

# SAGICOR GROUP JAMAICA LIMITED

## Audited Group Results

YEAR ENDED 31 DECEMBER 2018



# 2018

## PERFORMANCE

### DIRECTORS' STATEMENT

On behalf of the Board of Directors of Sagicor Group Jamaica Limited (SGJ or the Group) we are pleased to report on the 2018 performance of our Group of companies.

### OVERVIEW –

The Group performed credibly in 2018, with profit attributable to stockholders of **\$14.23 billion**, equivalent to \$3.65 per share, a significant improvement over prior year. We also increased stockholders' equity by 9%, after distributing dividends of \$1.20 per share in 2018.

During the year, we engaged in a significant transaction with the Playa Hotel Group ("Playa") whereby we repositioned much of our investment in the Hospitality sector while simultaneously taking a significant equity stake in Playa. We also, separately, took effective control of the Sagicor X-Fund Group ("X-Fund") and from the 4th quarter of 2018 are consolidating X-Fund's operations, results and balance sheet in SGJ.

In 2018 we received upgraded ratings in Sagicor Life Jamaica Limited (SLJ) from two independent agencies, reflecting the strength of SLJ and Jamaica's improving macro-economic

fundamentals. Finally, though by no means last, we also delivered on our corporate social responsibility through many initiatives, highlighted with activities undertaken by the Sagicor Foundation as well as various business lines within the Group.

### FINANCIAL PERFORMANCE

During 2018, our core business performed well, despite lower Jamaican interest rates and a relatively volatile J\$/US\$ exchange rate. We also recognized a one-off gain in 2018 of \$1.52 billion (\$1.29 billion of which relate to stockholders) arising from taking effective control of X-Fund.

Consolidated full year profit attributable to stockholders was \$14.23 billion, a significant improvement over prior year. Earnings per stock unit were \$3.65 compared to \$3.11 in 2017, an increase of 17%. The annualized return on stockholders' equity was 20% as against 19% for 2017, and we distributed dividends

### HIGHLIGHTS

	Dec 2018 Audited	Dec 2017 Audited	% Change
<b>OPERATING RESULTS (INCOME STATEMENT DATA):</b>			
Net Profit, attributable to Stockholders - J\$ billions	14.23	12.07	18%
Total Revenue - J\$ billions	70.66	69.73	1%
<b>FINANCIAL POSITION &amp; STRENGTH (BALANCE SHEET DATA):</b>			
Total Assets of Sagicor Group Jamaica - J\$ billions	394.13	352.04	12%
Total Assets under management - J\$ billions	761.07	679.82	12%
Stockholders' Equity - J\$ billions	74.34	68.50	9%
<b>PROFITABILITY:</b>			
Return on average Stockholders' Equity (ROE)	20%	19%	5%
Earnings per stock unit (EPS) - J\$	3.65	3.11	17%
<b>OTHER MARKET INFORMATION:</b>			
SGJ Share Price - J\$	39.80	38.05	5%
Market capitalization - J\$ billions	155.44	148.61	5%

of \$4.69 billion to stockholders during 2018, compared to \$5.00 billion in 2017 (\$1.20 per share as against \$1.28 in 2017). Market capitalization of SGJ at December 2018 was \$155.44 billion, up 5% on December 2017.

Total Group assets at December 2018 were \$394.13 billion up from \$352.04 billion as at December 2017. Assets

grew by normal business growth, consolidation of X-Fund from October 1st, 2018, and the acquisition of Travel Cash Jamaica Limited ("Travel Cash") from December 1, 2018.

Total assets under management, as at December 2018, including Group Assets, Pension Funds' assets managed on behalf of clients and Unit Trusts,

Core business performed well, showing strong new business and portfolio growth over last year.

NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS  
**\$14.23B**  
 2017: \$12.07B

TOTAL REVENUE  
**\$70.66B**  
 2017: \$69.73B

STOCKHOLDERS' EQUITY  
**\$74.34B**  
 2017: \$68.50B

EARNINGS PER STOCK UNIT  
**\$3.65**  
 2017: \$3.11

were \$761.07 billion, a 12% increase over the December 2017 amount of \$679.82 billion.

Group consolidated revenue for the year of \$70.66 billion was slightly ahead of last year, after reflecting investments related credit losses in 2018 and contributions from a large new single premium annuity in 2017.

Net premium income of \$39.81 billion, which accounts for 56% of revenue, was 3% lower than in 2017, which benefitted from the large single premium annuity. Net investment income of \$15.75 billion, before capital gains and losses, was 1% better than last year despite interest rates trending down in Jamaica.

There was improvement in the loan loss ratio of the commercial bank, but in 2018 the Group had added cost of Expected Credit Losses (ECL) with the adoption of International Financial Reporting Standard (IFRS) 9. This included a \$875 million, before tax, impairment provision against our investments in Government of Barbados bonds. Fee based income increased mainly from the expansion of our Payments channels and from increased corporate financing deals.

