

**Condensed Unaudited Consolidated Interim Financial Statements of
Colina Holdings Bahamas Limited
Six Months Ended June 30, 2012
UNAUDITED**

Message from the Chairman

Dear Shareholders,

We are pleased to record another profitable quarter for Colina, and to mark the half-year with continued positive growth in key financial indicators including net income, shareholders' equity and asset growth.

Net income attributable to the Company's ordinary shareholders for the period January 1, 2012 to June 30, 2012 rose to \$5.5 million or \$0.22 per ordinary share, compared to net income of \$0.4 million or \$0.02 per ordinary share for the same period in the prior year.

Total assets have increased by \$19.4 million to \$569.4 million from \$549.9 million at December 31, 2011. Invested assets remain a significant proportion of the asset base, comprising 81.9% of total assets. However, investment earnings for the period January 1, 2012 to June 30, 2012 continue to be impacted by the reduction in the Bahamian \$ Prime Rate in mid-2011 with net investment income to June 30, 2012 totalling \$14.2 million, compared to \$14.8 million for the same period in 2011.

General and administrative expenses for the six months ended June 30, 2012 are 21.7% of total revenues, slightly higher than the prior period ratio of 20.4%, due to the Company's ongoing strategy to invest in technology systems for increased operational efficiency over the long term.

Despite a challenging economic environment, our solid capital position, high quality investments and disciplined operational capabilities remain a source of competitive advantage and we continue to see sustained growth. The Company's total equity continues on an upward trend, rising to \$122.7 million at June 30, 2012 compared to \$119.7 million at December 31, 2011.

We will continue to invest strategically in our business and to leverage our competitive advantages in service and convenience to benefit our clients.

We thank our shareholders, employees and other stakeholders for their continued support.



Terence Hilts
Chairman

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Financial Position

As at June 30, 2012 with comparative figures as at December 31, 2011
(Expressed in Bahamian dollars)

	June 30, 2012	December 31, 2011
ASSETS		
Term deposits	\$ 37,246,690	\$ 32,641,513
Investment securities	242,270,416	233,713,661
Mortgages and commercial loans	62,397,902	67,662,693
Policy loans	65,025,041	64,263,516
Investment properties	49,396,086	49,207,360
Investment in associates	<u>10,429,344</u>	<u>10,193,720</u>
Total invested assets	466,765,479	457,682,463
Cash and demand balances	12,816,293	13,143,815
Receivables and other assets	55,352,007	44,740,763
Property and equipment	20,030,109	20,102,630
Goodwill	12,921,910	12,921,910
Other intangible assets	<u>1,475,360</u>	<u>1,369,011</u>
Total assets	<u>\$ 569,361,158</u>	<u>\$ 549,960,592</u>
LIABILITIES		
Provision for future policy benefits	\$ 336,460,296	\$ 326,094,058
Policy dividends on deposit	<u>30,553,648</u>	<u>30,695,059</u>
Total policy liabilities	367,013,944	356,789,117
Other liabilities	<u>79,684,421</u>	<u>73,507,148</u>
Total liabilities	<u>446,698,365</u>	<u>430,296,265</u>
EQUITY		
Ordinary shares	24,729,613	24,729,613
Treasury shares	(154,331)	(162,254)
Share premium	5,960,299	5,960,299
Revaluation reserve	7,722,563	7,815,781
Retained earnings	<u>41,533,119</u>	<u>38,983,366</u>
Total ordinary shareholders' equity	79,791,263	77,326,805
Preference shares	<u>30,000,000</u>	<u>30,000,000</u>
Total shareholders' equity	109,791,263	107,326,805
Non-controlling interests	<u>12,871,530</u>	<u>12,337,522</u>
Total equity	<u>122,662,793</u>	<u>119,664,327</u>
Total liabilities and equity	<u>\$ 569,361,158</u>	<u>\$ 549,960,592</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Income

