

Condensed Consolidated Interim Financial Statements of

Colina Holdings Bahamas Limited

Six Months Ended June 30, 2009

UNAUDITED

Message from the Chairman

Dear Shareholders,

The first half of 2009, which presented both economic challenges and opportunities on a global scale, yielded very satisfactory results for ColinaImperial.

For the six months ended June 30, 2009, gross premium revenues increased by 5.7% or \$4.1 million – an improvement over the same period in 2008; given the prevailing and encouraging economic environment.


The Company continues to see improvements in profitability. Net income attributable to the Company's ordinary shareholders for the six months ended June 30, 2009 grew to \$2.3 million or \$0.09 per ordinary share, compared to net income of \$1.7 million or \$0.07 per ordinary share for the same period in the prior year.

Our investment portfolio yielded slightly lower returns than in the prior year due to the continuing downward performance of the local equities market, with net investment income for the quarter at \$10.9 million compared to \$12.9 million for the same period in 2008.

We continue to reap the benefits of our focus on containing recurring administrative costs and have contained administrative costs to June 30, 2009 to \$11.9 million, compared to \$14.8 million for the same period in the prior year. Reductions in administrative expenses were offset by an increase of \$5.2 million in net policyholder benefits to \$50.3 million compared to \$45.1 million for the same period in the prior year.

The outlook for the remainder of 2009 will be strongly influenced by the progress of the global economy. Our balance sheet continues to reflect high quality investments and invested assets remain a significant proportion of the asset base, comprising 85.0% of total assets.

We will continue to commit both human and capital resources to producing attractive returns for our shareholders while sustaining our commitments to our customers and the communities in which we operate.



Terence Hilts
Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Balance Sheet

As at June 30, 2009 with comparative figures as at December 31, 2008
(Expressed in Bahamian dollars)

	June 30, 2009	December 31, 2008
ASSETS		
Term deposits	\$ 11,892,741	\$ 15,607,664
Investment securities	181,149,211	183,204,745
Mortgages and commercial loans	79,739,262	73,858,868
Policy loans	70,341,235	73,168,649
Investment properties	40,156,200	40,130,000
Investment in associate	<u>11,848,797</u>	<u>3,708,442</u>
Total invested assets	395,127,446	389,678,368
Cash and demand balances	10,914,387	12,332,780
Receivables and other assets	26,629,208	29,834,820
Property and equipment	20,656,148	21,392,326
Goodwill	11,034,383	11,034,383
Other intangible assets	<u>363,242</u>	<u>498,826</u>
Total assets	<u>\$ 464,724,814</u>	<u>\$ 464,771,503</u>
LIABILITIES		
Provision for future policy benefits	\$ 298,906,447	\$ 292,204,944
Policy dividends on deposit	<u>32,848,084</u>	<u>33,783,922</u>
Total policy liabilities	331,754,531	325,988,866
Bank loan	-	678,923
Third party pension liabilities	23,584,483	22,855,793
Other liabilities	<u>19,102,793</u>	<u>24,636,138</u>
Total liabilities	<u>374,441,807</u>	<u>374,159,720</u>
EQUITY		
Ordinary shares	24,729,613	24,729,613
Treasury shares	(81,615)	(81,615)
Share premium	5,960,299	5,960,299
Revaluation reserve	5,491,354	7,462,729
Retained earnings	<u>25,403,017</u>	<u>24,274,927</u>
Total ordinary shareholders' equity	61,502,668	62,345,953
Preference shares	<u>20,000,000</u>	<u>20,000,000</u>
Total shareholders' equity	81,502,668	82,345,953
Minority interest	<u>8,780,339</u>	<u>8,265,830</u>
Total equity	<u>90,283,007</u>	<u>90,611,783</u>
Total liabilities and equity	<u>\$ 464,724,814</u>	<u>\$ 464,771,503</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Operations

