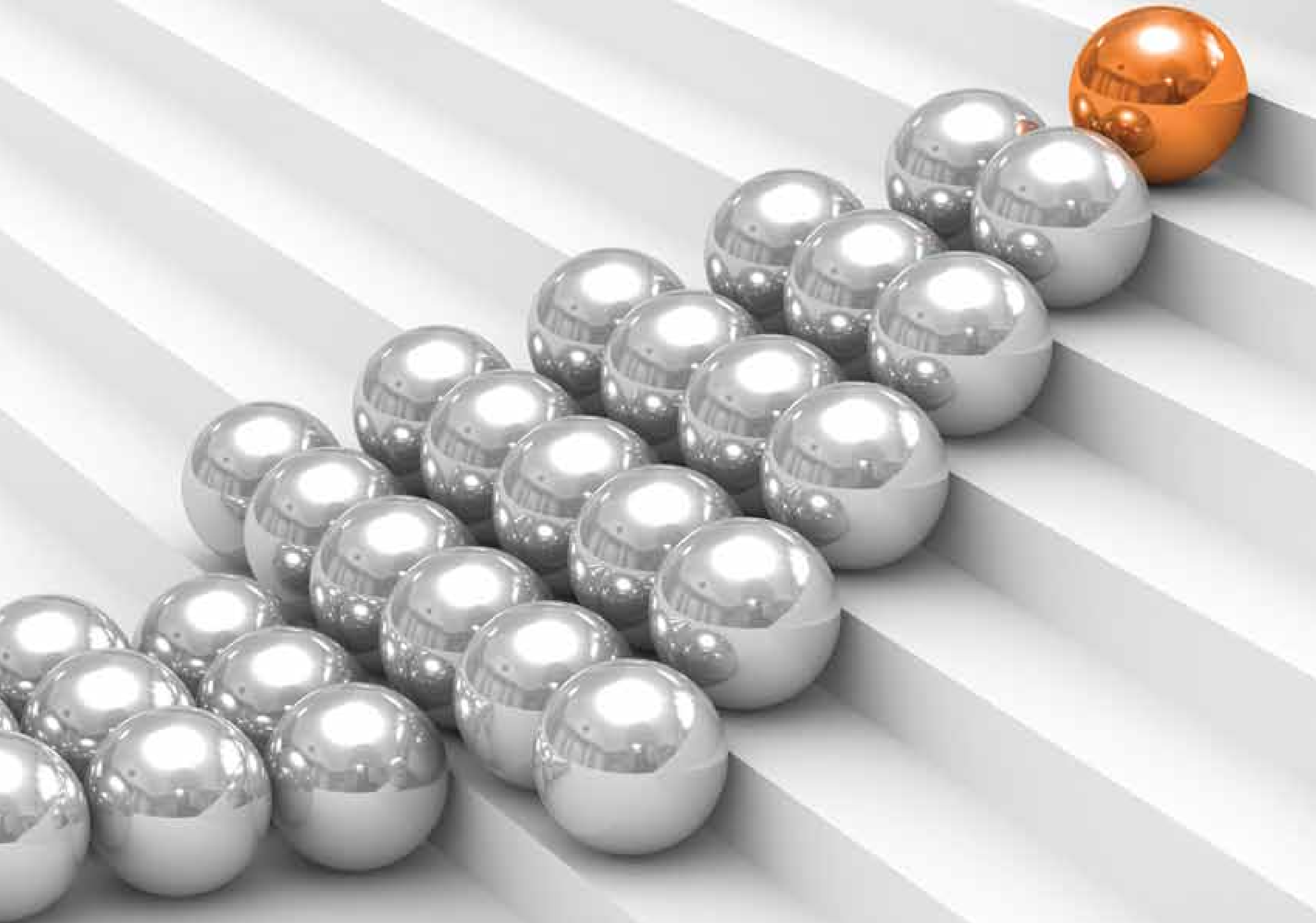
2012 ANNUAL REPORT

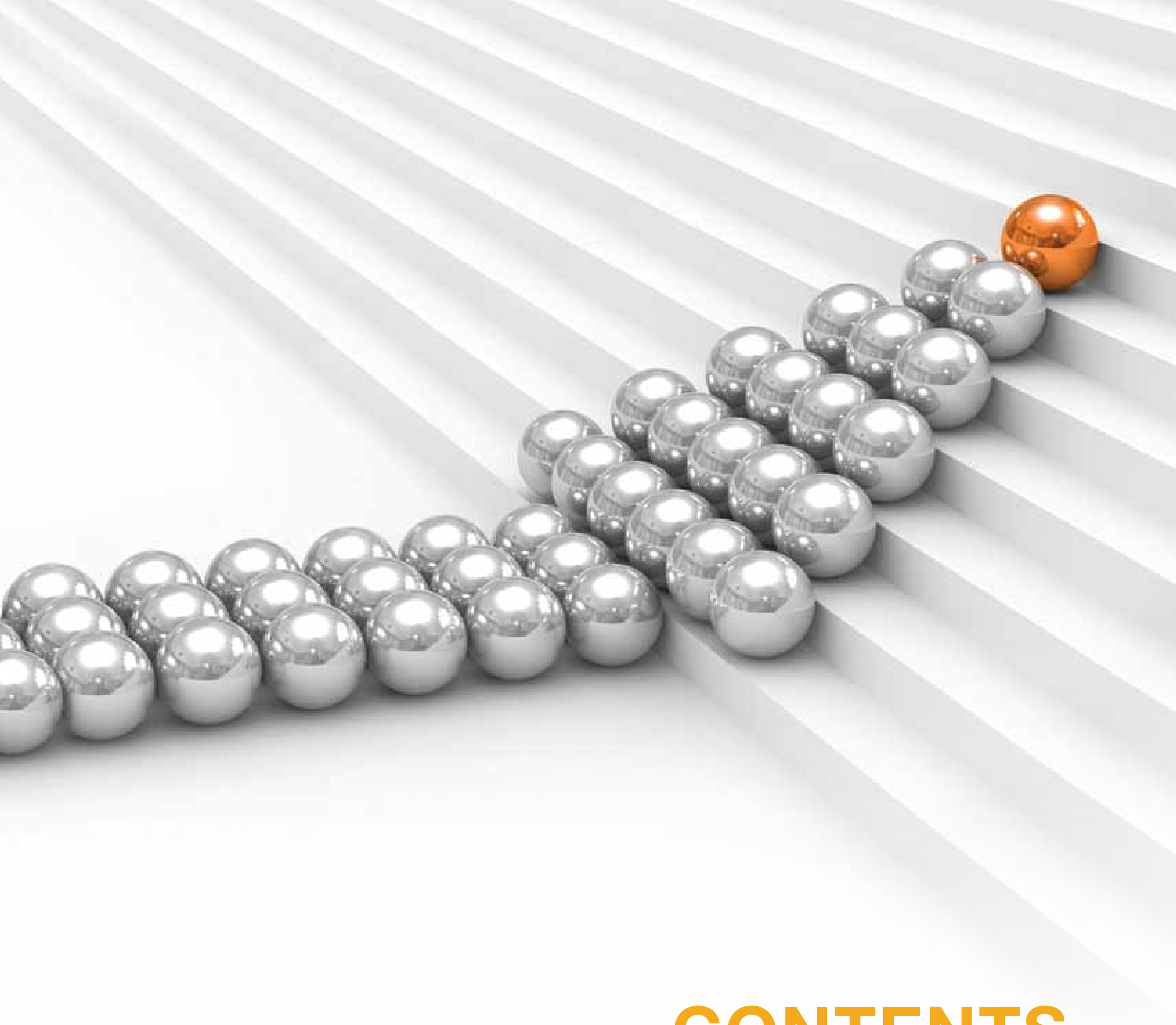


ADVANCING OUR PEOPLE.
SECURING OUR CLIENTS.

COLINA
HOLDINGS BAHAMAS LIMITED

ADVANCING OUR PEOPLE.
SECURING OUR CLIENTS.

Businesses are usually focused on the "what"; but it is by focusing on the "who" and concentrating on the values that cause our internal custodians of client relationships to excel, that true value is created for all stakeholders.



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CHAIRMAN'S REPORT

Terence Hilts ▸ Chairman, Colina Holdings Bahamas Limited

Dear Shareholders,

We are pleased to record 2012 as another successful year for Colina Holdings Bahamas Limited, ("the Company" or "CHBL") and its shareholders, and to mark the period with continued positive results in key financial indicators including shareholders' equity, net income and asset growth – no small feat, given the year's challenges.

People-driven Performance

The Company has grown its total equity base by 6.9% to $127.9 million, from $119.7 million in the prior year. Ordinary shareholders' equity has increased by $6.4 million to $83.7 million from $77.3 million as at December 31, 2012, notwithstanding dividends paid to Ordinary Shareholders and Class A Preference Shareholders during fiscal 2012. Gross premium revenues increased by $3.0 million, totalling $135.1 million for the 12 months ended December 31, 2012, compared to $132.1 million in the prior year.

We substantially improved total net income for the period, which rose to $12.3 million from $5.6 million in 2011, an increase of 119.6% largely as a result of a reduction in claims experience relative to the prior year. That net investment income remained relatively consistent at $29.8 million, compared to $30.1 million in 2011, was also a very satisfactory development, given that these two indicators were moderated in the second quarter of 2011 by the impact of the reduction in the B$ Prime Rate and the resultant increase in actuarial reserves required to support future policyholder obligations.

One of the Company's key differentiators over the years has been our strong and diverse balance sheet. Total assets climbed by $33.2 million to $583.1 million, representing a 6.0% increase over total assets as at December 31, 2011.

Strategic Investments

The Company continues to pursue a strategy of targeted investment to grow core businesses, improve the client experience, and enhance shareholder value.

Colina Insurance Limited ("Colina") completed much of the groundwork in developing its new Individual Life product suite in 2012 with the launch of the products planned for the first half of 2013. Among other features, the product design changes deliver an enhanced suite of insurance solutions to our clients and improve Colina's competitive position.

A focus on technology is necessary to provide the Company a means to improve the efficient delivery of products, service and information. As such, Colina completed full implementation of a customer communication management solution designed to create insightful, impactful, real-time customer communications to improve the customer experience and fuel profitable business growth. In the meantime, cost containment and operational efficiencies continue to ensure administrative ratios are commensurate with planned growth.

Enhancing Shareholder Value

We are listening to you, our shareholders, as we look to increase shareholder value. During 2012 the Company paid cash dividends to ordinary shareholders of $0.16 per ordinary share, or $4.0 million, and dividends totalling $1.9 million to our Class A Preference Shareholders or $0.06 per share.

After careful consideration of the Company's financial position as at December 31, 2012, the Board of Directors is pleased to announce that it has approved the payments of preference shareholder dividends for the first and second quarters of 2013 as they come due. Additionally, in light of the Company's performance during fiscal 2012, the Board also approved a final ordinary shareholder dividend of $0.14 per share on all issued and outstanding ordinary shares of record on April 30, 2013.

Deepening the Bench

The Company's disciplined approach to managing its business has enabled it to generate positive returns on its equity. In 2012 the Company expanded its executive management team to demonstrate its redoubled commitment to operations, sales and transparent internal processes, hiring a new Chief Operating Officer, Director of Sales and Chief Group Internal Auditor to oversee these processes, respectively. We are also pleased to welcome Lloyd Steinke to our Board of Directors. Mr. Steinke is a former Executive Vice President of Munich Re and currently serves as executive consultant to the global life insurance and reinsurance industries.

A New Operating Unit

In December 2011 the Company acquired Colina General Insurance Agency & Brokers Limited ("CGIA") (formerly Colina General Insurance Agency Limited), a general insurance agent and broker. The past 12 months marked the first full year of its operations under the CHBL umbrella and we look forward to its continued contributions.

Acknowledgements

It is because of the hard work and dedication of our executive team, employees, and sales professionals that we are able to experience success in what has been a busy year. I would also like to thank our Board of Directors for their leadership and contributions to this success.

Outlook

While we remain focused on the complex global macroeconomic environment, we are cautiously optimistic about the prospects for the financial services sector and our ability to maintain the Company's financial performance in the coming year and beyond by harnessing the power of our people, our solutions and our strategy. We will continue to earn the trust placed in us by our loyal clients and shareholders by ensuring that we continue to move forward and take advantage of opportunities in the best interest of all stakeholders to deliver sustained growth.

Finally, thank you to our shareholders for your continued confidence in our Company. I look forward to reporting to you on our successes and progress next year.

We count on your continuing support in the pursuit of these objectives.

Terence Hilts
Chairman

LOOKING BACK ON **2012**

INTERVIEW
WITH THE EXECUTIVE TEAM

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

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

In a word, how would you characterize 2012?

EMA:	Demanding	MJB:	Growth
WB:	Resilient	CW:	Rebounding
EK:	Notable	LN:	Challenging
TJT:	Exciting	DBR:	Transformative

What was the most satisfying moment for you in 2012?

MJB: The day that the Board of Directors approved a series of individual life product improvements that Colina intends to launch in 2013. It was a key milestone and came after almost a year of my team working on the designs and communicating our plans to management and getting their feedback.

EMA: We made a conscious decision in 2012 to focus on growing our sales force. It was rewarding to see the calibre of talent Colina has attracted and what they brought to the table.

CW: I was very glad to see that the local economy experienced "positive but subdued economic growth" and was starting to turn around from the period of recession. I think that I was most pleased that Colina was trending throughout the year as having significantly improved profitability and an overall growth in total assets. While the improvement in the economic conditions certainly helped, it was most satisfying that Colina exceeded its own expectations in achieving most of its benchmarks and targets.

EK: There were quite a number of satisfying moments as the Company continued to increase its resilience, maintain its leadership in the insurance industry and deliver value to its stakeholders. However, it was satisfying to see Colina set a company record with the attainment of 56 professional designations and awards (LOMA) by its employees during 2012. This feat and other professional milestones achieved by employees during 2012 demonstrate a commitment to professional development by the Company's most vital resource – its people.

WB: Undoubtedly, the redesign and enhancements to our policyowner notices and annual statements, the culmination of discussions that commenced early 2011 to provide clients with clearer information about their policies. We spent a considerable amount of time and effort improving the 'look and feel' of our notices and annual statements made possible through Colina's investment in a single customer communications platform.

Andrew Alexiou ▸ Vice President, General Counsel, Colina Holdings Bahamas Limited Formerly, Associate, Alexiou, Knowles & Co. Counsel & Attorneys-At-Law (2009-2012)

Tatjana Jancic-Turner ▸ Chief Group Internal Auditor, Colina Holdings Bahamas Limited Formerly, Internal Auditor, Ansbacher (Bahamas) Limited (2011-2012); Formerly, Manager, Internal Audit, JS Johnson & Company Ltd.(2010-2011)

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

TJT: The most satisfying moment for me in 2012 was becoming a part of the Company's team of executives. This was personally an exciting challenge; becoming a part of a successful and progressive company and a team with such diverse backgrounds and expertise.

DBR: Seeing our sales representatives develop through training: a significant number of our sales representatives are currently pursuing the Master Financial Advisor designation. They are committed to adding value to their clients by offering total financial consultation.

LN: A baby whose mother was insured with Colina needed medication within hours to save her life that was not available in The Bahamas. We worked with our overseas TPA and a client in the airline industry to get the medication to the hospital to treat the baby in time. Being able to perform this service was most satisfying.

What kept you awake at night in 2012?

EMA: I am constantly thinking about ways we can work with providers to contain costs for our clients. Healthcare costs continue to rise domestically and in regions where most of our clients seek medical care. This item is on our agenda as we seek to remain competitive and ensure affordable access to insurance coverage for our clients.

CW: From a strategic perspective, it is always difficult and challenging to think of new ways to improve the Company's performance and to expand service offerings that are cost effective, efficient, timely and achievable. In a Company our size, there are always a million things we could and should do – understanding whether we focused in on the right strategies and whether we are implementing them correctly can cause a lot of second guessing if the results aren't immediately apparent.

LN: The same thing that always keeps those of us in the health department up – making sure that clients who need to access emergency care anywhere in the world are not impeded from doing so.

DBR: Excitement: being excited about the future of Colina.

EK: The challenges posed by the slow growth of the economy, emerging risks and an evolving regulatory landscape were worthy of note during 2012. The Company is well positioned, however, to be proactive and to respond to these challenges.

