

## FAMGUARD CORPORATION LIMITED

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

### Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2010

(Amounts expressed in Bahamian dollars)

|  | SHARE CAPITAL              |                          | SHARE<br>PREMIUM<br>\$ | REVALUATION<br>RESERVE<br>\$ | RETAINED<br>EARNINGS<br>\$ | TOTAL<br>\$          |
|--|----------------------------|--------------------------|------------------------|------------------------------|----------------------------|----------------------|
|  | PREFERENCE<br>SHARES<br>\$ | ORDINARY<br>SHARES<br>\$ |                        |                              |                            |                      |
| <b>Balance as of December 31, 2008</b>             | <b>\$ 10,000,000</b>       | <b>\$ 2,000,000</b>      | <b>\$ 10,801,080</b>   | <b>\$ 10,377,616</b>         | <b>\$ 25,639,520</b>       | <b>\$ 58,818,216</b> |
| Net income for 2009                                | —                          | —                        | —                      | —                            | 3,605,543                  | 3,605,543            |
| Adjustment to fair value of investment in equities | —                          | —                        | —                      | (586,903)                    | —                          | (586,903)            |
| Dividends declared and paid                        |                            |                          |                        |                              |                            |                      |
| Preference shares                                  | —                          | —                        | —                      | —                            | (700,000)                  | (700,000)            |
| Ordinary shares (\$0.24 per share)                 | —                          | —                        | —                      | —                            | (2,400,000)                | (2,400,000)          |
| <b>Balance as of December 31, 2009</b>             | <b>10,000,000</b>          | <b>2,000,000</b>         | <b>10,801,080</b>      | <b>9,790,713</b>             | <b>26,145,063</b>          | <b>58,736,856</b>    |
| Net income for the period                          | —                          | —                        | —                      | —                            | 876,567                    | 876,567              |
| Adjustment to fair value of investment in equities | —                          | —                        | —                      | (368,456)                    | —                          | (368,456)            |
| Dividends declared and paid                        |                            |                          |                        |                              |                            |                      |
| Preference shares                                  | —                          | —                        | —                      | —                            | (350,000)                  | (350,000)            |
| Ordinary shares (\$0.12 per share)                 | —                          | —                        | —                      | —                            | (1,200,000)                | (1,200,000)          |
| <b>Balance as of June 30, 2010</b>                 | <b>\$ 10,000,000</b>       | <b>\$ 2,000,000</b>      | <b>\$ 10,801,080</b>   | <b>\$ 9,422,257</b>          | <b>\$ 25,471,630</b>       | <b>\$ 57,694,967</b> |

*See accompanying notes to unaudited consolidated financial statements.*

## FAMGUARD CORPORATION LIMITED

### Notes to the Unaudited Interim Financial Statements

AS AT JUNE 30, 2010

#### 1. Accounting Policies

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards 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 December 31, 2009.

These unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Family Guardian Insurance Company Limited, FG Insurance Agents & Brokers Limited, FG Financial Limited, FG Capital Markets Limited and BahamaHealth Insurance Brokers and Benefit Consultants Limited.

#### 2. Earnings Per Share

|   | 6 MONTHS TO<br>JUNE 30, 2010 | 6 MONTHS TO<br>JUNE 30, 2009 |
|---|------------------------------|------------------------------|
| Weighted average number of shares outstanding | 10,000,000                   | 10,000,000                   |
| Consolidated net income                       | \$ 876,567                   | \$ 629,733                   |
| <b>Earnings per share</b>                     | <b>\$ 0.09</b>               | <b>\$ 0.06</b>               |

#### 3. Commitments

Outstanding commitments to extend credit under the mortgage loan agreements amounted to approximately \$2,243,237 as at June 30, 2010 (December 31, 2009: \$1,742,378).



