

Colina Holdings Bahamas Limited

**Audited Consolidated Financial Statements
Year Ended December 31, 2008
With Report of Independent Auditors**

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Colina Holdings Bahamas Limited

We have audited the accompanying consolidated financial statements of Colina Holdings Bahamas Limited (the "Company"), which comprise the consolidated balance sheet as at December 31, 2008 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Goodman's Bay Development Company Limited ("GBDC"), a subsidiary of which the Company owns a 67% interest in, which statements reflect total assets of \$28,547,474 as of December 31, 2008 and total revenues of \$2,584,125 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for GBDC, is based solely on the report of the other auditors.

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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements give a true and fair view of the financial position of the Company as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



March 25, 2009

OLIVER WYMAN

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March 25, 2009

Subject:
2008 certification of actuarial liabilities

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

I have valued the actuarial liabilities of Colina Holdings Bahamas Limited for its consolidated balance sheet as of December 31, 2008 for a total amount of \$292,204,944 and their change in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice, the Canadian Institute of Actuaries' Standards of Practice (for Life companies), and the Canadian valuation method ("CALM"), all of which are accepted in the Bahamas, including selection of appropriate assumptions and methods.

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

Respectfully submitted,



Jacques Tremblay
Fellow of Canadian Institute of Actuaries, Fellow of Society of Actuaries
Appointed Actuary for ColinaImperial Insurance Ltd.
March 25, 2009


COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Balance Sheet

At December 31, 2008
(Expressed in Bahamian dollars)

	Notes	2008	2007
ASSETS			
Term deposits	6	\$ 15,607,664	\$ 7,155,623
Investment securities	7	183,204,745	186,581,454
Mortgages and commercial loans	8	73,858,868	76,490,190
Policy loans	9	73,168,649	75,226,427
Investment properties	10	40,130,000	35,226,821
Investment in associate	11	<u>3,708,442</u>	<u>3,402,631</u>
Total invested assets		389,678,368	384,083,146
Cash and demand balances	6	12,332,780	10,463,118
Receivables and other assets	12	29,834,820	37,820,700
Property and equipment	13	21,392,326	19,049,723
Goodwill	14	11,034,383	11,034,383
Other intangible assets	15	<u>498,826</u>	<u>320,962</u>
Total assets		<u>\$ 464,771,503</u>	<u>\$ 462,772,032</u>
LIABILITIES			
Provision for future policy benefits	16	\$ 292,204,944	\$ 284,084,514
Policy dividends on deposit		<u>33,783,922</u>	<u>34,187,914</u>
Total policy liabilities		325,988,866	318,272,428
Bank loan	17	678,923	6,228,712
Other liabilities	18	<u>47,491,931</u>	<u>57,385,527</u>
Total liabilities		<u>374,159,720</u>	<u>381,886,667</u>
EQUITY			
Ordinary shares	19	24,729,613	24,729,613
Treasury shares	19	(81,615)	-
Share premium		5,960,299	5,960,299
Revaluation reserve	20	7,462,729	5,070,701
Retained earnings		<u>24,274,927</u>	<u>19,032,632</u>
Total ordinary shareholders' equity		62,345,953	54,793,245
Preference shares	19	<u>20,000,000</u>	<u>20,000,000</u>
Total shareholders' equity		82,345,953	74,793,245
Minority interest		<u>8,265,830</u>	<u>6,092,120</u>
Total equity		<u>90,611,783</u>	<u>80,885,365</u>
Total liabilities and equity		<u>\$ 464,771,503</u>	<u>\$ 462,772,032</u>

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

Approved by the Board of Directors on March 25, 2009 and signed on its behalf by:


T. Hilts - Chairman


E. M. Alexiou – Executive Vice-Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Income

Year ended December 31, 2008
(Expressed in Bahamian dollars)

	Notes	2008	2007
Revenues:			
Premium revenue		\$ 147,412,821	\$ 147,782,707
Less: Reinsurance premiums		<u>(11,614,216)</u>	<u>(11,969,656)</u>
Net premium revenue	23	135,798,605	135,813,051
Net investment income	24	23,648,551	31,651,192
Other income		<u>729,174</u>	<u>970,079</u>
Total revenues		<u>160,176,330</u>	<u>168,434,322</u>
Benefits and expenses:			
Policyholders' benefits		102,095,206	110,239,575
Less: Reinsurance recoveries		<u>(4,955,653)</u>	<u>(7,204,668)</u>
Net policyholders' benefits	25	97,139,553	103,034,907
Changes in provision for future policy benefits	16	8,120,430	13,064,582
General and administrative expenses	26	28,756,844	29,391,512
Commissions		12,310,529	13,164,026
Premium and other tax expense		3,796,792	4,056,363
Finance costs	27	344,186	594,064
Other expenses		1,579,293	417,693
Impairment of goodwill	14	<u>-</u>	<u>345,176</u>
Total benefits and expenses		<u>152,047,627</u>	<u>164,068,323</u>
Net income for the year		<u>\$ 8,128,703</u>	<u>\$ 4,365,999</u>
Net income attributable to:			
Equity shareholders of the Company	28	\$ 7,698,938	\$ 3,807,391
Minority interest		<u>429,765</u>	<u>558,608</u>
Net income for the year		<u>\$ 8,128,703</u>	<u>\$ 4,365,999</u>
Basic earnings per ordinary share	28	<u>\$ 0.25</u>	<u>\$ 0.09</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Changes in Equity

Year ended December 31, 2008
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	Preference Share Capital	Retained Earnings	Minority Interest	Total Equity
Balance, December 31, 2006	\$ 24,729,613	\$ -	\$ 5,960,299	\$ 1,913,806	\$ 20,000,000	\$ 17,764,425	\$ 5,764,212	\$ 76,132,355
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-	3,287,699	-	-	-	3,287,699
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	-	(130,804)	-	-	-	(130,804)
Net income for the year	-	-	-	-	-	3,807,391	558,608	4,365,999
Distributions by subsidiaries	-	-	-	-	-	-	(230,700)	(230,700)
Dividends paid to ordinary shareholders	-	-	-	-	-	(989,184)	-	(989,184)
Preference share dividends	-	-	-	-	-	(1,550,000)	-	(1,550,000)
Balance, December 31, 2007	24,729,613	-	5,960,299	5,070,701	20,000,000	19,032,632	6,092,120	80,885,365
Increase in treasury shares	-	(81,615)	-	-	-	-	-	(81,615)
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	(1,590,277)	-	-	-	(1,590,277)
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	-	(22,752)	-	-	-	(22,752)
Net income for the year	-	-	-	-	-	7,698,938	429,765	8,128,703
Acquisition of subsidiaries	-	-	-	-	-	-	1,974,645	1,974,645
Transfers	-	-	-	(82,541)	-	82,541	-	-
Distributions by subsidiaries	-	-	-	-	-	-	(230,700)	(230,700)
Revaluation of land and buildings	-	-	-	4,087,598	-	-	-	4,087,598
Dividends paid to ordinary shareholders	-	-	-	-	-	(989,184)	-	(989,184)
Preference share dividends	-	-	-	-	-	(1,550,000)	-	(1,550,000)
Balance, December 31, 2008	<u>\$ 24,729,613</u>	<u>\$ (81,615)</u>	<u>\$ 5,960,299</u>	<u>\$ 7,462,729</u>	<u>\$ 20,000,000</u>	<u>\$ 24,274,927</u>	<u>\$ 8,265,830</u>	<u>\$ 90,611,783</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

Year ended December 31, 2008
(Expressed in Bahamian dollars)