TJT: In addition to its financial strength, the Company's largest asset, in my opinion, is its professional, talented and diverse workforce. Without our staff, we could not meet the ambitious mandates bestowed on us as management. Navigating through a new environment and role while trying to balance my team's

Lindon Nairn ▸ Vice President, Group & Health Benefits, Colina Insurance Limited Formerly, Vice President, Sales and Group & Health Benefits (2010–2012); Formerly, Vice President, Sales & Customer Service (2009–2010); Formerly, President, Colina General Insurance Agency (2007–2009)

Wendy N. Butler ▸ Vice President, Life Operations, Colina Insurance Limited Formerly, Financial Controller, Colina Insurance Limited (2005–2010)

Doneth Brown-Reid ▸ Director of Sales, Colina Insurance Limited Formerly, Branch Manager, Guardian Life Limited, Jamaica, West Indies (1999–2012)

Catherine Williams ▸ Vice President, Finance, Colina Insurance Limited

Marcus J. Bosland ▸ Resident Actuary, Colina Insurance Limited

Ednol Farquharson ▸ President, Colina General Insurance Agency & Brokers Limited

morale to ensure their continued commitment to meeting their personal as well as the department's goals and objectives kept me awake at times.

WB: Apart from the enhancements to our policyowner notices and annual statements, Customer Service, Actuarial, and I.T. Systems & Projects worked on a number of procedural changes to improve the management of our policy loan portfolio and enable policyowners to better manage their policies.

Where do you expect to place your focus in 2013?

MJB: During the first few months of 2013, I am focused on ensuring that Colina is ready to successfully introduce its revised products to the market. Thereafter, my time will be spent developing new products for Colina's life and health businesses and working with our IT department to improve how we administer our policies.

EMA: Our focus will continue to be on sales – expanding our product offerings to better meet our customers' needs and modernizing our distribution channels to enhance the customer experience.

LN: Our focus will be using a variety of means to promote healthy lifestyles among our clients and to work with our health care partners to bring greater efficiencies to the delivery of medical services.

WB: Employing the necessary programs and training to engender a customer oriented culture throughout Colina and reinforce the desired behaviors and attitudes that result in high levels of customer satisfaction.

EK: In 2013, our focus will be on promoting efficiency, effectiveness and innovation while working with other departments to support the Company's overall objectives. We will further invest in training, process improvements and business continuity management as these are building blocks for success.

TJT: Within the Internal Audit department, we independently examine and evaluate the Company's system of internal controls and provide recommendations for improvement to management. Our focus for 2013 is executing our risk-based audit plan to improve the overall function of the Company which will inevitably better serve our clients in 2013 and beyond.

DBR: I am committed to purposefully aligning the processes and procedures needed to achieve Colina's production goals in 2013. We expect to set new records in the insurance industry and in the Caribbean.

MANAGEMENT'S DISCUSSION & ANALYSIS

Colina Holdings Bahamas Limited: Management's Discussion & Analysis (MD&A)
for the year ended December 31, 2012
This MD&A is dated February 26, 2013

Antoinette Moxey ▸ Financial Controller, Colina Insurance Limited

Simone Coakley ▸ Financial Reporting Officer, Colina Insurance Limited

Anthony Lowe ▸ Financial Controller, Colina General Insurance Agency & Brokers Limited

FORWARD-LOOKING STATEMENTS

This report provides an analysis of the Company's financial condition and results of operations. Historical information is presented and discussed and, where appropriate, the report may contain forward-looking statements about the Company, including its business operations, strategies, and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, and that indicate or imply future results, performance or achievements. Such forward-looking statements may include words like "believes", "expects", "estimates", "intends", "projects", "anticipates", "plans", and other words, phrases or expressions with similar meaning. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties, and assumptions about the Company that may cause actual results to differ significantly from those expressed or implied. As a result of these uncertainties, such forward-looking statements are not guarantees of future performance. Given these risks and uncertainties, readers should not place undue reliance on forward-looking statements as a prediction of actual results.

OVERVIEW

Colina Holdings Bahamas Limited ("CHBL" or "the Company") is a holding company incorporated in 1993. CHBL subsidiaries provide financial services solutions through the production, distribution, and administration of insurance and investment products. CHBL's flagship company is Colina Insurance Limited (Colina), a wholly owned life and health insurer whose principal operations are conducted largely in The Bahamas and which is also registered to operate in the Cayman Islands and The Turks and Caicos Islands. The Company's other principal subsidiary is Colina General Insurance Agency & Brokers Limited which has provided general insurance agency services in The Bahamas since 2004 and which has recently been approved to expand its offerings to operate as a general insurance broker.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

"It was satisfying to see Colina set a company record with the attainment of 56 professional designations and awards (LOMA) by its employees during 2012. This feat and other professional milestones achieved by employees during 2012 demonstrate a commitment to professional development by the Company's most vital resource – its people."

Emmanuel Komolafe,
Chief Risk & Compliance Officer, Colina Holdings Bahamas Limited

Provision for future policy benefits

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

Goodwill and Other Intangible assets

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

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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

2012 REVIEW ECONOMIC AND MARKET CONDITIONS

Despite scattered signs of improvement, the world economic climate remains challenging. Global economic growth in 2012 was its slimmest in three years, with the trend of "mildly positive growth" in The Bahamas closely aligned with activity in the tourism, foreign investment and public sector construction sectors. Indicators such as unemployment and sovereign debt remained elevated.

The challenges occasioned by the global economic turbulence which began in 2008 continued to have an impact on The Bahamas in 2012. The economy contracted by about 1.5% in 2008, followed by continued contraction of 5.4% in 2009. The years 2010 and 2011 saw moderate economic growth of 0.9% and 1.6% respectively; however, growth in these periods only slightly mitigated the deterioration in the macroeconomic metrics of the previous periods.

Both the IMF and the IDB expect the economy to grow by about 2.5% over the next year with fiscal performance similarly expecting to improve in 2014. They also observed that The Bahamas has the lowest inflation rate in the region and that this condition is expected to persist in the near future.

In its December, 2012 publication of Economic and Financial Developments in The Bahamas, the Central Bank of The Bahamas commented that "expectations are that the domestic recovery, underway since 2010, will be sustained into 2013, benefitting from continued improvement in tourism sector performance, alongside ongoing foreign investment-related construction activity." Construction continues on the $2.8 billion Baha Mar resort development project, which, upon completion is expected to create more than 7,000 new jobs and thereby provide a significant economic boost.

SUMMARY OF FINANCIAL PERFORMANCE

The positive but subdued economic growth conditions in 2012 along with targeted efforts by Colina's new Director of Sales and Colina's Group Health division had an impact on improving gross sales volumes in Colina's Life and Health Divisions relative to prior year. This moderate growth, combined with improved experience in total policyholder benefit and reserve requirements, contributed to an increase in total net income to $12.3 million compared to $5.6 million in the prior year, an increase of over $6.7 million.

Gross premium revenues increased by $3.0 million, totalling $135.1 million for the 12 months ended December 31, 2012 compared to $132.1 million in the prior year.

The Company continued to achieve its objective of balance sheet growth, increasing total assets by $33.2 million to $583.1 million at year end, representing a 6.0% increase over total assets as at December 31, 2011. The majority of this asset growth was concentrated in additional investments in fixed income securities during the year.

Colina's largest asset, in my opinion, is its professional, talented and diverse workforce. Without our staff, we could not meet the ambitious mandates bestowed on us as management.

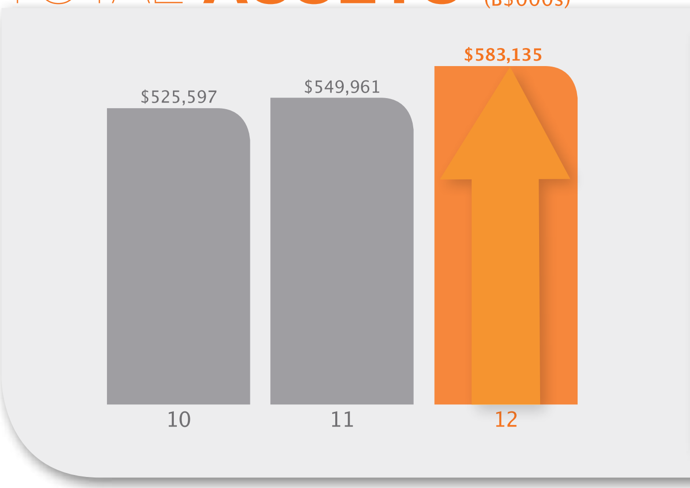
Tatjana Jancic-Turner
Chief Group Internal Auditor, Colina Holdings Bahamas Limited

OVERALL **PERFORMANCE**

Colina Holdings Bahamas Limited
Statistical Financial Reporting Data
(All data in B$000s with the exception of $ per share amounts)
For the year ended December 31, 2012

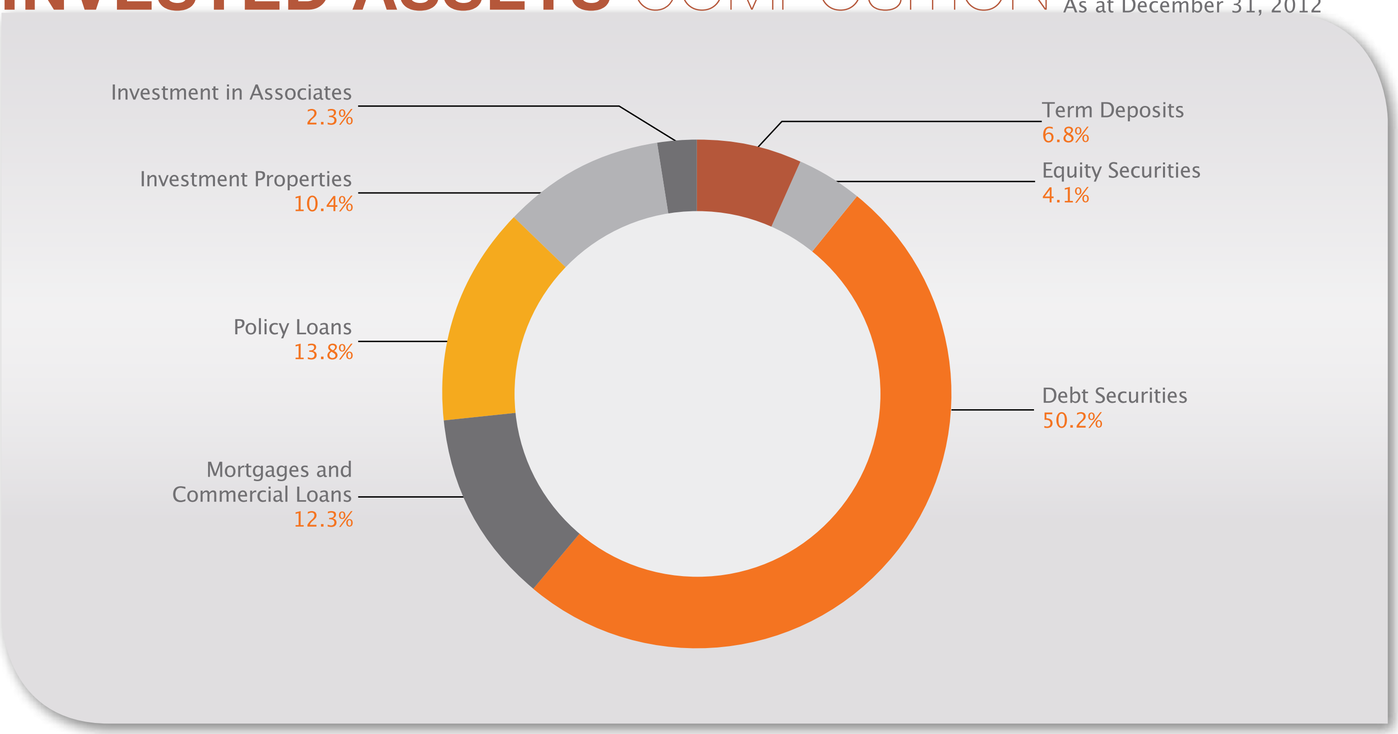
	2012	2011	2010
Net income for the year	$ 12,271	$ 5,588	$ 14,064
Net income for equity shareholders	$ 11,280	$ 5,030	$ 12,956
Net income for ordinary shareholders	$ 9,384	$ 3,322	$ 11,343
Gross premium revenue	$ 135,067	$ 132,085	$ 131,843
Net premium revenue	$ 120,261	$ 117,449	$ 118,173
Total assets	$ 583,135	$ 549,961	$ 525,597
Total invested assets	$ 475,390	$ 457,682	$ 421,310
Total ordinary shareholders' equity	$ 83,683	$ 77,327	$ 76,999
Total equity	$ 127,917	$ 119,664	$ 115,499
Return as % of total assets	2.1%	1.0%	2.7%
Return on total equity	10.3%	4.8%	13.6%
Earnings per ordinary share	$ 0.38	$ 0.13	$ 0.46
Cash dividends declared per share by class			
Class A Preference Shares	$ 0.06	$ 0.06	$ 0.07
Ordinary Shares	$ 0.16	$ 0.16	$ 0.23

TOTAL ASSETS (B$000s)



TOTAL EQUITY (B$000s)

INVESTED ASSETS COMPOSITION As at December 31, 2012



Charmaine Parker ▸ Manager, Premium Accounting, Colina Insurance Limited

Karen Hawkins ▸ Manager, Accounts Payable, Colina Insurance Limited

Paula-Maria Hospedales ▸ Reinsurance Administration Manager, Colina Insurance Limited

Expenses (excluding policyholder benefits and actuarial reserves) represented approximately 30.5% of total revenues for the life and health divisions. Such expenses represented 29.1% total life and health insurance division revenues in the prior year. Effective cost management remains a key management strategy to ensure expenditure remains focused on those activities considered necessary to provide the level of service that our policyholders have come to anticipate.

The Company's primary operating segments include Colina's Life Insurance division and its Group and Health Insurance divisions. All other non-direct insurance activities results are captured separately. We discuss highlights that affected the Company's segmented operating results:

Life Division

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

The life division contributed $1.6 million to Company net income which was a decrease over the prior year of $6.4 million due largely to increased claims experience inclusive of policyholder reserve adjustments.

Total revenues for the life division were $81.8 million, an increase of 0.3% over the prior year of $81.6 million. Life division net premiums totalled $54.7 million for 2012, a slight decrease from the prior year's net premiums which totalled $55.5 million. We are pleased to note, however, that net settled individual life sales volumes, (a measure used by management to track new business growth) increased over prior year's volumes by over 46%. The impact of the improved net settled volumes were only partially included in 2012 net premiums as a result of timing differences, however, these positive sales trends will contribute positively to the division's profitability. This significant improvement in new business was largely as a result of the implementation of recruiting and revision of the agency distribution network, new sales training and incentive programmes by our Director of Sales who joined Colina in February 2012.

Colina is currently preparing to launch a new suite of individual life products in 2013 which is expected to further boost sales volumes. These products are competitively priced to ensure that they will contribute positively to the profitability of the life division over the long term.

Net investment income for the life division increased by 4.2% to $26.6 million in 2012 compared to $25.5 million in 2011 due largely to the successful strategy to continue diverting new investment funds towards fixed income securities with a concentration in Bahamas Government Registered Stock or quasi-governmental offers.

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

Health Division

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

The health division contributed $10.2 million to total net income in 2012 compared to $0.7 million in 2011.

The Company experienced a significant increase in individual medical sales volumes relative to the prior year. This increase in sales combined with premium rate adjustments for inflation and claims experience increased net premiums for this division by 8.2% to $52.4 million compared to $48.4 million in 2011.

The health division's policyholder benefits (inclusive of actuarial reserves) totaled $31.3 million compared to $37.9 million in 2011. Gross health division medical claims increased in 2012

Zania Arthur ▸ Operations Manager, Colina General Insurance Agency & Brokers Limited

Carlton Adderley ▸ Asst. Operations Manager / HR Administrator, Colina General Insurance Agency & Brokers Limited

relative to 2011, however, were offset by a larger increase of reinsurance recoveries relative to prior year resulting in the overall decline in net claims costs. Group business retention improved to 96% in 2012 from 90% in 2011, reflecting Colina's high level of service to its insureds. Mindful of the volatility of claims, the Company rigorously assessed renewals of existing business to ensure that they adequately reflect perceived risk exposure and changes in claims experience. The Company will maintain this discipline as it has proven to be effective over the long-term and has enabled the Company to limit losses in high claims years.