Total expenditures, before taxes, of \$54.07 billion showed a decrease of 3% compared to prior year due to changes in Actuarial Liabilities. Group consolidated policy benefits, including death claims, health claims, annuity payments, surrenders and fund withdrawals, totaled \$25.47 billion, net of reinsurance recoveries, compared to \$21.91 billion last year, a consequence of portfolio growth. Group consolidated administration expenses, including depreciation and amortization of software, of \$18.81 billion, were 7% higher than in 2017. Despite this, we improved the Group efficiency ratio of administration expenses to total revenue, a key measure of expense management, to 31% from 32% in 2017.

### Individual Insurance

This segment continued its strong profitability performance contributing \$4.76 billion to the Group for the year.

Net premium income for the Individual Insurance lines of business of \$23.92 billion was 13% higher than the comparative 2017 period, driven by strong new business in Jamaica, where new annualized premium income was 15% ahead of last year and improved conservation of the inforce block of policies resulted in a 7% growth. Benefits accrued or paid

to policyholders were higher than 2017 due to large death claims and withdrawals from Segregated policy funds. The increase in actuarial liabilities was partly offset by releases for mortality experience, expenses and other efficiencies. Key performance indicators in this segment trended positively, including market share.

### Employee Benefits

Segment revenue of \$23.75 billion was 11% less than in 2017, driven principally by reduced revenue from annuities, as referred to above. This reduction was offset by reduced benefits expense of \$18.73 billion, which was 15% lower than last year, primarily as a result of lower actuarial expense offset partly by business growth. Segment profit was \$4.09 billion in 2018, a 10% reduction from 2017.

### Commercial Banking

Sagicor Bank continued to show good growth and contributed net profits of \$2.85 billion for the year, significantly more than the amount recorded in 2017. These profits were produced from revenues of \$12.40 billion which were 14% more than prior year, reflecting business expansion, realized capital gains and improved credit losses. Fee based income was 15% more than in 2017 as we grew our payments channels.

Total assets of \$122.91 billion were 2% lower than those at December 2017 and included an Expected Credit Loss (ECL) write-down on adoption of IFRS 9 along with a reduced receivable relating to a pending legal claim – the receivable is off-set by an identical reduction in liabilities. Loans and advances, net of provision for loan losses, were \$69.06 billion, 13% higher than the December 2017 balance. The bank is seeing success from its many strategies to grow the business, expand its client base, raise client satisfaction and improve efficiencies.

### Investment Banking

Sagicor Investments generated net profit of \$2.03 billion, level with prior year. Strong growth in fee-based income was offset by lower interest rates in Jamaica and losses on certain bonds.

### ACCOUNTING CHANGES

From 1 January 2018, the Group adopted the requirements of International Financial Reporting Standards (IFRS) 9 “Financial Instruments” which deals with the recognition, measurement and

classification of financial assets and liabilities. The impact on transition was not material to the consolidated accounts, but the Group recognised higher operating credit losses under the new standard.

The Group also adopted IFRS 15 “Revenue from Contracts with Customers” from which there was no material financial impact on adoption.

### ACQUISITIONS

During 2018 the Group acquired shares of Playa Hotels & Resorts NV in exchange for certain hotel assets. Based on our shareholding and influence in Playa, this investment is being accounted for as an associated company with effect from June 2nd, 2018, the date of acquisition. The Group also effectively took control of X-Fund from October 1st, 2018 and from that date has accounted for X-Fund as a subsidiary as required by IFRS 10 – Consolidated Financial

Statements. Previously the investment in X-Fund was carried as an associate.

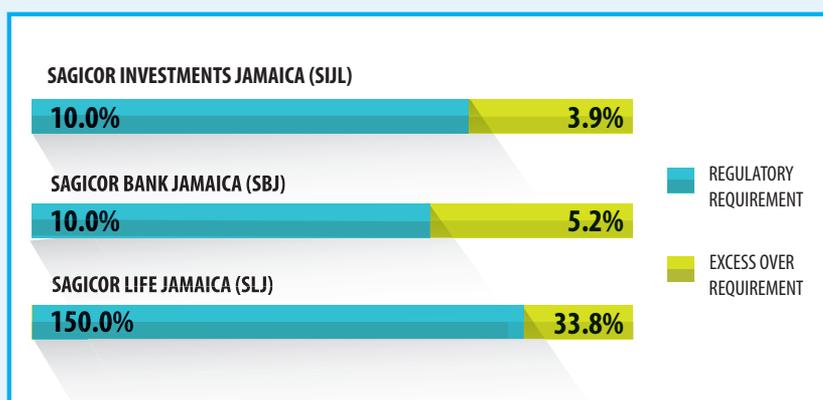
Effective 1 December 2018, SGJ acquired a 51% stake in a micro-financing business, Travel Cash, in pursuit of our desire to expand the range of lending products and our market segments. Post-acquisition results have been included in these consolidated accounts.