For the six months ended June 30, 2012
with comparative figures for the six months ended June 30, 2011
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2012	6 Months Ended June 30, 2011
Revenues:		
Premium revenue	\$ 66,189,533	\$ 66,589,664
Less: Reinsurance premiums	<u>7,157,005</u>	<u>7,158,929</u>
Net premium revenue	59,032,528	59,430,735
Net investment income	14,190,554	14,775,375
Other income	<u>4,871,422</u>	<u>2,940,377</u>
Total revenues	<u>78,094,504</u>	<u>77,146,487</u>
Benefits and expenses:		
Policyholders' benefits	43,565,927	43,881,303
Less: Reinsurance recoveries	<u>7,333,408</u>	<u>2,491,018</u>
Net policyholders' benefits	36,232,519	41,390,285
Changes in provision for future policy benefits	10,366,238	11,408,592
General and administrative expenses	16,909,285	15,765,886
Commissions	5,141,409	4,530,130
Premium and other tax expense	1,802,014	1,647,025
Finance costs	111,184	48,784
Other expenses	<u>574,317</u>	<u>723,304</u>
Total benefits and expenses	<u>71,136,966</u>	<u>75,514,006</u>
Net income for the period:	<u>\$ 6,957,538</u>	<u>\$ 1,632,481</u>
Net income attributable to:		
Equity shareholders of the Company	\$ 6,467,790	\$ 1,243,785
Non-controlling interests	<u>489,748</u>	<u>388,696</u>
Net income for the period	<u>\$ 6,957,538</u>	<u>\$ 1,632,481</u>
Basic earnings per ordinary share (Note 4)	<u>0.22</u>	<u>0.02</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2012
with comparative figures for the six months ended June 30, 2011
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2012	6 Months Ended June 30, 2011
Net income for the period	\$ 6,957,538	\$ 1,632,481
Other comprehensive income:		
Change in available-for-sale financial assets	(116,553)	787,368
Total comprehensive income for the period	<u>\$ 6,840,985</u>	<u>\$ 2,419,849</u>
Attributable to:		
Equity shareholders of the Company	\$ 6,351,237	\$ 2,031,153
Non-controlling interests	489,748	388,696
Total comprehensive income for the period	<u>\$ 6,840,985</u>	<u>\$ 2,419,849</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Income

For the three months ended June 30, 2012
with comparative figures for the three months ended June 30, 2011
(Expressed in Bahamian dollars)

	3 Months Ended June 30, 2012	3 Months Ended June 30 2011
Revenues:		
Premium revenue	\$ 32,040,064	\$ 34,398,964
Less: Reinsurance premiums	<u>4,165,675</u>	<u>3,685,740</u>
Net premium revenue	27,874,389	30,713,224
Net investment income	6,366,447	7,575,052
Other income	<u>2,674,117</u>	<u>1,424,237</u>
Total revenues	<u>36,914,953</u>	<u>39,712,513</u>
Benefits and expenses:		
Policyholders' benefits	18,962,929	21,608,139
Less: Reinsurance recoveries	<u>4,532,830</u>	<u>1,324,850</u>
Net policyholders' benefits	14,430,099	20,283,289
Changes in provision for future policy benefits	6,149,165	8,349,087
General and administrative expenses	8,594,718	8,607,917
Commissions	2,085,307	2,088,414
Premium and other tax expense	914,587	701,312
Finance costs	58,689	27,148
Other expenses	<u>323,266</u>	<u>364,918</u>
Total benefits and expenses	<u>32,555,831</u>	<u>40,422,085</u>
Net income (loss) for the period:	<u>\$ 4,359,122</u>	<u>\$ (709,572)</u>
Net income (loss) attributable to:		
Equity shareholders of the Company	\$ 4,260,943	\$ (861,453)
Non-controlling interests	<u>98,179</u>	<u>151,881</u>
Net income (loss) for the period	<u>\$ 4,359,122</u>	<u>\$ (709,572)</u>
Basic earnings (loss) per ordinary share (Note 4)	<u>\$ 0.15</u>	<u>\$ (0.05)</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Interim Statement of Comprehensive Income

For the three months ended June 30, 2012
with comparative figures for the three months ended June 30, 2011
(Expressed in Bahamian dollars)