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

Colina General Insurance Agency Ltd. (CGIA) was established in 2004 as a property and casualty insurance intermediary. In December 2011, CGIA was acquired by Colina Holdings Bahamas Limited. In November 2012, CGIA became registered as an insurance broker and subsequently changed its name to Colina General Insurance Agency & Brokers Limited in December 2012. CGIA's operating results are included in the "Other" category of CHBL's segmented information. The following is a summary of their financial results.

CGIA had a successful year with commissions earned increasing by 9.6% in 2012 over the prior year. CGIA's management made a concerted effort to maintain bottom line discipline, primarily by lowering general and administrative expenses. General and administrative expenses were significantly reduced by improved management of receivables and streamlining of expenses. The increase in revenues combined with the reduction in expenses resulted in CGIA contributing $0.5 million in profits for the Company.

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

CAPITAL MANAGEMENT

The Company has grown its equity base by 6.9% to $127.9 million in total equity, from $119.7 million in the prior year. Ordinary shareholders' equity has increased by $6.4 million to $83.7 million from $77.3 million as at December 31, 2012, notwithstanding capital distributions to ordinary shareholders of $0.16 per ordinary share during fiscal 2012 and preference share distributions to the Class A preference shareholders of $0.06 per preference share. The Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio, which is an objective calculation of a company's financial strength, was within Colina's targeted range having increased to 195.1% at December 31, 2012 from 191.2% at December 31, 2011. Colina also exceeded all statutory solvency margin requirements as required by the Insurance Act (2005) and the Insurance (General) Regulations, 2010 throughout the year.

We are also pleased to report that during 2012, the Company listed its Class A Preference shares on the Bahamas International Securities Exchange.

SUMMARY OF QUARTERLY RESULTS AND ANALYSIS OF Q4 RESULTS

Net premium revenue for the fourth quarter in 2012 totalled $30.7 million compared to $29.0 million in the same period in the prior year as a result of increased life and health division sales volumes in aggregate. Average quarterly net premium revenues, increased slightly from $29.4 million in 2011 to $30.1 million in 2012.

The second quarter's results in 2011 show a substantial loss to ordinary shareholders totalling $1.3 million as a result of the Company accounting for the full impact of the Bahamian $ Prime Rate reduction on its policyholder actuarial reserves. However, during Q3 2011 and Q4 2011, the Company

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

	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net premium revenue	$ 30,658	$ 30,571	$ 27,874	$ 28,718	$ 29,035	$ 28,983	$ 30,713	$ 28,718
Total revenue	$ 40,761	$ 39,652	$ 36,915	$ 41,180	$ 37,726	$ 38,146	$ 39,712	$ 37,434
Net Earnings by Quarter								
Total Net income/(loss)	$ 2,856	$ 2,458	$ 4,359	$ 2,598	$ 2,696	$ 1,260	$ (710)	$ 2,342
Net income/(loss) attributable to equity shareholders	$ 2,705	$ 2,107	$ 4,261	$ 2,207	$ 2,461	$ 1,325	$ (861)	$ 2,105
Net income/(loss) attributable to ordinary shareholders	$ 2,706	$ 1,169	$ 3,792	$ 1,717	$ 2,041	$ 908	$ (1,272)	$ 1,645
Quarterly Earnings per Ordinary Share	$ 0.11	$ 0.05	$ 0.15	$ 0.07	$ 0.08	$ 0.04	$ (0.05)	$ 0.07

implemented a number of mitigating measures which had the result of significantly offsetting the effects of the reserve increase that had been booked in Q2.

LIQUIDITY ANALYSIS

The Company's current and short-term cash needs are adequately funded through cash generated from its regular operations. Cash in excess of short-term needs are invested in a managed portfolio where the Company also maintains adequate levels of liquid investments in accordance with established liquidity margin requirements as per the Company's investment mandate. At December 31, 2012, the Company held cash and liquid short-term investments of $56.4 million ($45.8 million in 2011). The Company and its subsidiaries held over $238.7 million in fixed income securities, 79.7% of which were investments in government securities with the majority invested in Bahamas Government Registered Stock. The Company maintains a sufficient amount of liquid assets to meet unanticipated cash flow requirements prior to their maturity.

An analysis of the maturity profile of the financial liabilities of the Company based on remaining contractual obligations on an undiscounted cash flow basis is summarized in Note 33 to the Consolidated Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2012, the Company did not provide any guarantees to third parties. Included, however, in its cash and term deposits and investment securities are $0.6 million and $2.3 million, respectively, in restricted balances held in favour of various regulatory bodies.

Other contingent liabilities and commitments are discussed in Note 22 to the Consolidated Financial Statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Risk exposures that arise as a result of the financial instruments that the Company invests in – such as financial, interest rate, credit and liquidity risks – are discussed in Note 33 to the Consolidated Financial Statements.

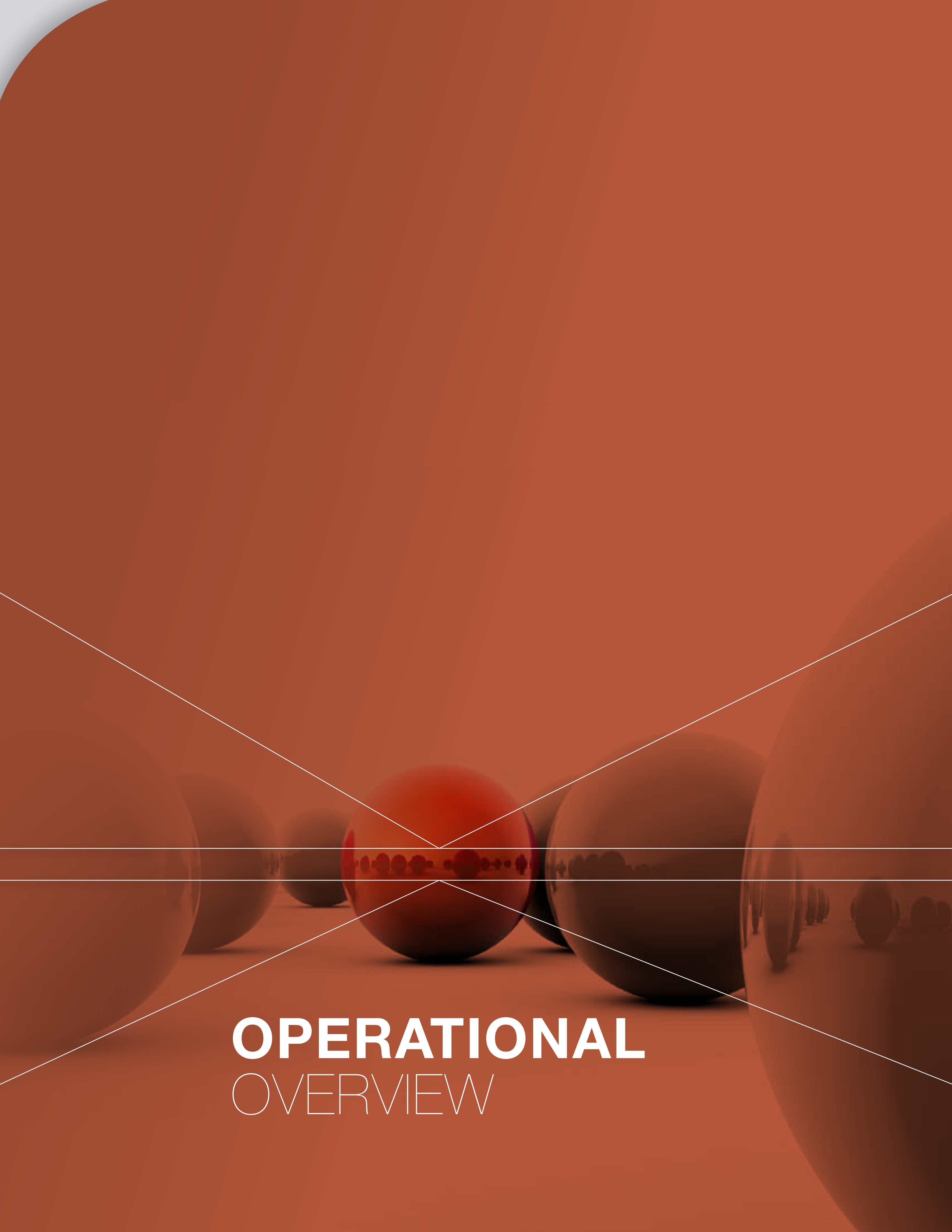
The Company has no investments in instruments that would be settled by the delivery of non-financial assets. Such instruments would include, but are not limited to, futures, hedges, and interest rate swaps.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company has entered into transactions with related parties and affiliates. These balances and transactions are identified and discussed in Note 32 to the Consolidated Financial Statements.

"Colina was trending throughout the year as having significantly improved profitability and an overall growth in total assets. While the improvement in the economic conditions certainly helped, it was most satisfying that Colina exceeded its own expectations in achieving most of its benchmarks and targets."

Catherine Williams ▸ Vice President, Finance, Colina Insurance Limited



OPERATIONAL
OVERVIEW

Doneth Brown-Reid ▸ Director of Sales, Colina Insurance Limited

Stephen Haughey ▸ Chief Operating Officer, Colina Holdings Bahamas Limited

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

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

ADDITIONS TO EXECUTIVE TEAM

The Company added four new members to the executive teams of Colina Insurance Limited and CHBL.

DONETH BROWN-REID

joined Colina Insurance Limited in February and is responsible for leading the strategic plan of the Life Sales Division and overseeing the growth and maintenance of new business opportunities. Ms. Reid has over 21 years of experience in the insurance industry with a successful background in individual sales and branch management.
Before joining Colina, she was Manager of a branch of Guardian Life in her native Jamaica. She holds an LLB degree (First Class Honours) from the University of Technology in Jamaica and is pursuing an MBA (Finance) from the University of Wales' Manchester Business School. She is a Chartered Financial Consultant (CHFC) and Chartered Life Underwriter (CLU). She successfully completed the Agency Management Training Course (AMTC) in 2006.

STEPHEN HAUGHEY

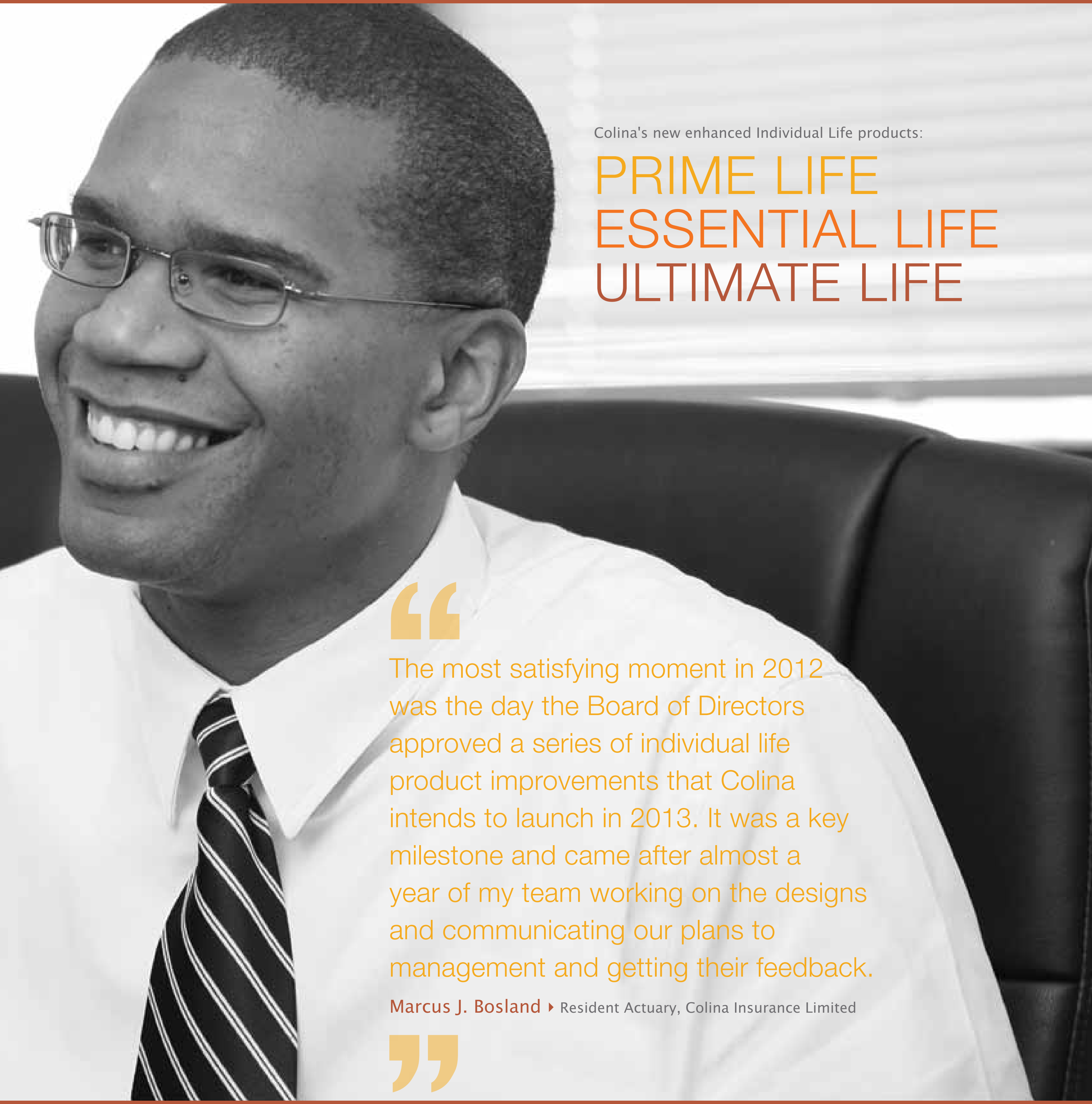
was appointed Chief Operating Officer for Colina Holdings Bahamas Limited in July. Mr. Haughey is charged with overseeing and maximizing the functional synergies of the companies within the CHBL group and brings to this position over 20 years of experience as a Financial Controller and General Manager. A Chartered Accountant, Mr. Haughey started his career in the Toronto office of KPMG before moving to Nassau, Bahamas. He holds a Bachelor of Arts degree from the University of Waterloo, Ontario, Canada.

TATJANA JANCIC-TURNER

became Chief Group Internal Auditor of Colina Holdings Bahamas Limited in October following 18 months as Internal Audit Manager at Ansbacher (Bahamas) Limited. She is responsible for directing the activities of the Internal Audit Department. A native of Serbia, Tatjana has worked in The Bahamas for over 16 years in companies as diverse as the Bahamas Heart Centre and KPMG Chartered Accountants. Ms. Turner holds a Master of Accounting degree and is a Certified Public Accountant, Certified Internal Auditor, Medical Technologist and Holistic Wellness Coach.

ANDREW ALEXIOU

has worked with the office of the Executive Vice Chairman for a number of years and was appointed Vice President and General Counsel of Colina Holdings Bahamas Limited, effective January 2, 2013. Mr. Alexiou directs the representation of CHBL in all legal matters related to the Company, and serves as legal advisor to the Company's executive management team. Mr. Alexiou obtained a Bachelor of Arts degree in Philosophy from Rollins College in Orlando, Florida. He went on to receive an LLB from Buckingham University in England and to complete the BVC at the College of Law in London, England. Mr. Alexiou was called to the Bar of England and Wales in 2008, and to the Bar of The Commonwealth of The Bahamas in 2009.



Colina's new enhanced Individual Life products:

PRIME LIFE
ESSENTIAL LIFE
ULTIMATE LIFE

"The most satisfying moment in 2012 was the day the Board of Directors approved a series of individual life product improvements that Colina intends to launch in 2013. It was a key milestone and came after almost a year of my team working on the designs and communicating our plans to management and getting their feedback."

Marcus J. Bosland ▸ Resident Actuary, Colina Insurance Limited

ESSENTIAL **SOLUTIONS**

Prime Life, Essential Life, Ultimate Life were the names given to three new or enhanced Individual Life products developed by Colina in 2012 and which are being unveiled to the public in early 2013. The products are expected to have a significant positive effect on sales and the Company's competitive position.

Sapna Chatlani ▸ Actuary, Colina Insurance Limited

Pearl Sylvester ▸ Manager, Underwriting, Colina Insurance Limited

DeAndrea Lewis ▸ Actuary, Colina Insurance Limited

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

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

CUSTOMER COMMUNICATIONS **& CONSUMER EDUCATION**

Following initial discussions that began in early 2011, Colina in March 2012 deployed Phase 1 of a technological solution to improve customer relations. Colina spent considerable effort improving the look and feel of policyholder notices and annual statements to assist policyholders in better managing their policies. The project also resulted in a fully automated contract printing process which has significantly reduced the turnaround time for generation and delivery of policy contracts and has provided Colina the ability to issue contracts immediately following approval of an insurance application.

