preference Share Capital		Retained Earnings		Non-controlling Interests		Total Equity
$	5,960,299	$	7,462,729	$	20,000,000	$	24,274,927	$	8,265,830	$	90,611,783
	-		-		-		12,375,798		997,328		13,373,126
	-		(1,286,836)		-		-		-		(1,286,836)
	-		(350,728)		-		350,728		-		-
	-		(257,635)		-		-		-		(257,635)
	-		-		-		-		245,615		245,615
	-		-		-		-		3,703,832		3,703,832
	-		-		-		-		(230,700)		(230,700)
	-		-		-		(1,483,777)		-		(1,483,777)
	-		-		-		(1,412,500)		-		(1,412,500)
	5,960,299		5,567,530		20,000,000		34,105,176		12,981,905		103,262,908
	-		-		-		-		-		(249,999)
	-		-		-		12,955,662		1,108,570		14,064,232
	-		304,228		-		-		-		304,228
	-		(117)		-		-		-		(117)
	-		-		-		-		2,625,000		2,625,000
	-		1,114,327		-		-		-		1,114,327
	-		-		-		-		(4,042,456)		(4,042,456)
	-		-		-		-		(200,700)		(200,700)
	-		-		6,027,000		(105,000)		-		5,922,000
	-		-		-		(5,687,811)		-		(5,687,811)
	-		-		-		(1,613,017)		-		(1,613,017)
$	**5,960,299**	**$**	**6,985,968**	**$**	**26,027,000**	**$**	**39,655,010**	**$**	**12,472,319**	**$**	**115,498,595**

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2010
(Expressed in Bahamian dollars)

	2010	2009
Cash flows from operating activities:		
Net income	$ 14,064,232	$ 13,373,126
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in unrealized (gain)/loss on fair value through profit or loss securities	(1,147,244)	534,137
Increase in provision for future policy benefits	14,963,278	10,200,329
Changes in loss provisions for loans and receivables	890,509	4,335,218
Depreciation and impairment/amortization charges	2,492,181	1,873,281
Net realized loss on fair value through profit or loss securities	581,122	606,565
Net realized gain on sale of available-for-sale securities	(117)	(257,635)
Interest income	(24,701,908)	(22,882,123)
Dividend income	(1,303,532)	(1,209,333)
Fair value gains on investment properties	(809,407)	(1,008,000)
Finance costs and interest	52,860	226,905
Operating cash flows before changes in operating assets and liabilities	5,081,974	5,792,470
Changes in operating assets and liabilities:		
Increase in other assets	(8,198,514)	(5,852,223)
Increase in other liabilities	2,502,166	2,915,709
Net cash (used in)/provided by operating activities	(614,374)	2,855,956

(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, 2010
(Expressed in Bahamian dollars)

	2010	2009
Cash flows from investing activities:		
Investment in associate	-	(8,000,000)
Acquisition of subsidiaries, net of cash acquired	(303,129)	(3,743,921)
(Increase)/decrease in term deposits with original maturities greater than 90 days	(819,905)	2,859,502
Increase in restricted cash balances	(257,062)	(1,646)
Fair value through profit or loss securities purchased	(28,512,577)	(12,041,719)
Proceeds on disposal of fair value through profit or loss securities	18,538,129	5,919,021
Available-for-sale securities purchased	(18,322,347)	(27,959,109)
Proceeds on disposal of available-for-sale securities	9,998,126	26,094,885
Acquisition of treasury shares	(249,999)	-
Net decrease in loans to policyholders	1,859,749	2,436,373
Net decrease in mortgages and commercial loans	8,187,981	(4,885,073)
Interest received	24,687,040	21,356,397
Dividends received	1,303,532	1,209,333
Proceeds on disposal of property and equipment, net	57,249	(7,872)
Additions to property and equipment	(406,323)	(1,236,983)
Additions to other intangible assets	(1,737,097)	(55,616)
Net cash provided by investing activities	14,023,367	1,943,572
Cash flows from financing activities:		
Distributions by subsidiaries	(200,700)	(230,700)
Interest paid on guaranteed investment and other contracts	(16,464)	(35,625)
Payment of interest on bank loan	(36,396)	(191,280)
Repayment of principal on bank loan	(2,903,756)	(839,677)
Net proceeds of preference share offering	5,922,000	-
Dividends paid to ordinary shareholders	(5,687,811)	(1,483,777)
Dividends paid to preference shareholders	(1,613,017)	(1,412,500)
Net cash used in financing activities	(4,536,144)	(4,193,559)
Net increase in cash and cash equivalents	8,872,849	605,969
Cash and cash equivalents, beginning of year	20,510,737	19,904,768
Cash and cash equivalents, end of year (Note 8)	$ **29,383,586**	$ **20,510,737**

(Concluded)

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

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 the holding company of Colina Insurance Limited ("Colina"), formerly ColinaImperial Insurance Ltd., a wholly-owned life and health insurer incorporated in The Bahamas. Colina is registered to operate as a life and health insurer in The Bahamas, The Cayman Islands, and The Turks and Caicos Islands. Effective December 4, 2009, the name of the Company's principal operating subsidiary, ColinaImperial Insurance Ltd., was changed to Colina Insurance Limited.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At December 31, 2010, approximately 58.4% (2009: 58.1%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. ("AFH") and 41.6% (2009: 41.9%) by the Bahamian public. All significant balances and transactions with AFH and parties related to AFH are disclosed in these consolidated financial statements (See Note 33).

The registered office of the Company is located at Trinity Place Annex, Frederick and Shirley Streets, P.O. Box N-4805, Nassau, The Bahamas and its principal place of business is located at 308 East Bay Street, P.O. Box N-4728, Nassau, The Bahamas.

The consolidated financial statements of the Company for the year ended December 31, 2010 were authorized for issue in accordance with a resolution of the Company's Board of Directors on February 28, 2011.

2. Changes in Accounting Policy and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of January 1, 2010 which the Company has adopted:

- IFRS 2 *Share-based Payment: Group Cash-settled Share-Based Payment Transactions* effective January 1, 2010;
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective July 1, 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39;
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective July 1, 2009;
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective July 1, 2009; and
- Improvements to IFRSs (April 2009), the effective date of each amendment is included in the IFRS affected.

The principal effects of these changes are as follows:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Company adopted this amendment as of January 1, 2010. It does not have an impact on the financial position or performance of the Company.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment has no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

3. Standards Issued but not yet Effective

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

- IAS 24 *Related Party Disclosures (Amendment):* Effective prospectively for reporting periods beginning on or after January 1, 2011;
- IAS 32 *Financial Instruments - Presentation – Classification of Rights Issues:* Effective prospectively for reporting periods beginning on or after February 1, 2010;
- IFRS 9 *Financial Instruments - Classification and Measurement:* Effective prospectively for reporting periods beginning on or after January 1, 2013;
- IFRIC 14 *Prepayments of a minimum funding requirement (Amendment):* Effective prospectively for reporting periods beginning on or after January 1, 2011;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments:* Effective prospectively for reporting periods beginning on or after July 1, 2010; and

The Company does not anticipate that the adoption of these standards in future periods will have a material impact on the consolidated financial statements of the Company.

