

Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Six Months Ended June 30, 2008
UNAUDITED

Message from the Chairman

Dear Shareholders,

The consolidated income statement for the six months ended June 30, 2008 showed total net results of \$2.63 million, compared with \$1.20 million in the prior year. Net income attributable to the Company's ordinary shareholders for the six months ended June 30, 2008 rose to \$1.65 million or \$0.07 per ordinary share, an increase from the prior year's results for the period which were posted at \$0.23 million or \$0.01 per ordinary share.

Earlier shareholder reports indicated that the Company has directed resources to improving the performance of the health division and we are pleased to report that these efforts have made some positive impact on profitability as gross policyholder benefits have reduced by \$8.6 million or 15.1% from the same period in the prior year due largely to a reduction in medical claims experience. Net policyholders' benefits for the period contracted to \$45.1 million, representing 69.7% of net premium revenues, compared to 76.0% of net premium revenues for the same period in 2007.

Gross premium revenues for the six months ended June 30, 2008 fell slightly by 3.5% or \$2.6 million over the prior year. Net investment income for the six months ended June 30, 2008 totaled \$12.86 million, a decrease from \$14.4 million in the prior year. Prior year's net investment income was positively impacted by unrealized gains on equities in the trading portfolio which were significantly lower in comparison for the first six months of 2008 due to market conditions.

Company management continues its mandate to contain its administrative expenses and we are pleased to report that administrative costs are on par with prior year expenses despite additional consulting and other expenses related to the efforts directed towards improving the profitability of the health division.

Our balance sheet remains well positioned as total assets have increased to \$465.9 million, compared to \$462.8 million as at December 31, 2007. Invested assets remain a significant proportion of the asset base, comprising over 82.8% of total assets. Total shareholders' equity stands at \$75.0 million at June 30, 2008, compared to \$74.8 million at December 31, 2007.

In the first half of the year the Company also reinvested substantially in customer service education through a company-wide service excellence campaign, that would serve as a catalyst for enhancing client satisfaction levels throughout the organization. Our tangible commitment to community partnership also continued through our title sponsorship of the ColinaImperial InnoWorks Bahamas Science and Mathematics Summer Camp, which provides practical adolescent science education in conjunction with other private benefactors.



Terence Hilts
Chairman

A copy of this report can be obtained by contacting our Corporate Communications Officer at our Corporate Offices at 308 Bay St. 2nd Floor, Nassau, The Bahamas by phone (242) 396-2100 or by e-mail at 'financials@colinaimperial.com'

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Balance Sheet

As at June 30, 2008 with comparative figures as at December 31, 2007
(Expressed in Bahamian dollars)

	2008	2007
ASSETS		
Term deposits	\$ 12,907,699	\$ 7,155,623
Investment securities	184,436,645	186,581,454
Mortgages and commercial loans	77,360,861	76,490,190
Policy loans	74,677,103	75,226,427
Investment properties	35,226,821	35,226,821
Investment in associate	<u>1,381,100</u>	<u>1,169,930</u>
Total invested assets	385,990,229	381,850,445
Cash and demand balances	10,449,528	10,463,118
Goodwill	13,267,084	13,267,084
Receivables and other assets	37,179,040	37,820,700
Property and equipment	18,266,715	19,049,723
Other intangible assets	<u>754,423</u>	<u>320,962</u>
Total assets	<u>\$ 465,907,019</u>	<u>\$ 462,772,032</u>
LIABILITIES		
Provision for future policy benefits	\$ 290,080,946	\$ 284,084,514
Policy dividends on deposit	<u>34,304,194</u>	<u>34,187,914</u>
Total policy liabilities	324,385,140	318,272,428
Bank loan	5,510,677	6,228,712
Other liabilities	<u>54,792,283</u>	<u>57,385,527</u>
Total liabilities	<u>384,688,100</u>	<u>381,886,667</u>
EQUITY		
Ordinary shares	24,729,613	24,729,613
Share premium	5,960,299	5,960,299
Revaluation reserve	4,657,531	5,070,701
Retained earnings	<u>19,695,484</u>	<u>19,032,632</u>
Total ordinary shareholders' equity	55,042,927	54,793,245
Preference shares	<u>20,000,000</u>	<u>20,000,000</u>
Total shareholders' equity	75,042,927	74,793,245
Minority interest	<u>6,175,992</u>	<u>6,092,120</u>
Total equity	<u>81,218,919</u>	<u>80,885,365</u>
Total liabilities and equity	<u>\$ 465,907,019</u>	<u>\$ 462,772,032</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Income Statement