Phase 2 launched in May 2012 with the addition of "Interactive (Live) and On Demand" features for streamlining business and document processes, including all cheque printing applications, giving employees the flexibility needed to complete point-in-time requests by customers for documents in real time. The Group & Health Benefits department served as the pilot group for this phase and has improved operational efficiencies with its current document development process. By utilizing the Interactive (Live) and On Demand modules of the system, the department has been able to manage the contents of many correspondence types, provide solutions through live documents for both one-to-one and one-to-many documents that help cut costs, decrease document processing time, automate compliance, enforce branding standards and improve the quality of the documents delivered to current and potential customers. The department's process for generating proposals, contracts and client guidebooks is now automated.

Further enhancements to the project will continue in 2013 to use the product as a modern, dynamic and interactive vehicle for all aspects of Colina's communications with external parties.

Melanie Hutcheson ▸ Corporate Communications Officer, Colina Insurance Limited

Julie Dean ▸ Manager, Customer Services, Colina Insurance Limited

Lavaughn Fernander ▸ Manager, Customer Services, Colina Insurance Limited

Janice Butler ▸ Manager, Central Processing Unit, Colina Insurance Limited

Millicent Wong ▸ Manager, Life Claims, Colina Insurance Limited

FOCUS ON HEALTH
FOR ALL GENERATIONS

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

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

November 2012 marked the official launch for "Step Up" – a national wellness initiative spearheaded by Colina to promote fitness and active lifestyles in children and teens by reaching out to all generations as stakeholders. "Step Up" was established in response to statistics which show that the a significant percentage of the next Bahamian generation will not be able to live normal adult lives due to complications from preventable lifestyle diseases such as hypertension, high cholesterol and diabetes. Studies show that the percentage of overweight children in The Bahamas aged 6 to 11 increased from 6.5% in 1980 to 19.6% in 2008, while certain popular leisure activities lead children and teens to become less physically active.

Considering these alarming statistics, Colina sought to engage parents, children, youth, schools and the community in working together to mitigate sedentary lifestyle habits and to promote the importance of nutrition and active healthy lifestyles. The programme was designed to address three key components of child wellness – nutrition, fitness and preventive healthcare.

Step Up kicked off with Zumbatomic® – an energetic dance-based fitness event for schoolchildren that offers specially choreographed routines and music to increase focus and self-confidence, boost metabolism and improve coordination. The launch event focused on the importance of increasing physical activity and featured Erica Pierce, a Miami-based celebrity Zumba instructor and video game avatar in the 2012 Zumba® Fitness RUSH game for Kinect for Xbox 360.

Pierce made appearances at CONNECT, Colina's quarterly financial literacy and wellness forum, and also took her message of fitness fun to 16 schools in New Providence, teaching Zumba® choreography and promoting physical activity to students.

BUSINESS CONTINUITY **PLANNING**

Richard Coleby ‣ Manager, Properties, Colina Insurance Limited

Lennox Phillips ‣ Sr. Manager, Information Technology, Colina Insurance Limited

Enrique Pyfrom ‣ Manager, IT Operations, Colina Insurance Limited

Nickara Roberts ‣ Manager, IT Systems, Colina Insurance Limited

Recognizing that a company's ability to get back to business after an emergency often depends on the planning done before the crisis even becomes a threat, the Company announced the update and implementation of its Business Continuity and Hurricane Preparedness plans in July 2012. The plans, which cover potential risks such as natural disasters, fire, telecommunication systems failure, epidemic and flooding, outline the Company's strategies to safeguard employees and property in the face of a significant business disruption and to quickly recover and allow customers to transact business according to the scope and severity of the disruption.

The Company's Business Continuity Plan will minimize potential disruptions to service, business operations and communication and allow for a proactive and prepared approach to potential threats. An effective BCP also assures loyal customers, employees as well as other stakeholders that the Company is committed to serving them.

The BCP ensures that contingencies and redundancies are built into Colina's operations to absorb unexpected shocks and adverse events. The Company has addressed its IT infrastructure, including replication of data, back up of information and the establishment of an alternate recovery site to ensure uninterrupted processing within the Company. Colina's employees and customers are able to clearly determine the communication channels that will be used by the Company in the event of a disruption. The BCP also sensitizes employees to the importance of having their own personal contingency plans.

The comprehensive and proactive plans were developed with the help of Brac Informatics Centre (BIC), a world-class, internationally licensed disaster and recovery centre located in the Cayman Islands, and provide a strategic course of action which will facilitate the training of key staff members. The Company has also subscribed to BIC's sophisticated Tropical Storm and Hurricane Notices & Advisories service to ensure that its Crisis Management Team receives current information on systems in the tropics during the hurricane season to enable the activation of relevant phases of the Hurricane Plan in a timely manner. The BCP ensures that the Company is prepared for the unexpected and is proactive in addressing potential risks that could impact its operations. With the BCP and Hurricane Plan, the Company ensures its resilience to overcoming operational disruptions, which ultimately improves the Company's Enterprise Risk Management Framework.

Charles Nevins III ‣ General Manager, CMCO

Beverley Ferguson ‣ Manager, Credit Collections, CMCO

Ken Donathan ‣ President, Colina Real Estate Fund Ltd.

TRAINING & **DEVELOPMENT**

BUILDING A STRONG SALES TEAM

In February 2012, a new Director of Sales joined Colina and immediately implemented new sales training and incentive programmes that resulted in increased enthusiasm and a renewed commitment of the sales force.

Colina formalized a Sales Training Department in 2012 and hired a training manager with a background in education, insurance sales management, and direct insurance sales to produce standardized sales training for all sales intermediaries, including advanced training for experienced sales representatives.

New sales representatives are vital to the growth of Colina. During 2012, Colina increased its recruiting efforts and added 18 new recruits and 4 sales managers.

The LIMRA management training was conducted in May and was geared to improving the coaching and management skills of the sales management team. This training also provided the managers with an opportunity to earn credits towards their CIAM designation (Chartered Insurance Agency Manager). This designation is the mark of professionalism, competence and modern leadership in today's insurance marketplace.

Julie McIntosh ▸ Village Branch Manager, Colina Insurance Limited

Katrina Whyms ▸ Western Branch Manager, Colina Insurance Limited

Raleigh Francis ▸ Western Sales Manager, Colina Insurance Limited

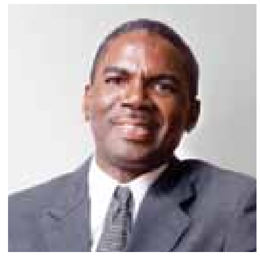
Leslie Gelin ▸ Northern Branch Manager, Colina Insurance Limited

Elrod Outten ▸ Northern Sales Manager, Colina Insurance Limited

Kino McCartney ▸ Collins Branch Manager, Colina Insurance Limited

Sandra Walkes ▸ Collins Sales Manager, Colina Insurance Limited

Sandra Smith ▸ Rosetta Branch Manager, Colina Insurance Limited



Joseph Sweeting ▸ Rosetta Sales Manager, Colina Insurance Limited

Bradley Ferguson ▸ Montagu Branch Manager, Colina Insurance Limited

Lynette Thompson ▸ Montagu Sales Manager, Colina Insurance Limited

Gary Cooper ▸ Blair Branch Manager, Colina Insurance Limited

Yvonne Gibson-Sands ▸ Blair Sales Manager, Colina Insurance Limited

> We made a conscious decision in 2012 to focus on growing our sales force. It was rewarding to see the calibre of talent Colina has attracted and what they brought to the table.

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

SETTING A COMPANY RECORD

In 2012 administrative staff established a Colina record by attaining 56 professional designations and awards in one year through LOMA, the Life Office Management Association for employee training and development in insurance and financial services. These included nine FLMI (Fellow, Life Management Institute) designations (3 with distinction) and one FLHC (Fellow, Life & Health Claims) designation.

Karen Sweeting ▸ Manager, Agency Services, Colina Insurance Limited

Leotha Nixon ▸ Manager, Human Resources, Colina Insurance Limited

COMMUNITY

THE BRIGHTEST YOUNG STARS OF **SPORTS**

Colina Insurance Limited became the title sponsor of the 2012 Colina Carifta Trials in March. The Company's $20,000 donation was used in part by organizers of the event, the Bahamas Association of Athletic Associations (BAAA), to help Family Island athletes travel to the capital to compete. The trials attracted top junior athletes from around the country vying for a place on the 2012 CARIFTA national team.

The new partnership between Colina and the BAAA is a perfect match, as both are aiming to create a healthier, better Bahamas. The events surrounding CARIFTA, including the national Trials and the regional Games, have been instrumental in discovering talent and developing outstanding young athletes throughout the Caribbean. The year 2012 marked the 60th anniversary of the BAAA.

As the world prepared for the 2012 Olympic Games in London, UK, the 2012 corporate calendar of Colina Insurance Limited showcased the promise of sports within the country as thirteen young athletes were highlighted as "The Brightest Young Stars of Sports". The wide circulation of the calendar offered invaluable exposure to the athletes and their sports. The calendar had the honour of featuring Mr. Ramon Miller in the month of August, who went on to win a gold medal as part of The Bahamas' men's 4x400 track and field relay team in that very month. The images were captured by Bahamian photographer Scharad Lightbourne.

RED RIBBON BALL

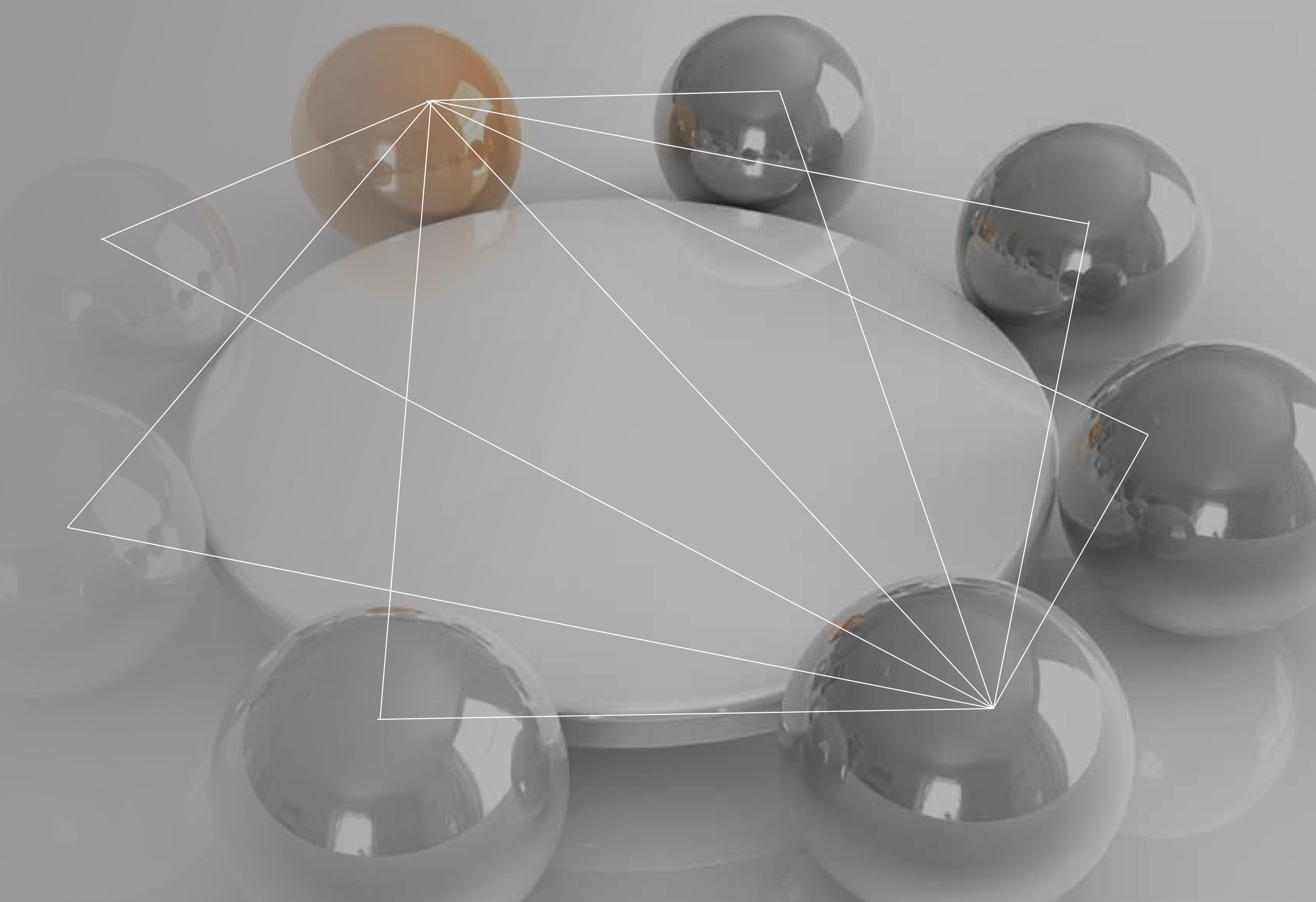
"AN INTERNATIONAL AFFAIR"

Reflecting on the fact that HIV was first identified in 1981 brings to mind the sobering realization that HIV and AIDS have been here now for a generation. The reality since that time has, frankly, been an uphill battle for many individuals living with HIV or AIDS, their families, and friends. Yet the corporate community pauses from time to time – such as on the occasion of the 19th Annual Red Ribbon Ball – to come together and celebrate the gains that have been made and the hope that continues to spring. According to UNAIDS, the rate of new infections worldwide decreased 20% in 2011 (though there are still millions each year). The number of deaths around the world due to AIDS-related causes is on the decline since reaching a peak in 2005. The global rate of mother-to-child transmission declined by 24% between 2009 and 2011 and, in The Bahamas, among those on treatment, this most tragic form of infection has been virtually eliminated through antiretroviral access. For the first time, there is "a vision for an AIDS-free generation".

This is a time not to be complacent, but to build on these successes, and Colina is pleased to have been the principal sponsor of the Red Ribbon Ball to benefit the Bahamas AIDS Foundation for 19 years. The theme for the 2012 Ball, "An International Affair", put into perspective The Bahamas' role as one of many nations coming together to increase the momentum of efforts to stop the epidemic. In its 19-year history, the Ball has raised more than $925,000 for The Foundation. Already, the ability to prevent and treat the disease has advanced beyond what many might have reasonably hoped for 31 years ago.

Yes, a cure for AIDS is still today just beyond the grasp of scientists and researchers, but AIDS is no longer a death sentence, thanks to people around the world committed to saving lives, educating upcoming generations and ensuring that the work has funding. The Red Ribbon Ball has evolved into the largest fundraiser for the Foundation's continuing programmes to treat, educate, feed and counsel individuals of all ages living with HIV or AIDS in The Bahamas.

CORPORATE **GOVERNANCE**



Terence Hilts ▸ Chairman

Emanuel M. Alexiou ▸ Executive Vice Chairman

Anthony Ferguson ▸ Director

PHILOSOPHY

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

LEADERSHIP

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

ROLE OF THE BOARD

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

BOARD 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, 2012, the Board comprised eleven Directors (including the Chairman, one executive Director and nine non-executive Directors). The size of the Board is commensurate to the complexity, geographical spread and nature of the Company.

Lloyd Steinke ▸ Director

Sandra J. Knowles ▸ 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. The Committee met four times in 2012 at appropriate points in the reporting and audit cycle.

