

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)FOR THE SIX MONTHS ENDED 30 JUNE, 2008
(EXPRESSED IN BAHAMIAN DOLLARS)

	Share Capital Preference Shares \$	Share Capital Ordinary Shares \$	Share Premium \$	Revaluation Surplus \$	Retained Earnings \$	Total \$
Balance as of January 1, 2007	10,000,000	2,000,000	10,801,080	5,082,619	19,578,249	47,461,948
Transfer from revaluation surplus	-	-	-	(24,699)	24,699	-
Transfer from revaluation surplus on sale of asset	-	-	-	(470,234)	-	(470,234)
Net income for the period	-	-	-	-	4,959,211	4,959,211
Prior period adjustments	-	-	-	-	(408,568)	(408,568)
Dividends declared and paid - preference shares	-	-	-	-	(350,000)	(350,000)
ordinary shares (\$0.12 per share)	-	-	-	-	(1,200,000)	(1,200,000)
Balance as of June 30, 2007	10,000,000	2,000,000	10,801,080	4,587,686	22,603,591	49,992,357
Balance as of January 1, 2008	10,000,000	2,000,000	10,801,080	7,361,959	23,840,477	54,003,516
Net income for the period	-	-	-	-	3,024,804	3,024,804
Dividends declared and paid - preference shares	-	-	-	-	(350,000)	(350,000)
ordinary shares (\$0.12 per share)	-	-	-	-	(1,200,000)	(1,200,000)
Balance as of June 30, 2008	10,000,000	2,000,000	10,801,080	7,361,959	25,315,281	55,478,320

See notes to unaudited interim consolidated financial statements.

FAMGUARD CORPORATION LIMITED

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

30 JUNE, 2008

1. Accounting Policies

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2007.

The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Family Guardian Insurance Company Limited, FG General Insurance Agency Limited, FG Financial Fund Limited SAC, FG Capital Markets and BahamaHealth Insurance Brokers and Benefit Consultants Limited.

2. Earnings per share

	6 months to 30 June 2008	6 months to 30 June 2007
Weighted average number of ordinary shares outstanding	10,000,000	10,000,000
Consolidated net income	3,024,804	4,959,211
Earnings per share	\$ 0.30	\$ 0.50

3. Commitments

Outstanding commitments to extend credit under mortgage loan agreements amounted to approximately \$5,265,300 at 30 June 2008 (31 December 2007: \$3,858,604).



FAMGUARD CORPORATION LIMITED

CORPORATE CENTRE
East Bay Street
Nassau, Bahamas
242-396-4000

FINANCIAL SERVICES
East Bay & Church Streets
Nassau, Bahamas
242-396-1400

**GROUP OPERATIONS/
BAHAMAHEALTH**
East Bay & Church Streets
Nassau, Bahamas
242-396-1300

MARATHON SALES OFFICE
Marathon Estates Road
Nassau, Bahamas
242-393-0091

CHIPPINGHAM SALES OFFICE
Thompson Boulevard
Nassau, Bahamas
242-325-1811

CARMICHAEL SALES OFFICE
Blue Hill Road
Nassau, Bahamas
242-341-4429

YELLOW ELDER SALES OFFICE
Tonique Williams-Darling Highway
Nassau, Bahamas
242-341-5669

FREEPORT SALES OFFICES
East Mall Drive
Freeport, Grand Bahama
242-352-7233

Regent Centre
Freeport, Grand Bahama
242-352-3670

ABACO SALES OFFICE
Memorial Plaza
Marsh Harbour, Abaco
242-367-3264

ELEUTHERA SALES OFFICE
Bay Front Plaza
Governor's Harbour, Eleuthera
242-332-2258

MORTGAGE DEPARTMENT

Nassau: East Bay Street
242-396-4040

Freeport: Regent Centre
242-352-3670



FAMGUARD CORPORATION LIMITED

**INTERIM REPORT**

Unaudited Results for
the six months ended
30 June, 2008

MESSAGE FROM THE CHAIRMAN

Dear Shareholder

As at June 30, 2008, we recorded net income of \$3.02 million. This result represents a marginal improvement over the first quarter but falls short of the \$4.96 million earned in the same period 2007.