4. Summary of Significant Accounting Policies

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

4.1 Statement of compliance

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

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

4.2 Basis of preparation

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

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

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

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

Estimates and assumptions

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

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

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

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

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

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

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

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

The carrying value at December 31, 2010 of long term insurance contract liabilities is $199,519,172 (2009: $192,420,742) and of investment contract liabilities with DPF is $9,659,290 (2009: $10,791,710).

(b) Medical insurance contract liabilities

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

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

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

The carrying value at the balance sheet date of non-life insurance contract liabilities is $13,524,480 (2009: $ 10,987,524).

(c) Goodwill impairment testing

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

The carrying value of goodwill is $10,931,580 (2009: $11,034,383).

4.4 Principles of consolidation

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

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

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

4.5 Business combinations

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

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

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

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

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

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

4.6 Investment in associates

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

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

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

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

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

4.7 Foreign currency translation

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

4.8 Cash and cash equivalents

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

4.9 Financial assets

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

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognizing gains and losses on a different basis; or

- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at FVPL or available-for-sale. Balances that are included in this classification include: mortgages and commercial loans, policy loans, receivables arising from insurance contracts, and term deposits with maturities of greater than 90 days.

Available-for-sale (“AFS”) financial assets

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

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

Fair value of financial instruments

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

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

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

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

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

4.10 Impairment of financial assets

Financial assets carried at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (‘a loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;

- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

- the disappearance of an active market for that financial asset because of financial difficulties; or

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, though the decrease cannot yet be identified with the individual financial assets in the group, including:

    - adverse changes in the payment status of issuers or debtors in the group; or

    - local economic conditions that correlate with defaults on the assets in the group.

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

Financial assets carried at fair value

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

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

4.11 Investment properties

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

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

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

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party, or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the 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 Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the income statement.

4.12 Property and equipment

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

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

Land is not depreciated. The assets' useful lives are reviewed at each balance sheet date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

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

4.13 Goodwill and other intangible assets

Goodwill

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

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

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

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

Other intangible assets

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

Other intangible assets included in investment in associates

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

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

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

4.14 Insurance contracts

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

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

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

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

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

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

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

Short-term insurance contracts

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

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

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

Long-term insurance and other contracts

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

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

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

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

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

Long-term investment contracts with DPF

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

4.15 Provision for future policy benefits

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

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

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

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

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

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

4.16 Commission expense

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

4.17 Pension business

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

4.18 Policy dividends on deposit

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

4.19 Share capital

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

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 balance sheet date are dealt with as an event after the balance sheet date.

4.20 Revenue recognition

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

4.21 Reinsurance

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

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

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

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

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

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

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

4.22 Defined contribution pension plan

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

4.23 Share-based payments

The Company operates an Employee Share Ownership Plan ("ESOP"). Under this plan, eligible employees and agents can purchase common shares of the Company on the open market through regular payroll deductions up to a maximum of 10% of eligible earnings. Employee and agent contributions are matched by the Company at rates between 20% to 25% of eligible earnings. The Company's matching contribution fully vests to the employee or agent after a period of 4 years. These share-based payments to employees and agents are measured at the fair value of the equity instruments at the grant date. The cost of matching employee and agent contributions amounted to $5,402 in 2010 (2009: $7,073) and is included in employee/agent benefits expense.

4.24 Taxation

The Company is subject to tax on taxable gross premium income at the flat rate of 3% (2009: 3%). There are no other corporate, income or capital gains taxes levied on the Company in The Bahamas or in any other jurisdictions in which the Company operates.

4.25 Segregated fund

With the acquisition of Imperial Life in 2005, certain contracts were acquired which allow unit holders to invest in a segregated fund managed by the Company for their benefit. Substantially all risks and rewards of ownership accrue to the unit holders and, consequently, the assets held in the segregated fund account are excluded from the assets in the Company's general funds. As of December 31, 2010, these assets amounted to $45.7 million (2009: $44.8 million). The Company has entered into a sub-investment management agreement with its own related party Investment Manager to manage a significant portion of these assets.

4.26 Leases

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

Where the Company is the lessee, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

4.27 Loans

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

Borrowing costs are recognized as an expense when incurred.

4.28 Other financial liabilities and insurance, trade and other payables

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

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

4.29 Contingent liabilities

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

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

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

4.30 Corresponding figures

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

Real estate held for development

Real estate held for development totalling $4,287,442 was reclassified from investment properties to other assets.

Balances related to ASO Groups

In prior years, premium income and claim expenses for ASO (Administrative Services Only) groups to their participants where the Company acts solely as an administrator were classified with the Company’s premium income and expenses. The Company has reclassified the net of premium and claim amounts relating to ASO groups on the income statement such that the financial statement reflects only the fees earned and expenses incurred by the Company for administering these ASO groups. Liabilities related to ASO groups totaling $7,893,771 were reclassified from provision for future policy benefits to other liabilities. As a result of the reclassification on the income statement, premium revenues have decreased by $21,243,422, other income and fees have increased $4,743, policyholders’ benefits have decreased by $18,920,391, the change in provision for future policy benefits has decreased by $2,323,031, and finance costs and other interest has increased by $4,743.

5. Responsibilities of the Appointed Actuary and Independent Auditors

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

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

(Expressed in Bahamian dollars)

6. Subsidiaries

Subsidiaries of the Company as of December 31, 2010 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	80%
ColImpco One Ltd.	The Bahamas	100%
Dax Limited	The Bahamas	100%
Goodman's Bay Development Company Limited ("GBDC")	The Bahamas	76%
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	39%

During 2008, the Company acquired shares in the CFAL Global Bond Fund Ltd. (Global Bond Fund) and CFAL Global Equity Fund Ltd. (Global Equity Fund). Both Funds are investment funds registered in The Bahamas and are managed by a related party. The Global Bond Fund was established in October 2007 and commenced operations on January 1, 2008. The Global Bond Fund seeks a high total risk adjusted investment return by investing in a global portfolio of investment grade and non-investment grade fixed income securities. The Global Equity Fund was established in October 2007 and commenced operations on January 1, 2008. The Global Equity Fund seeks a high total risk adjusted investment return by investing in a global portfolio of investment grade and non-investment grade fixed income and equity securities.

7. Segment Information

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

- Life Division - offers a wide range of whole life and term insurance, and pension, annuity, savings and investment products.
- Group and Health Division – offers a wide range of individual medical and group life and health medical insurance.

