



FAMGUARD

MESSAGE FROM THE CHAIRMAN

QUARTERLY REPORT 30 SEPTEMBER, 2005

Dear Shareholder,

We are very pleased to report that our 2005 third quarter results are the strongest on record for our company.

As at 30 September, 2005 we recorded net profit of \$3,912,326. This represents an increase of 29% over the same period last year and is 13% higher than net profit for the full year 2004 of \$3,460,163. Earnings per share increased to 45 cents compared to 35 cents as at 30 September, 2004.

Net premium income and deposits increased by 18% to \$41.1 million at the end of the third quarter 2005. This compares very favourably with the 3.3% increase recorded prior year-to-date and reflects the strong growth in our annuity deposits, group health and ordinary life divisions.

Investment income grew by 17% to \$6.4 million over prior year-to-date reflecting in part, the benefits of a buoyant equities market. We recorded a net gain of \$797 thousand on our equities portfolio at the end of September 2005 compared to \$319 thousand over the same period last year.

Total assets increased by 9% to \$122.2 million over the nine month period ending 30 September, 2005.

The Board has declared a dividend of 6 cents for shareholders of record on November 5, to be paid on November 11, 2005.

Sincerely,

Norbert Boissiere,
Chairman

FAMGUARD CORPORATION LIMITED

CONSOLIDATED BALANCE SHEET (Unaudited)

at 30 September 2005

(Expressed in Bahamian dollars)

	31 December	
	2005	2004
	\$	\$
ASSETS		
Bank deposits	5,179,675	8,948,089
Government bonds	21,264,900	18,226,600
Financial assets at fair value through profit or loss	6,274,155	5,776,325
Preferred shares	1,150,000	1,633,334
Policy loans	8,585,877	8,468,108
Mortgage loans, net	50,998,784	46,040,470
Total investment assets	93,453,391	89,092,926
Cash and bank balances	4,631,324	2,154,845
Receivables and other assets	5,607,811	2,771,321
Premiums in arrears	1,478,222	1,370,872
Fixed assets, net	17,045,693	16,898,683
	122,216,441	112,288,647
LIABILITIES		
Reserves for future policyholder benefits	74,595,006	67,542,055
Other policyholder funds	4,833,210	6,243,698
Policy liabilities	79,428,216	73,785,753
Payables and accruals	6,999,943	4,699,438
	86,428,159	78,485,191
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	5,149,435	5,189,525
Retained earnings	16,022,153	13,997,237
	35,788,282	33,803,456
	122,216,441	112,288,647

See accompanying notes to unaudited interim consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

For the nine months ended 30 September 2005

(Expressed in Bahamian dollars)

	9 months to	9 months to
	30-09-05	30-09-04
	\$	\$
Cash flows from operating activities		
Net income	3,912,326	3,040,496
Adjustments for:		
Depreciation and amortisation	451,410	558,394
Change in unrealised gain on financial assets at fair value through profit or loss	(756,824)	(570,903)
Realised gain on redemption of preferred shares	(50,000)	-
Realised (gain)/loss on financial assets at fair value through profit or loss	(40,297)	251,440
Loans written off, net of recoveries	-	(25,000)
Change in mortgage provision	202,667	60,456
Reserve for policyholder benefits	7,052,951	4,551,163
Interest income	(4,966,039)	(4,708,549)
Dividend income	(269,964)	(266,392)
Operating profit before working capital changes	5,536,230	2,891,105
(Increase) decrease in operating assets		
Receivables and other assets	(2,843,028)	(1,905,381)
Premiums in arrears	(107,350)	(300,304)
(Decrease) increase in operating liabilities		
Payables and accruals	2,300,505	1,511,188
Other policyholder funds	(1,410,488)	(240,193)
Net cash from operating activities	3,475,869	1,956,415
Cash flows from investing activities		
Policy loans	(117,769)	(210,680)
Purchase of government bonds	(3,038,300)	(802,000)
Purchase of fixed assets	(598,419)	(265,690)
Purchase of ordinary shares	(79,114)	(500,000)
Net mortgage loans issued	(5,160,981)	(1,076,476)
Proceeds from sale of ordinary shares	378,405	44,220
Proceeds from redemption of preferred shares	533,333	283,333
Interest received	4,972,577	4,633,536
Dividends received	269,964	266,392
Net cash (used in) from investing activities	(2,840,304)	2,372,635
Cash flows from financing activities		
Dividends paid - preference shares	(375,000)	(375,000)
Dividends paid - ordinary shares	(1,552,500)	(948,750)
Net cash used in financing activities	(1,927,500)	(1,323,750)
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period	11,102,934	6,520,960
Cash and cash equivalents at end of period	9,810,999	9,526,260