The buoyancy of the equities market last year boosted our net income by \$1.1 million. In the first six months of 2008 however, the local equities market has shown sustained weakness and as a result, the value of our equities portfolio declined by \$817 thousand through June 30, 2008. This swing in the value of our portfolio over the past twelve months accounts for \$1.9 million of the reduction in net income against prior year-to-date.

In our insurance product lines, our group health and ordinary life sales recorded strong growth with premium income increasing by \$4.7 million or 11.1% over prior year June. Particularly noteworthy is the growth of new business in our group health product line which more than doubled the volume of new business sales recorded through June 30, 2007 reflecting the broadening appeal of our health products.

This year we have also seen an increase in death claims due to trauma reflecting the impact of the increase in traffic fatalities and violence. While the escalation in traumatic death claims has the effect of reducing our net income, it also serves to underscore the value of the products we sell.

In other areas of our company, I am pleased to report the launch of our new subsidiary companies, FG Financial Limited and FG Capital Markets Limited through which we offer our pension, mutual funds and brokerage and advisory services. Since the launch, we have seen a steady increase in new accounts and the response has been encouraging.

At the beginning of July, we also launched three new life insurance products in our Home Service Division to meet the changing needs of our clients. These products are also being well received.

The Board of Directors declared a dividend of 6 cents per share which was paid to shareholders on August 8, 2008.

Sincerely,



Norbert F. Boissiere
Chairman

(Incorporated under the laws of the Commonwealth of The Bahamas)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS OF 30 JUNE, 2008

(EXPRESSED IN BAHAMIAN DOLLARS)

	2008 \$	31 December 2007 \$
ASSETS		
Bank term deposits	13,081,831	11,102,604
Financial Investment Assets:		
Held-to-maturity	39,713,110	39,063,136
Fair value through profit and loss	7,743,856	8,561,549
Loans	68,038,075	66,445,062
	<u>128,576,872</u>	<u>125,172,351</u>
Total investment assets	128,576,872	125,172,351
Cash and bank balances	3,537,804	2,809,496
Receivables and other assets	2,559,249	1,886,966
Premiums receivable	1,832,418	2,365,386
Property, plant and equipment, net	30,320,585	28,900,750
	<u>166,826,928</u>	<u>161,134,949</u>
TOTAL	<u>166,826,928</u>	<u>161,134,949</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Reserves for future		
policyholders' benefits	98,556,669	94,481,860
Other policyholders' funds	6,016,161	5,833,961
Policy liabilities	104,572,830	100,315,821
Payables and accruals	6,775,778	6,815,612
Total liabilities	111,348,608	107,131,433
EQUITY:		
Preference shares	10,000,000	10,000,000
Ordinary shares	2,000,000	2,000,000
Share premium	10,801,080	10,801,080
Revaluation surplus	7,361,959	7,361,959
Retained earnings	25,315,281	23,840,477
Total equity	55,478,320	54,003,516
	<u>166,826,928</u>	<u>161,134,949</u>
TOTAL	<u>166,826,928</u>	<u>161,134,949</u>

See notes to unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE, 2008

(EXPRESSED IN BAHAMIAN DOLLARS)