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

(Expressed in Bahamian dollars)

No inter-segment transactions occurred in 2010 and 2009. 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:

	2010		
	Life	**Health**	**Total**
INCOME			
Net premium revenue	$ 58,245,233	$ 59,928,213	$ 118,173,446
Net investment income	28,022,618	831,309	28,853,927
Other income and fees	439,835	5,157,332	5,597,167
Total revenues	86,707,686	65,916,854	152,624,540
POLICYHOLDER BENEFITS	49,752,639	41,844,404	91,597,043
EXPENSES	28,791,449	18,171,816	46,963,265
NET INCOME	$ 8,163,598	$ 5,900,634	$ 14,064,232
TOTAL ASSETS	$ 305,344,098	$ 220,253,030	$ 525,597,128
TOTAL LIABILITIES	$ 238,245,530	$ 171,853,003	$ 410,098,533

	2009		
	Life	**Health**	**Total**
INCOME			
Net premium revenue	$ 58,108,264	$ 54,050,549	$ 112,158,813
Net investment income	25,625,670	1,739,565	27,365,235
Other income and fees	701,624	4,485,523	5,187,147
Total revenues	84,435,558	60,275,637	144,711,195
POLICYHOLDER BENEFITS	48,683,556	38,020,590	86,704,146
EXPENSES	27,680,482	16,953,441	44,633,923
NET INCOME	$ 8,071,520	$ 5,301,606	$ 13,373,126
TOTAL ASSETS	$ 309,656,869	$ 188,876,857	$ 498,533,726
TOTAL LIABILITIES	$ 232,419,536	$ 162,851,282	$ 395,270,818

(Expressed in Bahamian dollars)

8. Cash and Cash Equivalents

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

	2010	2009
Term deposits	$ 15,172,686	$ 12,147,223
Less: Deposits with original maturities of greater than 90 days	(4,340,697)	(3,520,792)
Short-term deposits	10,831,989	8,626,431
Cash and demand balances	20,011,805	12,821,425
Less: Restricted cash balances	(1,002,688)	(745,626)
Less: Bank overdraft (See Note 20)	(457,520)	(191,493)
Total cash and cash equivalents	$ 29,383,586	$ 20,510,737

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

As of the balance sheet date, the weighted-average interest rate on short-term deposits is 4.30% (2009: 5.50%). These deposits have an average maturity of 48 days (2009: 80 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 3.83% (2009: 3.56%).

Included in deposits with original maturities of greater than 90 days is a restricted amount of $678,886 (2009: $1,588,777). Included in cash and demand balances is a restricted amount of $1,002,688 (2009: $745,626). These restricted balances are held as a letter of credit in favour of a reinsurance company acting as a lead reinsurer for the Company for its participation in certain management years within the reinsurance facilities managed by International Reinsurance Managers, LLC. (See Note 14).

9. Investment Securities

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

	2010	2009
Equity securities		
Fair value through profit or loss	$ 9,641,384	$ 8,566,408
Available-for-sale	9,901,515	9,921,375
Total equity securities	19,542,899	18,487,783
Debt securities		
Fair value through profit or loss	22,908,104	13,442,510
Available-for-sale	165,232,145	156,583,836
Total debt securities	188,140,249	170,026,346
Total investment securities	$ 207,683,148	$ 188,514,129

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

As of the balance sheet date, government securities mainly comprise variable rate bonds tied to the Bahamian $ Prime Rate issued by The Bahamas Government with interest rates ranging from 5.53% to 8.75% per annum (2009: from 5.53% to 8.75% per annum) and scheduled maturities between 2011 and 2037 (2009: between 2010 and 2039).

(Expressed in Bahamian dollars)

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

	FVPL	Available-for-sale	Total
At December 31, 2008	$ 17,026,922	$ 166,177,823	$ 183,204,745
Additions	12,041,719	27,959,109	40,000,828
Disposals and maturities	(5,919,021)	(26,094,885)	(32,013,906)
Net fair value losses	(1,140,702)	(1,286,836)	(2,427,538)
Transfers, net	-	(250,000)	(250,000)
At December 31, 2009	22,008,918	166,505,211	188,514,129
Additions	28,512,577	18,322,347	46,834,924
Disposals and maturities	(18,538,129)	(9,998,126)	(28,536,255)
Net fair value gains	566,122	304,228	870,350
At December 31, 2010	$ 32,549,488	$ 175,133,660	$ 207,683,148

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

(Expressed in Bahamian dollars)

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

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

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

At December 31, 2009	**Level 1**	**Level 2**	**Total Fair Value**
Financial assets designated at fair value through profit or loss:			
Equity securities	$ 8,237,395	$ 165,577	$ 8,402,972
Shares in investment funds	-	163,436	163,436
Government securities	7,682,732	-	7,682,732
Preferred shares	-	1,786,326	1,786,326
Other debt securities	-	3,973,452	3,973,452
Total	$ 15,920,127	$ 6,088,791	$ 22,008,918
Available-for-sale financial assets:			
Equity securities	$ 8,794,911	$ 428,289	$ 9,223,200
Shares in investment funds	-	698,175	698,175
Government securities	128,915,109	-	128,915,109
Preferred shares	-	9,151,946	9,151,946
Other debt securities	-	18,516,781	18,516,781
Total	$ 137,710,020	$ 28,795,191	$ 166,505,211

The Company did not have any financial instruments classified as Level 3 as at December 31, 2009.

(Expressed in Bahamian dollars)

10. Mortgages and Commercial Loans

Mortgages and commercial loans are comprised of the following:

	2010	2009
Mortgages and commercial loans	$ 71,183,775	$ 79,371,756
Accrued interest	6,712,691	6,674,451
Subtotal	77,896,466	86,046,207
Less: Provisions	(9,019,347)	(9,186,303)
Mortgages and commercial loans, net	$ 68,877,119	$ 76,859,904

Included in accrued interest is $4,867,064 (2009: $5,598,712) which has been fully provided for.

Mortgages and commercial loans are classified into the following categories:

	2010	2009
Residential mortgages	$ 42,716,611	$ 44,551,473
Commercial mortgages	24,893,939	31,199,089
Commercial paper	3,573,225	3,621,194
Subtotal	71,183,775	79,371,756
Accrued interest	6,712,691	6,674,451
Total	$ 77,896,466	$ 86,046,207

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

Included in residential mortgages at December 31, 2010 are loans to employees and agents amounting to $6,192,279 (2009: $5,837,941).

Provisions on mortgages and commercial loans are as follows:

	2010	2009
Residential mortgages	$ 1,016,750	$ 996,477
Commercial mortgages	2,280,919	1,801,756
Commercial paper	854,614	789,358
Accrued interest	4,867,064	5,598,712
Total provisions on mortgages and commercial loans	$ 9,019,347	$ 9,186,303

The movement in loan loss provisions is as follows:

	2010	2009
Balance, beginning of year	$ 9,186,303	$ 6,357,264
Increase in provisions	2,584,016	3,516,087
Provisions written back to income	(2,750,972)	(687,048)
Balance, end of year	$ 9,019,347	$ 9,186,303

(Expressed in Bahamian dollars)

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

	2010	**2009**
Residential mortgages	7.85%	7.93%
Commercial mortgages	9.14%	10.81%
Commercial paper	8.25%	8.25%

11. Policy Loans

Policy loans are comprised of:

	2010	**2009**
Policy loans	$ 66,746,936	$ 68,606,685
Accrued interest on policy loans	3,886,990	4,186,439
Subtotal	70,633,926	72,793,124
Less: Provisions	(1,052,282)	(1,050,129)
Policy loans, net	$ 69,581,644	$ 71,742,995

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of $1,052,282 (2009: $1,050,129) 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, 2010. 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 11.2% (2009: 11.7%).