### INDUSTRY RATINGS

In August 2018, A. M. Best rating agency upgraded our wholly-owned subsidiary Sagicor Life Jamaica Limited (SLJ)’s Financial Strength Rating (FSR) from B+ (Good) and the Issuer Credit Rating (ICR) of bbb- with a stable outlook to a FSR of B++ and an ICR of bbb with a stable outlook. In its rating rationale, A. M. Best highlighted that the ratings reflect strong earnings in SLJ’s core business lines, an adequate risk-adjusted capital position, strong brand recognition and a favorable market position.

### SOLVENCY

CAPITAL RATIOS				
Regulated Entities	Key Regulatory Ratios	Minimum Statutory Requirements	Dec 31, 2018	Dec 31, 2017
Sagicor Life Jamaica Limited	Minimum continuing capital and surplus requirements ratio (MCCSR)	150.0%	183.8%	186.0%
Sagicor Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	15.2%	14.9%
Sagicor Investments Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	13.9%	15.6%
Sagicor Life of the Cayman Islands Limited	Minimum capital requirement (MCR)	125.0%	399.0%	363.0%





1. From centre: Prime Minister Andrew Holness is joined by CEO, Sagikor Investments; Kevin Donaldson; Minister State in the Ministry of Education, Youth and Information, Floyd Green, and Permanent Secretary in the Education Ministry, Dean-Roy Bernard, with the recipients of the scholarship grants valued at \$100,000 during the Prime Minister's Youth Awards for Excellence. The recipients are: (from left) Chad Morgan, Demar Demontagnac, Sueven Thompson, Andre Williams, Jameil Wright, Antoinette Dennis, Kevin Brown, Romario Simpson and Chelsea Wright (not pictured).

2. Sagikor Bank CEO, Chorvelle Johnson presents \$100,000 scholarship grants to top girl Zarah Grey and top boy Kukoyi Irving at the Child Protection and Family Services Agency's seventh Educational Achievement Awards ceremony on November 29.



3. Students of the Tobolski Basic School enjoy the bounce about ride at the Christmas treat organized by the Sagikor Foundation at their school.



4. Sagior team members, clad in pink, in recognition of Breast Cancer Awareness Month. The Foundation also presented a symbolic cheque valued at \$1 million to the Jamaica Cancer Society in support of the Keeping Abreast Luncheon.

SLJ retained the highest creditworthiness rating of jmAAA on the Jamaica national scale with a stable outlook, from Caribbean Information and Credit Rating Services Limited (CariCRIS), following a review in February 2019. CariCRIS pointed out that the rating reflects the company's strong profitability, underpinned by a comprehensive suite of products and services, consistently good capitalization levels, improving liquidity, strong brand equity and its market leadership position in the Jamaican life insurance industry.

The rating assessments of Sagikor Life Jamaica also benefited from improvements in the Jamaican macro-economy reflected in the current country ratings.

## CORPORATE SOCIAL RESPONSIBILITY

In the fourth quarter of 2018, Sagikor Group Jamaica's commitment to corporate social responsibility was demonstrated through several activities. October is recognized as breast cancer awareness month. In this regard, Sagikor Foundation focused its efforts on executing activities geared towards educating the public on the disease. The Foundation supported the Jamaica Cancer Society's Keeping Abreast Luncheon by sponsoring the event aimed at honoring victims

and overcomers of the disease. The Foundation donated \$1 million dollars toward this venture.

In support of education, the Foundation sponsored the West Kingston Power Partners' Debating Competition, aimed at building confidence in high school students through public speaking. In addition to the sponsorship valued at \$200,000, the Foundation rewarded the top students with gifts at the end of the educational competition.

The Sagikor Foundation launched its Adopt a School programme for the 2018/19 academic year, taking three basic schools under its wing for infrastructural improvement and social intervention for the year. The schools, Clifton Basic School in Portmore St. Catherine; Chantilly Basic School in Savanna-la-Mar, Westmoreland; and Tobolski Basic School in Brown's Town, St. Ann are set to receive over \$10 million in investment.

The Foundation hosted a community health tour in November, travelling to five parishes across the island and providing free health checks to parish locals. The health tour was conducted in a number of locations – Savanna-la-Mar, Westmoreland; Ocho Rios, St Ann; Mandeville, Manchester; Half-Way-Tree, St. Andrew.

The Foundation also provided a total of \$1 million in grants to 10 students valued at \$100,000 each in support of their educational goals at the Prime Minister's Youth Awards for Excellence.

Two wards of the state were awarded educational grants for their exceptional performance at the regional Caribbean Secondary Education Council Examinations. The students, Zarah Grey and Kukoyi Irving received \$100,000 each at the Child Protection and Family Services Agency's Educational Achievement Awards Ceremony courtesy of the Sagikor Foundation.