**FAMGUARD**  
CORPORATION LIMITED

**Corporate Office**  
**East Bay Street & Village Road**  
P.O. Box SS6232  
Nassau, Bahamas  
T +242 396-4000  
F +242 393-1100

**Contact**  
Fiona McLean, *Corporate Secretary*  
EMail: fmclean@familyguardian.com

**Financial Services**  
**Ordinary Life/Annuities**  
**Family Guardian Financial Centre**  
East Bay & Church Streets  
P.O. Box SS6232  
Nassau, Bahamas  
T +242 396-1400

**BahamaHealth Group Operations**  
**Family Guardian Financial Centre**  
East Bay & Church Streets  
P.O. Box SS19079  
Nassau, Bahamas  
T +242 396-1300

**Operations**  
**Family Guardian Financial Centre**  
East Bay & Church Streets  
P.O. Box SS6232  
Nassau, Bahamas  
T +242 396-1300

**Marathon District**  
**Marathon Road**  
P.O. Box SS6232  
Nassau, Bahamas  
T +242 393-0091

**Chippingham District**  
**Thompson Boulevard**  
P.O. Box SS6232  
Nassau, Bahamas  
T +242 325-1811

**Carmichael District**  
**Blue Hill Road**  
P.O. Box SS6232  
Nassau, Bahamas  
T +242 341-4429

**Freeport**  
**Financial Services & Mortgages**  
**Regent Centre, Explorer's Way**  
P.O. Box F42479  
Freeport, Grand Bahama  
T +242 352-3670

**Freeport District Office**  
**East Mall Drive**  
P.O. Box F42479  
Freeport, Grand Bahama  
T +242 352-7233

**Abaco Sales Office**  
**Memorial Plaza**  
**Queen Elizabeth Drive**  
P.O. Box AB20901  
Marsh Harbour, Abaco  
T + 242 367-3264

**Eleuthera Sales Office**  
**Bay Front Plaza**  
P.O. Box EL89  
Governor's Harbour, Eleuthera  
T + 242 332-2258

**Exuma Sales Office**  
**Turnquest Plaza**  
P.O. Box EX29346  
George Town, Exuma  
T + 242 336-3418

**Investments Department**  
**Mortgages**  
**Corporate Office**  
**East Bay Street & Village Road**  
P.O. Box SS6232  
Nassau, Bahamas  
T +242 396-4000

**FG Capital Markets**  
**& FG Financial**  
**Corporate Office**  
**East Bay Street & Village Road**  
P.O. Box SS6232  
Nassau, Bahamas  
T +242 396-4076

**FG Insurance Agents & Brokers**  
**Family Guardian Financial Centre**  
**East Bay & Church Streets**  
P.O. Box SS6232  
Nassau, Bahamas  
T +242 396-1300/1400

**INTERIM REPORT**  
UNAUDITED RESULTS FOR  
THE SIX MONTHS ENDED  
**JUNE 30**  
**2010**



**FAMGUARD**  
CORPORATION LIMITED





## Message From The Chairman

INTERIM REPORT — SIX MONTHS ENDING JUNE 30, 2010

Dear Shareholder:

For the first six months of this year we recorded net income of \$877 thousand. This represents an increase of 188% over the first quarter ending March 31, 2010, and an improvement of 39% over the same six-month period last year.

The improved results were derived from growth in revenue coupled with a slowing in the growth of benefit payments. For the three-month period ending June 30, 2010, benefits payments declined by \$569 thousand or 3.3% compared to the same period last year.

We continue to monitor our health claims experience and to make adjustments to premium rates as warranted. To further ensure stability in earnings from the health division we have begun a review of each health plan offered to ensure the base premium adequately reflects the utilization level experienced for each plan.

In spite of the challenging economic environment, our premium income and annuity deposits continue to grow. For the first six months of this year we recorded an increase in premium income of \$3.6 million or 9% over prior year-to-date and in annuity deposits of \$553 thousand or 16% over the same period.

The Board of Directors declared a dividend of \$0.06 per share which was paid to shareholders on August 17, 2010.