COMPENSATION, NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

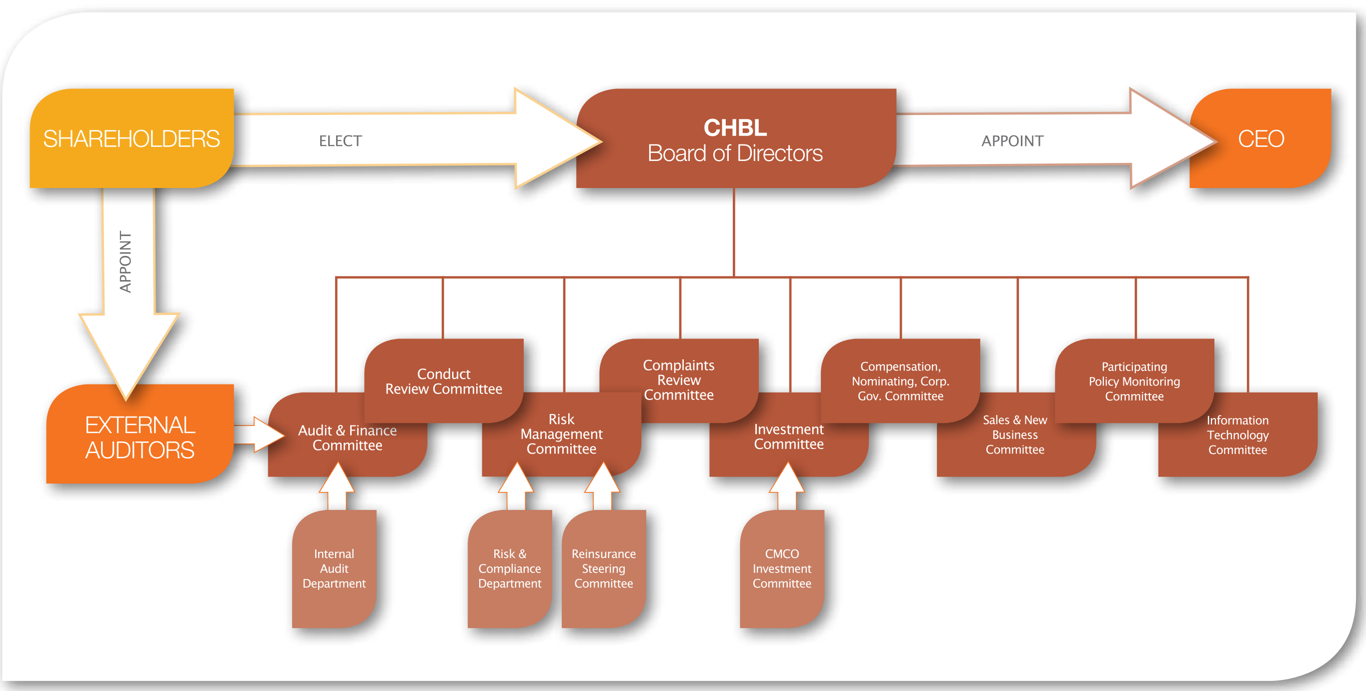
Chaired by Terence Hilts, the Committee's principal role is to assist in the review and oversight of the evaluation of the performance of the executives of the Company, including setting their compensation (including benefits, compensation plans, policies and programs) and succession planning. The Committee annually reviews the Board's performance and develops criteria for selecting new Board members and identifying and considering candidates. The Committee met three times in 2012.

COMPLAINTS REVIEW COMMITTEE

Chaired by Emanuel M. Alexiou, the Committee reviews and approve policies and procedures concerning customer complaints, 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. The Committee met eight times in 2012.

CONDUCT REVIEW COMMITTEE

Chaired by Macgregor Robertson, the Committee's principal role is to ensure management establishes procedures for identifying transactions with related parties of the Company that may have a material effect on the stability or solvency of the Company. The Commiittee is charged with reviewing established procedures to ensure compliance with rules on



Ednol Farquharson ▸ Director

Macgregor Robertson ▸ Director

Earle Bethell ▸ Director

Glenn V. Bannister ▸ Director

related party transactions. The Committee ensures compliance with the provisions of the Insurance (General) Regulations 2010 (in relation to related party transactions) and the Company's Related Party Transactions Policy. The Committee met four times in 2012 at appropriate points in the reporting and audit cycle.

INFORMATION TECHNOLOGY COMMITTEE

Chaired by John Farmer, the Committee serves an oversight committee on matters of Information Technology and is responsible for setting the Company's overall IT strategic direction. The Committee is charged with recommending and reviewing companywide IT policies, procedures and standards for operational efficiency and System security. The Committee assumes responsibility for developing and approving an effective and robust IT Risk Management Framework and reviews IT risk assessments as conducted by management or external consultants. The Committee also determines priorities for the implementation of applications and capital requests. The Committee met five times in 2012.

INVESTMENT COMMITTEE

Chaired by Emanuel M. Alexiou, the Committee establishes the Company's policies, standards and procedures, and reviews, approves and monitors the Company's investment strategy, portfolio and results. The Investment Committee designates an Investment Manager(s) and is responsible for the Investment Manager's compliance with the investment policy at all times. The Committee met 12 times in 2012.

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 any discrepancies, complaints and regulatory concerns affecting participating policies issued by the Company. The Committee met once in 2012.

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 approves risk management policies that establish the appropriate approval levels for decisions and other checks and balances to manage risk. The Committee is not responsible for planning or conducting audits. The Committee met ten times in 2012.

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. The Committee did not meet in 2012.

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 2012. Additionally, minutes of the Committees' meetings were readily available to all members of the Board for review.

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

Andrew Alexiou ▸ Corporate Secretary

Willie A. Moss ▸ Director

John Farmer ▸ Director

BOARD MEETING ATTENDANCE

The Board and its Directors meet regularly, operating to an agreed timetable of scheduled meetings. The attendance of Directors at Board meetings held in 2012 in shown in the following table:

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

THE DIRECTORS As of December 31, 2012

Terence Hilts (Chairman) [2(c),6,10]
Retired Banking Executive
Director since 2004

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

Anthony R. Ferguson [2,3,5,8(c),9]
President, CFAL
Publisher, The Nassau Guardian (1844) Ltd
New Providence, Bahamas
Director since 2002

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

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

Glenn V. Bannister [1,2,4,6]
Managing Director, Morton Salt (Bahamas)
Inagua, Bahamas
Director since 2005

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

John Farmer [5(c),8]
President, Custom Computers Ltd.
New Providence, Bahamas
Director since 2007

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

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

Lloyd Steinke
Executive Consultant
Toronto, Canada
Director since November 2012

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

"It is because of the hard work and dedication of our executive team, employees and sales professionals that we are able to experience success in what has been a busy year. I would also like to thank our Directors for their leadership and contributions to this success."

Terence Hilts ▸ Chairman, Colina Holdings Bahamas Limited

ABOUT COLINA HOLDINGS BAHAMAS LIMITED

(at December 31, 2012)

9 OFFICES

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

217 EMPLOYEES

plus a wide network of career and independent salespersons and qualified brokers

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. Restore Group Critical Illness coverage is the first of its kind in The Bahamas.

COLINA MORTGAGE CORPORATION

Residential Mortgage Lending

A wholly owned subsidiary of Colina Insurance Limited, 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.

COLINA GENERAL INSURANCE AGENCY & BROKERS LIMITED

Property and Casualty

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

1899

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

1965

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

1997

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

2002

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

2004

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

2005

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

2009

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

2010

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

2011

Colina acquires all issued and outstanding shares in Colina General Insurance Agency Limited (CGIA), which later changed its name to Colina General Insurance Agency & Brokers Limited.

SHAREHOLDER INFORMATION

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

The Company's key professional relationships are summarized below:

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

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

Listing
Bahamas International Securities Exchange
Symbol: CHL

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

Auditors
Ernst & Young Chartered Accountants

Legal Counsel
Alexiou Knowles & Co.

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

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

Actuarial Consultants
Oliver Wyman

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

Annual General Meeting
The Annual General Meeting of the Company will be held at 5:30pm on Thursday, April 18, 2013 at the JW Pinder Centre at the Colina complex at 21 Collins Avenue. The Notice of the meeting, detailing the business of the meeting, is sent to all shareholders.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

ERNST & YOUNG

One Montague Place
3rd Floor
East Bay Street
P.O. Box N-3231
Nassau, Bahamas
Tel: +242 502 6000
Fax: +242 502 6090
www.ey.com

Independent Auditors' Report

The Shareholders
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, 2012, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters
The consolidated financial statements of the Company as at and for the year ended December 31, 2011, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 29, 2012.

February 26, 2013

Ernst + Young

OLIVER WYMAN

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26 February 2013

Subject: 2012 certification of actuarial liabilities

The majority of the assets of Colina Holdings Bahamas Limited is in 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 2012, for a total amount of $342,605,833, and their change in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice, the Canadian Institute of Actuaries' Standards of Practice (for Life companies), and the Canadian valuation method ("CALM"), all of which are accepted in the Bahamas, including selection of appropriate assumptions and methods.

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

Respectfully submitted,

Jacques Tremblay

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

MARSH & McLENNAN COMPANIES

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Financial Position

At December 31, 2012
(Expressed in Bahamian dollars)

	Notes	2012	2011
ASSETS			
Term deposits	8	$ 32,507,472	$ 32,641,513
Investment securities	9	258,285,312	233,713,661
Mortgages and commercial loans	10	58,507,747	67,662,693
Policy loans	11	65,749,812	64,263,516
Investment properties	12	49,476,534	49,207,360
Investment in associates	13	10,862,733	10,193,720
Total invested assets		475,389,610	457,682,463
Cash and demand balances	8	23,900,097	13,143,815
Receivables and other assets	14	50,416,789	44,740,763
Property and equipment	15	19,951,616	20,102,630
Goodwill	16	12,512,749	12,921,910
Other intangible assets	17	963,873	1,369,011
Total assets		**$ 583,134,734**	**$ 549,960,592**
LIABILITIES			
Provision for future policy benefits	18	$ 342,605,833	$ 326,094,058
Policy dividends on deposit		29,367,158	30,695,059
Total policy liabilities		371,972,991	356,789,117
Other liabilities	19	83,245,161	73,507,148
Total liabilities		455,218,152	430,296,265
EQUITY			
Ordinary shares	20	24,729,613	24,729,613
Treasury shares	20	(154,531)	(162,254)
Contributed capital		5,960,299	5,960,299
Revaluation reserve	21	8,736,942	7,815,781
Retained earnings		44,410,992	38,983,366
Total ordinary shareholders' equity		83,683,315	77,326,805
Preference shares	20	30,000,000	30,000,000
Total shareholders' equity		113,683,315	107,326,805
Non-controlling interests		14,233,267	12,337,522
Total equity		127,916,582	119,664,327
Total liabilities and equity		**$ 583,134,734**	**$ 549,960,592**

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

Approved by the Board of Directors on February 26, 2013 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, 2012
(Expressed in Bahamian dollars)

	Notes	2012	2011
Revenues:			
Premium revenue		$ 135,066,511	$ 132,084,755
Less: Reinsurance premiums	24	(14,805,294)	(14,635,344)
Net premium revenue	24	120,261,217	117,449,411
Net investment income	25	29,790,034	30,075,134
Share of net gain/(loss) of associates	13	173,172	(599,806)
Other income and fees		8,283,350	6,093,004
Total revenues		158,507,773	153,017,743
Benefits and expenses:			
Policyholders' benefits		93,674,841	96,525,935
Less: Reinsurance recoveries	26	(13,519,323)	(9,131,590)
Net policyholders' benefits	26	80,155,518	87,394,345
Changes in provision for future policy benefits	18	16,511,775	14,296,247
General and administrative expenses	27	33,137,877	29,777,187
Commissions		11,239,658	10,282,855
Premium and other tax expense		3,637,020	3,283,281
Finance costs and interest	28	1,344,898	1,608,159
Goodwill impairment	16	409,161	-
Other (income)/expenses		(199,471)	787,620
Total benefits and expenses		146,236,436	147,429,694
Net income for the year		**$ 12,271,337**	**$ 5,588,049**
Net income attributable to:			
Equity shareholders of the Company	29	$ 11,279,918	$ 5,030,207
Non-controlling interests		991,419	557,842
Net income for the year		**$ 12,271,337**	**$ 5,588,049**
Basic earnings per ordinary share	29	**$ 0.38**	**$ 0.13**

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, 2012
(Expressed in Bahamian dollars)

		2012		2011
Net income for the year	$	12,271,337	$	5,588,049
Other comprehensive income:				
Change in available-for-sale financial assets		488,705		306,733
Total comprehensive income for the year	**$**	**12,760,042**	**$**	**5,894,782**
Attributable to:				
Equity shareholders of the Company	$	11,768,623	$	5,336,940
Non-controlling interests		991,419		557,842
Total comprehensive income for the year	**$**	**12,760,042**	**$**	**5,894,782**

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, 2012
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares
Balance, December 31, 2010	$ 24,729,613	$ (331,614)
Decrease in treasury shares	-	169,360
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	-	-
Unrealized gain on purchase of shares in subsidiary	-	-
Changes in non-controlling interests	-	-
Issuance of preference share capital	-	-
Dividends paid to ordinary shareholders (Note 29)	-	-
Preference share dividends (Note 29)	-	-
Balance, December 31, 2011	24,729,613	(162,254)
Decrease in treasury shares	-	7,723
Net income for the year	-	-
Net gain on remeasurement of available-for-sale securities to fair value	-	-
Unrealized gain on purchase of shares in subsidiary	-	-
Changes in non-controlling interests	-	-
Revaluation of land and buildings	-	-
Dividends paid to ordinary shareholders (Note 29)	-	-
Preference share dividends (Note 29)	-	-
Balance, December 31, 2012	**$ 24,729,613**	**$ (154,531)**

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	6,985,968	$ 26,027,000	$ 39,655,010	$ 12,472,319	$ 115,498,595
-	-	-	-	-	169,360
-	-	-	5,030,207	557,842	5,588,049
-	306,733	-	-	-	306,733
-	(3,332)	-	-	-	(3,332)
-	526,412	-	-	-	526,412
-	-	-	-	(692,639)	(692,639)
-	-	3,973,000	(37,129)	-	3,935,871
-	-	-	(3,956,738)	-	(3,956,738)
-	-	-	(1,707,984)	-	(1,707,984)
5,960,299	7,815,781	30,000,000	38,983,366	12,337,522	119,664,327
-	-	-	-	-	7,723
-	-	-	11,279,918	991,419	12,271,337
-	488,705	-	-	-	488,705
-	23,335	-	-	-	23,335
-	-	-	-	904,326	904,326
-	409,121	-	-	-	409,121
-	-	-	(3,956,738)	-	(3,956,738)
-	-	-	(1,895,554)	-	(1,895,554)
$ 5,960,299	**8,736,942**	**$ 30,000,000**	**$ 44,410,992**	**$ 14,233,267**	**$ 127,916,582**

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

For the Year ended December 31, 2012
(Expressed in Bahamian dollars)

	2012	2011
Cash flows from operating activities:		
Net income	$ 12,271,337	$ 5,588,049
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in unrealized gains on fair value through profit or loss securities	(3,100,968)	(247,849)
Increase in provision for future policy benefits	16,511,775	14,296,247
Changes in loss provisions for loans and receivables	(2,029,354)	(747,661)
Depreciation and impairment/amortization charges	2,947,024	2,087,748
Net realized (gain)/loss on fair value through profit or loss securities	(5,909)	57,008
Net realized gain on sale of available-for-sale securities	-	(3,332)
Interest income	(22,830,758)	(24,023,551)
Dividend income	(1,294,124)	(1,383,461)
Fair value losses (net) on investment properties	371,725	512,221
Finance costs and interest	1,344,898	1,608,159
Operating cash flows before changes in operating assets and liabilities	4,185,646	(2,256,422)
Changes in operating assets and liabilities:		
(Increase)/decrease in other assets	(6,065,150)	7,548,135
Increase in other liabilities	8,402,834	5,073,898
Net cash provided by operating activities	6,523,330	10,365,611

(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, 2012
(Expressed in Bahamian dollars)

	2012	2011
Cash flows from investing activities:		
Unrealized gain on purchase of shares in subsidiary	23,335	(1,679,535)
Decrease/(increase) in term deposits with original maturities greater than 90 days	796,181	(6,232,405)
Decrease/(increase) in restricted cash balances	998,622	(2,559)
Fair value through profit or loss securities purchased	(6,395,562)	(23,366,203)
Proceeds on disposal of fair value through profit or loss securities	585,476	6,702,536
Available-for-sale securities purchased	(15,834,169)	(44,157,785)
Proceeds on disposal of available-for-sale securities	668,186	35,296,419
Disposal of treasury shares	7,723	169,360
Net (increase)/decrease in loans to policyholders	(1,293,170)	5,879,413
Net decrease in mortgages and commercial loans	10,158,213	1,501,867
Additions to investment property	(640,899)	(471,174)
Interest received	23,383,830	24,359,236
Dividends received	1,294,124	1,383,461
Proceeds on disposal of property and equipment, net	374	(399)
Additions to property and equipment	(999,864)	(1,396,937)
Additions to other intangible assets	(573,100)	(782,971)
Net cash provided by/(used in) investing activities	12,179,300	(2,797,676)
Cash flows from financing activities:		
Changes in non-controlling interests	904,326	(692,639)
Interest paid on other contracts	(1,344,898)	(1,608,159)
Net proceeds of preference share offering	-	3,935,871
Dividends paid to ordinary shareholders	(3,956,738)	(3,956,738)
Dividends paid to preference shareholders	(1,895,554)	(1,707,984)
Net cash used in financing activities	(6,292,864)	(4,029,649)
Net increase in cash and cash equivalents	12,409,766	3,538,286
Cash and cash equivalents, beginning of year	32,921,872	29,383,586
Cash and cash equivalents, end of year (Note 8)	$ **45,331,638**	$ **32,921,872**

(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"), 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.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At December 31, 2012, approximately 58.2 % (2011: 58.2%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. ("AFH") and 41.8% (2011: 41.8%) by the Bahamian public. All significant balances and transactions with AFH and parties related to AFH are disclosed in these consolidated financial statements (See Note 32).