	2008	2007
Cash flows from operating activities:		
Net income	\$ 8,128,703	\$ 4,365,999
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized loss/(gain) on fair value through profit or loss securities	1,031,883	(2,646,061)
Increase in provision for future policy benefits	8,120,430	13,064,582
Changes in loss provisions for loans and receivables	3,445,425	131,416
Depreciation and impairment/amortization charges	2,673,491	2,665,750
Net realized (gain)/loss on fair value through profit or loss securities	(144,568)	119,980
Net realized gain on sale of available-for-sale securities	(22,752)	(130,804)
Interest income	(21,872,342)	(24,250,878)
Dividend income	(1,113,524)	(1,584,605)
Fair value gains on investment properties	(528,836)	(448,818)
Finance costs	<u>344,186</u>	<u>594,064</u>
Operating cash flows before changes in operating assets and liabilities	62,096	(8,119,375)
Changes in operating assets and liabilities:		
Decrease in other assets	7,943,853	6,337,773
Decrease in other liabilities	<u>(9,917,194)</u>	<u>(8,736,971)</u>
Net cash used in operating activities	<u>(1,911,245)</u>	<u>(10,518,573)</u>

(Continued)

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

COLINA HOLDINGS BAHAMAS LIMITED
Consolidated Statement of Cash Flows

Year ended December 31, 2008
(Expressed in Bahamian dollars)

	2008	2007
Cash flows from investing activities:		
Investment in associate	-	(3,402,631)
Acquisition of subsidiaries, net of cash acquired	1,978,977	-
Decrease in term deposits with original maturities greater than 90 days	574,735	8,175,501
Increase in restricted cash	(14,089)	(18,786)
Fair value through profit or loss securities purchased	(1,942,486)	(1,647,296)
Proceeds on disposal of fair value through profit or loss securities	1,767,939	283,217
Available-for-sale securities purchased	(15,412,488)	(32,948,536)
Proceeds on disposal of available-for-sale securities	18,343,619	27,187,670
Acquisition of treasury shares	(81,615)	-
Net decrease/(increase) in loans to policyholders	1,597,139	(1,156,588)
Net decrease/(increase) in mortgages and commercial loans	2,507,095	(1,649,454)
Additions to investment property	(4,374,343)	-
Interest received	19,777,188	23,886,204
Dividends received	1,113,524	1,584,605
Proceeds on disposal of property and equipment, net	44,997	-
Additions to property and equipment	(507,414)	(1,872,461)
Additions to other intangible assets	(726,484)	-
Net cash provided by investing activities	<u>24,646,294</u>	<u>18,421,445</u>
Cash flows from financing activities:		
Distributions by subsidiaries	(230,700)	(230,700)
Interest paid on guaranteed investment & other contracts	(34,843)	(45,037)
Payment of bank loan interest	(309,343)	(549,027)
Dividends paid to ordinary shareholders	(989,184)	(989,184)
Dividends paid to preference shareholders	(1,550,000)	(1,550,000)
Repayment of bank loan principal	(5,549,789)	(4,038,678)
Net cash used in financing activities	<u>(8,663,859)</u>	<u>(7,402,626)</u>
Net increase in cash and cash equivalents	14,071,190	500,246
Cash and cash equivalents, beginning of year	<u>5,833,578</u>	<u>5,333,332</u>
Cash and cash equivalents, end of year (Note 6)	<u>\$ 19,904,768</u>	<u>\$ 5,833,578</u>

(Concluded)

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

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

Year ended December 31, 2008
(Expressed in Bahamian dollars)

1. General 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 ColinaImperial Insurance Ltd. (“ColinaImperial”), a wholly-owned life and health insurer incorporated in The Bahamas. ColinaImperial is registered to operate as a life and health insurer in The Bahamas, The Cayman Islands, The Turks and Caicos Islands, and the United States of America.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At December 31, 2008, approximately 57.9% (2007: 58.1%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. (“AFH”) and 41.5% (2007: 41.9%) by the Bahamian public. All significant balances and transactions with AFH and parties related to AFH are disclosed in these consolidated financial statements (See Note 31).

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, 2008 were authorized for issue in accordance with a resolution of the Company’s Board of Directors on March 25, 2009.

2. Adoption of New and Revised Standards

The Company has not adopted the following International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

- IFRS 8 – *Operating Segments*: Effective for financial reporting periods beginning on or after January 1, 2009;
- IFRS 3 (Revised) - *Business Combinations* and IAS 27 (Revised) - *Consolidated and Separate Financial Statements*: Effective for financial reporting periods beginning on or after January 1, 2009;
- Amendment to IFRS 2 – *Share-Based Payments – Vesting Conditions and Cancellations*: Effective for financial reporting periods beginning on or after January 1, 2009;
- Amendment to IFRS 1 – *First-time Adoption of IFRS* and IAS 27 *Consolidated and Separate Financial Statements*: Effective for financial reporting periods beginning on or after January 1, 2009;
- Amendment to IFRS 7 – *Improving Disclosures about Financial Statements*: Effective for financial reporting periods beginning on or after January 1, 2009;
- IAS 32 – *Financial Instruments: Presentation* and IAS 1 – *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*: Effective for financial reporting periods beginning on or after January 1, 2009;

COLINA HOLDINGS BAHAMAS LIMITED
Notes to Consolidated Financial Statements

Year ended December 31, 2008
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- IAS 23 – *Borrowing Costs*: Effective for financial reporting periods beginning on or after January 1, 2009;
- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*: Effective for periods commencing on or after October 1, 2008.

The Company does not anticipate that the adoption of these standards in future periods will have a material impact on the consolidated financial statements of the Company except for additional disclosures on segmented information required by IFRS 8 and additional disclosures on financial instruments required by IFRS 7.

3. 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.

3.1 *Statement of compliance*

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

3.2 *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 Office of the Registrar of Insurance Companies, uses actuarial practices generally accepted in Canada for the valuation of its provision for future policyholder benefits as no specific guidance is provided by IFRS for determining such provisions. The adoption of IFRS 4 – Insurance Contracts, permits the Company to continue with this valuation policy.

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

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

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

Year ended December 31, 2008
(Expressed in Bahamian dollars)

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 16.

3.4 *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.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Minority interests consist of the amount of those interests at the date of the original business combination (See Note 3.5) and the minority'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.

3.5 *Business combinations*

The Company uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets obtained and liabilities incurred or assumed at the date of exchange, and equity instruments issued by the Company in exchange for control of the acquiree, plus costs directly attributable to the business combination.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

3.6 *Investment in associate*

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.

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are recognized

Year ended December 31, 2008
(Expressed in Bahamian dollars)

only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf 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. The Company assesses at each balance sheet date whether there is any objective evidence that the investment in associate is impaired by comparing the acquisition cost to its fair value. Any impairment losses are recognized immediately in the consolidated statement of income. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where the Company or any of its subsidiaries transact with an associate, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

3.7 Foreign currency translation

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

3.8 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; and bank overdrafts.

3.9 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.

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

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

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

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Notes to Consolidated Financial Statements

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(Expressed in Bahamian dollars)

(ii) 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.

(iii) 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.

AFS financial assets and financial assets at FVPL are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at 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 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 in shareholders' equity and charged to the consolidated statement of income.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company and/or its Investment Manager establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

3.10 Impairment of financial assets

Financial assets carried at amortized cost

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

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Notes to Consolidated Financial Statements

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(Expressed in Bahamian dollars)

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

Financial assets carried at fair value

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

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

3.11 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. Subsequent to initial recognition, such properties are measured at estimated fair value based on open market value determined periodically by external appraisers with management

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valuations in intervening periods. Fair value gains and losses on investment properties are included in the results of operations in the year in which they arise.

3.12 Property and equipment

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

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

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

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

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

3.13 Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquiree at the acquisition date. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units 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 cash-generating units ("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 3.6.

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Other intangible assets

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

3.14 Insurance contracts

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

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

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

A number of insurance and investment contracts contain a Discretionary Participation Feature (“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:
 - (i) the performance of a specified pool of contracts or a specified type of contract;
 - (ii) realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
 - (iii) 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.

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Short-term insurance contracts

Short-duration life insurance contracts protect the Company's customers from the consequences of events (such as death, sickness, or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

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

3.15 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

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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.

