

Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Nine Months Ended September 30, 2008
UNAUDITED

Message from the Chairman

Dear Shareholders,

The consolidated financial statements for the nine months ended September 30, 2008 show total net income achieved of \$3.8 million, an increase of \$5.3 million compared to the prior year's loss of (\$1.5) million. Net income attributable to the Company's ordinary shareholders for the nine months ended September 30, 2008 totalled \$2.3 million or \$0.09 per ordinary share, an increase from the prior year's loss of (\$2.9) million or (\$0.12) per ordinary share.

The Company continues to see positive results from the management efforts which have resulted in the improved performance and profitability of the health division. Gross policyholder benefits have reduced substantially by \$8.8 million or 10.5% over the same period in the prior year, due largely to improved medical loss ratios resulting from reduced medical claims experience. Net policyholders' benefits for the period closed at \$69.1 million, representing 70.0% of net premium revenues, compared to 75.7% of net premium revenues for the same period in 2007.

Net profit margins of 3.5% for the nine months ended September 30, 2008 were achieved, compared to a loss of (1.4%) for the same period in the prior year, resulting from management's effective allocation of resources to operating activities. Net investment income continues to be affected by depressed market conditions but did not have a significant impact on profitability.

We are pleased to report that administrative costs continue to be contained and are slightly below 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 with total assets of \$462.3 million. The decrease in non-invested assets and other liabilities relate largely to the settlement of outstanding liabilities with excess cash positions. Invested assets remain a significant proportion of the asset base, comprising over 83.8% of total assets compared to 82.5% as at December 2007. Total shareholders' equity stands at \$78.6 million at September 30, 2008, compared to \$74.8 million at December 31, 2007.

Despite the challenges experienced as a result of the present market and economic conditions, and its effect on overall revenues, we are satisfied with the Company's results. We thank you for your continued support as we work diligently towards reaching the Company's financial goals for 2008.



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@colinainperial.com'

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Balance Sheet

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

	September 30, 2008	December 31, 2007
ASSETS		
Term deposits	\$ 8,792,852	\$ 7,155,623
Investment securities	189,118,564	186,581,454
Mortgages and commercial loans	74,888,628	76,490,190
Policy loans	73,794,844	75,226,427
Investment properties	39,484,821	35,226,821
Investment in associate	1,470,975	1,169,930
Total invested assets	387,550,684	381,850,445
Cash and demand balances	5,859,713	10,463,118
Goodwill	13,267,084	13,267,084
Receivables and other assets	33,944,433	37,820,700
Property and equipment	20,986,634	19,049,723
Other intangible assets	696,593	320,962
Total assets	\$ 462,305,141	\$ 462,772,032
LIABILITIES		
Provision for future policy benefits	\$ 293,624,417	\$ 284,084,514
Policy dividends on deposit	34,059,031	34,187,914
Total policy liabilities	327,683,448	318,272,428
Bank loan	1,617,885	6,228,712
Other liabilities	48,280,051	57,385,527
Total liabilities	377,581,384	381,886,667
EQUITY		
Ordinary shares	24,729,613	24,729,613
Treasury shares	(81,615)	-
Share premium	5,960,299	5,960,299
Revaluation reserve	7,579,489	5,070,701
Retained earnings	20,371,648	19,032,632
Total ordinary shareholders' equity	58,559,434	54,793,245
Preference shares	20,000,000	20,000,000
Total shareholders' equity	78,559,434	74,793,245
Minority interest	6,164,323	6,092,120
Total equity	84,723,757	80,885,365
Total liabilities and equity	\$ 462,305,141	\$ 462,772,032

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Income Statement

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

	9 months ended Sept. 30, 2008	9 months ended Sept. 30, 2007
Revenues:		
Premium revenue	\$ 108,797,553	\$ 111,005,019
Less: Reinsurance premiums	<u>10,105,180</u>	<u>9,058,651</u>
Net premium revenue	98,692,373	101,946,368
Net investment income	19,036,477	22,149,015
Other income	<u>50,198</u>	<u>1,032,663</u>
Total revenues	<u>117,779,048</u>	<u>125,128,046</u>
Benefits and expenses:		
Policyholders' benefits	74,648,604	83,445,720
Less: Reinsurance recoveries	<u>5,522,719</u>	<u>6,253,544</u>
Net policyholders' benefits	69,125,885	77,192,176
Changes in provision for future policy benefits	9,539,902	12,350,082
General and administrative expenses	21,908,916	22,260,182
Commissions	9,000,981	9,121,367
Premium and other tax expense	2,819,768	2,993,991
Finance costs	316,135	464,322
Other expenses	1,273,857	1,904,874
Impairment of goodwill	<u>-</u>	<u>345,176</u>
Total benefits and expenses	<u>113,985,444</u>	<u>126,632,170</u>
Net income (loss) for the period	<u>\$ 3,793,604</u>	<u>\$ (1,504,124)</u>
Net income (loss) attributable to:		
Equity shareholders of the Company	\$ 3,490,701	\$ (1,773,148)
Minority interest	<u>302,903</u>	<u>269,024</u>
Net income (loss) for the period	<u>\$ 3,793,604</u>	<u>\$ (1,504,124)</u>
Basic earnings (loss) per ordinary share (Note 4)	<u>\$ 0.09</u>	<u>\$ (0.12)</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Income Statement