Sincerely,

Norbert F. Boissiere  
Chairman

FAMGUARD CORPORATION LIMITED  
(Incorporated under the laws of the Commonwealth of The Bahamas)

## Consolidated Statement of Financial Position (Unaudited)

AS AT JUNE 30, 2010

(Amounts expressed in Bahamian dollars)

|   | 2010<br>\$         | DEC. 31 2009<br>\$ |
|---|--------------------|--------------------|
| <b>ASSETS</b>                               |                    |                    |
| Cash and bank balances                      | 3,244,013          | 3,993,292          |
| Short-term bank deposits                    | 343,161            | 342,200            |
| Other bank term deposits                    | 4,568,570          | 3,078,323          |
| Financial Investment Assets:                |                    |                    |
| Held-to-maturity                            | 58,575,515         | 58,590,479         |
| Available for sale                          | 6,244,621          | 6,613,077          |
| Loans                                       | 73,704,613         | 73,316,316         |
| Total investment assets                     | 146,680,493        | 145,933,687        |
| Receivables and other assets                | 7,325,396          | 4,929,409          |
| Premiums receivable                         | 6,380,557          | 4,442,366          |
| Property, plant and equipment, net          | 34,154,158         | 33,846,731         |
| <b>TOTAL</b>                                | <b>194,540,604</b> | <b>189,152,193</b> |
| <b>LIABILITIES &amp; EQUITY</b>             |                    |                    |
| LIABILITIES:                                |                    |                    |
| Reserves for future policyholders' benefits | 121,683,006        | 115,575,718        |
| Other policyholders' funds                  | 9,047,907          | 8,282,762          |
| Policy liabilities                          | 130,730,913        | 123,858,480        |
| Payables and accruals                       | 6,114,724          | 6,556,857          |
| Total liabilities                           | 136,845,637        | 130,415,337        |
| 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 reserve                         | 9,422,256          | 9,790,713          |
| Retained earnings                           | 25,471,630         | 26,145,063         |
| Total equity                                | 57,694,967         | 58,736,856         |
| <b>TOTAL</b>                                | <b>194,540,604</b> | <b>189,152,193</b> |

See accompanying notes to unaudited consolidated financial statements.

FAMGUARD CORPORATION LIMITED  
(Incorporated under the laws of the Commonwealth of The Bahamas)

## Consolidated Statement of Income (Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2010

(Amounts expressed in Bahamian dollars)

|  | 6 MONTHS TO<br>JUNE 30, 2010<br>\$          | 6 MONTHS TO<br>JUNE 30, 2009<br>\$          |
|--|---|---|
| <b>Net premium income and annuity deposits</b> |   |   |
| Investment income and other income             | 5,049,711                                   | 4,865,699                                   |
| Realized loss from sale of assets              | (144,514)                                   | (3,694)                                     |
| Other operating income                         | 374,762                                     | 511,561                                     |
| <b>TOTAL INCOME</b>                            | <b>48,873,323</b>                           | <b>45,911,747</b>                           |
| Benefits                                       | 32,623,003                                  | 30,482,962                                  |
| Commissions                                    | 5,921,617                                   | 5,849,985                                   |
| Operating expenses                             | 7,015,126                                   | 7,015,739                                   |
| Depreciation                                   | 1,068,055                                   | 648,060                                     |
| Premium tax                                    | 1,365,556                                   | 1,252,264                                   |
| Bad dept expense                               | 3,399                                       | 33,004                                      |
| <b>TOTAL BENEFITS &amp; EXPENSES</b>           | <b>47,996,756</b>                           | <b>45,282,014</b>                           |
| NET INCOME                                     | 876,567                                     | 629,733                                     |
| Earnings per share                             | 0.09  | 0.06  |
|  | <b>3 MONTHS TO<br/>JUNE 30, 2010<br/>\$</b> | <b>3 MONTHS TO<br/>JUNE 30, 2009<br/>\$</b> |
| <b>Net premium income and annuity deposits</b> |   |   |
| Investment income and other income             | 2,546,692                                   | 2,449,358                                   |
| Realized loss from sale of assets              | (133,778)                                   | (3,794)                                     |
| Other operating income                         | 193,977                                     | 355,213                                     |
| <b>TOTAL INCOME</b>                            | <b>24,677,165</b>                           | <b>23,532,808</b>                           |
| Benefits                                       | 16,619,328                                  | 17,188,599                                  |
| Commissions                                    | 2,900,694                                   | 2,941,791                                   |
| Operating expenses                             | 3,383,047                                   | 3,345,351                                   |
| Premium tax                                    | 689,538                                     | 634,307                                     |
| Depreciation                                   | 535,496                                     | 324,219                                     |
| Bad debt expense                               | (23,650)                                    | 39,646                                      |
| <b>TOTAL BENEFITS &amp; EXPENSES</b>           | <b>24,104,453</b>                           | <b>24,473,913</b>                           |
| NET INCOME                                     | 572,712                                     | (941,105)                                   |
| Earnings per share                             | 0.06  | (0.09)                                      |

See accompanying notes to unaudited consolidated financial statements.