3.16 Pension business

The pension business consists of group defined contribution 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 18.

3.17 Policy dividends on deposit

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

3.18 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

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attributable to the Company's equity holders, net of any directly attributable incremental transaction costs.

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

3.19 Revenue recognition

Interest income for financial assets that are not classified as at FVPL is recognized using the effective interest method. Dividend income is recognized when the Company's right to receive payment is established – this is the ex-dividend date for equity securities. The Company's policy for recognition of revenue from operating leases is described in Note 3.25. For the revenue recognition policies surrounding insurance contracts, see Note 3.14.

3.20 Reinsurance transactions

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage contracts. Contracts entered into that meet the classification requirements of insurance contracts are classified as reinsurance contracts held. Amounts recoverable from reinsurers are estimated in a manner consistent with the policy liability associated with the reinsured. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums due for reinsurance contracts and are recognized as an expense when due.

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

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

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

3.21 Defined contribution pension plan

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

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3.22 *Share-based payments*

The Company operates an Employee Share Ownership Plan (“ESOP”). Under this plan, eligible employees and agents can purchase common shares of the Company on the open market through regular payroll deductions up to a maximum of 10% of eligible earnings. Employee and agent contributions are matched by the Company at rates between 20% to 25% of eligible earnings. The Company’s matching contribution fully vests to the employee or agent after a period of 4 years. These share-based payments to employees and agents are measured at the fair value of the equity instruments at the grant date. The cost of matching employee and agent contributions amounted to \$7,113 in 2008 (2007: \$7,702) and is included in employee/agent benefits expense.

3.23 *Taxation*

The Company is subject to tax on taxable gross premium income at the flat rate of 3% (2007: 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.

3.24 *Segregated fund*

With the acquisition of Imperial Life in 2005, certain contracts were acquired which allow unitholders to invest in a segregated fund managed by the Company for their benefit. Substantially all risks and rewards of ownership accrue to the unitholders 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, 2008, these assets amounted to \$66.2 million (2007: \$67.7 million). The Company has entered into a sub-investment management agreement with its own related party Investment Manager to manage a significant portion of these assets.

3.25 *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.

3.26 *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.

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3.27 *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.

3.28 *Contingent liabilities*

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

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

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

3.29 *Corresponding figures*

Certain corresponding figures have been reclassified to conform to the financial statement presentation adopted in the current year.

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4. Responsibilities of the Appointed Actuary and Independent Auditors

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

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

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5. Subsidiaries

Subsidiaries of the Company as of December 31, 2008 are as follows:

Name	Place of Incorporation	Shareholding	Nature of business
ColinaImperial Insurance Ltd. ("ColinaImperial")	The Bahamas	100%	Life and health insurer
ColinaImperial Mortgage Corporation Ltd. ("CIMCO")	The Bahamas	100%	Mortgage company
Bay St. Holdings Ltd.	The Bahamas	100%	Investment property holding company
ColImpco One Ltd.	The Bahamas	100%	Investment property holding company
Dax Limited	The Bahamas	100%	Investment property holding company
Goodman's Bay Development Company Limited ("GBDC")	The Bahamas	67%	Investment property holding company
IMPCO Properties (Bahamas) Limited	The Bahamas	100%	Investment property holding company (dormant)
IMPCO Real Estate Holdings (Bahamas) Limited	The Bahamas	100%	Investment property holding company
NCP Holdings Ltd.	The Bahamas	100%	Investment property holding company
Partner Investment Ltd.	The Bahamas	100%	Investment property holding company
P.I. Investments Ltd.	The Bahamas	100%	Investment property holding company
Sharp Investment Ltd.	The Bahamas	100%	Investment property holding company
Wednesday Holding Company Ltd. (formerly "ColImpco Three Ltd.")	The Bahamas	100%	Investment property holding company
CFAL Global Bond Fund Ltd.	The Bahamas	100%	Investment fund
CFAL Global Equity Fund Ltd.	The Bahamas	50%	Investment fund
PRO Health Holdings Ltd. (formerly "ColImpco Two Ltd.")	The Bahamas	100%	Investment holding company

Wednesday Holding Company Ltd. (formerly ColImpco Three Ltd.) is an investment property holding company formed to hold the Company's investments in existing occupied properties.

The Company transferred the majority of its mortgage portfolio to its wholly-owned subsidiary CIMCO, which was formed during 2007.

PRO Health Holdings Ltd. was formed in late 2007 to hold the Company's interest in the equity of Walk-In Holdings Limited (See Note 11).

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During 2008, the Company acquired 100% and 50% of the shares in the CFAL Global Bond Fund Ltd. (Global Bond Fund) and CFAL Global Equity Fund Ltd. (Global Equity Fund) respectively. Both Funds are investment funds registered in The Bahamas and are managed by a related party. The Global Bond Fund was established in October 2007 and commenced operations on January 1, 2008. The Fund seeks a high total risk adjusted investment return by investing in a global portfolio of investment grade and non-investment grade fixed income securities. The Global Equity Fund was established in October 2007 and commenced operations on January 1, 2008. The Fund seeks a high total risk adjusted investment return by investing in a global portfolio of investment grade and non-investment grade fixed income and equity securities. See also Note 33(d).

6. Cash and Cash Equivalents

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

	2008	2007
Term deposits	\$ 15,607,664	\$ 7,155,623
Less: Deposits with original maturities of greater than 90 days	<u>(6,380,294)</u>	<u>(6,955,029)</u>
Short-term deposits	9,227,370	200,594
Cash and demand balances	12,332,780	10,463,118
Less: Restricted cash balances	(743,980)	(729,891)
Less: Bank overdraft (See Note 18)	<u>(911,402)</u>	<u>(4,100,243)</u>
Total cash and cash equivalents	<u>\$ 19,904,768</u>	<u>\$ 5,833,578</u>

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

As of the year-end reporting date, the weighted-average interest rate on short-term deposits is 3.00% (2007: 3.00%). These deposits have an average maturity of 42.9 days (2007: 32 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 4.00% (2007: 5.51%).

Included in deposits with original maturities of greater than 90 days is a restricted amount of \$1,538,460 (2007: \$1,490,825). Included in cash and demand balances is a restricted amount of \$743,980 (2007: \$729,891). These restricted balances are held as a letter of credit in favour of a reinsurance company acting as a lead reinsurer for the Company for its participation in certain management years within the reinsurance facilities managed by International Reinsurance Managers, LLC. (See Notes 12 and 21).

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7. Investment Securities

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

	2008	2007
Equity securities		
Fair value through profit or loss	\$ 10,395,904	\$ 10,895,885
Available-for-sale	<u>13,149,573</u>	<u>15,190,558</u>
Total equity securities	<u>23,545,477</u>	<u>26,086,443</u>
Debt securities		
Fair value through profit or loss	6,631,018	4,737,300
Available-for-sale	<u>153,028,250</u>	<u>155,757,711</u>
Total debt securities	<u>159,659,268</u>	<u>160,495,011</u>
Total investment securities	<u>\$ 183,204,745</u>	<u>\$ 186,581,454</u>

Fair value through profit or loss

Financial assets at fair value through profit or loss are comprised primarily of the following financial instruments in the Bahamas Investment Fund (See Note 30):

	2008	2007
Equity securities		
Listed	\$ 9,669,176	\$ 9,658,234
Unquoted	683,107	965,281
Shares in investment funds	<u>43,621</u>	<u>272,370</u>
Total	<u>10,395,904</u>	<u>10,895,885</u>
Debt securities		
Government securities	5,116,960	3,567,300
Preferred shares - unquoted	367,000	370,000
Other debt securities - unquoted	<u>1,147,058</u>	<u>800,000</u>
Total	<u>6,631,018</u>	<u>4,737,300</u>
Total fair value through profit or loss securities	<u>\$ 17,026,922</u>	<u>\$ 15,633,185</u>

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Available-for-sale securities

Available-for-sale securities comprise the following:

	2008	2007
Equity securities		
Listed	\$ 11,111,433	\$ 12,296,797
Unquoted	897,613	1,356,652
Shares in investment funds	<u>1,140,527</u>	<u>1,537,109</u>
Total	<u>13,149,573</u>	<u>15,190,558</u>
Debt securities		
Government securities	137,153,228	137,199,311
Preferred shares - unquoted	4,095,892	6,478,338
Other debt securities - unquoted	<u>11,779,130</u>	<u>12,080,062</u>
Total	<u>153,028,250</u>	<u>155,757,711</u>
Total available-for-sale securities	<u>\$ 166,177,823</u>	<u>\$ 170,948,269</u>

As of the year-end reporting date, government securities mainly comprise variable rate bonds tied to the Bahamian \$ Prime Rate issued by The Bahamas Government with interest rates ranging from 5.56% to 8.75% per annum (2007: from 5.59% to 7.13% per annum) and scheduled maturities between 2009 and 2037 (2007: between 2008 and 2037).