12. Investment Properties

	2010	**2009**
Balance, beginning of year	$ 48,439,000	$ 35,872,000
Acquisition of investment property	-	11,559,000
Net gains from fair value adjustments	809,407	1,008,000
Balance, end of year	$ 49,248,407	$ 48,439,000

Land and buildings have been purchased for investment purposes and are carried at fair value. Investment properties, with carrying values totaling approximately $40.9 million, have been mortgaged in support of loans advanced to subsidiary companies by the Company that have been eliminated on consolidation (See Note 19). Income from investment properties, which amounted to $4,576,638 (2009: $4,103,569), is included in rental income in net investment income. Direct expenses related to generating rental income from investment properties, amounting to $1,393,786 (2009: $1,596,962), are included in general and administrative expenses.

(Expressed in Bahamian dollars)

13. Investment in Associates

Investment in Associates is comprised of:

	2010	2009
Walk-In Holdings Limited	$ 3,622,129	$ 3,882,427
SBL Ltd.	7,125,151	7,430,112
	$ 10,747,280	$ 11,312,539

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

	2010	2009
Share of profit/(loss) of investment in associate		
Walk-In Holdings Limited	$ (260,297)	$ 173,985
SBL Ltd.	(139,000)	(569,899)
Impairment of goodwill - SBL	(275,352)	-
	$ (674,649)	$ (395,914)

Walk-In Holdings Limited

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

The investment in WIHL is comprised of the following:

	2010	2009
Total assets	$ 8,308,899	$ 7,976,071
Total liabilities	(3,677,472)	(2,476,983)
Net assets of WIHL	4,631,427	5,499,088
Company's share of WIHL's balance sheet	1,389,428	1,649,726
Goodwill	2,232,701	2,232,701
Total investment in WIHL	$ 3,622,129	$ 3,882,427

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

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

	12 Months Ended Dec. 31, 2010	12 Months Ended Dec. 31, 2009
Total revenue	$ 5,563,745	$ 4,586,646
Total (loss)/profit for the period	$ (867,658)	$ 579,951
Share of WIHL's (loss)/profit	$ (260,297)	$ 173,985

(Expressed in Bahamian dollars)

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 Company has classified its investment in SBL as an investment in associate as two of the ten Board members of SBL are also Directors of the Company. SBL, in May 2009 acquired the issued and outstanding shares of Ansbacher (Bahamas) Limited ("ABL") and merged ABL subsequently with Sentinel Bank & Trust ("SBT") in July 2009 with the surviving entity retaining the name Ansbacher (Bahamas) Limited. ABL's principal activities comprise private and specialist banking, wealth protection and management, and fiduciary services.

The investment in SBL is comprised of the following:

		2010		2009
Total assets	$	136,852,542	$	207,651,645
Total liabilities		(108,959,264)		(179,602,527)
Net assets of SBL	$	27,893,278	$	28,049,118
Company's share of SBL's balance sheet	$	4,690,951	$	4,603,861
Goodwill		1,825,428		2,100,780
Intangible assets		608,772		725,471
Total investment in SBL	$	7,125,151	$	7,430,112

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

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

		12 Months Ended Dec. 31, 2010		5 Months Ended Dec. 31, 2009
Total revenue	$	8,198,026	$	4,882,828
Total loss for the period	$	(731,577)	$	(2,999,467)
Share of SBL's loss	$	(139,000)	$	(569,899)

The following table shows an analysis of goodwill and other intangible assets included in investment in associates for the years ending December 31, 2010 and 2009.

		Goodwill		Other Intangible Assets		Total
Balance as of December 31, 2008	$	2,232,701	$	-	$	2,232,701
Acquired during the year		2,100,780		811,052		2,911,832
Amortization		-		(76,978)		(76,978)
Impairment losses		-		(8,603)		(8,603)
Balance as of December 31 , 2009		4,333,481		725,471		5,058,952
Acquired during the year		-		28,400		28,400
Amortization		-		(145,099)		(145,099)
Impairment losses		(275,352)		-		(275,352)
Balance as of December 31 , 2010	$	4,058,129	$	608,772	$	4,666,901

(Expressed in Bahamian dollars)

The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2010, is shown below.

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	$ 522,120	$ (82,669)	$ 439,451
Non-competitive agreement	86,260	(68,290)	17,970
Trade name	222,469	(71,118)	151,351
Total Other Intangible Assets	$ 830,849	$ (222,077)	$ 608,772

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
2011	123,771
2012	104,285
2013	86,153
2014	63,960
2015 and thereafter	230,603
	608,772

14. Receivables and Other Assets

Receivables and other assets are comprised of the following:

	2010	2009
Financial assets		
Premiums receivable	$ 14,409,802	$ 8,982,902
Less: Provision on premiums receivable	(2,941,752)	(1,752,898)
Reinsurance recoveries receivable	7,676,382	6,468,271
Net balances receivable on ASO plans	9,865,141	11,509,696
Agents' balances	1,410,833	1,519,889
Less: Provision on agents' balances	(1,340,262)	(1,473,804)
Accrued interest income	2,924,011	2,647,934
Receivables from related parties (See Note 33)	673,529	354,772
Participation in IRM reinsurance facilities	4,061,374	2,374,152
Non-financial assets		
Prepayments and other assets	15,557,772	13,826,477
Total receivables and other assets	$ 52,296,830	$ 44,457,391

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

Included in 'prepayments and other assets' at December 31, 2010 are properties repossessed by the Company on mortgage defaults being held for sale and carried at estimated realizable value of $4,502,765 (2009: $500,000).

(Expressed in Bahamian dollars)

The Company participates in reinsurance facilities managed by International Reinsurance Managers, LLC ("IRM"), an underwriting management company domiciled in the United States of America which provides group health reinsurance services to small and medium sized insurance companies in the Caribbean and Latin America. The Company's participation in these facilities varies from 5% to 80% 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, 2009	$ 20,599,238	$ 1,812,896	$ 6,184,195	$ 60,972	$ 28,657,301
Additions	6,092	18,640	368,549	13,042	406,323
Disposals	(31,967)	-	(4,139,516)	(16,000)	(4,187,483)
At December 31, 2010	$ 20,573,363	$ 1,831,536	$ 2,413,228	$ 58,014	$ 24,876,141
Accumulated depreciation:					
At December 31, 2009	$ 2,726,877	$ 630,259	$ 4,319,249	$ 43,064	$ 7,719,449
Depreciation charge	585,435	204,842	654,992	6,387	1,451,656
Disposals	(2,560)	-	(4,111,674)	(16,000)	(4,130,234)
At December 31, 2010	$ 3,309,752	$ 835,101	$ 862,567	$ 33,451	$ 5,040,871
Net book value:					
At December 31, 2010	$ 17,263,611	$ 996,435	$ 1,550,661	$ 24,563	$ 19,835,270
At December 31, 2009	$ 17,872,361	$ 1,182,637	$ 1,864,946	$ 17,908	$ 20,937,852

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

	2010	2009
Land and land improvements	$ 4,860,523	$ 4,860,523
Buildings	15,712,840	15,738,715
Total cost	$ 20,573,363	$ 20,599,238

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

If land, land improvements and buildings were stated on a historical cost basis, the carrying amount would be $10.7 million (2009: $11.1 million).