FAMGUARD CORPORATION LIMITED  
(Incorporated under the laws of the Commonwealth of The Bahamas)

## Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2010

(Amounts expressed in Bahamian dollars)

|  | 6 MONTHS TO<br>JUNE 30, 2010<br>\$ | 6 MONTHS TO<br>JUNE 30, 2009<br>\$ |
|--|------------------------------------|------------------------------------|
| <b>Cash flows from operating activities</b>            |                                    |                                    |
| Net income   | 876,567                            | 629,733                            |
| <b>Adjustment for:</b>                                 |                                    |                                    |
| Depreciation   | 1,068,055                          | 648,060                            |
| Loans written-off net of recoveries                    | —                                  | (8,584)                            |
| Change in mortgage provision                           | 3,399                              | 33,004                             |
| Reserve for policyholder benefits                      | 6,107,288                          | 6,068,386                          |
| Interest income  | (4,858,277)                        | (4,660,889)                        |
| Dividend income  | (191,434)                          | (204,810)                          |
| <b>Operating profit before working capital changes</b> | <b>3,005,598</b>                   | <b>2,504,900</b>                   |
| (Increase) in receivables and other assets             | (2,395,987)                        | (827,690)                          |
| (Increase) decrease in premiums in arrears             | (1,938,191)                        | (593,607)                          |
| (Decrease) in payables and accruals                    | (442,133)                          | (1,788,371)                        |
| Increase (decrease) in other policyholder funds        | 765,145                            | 3,229,457                          |
| <b>Net cash from operating activities</b>              | <b>(1,005,568)</b>                 | <b>2,524,689</b>                   |
| <b>Cash flows from investing activities</b>            |                                    |                                    |
| Policy loans   | (221,210)                          | (132,243)                          |
| Purchase of fixed assets                               | (1,375,482)                        | (1,109,053)                        |
| Other loans repaid                                     | 206,343                            | 194,355                            |
| Net mortgage loans issued                              | (384,711)                          | (1,301,981)                        |
| Purchase of Government bonds                           | —                                  | (11,250,000)                       |
| Purchase of corporate bonds                            | —                                  | (1,000,000)                        |
| Purchase of preference shares                          | —                                  | (500,000)                          |
| Interest received                                      | 4,881,123                          | 4,444,552                          |
| Dividends received                                     | 191,434                            | 204,810                            |
| <b>Net cash from investing activities</b>              | <b>3,297,497</b>                   | <b>(10,449,560)</b>                |
| <b>Cash flows from financing activities</b>            |                                    |                                    |
| Dividends paid – preference shares                     | (350,000)                          | (350,000)                          |
| Dividends paid – ordinary shares                       | (1,200,000)                        | (1,200,000)                        |
| <b>Net cash used in financing activities</b>           | <b>(1,550,000)</b>                 | <b>(1,550,000)</b>                 |
| Net (decrease) increase in cash and cash equivalents   | 741,929                            | (9,474,871)                        |
| Cash and cash equivalents at beginning of the period   | 7,413,815                          | 16,083,472                         |
| <b>Cash and cash equivalents at end of the period</b>  | <b>8,155,744</b>                   | <b>6,608,601</b>                   |
| <b>Cash and cash equivalents is comprised of:</b>      |                                    |                                    |
| Cash and bank balances                                 | 3,244,013                          | 2,010,171                          |
| Short-term bank deposits                               | 343,161                            | 341,237                            |
| Other bank term deposits                               | 4,568,570                          | 4,257,193                          |
|  | <b>8,155,744</b>                   | <b>6,608,601</b>                   |

See accompanying notes to unaudited consolidated financial statements.