	6 months to 30 June 2008 \$	6 months to 30 June 2007 \$
NET PREMIUM REVENUE AND DEPOSITS		
Investment income	4,907,626	4,402,589
Change in unrealised appreciation on investments in equities	(817,693)	1,074,167
Realised gain from investments in equities	501	46,946
	<u>39,436,970</u>	<u>37,332,441</u>
TOTAL INCOME	<u>39,436,970</u>	<u>37,332,441</u>
Benefits		
	22,368,439	18,429,784
Operating expenses		
Operating expenses	8,538,869	7,867,868
Commissions	5,378,901	5,446,335
Depreciation and amortisation expense	422,700	407,200
Bad debt expense	(296,743)	222,043
	<u>36,412,166</u>	<u>32,373,230</u>
TOTAL BENEFITS AND EXPENSES	<u>36,412,166</u>	<u>32,373,230</u>
Net Income	<u>3,024,804</u>	<u>4,959,211</u>
Earnings per share	<u>0.30</u>	<u>0.50</u>
3 months to 30 June 2008 \$		
3 months to 30 June 2007 \$		
NET PREMIUM REVENUE AND DEPOSITS		
Investment income	17,524,097	15,905,661
Change in unrealised appreciation on investments in equities	2,378,659	2,290,696
Realised gain from investments in equities	(376,575)	452,320
	<u>19,526,181</u>	<u>18,648,677</u>
TOTAL INCOME	<u>19,526,181</u>	<u>18,648,677</u>
Benefits		
	12,059,141	9,518,550
Operating expenses		
Operating expenses	4,445,421	3,960,084
Commissions	2,730,766	2,790,275
Depreciation and amortisation expense	207,255	196,883
Bad debt expense	(4,542)	29,493
	<u>19,438,041</u>	<u>16,495,285</u>
TOTAL BENEFITS AND EXPENSES	<u>19,438,041</u>	<u>16,495,285</u>
Net Income	<u>88,641</u>	<u>2,153,392</u>
Earnings per share	<u>0.01</u>	<u>0.22</u>

See notes to unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE, 2008

(EXPRESSED IN BAHAMIAN DOLLARS)

	6 months to 30 June 2008 \$	6 months to 30 June 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	3,024,804	4,959,211
Adjustments for:		
Depreciation and amortisation	422,700	407,200
Change in unrealised appreciation on investments in equities	817,693	(1,074,167)
Realised gain on sale of property, plant & equipment	–	(46,946)
Loans written-off net of recoveries	(25)	169,469
Change in mortgage provision	(296,743)	52,574
Reserve for policyholder benefits	4,074,809	5,286,899
Interest income	(4,397,046)	(3,896,328)
Dividend income	(189,884)	(244,895)
	<u>3,456,308</u>	<u>5,613,017</u>
Operating profit before working capital changes	3,456,308	5,613,017
(Increase) decrease in operating assets		
Receivables and other assets	(738,626)	(1,180,522)
Premiums in arrears	532,968	655,094
(Decrease) increase in operating liabilities		
Payables and accruals	(39,834)	849,585
Other policyholder funds	182,200	(301,757)
	<u>3,393,016</u>	<u>5,635,417</u>
Net cash from operating activities	3,393,016	5,635,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Policy loans	(471,706)	(194,381)
Proceeds from sale of property, plant & equipment	–	1,957,089
Proceeds from maturity of government bonds	–	600,000
Purchase of fixed assets	(1,842,535)	(82,645)
Construction in progress	–	(3,219,588)
Other loans repaid	183,061	115,525
Net mortgage loans issued	(956,649)	(2,127,699)
Purchase of Government bonds	–	(619,300)
Purchase of preference shares	(650,000)	–
Interest received	4,412,464	3,896,159
Dividends received	189,884	244,895
	<u>864,519</u>	<u>570,055</u>
Net cash from investing activities	864,519	570,055
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid - preference shares	(350,000)	(350,000)
Dividends paid - ordinary shares	(1,200,000)	(1,200,000)
Net cash used in financing activities	(1,550,000)	(1,550,000)
	<u>2,707,535</u>	<u>4,655,472</u>
Net increase in cash and cash equivalents	2,707,535	4,655,472
Cash and cash equivalents at beginning of period	13,912,100	13,086,976
Cash and cash equivalents at end of period	16,619,635	17,742,448

See notes to unaudited interim consolidated financial statements.