

FAMGUARD CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2007  
(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 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>
Balance as of 1 January 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
Dividends declared and paid - preference shares	-	-	-	-	(350,000)	(350,000)
Dividends declared and paid - ordinary shares	-	-	-	-	(1,200,000)	(1,200,000)
<b>Balance as of 30 June 2007</b>	<b>10,000,000</b>	<b>2,000,000</b>	<b>10,801,080</b>	<b>4,587,686</b>	<b>23,012,159</b>	<b>50,400,925</b>

See accompanying notes to unaudited interim consolidated financial statements.

FAMGUARD CORPORATION LIMITED

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 2007

**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 2006.

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 2007	6 months to 30 June 2006
Weighted average number of ordinary shares outstanding	10,000,000	10,000,000
Consolidated net income	4,959,211	2,133,496
<b>Earnings per share</b>	<b>\$ 0.50</b>	<b>\$ 0.21</b>

**3. COMMITMENTS**

Outstanding commitments to extend credit under mortgage loan agreements amounted to approximately \$4,977,699 at 30 June 2007 (31 December 2006: \$4,947,187).

**4. SALE OF COLLINS AVENUE BUILDING**

During the period the company finalized the sale of the Collins Avenue Building in a partial cash and partial non-cash transaction resulting in the company recording a loan asset.



FAMGUARD CORPORATION LIMITED

**CORPORATE CENTRE**

East Bay Street  
Nassau, Bahamas  
242-396-4000

**FINANCIAL SERVICES**

East Bay & Church Streets  
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 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

Freeport: Regent Centre  
242-352-3670



FAMGUARD CORPORATION LIMITED



**INTERIM REPORT**

Unaudited Results for  
the six months ended  
**30 June, 2007**

## MESSAGE FROM THE CHAIRMAN

Dear Shareholder:

### INTERIM REPORT — SIX MONTHS ENDING 30 JUNE, 2007

We are happy to report that our results for the first six months of 2007 are the strongest on record.

Net income through June 30, 2007 stood at \$4.95 million representing an increase of 133% or \$2.8 million over prior year-to-date. Earnings per share increased to 50 cents compared to 21 cents recorded in June 2006.

Our Financial Services division led the way in premium revenue growth over the period with a 21% increase compared to prior year-to-date. The growth of our Financial Services division over the past several years and the continued buoyancy of our Home Service division have resulted this year in Family Guardian exceeding the milestone \$2 billion mark in sums insured on the lives of Bahamians.

Continued capital appreciation in our equities portfolio, the improved yield on other investment assets and the sustained improvement in our overall claims experience over the period all contributed positively to our results.

At the end of June 2007, total assets grew by 6% to \$153.2 million. Total Equity stands at \$50.4 million.

Renovation to the office complex on East Bay and Church Streets is nearing completion and we have commenced gradual relocation of personnel to this new site. Our Financial Services division has moved to the third floor of this building and BahamaHealth and our Client Services operations will be fully relocated there at the beginning of 2008. We are excited about the synergies that will be generated from the consolidation of a large part of our operations in one location and believe this will enhance our responsiveness and overall service to our customers.

Subject to regulatory approvals, we expect to launch two new companies, FG Financial and FG Capital Markets, during the fourth quarter of 2007. These companies will facilitate our entry into the pension, mutual funds and the advisory services markets and allow us to broaden the range of financial products we offer to the public.

The Board of Directors declared a dividend of 6 cents per share, which will be paid to common shareholders on August 14, 2007.

Sincerely,



Norbert F. Boissiere  
Chairman

## FAMGUARD CORPORATION LIMITED

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

### CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS OF 30 JUNE 2007

(AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	2007 \$	31 December 2006 \$
<b>ASSETS</b>		
Bank term deposits	11,883,869	11,428,178
Government bonds	30,271,371	30,264,373
Corporate bonds	2,019,863	2,020,205
Preferred shares	1,120,000	1,125,040
Investments in equities	7,917,648	6,843,481
Policy loans	9,861,700	9,602,325
Commercial loans	1,884,475	-
Mortgage loans, net	53,750,578	51,725,629
<b>Total investment assets</b>	<b>118,709,504</b>	<b>113,009,231</b>
Cash and bank balances	5,858,579	1,658,798
Receivables and other assets	3,354,154	2,340,067
Premiums in arrears	2,059,868	2,714,962
Construction in progress	3,219,589	-
Property, plant and equipment, net	20,044,161	24,749,093
<b>TOTAL ASSETS</b>	<b>153,245,855</b>	<b>144,472,151</b>
<b>LIABILITIES</b>		
Reserves for future policyholders' benefits	90,178,595	84,891,696
Other policyholders' funds	5,617,856	5,919,613
<b>Policy liabilities</b>	<b>95,796,451</b>	<b>90,811,309</b>
<b>TOTAL LIABILITIES</b>	<b>102,844,930</b>	<b>97,010,203</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	4,587,686	5,082,619
Retained earnings	23,012,159	19,578,249
<b>TOTAL EQUITY</b>	<b>50,400,925</b>	<b>47,461,948</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>153,245,855</b>	<b>144,472,151</b>

See accompanying notes to unaudited interim consolidated financial statements.