(Expressed in Bahamian dollars)

16. Goodwill

	2010	2009
Cost	$ 14,246,535	$ 14,246,535
Accumulated impairment charges	(3,314,955)	(3,212,152)
Net book amount	$ 10,931,580	$ 11,034,383
Balance, beginning of year	$ 11,034,383	$ 11,034,383
Impairment charge	(102,803)	-
Balance, end of year	$ 10,931,580	$ 11,034,383

17. Other Intangible Assets

	2010	2009
Cost	$ 4,155,948	$ 2,418,851
Accumulated amortization	(2,944,589)	(2,151,966)
Net book amount	$ 1,211,359	$ 266,885
Balance, beginning of year	$ 266,885	$ 498,826
Additions	1,737,097	55,616
Amortization charge	(792,623)	(287,557)
Balance, end of year	$ 1,211,359	$ 266,885

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 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.

(Expressed in Bahamian dollars)

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 75 basis points from current rates and assuming future interest rates level off at the long term minimum, 4.74%, in 20 years. 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 $54.8 million or decrease by $40.5 million.

Expenses

The administration expense assumption is based on an expense study conducted by the Company for 2010. The expenses are allocated by line of business using allocation factors developed by the Company. Such expense studies are conducted annually, and are subject to changes in the Company's cost structure as well as the rate of inflation. Expenses are assumed to increase with inflation of 2.54% in 2012 decreasing to 2.06% by 2032. Expenses are increased by a range of 0% to 6.25%, where the Closed Par Fund has no margin. If future expenses are to differ by 10% from that assumed, the liability would increase by $6.7 million or decrease by $6.7 million.

Policy lapse rates

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. The Company bases its estimate of future lapse rates on previous experience for a block of policies. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by a range of 5% to 20%. If future lapse rates are to differ by 10% from that assumed, the liability would increase by $7.6 million or decrease by $7.3 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 11.3 per 1000 divided by the expectation of life for mortality, and between 15% and 20% for morbidity. The Closed Par Fund has the lowest margin added. If future mortality and morbidity are to differ by 10% from that assumed, the liability would increase by $5.7 million or decrease by $5.6 million.

Medical claims costs

The principal assumption underlying the estimate of the medical claims reserve is the Company's past claims development experience. This includes assumptions in respect of average claim costs and claims inflation factors. If the average claim costs were to increase by 10%, gross liabilities would increase by $0.8 million, with the net liabilities increasing by $0.8 million. If the average claim costs were to decrease by 10%, gross liabilities would decrease by $0.8 million, with the net liabilities decreasing by $0.7 million.

Analysis of provision for future policy benefits

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

	2010	**2009**
Life insurance	$ 266,286,656	$ 252,121,421
Annuities	22,327,385	22,933,878
Accident and health/IBNR	13,524,480	10,987,524
Colina Investment Plan (See Note 32)	9,659,290	10,791,710
Total provision for future policy benefits	$ 311,797,811	$ 296,834,533

(Expressed in Bahamian dollars)

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

		2010		2009
Short-term insurance contracts	$	13,856,616	$	11,233,610
Long-term insurance and other contracts				
-with fixed and guaranteed terms		67,496,598		60,225,981
-with fixed and guaranteed terms and with DPF		185,765,073		180,142,173
-without fixed and guaranteed terms		21,266,135		22,162,490
-without fixed and guaranteed terms and with DPF		13,754,099		12,278,569
Long-term investment contracts with DPF		9,659,290		10,791,710
Total provision for future policy benefits	$	311,797,811	$	296,834,533

Analysis of change in provision for future policy benefits

		2010		2009
Balance, beginning of year	$	296,834,533	$	286,634,204
Normal changes in policy liabilities		12,776,658		12,546,410
Changes in assumptions and refinement of estimates		2,186,620		(2,346,081)
Balance, end of year	$	311,797,811	$	296,834,533

Closed Participating Fund

Included in the provision for future policy benefits as of December 31, 2010 are actuarial reserves totaling $30.3 million (2009: $29.2 million) relating to Colina's commitment to maintain and operate a Closed Participating Fund ("Closed Par Fund") covering the individual participating business (both life and annuity) of the Canada Life portfolio of business acquired on January 1, 2004. The objective of this Closed Par Fund is to finance the participating policyholders' reasonable expectations that Colina will: (i) pay the benefits guaranteed by each participating policy according to its terms; (ii) pay dividends according to the current dividend scale provided that current experience continues; and (iii) make an equitable adjustment to the dividend scale in future years to reflect any deviations from the current experience, in accordance with the insurer's dividend policy as well as applicable actuarial standards. Future profits that may emerge within the Closed Par Fund are for the sole benefit of the participating policyholders.

The Appointed Actuary's valuation of the Closed Par Fund as of December 31, 2010 shows that it had the following asset mix: government securities – 42.4%; policy loans – 25.2%; mortgage loans – 15.4%: corporate bonds – 3.5%; equity securities – 7.0%, preference shares – 4.2%, cash and equivalents – 2.1%; and commercial loans – 0.2%. (2009: government securities – 36.7%; policy loans – 28.3%; mortgage loans – 18.4%; corporate bonds – 6.2%; equity securities – 6.1% and preference shares – 4.3%).

19. Bank Loans

Bank Loans are comprised of the following:

		2010		2009
CREL Loan	$	-	$	2,903,756
GBDC Loan		-		-
	$	-	$	2,903,756

(Expressed in Bahamian dollars)

Principal amounts due on bank loans are as follows:

	2010	2009
Within 1 year	$ -	$ 503,699
Later than 1 year and not later than 5 years	-	2,400,057
	$ -	$ 2,903,756

Colina Real Estate Fund Ltd. ("CREL") Loan

The loan was obtained by the Company's subsidiary, CREL (formerly RND Holdings Limited) in April 2007 to finance the development of its investment property holdings. The loan bore interest at the Bahamian $ Prime rate of 5.5% per annum plus a margin of 2.0% for an effective rate of 7.5% per annum.

The loan was secured by the following:

- Floating charge debenture stamped for $3,200,000 with power to upstamp giving FirstCaribbean International Bank Limited a floating charge over all business assets, incorporating a first legal charge over the Marsh Harbour, Abaco and JFK Drive, New Providence properties and second consolidating debenture and further charge stamped to secure $505,000;

- Registered First Demand Legal Mortgage over Lot 3A, 3B, 3C and 3D, situated in Block O, Freeport, Grand Bahama properties. Stamped to secure $1,800,000; and

- Acknowledged assignment of fire and other perils insurance on the business assets including property, furniture, fixtures and equipment for full replacement value with the Standard Mortgage Clause attached.

In March 2010, the Company entered into an agreement with CREL to refinance its bank loan by issuing a mortgage totalling $3.7 million. The Company's intercompany loan to CREL bears an interest rate of Bahamian $ Prime rate of 5.5% per annum, plus a margin of 3.5%. The principal loan amount and interest earned have been recorded as intercompany balances with CREL which have been eliminated on consolidation.