For the six months ended June 30, 2009
with comparative figures for the six months ended June 30, 2008
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008
Revenues:		
Premium revenue	\$ 76,013,329	\$ 71,899,063
Less: Reinsurance premiums	8,012,517	7,159,427
Net premium revenue	68,000,812	64,739,636
Net investment income	10,947,908	12,864,695
Other income	2,599,494	133,489
Total revenues	<u>81,548,214</u>	<u>77,737,820</u>
Benefits and expenses:		
Policyholders' benefits	56,018,377	48,547,200
Less: Reinsurance recoveries	5,666,902	3,436,412
Net policyholders' benefits	50,351,475	45,110,788
Changes in provision for future policy benefits	6,701,502	5,996,432
General and administrative expenses	11,905,177	14,759,445
Commissions	6,489,007	6,005,277
Premium and other tax expense	2,068,090	1,777,436
Finance costs	109,872	237,688
Other expenses	622,504	1,224,494
Total benefits and expenses	<u>78,247,627</u>	<u>75,111,560</u>
Net income for the period:	<u>\$ 3,300,587</u>	<u>\$ 2,626,260</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 3,031,693	\$ 2,427,037
Minority interest	268,894	199,223
Net income for the period	<u>\$ 3,300,587</u>	<u>\$ 2,626,260</u>
Basic earnings per ordinary share (Note 4)	<u>\$ 0.09</u>	<u>\$ 0.07</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Operations

For the three months ended June 30, 2009
with comparative figures for the three months ended June 30, 2008
(Expressed in Bahamian dollars)

	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008
Revenues:		
Premium revenue	\$ 38,229,700	\$ 35,701,394
Less: Reinsurance premiums	<u>3,870,451</u>	<u>4,350,815</u>
Net premium revenue	34,359,249	31,350,579
Net investment income	5,647,332	6,448,044
Other income (expense)	<u>1,339,814</u>	<u>(89,823)</u>
Total revenues	<u>41,346,395</u>	<u>37,708,800</u>
Benefits and expenses:		
Policyholders' benefits	25,983,863	23,916,248
Less: Reinsurance recoveries	<u>2,788,764</u>	<u>1,059,368</u>
Net policyholders' benefits	23,195,099	22,856,880
Changes in provision for future policy benefits	5,904,206	1,163,743
General and administrative expenses	5,834,268	7,332,737
Commissions	3,287,756	3,234,726
Premium and other tax expense	1,063,297	1,006,904
Finance costs	91,365	116,160
Other expenses	<u>622,504</u>	<u>553,621</u>
Total benefits and expenses	<u>39,998,495</u>	<u>36,264,771</u>
Net income for the period:	<u>\$ 1,347,900</u>	<u>\$ 1,444,029</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 1,144,798	\$ 1,355,491
Minority interest	<u>203,102</u>	<u>88,538</u>
Net income for the period	<u>\$ 1,347,900</u>	<u>\$ 1,444,029</u>
 Basic earnings per ordinary share (Note 4)	 <u>\$ 0.03</u>	 <u>\$ 0.04</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Changes in Equity

For the six months ended June 30, 2009
with comparative figures for the six months ended June 30, 2008
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	Preference Share Capital	Retained Earnings	Minority Interest	Total Equity
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>\$ -</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>
Balance, January 1, 2009	\$ 24,729,613	\$ (81,615)	\$ 5,960,299	\$ 7,462,729	\$ 20,000,000	\$ 24,274,927	\$ 8,265,830	\$ 90,611,783
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	(1,015,705)	-	-	-	(1,015,705)
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	-	(662,996)	-	-	-	(662,996)
Net income for the period	-	-	-	-	-	3,031,693	268,894	3,300,587
Acquisition of subsidiaries	-	-	-	-	-	-	245,615	245,615
Transfers from revaluation reserve	-	-	-	(292,674)	-	292,674	-	-
Dividends paid to ordinary shareholders	-	-	-	-	-	(1,483,777)	-	(1,483,777)
Preference share dividends	-	-	-	-	-	(712,500)	-	(712,500)
Balance, June 30, 2009	<u>\$ 24,729,613</u>	<u>\$ (81,615)</u>	<u>\$ 5,960,299</u>	<u>\$ 5,491,354</u>	<u>\$ 20,000,000</u>	<u>\$ 25,403,017</u>	<u>\$ 8,780,339</u>	<u>\$ 90,283,007</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the six months ended June 30, 2009
with comparative figures for the six months ended June 30, 2008
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008
Cash flows from operating activities:		
Net income	\$ 3,300,587	\$ 2,626,260
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized loss on fair value through income securities	1,072,576	369,126
Increase in provision for future policy benefits	6,701,502	5,996,432
Changes in loss provisions for loans and receivables	2,434,458	834,254
Depreciation and amortization charges	1,077,101	1,247,996
Net realized loss/(gain) on fair value through income securities	27,900	(93,579)
Net realized gain on sale of available-for-sale securities	(662,996)	(14,583)
Interest income	(9,869,723)	(12,157,918)
Dividend income	(570,281)	(523,346)
Fair value gains on investment properties	(26,200)	-
Finance costs	<u>247,793</u>	<u>237,688</u>
Operating cash flows before changes in operating assets and liabilities	3,732,717	(1,477,670)
Changes in operating assets and liabilities:		
(Increase)/decrease in other assets	(6,089,105)	520,626
Decrease in other liabilities	<u>(4,595,145)</u>	<u>(994,513)</u>
Net cash used in operating activities	<u>(6,951,533)</u>	<u>(1,951,557)</u>