## OUTLOOK

The Jamaican economy continued its positive trend during 2018, outperforming many key fiscal and monetary indicators. As we go into 2019, we anticipate growth in the local economy with a low interest rate environment, relatively stable currency and relatively low inflation. The macro-economic environment and the state-of-affairs in a number of other countries which influence our business are also improving. We are therefore optimistic about the future as a positive economic environment is good for insurance, investments and banking. We will continue to adjust our business model to capitalize on the prevailing circumstances.

## ACKNOWLEDGEMENT

We offer deep appreciation to all our Team members, Financial Advisors and Brokers who all contribute to the achievements of the Group and every day exemplify the Sagikor Values. To our loyal clients for their trust and commitment. To our supportive business partners. To our stockholders for their continued confidence and to our Directors for their diligence and wise counsel.

On behalf of The Board of Directors:

RICHARD O. BYLES  
Chairman

CHRISTOPHER ZACCA, C.D., J.P.  
President & CEO

5 April 2019

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

 as at 31 December 2018  
 (Expressed in thousands of Jamaican dollars)

	December 2018 Audited	December 2017 Audited
<b>ASSETS:</b>		
Cash resources & Cash reserve at Central Bank	23,883,674	24,071,156
Financial investments	158,837,169	142,108,057
Derivative financial instruments	31,464	278,010
Loans & leases, after allowance for credit losses	69,284,592	61,431,486
Pledged assets	70,485,620	81,608,214
Investment properties	2,552,460	530,000
Investment in joint venture	330,804	356,391
Investment in associated company	24,764,690	7,050,842
Intangible assets	6,651,581	5,127,730
Property, plant and equipment	19,000,411	5,063,646
Retirement benefit assets	183,351	517,261
Deferred income taxes	3,405,053	2,351,201
Taxation recoverable	3,256,419	2,332,714
Other assets	11,465,465	19,209,812
<b>TOTAL ASSETS</b>	<b>394,132,753</b>	<b>352,036,520</b>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES:</b>		
<b>Equity attributable to stockholders of the company</b>		
Share capital	8,863,302	8,415,051
Equity reserves	4,286,773	7,522,083
Retained earnings	61,189,933	52,564,997
	74,340,008	68,502,131
Non-controlling interests	27,354,811	-
<b>Total Equity</b>	<b>101,694,819</b>	<b>68,502,131</b>
<b>Liabilities</b>		
Deposit and security liabilities	164,933,500	165,221,812
Derivative financial instruments	31,464	278,010
Loans payable	9,970,102	-
Deferred income taxes	412,486	-
Taxation payable	1,880,810	148,160
Retirement benefit obligations	3,076,400	3,533,463
Other liabilities	14,510,124	18,859,895
<b>Policyholders' Funds</b>		
Insurance contracts liabilities	79,962,032	77,918,513
Investment contracts liabilities	13,408,342	13,777,110
Other policy liabilities	4,252,674	3,797,426
	97,623,048	95,493,049
<b>Total Liabilities</b>	<b>292,437,934</b>	<b>283,534,389</b>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<b>394,132,753</b>	<b>352,036,520</b>

 RICHARD O. BYLES  
 Chairman  
 5 April 2019



 CHRISTOPHER ZACCA, C.D., J.P.  
 President & CEO

**CONSOLIDATED INCOME STATEMENT**

 for the year ended 31 December 2018  
 (Expressed in thousands of Jamaican dollars)

	Q4 2018 Unaudited	Q4 2017 Unaudited	December 2018 Full Year Audited	December 2017 Full Year Audited
<b>Revenue:</b>				
Net premium revenue	11,060,675	9,183,091	39,814,784	40,998,535
Net investment income	4,621,846	5,628,148	18,246,692	20,717,703
Hotel revenue	1,247,215	-	1,247,215	-
Fees and other income	2,250,209	1,776,767	11,348,102	8,016,159
<b>Total revenue</b>	<b>19,179,945</b>	<b>16,588,006</b>	<b>70,656,793</b>	<b>69,732,397</b>
<b>Benefits and Expenses:</b>				
Net insurance benefits incurred	6,496,702	5,499,534	25,474,549	21,908,944
Changes in insurance and annuity liabilities	(442,757)	1,939,998	2,252,471	10,675,068
Administration expenses	5,107,192	4,193,702	18,323,030	17,120,925
Hotel expenses	892,631	-	892,631	-
Commissions and related expenses	1,956,519	1,342,929	5,782,073	4,884,844
Amortization of intangible assets	183,120	171,572	704,200	672,739
Other taxes and levies	129	2,126	638,047	618,992
<b>Total benefits and expenses</b>	<b>14,193,536</b>	<b>13,149,861</b>	<b>54,067,001</b>	<b>55,881,512</b>
Share of profit/(loss) from joint venture	(24,591)	(33,718)	18,007	(9,710)
Gain on step acquisition of X Fund Group	1,521,065	-	1,521,065	-
Gain on disposal of interest in associate	-	289,584	-	289,584
Share of profit/(loss) from associate	89,992	113,722	(80,539)	862,846
<b>Profit before Taxation</b>	<b>6,572,875</b>	<b>3,807,733</b>	<b>18,048,325</b>	<b>14,993,605</b>
Taxation	(1,516,771)	(820,356)	(4,170,507)	(2,923,782)
<b>NET PROFIT</b>	<b>5,056,104</b>	<b>2,987,377</b>	<b>13,877,818</b>	<b>12,069,823</b>
<b>Net Profit attributable to:</b>				
Stockholders of the parent company	5,410,268	2,987,377	14,231,982	12,069,823
Non-controlling interests	(354,164)	-	(354,164)	-
	<b>5,056,104</b>	<b>2,987,377</b>	<b>13,877,818</b>	<b>12,069,823</b>
<b>Earnings per stock unit for profit attributable to stockholders of the parent company:</b>				
Basic and Fully diluted	\$1.39	\$0.77	\$3.65	\$3.11