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

The consolidated financial statements of the Company for the year ended December 31, 2012 were authorized for issue in accordance with a resolution of the Company's Board of Directors on February 26, 2013.

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, 2012. The following accounting policies adopted were amended in the year commencing January 1, 2012:

- IFRS 7 – Financial Instruments: Disclosures (amendment) effective July 2011;
- IAS 1 – Presentation of Financial Statements effective June 2011;
- Improvements to IFRSs (May 2011) effective January 2014; and
- IAS 32 Financial Instruments, Presentation.

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

3. Standards Issued but not yet Effective

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

- IFRS 9 *Financial Instruments - Classification and Measurement:* Effective prospectively for reporting periods beginning on or after January 1, 2015;
- IFRS 10 *Consolidated Financial Statements* - Effective prospectively for reporting periods beginning on or after January 1, 2013;
- IFRS 11 *Joint Arrangements* - Effective prospectively for reporting periods beginning on or after January 1, 2013;
- IFRS 12 *Disclosure of Interest In Other Entities* - Effective prospectively for reporting periods beginning on or after January 1, 2013;
- IFRS 13 *Fair Value Measurement* - Effective prospectively for reporting periods beginning on or after January 1, 2013;

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year ended December 31, 2012
(Expressed in Bahamian dollars)

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

Management has not yet assessed the full impact of the relevant adoption of these standards and interpretations in future periods against 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 as issued by the International Accounting Standards Board.

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 consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in Note 33.

4.2 Basis of preparation

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

4.3 Significant accounting judgments and key sources of estimation uncertainty

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position 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 in the following.

(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, 2012 of long term insurance contract liabilities is $207,986,878 (2011: $202,087,021) and of investment contract liabilities with DPF is $8,322,256 (2011: $9,018,040).

(b) Medical insurance contract liabilities

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

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

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

The carrying value at the consolidated statement of financial position date of non-life insurance contract liabilities is $16,354,079 (2011: $16,404,856).

(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 $12,512,749 (2011: $12,921,910).

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year ended December 31, 2012
(Expressed in Bahamian dollars)

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

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

All material inter-company balances and transactions are eliminated on consolidation. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the 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 consolidated statement of financial position date whether there is any objective evidence that the entire carrying amount of the investment in associate is impaired by comparing its carrying value to its recoverable amount. Any impairment losses are recognized immediately in the consolidated statement of income.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the 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 consolidated statement of financial position date. Income and expense items denominated in foreign currencies are translated at a rate of exchange that approximates the actual rate prevailing at the time of the transaction. Resulting differences are recognized in income in the reporting period in which they arise.

4.8 Cash and cash equivalents

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

4.9 Financial assets

The 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 consolidated statement of income at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated at initial recognition as at FVPL, the following criteria must be met:

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the 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.

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year ended December 31, 2012
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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 consolidated statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset ('a loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the 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 consolidated statement of financial position date whether there is objective evidence that an AFS financial asset is impaired, including in the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost. If any evidence exists for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated statement of income. The impairment loss is reversed through the consolidated statement of income if in a subsequent period the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

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

4.11 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 consolidated statement of income in the year in which they arise.

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

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

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

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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 consolidated statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

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

4.13 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. Impairment losses related to goodwill cannot be reversed in future periods. 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 consolidated statement of financial position 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 customer relationships, non-competitive agreement, trade name, and software and are carried at cost less accumulated amortization. Intangible assets included in investment in associates are amortized on a straight-line basis as follows:

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

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

4.14 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.

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 consolidated statement of financial position date even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated

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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 salespersons 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 19.

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

4.20 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment will be made. Revenue is measured at the fair value of the consideration received or receivable. Interest income for financial assets that are not classified as at FVPL is recognized using the effective interest method. Dividend income is recognized when the 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 and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities are primarily premiums due for reinsurance contracts and are recognized as an expense when due.

An impairment review of recoverable amounts is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the 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.

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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/salespersons' 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 salespersons can purchase common shares of the Company on the open market through regular payroll deductions up to a maximum of 10% of eligible earnings. Employee and salespersons' contributions are matched by the Company at rates between 20% to 25% of eligible earnings. The Company's matching contribution fully vests to the employee or salesperson after a period of 4 years. These share-based payments to employees and salespersons are measured at the fair value of the equity instruments at the grant date. The cost of matching employee and salespersons' contributions amounted to $9,742 in 2012 (2011: $8,662) and is included in employee/salespersons' benefits expense.

4.24 Taxation

The Company is subject to tax on taxable gross premium income at the flat rate of 3% (2011: 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, 2012, these assets amounted to $42.3 million (2011: $45.7 million). The Company has entered into a sub-investment management agreement with a 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 consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

4.30 Corresponding figures

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

Interest on third party pension liabilities

Interest on third party pension liabilities totalling $1,489,499 were reclassified from other income and expenses to finance costs and interest.

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 IFRS. In carrying out their audit, the Independent Auditors also make use of the work of the Appointed Actuary and the Appointed Actuary's report on the policy liabilities. The Independent Auditors' report outlines the scope of their audit and their opinion.

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6. Subsidiaries

Subsidiaries of the Company as of December 31, 2012 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	82%
CoIImpco One Ltd.	The Bahamas	100%
Dax Limited	The Bahamas	100%
Goodman's Bay Development Company Limited ("GBDC")	The Bahamas	81%
IMPCO Properties (Bahamas) Limited	The Bahamas	100%
IMPCO Real Estate Holdings (Bahamas) Limited	The Bahamas	100%
NCP Holdings Ltd.	The Bahamas	100%
P.I. Investments Ltd.	The Bahamas	100%
Wednesday Holding Company Ltd.	The Bahamas	100%
Investment Holding Companies		
Fairway Close Development Company Ltd.	The Bahamas	100%
Partner Investment Ltd.	The Bahamas	100%
PRO Health Holdings Ltd.	The Bahamas	100%
Sharp Investment Ltd.	The Bahamas	100%
Investment Funds		
CFAL Global Bond Fund Ltd.	The Bahamas	93%
CFAL Global Equity Fund Ltd.	The Bahamas	35%
General Insurance Agency		
Colina General Insurance Agency & Brokers Limited ("CGIA")	The Bahamas	100%
Administrative and Corporate Services		
Colina Corporate Services Limited	The Bahamas	100%

During December 2011, the Company acquired all issued and outstanding shares in Colina General Insurance Agency Limited ("CGIA"). On November 28th, 2012, CGIA received approval from the Insurance Commission of the Bahamas to be registered as an insurance broker. CGIA now possesses a dual registration as broker and agent in accordance with section 121(9) of the Insurance Act, 2005 and changed its name to Colina General Insurance Agency & Brokers Limited on December 17, 2012.

On September 26, 2012, the Company incorporated Colina Corporate Services Limited ("CCSL"). The Company was established to provide corporate and administrative services to Company subsidiaries and affiliates.

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7. Segment Information

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

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

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

No inter-segment transactions occurred in 2012 and 2011. 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:

	2012			
	Life	Health	Other	Total
INCOME				
Net premium revenue	$ 54,688,893	$ 52,365,189	$ 13,207,135	$ 120,261,217
Net investment income	26,561,117	732,803	2,669,286	29,963,206
Other income and fees	533,420	5,246,079	2,503,851	8,283,350
Total revenues	81,783,430	58,344,071	18,380,272	158,507,773
POLICYHOLDER BENEFITS	54,369,153	31,269,935	11,028,205	96,667,293
EXPENSES	25,791,222	16,895,894	6,882,027	49,569,143
NET INCOME	$ 1,623,055	$ 10,178,242	$ 470,040	$ 12,271,337
TOTAL ASSETS	$ 501,518,211	$ 51,149,082	$ 30,467,441	$ 583,134,734
TOTAL LIABILITIES	$ 400,865,442	$ 43,652,980	$ 10,699,730	$ 455,218,152

	2011			
	Life	Health	Other	Total
INCOME				
Net premium revenue	$ 55,454,314	$ 48,411,785	$ 13,583,312	$ 117,449,411
Net investment income	25,486,290	826,067	3,162,971	29,475,328
Other income and fees	611,195	5,481,809	-	6,093,004
Total revenues	81,551,799	54,719,661	16,746,283	153,017,743
POLICYHOLDER BENEFITS	51,639,759	37,917,741	12,133,092	101,690,592
EXPENSES	23,521,906	16,074,900	6,142,296	45,739,102
NET INCOME	$ 6,390,134	$ 727,020	$ (1,529,105)	$ 5,588,049
TOTAL ASSETS	$ 475,570,646	$ 46,662,934	$ 27,727,012	$ 549,960,592
TOTAL LIABILITIES	$ 384,841,348	$ 36,080,417	$ 9,374,500	$ 430,296,265

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8. Cash and Cash Equivalents

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

	2012	2011
Term deposits	$ 32,507,472	$ 32,641,513
Less: Deposits with original maturities of greater than 90 days	(9,776,921)	(10,573,102)
Short-term deposits	22,730,551	22,068,411
Cash and demand balances	23,900,097	13,143,815
Less: Restricted cash balances	(6,625)	(1,005,247)
Less: Bank overdraft (See Note 19)	(1,292,385)	(1,285,107)
Total cash and cash equivalents	$ 45,331,638	$ 32,921,872

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

As of the consolidated statement of financial position date, the weighted-average interest rate on short-term deposits is 2.81% (2011: 3.56%). These deposits have an average maturity of 45 days (2011: 85 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 3.79% (2011: 3.78%).

Included in deposits with original maturities of greater than 90 days are restricted amounts of $612,752 (2011: $680,434). Included in cash and demand balances are restricted amounts of $6,625 (2011: $1,005,247). The restricted balances in 2012 relate to deposits held as support for insurance liabilities in favour of various regulatory bodies. The restricted cash balance in 2011 of $1,005,247 related to a letter of credit in favour of a reinsurance company that acted 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:

	2012	2011
Equity securities		
Fair value through profit or loss	$ 9,109,388	$ 8,917,430
Available-for-sale	10,522,869	10,802,425
Total equity securities	19,632,257	19,719,855
Debt securities		
Fair value through profit or loss	49,211,571	40,486,566
Available-for-sale	189,441,484	173,507,240
Total debt securities	238,653,055	213,993,806
Total investment securities	$ 258,285,312	$ 233,713,661

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

Included in debt securities are government securities which are mainly comprised of variable rate bonds tied to the Bahamian $ Prime Rate issued by The Bahamas Government. These securities have interest rates ranging from 4.35% to 6.63% per annum (2011: from 4.78% to 8.75% per annum) and scheduled maturities between 2013 and 2038 (2011: between 2012 and 2037). In June 2011, the Bahamian $ Prime Rate was reduced by 75 basis points from 5.50% to 4.75%.

(Expressed in Bahamian dollars)

Included in debt securities is $2,295,000 (2011: $2,185,000) representing a restricted balance which is held in favour of the CILStatutory Trust (the "Trust"). The Trust was established in accordance with the Insurance Act, 2005 and Insurance (General) Regulations 2010 (as amended). The aforementioned legislation requires that a minimum of $2,000,000 in assets be deposited in favour of the Insurance Commission of The Bahamas by registered insurers in respect any entities which propose to carry on life and/or health insurance business.

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

	FVPL	Available-for-sale	Total
At December 31, 2010	$ 32,549,488	$ 175,133,660	$ 207,683,148
Additions	23,366,203	44,157,785	67,523,988
Disposals and maturities	(6,702,536)	(35,296,419)	(41,998,955)
Net fair value gains	190,841	314,639	505,480
At December 31, 2011	49,403,996	184,309,665	233,713,661
Additions	6,395,562	15,834,169	22,229,731
Disposals and maturities	(585,476)	(668,186)	(1,253,662)
Net fair value gains	3,106,877	488,705	3,595,582
At December 31, 2012	$ 58,320,959	$ 199,964,353	$ 258,285,312

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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

At December 31, 2011	Level 1	Level 2	Total Fair Value
Financial assets designated at fair value through profit or loss:			
Equity securities	$ 8,649,933	$ 117,497	$ 8,767,430
Shares in investment funds	-	150,000	150,000
Government securities	-	30,947,486	30,947,486
Preferred shares	-	1,650,000	1,650,000
Other debt securities	-	7,889,080	7,889,080
Total	$ 8,649,933	$ 40,754,063	$ 49,403,996
Available-for-sale financial assets:			
Equity securities	$ 10,069,616	$ 67,042	$ 10,136,658
Shares in investment funds	-	665,767	665,767
Government securities	-	133,265,000	133,265,000
Preferred shares	-	9,061,153	9,061,153
Other debt securities	-	31,181,087	31,181,087
Total	$ 10,069,616	$ 174,240,049	$ 184,309,665

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

(Expressed in Bahamian dollars)

10. Mortgages and Commercial Loans

Mortgages and commercial loans are comprised of the following:

	2012	2011
Mortgages and commercial loans	$ 59,523,695	$ 69,681,908
Accrued interest	6,002,324	6,778,660
Subtotal	65,526,019	76,460,568
Less: Provisions	(7,018,272)	(8,797,875)
Mortgages and commercial loans, net	$ 58,507,747	$ 67,662,693

Mortgages and commercial loans are classified into the following categories:

	2012	2011
Residential mortgages	$ 37,171,989	$ 40,950,554
Commercial mortgages	19,061,367	25,393,210
Commercial paper	3,290,339	3,338,144
Subtotal	59,523,695	69,681,908
Accrued interest	6,002,324	6,778,660
Total	$ 65,526,019	$ 76,460,568

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, 2012 are loans to employees and salespersons amounting to $6,535,393 (2011: $6,320,903).

Provisions on mortgages and commercial loans are as follows:

	2012	2011
Residential mortgages	$ 1,446,752	$ 1,653,826
Commercial mortgages	1,520,401	2,137,446
Commercial paper	522,274	620,250
Accrued interest	3,528,845	4,386,353
Total provisions on mortgages and commercial loans	$ 7,018,272	$ 8,797,875

The movement in loan loss provisions is as follows:

	2012	2011
Balance, beginning of year	$ 8,797,875	$ 9,019,347
Increase in provisions	2,226,070	987,787
Provisions written back to income	(4,005,673)	(1,209,259)
Balance, end of year	$ 7,018,272	$ 8,797,875

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

	2012	2011
Residential mortgages	7.58%	7.70%
Commercial mortgages	9.02%	9.06%
Commercial paper	8.20%	8.25%

11. Policy Loans

Policy loans are comprised of:

	2012	2011
Policy loans	$ 62,160,693	$ 60,867,523
Accrued interest on policy loans	3,601,060	3,575,654
Subtotal	65,761,753	64,443,177
Less: Provisions	(11,941)	(179,661)
Policy loans, net	$ 65,749,812	$ 64,263,516

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of $11,941 (2011: $179,661) 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, 2012. Interest is accrued on a monthly basis and the loans are settled on termination of the policy, if not repaid while the policy remains in force. The approximate effective interest rate on policy loans is 11.6% (2011: 11.5%).

12. Investment Properties

	2012	2011
Balance, beginning of year	$ 49,207,360	$ 49,248,407
Additions	640,899	471,174
Net losses from fair value adjustments	(371,725)	(512,221)
Balance, end of year	$ 49,476,534	$ 49,207,360

Land and buildings have been purchased for investment purposes and are carried at fair value. Investment properties, with carrying values totaling approximately $40.8 million, have been mortgaged in support of loans advanced to subsidiary companies by the Company that have been eliminated on consolidation. Income from investment properties, which amounted to $4,494,540 (2011: $4,615,240), is included in rental income in net investment income. Direct expenses related to generating rental income from investment properties, amounting to $1,599,526 (2011: $2,042,537), are included in general and administrative expenses.