GBDC Loan

In December 2006, the Company entered into an agreement with GBDC to refinance its bank loan as excess liquidity became available. As of April 2009, the outstanding principal balance of the bank loan was repaid by the Company on behalf of GBDC. The Company's intercompany loan to GBDC bears an interest rate of Bahamian $ Prime rate of 5.5% per annum, plus a margin of 1.75%. The principal loan amount and interest earned have been recorded as intercompany balances with GBDC which have been eliminated on consolidation.

20. Other Liabilities

	2010	2009
Third party pension liabilities	$ 26,107,997	$ 24,515,926
Benefits payable to policyholders	11,556,922	11,590,907
Accrued expenses and other liabilities	25,738,398	25,190,259
Bank overdraft (See Note 8)	457,520	191,493
Reinsurance payables	2,951,308	1,132,337
Guaranteed investment contracts	-	582,882
Total other liabilities	$ 66,812,145	$ 63,203,804

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

(Expressed in Bahamian dollars)

21. Share Capital

		2010		2009
Authorized:				
45,000,000 Class "A" preference shares of B$1 each (2009: 45,000,000)	$	45,000,000	$	45,000,000
35,000,000 Ordinary shares of B$1 each (2009: 35,000,000)	$	35,000,000	$	35,000,000
Issued and fully paid:				
26,027,000 Class "A" preference shares of B$1 each (2009: 20,000,000)	$	26,027,000	$	20,000,000
24,601,070 Ordinary shares of B$1 each (2009: 24,701,070)	$	24,397,999	$	24,647,998

Treasury shares are stated at cost and at December 31, 2010, comprise 128,543 (2009: 28,543) ordinary shares of the Company that are held by Colina.

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

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

On May 28, 2009, the Company’s Shareholders approved a resolution to increase the authorized Class “A” preference share capital by 25,000,000 shares. During the year, the Company issued 6,027,000 additional Class “A” Preference shares.

22. Revaluation Reserve

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

		2010		2009
Balance, beginning of year	$	5,567,530	$	7,462,729
Fair value gains/(losses) net during the year		304,228		(1,286,836)
Transfers to retained earnings		-		(350,728)
Unrealized gain on purchase of shares in subsidiary		1,114,327		-
Transfers to net income		(117)		(257,635)
Balance, end of year	$	6,985,968	$	5,567,530

(Expressed in Bahamian dollars)

23. Contingent Liabilities and Commitments

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

Legal proceedings and regulations

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

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

Contingent liabilities

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material loss will arise from the contingent liabilities. The Company has given guarantees to third parties in the ordinary course of business amounting to $1,681,574 (2009: $2,334,403).

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

Commitments

Lending: Commitments to extend credit for mortgages and commercial loans amounted to $2,587,148 (2009: $1,010,054).

Purchase of property and equipment: Commitments for the purchase of capital equipment or services at December 31, 2010 was $201,193 (2009: $Nil).

Leases: The Company leases office and other space for use in its day-to-day business activities pursuant to the terms of non-cancelable operating leases. The expenditures related to these lease arrangements are not considered to be material. The future aggregate minimum lease payments under operating leases as of December 31, 2010 are as follows:

No later than 1 year	$	693,049
Later than 1 year and no later than 5 years		2,957,876
Later than 5 years		600,780
Total	$	4,251,705

24. Future Minimum Lease Payments Receivable

The Company derives rental income from certain of its investment properties under non-cancellable rental agreements. The future minimum lease payments due to be received under these agreements as of December 31, 2010 are as follows:

No later than 1 year	$	2,836,486
Later than 1 year and no later than 5 years		6,035,846
Later than 5 years		157,407
Total	$	9,029,739

(Expressed in Bahamian dollars)

25. Net Premium Revenue

Net premium revenue is comprised of the following:

		2010		2009
Life and health insurance premiums	$	115,449,397	$	117,784,233
Less: Reinsurance premiums		(13,669,376)		(16,230,623)
Subtotal		101,780,021		101,553,610
Premiums from IRM reinsurance facilities (See Note 14)		16,393,425		10,605,203
Net premium revenue	$	118,173,446	$	112,158,813

Net premium revenues are classified in the following categories:

		2010		2009
Short-term insurance contracts	$	67,767,942	$	61,916,063
Long-term insurance and other contracts				
-with fixed and guaranteed terms		20,875,713		16,466,058
-with fixed and guaranteed terms and with DPF		24,051,396		26,639,426
-without fixed and guaranteed terms		151,195		4,496,050
-without fixed and guaranteed terms and with DPF		18,625,381		14,712,909
Long-term investment contracts with DPF		371,195		4,158,930
Total premium revenue arising from contracts issued		131,842,822		128,389,436
Premiums ceded to reinsurers		(13,669,376)		(16,230,623)
Net premium revenue	$	118,173,446	$	112,158,813

26. Net Investment Income

Net investment income is classified as follows:

		2010		2009
Term deposits	$	836,869	$	813,755
Investment securities		12,857,651		10,821,754
Fair value gains/(losses) net included in the revaluation reserve (See Note 22)		304,228		(1,286,836)
Less: Investment management fees (See Note 33)		(1,016,979)		(939,640)
Net investment return on managed assets		12,981,769		9,409,033
Mortgages and commercial loans		4,344,990		3,053,332
Policy loans		7,501,471		7,958,732
Rental income		5,595,865		4,380,098
Fair value gains on investment properties (See Note 12)		809,407		1,008,000
Gain on business combination		-		2,054,036
Other fees and income		(1,400,698)		(1,388,918)
Total return on invested assets		29,832,804		26,474,313
Less: Fair value (gains)/losses in the revaluation reserve		(304,228)		1,286,836
Total net investment income recognized in income	$	29,528,576	$	27,761,149

Included in net investment income from investment securities is an impairment charge of $Nil (2009: $524,121).

(Expressed in Bahamian dollars)

27. Net Policyholders' Benefits

Net policyholders' benefits are comprised of the following:

	2010	2009
Life and health policyholder benefits	$ 78,391,468	$ 76,021,179
Less: Reinsurance recoveries	(11,238,582)	(9,087,877)
Subtotal	67,152,886	66,933,302
Benefits paid on IRM reinsurance facilities (See Note 14)	9,480,879	9,570,515
Total net policyholders' benefits	$ 76,633,765	$ 76,503,817

Included in life and health policyholder benefits is $1,101,318 related to interest on policy dividends on deposit (2009: $1,114,592).

