

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2006  
(AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	Share Capital Preference Shares \$	Share Capital Ordinary Shares \$	Share Premium \$	Revaluation Surplus \$	Retained Earnings \$	Total
Balance as of 1 January 2005	10,000,000	1,725,000	2,891,694	5,189,525	13,997,237	33,803,456
Transfer from revaluation surplus	-	-	-	(26,727)	26,727	-
Net income for the period	-	-	-	-	2,802,407	2,802,407
Dividends declared and paid - preference shares	-	-	-	-	(375,000)	(375,000)
Dividends declared and paid - ordinary shares	-	-	-	-	(1,035,000)	(1,035,000)
<b>Balance as of 30 June 2005</b>	<b>10,000,000</b>	<b>1,725,000</b>	<b>2,891,694</b>	<b>5,162,798</b>	<b>15,416,371</b>	<b>35,195,863</b>
Balance as of 1 January 2006	10,000,000	2,000,000	10,801,080	5,136,072	16,108,882	44,046,034
Transfer from revaluation surplus	-	-	-	(26,727)	26,727	-
Net income for the period	-	-	-	-	2,133,496	2,133,496
Dividends declared and paid - preference shares	-	-	-	-	(350,000)	(350,000)
Dividends declared and paid - ordinary shares	-	-	-	-	(600,000)	(600,000)
<b>Balance as of 30 June 2006</b>	<b>10,000,000</b>	<b>2,000,000</b>	<b>10,801,080</b>	<b>5,109,345</b>	<b>17,319,105</b>	<b>45,229,530</b>

See accompanying notes to unaudited interim consolidated financial statements.

FAMGUARD CORPORATION LIMITED

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2006

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 2005.

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 and BahamaHealth Insurance Brokers and Benefit Consultants Limited.

2. EARNINGS PER SHARE

	6 months to 30 June 2006	6 months to 30 June 2005
Weighted average number of ordinary shares outstanding	10,000,000	8,625,000
Consolidated net income	2,133,496	2,802,407
<b>Earnings per share</b>	<b>\$ 0.21</b>	<b>\$ 0.32</b>

3. COMMITMENTS

Outstanding commitments to extend credit under mortgage loan agreements amounted to approximately \$3,201,961 at 30 June 2006 (31 December 2005: \$2,150,056).



FAMGUARD CORPORATION LIMITED

CORPORATE CENTRE

East Bay Street  
Nassau, Bahamas  
242-396-4000

FINANCIAL SERVICES

Third Terrace West, Centreville  
Nassau, Bahamas  
242-326-1040

GROUP OPERATIONS/BAHAMAHEALTH

Harbour Bay, Shopping Center  
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