	3 Months Ended June 30, 2012	3 Months Ended June 30, 2011
Net income (loss) for the period	\$ 4,359,122	\$ (709,572)
Change in available-for-sale financial assets	<u>(8,203)</u>	<u>808,264</u>
Total comprehensive income for the period	<u>\$ 4,350,919</u>	<u>\$ 98,692</u>
Attributable to:		
Equity shareholders of the Company	\$ 4,252,740	\$ (53,189)
Non-controlling interests	<u>98,179</u>	<u>151,881</u>
Total comprehensive income for the period	<u>\$ 4,350,919</u>	<u>\$ 98,692</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Changes in Equity

For the six months ended June 30, 2012
with comparative figures for the six months ended June 30, 2011
(Expressed in Bahamian dollars)

	Ordinary Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	Preference Share Capital	Retained Earnings	Non-controlling Interests	Total Equity
Balance, January 1, 2011	\$ 24,729,613	\$ (331,614)	\$ 5,960,299	\$ 6,985,968	\$ 26,027,000	\$ 39,655,010	\$ 12,472,319	\$ 115,498,595
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-	787,368	-	-	-	787,368
Net income for the period	-	-	-	-	-	1,243,785	388,696	1,632,481
Changes in non-controlling interests	-	-	-	-	-	-	(2,666,620)	(2,666,620)
Ordinary Share dividends	-	-	-	-	-	(3,956,738)	-	(3,956,738)
Unrealized gain on purchase of shares in subsidiary	-	-	-	7,906	-	-	-	7,906
Issuance of preference shares	-	-	-	-	260,000	-	-	260,000
Preference Share dividends	-	-	-	-	-	(870,777)	-	(870,777)
Balance, June 30, 2011	<u>\$ 24,729,613</u>	<u>\$ (331,614)</u>	<u>\$ 5,960,299</u>	<u>\$ 7,781,242</u>	<u>\$ 26,287,000</u>	<u>\$ 36,071,280</u>	<u>\$ 10,194,395</u>	<u>\$ 110,692,215</u>
Balance, January 1, 2012	\$ 24,729,613	\$ (162,254)	\$ 5,960,299	\$ 7,815,781	\$ 30,000,000	\$ 38,983,366	\$ 12,337,522	\$ 119,664,327
Net loss on remeasurement of available-for-sale securities to fair value	-	-	-	(116,553)	-	-	-	(116,553)
Changes in non-controlling interests	-	-	-	-	-	-	44,260	44,260
Net income for the period	-	-	-	-	-	6,467,790	489,748	6,957,538
Ordinary Share dividends	-	-	-	-	-	(2,959,985)	-	(2,959,985)
Unrealized gain on purchase of shares in subsidiary	-	-	-	23,335	-	-	-	23,335
Decrease in treasury shares	-	7,923	-	-	-	-	-	7,923
Preference Share dividends	-	-	-	-	-	(958,052)	-	(958,052)
Balance, June 30, 2012	<u>\$ 24,729,613</u>	<u>\$ (154,331)</u>	<u>\$ 5,960,299</u>	<u>\$ 7,722,563</u>	<u>\$ 30,000,000</u>	<u>\$ 41,533,119</u>	<u>\$ 12,871,530</u>	<u>\$ 122,662,793</u>

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the six months ended June 30, 2012
with comparative figures for the six months ended June 30, 2011
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2012	6 Months Ended June 30, 2011
Cash flows from operating activities:		
Net income	\$ 6,957,538	\$ 1,632,481
Adjustments to reconcile net income to net cash used in operating activities:		
Change in unrealized (gain)/loss on fair value through income securities	(648,041)	516,846
Increase in provision for future policy benefits	10,366,238	11,408,592
Changes in loss provisions for loans and receivables	1,012,870	(812,093)
Depreciation and amortization charges	1,227,275	906,248
Net realized gain on fair value through income securities	(8,174)	(182,850)
Net realized gain on sale of available-for-sale securities	-	(3,332)
Interest income	(10,918,205)	(12,194,469)
Dividend income	(684,266)	(805,776)
Operating cash flows before changes in operating assets and liabilities	<u>7,305,235</u>	<u>465,647</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in other assets	(10,781,144)	590,983
Increase in other liabilities	<u>3,564,063</u>	<u>8,133,381</u>
Net cash provided by operating activities	<u>88,154</u>	<u>9,190,011</u>