For the six months ended June 30, 2008
with comparative figures for the six months ended June 30, 2007
(Expressed in Bahamian dollars)

	2008	2007
Revenues:		
Premium revenue	\$ 71,899,063	\$ 74,526,495
Less: Reinsurance premiums	<u>7,159,427</u>	<u>5,804,926</u>
Net premium revenue	64,739,636	68,721,569
Net investment income	12,864,695	14,440,145
Other income	<u>133,489</u>	<u>749,398</u>
Total revenues	<u>77,737,820</u>	<u>83,911,112</u>
Benefits and expenses:		
Policyholders' benefits	48,547,200	57,170,257
Less: Reinsurance recoveries	<u>3,436,412</u>	<u>4,948,892</u>
Net policyholders' benefits	45,110,788	52,221,365
Changes in provision for future policy benefits	5,996,432	6,172,166
General and administrative expenses	14,759,445	14,406,017
Commissions	6,005,277	6,213,240
Premium and other tax expense	1,777,436	1,999,438
Finance costs	237,688	334,759
Other expenses	1,224,494	1,127,134
Impairment of goodwill	<u>-</u>	<u>235,176</u>
Total benefits and expenses	<u>75,111,560</u>	<u>82,709,295</u>
Net income for the period	<u>\$ 2,626,260</u>	<u>\$ 1,201,817</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 2,427,037	\$ 1,003,040
Minority interest	<u>199,223</u>	<u>198,777</u>
Net income for the period	<u>\$ 2,626,260</u>	<u>\$ 1,201,817</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.07</u>	<u>\$ 0.01</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Income Statement

For the three months ended June 30, 2008
with comparative figures for the three months ended June 30, 2007
(Expressed in Bahamian dollars)

	2008	2007
Revenues:		
Premium revenue	\$ 35,701,394	\$ 35,699,764
Less: Reinsurance premiums	<u>4,350,815</u>	<u>2,467,274</u>
Net premium revenue	31,350,579	33,232,490
Net investment income	6,448,044	6,934,246
Other income (expense)	<u>(89,823)</u>	<u>507,998</u>
Total revenues	<u>37,708,800</u>	<u>40,674,734</u>
Benefits and expenses:		
Policyholders' benefits	23,916,248	28,052,747
Less: Reinsurance recoveries	<u>1,059,368</u>	<u>2,449,807</u>
Net policyholders' benefits	22,856,880	25,602,940
Changes in provision for future policy benefits	1,163,743	2,259,365
General and administrative expenses	7,332,737	8,220,110
Commissions	3,234,726	3,241,720
Premium and other tax expense	1,006,904	966,505
Finance costs	116,160	158,672
Other expenses	553,621	825,907
Impairment of goodwill	<u>-</u>	<u>110,000</u>
Total benefits and expenses	<u>36,264,771</u>	<u>41,385,219</u>
Net income (loss) for the period	<u>\$ 1,444,029</u>	<u>\$ (710,485)</u>
Net income (loss) attributable to:		
Equity shareholders of the Company	\$ 1,355,491	\$ (798,952)
Minority interest	<u>88,538</u>	<u>88,467</u>
Net income (loss) for the period	<u>\$ 1,444,029</u>	<u>\$ (710,485)</u>
Basic earnings (loss) per share (Note 4)	<u>\$ 0.04</u>	<u>\$ (0.05)</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Changes in Equity

For the six months ended June 30, 2008

with comparative figures for the six months ended June 30, 2007

(Expressed in Bahamian dollars)