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

	FVPL	Available- for-sale	Total
At December 31, 2006	\$ 11,743,025	\$ 161,899,704	\$ 173,642,729
Additions	1,647,296	32,948,536	34,595,832
Disposals and maturities	(283,217)	(27,187,670)	(27,470,887)
Net fair value gains	<u>2,526,081</u>	<u>3,287,699</u>	<u>5,813,780</u>
At December 31, 2007	15,633,185	170,948,269	186,581,454
Additions	1,942,486	15,412,488	17,354,974
Acquisition of subsidiaries	2,106,505	750,962	2,857,467
Disposals and maturities	(1,839,721)	(19,343,619)	(21,183,340)
Net fair value losses	<u>(815,533)</u>	<u>(1,590,277)</u>	<u>(2,405,810)</u>
Balance, end of year	<u>\$ 17,026,922</u>	<u>\$ 166,177,823</u>	<u>\$ 183,204,745</u>

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8. Mortgages and Commercial Loans

Mortgages and commercial loans are comprised of the following:

	2008	2007
Mortgages and commercial loans	\$ 74,486,683	\$ 76,993,778
Accrued interest	<u>5,729,449</u>	<u>4,190,975</u>
Subtotal	80,216,132	81,184,753
Less: Provisions	<u>(6,357,264)</u>	<u>(4,694,563)</u>
Mortgages and commercial loans, net	<u>\$ 73,858,868</u>	<u>\$ 76,490,190</u>

Included in accrued interest is \$4,202,255 (2007: \$2,936,644) which has been fully provided for.

Mortgages and commercial loans are classified into the following categories:

	2008	2007
Residential mortgages	\$ 41,324,226	\$ 41,946,834
Commercial mortgages	28,847,057	30,856,842
Commercial paper	<u>4,315,400</u>	<u>4,190,102</u>
Subtotal	74,486,683	76,993,778
Accrued interest	<u>5,729,449</u>	<u>4,190,975</u>
Total	<u>\$ 80,216,132</u>	<u>\$ 81,184,753</u>

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, 2008 are loans to employees and agents amounting to \$6,921,540 (2007: \$5,737,208).

Provisions on mortgages and commercial loans are as follows:

	2008	2007
Residential mortgages	\$ 903,910	\$ 746,212
Commercial mortgages	687,382	452,535
Commercial paper	563,717	559,172
Accrued interest	<u>4,202,255</u>	<u>2,936,644</u>
Total provisions on mortgages and commercial loans	<u>\$ 6,357,264</u>	<u>\$ 4,694,563</u>

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The movement in loan loss provisions is as follows:

	2008	2007
Balance, beginning of year	\$ 4,694,563	\$ 5,258,520
Increase in provisions	2,425,789	628,688
Provisions written back to income	<u>(763,088)</u>	<u>(1,192,645)</u>
Balance, end of year	<u>\$ 6,357,264</u>	<u>\$ 4,694,563</u>

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

	2008	2007
Residential mortgages	8.09%	8.16%
Commercial mortgages	9.52%	10.15%
Commercial paper	8.26%	8.29%

9. Policy Loans

Policy loans are comprised of:

	2008	2007
Policy loans	\$ 71,043,058	\$ 72,640,197
Accrued interest on policy loans	<u>3,333,283</u>	<u>3,088,601</u>
Subtotal	74,376,341	75,728,798
Less: Provisions	<u>(1,207,692)</u>	<u>(502,371)</u>
Policy loans, net	<u>\$ 73,168,649</u>	<u>\$ 75,226,427</u>

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of \$1,207,692 (2007: \$1,054,059) 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, 2008 with provisions totalling \$1,207,692. In 2007, provisions for policy overloans were calculated based on an estimate of the lapse rate of the portfolio and amounted to \$502,371. 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 11.9% (2007: 11.4%).

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10. Investment Properties

	2008	2007
Balance, beginning of year	\$ 35,226,821	\$ 34,778,003
Additions	4,374,343	-
Net gains from fair value adjustments	<u>528,836</u>	<u>448,818</u>
Balance, end of year	<u>\$ 40,130,000</u>	<u>\$ 35,226,821</u>

Land and buildings have been purchased for investment purposes and are carried at fair value. Investment property, with a carrying value of approximately \$27.0 million, has been mortgaged in support of bank borrowings (See Note 17). Income from investment properties, which amounted to \$2,937,047 (2007: \$2,865,988), is included in net investment income. Direct expenses related to generating rental income from investment properties, which amounted to \$897,078 (2007: \$753,927), is included in general and administrative expenses.

11. Investment in Associate

On November 30, 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 two medical clinics in addition to its investment properties.

The investment in WIHL at December 31, 2008 is as follows:

	2008	2007
Total assets	\$ 5,129,205	\$ 4,487,970
Total liabilities	<u>(210,068)</u>	<u>(588,202)</u>
Net assets of WIHL	<u>\$ 4,919,137</u>	<u>\$ 3,899,768</u>
Company's share of associate's balance sheet	\$ 1,475,741	\$ 1,169,930
Goodwill	<u>2,232,701</u>	<u>2,232,701</u>
Total investment in associate	<u>\$ 3,708,442</u>	<u>\$ 3,402,631</u>

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

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The Company's share of investment in associate's profit (loss) is as follows:

	12 Months Ended Dec. 31, 2008	Month Ended Dec. 31, 2007
Total revenue	\$ 4,597,661	\$ 320,317
Total profit (loss) for the period	<u>\$ 1,019,369</u>	<u>\$ (14,605)</u>
Share of associate's profit (loss)	<u>\$ 305,811</u>	<u>\$ (4,382)</u>

The Company's share of associate's profit (loss) is included in net investment income in the consolidated statement of income.

Other investments

As of December 31, 2008, the Company, through purchases on the open market, had accumulated 2,197,779 shares in RND Holdings Limited ("RND"), representing a 24.8% shareholding. RND is a holding company incorporated in The Bahamas which acts principally through its various subsidiary companies. The Company holds its shares in RND in various investment portfolios with the majority of the shares in the investment-linked insurance fund held for the benefit of the Bahamas Investment Fund ("BIF") policyholders (See Note 30). The shares in RND are not accounted for using the equity method as investments held in the BIF are classified as held for trading and are accounted for under the provisions of IAS 39.