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

	2010	2009
Short-term insurance contracts	$ 42,928,768	$ 42,015,274
Long-term insurance and other contracts		
-with fixed and guaranteed terms	12,317,285	11,440,708
-with fixed and guaranteed terms and with DPF	22,815,622	22,705,030
-without fixed and guaranteed terms	1,794,154	2,029,914
-without fixed and guaranteed terms and with DPF	6,722,656	6,192,896
Long-term investment contracts with DPF	1,293,862	1,207,872
Total policyholders' benefits	87,872,347	85,591,694
Reinsurance recoveries	(11,238,582)	(9,087,877)
Net policyholders' benefits	$ 76,633,765	$ 76,503,817

28. General and Administrative Expenses

General and administrative expenses are comprised of:

	2010	2009
Salaries and employee/agent benefits	$ 11,870,641	$ 10,937,265
Fees, insurance and licences	4,791,482	3,481,274
IRM reinsurance facilities expenses (See Note 14)	3,216,706	2,523,687
Advertising and communications expense	3,005,844	2,505,250
Depreciation and amortization	2,389,378	2,224,009
Premises and maintenance	2,783,784	2,413,292
Underwriting fees	940,975	934,584
Other expenses	953,599	1,417,965
Total general and administrative expenses	$ 29,952,409	$ 26,437,326

(Expressed in Bahamian dollars)

29. Finance Costs and Interest

Finance costs and interest are comprised of:

		2010		2009
Interest on bank overdrafts and loans	$	36,396	$	191,280
Interest on guaranteed investment and other contracts		9,488		30,882
Interest on liabilities due to ASO groups		6,976		4,743
	$	52,860	$	226,905

30. Earnings Per Share and Dividends Per Share

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

		2010		2009
Net income attributable to equity shareholders	$	12,955,662	$	12,375,798
Net income attributable to ordinary shareholders	$	11,342,645	$	10,963,298
Weighted average number of ordinary shares outstanding		24,659,403		24,701,070
Basic earnings per ordinary share	$	0.46	$	0.44

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 2010 totalled $5,687,811 ($0.23 per share) (2009: $1,483,777 ($0.06 per share)).

For the period January 1 to January 31, 2009, dividends to the Class "A" preference shareholders were due and payable at an annual rate of Bahamian $ Prime rate plus 2.25% on the par value outstanding. Effective February 1, 2009, the dividend rate on the Class "A" preference shares was at an annual rate of Bahamian $ Prime rate plus 1.5% on the par value outstanding to preference shareholders of record on quarterly record dates. Dividends paid by the Company to the Class "A" preference shareholders during 2010 totalled $1,613,017 (2009: $1,412,500).

31. Pension Plan

The Company operates a defined contribution plan for administrative staff and agents. The plan is administered by an affiliated company. Under the plan, all eligible staff and agents contribute 5% of pensionable earnings and the Company contributes 5%. The Company's matching contributions vest fully with the employee after five years. Pension expense for the year was $568,720 and is included in salaries and employee/agent benefits expense (2009: $543,989).

32. Unit Linked Funds and Investment Plans

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

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

(Expressed in Bahamian dollars)

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

Issuance of new CIP policies was discontinued in January 2001.

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

	Bahamas Investment Fund		Colina Investment Plan	
	2010	**2009**	**2010**	**2009**
Equities - listed	$ 7,140,886	$ 7,190,948	$ 1,889,395	$ 2,141,408
Equities - unquoted	117,497	165,577	15,000	80,639
Preferred shares - unquoted	437,000	327,000	68,000	50,000
Shares in investment funds	951	13,436	-	-
Government securities	5,200,900	5,704,067	5,849,479	11,597,434
Debt securities - unquoted	719,688	715,258	-	1,300,000
Term deposits	1,109,593	1,230,576	583,575	508,561
Policy loans	-	-	1,319,497	1,273,160
Cash	80,110	180,926	83,683	82,029
Due to general fund	(1,605,834)	(1,601,328)	(149,339)	(6,241,521)
Total assets	$ 13,200,791	$ 13,926,460	$ 9,659,290	$ 10,791,710

33. Related Party Balances and Transactions

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

Transactions with related parties

The following transactions were carried out with related parties:

	AFH	Other affiliates	Other related parties	Total 2010	Total 2009
Revenues					
Group and life insurance	$ 3,484	$ 710,692	$ 734,255	$ 1,448,431	$ 1,301,988
Rental income	-	-	54,000	54,000	54,000
Sub-investment fees	-	-	77,415	77,415	96,365
Total	$ 3,484	$ 710,692	$ 865,670	$ 1,579,846	$ 1,452,353
Expenses					
Consulting fees	$ -	$ -	$ -	$ -	$ 15,167
Legal fees	-	336,300	-	336,300	97,474
Investment management fees	-	-	1,016,979	1,016,979	939,640
Administration, Registrar and Transfer Agent fees	-	33,387	182,333	215,720	225,232
Property rental	12,000	565,440	-	577,440	640,088
Property and casualty insurance	-	-	559,568	559,568	489,023
Other	30,400	692,577	523,977	1,246,954	988,142
Total	$ 42,400	$ 1,627,704	$ 2,282,857	$ 3,952,961	$ 3,394,766

(Expressed in Bahamian dollars)

The investment management fees totaling $1,016,979 (2009: $939,640) were charged by a related party Investment Manager pursuant to the terms of an Investment Management Agreement dated January 1, 2004. Such fees are charged monthly at various basis point rates depending on the class of assets managed. The Investment Manager is a registered broker-dealer and, as such, has custody of a significant portion of the Company's invested assets.

Included in 'other' expenses is $523,977 (2009: $673,940) in fees paid to a subsidiary of Walk-In Holdings Limited for medical underwriting fees for the year ended December 31, 2010. Also included are fees totalling $155,969 (2009: $143,089) paid to a computer servicing company which is a related party due to a common directorship. Other items included in this caption relate to marketing and advertising expenses of $256,779 (2009: $79,153) paid to The Nassau Guardian and other amounts related to general administrative expenses. The terms and conditions for the services provided as described were on an arms-length basis.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Compensation for key management personnel for the year ended December 31, 2010 was $1,726,819 (2009: $1,290,495). There were no termination benefits paid during the year ended December 31, 2010 in respect of former key management personnel (2009: $71,591).

Directors' fees

Fees paid to Directors for services rendered on Board and Board Committees for the year ended December 31, 2010 totaled $227,750 (2009: $238,500).

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

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

	AFH	Other affiliates	Other related parties	Key Management / Directors	Total 2010	Total 2009
Assets						
Investment securities	$ -	$ 406,477	$ -	$ -	$ 406,477	$ 184,926
Mortgages and commercial loans, net	$ -	$ 304,897	$ -	$ 1,698,137	$ 2,003,034	$ 1,565,040
Cash and bank balances	$ -	$ -	$ 3,812	$ -	$ 3,812	$ 31,673
Receivables and other assets	$ 85,314	$ 243,672	$ 344,543	$ -	$ 673,529	$ 354,772
Liabilities						
Other liabilities	$ 88,193	$ 69,436	$ 312,913	$ -	$ 470,542	$ 450,777

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

34. Risk Management

Governance Framework

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

Regulatory Framework

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

Insurance risk

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

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

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

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

Frequency and severity of claims

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

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

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

	2010 (in $000s)	**2009 (in $000s)**
$0 to $49,999	$ 833,207	$ 886,296
$50,000 to $99,999	1,080,003	1,104,823
$100,000 to $149,999	2,107,971	2,108,814
$150,000 and over	2,830,849	2,761,881
Total	$ 6,852,030	$ 6,861,814

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

(Expressed in Bahamian dollars)

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

		2010		2009
Individual life	$	50,000	$	50,000
Individual accidental death and dismemberment	$	50,000	$	50,000
Individual personal accident	$	50,000	$	50,000
Group accidental death and dismemberment	$	50,000	$	50,000
Individual and Group Medical	$	250,000	$	250,000

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

Financial risk

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

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

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

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

Interest rate risk

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

The Company monitors interest rate risk by calculating the duration of the investment portfolio and the liabilities issued. The duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The duration of the liabilities is determined by projecting expected cash flows from the contracts using best estimates of mortality, morbidity and terminations. No future discretionary supplemental benefits are assumed to accrue. The duration of the assets is calculated in a consistent manner. Any gap between the duration of the assets and the duration of the liabilities is minimized by means of buying and selling securities of different durations. The Company's sensitivity to interest rate risk is included in Note 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 Company's credit risk exposure is primarily concentrated in its deposits placed with other financial institutions, loans to policyholders and other clients, and amounts due from reinsurers and insurance contract holders.