(Continued)

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the six months ended June 30, 2009
with comparative figures for the six months ended June 30, 2008
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2009	6 Months Ended June 30, 2008
Cash flows from investing activities:		
Increase in term deposits with original maturities greater than 90 days	(3,811,531)	(5,548,426)
Increase in restricted cash	(925)	(8,318)
Fair value through income securities purchased	(4,829,812)	(1,110,855)
Proceeds on disposal of fair value through income securities	1,627,885	646,554
Available-for-sale securities purchased	(18,667,987)	(11,341,611)
Proceeds on disposal of available-for-sale securities	21,809,267	13,276,587
Decrease in loans to policyholders	3,365,726	1,216,664
Net increase in mortgage and commercial loans	(7,064,848)	(826,531)
Interest received	9,235,770	10,522,047
Dividends received	570,281	523,346
Proceeds on disposal of property and equipment, net	400	-
Additions to property and equipment	<u>(205,739)</u>	<u>(898,449)</u>
Net cash provided by investing activities	<u>2,028,487</u>	<u>6,451,008</u>
Cash flows used in financing activities:		
Distributions by subsidiaries	-	(115,351)
Interest paid on guaranteed investment & other contracts	(14,010)	(17,971)
Payment of bank loan interest	(233,783)	(219,717)
Dividends paid to ordinary shareholders	(1,483,777)	(989,185)
Dividends paid to preference shareholders	(712,500)	(775,000)
Repayment of bank loan principal	<u>(678,923)</u>	<u>(718,035)</u>
Net cash used in financing activities	<u>(3,122,993)</u>	<u>(2,835,259)</u>
Net (decrease)/increase in cash and cash equivalents	(8,046,039)	1,664,192
Cash and cash equivalents, beginning of period	<u>19,904,768</u>	<u>5,833,578</u>
Cash and cash equivalents, end of period (Note 3)	<u>\$ 11,858,729</u>	<u>\$ 7,497,770</u>

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

For the period ended June 30, 2009
(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 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 June 30, 2009, 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, 2008. 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, 2009	June 30, 2008
Term deposits	\$ 11,892,741	\$ 12,907,699
Less: Deposits with original maturities of greater than 90 days	<u>(10,191,825)</u>	<u>(12,503,455)</u>
Short-term deposits	1,700,916	404,244
Cash and demand balances	10,914,387	10,449,528
Less: Restricted cash balances	(744,905)	(738,209)
Less: Bank overdraft	<u>(11,669)</u>	<u>(2,617,793)</u>
Total cash and cash equivalents	<u>\$ 11,858,729</u>	<u>\$ 7,497,770</u>

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

For the period ended June 30, 2009
(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, 2009	6 Months Ended June 30, 2008
Net income attributable to equity shareholders	\$ 3,031,693	\$ 2,427,037
Net income attributable to ordinary shareholders	\$ 2,319,193	\$ 1,652,037
Weighted average number of ordinary shares outstanding	24,701,070	24,729,613
Basic earnings per ordinary share	\$ 0.09	\$ 0.07

	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008
Net income attributable to equity shareholders	\$ 1,144,798	\$ 1,355,491
Net income attributable to ordinary shareholders	\$ 794,798	\$ 967,991
Weighted average number of ordinary shares outstanding	24,701,070	24,729,613
Basic earnings per ordinary share	\$ 0.03	\$ 0.04