12. Receivables and Other Assets

Receivables and other assets are comprised of the following:

	2008	2007
Financial assets		
Premiums receivable	\$ 10,779,496	\$ 10,915,544
Less: Provision on premiums receivable	(1,861,526)	(1,597,703)
Reinsurance recoveries receivable	5,945,524	11,665,178
Agents' balances	232,840	428,128
Less: Provision on agents' balances	(230,045)	(416,465)
Accrued interest income	2,920,366	2,608,368
Receivables from related parties (See Note 31(d))	449,864	928,624
Participation in IRM reinsurance facilities	3,212,745	4,046,141
Non-financial assets		
Prepaid reinsurance	3,374,771	3,324,150
Prepayments and other assets	4,968,570	5,662,771
Leasehold improvements recoverable from tenants	<u>42,215</u>	<u>255,964</u>
Total receivables and other assets	<u>\$ 29,834,820</u>	<u>\$ 37,820,700</u>

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

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Included in 'prepayments and other assets' at December 31, 2008 is property repossessed by the Company on a mortgage default being held for sale and carried at estimated realizable value of \$500,000 (2007: \$500,000).

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 vary from 5% to 80% for differing underwriting years and its interest is included above. The underlying assets of the reinsurance facilities are principally comprised of US Treasury money market instruments.

13. Property and Equipment

	Land, land improvements and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
At December 31, 2007	\$ 15,822,188	\$ 1,572,104	\$ 8,189,728	\$ 129,197	\$ 25,713,217
Revaluation adjustments	4,087,598	-	-	-	4,087,598
Additions	79,772	-	427,642	-	507,414
Disposals	-	(16,406)	(1,394,890)	(93,102)	(1,504,398)
At December 31, 2008	<u>\$ 19,989,558</u>	<u>\$ 1,555,698</u>	<u>\$ 7,222,480</u>	<u>\$ 36,095</u>	<u>\$ 28,803,831</u>
Accumulated depreciation:					
At December 31, 2007	\$ 1,594,263	\$ 344,279	\$ 4,674,948	\$ 50,004	\$ 6,663,494
Depreciation charge	562,456	147,195	1,476,577	21,184	2,207,412
Disposals	-	(16,406)	(1,394,890)	(48,105)	(1,459,401)
At December 31, 2008	<u>\$ 2,156,719</u>	<u>\$ 475,068</u>	<u>\$ 4,756,635</u>	<u>\$ 23,083</u>	<u>\$ 7,411,505</u>
Net book value:					
At December 31, 2008	<u>\$ 17,832,839</u>	<u>\$ 1,080,630</u>	<u>\$ 2,465,845</u>	<u>\$ 13,012</u>	<u>\$ 21,392,326</u>
At December 31, 2007	<u>\$ 14,227,925</u>	<u>\$ 1,227,825</u>	<u>\$ 3,514,780</u>	<u>\$ 79,193</u>	<u>\$ 19,049,723</u>

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

	2008	2007
Land and land improvements	\$ 4,860,523	\$ 3,000,000
Buildings	<u>15,129,035</u>	<u>12,822,188</u>
Total cost	<u>\$ 19,989,558</u>	<u>\$ 15,822,188</u>

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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 \$12.8 million (2007: \$13.2 million).

14. Goodwill

	2008	2007
Cost	\$ 14,246,535	\$ 14,246,535
Accumulated impairment charges	<u>(3,212,152)</u>	<u>(3,212,152)</u>
Net book amount	<u>\$ 11,034,383</u>	<u>\$ 11,034,383</u>
Balance, beginning of year	\$ 11,034,383	\$ 11,379,559
Impairment charge	<u>-</u>	<u>(345,176)</u>
Balance, end of year	<u>\$ 11,034,383</u>	<u>\$ 11,034,383</u>

15. Other Intangible Assets

	2008	2007
Cost	\$ 2,219,334	\$ 1,492,850
Accumulated amortization	<u>(1,720,508)</u>	<u>(1,171,888)</u>
Net book amount	<u>\$ 498,826</u>	<u>\$ 320,962</u>
Balance, beginning of year	\$ 320,962	\$ 605,666
Additions	726,484	-
Amortization charge	<u>(548,620)</u>	<u>(284,704)</u>
Balance, end of year	<u>\$ 498,826</u>	<u>\$ 320,962</u>

16. 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.

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

Investment yields

The computation of policy liabilities takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or forgone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to projections of interest rates and the magnitude of losses from asset defaults. The Company accounts for such uncertainties by incorporating provisions for losses into projections of investment income. A margin for adverse deviation is calculated by interest rate scenario testing under the CALM methodology. The margin in the most adverse scenario can be interpreted as deducting 75 basis points from current rates and assuming future interest rates level off at 4.84% in 20 years. If future interest rates were to differ by 100 basis points from that assumed in the valuation, without changing the policyholder dividend scale, the liability would increase by \$53.1 million or decrease by \$38.5 million.

Expenses

The administration expense assumption is based on an expense study conducted by the Company for 2008; 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 2.36% in 2010 decreasing to 1.34% by 2030. 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 \$6.3 million or decrease by \$6.3 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 4% to 20%. If future lapse rates are to differ by 10% from that assumed, the liability would increase by \$7.2 million or decrease by \$7.0 million.

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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 15.0% and 20.0% 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 \$6.0 million or decrease by \$5.9 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 differ by 10%, gross liabilities would increase or decrease by \$0.9 million, with the net liabilities increasing by \$0.8 million or decreasing by \$0.9 million.

Analysis of provision for future policy benefits

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

	2008	2007
Life insurance	\$ 238,187,208	\$ 228,998,101
Annuities	19,302,036	19,077,122
Accident and health/IBNR	17,784,818	19,139,841
Colina Investment Plan (See Note 30)	<u>16,930,882</u>	<u>16,869,450</u>
Total provision for future policy benefits	<u>\$ 292,204,944</u>	<u>\$ 284,084,514</u>

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

	2008	2007
Short-term insurance contracts	\$ 18,409,558	\$ 19,602,153
Long-term insurance and other contracts		
-with fixed and guaranteed terms	60,760,008	60,002,940
-with fixed and guaranteed terms and with DPF	168,656,780	159,191,545
-without fixed and guaranteed terms	18,302,571	17,951,957
-without fixed and guaranteed terms and with DPF	9,145,145	10,466,469
Long-term investment contracts with DPF	<u>16,930,882</u>	<u>16,869,450</u>
Total provision for future policy benefits	<u>\$ 292,204,944</u>	<u>\$ 284,084,514</u>

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Analysis of change in provision for future policy benefits

	2008	2007
Balance, beginning of year	\$ 284,084,514	\$ 271,019,932
Normal changes in policy liabilities	8,340,605	18,899,522
Changes in assumptions and refinement of estimates	<u>(220,175)</u>	<u>(5,834,940)</u>
Balance, end of year	<u>\$ 292,204,944</u>	<u>\$ 284,084,514</u>

Closed Participating Fund

Included in the provision for future policy benefits as of December 31, 2008 are actuarial reserves totalling \$28.2 million (2007: \$27.0 million) relating to ColinaImperial'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 ColinaImperial 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, 2008 shows that it had the following asset mix: government securities – 48.3%; policy loans – 31.0%; mortgage loans – 12.3%; equity securities – 7.7%; and corporate bonds – 0.7% (2007: government securities – 42.9%; policy loans – 34.0%; mortgage loans – 15.8%; and equity securities – 7.3%).

17. Bank Loan

The bank loan was obtained by the Company's subsidiary, Goodman's Bay Development Company (GBDC) in April 2000 to finance the development of the Goodman's Bay Corporate Centre. The loan bears interest at the Bahamian \$ Prime rate which is currently 5.5% (2007: 5.5%) per annum plus a margin of 1.75% (2007: 1.75%), and is repayable in sixty quarterly installments of \$359,600 including interest.

In support of the bank loan, the Company has granted the bank:

- A debenture creating a first demand legal mortgage over the Goodman's Bay Corporate Centre stamped and recorded to \$12,500,000.
- Assignment of insurance coverage for fire and hurricane loss.
- Assignment of all current and future leases from the tenants of the Goodman's Bay Corporate Centre.