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

 for the year ended 31 December 2018  
 (Expressed in thousands of Jamaican dollars)

	Q4 2018 Unaudited	Q4 2017 Unaudited	December 2018 Full Year Audited	December 2017 Full Year Audited
Net profit for the period	5,056,104	2,987,377	13,877,818	12,069,823
<b>Other comprehensive income:</b>				
<b>Items that may be subsequently reclassified to profit or loss</b>				
<b>Fair value reserve:</b>				
Subsidiaries unrealized gains on available-for-sale investments	-	1,037,163	-	3,345,342
Share of joint venture and associate available-for-sale investments	-	(992)	-	3,252
Unrealised (losses)/gains on FVOCI bonds	(1,915,041)	-	(4,646,873)	-
Share of joint venture and associate on FVOCI bonds	(3,631)	-	(21,649)	-
	<u>(1,918,672)</u>	<u>1,036,171</u>	<u>(4,668,522)</u>	<u>3,348,594</u>
Re-translation of foreign operations	(2,486,903)	(517,744)	(1,433,832)	(423,191)
Losses reclassified and reported in profit in the Income Statement	(299,966)	(846,710)	(710,315)	(1,188,071)
Provision for expected credit losses - IFRS 9 on FVOCI securities	(88,711)	-	435,933	-
Impairment losses on available-for-sale investments recognised and reported in the Income Statement	-	145,131	-	326,342
Change in actuarial liabilities arising from fair value movements in available-for-sale securities	736,510	652,999	1,056,028	657,563
Unrealised gains on owner-occupied properties in associates	-	(91,645)	-	(91,645)
Net gains recycled on change of accounting from associate to subsidiary	(393,774)	-	(393,774)	-
Transferred of share of accumulated revaluation unrealised gains on owner occupied property	(202,411)	-	(202,411)	-
<b>Items that will not be subsequently reclassified to profit or loss</b>				
<b>Unrealised gains on owner-occupied properties:</b>				
Gains recognised by subsidiaries and associate	239,724	112,767	239,724	112,767
Share of other comprehensive income associate and joint venture	786,466	152,131	890,868	152,131
	<u>1,026,190</u>	<u>264,898</u>	<u>1,130,592</u>	<u>264,898</u>
Unrealised gains on FVOCI equities	9,304	-	9,304	-
Re-measurements of retirement benefits obligations	358,070	2,849,880	358,070	2,849,880
Total other (loss)/income recognised directly in stockholders' equity, net of taxes	(3,057,952)	3,492,980	(4,216,516)	5,744,370
<b>Total Comprehensive Income</b>	<b>1,998,152</b>	<b>6,480,357</b>	<b>9,661,302</b>	<b>17,814,193</b>
<b>Attributable to:</b>				
Stockholders of the parent company	3,277,783	6,480,357	10,940,933	17,814,193
Non-controlling interests	(1,279,631)	-	(1,279,631)	-
	<u>1,998,152</u>	<u>6,480,357</u>	<u>9,661,302</u>	<u>17,814,193</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

 for the year ended 31 December 2018  
 (Expressed in thousands of Jamaican dollars)