See accompanying notes to unaudited interim consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

For the nine months ended 30 September 2005

(Expressed in Bahamian dollars)

	9 months to	9 months to
	30-09-05	30-09-04
	\$	\$
Net premium income and deposits	41,052,485	34,901,343
Investment income	5,620,040	5,358,104
Change in unrealised gain on financial assets at fair value through profit or loss	756,824	570,903
Realised gain/(loss) on financial assets at fair value through profit or loss	40,297	(251,440)
Total income	47,469,646	40,578,910
Benefits	25,253,114	21,406,891
Operating expenses	9,933,754	9,026,302
Commissions	7,706,927	6,444,306
Depreciation and amortisation expense	451,410	558,394
Bad debt expense	212,115	102,521
Total benefits and expenses	43,557,320	37,538,414
Net income	3,912,326	3,040,496
Earnings per share	0.45	0.35

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

For the nine months ended 30 September 2005

(Expressed in Bahamian dollars)

	3 months to	3 months to
	30-09-05	30-09-04
	\$	\$
Net premium income and deposits	14,069,669	11,146,555
Investment income	1,947,031	1,846,778
Change in unrealised gain on financial assets at fair value through profit or loss	156,279	(15,670)
Realised gain on financial assets at fair value through profit or loss	53,717	-
Total income	16,226,696	12,977,663
Benefits	8,134,163	7,152,031
Operating expenses	3,580,280	2,910,941
Commissions	3,085,842	2,084,131
Depreciation and amortisation expense	154,811	198,015
Bad debt expense	134,841	63,272
Total benefits and expenses	15,089,937	12,408,390
Net income	1,136,759	569,273
Earnings per share	0.13	0.07

See accompanying notes to unaudited interim consolidated financial statements.

FAMGUARD CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

For the nine months ended 30 September 2005

(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 2004	10,000,000	1,725,000	2,891,694	5,242,979	12,699,870	32,559,543
Transfer from revaluation surplus	-	-	-	(40,090)	40,090	-
Net income for the period	-	-	-	-	3,040,496	3,040,496
Dividends declared and paid - preference shares	-	-	-	-	(375,000)	(375,000)
Dividends declared and paid - ordinary shares	-	-	-	-	(948,750)	(948,750)
Balance as of 30 September 2004	10,000,000	1,725,000	2,891,694	5,202,889	14,456,706	34,276,289
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	-	-	-	(40,090)	40,090	-
Net income for the period	-	-	-	-	3,912,326	3,912,326
Dividends declared and paid - preference shares	-	-	-	-	(375,000)	(375,000)
Dividends declared and paid - ordinary shares	-	-	-	-	(1,552,500)	(1,552,500)
Balance as of 30 September 2005	10,000,000	1,725,000	2,891,694	5,149,435	16,022,153	35,788,282

See accompanying notes to unaudited interim consolidated financial statements.

FAMGUARD CORPORATION LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2005

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 2004.

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

	9 months to	9 months to
	30 Sep 2005	30 Sep 2004
Weighted average number of ordinary shares outstanding	8,625,000	8,625,000
Consolidated net income	3,912,326	3,040,496
Earnings per share	\$ 0.45	\$ 0.35

3. Commitments

Outstanding commitments to extend credit under mortgage loan agreements amounted to approximately \$4,721,195 at 30 September 2005 (31 December 2004: \$2,720,508).

4. Subsequent Event

As disclosed in the annual consolidated financial statements for the year ended 31 December 2004, the Company announced that it had entered into discussions with a view to a strategic alliance with Sagicor Financial Corporation (Sagicor), a widely held publicly traded company listed on the exchanges of Barbados and Trinidad and Tobago.

The proposed alliance being negotiated is expected to result in a 20% equity interest in the Company by Sagicor. As of the date of the publication of these financial statements final regulatory approval had not yet been received.