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The loan balance is scheduled to be repaid as follows:

	2008	2007
Within 1 year	\$ 678,923	\$ 999,115
Later than 1 year and not later than 5 years	<u>-</u>	<u>5,229,597</u>
Total bank loan	<u>\$ 678,923</u>	<u>\$ 6,228,712</u>

In December 2006, the Company entered into an agreement with GBDC to refinance its bank loan as excess liquidity became available. As at December 31, 2008, \$7,622,500 was repaid on the principal balance of the bank loan by the Company on behalf of GBDC. The Company's intercompany loan to GBDC bears an interest rate of Bahamian \$ Prime rate of 5.5% per annum, plus a margin of 1.75%. Once GBDC has satisfied repayment on the bank loan, the same repayment terms and all other conditions will prevail on the intercompany loan. The principal loan amount and interest earned are recorded as intercompany balances with GBDC which have been eliminated on consolidation.

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

18. Other Liabilities

	2008	2007
Third party pension liabilities	\$ 22,855,793	\$ 20,907,109
Benefits payable to policyholders	12,912,893	16,020,287
Accrued expenses and other liabilities	8,796,606	13,859,855
Bank overdraft (See Note 6)	911,402	4,100,243
Reinsurance payables	1,431,125	1,843,686
Guaranteed investment contracts	582,882	582,882
Due to the Company's pension plan	<u>1,230</u>	<u>71,465</u>
Total other liabilities	<u>\$ 47,491,931</u>	<u>\$ 57,385,527</u>

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

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19. Share Capital

	2008	2007
Authorized:		
20,000,000 Class "A" preference shares of B\$1 each (2007: 20,000,000)	\$ 20,000,000	\$ 20,000,000
35,000,000 Ordinary shares of B\$1 each (2007: 35,000,000)	\$ 35,000,000	\$ 35,000,000
Issued and fully paid:		
20,000,000 Class "A" preference shares of B\$1 each (2007: 20,000,000)	\$ 20,000,000	\$ 20,000,000
24,701,070 Ordinary shares of B\$1 each (2007: 24,729,613)	\$ 24,647,998	\$ 24,729,613

Treasury shares are stated at cost and at December 31, 2008, comprised 28,543 ordinary shares of the Company that were held by ColinaImperial.

The Class "A" preference shares are non-voting and are redeemable at the discretion of the Board of Directors at anytime after September 30, 2006, upon 90 days notice. On declaration, dividends are 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 (See Notes 33(a) and 33(b)). 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.

20. 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 as of the reporting date.

	2008	2007
Balance, beginning of year	\$ 5,070,701	\$ 1,913,806
Fair value (losses)/gains, net during the year	(1,590,277)	3,287,699
Revaluation of land and buildings	4,087,598	-
Transfers to retained earnings	(82,541)	-
Transfers to net income	(22,752)	(130,804)
Balance, end of year	<u>\$ 7,462,729</u>	<u>\$ 5,070,701</u>

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21. Contingent Liabilities and Commitments

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

Legal proceedings and regulations

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

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

Contingent liabilities

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material loss will arise from the contingent liabilities. The Company has given guarantees to third parties in the ordinary course of business amounting to \$2,282,440 (2007: \$2,220,716).

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

Commitments

Lending: Commitments to extend credit for mortgages and commercial loans amounted to \$2,232,770 (2007: \$5,256,645).

Purchase of capital assets: The commitment for purchases of capital equipment or services at December 31, 2008 is \$Nil (2007: \$442,475).

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, 2008 are as follows:

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

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22. 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, 2008 are as follows:

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

23. Net Premium Revenue

Net premium revenue is comprised of the following:

	2008	2007
Life and health insurance premiums	\$ 135,713,433	\$ 132,983,444
Less: Reinsurance premiums	<u>(11,614,216)</u>	<u>(11,969,656)</u>
Subtotal	124,099,217	121,013,788
Premiums from IRM reinsurance facilities (See Note 12)	<u>11,699,388</u>	<u>14,799,263</u>
Net premium revenue	<u>\$ 135,798,605</u>	<u>\$ 135,813,051</u>

Net premium revenues are analyzed in the following categories:

	2008	2007
Short-term insurance contracts	\$ 77,644,110	\$ 77,301,482
Long-term insurance and other contracts		
-with fixed and guaranteed terms	15,938,080	15,958,013
-with fixed and guaranteed terms and with DPF	39,583,889	38,565,199
-without fixed and guaranteed terms	184,659	1,329,834
-without fixed and guaranteed terms and with DPF	8,888,073	9,308,841
Long-term investment contracts with DPF	<u>5,174,010</u>	<u>5,319,338</u>
Total premium revenue arising from contracts issued	147,412,821	147,782,707
Premiums ceded to reinsurers	<u>(11,614,216)</u>	<u>(11,969,656)</u>
Net premium revenue	<u>\$ 135,798,605</u>	<u>\$ 135,813,051</u>

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24. Net Investment Income

Net investment income is analyzed as follows:

	2008	2007
Term deposits	\$ 713,725	\$ 1,302,667
Investment securities	8,478,877	13,335,618
Fair value (losses)/gains, net included in the revaluation reserve (See Note 20)	(1,590,277)	3,287,699
Less: Investment management fees (See Note 31(a))	<u>(911,908)</u>	<u>(888,984)</u>
Net investment return on managed assets	6,690,417	17,037,000
Mortgages and commercial loans	4,551,707	6,974,998
Policy loans	7,445,000	7,704,542
Rental income	3,051,687	2,966,703
Fair value gains on investment properties (See Note 10)	528,836	448,818
Other fees and income	<u>(209,373)</u>	<u>(193,170)</u>
Total return on invested assets	22,058,274	34,938,891
Less: Fair value losses/(gains) in the revaluation reserve	<u>1,590,277</u>	<u>(3,287,699)</u>
Total net investment income recognized in income	<u>\$ 23,648,551</u>	<u>\$ 31,651,192</u>

Included in net investment income from investment securities is an impairment charge of \$1,071,782 (2007: \$149,993).

25. Net Policyholders' Benefits

Net policyholders' benefits are comprised of the following:

	2008	2007
Life and health policyholder benefits	\$ 91,495,637	\$ 98,784,021
Less: Reinsurance recoveries	<u>(4,955,653)</u>	<u>(7,204,668)</u>
Subtotal	86,539,984	91,579,353
Benefits paid on IRM reinsurance facilities (See Note 12)	<u>10,599,569</u>	<u>11,455,554</u>
Total net policyholders' benefits	<u>\$ 97,139,553</u>	<u>\$ 103,034,907</u>

Included in life and health policyholder benefits is \$1,323,986 related to interest on policy dividends on deposit (2007: \$1,347,368).

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

	2008	2007
Short-term insurance contracts	\$ 57,226,087	\$ 61,835,405
Long-term insurance and other contracts		
-with fixed and guaranteed terms	11,411,886	11,854,083
-with fixed and guaranteed terms and with DPF	22,118,330	23,708,165
-without fixed and guaranteed terms	2,301,868	2,963,521
-without fixed and guaranteed terms and with DPF	7,482,900	7,902,721
Long-term investment contracts with DPF	<u>1,554,135</u>	<u>1,975,680</u>
Total policyholders' benefits	102,095,206	110,239,575
Reinsurance recoveries	<u>(4,955,653)</u>	<u>(7,204,668)</u>
Net policyholders' benefits	<u>\$ 97,139,553</u>	<u>\$ 103,034,907</u>

26. General and Administrative Expenses

General and administrative expenses are comprised of:

	2008	2007
Salaries and employee/agent benefits	\$ 11,491,544	\$ 10,421,051
Fees, insurance and licences	5,100,821	7,072,900
IRM reinsurance facilities expenses (See Note 12)	1,774,793	2,947,375
Advertising and communications expense	2,927,561	2,937,275
Depreciation and amortization	2,756,032	2,320,574
Premises and maintenance	2,459,479	2,273,580
Underwriting fees	916,034	1,023,436
Other expenses	<u>1,330,580</u>	<u>395,321</u>
Total general and administrative expenses	<u>\$ 28,756,844</u>	<u>\$ 29,391,512</u>

27. Finance Costs

Finance costs are comprised of:

	2008	2007
Interest on bank overdrafts and loans	\$ 309,343	\$ 549,027
Interest on guaranteed investment & other contracts	<u>34,843</u>	<u>45,037</u>
	<u>\$ 344,186</u>	<u>\$ 594,064</u>

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28. 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 ColinaImperial and held as treasury shares.