	Share Capital	Equity Reserves	Retained Earnings	Equity Owners' Total	Non- controlling Interests Total	Total Stockholders' Equity Audited
<b>Period ended December 31, 2018:</b>						
Balance as reported December 31, 2017	8,415,051	7,522,083	52,564,997	68,502,131	-	68,502,131
Changes on initial application of IFRS 9	-	(295,446)	(164,352)	(459,798)	-	(459,798)
<b>Restated balance as at January 1, 2018</b>	<b>8,415,051</b>	<b>7,226,637</b>	<b>52,400,645</b>	<b>68,042,333</b>	<b>-</b>	<b>68,042,333</b>
Total comprehensive income for the period	-	(3,851,528)	14,590,050	10,738,522	(1,279,631)	9,458,891
<b>Transactions with owners -</b>						
Acquisition of Travel Cash Limited	-	-	-	-	192,163	192,163
Non-controlling interest on acquisition in Sagikor Real Estate X Fund Limited	-	-	-	-	28,442,279	28,442,279
Employee stock option plan	-	-	-	-	-	-
- value of services provided	-	21,097	-	21,097	-	21,097
- options exercised/expired	-	(27,980)	-	(27,980)	-	(27,980)
Dividends paid to owners of the parent	-	-	(4,686,765)	(4,686,765)	-	(4,686,765)
Treasury shares	448,251	-	(195,450)	252,801	-	252,801
Total Transactions with owners	448,251	(6,883)	(4,882,215)	(4,440,847)	28,634,442	24,193,595
Transfers between retained earnings and reserves	-	918,547	(918,547)	-	-	-
<b>Balance as at December 31, 2018</b>	<b>8,863,302</b>	<b>4,286,773</b>	<b>61,189,933</b>	<b>74,340,008</b>	<b>27,354,811</b>	<b>101,694,819</b>
<b>Period ended December 31, 2017:</b>						
Balance as at January 1, 2017	8,552,562	4,203,984	43,654,436	56,410,982	-	56,410,982
Total comprehensive income for the period	-	2,894,490	14,919,703	17,814,193	-	17,814,193
<b>Transactions with owners -</b>						
Employee stock option plan	-	-	-	-	-	-
- value of services provided	-	37,090	-	37,090	-	37,090
- options exercised/expired	-	(55,927)	-	(55,927)	-	(55,927)
Dividends paid to owners of the parent	-	-	(4,999,212)	(4,999,212)	-	(4,999,212)
Treasury shares	(137,511)	-	(567,484)	(704,995)	-	(704,995)
Total Transactions with owners	(137,511)	(18,837)	(5,566,696)	(5,723,044)	-	(5,723,044)
Transfers between retained earnings and reserves	-	442,446	(442,446)	-	-	-
<b>Balance as at December 31, 2017</b>	<b>8,415,051</b>	<b>7,522,083</b>	<b>52,564,997</b>	<b>68,502,131</b>	<b>-</b>	<b>68,502,131</b>

**CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION**

 for the year ended 31 December 2018  
 (Expressed in thousands of Jamaican dollars)

	Individual Lines	Employee Benefits	Investment Banking	Commercial Banking	All other	Eliminations	Audited December 2018 Group
<b>Operating results:</b>							
External revenues	26,827,239	23,753,535	4,582,566	12,433,312	3,060,141	-	70,656,793
Inter-segment revenues	16,636	-	40,178	(35,391)	246,184	(267,607)	-
Total revenue	26,843,875	23,753,535	4,622,744	12,397,921	3,306,325	(267,607)	70,656,793
Benefits and expenses	(19,063,795)	(17,874,717)	(1,585,777)	(7,760,743)	(3,718,236)	267,609	(49,735,659)
Change in actuarial liabilities	(1,329,992)	(663,207)	-	-	103	(259,375)	(2,252,471)
Depreciation	(63,974)	(34,460)	(11,814)	(256,618)	(377,100)	-	(743,966)
Amortization of intangibles	(14,428)	(129,141)	(65,316)	(172,769)	(322,546)	-	(704,200)
Amortization of loan costs	-	-	-	(12,663)	20,005	-	7,342
Other taxes	-	331	-	-	(5,115)	-	(4,784)
Asset tax	(92,684)	(24,945)	(183,920)	(264,757)	(66,957)	-	(633,263)
Total benefits and expenses	(20,564,873)	(18,726,139)	(1,846,827)	(8,467,550)	(4,469,846)	8,234	(54,067,001)
Share of profit from joint venture	-	-	-	-	18,007	-	18,007
Share of loss from associate	-	-	-	-	(80,539)	-	(80,539)
Gain on step acquisition of X Fund	-	-	-	-	1,521,065	-	1,521,065
Profit before tax	6,279,002	5,027,396	2,775,917	3,930,371	295,012	(259,373)	18,048,325
Investment and corporation taxes	(1,520,038)	(934,082)	(743,543)	(1,077,436)	104,592	-	(4,170,507)
<b>Profit after taxation</b>	<b>4,758,964</b>	<b>4,093,314</b>	<b>2,032,374</b>	<b>2,852,935</b>	<b>399,604</b>	<b>(259,373)</b>	<b>13,877,818</b>
<b>Segment assets:</b>	<b>56,956,446</b>	<b>68,163,163</b>	<b>79,877,725</b>	<b>121,521,703</b>	<b>47,625,653</b>	<b>(8,695,835)</b>	<b>365,448,855</b>
Unallocated assets -							
Investments in joint venture							330,804
Investments in associate							24,764,690
Deferred income taxes							3,405,053
Retirement benefit assets							183,351
<b>Total assets</b>							<b>394,132,753</b>
<b>Segment liabilities:</b>	<b>47,321,224</b>	<b>54,628,147</b>	<b>69,785,004</b>	<b>100,585,572</b>	<b>26,586,828</b>	<b>(9,957,727)</b>	<b>288,949,048</b>
Unallocated liabilities -							
Deferred income taxes							412,486
Retirement benefit obligations							3,076,400
<b>Total liabilities</b>							<b>292,437,934</b>
<b>Other Segment items:</b>							
Capital expenditure: Computer software							314,905
Property, plant and equipment							586,925

