

FamGuard Corporation Limited

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) FOR THE THREE MONTHS ENDED 31 MARCH 2004 (AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	3 months to 31 March 2004 \$	3 months to 31 March 2003 \$ (Note 5)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	1,566,233	(72,122)
Adjustments for:		
Depreciation and amortisation	171,738	373,193
Change in unrealised loss on available-for-sale investments	(226,429)	336,162
Realised loss on available-for-sale investments	9,200	-
Change in mortgage provision	12,199	19,231
Reserve for policyholder benefits	3,404,194	(32,470)
Interest income	(1,537,623)	(1,456,874)
Dividend income	(92,152)	(84,468)
Operating profit before working capital changes	3,307,360	(917,348)
(Increase) decrease in operating assets		
Receivables and other assets	(1,475,741)	(1,488,728)
Premiums in arrears	77,886	206,320
(Decrease) increase in operating liabilities		
Payables and accruals	874,502	448,342
Other policyholder funds	(1,463,733)	687,159
Net cash from (used in) operating activities	1,320,274	(1,064,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Policy loans	(159,278)	349,139
Purchase of government bonds	(500,000)	(1,000,000)
Purchase of fixed assets	(14,181)	(306,913)
Net mortgage loans issued	(495,474)	(775,176)
Proceeds from sale of ordinary shares	2,050	-
Interest received	1,438,917	1,941,550
Dividends received	92,152	84,468
Net cash from investing activities	364,186	293,068
Net increase (decrease) in cash and cash equivalents	1,684,460	(771,187)
Cash and cash equivalents at beginning of period	6,520,960	10,809,955
Cash and cash equivalents at end of period	8,205,420	10,038,768

See accompanying notes to unaudited interim consolidated financial statements.

FamGuard Corporation Limited

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED) FOR THE THREE MONTHS ENDED 31 MARCH 2004 (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 2003, as previously reported	10,000,000	1,725,000	2,891,694	1,008,179	1,696,958	17,321,831
Change in accounting policy, net (Note 4)	-	-	-	-	11,436,335	11,436,335
Balance as of 1 January 2003, as restated	10,000,000	1,725,000	2,891,694	1,008,179	13,133,293	28,758,166
Transfer from revaluation surplus	-	-	-	(2,908)	2,908	-
Net loss for the period	-	-	-	-	(72,122)	(72,122)
Balance as of 31 March 2003	10,000,000	1,725,000	2,891,694	1,005,271	13,064,079	28,686,044
Balance as of 1 January 2004	10,000,000	1,725,000	2,891,694	5,242,979	12,699,870	32,559,543
Transfer from revaluation surplus	-	-	-	(10,055)	10,055	-
Net income for the period	-	-	-	-	1,566,233	1,566,233
Balance as of 31 March 2004	10,000,000	1,725,000	2,891,694	5,232,924	14,276,158	34,125,776

See accompanying notes to unaudited interim consolidated financial statements.

FamGuard Corporation Limited

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 31 MARCH 2004

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 2003.

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

	3 months to 31 March 2004	3 months to 31 March 2003
Weighted average number of ordinary shares outstanding	8,625,000	8,625,000
Consolidated net income	1,566,233	(72,122)
Earnings per share	\$ 0.18	\$ (0.01)

3. COMMITMENTS

Outstanding commitments to extend credit under mortgage loan agreements amounted to approximately \$2,628,858 at 31 March 2004 (31 December 2003: \$2,069,049).

4. CHANGE IN METHOD OF CALCULATING INSURANCE RESERVES

The Company changed its method of calculating policy reserves for its life insurance business from the full preliminary term method to the Canadian Policy Premium Method, effective 1 January 2003. The change was in response to the Board of Directors decision to respond to the changing market as the majority of Bahamian life insurance companies were on this basis. The Company accounted for this change in reserve basis as a change in accounting policy resulting in a release of policy reserves as of 1 January 2003 of \$20,663,616. This change in methodology necessitated an elimination of previously recorded present value of future profits (PVP). The \$20,663,616 net of the \$9,227,281 of intangible assets is reported in the prior year's consolidated statement of changes in shareholder's equity as an adjustment to the opening balance of retained earnings.

5. CORRESPONDING FIGURES

Staff loans have been reclassified to receivables and other assets to conform with the current year's presentation.