MORTGAGE DEPARTMENT

Nassau: East Bay Street  
242-396-4040

CARMICHAEL SALES OFFICE

Blue Hill Road  
Nassau, Bahamas  
242-341-4429

YELLOW ELDER SALES OFFICE

Harrold Road  
Nassau, Bahamas  
242-341-5669

FREEPORT SALES OFFICE

East Mall Drive  
Freeport, Grand Bahama  
242-352-7233

ABACO SALES OFFICE

Memorial Plaza  
Marsh Harbour, Abaco  
242-367-3264

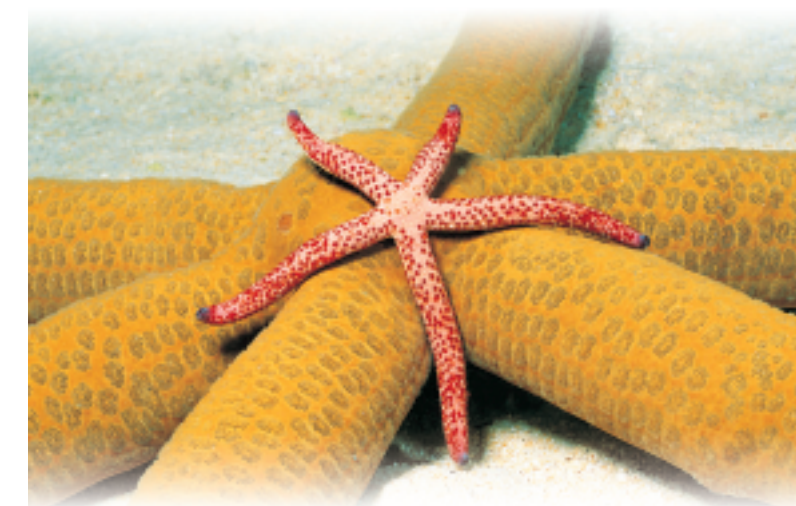
ELEUTHERA SALES OFFICE

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

Freeport: East Mall Drive  
242-352-7233



FAMGUARD CORPORATION LIMITED



INTERIM REPORT

Unaudited Results for  
the six months ended  
**30 June, 2006**

MESSAGE FROM THE CHAIRMAN

Dear Shareholder:

**INTERIM REPORT — SIX MONTHS ENDING 30 JUNE, 2006**

For the six months ended June 30, 2006, we recorded strong premium revenue growth in all business lines.

Premium revenue grew by 14.2% or \$3.6 million over prior year-to-date reflecting the impact of strong sales in 2005.

The growth in annuity deposits slowed during the first quarter of 2006 but gained momentum in the second quarter through June 2006 ending the first half of the year \$700k under prior year-to-date.

Strong price appreciation in our equity portfolio fueled the 10% growth in investment income.

The increase in premium revenue and investment income was offset in part by the large increase in health claims recorded through June 2006. Benefits payments increased 31% over the period compared to prior year-to-date.

As at June 30, 2006, we recorded net income of \$2.1 million compared to \$2.8 million prior year-to-date. Earnings per share stand at 21 cents compared to 32 cents prior year-to-date.

The Board of Directors declared a dividend of 6 cents per share which was paid to common shareholders on August 14, 2006.

Sincerely,



Norbert F. Boissiere  
Chairman

FAMGUARD CORPORATION LIMITED

**CONSOLIDATED BALANCE SHEET (UNAUDITED)**

AS OF 30 JUNE 2006  
(AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	2006 \$	31 December 2005 \$
<b>ASSETS</b>		
Bank term deposits	18,780,033	14,021,856
Government bonds	22,828,759	21,593,317
Preferred shares	920,515	1,150,252
Investments in equities	6,403,761	6,336,293
Policy loans	9,338,150	9,307,321
Mortgage loans, net	52,096,156	53,004,358
<b>Total investment assets</b>	<b>110,367,374</b>	<b>105,413,397</b>
Cash and bank balances	3,451,425	2,571,903
Receivables and other assets	2,778,241	3,372,446
Premiums in arrears	1,896,720	1,695,178
Property, plant and equipment, net	19,056,833	19,003,151
<b>TOTAL ASSETS</b>	<b>137,550,593</b>	<b>132,056,075</b>
<b>LIABILITIES</b>		
Reserves for future policyholders' benefits	81,161,361	76,518,778
Other policyholders' funds	5,615,562	4,983,460
<b>Policy liabilities</b>	<b>86,776,923</b>	<b>81,502,238</b>
Payables and accruals	5,544,139	6,507,803
<b>Total Liabilities</b>	<b>92,321,062</b>	<b>88,010,041</b>
<b>EQUITY</b>		
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	5,109,346	5,136,072
Retained earnings	17,319,105	16,108,882
<b>Total Equity</b>	<b>45,229,531</b>	<b>44,046,034</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>137,550,593</b>	<b>132,056,075</b>

See accompanying notes to unaudited interim consolidated financial statements.