	Jamaica	Islands	United States of America	Other	Total Group
Revenue	66,183,859	3,303,867	1,169,067	-	70,656,793
Total assets	330,538,079	18,980,562	44,283,308	330,804	394,132,753

	Individual Lines	Employee Benefits	Investment Banking	Commercial Banking	All other	Eliminations	Audited December 2017 Group
<b>Operating results:</b>							
External revenues	26,461,463	26,684,145	4,342,339	10,211,191	2,033,259	-	69,732,397
Inter-segment revenues	410,270	38,821	64,127	(77,009)	290,028	(726,237)	-
Total revenue	26,871,733	26,722,966	4,406,466	10,134,182	2,323,287	(726,237)	69,732,397
Benefits and expenses	(17,090,278)	(15,129,169)	(1,435,633)	(7,076,901)	(2,938,134)	263,603	(43,406,512)
Change in actuarial liabilities	(4,418,279)	(6,215,438)	-	-	201	(41,552)	(10,675,068)
Depreciation	(59,477)	(34,473)	(13,093)	(226,280)	(174,878)	-	(508,201)
Amortization of intangibles	(15,481)	(125,839)	(65,831)	(164,137)	(301,451)	-	(672,739)
Other taxes	(1,885)	(4,387)	-	-	(1,491)	-	(7,763)
Asset tax	(81,586)	(37,096)	(192,987)	(245,667)	(53,893)	-	(611,229)
Total benefits and expenses	(21,666,986)	(21,546,402)	(1,707,544)	(7,712,985)	(3,469,646)	222,051	(55,881,512)
Share of loss from joint venture	-	-	-	-	(9,710)	-	(9,710)
Gain on disposal of interest in associate	-	-	-	-	289,584	-	289,584
Share of profit from associate	-	-	-	-	862,846	-	862,846
Profit before tax	5,204,747	5,176,564	2,698,922	2,421,197	(3,639)	(504,186)	14,993,605
Investment and corporation taxes	(1,181,123)	(609,587)	(671,795)	(644,624)	183,347	-	(2,923,782)
<b>Profit after taxation</b>	<b>4,023,624</b>	<b>4,566,977</b>	<b>2,027,127</b>	<b>1,776,573</b>	<b>179,708</b>	<b>(504,186)</b>	<b>12,069,823</b>
<b>Segment assets:</b>	<b>53,682,463</b>	<b>67,386,299</b>	<b>81,140,735</b>	<b>123,256,881</b>	<b>26,404,543</b>	<b>(10,110,096)</b>	<b>341,760,825</b>
Unallocated assets -							
Investments in joint venture							356,391
Investments in associate							7,050,842
Deferred income taxes							2,351,201
Retirement benefit assets							517,261
<b>Total assets</b>							<b>352,036,520</b>
<b>Segment liabilities:</b>	<b>44,667,277</b>	<b>54,772,682</b>	<b>70,006,880</b>	<b>103,941,395</b>	<b>17,600,257</b>	<b>(10,987,565)</b>	<b>280,000,926</b>
Unallocated liabilities -							
Deferred tax liability							3,533,463
Retirement benefit obligations							283,534,389
<b>Total liabilities</b>							<b>283,534,389</b>
<b>Other Segment items:</b>							
Capital expenditure: Computer software							504,188
Property, plant and equipment							826,711

	Jamaica	Cayman Islands	Other	Total Group
Revenue	65,961,334	3,771,063	-	69,732,397
Total assets	332,630,579	19,049,550	356,391	352,036,520

**CONSOLIDATED STATEMENT OF CASH FLOWS**

 for the year ended 31 December 2018  
 (Expressed in thousands of Jamaican dollars)