(Expressed in Bahamian dollars)

13. Investment in Associates

Investment in Associates is comprised of:

	2012	2011
Walk-In Holdings Limited	$ 4,358,010	$ 3,880,557
SBL Ltd.	6,504,723	6,313,163
Total	$ 10,862,733	$ 10,193,720

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

	2012	2011
Share of profit/(loss) of investment in associate		
Walk-In Holdings Limited	$ 319,467	$ 252,262
SBL Ltd.	(146,295)	(64,446)
Impairment of goodwill - SBL	-	(787,622)
Share of net gain/(loss) of associates	$ 173,172	$ (599,806)

Walk-In Holdings Limited

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

The investment in WIHL is comprised of the following:

	2012	2011
Total assets	$ 8,923,184	$ 8,816,404
Total liabilities	(2,365,606)	(3,323,552)
Net assets of WIHL	$ 6,557,578	$ 5,492,852
Company's share of WIHL's balance sheet	$ 2,125,309	$ 1,647,856
Goodwill	2,232,701	2,232,701
Total investment in WIHL	$ 4,358,010	$ 3,880,557

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

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

	12 Months Ended Dec. 31, 2012	12 Months Ended Dec. 31, 2011
Total revenue	$ 7,364,944	$ 7,020,343
Total profit for the period	$ 1,064,722	$ 840,872
Share of WIHL's profit	$ 319,467	$ 252,262

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SBL Ltd.

In July 2009, the Company and Colina, purchased 7% and 12% of SBL Ltd. ("SBL") at a cost of $3 million and $5 million respectively. In considering the classification of its 19% equity holding in SBL, the 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. In May 2009, SBL acquired the issued and outstanding shares of Ansbacher (Bahamas) Limited ("ABL") and in July 2009, merged ABL subsequently with Sentinel Bank & Trust Limited ("SBT") with the surviving entity retaining the name Ansbacher (Bahamas) Limited. ABL's principal activities comprise private and specialist banking, wealth protection and management, and fiduciary services.

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

The investment in SBL is comprised of the following:

	2012	2011
Total assets	$ 273,727,948	$ 135,617,645
Total liabilities	(244,954,702)	(107,852,609)
Net assets of SBL	$ 28,773,246	$ 27,765,036
Company's share of SBL's balance sheet	$ 4,938,899	$ 4,780,040
Goodwill	1,037,806	1,037,806
Intangible assets	528,018	495,317
Total investment in SBL	$ 6,504,723	$ 6,313,163

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

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

	12 Months Ended Dec. 31, 2012	12 Months Ended Dec. 31, 2011
Total revenue	$ 7,142,322	$ 7,057,684
Total loss for the period	$ (1,055,317)	$ (339,189)
Share of SBL's loss	$ (146,295)	$ (64,446)

The following table shows an analysis of goodwill and other intangible assets included in investment in associates for the years ending December 31, 2012 and 2011:

	Goodwill	Other Intangible Assets	Total
Balance as of December 31, 2010	$ 4,058,129	$ 608,772	$ 4,666,901
Acquired during the year	-	11,287	11,287
Amortization	-	(124,742)	(124,742)
Impairment losses	(787,622)	-	(787,622)
Balance as of December 31 , 2011	3,270,507	495,317	3,765,824
Acquired during the year	-	504,403	504,403
Amortization	-	(471,702)	(471,702)
Balance as of December 31 , 2012	$ 3,270,507	$ 528,018	$ 3,798,525

(Expressed in Bahamian dollars)

The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2012, is shown below.

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	$ 522,120	$ (187,093)	$ 335,027
Non-competitive agreement	86,260	(86,260)	-
Trade name	140,980	(101,036)	39,944
Software	597,179	(444,132)	153,047
Total Other Intangible Assets	$ 1,346,539	$ (818,521)	$ 528,018

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
2013	$ 144,368
2014	121,334
2015	83,696
2016	52,440
2017 and thereafter	126,180
	$ 528,018

14. Receivables and Other Assets

Receivables and other assets are comprised of the following:

	2012	2011
Financial assets		
Premiums receivable	$ 24,373,540	$ 14,137,044
Less: Provision on premiums receivable	(2,681,317)	(2,623,193)
Reinsurance recoveries receivable	4,898,602	4,342,843
Net balances (payable)/receivable on ASO plans	(5,413,442)	598,856
Agents' balances	1,231,045	1,407,370
Less: Provision on agents' balances	(1,158,403)	(1,298,558)
Accrued interest income	3,031,551	2,833,693
Receivables from related parties (See Note 32)	207,404	609,966
Participation in IRM reinsurance facilities	3,800,554	4,739,259
Non-financial assets		
Properties assumed under mortgage defaults	4,436,500	4,740,739
Land held for development	6,257,006	6,254,330
Prepayments and other assets	11,433,749	8,998,414
Total receivables and other assets	$ 50,416,789	$ 44,740,763

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

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

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

15. Property and Equipment

	Land, land improvements and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
At December 31, 2011	$ 21,014,870	$ 2,214,492	$ 4,145,348	$ 97,109	$ 27,471,819
Revaluation adjustments	409,121	-	-	-	409,121
Additions	172,900	29,007	797,957	-	999,864
Disposals	-	-	(1,345)	-	(1,345)
At December 31, 2012	$ 21,596,891	$ 2,243,499	$ 4,941,960	$ 97,109	$ 28,879,459
Accumulated depreciation:					
At December 31, 2011	$ 3,896,994	$ 1,031,468	$ 2,393,971	$ 46,756	$ 7,369,189
Depreciation charge	609,408	222,205	713,275	14,737	1,559,625
Disposals	-	-	(971)	-	(971)
At December 31, 2012	$ 4,506,402	$ 1,253,673	$ 3,106,275	$ 61,493	$ 8,927,843
Net book value:					
At December 31, 2012	$ 17,090,489	$ 989,826	$ 1,835,685	$ 35,616	$ 19,951,616
At December 31, 2011	$ 17,117,876	$ 1,183,024	$ 1,751,377	$ 50,353	$ 20,102,630

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

	2012	2011
Land and land improvements	$ 4,860,523	$ 4,860,523
Buildings	16,736,368	16,154,347
Total cost	$ 21,596,891	$ 21,014,870

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

If land, land improvements and buildings were stated on a historical cost basis, the carrying amount would be $12.0 million (2011: $12.3 million).

(Expressed in Bahamian dollars)

16. Goodwill

	2012	2011
Cost	$ 16,236,865	$ 16,236,865
Accumulated impairment charges	(3,724,116)	(3,314,955)
Net book amount	$ 12,512,749	$ 12,921,910
Balance, beginning of year	$ 12,921,910	$ 10,931,580
Acquisition of CGIA	-	1,990,330
Impairment charge	(409,161)	-
Balance, end of year	$ 12,512,749	$ 12,921,910

The Company acquired 100% of the issued and outstanding shares of CGIA on December 1, 2011 which resulted in goodwill of $1,990,330 at that date.

17. Other Intangible Assets

	2012	2011
Cost	$ 5,512,019	$ 4,938,919
Accumulated amortization	(4,548,146)	(3,569,908)
Net book amount	$ 963,873	$ 1,369,011
Balance, beginning of year	$ 1,369,011	$ 1,211,359
Additions	573,100	782,971
Amortization charge	(978,238)	(625,319)
Balance, end of year	$ 963,873	$ 1,369,011

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.

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Investment yields

The computation of provisions takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or forgone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to projections of interest rates and the magnitude of losses from asset defaults. The Company accounts for such uncertainties by incorporating provisions for losses into projections of investment income. A margin for adverse deviation is calculated by interest rate scenario testing under the CALM methodology. The margin in the most adverse scenario can be interpreted as deducting 35 basis points from the current (Prime) rates immediately and assuming future interest rates remain at that level in the long term. If future interest rates were to differ by 100 basis points from that assumed in the valuation, without changing the policyholder dividend scale, the liability would increase by $57.4 million or decrease by $42.3 million.

Expenses

The administration expense assumption is based on an expense study conducted by the Company. The expenses are allocated by line of business using allocation factors developed by the Company. Such expense studies are conducted annually, and are subject to changes in the Company's cost structure as well as the rate of inflation. Expenses are assumed to increase with inflation of 2.11% in all years. Expenses are increased by a range of 0% to 6.25%, where the Closed Par Fund has no margin. If future expenses are to differ by 10% from that assumed, the liability would increase by $6.8 million or decrease by $6.8 million.

Policy lapse rates

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. The Company bases its estimate of future lapse rates on previous experience for a block of policies. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by a range of 5% to 20%. If future lapse rates are to differ by 10% from that assumed, the liability would increase by $8.3 million or decrease by $7.9 million.

Mortality and Morbidity

Assumptions for life business are based on Company and industry experience. A margin is added for adverse deviation in the range of 4.0 to 11.25 per 1000 divided by the expectation of life for mortality, and between 15% and 20% for morbidity. The Closed Par Fund has the lowest margin added. If future mortality and morbidity are to differ by 10% from that assumed, the liability would increase by $5.7 million or decrease by $5.6 million.

Medical claims costs

The principal assumption underlying the estimate of the medical claims reserve is the Company's past claims development experience. This includes assumptions in respect of average claim costs and claims inflation factors. If the average claim costs were to increase by 10%, gross liabilities would increase by $1.0 million, with the net liabilities increasing by $1.0 million. If the average claim costs were to decrease by 10%, gross liabilities would decrease by $1.0 million, with the net liabilities decreasing by $1.0 million.

(Expressed in Bahamian dollars)

Analysis of provision for future policy benefits

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

	2012	2011
Life insurance	$ 295,873,396	$ 278,260,526
Annuities	22,056,102	22,410,636
Accident and health/IBNR	16,354,079	16,404,856
Colina Investment Plan (See Note 31)	8,322,256	9,018,040
Total provision for future policy benefits	$ 342,605,833	$ 326,094,058

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

	2012	2011
Short-term insurance contracts	$ 16,634,398	$ 16,713,434
Long-term insurance and other contracts		
-with fixed and guaranteed terms	88,113,895	76,443,434
-with fixed and guaranteed terms and with DPF	193,811,207	188,068,834
-without fixed and guaranteed terms	21,548,406	21,832,129
-without fixed and guaranteed terms and with DPF	14,175,671	14,018,187
Long-term investment contracts with DPF	8,322,256	9,018,040
Total provision for future policy benefits	$ 342,605,833	$ 326,094,058

Analysis of change in provision for future policy benefits

	2012	2011
Balance, beginning of year	$ 326,094,058	$ 311,797,811
Changes in discretionary participation features	-	(10,504,480)
Normal changes in policy liabilities	12,475,605	10,992,201
Changes in assumptions and refinement of estimates	4,036,170	13,808,526
Balance, end of year	$ 342,605,833	$ 326,094,058

Closed Participating Fund

Included in the provision for future policy benefits as of December 31, 2012 are actuarial reserves totaling $31.1 million (2011: $30.8 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, 2012 shows that it had the following asset mix: government securities – 48.7 %; policy loans – 23.3%; mortgage loans – 12.5%; corporate bonds – 1.3%; equity securities – 7.9%; preference shares – 4.0%; and cash and cash equivalents – 2.3% (2011: government securities – 46.1%; policy loans – 22.8%; mortgage loans – 13.4%; corporate bonds – 1.6%; equity securities – 6.7%; preference shares – 4.1%; cash and equivalents – 5.3%; and commercial loans – 0.2%).

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19. Other Liabilities

		2012		2011
Third party pension liabilities	$	25,031,314	$	28,074,215
Benefits payable to policyholders		13,477,578		9,924,679
Accrued expenses and other liabilities		41,917,161		33,571,062
Bank overdraft (See Note 8)		1,292,385		1,285,107
Reinsurance payables		1,526,723		652,085
Total other liabilities	$	83,245,161	$	73,507,148

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

20. Share Capital

		2012		2011
Authorized:				
45,000,000 Class "A" preference shares of B$1 each (2011: 45,000,000)	$	45,000,000	$	45,000,000
35,000,000 Ordinary shares of B$1 each (2011: 35,000,000)	$	35,000,000	$	35,000,000
Issued and fully paid:				
30,000,000 Class "A" preference shares of B$1 each (2011: 30,000,000)	$	30,000,000	$	30,000,000
24,669,631 Ordinary shares of B$1 each (2011: 24,666,545)	$	24,575,082	$	24,567,359

Treasury shares are stated at cost and at December 31, 2012, comprise 59,982 (2011: 63,068) 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 2011, the Company issued 3,973,000 additional Class “A” Preference shares.

(Expressed in Bahamian dollars)

21. Revaluation Reserve

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

	2012	2011
Balance, beginning of year	$ 7,815,781	$ 6,985,968
Fair value gains (net) during the year	488,705	306,733
Revaluation of land and buildings	409,121	-
Unrealized gain on purchase of shares in subsidiary	23,335	526,412
Transfers to net income	-	(3,332)
Balance, end of year	$ 8,736,942	$ 7,815,781

22. 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 may have contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material loss will arise from the contingent liabilities. As at December 31, 2012, the Company did not provide any guarantees to third parties in the ordinary course of business. (2011: $1,685,681).

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 $871,161 (2011: $568,148).

Purchase of property and equipment: Commitments for the purchase of capital equipment or services at December 31, 2012 was $196,907 (2011: $499,043).

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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, 2012 are as follows:

No later than 1 year	$ 863,618
Later than 1 year and no later than 5 years	2,513,432
Later than 5 years	1,232,100
Total	$ 4,609,150

23. 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, 2012 are as follows:

No later than 1 year	$ 3,704,672
Later than 1 year and no later than 5 years	8,002,944
Later than 5 years	105,030
Total	$ 11,812,646

24. Net Premium Revenue

Net premium revenue is comprised of the following:

	2012	2011
Life and health insurance premiums	$ 121,859,376	$ 118,501,443
Less: Reinsurance premiums	(14,805,294)	(14,635,344)
Subtotal	107,054,082	103,866,099
Premiums from IRMreinsurance facilities (See Note 14)	13,207,135	13,583,312
Net premium revenue	$ 120,261,217	$ 117,449,411

Net premium revenues are classified in the following categories:

	2012	2011
Short-term insurance contracts	$ 73,139,663	$ 70,192,048
Long-term insurance and other contracts		
-with fixed and guaranteed terms	24,125,993	22,679,293
-with fixed and guaranteed terms and with DPF	22,157,332	22,372,871
-without fixed and guaranteed terms	240,212	191,105
-without fixed and guaranteed terms and with DPF	15,162,756	16,388,874
Long-term investment contracts with DPF	240,555	260,564
Total premium revenue arising from contracts issued	135,066,511	132,084,755
Premiums ceded to reinsurers	(14,805,294)	(14,635,344)
Net premium revenue	$ 120,261,217	$ 117,449,411

(Expressed in Bahamian dollars)

25. Net Investment Income

Net investment income is classified as follows:

		2012		2011
Term deposits	$	1,070,319	$	893,682
Investment securities		15,752,702		12,758,620
Fair value gains (net) included in the revaluation reserve (See Note 21)		488,705		306,733
Less: Investment management fees (See Note 32)		(1,465,184)		(1,304,833)
Net investment return on managed assets		15,846,542		12,654,202
Mortgages and commercial loans		2,599,916		3,839,189
Policy loans		7,279,124		8,348,067
Rental income		4,547,440		4,842,034
Fair value losses (net) on investment properties (See Note 12)		(371,725)		(512,221)
Other fees and income		377,442		1,210,596
Total return on invested assets		30,278,739		30,381,867
Less: Fair value gains in the revaluation reserve		(488,705)		(306,733)
Total net investment income recognized in income	$	29,790,034	$	30,075,134

There are no impairment charges included in net investment income from investment securities (2011: $Nil).

26. Net Policyholders' Benefits

Net policyholders' benefits are comprised of the following:

		2012		2011
Life and health policyholder benefits	$	82,424,404	$	89,431,384
Less: Reinsurance recoveries		(13,519,323)		(9,131,590)
Subtotal		68,905,081		80,299,794
Benefits paid on IRM reinsurance facilities (See Note 14)		11,250,437		7,094,551
Total net policyholders' benefits	$	80,155,518	$	87,394,345

Included in life and health policyholder benefits is $999,263 related to interest on policy dividends on deposit (2011: $1,002,769).