FAMGUARD CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2006  
(AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	6 months to 30 June 2006 \$	6 months to 30 June 2005 \$
Net premium revenue and deposits	29,772,383	26,982,816
Investment income	4,012,513	3,673,009
Change in unrealised appreciation on investments in equities	499,403	600,545
Realised gain from investments in equities	228,525	13,420
<b>TOTAL INCOME</b>	<b>34,512,824</b>	<b>31,269,790</b>
Net policyholders' benefits	19,977,240	17,118,951
Operating expenses	6,938,867	6,353,474
Commissions	5,109,440	4,621,085
Depreciation and amortisation expense	370,480	296,599
Bad debt expense	(16,699)	77,274
<b>TOTAL BENEFITS AND EXPENSES</b>	<b>32,379,328</b>	<b>28,467,383</b>
<b>Net income</b>	<b>2,133,496</b>	<b>2,802,407</b>
<b>Earnings per share</b>	<b>0.21</b>	<b>0.32</b>
	<b>3 months to 30 June 2006 \$</b>	<b>3 months to 30 June 2005 \$</b>
Net premium revenue and deposits	15,493,869	13,547,353
Investment income	2,038,862	1,869,869
Change in unrealised appreciation on investments in equities	269,728	278,255
Realised gain from investments in equities	228,525	10,010
<b>TOTAL INCOME</b>	<b>18,030,984</b>	<b>15,705,487</b>
Net policyholders' benefits	10,453,894	8,485,586
Operating expenses	3,692,359	3,298,011
Commissions	2,657,711	2,557,464
Depreciation and amortisation expense	184,309	153,280
Bad debt expense	(10,386)	79,220
<b>TOTAL BENEFITS AND EXPENSES</b>	<b>16,977,887</b>	<b>14,573,561</b>
<b>Net income</b>	<b>1,053,097</b>	<b>1,131,926</b>
<b>Earnings per share</b>	<b>0.10</b>	<b>0.13</b>

See accompanying notes to unaudited interim consolidated financial statements.

FAMGUARD CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2006  
(AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	6 months to 30 June 2006 \$	6 months to 30 June 2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net income</b>	<b>2,133,496</b>	<b>2,802,407</b>
Adjustments for:		
Depreciation and amortisation	370,480	296,599
Change in appreciation on investments in equities	(499,403)	(600,545)
Realised gain from investments in equities	(228,525)	(13,420)
Loans written-off, net of recoveries	(70,000)	-
Change in mortgage provision	(13,966)	76,625
Reserve for policyholders' benefits	4,642,583	5,113,740
Interest income	(3,574,840)	(3,255,591)
Dividend income	(181,328)	(197,249)
<b>Operating profit before working capital changes</b>	<b>2,578,497</b>	<b>4,222,566</b>
<b>(Increase) decrease in operating assets</b>		
Receivables and other assets	795,071	(2,091,483)
Premiums in arrears	(201,542)	538,306
<b>(Decrease) increase in operating liabilities</b>		
Payables and accruals	(963,664)	1,145,575
Other policyholders' funds	632,102	341,336
<b>Net cash provided by operating activities</b>	<b>2,840,464</b>	<b>4,156,300</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Policy loans	19,018	37,767
Purchase of government bonds	(1,261,000)	(2,004,800)
Purchase of fixed assets	(424,162)	(412,228)
Net mortgage loans issued	953,064	(3,577,107)
Purchase of equities	(212,940)	-
Proceeds from sale of equities	873,400	238,335
Proceeds from partial redemption of preferred shares	230,000	-
Proceeds from maturity of government bonds	43,100	-
Interest received	3,345,427	3,238,552
Dividends received	181,328	197,249
<b>Net cash provided by (used in) investing activities</b>	<b>3,747,235</b>	<b>(2,282,232)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid - preference shares	(350,000)	(375,000)
Dividends paid - ordinary shares	(600,000)	(1,035,000)
<b>Net cash used in financing activities</b>	<b>(950,000)</b>	<b>(1,410,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,637,699</b>	<b>464,068</b>
Cash and cash equivalents at beginning of period	16,593,759	11,102,934
<b>Cash and cash equivalents at end of period</b>	<b>22,231,458</b>	<b>11,567,002</b>

See accompanying notes to unaudited interim consolidated financial statements.