	Ordinary Share Capital	Share Premium	Revaluation Reserve	Preference Share Capital	Retained Earnings	Minority Interest	Total Equity
Balance, January 1, 2007	\$ 24,729,613	\$ 5,960,299	\$ 1,913,806	\$ 20,000,000	\$ 17,764,153	\$ 5,764,212	\$ 76,132,083
Net gain on remeasurement of available-for-sale securities to fair value	-	-	2,113,777	-	-	-	2,113,777
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	(88,415)	-	-	-	(88,415)
Net income for the period	-	-	-	-	1,003,040	198,777	1,201,817
Distributions by subsidiaries	-	-	-	-	-	(115,351)	(115,351)
Dividends paid to ordinary shareholders	-	-	-	-	(989,185)	-	(989,185)
Preference share dividends	-	-	-	-	(775,000)	-	(775,000)
Balance, June 30, 2007	<u>\$ 24,729,613</u>	<u>\$ 5,960,299</u>	<u>\$ 3,939,168</u>	<u>\$ 20,000,000</u>	<u>\$ 17,003,008</u>	<u>\$ 5,847,638</u>	<u>\$ 77,479,726</u>
Balance, January 1, 2008	\$ 24,729,613	\$ 5,960,299	\$ 5,070,701	\$ 20,000,000	\$ 19,032,632	\$ 6,092,120	\$ 80,885,365
Net loss on remeasurement of available-for-sale securities to fair value	-	-	(398,587)	-	-	-	(398,587)
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	(14,583)	-	-	-	(14,583)
Net income for the period	-	-	-	-	2,427,037	199,223	2,626,260
Distributions by subsidiaries	-	-	-	-	-	(115,351)	(115,351)
Dividends paid to ordinary shareholders	-	-	-	-	(989,185)	-	(989,185)
Preference share dividends	-	-	-	-	(775,000)	-	(775,000)
Balance, June 30, 2008	<u>\$ 24,729,613</u>	<u>\$ 5,960,299</u>	<u>\$ 4,657,531</u>	<u>\$ 20,000,000</u>	<u>\$ 19,695,484</u>	<u>\$ 6,175,992</u>	<u>\$ 81,218,919</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the six months ended June 30, 2008

with comparative figures for the six months ended June 30, 2007

(Expressed in Bahamian dollars)

	2008	2007
Cash flows from operating activities:		
Net income	\$ 2,626,260	\$ 1,201,817
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in unrealized loss/(gain) on fair value through income securities	369,126	(1,076,413)
Increase in provision for future policy benefits	5,996,432	6,172,166
Changes in loss provisions for loans and receivables	834,254	246,034
Depreciation and impairment/amortization charges	1,247,996	1,424,676
Net realized gain on fair value through income securities	(93,579)	(24,288)
Net realized gain on sale of available-for-sale securities	(14,583)	(88,415)
Interest income	(12,157,918)	(11,816,775)
Dividend income	(523,346)	(820,023)
Finance costs	<u>237,688</u>	<u>334,759</u>
Operating cash flows before changes in operating assets and liabilities	(1,477,670)	(4,446,462)
Changes in operating assets and liabilities:		
Decrease in other assets	520,626	1,020,648
Decrease in other liabilities	<u>(994,513)</u>	<u>(3,655,019)</u>
Net cash used in operating activities	<u>(1,951,557)</u>	<u>(7,080,833)</u>

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COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the six months ended June 30, 2008
with comparative figures for the six months ended June 30, 2007
(Expressed in Bahamian dollars)