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

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

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

December 31, 2010 (in $000s)	Balances with no scheduled repayment dates	Investment Grade	Current Non-Graded	Unit Linked	Past due but not impaired 30 - 90 days	>90 days	Past due and/or impaired	Total
Financial assets								
Term deposits	$ -	$ -	$ 13,480	$ 1,693	$ -	$ -	$ -	$ 15,173
FVPL securities	-	5,043	6,067	21,439	-	-	-	32,549
AFS securities	-	140,305	34,829	-	-	-	-	175,134
Mortgages and commercial loans	-	-	38,950	-	6,615	14,293	9,019	68,877
Policy loans	67,211	-	-	1,319	-	-	1,052	69,582
Cash and demand balances	19,848	-	-	164	-	-	-	20,012
Premiums receivable	-	-	9,653	-	1,354	461	-	11,468
Reinsurance receivables	-	-	7,676	-	-	-	-	7,676
Other financial assets	4,806	2,924	9,865	-	-	-	-	17,595
Total financial assets	$ 91,865	$ 148,272	$ 120,520	$ 24,615	$ 7,969	$ 14,754	$ 10,071	$ 418,066

December 31, 2009 (in $000s)	Balances with no scheduled repayment dates	Investment Grade	Current Non-Graded	Unit Linked	Past due but not impaired 30 - 90 days	>90 days	Past due and/or impaired	Total
Financial assets								
Term deposits	$ -	$ -	$ 10,408	$ 1,739	$ -	$ -	$ -	$ 12,147
FVPL securities	-	1,979	5,914	14,116	-	-	-	22,009
AFS securities	-	117,319	34,017	15,169	-	-	-	166,505
Mortgages and commercial loans	-	-	47,525	-	7,279	12,870	9,186	76,860
Policy loans	69,420	-	-	1,273	-	-	1,050	71,743
Cash and demand balances	12,558	-	-	263	-	-	-	12,821
Premiums receivable	-	-	786	-	3,131	3,313	-	7,230
Reinsurance receivables	-	-	6,468	-	-	-	-	6,468
Other financial assets	2,775	2,648	11,510	-	-	-	-	16,933
Total financial assets	$ 84,753	$ 121,946	$ 116,628	$ 32,560	$ 10,410	$ 16,183	$ 10,236	$ 392,716

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

Liquidity risk

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

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

December 31, 2010 (in $000s)	**Up to a year**	**1-5 years**	**Over 5 years**	**No Term**	**Not Classified**	**Total**
Insurance and Investment Contracts						
Short-term insurance contracts	$ 6,311	$ (118)	$ 37	$ -	$ 6,307	$ 12,537
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(10,690)	(23,715)	499,458	-	3,704	468,757
-with fixed and guaranteed terms, with DPF	4,791	32,777	626,199	-	5,867	669,634
-without fixed and guaranteed terms	1,665	6,633	26,216	-	531	35,045
-without fixed and guaranteed terms, with DPF	1,334	4,654	21,470	-	918	28,376
Long-term investment contracts with DPF	-	-	-	-	9,659	9,659
Financial Liabilities						
Policy dividends on deposit	-	-	-	31,489	-	31,489
Other financial liabilities	40,704	-	-	26,108	-	66,812
Total	$ 44,115	$ 20,231	$ 1,173,380	$ 57,597	$ 26,986	$ 1,322,309

December 31, 2009 (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	$ 6,947	$ (167)	$ 36	$ -	$ 4,146	$ 10,962
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(10,140)	(23,235)	490,203	-	(3,567)	453,261
-with fixed and guaranteed terms, with DPF	4,047	29,360	636,718	-	244	670,369
-without fixed and guaranteed terms	1,696	6,715	28,296	-	1,427	38,134
-without fixed and guaranteed terms, with DPF	1,002	3,740	32,634	-	(558)	36,818
Long-term investment contracts with DPF	-	-	-	-	10,792	10,792
Financial Liabilities						
Policy dividends on deposit	-	-	-	32,329	-	32,329
Bank loan	504	2,400	-	-	-	2,904
Other financial liabilities	38,688	-	-	24,516	-	63,204
Total	$ 42,744	$ 18,813	$ 1,187,887	$ 56,845	$ 12,484	$ 1,318,773

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

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

December 31, 2010 (in $000s)	**Current**	**Non-Current**	**Unit Linked**	**Total**
Term deposits	$ 13,480	$ -	$ 1,693	$ 15,173
Investment securities				
FVPL securities	-	26,074	6,475	32,549
AFS securities	-	140,945	34,189	175,134
Mortgages and commercial loans	299	68,578	-	68,877
Policy loans	-	69,582	-	69,582
Investment properties	-	49,248	-	49,248
Investment in associates	-	10,747	-	10,747
Cash and demand balances	19,848	-	164	20,012
Receivables and other assets	52,297	-	-	52,297
Property and equipment	-	19,835	-	19,835
Goodwill	-	10,932	-	10,932
Other intangible assets	-	1,211	-	1,211
Total Assets	$ 85,924	$ 397,152	$ 42,521	$ 525,597

December 31, 2009 (in $000s)	Current	Non-Current	Unit Linked	Total
Term deposits	$ 10,408	$ -	$ 1,739	$ 12,147
Investment securities				
FVPL securities	-	7,893	14,116	22,009
AFS securities	402	150,934	15,169	166,505
Mortgages and commercial loans	115	76,745	-	76,860
Policy loans	-	71,743	-	71,743
Investment properties	-	48,439	-	48,439
Investment in associates	-	11,313	-	11,313
Cash and demand balances	12,558	-	263	12,821
Receivables and other assets	44,457	-	-	44,457
Property and equipment	-	20,938	-	20,938
Goodwill	-	11,034	-	11,034
Other intangible assets	-	267	-	267
Total Assets	$ 67,940	$ 399,306	$ 31,287	$ 498,533

Operational risk

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

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

Capital Management

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

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, 2010, Colina's MCCSR exceeded the target.

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

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

35. Other Significant Events

Dividend to ordinary shareholders

The Board of Directors has approved a dividend payable to the ordinary shareholders of the Company and is in the process of notifying its regulators. The Company expects to pay the dividend before the end of April 2011.

Investments subsequent to December 31, 2010

During February 2011, the Company invested an additional $2.6 million in the Global Bond Fund, Ltd. ("Global Bond Fund"), a fund incorporated in The Bahamas. The Global Bond Fund invests primarily in a portfolio of bonds and fixed deposit securities and is managed by CFAL Ltd., a related party investment manager.

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