



FAMGUARD CORPORATION LIMITED  
**CONSOLIDATED STATEMENT OF OPERATIONS** (Unaudited)  
 For the six months ended 30 June 2005  
*(Expressed in Bahamian dollars)*

FAMGUARD CORPORATION LIMITED  
**CONSOLIDATED STATEMENT OF CASH FLOWS** (Unaudited)  
 For the six months ended 30 June 2005  
*(Expressed in Bahamian dollars)*

**MESSAGE FROM THE CHAIRMAN**

Interim report  
 Second quarter ending June 30, 2005

Dear Shareholder,

We are pleased to present our financial report for the six months ending June 30, 2005. As at June 30, 2005, we recorded net income of \$2.8 million. This represents an increase of \$331 thousand or 13.4% over the corresponding period in 2004. Earnings per share increased to 32 cents compared to 29 cents as at June 30, 2004.

These results were driven in large part by strong premium income and annuity deposit growth for this period. Net premium income and annuity deposits grew by 13.6% from \$23.8 million as at June 30, 2004 to \$27 million as at June 30, 2005. Annuity deposits increased by 104% to \$3.6 million over the period reflecting the impact of strong market liquidity. Ordinary life premium recorded a 15.5% increase over prior year-to-date, with group life and health premium income increasing by 14.4% over the same period. Premium income for the Home Service division recorded a small reduction of 1.1% through the second quarter-end due in part to the aftermath of the impact of Hurricanes Frances and Jeanne at the end of 2004.

The Board of Directors declared a dividend of 6 cents per share which was paid on August 10, 2005.

Sincerely,

Norbert F. Boissiere  
 Chairman  
 August 17, 2005

FAMGUARD CORPORATION LIMITED  
**CONSOLIDATED BALANCE SHEET** (Unaudited)  
 at 30 June 2005  
*(Expressed in Bahamian dollars)*

	31 December	
	2005	2004
	\$	\$
<b>ASSETS</b>		
Bank deposits	7,133,234	8,948,089
Government bonds	20,231,400	18,226,600
Financial assets at fair value through profit or loss	6,151,955	5,776,325
Preferred shares	1,633,334	1,633,334
Policy loans	8,430,341	8,468,108
Mortgage loans, net	49,540,952	46,040,470
<b>Total investment assets</b>	<b>93,121,216</b>	<b>89,092,926</b>
Cash and bank balances	4,433,768	2,154,845
Receivables and other assets	4,879,843	2,771,321
Premiums in arrears	832,566	1,370,872
Fixed assets, net	17,014,312	16,898,683
	<b>120,281,705</b>	<b>112,288,647</b>
<b>LIABILITIES</b>		
Reserves for future policyholder benefits	72,655,795	67,542,055
Other policyholder funds	6,585,034	6,243,698
Policy liabilities	79,240,829	73,785,753
Payables and accruals	5,845,013	4,699,438
	<b>85,085,842</b>	<b>78,485,191</b>
<b>SHAREHOLDERS' EQUITY</b>		
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	5,162,798	5,189,525
Retained earnings	15,416,371	13,997,237
	<b>35,195,863</b>	<b>33,803,456</b>
	<b>120,281,705</b>	<b>112,288,647</b>

FAMGUARD CORPORATION LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY** (Unaudited)  
 For the six months ended 30 June 2005  
*(Amounts expressed in Bahamian dollars)*

	Share Capital Preference Shares	Share Capital Ordinary Shares	Share Premium	Revaluation Surplus	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
<b>Balance as of 1 January 2004</b>	10,000,000	1,725,000	2,891,694	5,242,979	12,699,870	32,559,543
Transfer from revaluation surplus	-	-	-	(26,727)	26,727	-
Net income for the period	-	-	-	-	2,471,223	2,471,223
Dividends declared and paid - preference shares	-	-	-	-	(375,000)	(375,000)
Dividends declared and paid - ordinary shares	-	-	-	-	(431,250)	(431,250)
<b>Balance as of 30 June 2004</b>	<b>10,000,000</b>	<b>1,725,000</b>	<b>2,891,694</b>	<b>5,216,252</b>	<b>14,391,570</b>	<b>34,224,516</b>
<b>Balance as of 1 January 2005</b>	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>