	2008	2007
Net income attributable to equity shareholders	\$ <u>7,698,938</u>	\$ <u>3,807,391</u>
Net income attributable to ordinary shareholders	\$ <u>6,148,938</u>	\$ <u>2,257,391</u>
Weighted average number of ordinary shares outstanding	<u>24,720,584</u>	<u>24,729,613</u>
Basic earnings per ordinary share	\$ <u>0.25</u>	\$ <u>0.09</u>

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 2008 totalled \$989,184 (\$0.04 per share) (2007: \$989,184 (\$0.04 per share)). (See also Note 33(c)).

Dividends to the Class "A" preference shareholders are due and payable at an annual rate of Bahamian \$ Prime rate plus 2.25% on the par value outstanding to preference shareholders of record on the quarterly record dates. Dividends paid by the Company to the Class "A" preference shareholders during 2008 totalled \$1,550,000 (2007: \$1,550,000). (See also Note 33(b)).

29. Pension Plan

The Company operates a defined contribution plan for administrative staff and agents. The plan is administered by an affiliated company. Under the plan, all eligible staff and agents contribute 5% of pensionable earnings and the Company contributes 5%. The Company's matching contributions vest fully with the employee after five years. Pension expense for the year was \$554,634 and is included in salaries and employee/agent benefits expense (2007: \$551,307).

30. 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.

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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 investment, the Company guarantees investors in the CIP a minimum rate of return of either 4% or 4.5% per annum, payable at maturity.

Issuance of new CIP policies was discontinued in January 2001.

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

	Bahamas Investment Fund		Colina Investment Plan	
	2008	2007	2008	2007
Equities - listed	\$ 8,592,185	\$ 9,658,234	\$ 3,476,822	\$ 3,679,295
Equities - unquoted	683,107	965,281	100,534	109,313
Preferred shares - unquoted	367,000	370,000	100,000	150,000
Shares in investment funds	43,621	272,370	-	76,049
Government securities	4,529,088	3,567,300	10,696,872	10,012,579
Debt securities - unquoted	705,416	800,000	1,300,000	1,444,637
Term deposits	906,283	514,086	100,000	53,267
Policy loans	-	-	1,232,697	2,002,503
Cash	434,341	485,900	554,506	375,249
Due (to) from general fund	(440,229)	724,569	(630,549)	(1,033,442)
Total assets	\$ 15,820,812	\$ 17,357,740	\$ 16,930,882	\$ 16,869,450

31. 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.

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(a) *Transactions with related parties:*

The following transactions were carried out with related parties:

	AFH	Other affiliates	Other related parties	Total 2008	Total 2007
Revenues					
Group and life insurance	\$ 27,743	\$ 582,547	\$ 315,988	\$ 926,278	\$ 679,187
Rental income	-	-	54,000	54,000	49,000
Sub-investment fees	-	-	176,369	176,369	216,981
Other income	-	-	-	-	38,445
Total	<u>\$ 27,743</u>	<u>\$ 582,547</u>	<u>\$ 546,357</u>	<u>\$ 1,156,647</u>	<u>\$ 983,613</u>
Expenses					
Consulting fees	\$ 299,000	\$ -	\$ 100,000	\$ 399,000	\$ 399,000
Legal fees	-	236,637	-	236,637	566,379
Investment management fees	-	-	911,908	911,908	888,984
Administration, Registrar and Transfer Agent fees	-	-	223,142	223,142	224,241
Property management fees	-	48,376	-	48,376	48,376
Property rental	-	530,088	60,000	590,088	590,088
Property and casualty insurance	-	-	519,022	519,022	599,022
Other	26,876	797,804	42,902	867,582	385,016
Total	<u>\$ 325,876</u>	<u>\$ 1,612,905</u>	<u>\$ 1,856,974</u>	<u>\$ 3,795,755</u>	<u>\$ 3,701,106</u>

Consulting fees include \$299,000 (2007: \$299,000) paid to AFH pursuant to the terms of an agreement dated July 18, 2002 (the "July 2002 Services Agreement") whereby AFH renders to the Company technical, administrative, financial, advisory and other services. Other fees included in this caption relate to consulting fees paid to a related party for advice on various business and strategic planning opportunities.

The investment management fees totaling \$911,908 (2007: \$888,984) were charged by a related party Investment Manager pursuant to the terms of an Investment Management Agreement dated January 1, 2004. Such fees are charged monthly at various basis point rates depending on the class of assets managed. The Investment Manager is a registered broker-dealer and, as such, has custody of a significant portion of the Company's invested assets.

Included in 'other' expenses with other affiliates is \$504,782 in fees paid to a subsidiary of Walk-In Holdings Limited for medical underwriting fees for the year ended December 31, 2008. The prior year related party balance included \$1,045 in fees for the period from the acquisition date to December 31, 2007. Also included are fees totalling \$57,499 (2007: \$177,237) paid to a computer servicing company which is included as a related party due to a common directorship. The computer servicing company is one which has been used by the Company for several years and the terms and conditions for the services provided are on an arms-length basis. Other items included in this caption relate to marketing and advertising

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expenses of \$210,878 (2007: \$109,715) paid to The Nassau Guardian and other amounts related to general administrative expenses.

(b) *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, 2008 was \$1,332,135 (2007: \$1,264,255). In addition, termination benefits paid during the year ended December 31, 2008 in respect of former key management personnel totalled \$364,701 (2007: \$Nil).

(c) *Directors fees*

Fees paid to Directors for services rendered on Board and Board Committees for the year ended December 31, 2008 were \$256,637 (2007: \$234,750).

(d) *Year-end balances arising from sales/purchases of products and /or services*

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

	AFH	Other affiliates	Other related parties	Key Management	Total 2008	Total 2007
Assets						
Investment securities	\$ -	\$ 184,926	\$ -	\$ -	\$ 184,926	\$ 221,157
Mortgages and						
commercial loans, net	\$ -	\$ -	\$ 691,500	\$ 290,000	\$ 981,500	\$ 1,106,042
Cash and bank balances	\$ -	\$ -	\$ 121,778	\$ -	\$ 121,778	\$ 649,180
Receivables and other assets	\$ 89,247	\$ 162,343	\$ 155,922	\$ 42,352	\$ 449,864	\$ 928,624
Liabilities						
Other liabilities	\$ -	\$ 132,045	\$ 10,000	\$ -	\$ 142,045	\$ 550,976

Loans advanced to related parties included in mortgages and commercial loans carry interest rates between 5.5% and 8.5% p.a.

Receivables and other assets at December 31, 2007 included deposits received for annuity contracts in transit totalling \$277,102.

The Company advanced funds totalling \$7,622,500 as at December 31, 2008 to its subsidiary, GBDC under an intercompany loan agreement (See Note 17). The intercompany advance and related interest amounts are not included in the balances above as they have been eliminated on consolidation.

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32. Risk Management

Governance Framework

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

Regulatory Framework

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

Insurance risk

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

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

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

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

Frequency and severity of claims

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

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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.

	2008 (in \$000s)	2007 (in \$000s)
\$0 to \$49,999	\$ 929,507	\$ 970,058
\$50,000 to \$99,999	1,123,746	1,093,992
\$100,000 to \$149,999	2,093,911	2,088,817
\$150,000 and over	<u>2,613,738</u>	<u>2,298,148</u>
Total	<u>\$ 6,760,902</u>	<u>\$ 6,451,015</u>

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 or a maximum exposure on insurance policies as follows:

	2008	2007
Individual life	\$ 150,000	\$ 150,000
Individual accidental death and dismemberment	\$ 50,000	\$ 50,000
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.