	2008	2007
Cash flows from investing activities:		
(Increase)/decrease in term deposits with original maturities greater than 90 days	(5,548,426)	5,710,057
Increase in restricted cash	(8,318)	(9,331)
Fair value through income securities purchased	(1,110,855)	(1,234,107)
Proceeds on disposal of fair value through income securities	646,554	229,080
Available-for-sale securities purchased	(11,341,611)	(10,883,118)
Proceeds on disposal of available-for-sale securities	13,276,587	9,273,071
Decrease/(increase) in loans to policyholders	1,216,664	(89,556)
Net (increase)/decrease in mortgage and commercial loans	(826,531)	1,466,667
Interest received	10,522,047	11,360,422
Dividends received	523,346	820,023
Additions to property and equipment	(898,449)	(676,449)
Net cash provided by investing activities	<u>6,451,008</u>	<u>15,966,759</u>
Cash flows from financing activities:		
Interest paid on guaranteed investment contracts	(17,971)	(24,308)
Payment of bank loan interest	(219,717)	(310,452)
Distributions by subsidiaries	(115,351)	(115,351)
Dividends paid to ordinary shareholders	(989,185)	(989,185)
Dividends paid to preference shareholders	(775,000)	(775,000)
Repayment of bank loan principal	(718,035)	(3,247,936)
Net cash used in financing activities	<u>(2,835,259)</u>	<u>(5,462,232)</u>
Net increase in cash and cash equivalents	1,664,192	3,423,694
Cash and cash equivalents, beginning of period	<u>5,833,578</u>	<u>5,333,332</u>
Cash and cash equivalents, end of period (Note 3)	<u>\$ 7,497,770</u>	<u>\$ 8,757,026</u>

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COLINA HOLDINGS BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Consolidated Financial Statements

For the period ended June 30, 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 and registered to operate 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 June 30, 2008, approximately 58.1% of the Company's issued ordinary shares were owned by A.F. Holdings Ltd. and 41.9% by the Bahamian public.

The registered office of the Company is located at St. Andrew’s Court, Frederick Street Steps, 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-3013, Nassau, The Bahamas.

2. Significant Accounting Policies

The significant accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are the same as those followed in the preparation of the annual consolidated financial statements of the Company for the year ended December 31, 2007. The annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment property that are required to be remeasured at estimated fair value.

3. Cash and Cash Equivalents

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

	June 30, 2008	June 30, 2007
Term deposits	\$ 12,907,699	\$ 9,420,473
Less: Deposits with original maturities of greater than 90 days	<u>(12,503,455)</u>	<u>(9,420,473)</u>
Short-term deposits	404,244	-
Cash and demand balances	10,449,528	12,697,828
Less: Restricted cash balances	(738,209)	(720,436)
Less: Bank overdraft	<u>(2,617,793)</u>	<u>(3,220,366)</u>
Total cash and cash equivalents	<u>\$ 7,497,770</u>	<u>\$ 8,757,026</u>

COLINA HOLDINGS BAHAMAS LIMITED
Selected Explanatory Notes to the Unaudited Consolidated Financial Statements

For the period ended June 30, 2008
(Expressed in Bahamian dollars)

4. Basic Earnings Per Ordinary 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 period, excluding ordinary shares of the Company acquired by ColinaImperial held as treasury shares.

	6 months ended June 30, 2008	6 months ended June 30, 2007
Net income attributable to equity shareholders	\$ 2,427,037	\$ 1,003,040
Net income attributable to ordinary shareholders	\$ 1,652,037	\$ 228,040
Weighted average number of ordinary shares outstanding	24,729,613	24,729,613
Basic earnings per ordinary share	\$ 0.07	\$ 0.01
	3 months ended June 30, 2008	3 months ended June 30, 2007
Net income (loss) attributable to equity shareholders	\$ 1,355,491	\$ (798,952)
Net income (loss) attributable to ordinary shareholders	\$ 967,991	\$ (1,186,452)
Weighted average number of ordinary shares outstanding	24,729,613	24,729,613
Basic earnings (loss) per ordinary share	\$ 0.04	\$ (0.05)

Rated A- (Excellent) by AM Best & Co, ColinaImperial (a wholly owned subsidiary of Colina Holdings Bahamas Limited) has more than \$460 million in total assets and over \$80 million in total equity, enabling it to stand on a solid foundation as the premier insurance company in The Bahamas. The Company remains steadfast in its commitment to more than 100,000 life and health policyholders whose coverage through ColinaImperial gives them Confidence for Life.