	December 2018 Full Year Audited	December 2017 Full Year Audited/Restated
<b>Cash Flows from Operating Activities:</b>		
<b>Net Profit</b>	<b>13,877,818</b>	<b>12,069,823</b>
Adjustments for:		
<b>Items not affecting cash and changes to policyholders' funds:</b>		
Adjustments for non-cash items, interest and dividends	(11,281,355)	(4,781,136)
Changes in other operating assets and liabilities	4,144,901	(113,224)
Net investment purchases	(17,692,162)	(1,952,315)
Interest received	20,971,365	20,950,971
Interest paid	(4,924,382)	(4,834,532)
Income taxes paid	(3,299,646)	(4,876,734)
<b>Net cash generated from operating activities</b>	<b>1,796,539</b>	<b>16,462,853</b>
<b>Cash Flows from Investing Activities:</b>		
Investment in joint venture	(18,724)	(19,460)
Dividend from associate	-	102,395
Investment in associate	-	(865,346)
Net cash flows included on consolidation of Sagikor X Fund and Travel Cash	1,686,418	-
Proceeds from sale of interest in associate	-	994,764
Disposal of investment property, net	8,207	-
Disposal/(purchase) of property, plant and equipment, net	879,234	(820,999)
Purchase of intangible assets, net	(314,905)	(504,188)
<b>Net cash generated from/(used in) investing activities</b>	<b>2,240,230</b>	<b>(1,112,834)</b>
<b>Cash Flows from Financing activities:</b>		
Redemption of preference shares	(646,800)	-
Deposits and securities liabilities	(3,575,039)	(11,858,943)
Disposal/(purchase) of treasury shares, net	252,806	(704,994)
Dividends paid to stockholders	(4,686,765)	(4,999,212)
<b>Net cash used in financing activities</b>	<b>(8,655,798)</b>	<b>(17,563,149)</b>
<b>Cash and cash equivalents:</b>		
Effect of exchange rate on cash and cash equivalents	126,111	(291,767)
Increase in cash and cash equivalents	(4,492,918)	(2,504,897)
Cash and cash equivalents at beginning of year	20,384,314	22,889,211
<b>Cash and cash equivalents at end of year</b>	<b>15,891,396</b>	<b>20,384,314</b>
<b>Comprising:</b>		
Balances with Banks	11,552,916	12,652,317
Short - Term Deposits	4,339,543	5,987,298
Securities purchased under resale agreements	-	2,042,760
Bank overdraft	(1,063)	(298,061)
	<b>15,891,396</b>	<b>20,384,314</b>

**Explanatory Notes**
**1. Identification and Principal Activities**

Sagikor Group Jamaica Limited (SGJ), the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 32.45% (2017 – 32.45%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica and is wholly owned by Sagikor Financial Corporation Limited (SFCL). The ultimate parent company is SFCL, which is incorporated and domiciled in Bermuda. SFCL has an overall interest of 49.11% (2017 – 49.11%) in the company. The other significant shareholder in SGJ is PanJam Investment Limited with a 31.55% (2017 – 31.55%) holding.

The registered office of the Sagikor Group Jamaica Limited is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

Sagikor Group Jamaica comprises many companies offering a wide range of financial products and services. These include life and health insurance; annuities; pensions administration; investment services; commercial banking; investments banking; captives management; property management and real estate sales and rentals.

**2. Basis of preparation**

These condensed consolidated financial statements should be read in conjunction with the accounting policies as set out in Note 2 of the full audited financial statements for the year ended 31 December 2018.

Effective 1 January 2018 the Group adopted IFRS 15 "Revenue from Contracts with Customers." The standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must

be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. The Group has reviewed transactions which may be affected and concluded that there was no material impact on adoption of IFRS 15.

Effective 1 January 2018, the Group adopted IFRS 9 “Financial Instruments”. Prior period amounts are in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 has resulted in changes in accounting policies related to the classification and measurement and impairment of financial assets and liabilities.

IFRS 9 introduces key changes in the following areas:

- (i) Classification and Measurement - requiring asset classification and measurement based upon both business model and product characteristics.

There are three categories for the classification of financial assets:

- Amortised Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit & Loss (FVTPL)

There are two categories for the classification of financial liabilities:

- Amortised Cost
- Fair Value through Profit & Loss (FVTPL)

Accounting for embedded derivatives have also been simplified.

Initial measurement at fair value remains similar to IAS 39, however subsequent measurement and accounting is based on the new classifications.

- (ii) Impairment – introducing an Expected Credit Loss (ECL) model based on a three-stage categorization, and forward-looking information which replaces the Incurred Loss Model under IAS 39. This results in earlier and more timely recognition of expected credit losses.
- (ii) Hedge accounting – introducing changes to and wider eligibility criteria for hedging of financial instruments.

### 3. Subsequent Event

- (a) Subsequent to the year-end, SGJ established an investment company in the Cayman Islands, Sagicor Investments Ltd. This company is a wholly owned subsidiary of SGJ.
- (b) Subsequent to the year-end, SGJ established an Exchange Traded Fund (ETF), Sagicor Select Funds Limited. It is the intention of the company to apply to the Board of the Jamaica Stock Exchange (JSE) for admission of the shares to trading on the main market if subscriptions of at least \$5,000,000,000 are raised.
- (c) Effective March 1, 2019 cash reserves and liquid asset ratios for Commercial Banks were reduced by the Bank of Jamaica (BOJ) as follows:

	New	Previous
Cash Reserve:		
Foreign currency liabilities	15%	15%
Jamaican dollar liabilities	9%	12%
Liquid Assets:		
Foreign currency liabilities	29%	29%
Jamaican dollar liabilities	23%	26%

- (d) Dividend Declaration – On April 5, 2019, The Board of Directors declared an interim dividend of \$0.79 per share with a record date of April 23, 2019 and a payment date of May 9, 2019.

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