## FAMGUARD CORPORATION LIMITED

### CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

(AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	6 months to 30 June 2007 \$	6 months to 30 June 2006 \$
Net premium revenue and deposits	31,808,739	29,772,383
Interest income	4,402,589	4,012,513
Change in unrealised appreciation on investments in equities	1,074,167	499,403
Realised gain on sale of property, plant & equipment	46,946	228,525
<b>TOTAL INCOME</b>	<b>37,332,441</b>	<b>34,512,824</b>
Net policyholders' benefits	18,429,784	19,977,240
Commissions	5,446,335	5,109,440
Operating expenses	7,867,868	6,938,867
Depreciation and amortisation expenses	407,200	370,480
Bad debt expense	222,043	(16,699)
<b>TOTAL BENEFITS AND EXPENSES</b>	<b>32,373,230</b>	<b>32,379,328</b>
<b>Net income</b>	<b>4,959,211</b>	<b>2,133,496</b>
<b>Earnings per share</b>	<b>0.50</b>	<b>0.21</b>
<b>3 months to 30 June 2007</b>		
Net premium revenue and deposits	15,905,661	15,493,869
Investment income	2,290,696	2,038,862
Change in unrealised appreciation on investments in equities	452,320	269,728
Realised gain on sale of property, plant & equipment	-	228,525
<b>TOTAL INCOME</b>	<b>18,648,677</b>	<b>18,030,984</b>
Net policyholders' benefits	9,518,550	10,453,894
Commissions	2,790,275	2,657,711
Operating expenses	3,960,084	3,692,359
Depreciation and amortisation expenses	196,883	184,309
Bad debt expense	29,493	(10,386)
<b>TOTAL BENEFITS AND EXPENSES</b>	<b>16,495,285</b>	<b>16,977,887</b>
<b>Net income</b>	<b>2,153,392</b>	<b>1,053,097</b>
<b>Earnings per share</b>	<b>0.22</b>	<b>0.10</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 2007

(AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	6 months to 30 June 2007 \$	6 months to 30 June 2006 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net income</b>	<b>4,959,211</b>	<b>2,133,496</b>
Adjustments for:		
Depreciation and amortisation	407,200	370,480
Change in unrealized appreciation on investments in equities	(1,074,167)	(499,403)
Realised gain from investments in equities	-	(228,525)
Realised gain on sale of property, plant & equipment	(46,946)	-
Loans written-off net of recoveries	169,469	(70,000)
Change in mortgage provision	52,574	(13,966)
Reserve for policyholder benefits	5,286,899	4,642,583
Interest income	(3,896,328)	(3,574,840)
Dividend income	(244,895)	(181,328)
<b>Operating profit before working capital changes</b>	<b>5,613,017</b>	<b>2,578,497</b>
<b>(Increase) decrease in operating assets</b>		
Receivables and other assets	(1,180,522)	795,071
Premiums in arrears	655,094	(201,542)
<b>(Decrease) increase in operating liabilities</b>		
Payables and accruals	849,585	(963,664)
Other policyholder funds	(301,757)	632,102
<b>Net cash from operating activities</b>	<b>5,635,417</b>	<b>2,840,464</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Policy loans	(194,381)	19,018
Proceeds from sale of property, plant & equipment	1,957,089	-
Proceeds from maturity of government bonds	600,000	43,100
Purchase of equities	-	(212,940)
Proceeds from sale of equities	-	873,400
Purchase of fixed assets (Note 7)	(82,645)	(424,162)
Proceeds from partial redemption of preferred shares	-	230,000
Construction in progress	(3,219,588)	-
Other loans repaid	115,525	-
Net mortgage loans (issued)/repaid	(2,127,699)	953,064
Purchase of Government bonds	619,300	(1,261,000)
Interest received	3,896,159	3,345,427
Dividends received	244,895	181,328
<b>Net cash from investing activities</b>	<b>570,055</b>	<b>3,747,235</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid - preference shares	(350,000)	(350,000)
Dividends paid - ordinary shares	(1,200,000)	(600,000)
Net cash used in financing activities	(1,550,000)	(950,000)
<b>Net increase in cash and cash equivalents</b>	<b>4,655,472</b>	<b>5,637,699</b>
Cash and cash equivalents at beginning of period	13,086,976	16,593,759
Cash and cash equivalents at end of period	<b>17,742,448</b>	<b>22,231,458</b>

See accompanying notes to unaudited interim consolidated financial statements.