	6 months to 30-06-05	6 months to 30-06-04
	\$	\$
Net premium income and deposits	26,982,816	23,754,788
Investment income	3,673,009	3,511,326
Change in unrealized gain on financial assets at fair value through profit or loss	600,545	586,573
<b>Total income</b>	<b>31,256,370</b>	<b>27,852,687</b>
Benefits	17,118,951	14,254,860
Operating expenses	6,353,474	6,115,361
Commissions	4,621,085	4,360,175
Depreciation and amortisation expense	296,599	360,379
Bad debt expense	77,274	39,249
Realized (gain) loss on financial assets at fair value through profit or loss	(13,420)	251,440
<b>Total benefits and expenses</b>	<b>28,453,963</b>	<b>25,381,464</b>
<b>Net income</b>	<b>2,802,407</b>	<b>2,471,223</b>
<b>Earnings per share</b>	<b>0.32</b>	<b>0.29</b>

	3 months to 30-06-05	3 months to 30-06-04
	\$	\$
Net premium income and deposits	13,547,353	12,178,218
Investment income	1,869,869	1,791,791
Change in unrealized gain on financial assets at fair value through profit or loss	278,255	357,644
<b>Total income</b>	<b>15,695,477</b>	<b>14,327,653</b>
Benefits	8,485,586	7,420,688
Operating expenses	3,298,011	3,037,444
Commissions	2,557,464	2,509,100
Depreciation and amortisation expense	153,280	188,641
Bad debt expense	79,220	27,050
Realized (gain) loss on financial assets at fair value through profit or loss	(10,010)	239,740
<b>Total benefits and expenses</b>	<b>14,563,551</b>	<b>13,422,663</b>
Net income	1,131,926	904,990
<b>Earnings per share</b>	<b>0.13</b>	<b>0.10</b>

FAMGUARD CORPORATION LIMITED

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

30 June 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**

	6 months to 30 June 2005	6 months to 30 June 2004
	\$	\$
Weighted average number of ordinary shares outstanding	8,625,000	8,625,000
Consolidated net income	2,802,407	2,471,223
<b>Earnings per share</b>	<b>0.32</b>	<b>0.29</b>

	6 months to 30-06-05	6 months to 30-06-04
	\$	\$
<b>Cash flows from operating activities</b>		
Net income	2,802,407	2,471,223
Adjustments for:		
Depreciation and amortisation	296,599	360,379
Change in unrealised gain on financial assets at fair value through profit or loss	(600,545)	(586,573)
Realised (gain)/loss on financial assets at fair value through profit or loss	(13,420)	251,440
Loans written off, net of recoveries	-	(25,000)
Change in mortgage provision	76,625	30,804
Reserve for policyholder benefits	5,113,740	5,350,564
Interest income	(3,255,591)	(3,114,351)
Dividend income	(197,249)	(165,401)
<b>Operating profit before working capital changes</b>	<b>4,222,566</b>	<b>4,573,085</b>
<b>(Increase) decrease in operating assets</b>		
Receivables and other assets	(2,091,483)	(2,377,066)
Premiums in arrears	538,306	(128,546)
<b>(Decrease) increase in operating liabilities</b>		
Payables and accruals	1,145,575	1,408,246
Other policyholder funds	341,336	(1,981,933)
<b>Net cash from operating activities</b>	<b>4,156,300</b>	<b>1,493,786</b>
<b>Cash flows from investing activities</b>		
Policy loans	37,767	(157,197)
Purchase of government bonds	(2,004,800)	(660,400)
Purchase of fixed assets	(412,228)	(164,234)
Net mortgage loans issued	(3,577,107)	(668,696)
Proceeds from sale of ordinary shares	238,335	44,220
Proceeds from partial redemption of preferred shares	-	283,333
Interest received	3,238,552	3,059,580
Dividends received	197,249	165,401
<b>Net cash (used in) from investing activities</b>	<b>(2,282,232)</b>	<b>1,902,007</b>
<b>Cash flows from financing activities</b>		
Dividends paid - preference shares	(375,000)	(375,000)
Dividends paid - ordinary shares	(1,035,000)	(431,250)
<b>Net cash used in financing activities</b>	<b>(1,410,000)</b>	<b>(806,250)</b>
<b>Net increase in cash and cash equivalents</b>	<b>464,068</b>	<b>2,589,543</b>
Cash and cash equivalents at beginning of period	11,102,934	6,520,960
<b>Cash and cash equivalents at end of period</b>	<b>11,567,002</b>	<b>9,110,503</b>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)**

**3. Commitments**

Outstanding commitments to extend credit under mortgage loan agreements amounted to approximately \$4,522,089 at 30 June 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 regulatory approval had not yet been received.