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

	2012	2011
Short-term insurance contracts	$ 48,475,248	$ 49,636,674
Long-term insurance and other contracts		
-with fixed and guaranteed terms	11,796,011	12,449,466
-with fixed and guaranteed terms and with DPF	23,889,953	24,532,621
-without fixed and guaranteed terms	1,747,072	1,836,369
-without fixed and guaranteed terms and with DPF	6,502,663	6,740,287
Long-term investment contracts with DPF	1,263,894	1,330,518
Total policyholders' benefits	93,674,841	96,525,935
Reinsurance recoveries	(13,519,323)	(9,131,590)
Net policyholders' benefits	$ 80,155,518	$ 87,394,345

27. General and Administrative Expenses

General and administrative expenses are comprised of:

	2012	2011
Salaries and employee/salesperson benefits	$ 13,356,224	$ 11,770,761
Fees, insurance and licences	5,120,713	6,115,949
IRM reinsurance facilities expenses (See Note 14)	2,226,071	1,800,643
Advertising and communications expense	4,612,101	2,599,325
Depreciation and amortization	2,537,863	2,087,748
Premises and maintenance	3,533,052	3,354,475
Underwriting fees	805,606	691,569
Other expenses	946,247	1,356,717
Total general and administrative expenses	$ 33,137,877	$ 29,777,187

28. Finance Costs and Interest

Finance costs and interest are comprised of:

	2012	2011
Interest on third party pension liabilities	$ 1,162,500	$ 1,489,499
Interest on liabilities due to ASO groups	182,398	118,660
Total finance costs and interest	$ 1,344,898	$ 1,608,159

(Expressed in Bahamian dollars)

29. Earnings Per Share and Dividends Per Share

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

	2012	2011
Net income attributable to equity shareholders	$ 11,279,918	$ 5,030,207
Net income attributable to ordinary shareholders	$ 9,384,364	$ 3,322,223
Weighted average number of ordinary shares outstanding	24,668,490	24,621,297
Basic earnings per ordinary share	$ 0.38	$ 0.13

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 2012 totalled $3,956,738 ($0.16 per share) (2011: $3,956,738 ($0.16 per share)).

Dividends paid by the Company to the Class "A" preference shareholders during 2012 totalled $1,895,554 (2011: $1,707,984).

30. Pension Plan

The Company operates a defined contribution plan for administrative staff and salespersons. The plan is administered by an affiliated company. Under the plan, all eligible staff and salespersons contribute 5% of pensionable earnings and the Company contributes 5%. The Company's matching contributions vest fully with the employee/salesperson after five years. Pension expense for the year was $563,195 and is included in salaries and employee/salespersons' benefits expense (2011: $582,720).

31. Unit Linked Funds and Investment Plans

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

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

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

Issuance of new CIP policies was discontinued in January 2001.

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The underlying assets of the BIF and CIP that are included in their respective categories in the consolidated statement of financial position at December 31, 2012 are as follows:

	Bahamas Investment Fund 2012	Bahamas Investment Fund 2011	Colina Investment Plan 2012	Colina Investment Plan 2011
Equities - listed	$ 6,791,538	$ 6,332,136	$ 2,116,846	$ 2,107,892
Equities - unquoted	69,426	117,497	15,000	15,000
Preferred shares - unquoted	400,000	400,000	68,000	68,000
Government securities	5,399,300	4,234,007	6,071,842	4,656,851
Debt securities - unquoted	1,050,000	1,050,000	50,000	50,000
Term deposits	1,148,360	886,589	599,500	436,853
Policy loans	-	-	952,385	1,030,267
Cash	80,344	119,810	70,978	230,784
Due (to)/from general fund	(2,655,018)	(1,717,926)	(1,622,295)	422,393
Total assets	$ 12,283,950	$ 11,422,113	$ 8,322,256	$ 9,018,040

32. Related Party Balances and Transactions

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

Transactions with related parties

The following transactions were carried out with related parties:

	AFH	Other affiliates	Other related parties	Total 2012	Total 2011
Revenues					
Group and life insurance	$ 4,525	$ 884,744	$ 649,103	$ 1,538,372	$ 1,289,620
Rental and other income	-	-	6,000	6,000	6,000
Sub-investment fees	-	-	71,726	71,726	79,469
Total	$ 4,525	$ 884,744	$ 726,829	$ 1,616,098	$ 1,375,089
Expenses					
Legal fees	$ -	$ 627,450	$ -	$ 627,450	$ 406,002
Investment management fees	-	-	1,465,184	1,465,184	1,304,833
Administration, Registrar and Transfer Agent fees	-	79,778	50,000	129,778	191,386
Property management fees	-	58,320	-	58,320	58,320
Advertising and Marketing	-	321,375	-	321,375	118,551
Property rental	12,000	641,790	-	653,790	604,683
Medical lab expenses	-	-	644,971	644,971	538,432
Other	-	614,902	56,133	671,035	802,825
Total	$ 12,000	$ 2,343,615	$ 2,216,288	$ 4,571,903	$ 4,025,032

Investment management fees totaling $1,465,184 (2011: $1,304,833) were charged by a related party Investment Manager pursuant to the terms of an Investment Management Agreement dated January 1, 2004 and revised on May 25, 2011. Such fees are charged monthly at various basis point rates depending on the class of assets managed. The Investment Manager is a registered broker-dealer and, as such, has custody of a significant portion of the Company's invested assets.

(Expressed in Bahamian dollars)

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, 2012 was $1,510,014 (2011: $1,326,384).

Directors' fees

Fees paid to Directors for services rendered on Board and Board Committees for the year ended December 31, 2012 totaled $272,500 (2011: $263,500).

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

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

	AFH	Other affiliates	Other related parties	Key Management / Directors	Total 2012	Total 2011
Assets						
Investment securities	$ -	$ 279,500	$ -	$ -	$ 279,500	$ 551,865
Mortgages and and commercial loans, net	$ -	$ 301,045	$ -	$ 2,455,100	$ 2,756,145	$ 2,846,283
Cash and bank balances	$ -	$ -	$ 9,996,630	$ -	$ 9,996,630	$ 1,072,165
Receivables and other assets	$ 5,067	$ 105,610	$ 96,727	$ -	$ 207,404	$ 609,966
Liabilities						
Other liabilities	$ 853	$ 20,479	$ 195,136	$ -	$ 216,468	$ 405,711

Loans advanced to related parties included in mortgages and commercial loans carry interest rates between 5.50% and 8.00% p.a. (2011: 5.50% and 6.50% p.a.).

33. Risk Management

Governance Framework

The primary objective of the Company's Corporate Governance framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place. The 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.

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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.

		2012 (in $000s)		2011 (in $000s)
$0 to $49,999	$	538,347	$	556,587
$50,000 to $99,999		1,012,240		1,008,457
$100,000 to $149,999		2,227,576		2,223,882
$150,000 and over		3,069,827		2,945,777
Total	$	6,847,990	$	6,734,703

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

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

		2012		2011
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 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).

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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, 2012 (in $000s)	Balances with no scheduled repayment dates	Investment Grade	Current Non-Graded	Unit Linked	Past due but not impaired 30 - 90 days	Past due but not impaired >90 days	Past due and/or impaired	Total
Financial assets								
Term deposits	$ 30,759	$ -	$ -	$ 1,748	$ -	$ -	$ -	$ 32,507
FVPL securities	-	2,099	42,512	13,710	-	-	-	58,321
AFS securities	-	7,560	184,082	8,322	-	-	-	199,964
Mortgages and commercial loans	-	-	23,460	-	6,667	21,363	7,018	58,508
Policy loans	64,786	-	-	952	-	-	12	65,750
Cash and demand balances	23,749	-	-	151	-	-	-	23,900
Premiums receivable	-	-	8,217	-	7,670	5,805	-	21,692
Reinsurance receivables	-	-	2,091	-	996	1,812	-	4,899
Other financial assets	4,081	3,032	(5,413)	-	-	-	-	1,700
Total financial assets	$ 123,375	$ 12,691	$ 254,949	$ 24,883	$ 15,333	$ 28,980	$ 7,030	$ 467,241

December 31, 2011 (in $000s)	Balances with no scheduled repayment dates	Investment Grade	Current Non-Graded	Unit Linked	Past due but not impaired 30 - 90 days	Past due but not impaired >90 days	Past due and/or impaired	Total
Financial assets								
Term deposits	$ -	$ -	$ 31,318	$ 1,323	$ -	$ -	$ -	$ 32,641
FVPL securities	-	2,318	34,952	12,134	-	-	-	49,404
AFS securities	-	7,962	169,450	6,898	-	-	-	184,310
Mortgages and commercial loans	-	-	31,651	-	8,046	19,168	8,798	67,663
Policy loans	63,053	-	-	1,030	-	-	180	64,263
Cash and demand balances	12,793	-	-	351	-	-	-	13,144
Premiums receivable	-	-	2,978	-	6,871	1,665	-	11,514
Reinsurance receivables	-	-	1,033	-	607	2,703	-	4,343
Other financial assets	5,458	2,834	599	-	-	-	-	8,891
Total financial assets	$ 81,304	$ 13,114	$ 271,981	$ 21,736	$ 15,524	$ 23,536	$ 8,978	$ 436,173

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, 2012 (in $000s)	Up to a year	1-5 years	Over 5 years	No Term	Not Classified	Total
Insurance and Investment Contracts						
Short-term insurance contracts	$ 7,313	$ (100)	$ (20)	$ -	$ 9,244	$ 16,437
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(11,490)	(23,716)	508,986	-	4,423	478,203
-with fixed and guaranteed terms, with DPF	5,726	34,341	657,044	-	6,404	703,515
-without fixed and guaranteed terms	1,717	6,772	23,263	-	613	32,365
-without fixed and guaranteed terms, with DPF	1,723	5,334	15,343	-	(338)	22,062
Long-term investment contracts with DPF	-	-	-	-	8,322	8,322
Financial Liabilities						
Policy dividends on deposit	-	-	-	29,367	-	29,367
Other financial liabilities	-	-	-	83,245	-	83,245
Total	$ 4,989	$ 22,631	$ 1,204,616	$ 112,612	$ 28,668	$ 1,373,516

December 31, 2011 (in $000s)	Up to a year	1-5 years	Over 5 years	No Term	Not Classified	Total
Insurance and Investment Contracts						
Short-term insurance contracts	$ 7,448	$ 2	$ 30	$ -	$ 9,065	$ 16,545
Long-term insurance and other contracts						
-with fixed and guaranteed terms	(10,841)	(22,705)	494,815	-	3,405	464,674
-with fixed and guaranteed terms, with DPF	4,189	29,383	733,187	-	1,578	768,337
-without fixed and guaranteed terms	1,674	6,827	24,848	-	508	33,857
-without fixed and guaranteed terms, with DPF	1,260	4,443	17,067	-	327	23,097
Long-term investment contracts with DPF	-	-	-	-	9,018	9,018
Financial Liabilities						
Policy dividends on deposit	-	-	-	30,695	-	30,695
Other financial liabilities	-	-	-	73,507	-	73,507
Total	$ 3,730	$ 17,950	$ 1,269,947	$ 104,202	$ 23,901	$ 1,419,730

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

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

For the Year ended December 31, 2012
(Expressed in Bahamian dollars)

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

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

December 31, 2011 (in $000s)	Current	Non-Current	Unit Linked	Total
Term deposits	$ 31,318	$ -	$ 1,323	$ 32,641
Investment securities				
FVPL securities	-	37,270	12,134	49,404
AFS securities	-	177,412	6,898	184,310
Mortgages and commercial loans	2	67,661	-	67,663
Policy loans	-	63,233	1,030	64,263
Investment properties	-	49,207	-	49,207
Investment in associates	-	10,194	-	10,194
Cash and demand balances	12,793	-	351	13,144
Receivables and other assets	44,741	-	-	44,741
Property and equipment	-	20,103	-	20,103
Goodwill	-	12,922	-	12,922
Other intangible assets	-	1,369	-	1,369
Total Assets	$ 88,854	$ 439,371	$ 21,736	$ 549,961

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

In addition to the solvency margins as required by statute, Colina measures its solvency ratio using Canadian reserving methodologies and solvency standards as measured by the Minimum Continuing Capital and Surplus Requirement ("MCCSR"). The Canadian Insurance regulator has set a MCCSR supervisory target of 150%. At December 31, 2012, 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.

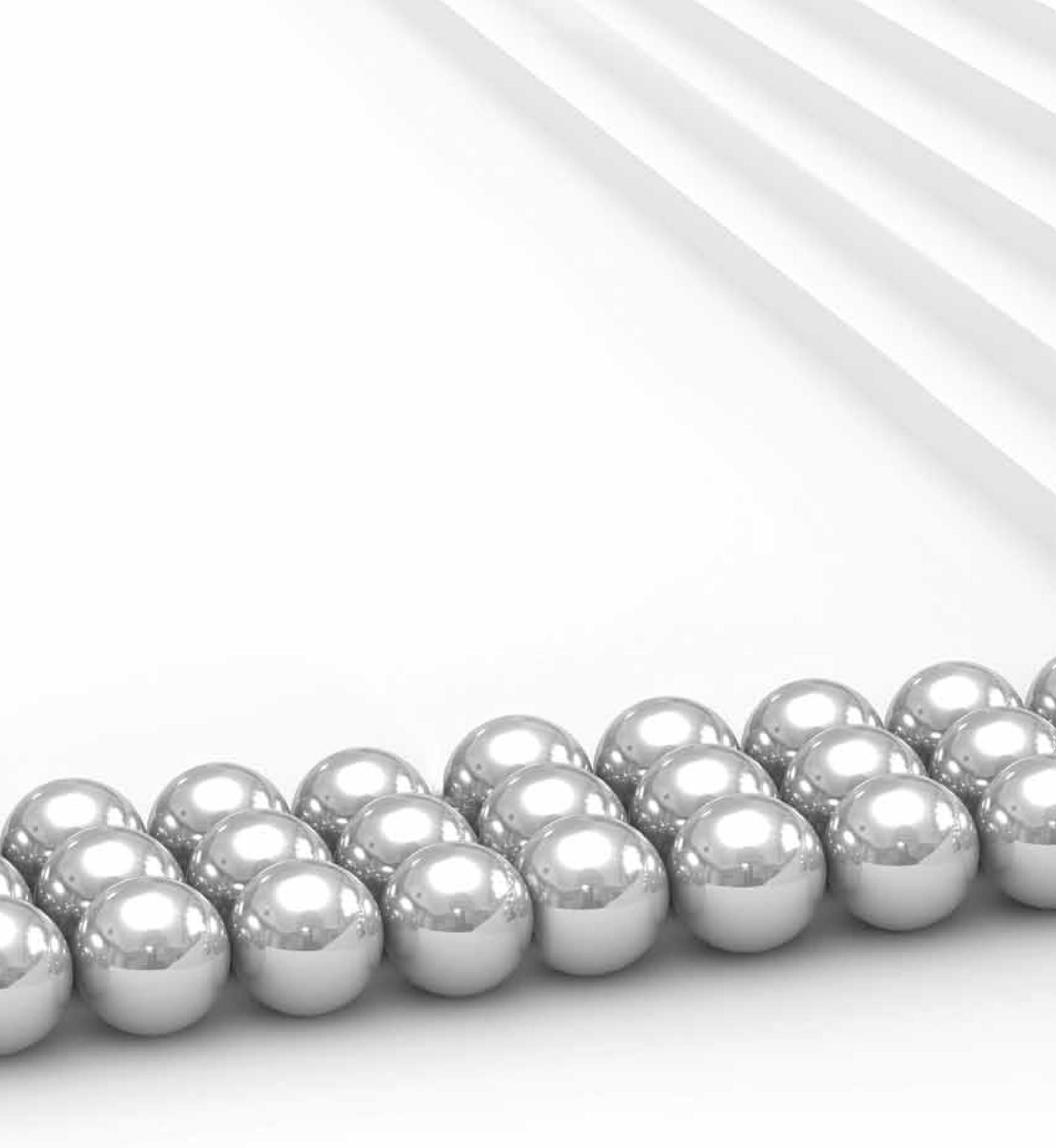
Colina fully complied with all externally imposed capital requirements during the reported financial period and no changes were made to the Company's capital base, objectives, policies and processes from the prior year.

34. Other Subsequent Events

Dividends declared for Ordinary and Preference Shareholders

The Board of Directors, by resolution dated February 21, 2013, authorized the payment of preference share dividends for the Class "A" Preference Shareholders of the Company for the quarters ending March 31, 2013 and June 30, 2013 as they come due, subject to any regulatory requirements.

The Board further approved a dividend to ordinary shareholders of $0.14 per share on all issued and outstanding ordinary shares of record on April 30, 2013, subject to any regulatory requirements.



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