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

	3 months ended Sept. 30, 2008	3 months ended Sept. 30, 2007
Revenues:		
Premium revenue	\$ 36,898,490	\$ 36,478,524
Less: Reinsurance premiums	<u>2,945,753</u>	<u>3,253,725</u>
Net premium revenue	33,952,737	33,224,799
Net investment income	6,171,782	7,708,870
Other income (expense)	<u>(83,291)</u>	<u>283,264</u>
Total revenues	<u>40,041,228</u>	<u>41,216,933</u>
Benefits and expenses:		
Policyholders' benefits	26,101,404	26,275,463
Less: Reinsurance recoveries	<u>2,086,307</u>	<u>1,304,652</u>
Net policyholders' benefits	24,015,097	24,970,811
Changes in provision for future policy benefits	3,543,470	6,177,916
General and administrative expenses	7,149,471	7,854,165
Commissions	2,995,704	2,908,126
Premium and other tax expense	1,042,332	994,553
Finance costs	78,447	129,563
Other expenses	49,363	777,740
Impairment of goodwill	<u>-</u>	<u>110,000</u>
Total benefits and expenses	<u>38,873,884</u>	<u>43,922,874</u>
Net income (loss) for the period	<u>\$ 1,167,344</u>	<u>\$ (2,705,941)</u>
Net income (loss) attributable to:		
Equity shareholders of the Company	\$ 1,063,664	\$ (2,776,188)
Minority interest	<u>103,680</u>	<u>70,247</u>
Net income (loss) for the period	<u>\$ 1,167,344</u>	<u>\$ (2,705,941)</u>
Basic income (loss) per share (Note 4)	<u>\$ 0.03</u>	<u>\$ (0.13)</u>

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Changes in Equity

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

	Ordinary					Preference				Total
	Share	Treasury	Share	Revaluation	Share	Retained	Minority			Equity
	Capital	Shares	Premium	Reserve	Capital	Earnings	Interest			
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	-	-	-	3,124,018	-	-	-			3,124,018
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	-	(146,615)	-	-	-			(146,615)
Net income (loss) for the period	-	-	-	-	-	(1,773,148)	269,024			(1,504,124)
Distributions by subsidiaries	-	-	-	-	-	-	(115,351)			(115,351)
Dividends paid to ordinary shareholders	-	-	-	-	-	(989,185)	-			(989,185)
Preference share dividends	-	-	-	-	-	(1,162,500)	-			(1,162,500)
Balance, September 30, 2007	\$ 24,729,613	\$ -	\$ 5,960,299	\$ 4,891,209	\$ 20,000,000	\$ 13,839,320	\$ 5,917,885			\$ 75,338,326
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	-	-	-	(701,950)	-	-	-			(701,950)
Net fair value gain transferred to income on disposal of available-for-sale securities	-	-	-	(22,752)	-	-	-			(22,752)
Revaluation of land and buildings	-	-	-	3,233,490	-	-	-			3,233,490
Net income for the period	-	-	-	-	-	3,490,701	302,903			3,793,604
Acquisition of treasury shares	-	(81,615)	-	-	-	-	-			(81,615)
Distributions by subsidiaries	-	-	-	-	-	-	(230,700)			(230,700)
Dividends paid to ordinary shareholders	-	-	-	-	-	(989,185)	-			(989,185)
Preference share dividends	-	-	-	-	-	(1,162,500)	-			(1,162,500)
Balance, September 30, 2008	\$ 24,729,613	\$ (81,615)	\$ 5,960,299	\$ 7,579,489	\$ 20,000,000	\$ 20,371,648	\$ 6,164,323			\$ 84,723,757