(Continued)

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

COLINA HOLDINGS BAHAMAS LIMITED
Unaudited Consolidated Statement of Cash Flows

For the six months ended June 30, 2012
with comparative figures for the six months ended June 30, 2011
(Expressed in Bahamian dollars)

	6 Months Ended June 30, 2012	6 Months Ended June 30, 2011
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	23,335	7,906
(Increase)/decrease in term deposits with original maturities greater than 90 days	(1,699,929)	3,284,134
Increase in restricted cash	(962)	(218)
Fair value through income securities purchased	(5,576,203)	(14,966,117)
Proceeds on disposal of fair value through income securities	483,863	5,043,420
Available-for-sale securities purchased	(3,031,587)	(4,695,397)
Proceeds on disposal of available-for-sale securities	106,834	4,360,478
(Increase)/decrease in loans to policyholders	(606,952)	371,341
Additions to investment property	(188,726)	(4,258,035)
Net change in mortgage and commercial loans	4,219,306	1,799,360
Interest received	10,730,523	12,378,725
Dividends received	684,266	805,776
Proceeds on disposal of property and equipment, net	-	(400)
Additions to property and equipment	(688,003)	(736,566)
Additions to other intangible assets	(573,100)	-
	<u>3,882,665</u>	<u>3,394,407</u>
Net cash provided by investing activities		
Cash flows used in financing activities:		
Proceeds from issuance of preference shares	-	260,000
Sale of treasury shares	7,923	-
Dividends paid to ordinary shareholders	(2,959,985)	(3,956,738)
Dividends paid to preference shareholders	(958,052)	(870,777)
	<u>(3,910,114)</u>	<u>(4,567,515)</u>
Net cash used in financing activities		
Net increase in cash and cash equivalents	60,705	8,016,904
Cash and cash equivalents, beginning of period	<u>32,921,872</u>	<u>29,383,586</u>
Cash and cash equivalents, end of period (Note 3)	<u>\$ 32,982,577</u>	<u>\$ 37,400,490</u>

(Concluded)

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

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

For the period ended June 30, 2012
(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 Colina Insurance Limited (“Colina”), a wholly-owned life and health insurer incorporated and registered to operate as a life and health insurer in The Bahamas, The Cayman Islands and The Turks and Caicos Islands.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At June 30, 2012, 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by IFRS for consolidated financial statements. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company’s financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these consolidated financial statements. The preparation of unaudited condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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, 2012	June 30, 2011
Term deposits	\$ 37,246,690	\$ 18,527,627
Less: Deposits with original maturities of greater than 90 days	<u>(12,273,031)</u>	<u>(1,056,563)</u>
Short-term deposits	24,973,659	17,471,064
Cash and demand balances	12,816,293	23,148,610
Less: Restricted cash balances	(1,006,209)	(1,002,906)
Less: Bank overdrafts	<u>(3,801,166)</u>	<u>(2,216,278)</u>
Total cash and cash equivalents	<u>\$ 32,982,577</u>	<u>\$ 37,400,490</u>

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

For the period ended June 30, 2012
(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 Colina held as treasury shares.

	6 Months Ended June 30, 2012	6 Months Ended June 30, 2011
Net income attributable to equity shareholders	<u>\$ 6,467,790</u>	<u>\$ 1,243,785</u>
Net income attributable to ordinary shareholders	<u>\$ 5,509,738</u>	<u>\$ 373,008</u>
Weighted average number of ordinary shares outstanding	<u>24,667,349</u>	<u>24,701,070</u>
Basic earnings per ordinary share	<u>\$ 0.22</u>	<u>\$ 0.02</u>
	3 Months Ended June 30, 2012	3 Months Ended June 30, 2011
Net income (loss) attributable to equity shareholders	<u>\$ 4,260,943</u>	<u>\$ (861,453)</u>
Net income (loss) attributable to ordinary shareholders	<u>\$ 3,792,195</u>	<u>\$ (1,272,188)</u>
Weighted average number of ordinary shares outstanding	<u>24,668,153</u>	<u>24,701,070</u>
Basic earnings (loss) per ordinary share	<u>\$ 0.15</u>	<u>\$ (0.05)</u>