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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

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

The Company monitors interest rate risk by calculating the duration of the investment portfolio and the liabilities issued. The duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The duration of the liabilities is determined by projecting expected cash flows from the contracts using best estimates of mortality, morbidity and terminations. No future discretionary supplemental benefits are assumed to accrue. The duration of the assets is calculated in a consistent manner. Any gap between the duration of the assets and the duration of the liabilities is minimized by means of buying and selling securities of different durations. The Company’s sensitivity to interest rate risk is included in Note 16.

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, 2008 (in \$000s)	Balances with		Current		Past due but not impaired		Past due	Total
	no scheduled repayment dates	Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days	and/or impaired	
Financial assets								
Term deposits	\$ -	\$ -	\$ 14,602	\$ 1,006	\$ -	\$ -	\$ -	\$ 15,608
FVPL securities	-	2,107	-	14,920	-	-	-	17,027
AFS securities	-	148,484	2,020	15,674	-	-	-	166,178
Mortgages and commercial loans	-	-	46,067	-	10,772	10,663	6,357	73,859
Policy loans	70,728	-	-	1,233	-	-	1,208	73,169
Cash and demand balances	11,344	-	-	989	-	-	-	12,333
Premiums receivable	-	-	947	-	5,590	2,247	134	8,918
Reinsurance receivables	5,946	-	-	-	-	-	-	5,946
Other financial assets	3,666	2,920	-	-	-	-	-	6,586
Total financial assets	\$ 91,684	\$ 153,511	\$ 63,636	\$ 33,822	\$ 16,362	\$ 12,910	\$ 7,699	\$ 379,624
December 31, 2007 (in \$000s)								
Financial assets								
Term deposits	\$ -	\$ -	\$ 6,589	\$ 567	\$ -	\$ -	\$ -	\$ 7,156
FVPL securities	-	-	-	15,633	-	-	-	15,633
AFS securities	-	149,496	6,289	15,163	-	-	-	170,948
Mortgages and commercial loans	-	-	51,665	-	12,160	7,970	4,695	76,490
Policy loans	72,721	-	-	2,003	-	-	502	75,226
Cash and demand balances	9,602	-	-	861	-	-	-	10,463
Premiums receivable	-	-	619	-	2,697	4,404	1,598	9,318
Reinsurance receivables	11,665	-	-	-	-	-	-	11,665
Other financial assets	4,987	2,608	-	-	-	-	-	7,595
Total financial assets	\$ 98,975	\$ 152,104	\$ 65,162	\$ 34,227	\$ 14,857	\$ 12,374	\$ 6,795	\$ 384,494

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.

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The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining contractual obligations:

December 31, 2008 (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	\$ -	\$ -	\$ -	\$ -	\$ 18,409	\$ 18,409
Long-term insurance and other contracts						
-with fixed and guaranteed terms	-	-	-	-	60,760	60,760
-with fixed and guaranteed terms, with DPF	-	-	-	-	168,657	168,657
-without fixed and guaranteed terms	-	-	-	-	18,303	18,303
-without fixed and guaranteed terms, with DPF	-	-	-	-	9,145	9,145
Long-term investment contracts with DPF	-	-	-	-	16,931	16,931
Financial Liabilities						
Policy dividends on deposit	-	-	-	33,784	-	33,784
Bank loan	679	-	-	-	-	679
Other financial liabilities	-	-	582	46,910	-	47,492
Total Liabilities	\$ 679	\$ -	\$ 582	\$ 80,694	\$ 292,205	\$ 374,160

December 31, 2007 (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	\$ -	\$ -	\$ -	\$ -	\$ 19,602	\$ 19,602
Long-term insurance and other contracts						
-with fixed and guaranteed terms	-	-	-	-	60,003	60,003
-with fixed and guaranteed terms, with DPF	-	-	-	-	159,192	159,192
-without fixed and guaranteed terms	-	-	-	-	17,952	17,952
-without fixed and guaranteed terms, with DPF	-	-	-	-	10,466	10,466
Long-term investment contracts with DPF	-	-	-	-	16,869	16,869
Financial Liabilities						
Policy dividends on deposit	-	-	-	34,188	-	34,188
Bank loan	999	5,230	-	-	-	6,229
Other financial liabilities	-	-	582	56,804	-	57,386
Total Liabilities	\$ 999	\$ 5,230	\$ 582	\$ 90,992	\$ 284,084	\$ 381,887

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

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

December 31, 2008

(in \$000s)

	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 14,602	\$ -	\$ 1,006	\$ 15,608
Investment securities				
FVPL securities	-	2,107	14,920	17,027
AFS securities	2,020	148,484	15,674	166,178
Mortgages and commercial loans	504	73,355	-	73,859
Policy loans	-	71,936	1,233	73,169
Investment properties	-	40,130	-	40,130
Investment in associate	-	3,708	-	3,708
Cash and demand balances	11,344	-	989	12,333
Receivables and other assets	29,835	-	-	29,835
Property and equipment	-	21,392	-	21,392
Goodwill	-	11,034	-	11,034
Other intangible assets	-	499	-	499
Total Assets	\$ 58,305	\$ 372,645	\$ 33,822	\$ 464,772

December 31, 2007

(in \$000s)

	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 6,389	\$ 200	\$ 567	\$ 7,156
Investment securities				
FVPL securities	-	-	15,633	15,633
AFS securities	5,067	150,718	15,163	170,948
Mortgages and commercial loans	1,088	75,402	-	76,490
Policy loans	-	73,223	2,003	75,226
Investment properties	-	35,227	-	35,227
Investment in associate	-	3,403	-	3,403
Cash and demand balances	9,602	-	861	10,463
Receivables and other assets	37,821	-	-	37,821
Property and equipment	-	19,050	-	19,050
Goodwill	-	11,034	-	11,034
Other intangible assets	-	321	-	321
Total Assets	\$ 59,967	\$ 368,578	\$ 34,227	\$ 462,772

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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 has gone through a series of acquisitions in recent years that make it vulnerable to operational risk associated with the integration of the portfolios purchased. To address these risks the Company has made significant investments in the consolidation and implementation of new systems to further improve its operating platforms.

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

ColinaImperial 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, 2008, ColinaImperial's MCCSR exceeded the target.

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

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

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33. Other Significant Events

(a) Retirement and refunding of the Class "A" Preference Shares

Under the terms of the Offering Memorandum dated September 30, 2005, 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 which attracted interest at an annual rate of Bahamian \$ Prime rate plus 2.25%. 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. At January 31, 2009, 20,000,000 of the Class "A" Preference Shares were issued at the new dividend rate.

(b) Dividend to preference shareholders

On March 25, 2009, the Board of Directors approved the payment of a Preference Share Dividend to the Class "A" Preference Shareholders of record on March 31, 2009 for the period January 1, 2009 to March 31, 2009. The dividend is scheduled to be paid in early April 2009.

(c) Dividend to ordinary shareholders

On March 25, 2009, the Board of Directors approved the payment of a dividend of \$0.06 per Ordinary Share to Ordinary shareholders of record as of April 15, 2009. The dividend is scheduled to be paid in late April 2009.

(d) Investments subsequent to December 31, 2008

During January 2009, the Company invested an additional \$2 million in the Global Bond Fund, Ltd. ("Global Bond Fund"), a fund incorporated in The Bahamas. The Global Bond Fund invests primarily in a portfolio of bonds and fixed deposit securities and is managed by CFAL Ltd., a related party investment manager.

On March 12, 2009, the Company committed to investing \$5 million in a Senior Secured Note to be issued by the Nassau Airport Development Company Limited. The Note will be issued on March 26, 2009 at a fixed interest rate of 8.5% and is scheduled to mature on March 26, 2032.