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

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

	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ 3,793,604	\$ (1,504,124)
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	415,228	(1,633,261)
Increase in provision for future policy benefits	9,539,903	12,350,082
Changes in loss provisions for loans and receivables	1,042,963	(346,520)
Depreciation and impairment/amortization charges	2,062,608	2,052,429
Loss on property revaluation	78,901	-
Net realized gain on fair value through income securities	(196,652)	(30,013)
Net realized gain on sale of available-for-sale securities	(22,752)	(146,615)
Interest income	(17,785,053)	(17,811,193)
Dividend income	(728,046)	(1,128,953)
Finance costs	316,135	464,322
Operating cash flows before changes in operating assets and liabilities	<u>(1,483,161)</u>	<u>(7,733,846)</u>
Changes in operating assets and liabilities:		
Decrease in other assets	3,374,897	2,057,001
Decrease in other liabilities	<u>(5,970,732)</u>	<u>(4,419,046)</u>
Net cash used in operating activities	<u>(4,078,996)</u>	<u>(10,095,891)</u>

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COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the nine months ended September 30, 2008
with comparative figures for the nine months ended September 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	(1,327,494)	8,268,929
Increase in restricted cash	(11,685)	(14,407)
Fair value through income securities purchased	(1,762,486)	(1,647,296)
Proceeds on disposal of fair value through income securities	1,423,009	283,217
Available-for-sale securities purchased	(17,725,089)	(28,122,896)
Proceeds on disposal of available-for-sale securities	14,606,930	20,458,412
Purchase of treasury shares	(81,615)	-
Decrease/(increase) in loans to policyholders	2,130,133	(552,688)
Net decrease in mortgage and commercial loans	1,646,460	1,548,723
Purchase of investment property	(4,258,000)	-
Interest received	16,198,967	17,857,204
Dividends received	728,046	1,128,953
Additions to property and equipment	(1,220,561)	(1,298,552)
Net cash provided by investing activities	<u>10,346,615</u>	<u>17,909,599</u>
Cash flows from financing activities:		
Interest paid on guaranteed investment contracts	(26,345)	(35,338)
Payment of bank loan interest	(139,790)	(428,984)
Distributions by subsidiaries	(230,700)	(115,351)
Dividends paid to ordinary shareholders	(989,185)	(989,185)
Dividends paid to preference shareholders	(1,162,500)	(1,162,500)
Repayment of bank loan principal	(4,760,827)	(3,621,713)
Net cash used in financing activities	<u>(7,309,347)</u>	<u>(6,353,071)</u>
Net (decrease)/increase in cash and cash equivalents	(1,041,728)	1,460,637
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>\$ 4,791,850</u>	<u>\$ 6,793,969</u>

(Concluded)

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

For the period ended September 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 September 30, 2008, approximately 58.1% of the Company's issued ordinary shares were owned by A.F. Holdings Ltd. and 41.6% by the Bahamian public.

The registered office of the Company is located at Trinity Place Annex, Shirley & Frederick 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.

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:

	September 30, 2008	September 30, 2007
Term deposits	\$ 8,792,852	\$ 6,861,601
Less: Deposits with original maturities of greater than 90 days	<u>(8,282,523)</u>	<u>(6,861,601)</u>
Short-term deposits	510,329	-
Cash and demand balances	5,859,713	9,089,910
Less: Restricted cash balances	(741,576)	(725,512)
Less: Bank overdraft	<u>(836,616)</u>	<u>(1,570,429)</u>
Total cash and cash equivalents	<u>\$ 4,791,850</u>	<u>\$ 6,793,969</u>

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

For the period ended September 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.

	9 months ended Sept. 30, 2008	9 months ended Sept. 30, 2007
Net income (loss) attributable to equity shareholders	\$ 3,490,701	\$ (1,773,148)
Net income (loss) attributable to ordinary shareholders	\$ 2,328,201	\$ (2,935,648)
Weighted average number of ordinary shares outstanding	24,726,442	24,729,613
Basic earnings (loss) per ordinary share	\$ 0.09	\$ (0.12)
	3 months ended Sept. 30, 2008	3 months ended Sept. 30, 2007
Net income (loss) attributable to equity shareholders	\$ 1,063,664	\$ (2,776,188)
Net income (loss) attributable to ordinary shareholders	\$ 676,164	\$ (3,163,688)
Weighted average number of ordinary shares outstanding	24,720,099	24,729,613
Basic earnings (loss) per ordinary share	\$ 0.03	\$ (0.13)