FamGuard Corporation Limited



Interim Report

Unaudited Results for
the three months ended
31 March 2004

Dear Shareholder:

**INTERIM REPORT
FIRST QUARTER ENDING MARCH 31, 2004**

The year 2004 has begun with very positive signs in our overall operations. We are happy to report a net profit of \$1.6 million for the quarter. This represents earnings per share of 18 cents. Our results this quarter reflect the significant improvements made in our operations this year and the impact of a number of initiatives that were implemented last year including the rationalization of our expense base, the consolidation of our company and the conversion to the Canadian method of calculating reserves.

We recorded a net premium income of \$11 million this quarter, which represents an increase of 11% over prior year-to-date. The increase was derived primarily from the expansion of business from BahamaHealth and our Ordinary Life portfolios. Our operating expenses reduced by 4% reflecting the benefits of the consolidation of our operations. The combined effect of these improvements increased income from operating activities by \$1.1 million this quarter over first quarter 2003. Improvements in the equities market this year resulted in realised and unrealised gains on ordinary shares of \$217,000 compared to an unrealised loss of \$336,000 prior year-to-date.

The Board of Directors declared a dividend of \$0.05 per share for shareholders of record on May 7, 2004 to be paid on May 21, 2004.

The expansion of our field force and enhancements to our system of customer service delivery have been the areas of focus this quarter and will continue at the centre of our activities this year. These initiatives along with ongoing improvements in our computer systems will allow us to build on the efficiencies and growth in sales achieved in this quarter.

Sincerely,



Norbert F. Boissiere,
Chairman

FamGuard Corporation Limited

**CONSOLIDATED BALANCE SHEET (UNAUDITED)
AT 31 MARCH 2004**
(AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	2004 \$	31 December 2003 \$
ASSETS		
Bank deposits	5,612,701	4,583,422
Government bonds	17,642,500	17,142,500
Available-for-sale investments	5,039,003	4,823,824
Preferred shares	1,916,667	1,916,667
Policy loans	8,115,903	7,956,625
Mortgage loans, net	45,518,395	45,035,120
Total investment assets	83,845,169	81,458,158
Cash and bank balances	2,592,719	1,937,538
Receivables and other assets	5,945,046	4,370,599
Premiums in arrears	1,010,835	1,088,721
Fixed assets, net	17,117,814	17,275,371
	110,511,583	106,130,387
LIABILITIES		
Reserves for future policyholder benefits	64,930,011	61,525,817
Other policyholder funds	4,729,502	6,193,235
Policy liabilities	69,659,513	67,719,052
Payables and accruals	6,726,294	5,851,792
	76,385,807	73,570,844
SHAREHOLDERS' EQUITY		
Preference shares	10,000,000	10,000,000
Ordinary shares	1,725,000	1,725,000
Share premium	2,891,694	2,891,694
Revaluation surplus	5,232,924	5,242,979
Retained earnings	14,276,158	12,699,870
	34,125,776	32,559,543
	110,511,583	106,130,387

See accompanying notes to unaudited interim consolidated financial statements.

FamGuard Corporation Limited

**CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2004**
(AMOUNTS EXPRESSED IN BAHAMIAN DOLLARS)

	3 months to 31 March 2004 \$	3 months to 31 March 2003 \$
DIRECT PREMIUMS		
Ordinary life	1,991,311	1,926,515
Home Service life	3,061,307	3,087,971
Accident and Health	2,711,412	2,636,033
Group health and life	3,830,269	3,172,074
Direct premiums	11,594,299	10,822,593
Premiums ceded	(607,566)	(915,138)
Net premiums	10,986,733	9,907,455
Annuity Deposits	589,837	928,866
Net premium income and deposits	11,576,570	10,836,321
Interest income	1,537,623	1,456,874
Dividend income	92,152	84,468
Other income	89,760	334,218
Total income	13,296,105	12,711,881
BENEFITS		
Policyholder benefits	5,747,182	7,759,036
Reinsurance recoveries	(620,240)	(1,265,406)
Net policyholder benefits	5,126,942	6,493,630
Increase in reserves for future policyholder benefits	1,707,230	495,058
	6,834,172	6,988,688
EXPENSES		
Commissions	1,851,075	1,850,548
Operating expenses	3,077,917	3,216,181
Depreciation and amortisation expense	171,738	373,193
Bad debt expense	12,199	19,231
	5,112,929	5,459,153
Total benefits and expenses	11,947,101	12,447,841
Income from operating activities	1,349,004	264,040
Realised loss on available-for-sale investments	(9,200)	-
Change in unrealised gain/(loss) on available-for-sale investments	226,429	(336,162)
Net income/(loss)	1,566,233	(72,122)
Earnings/(loss) per share (Note 2)	0.18	(0.01)

See accompanying notes to unaudited interim consolidated financial statements.