



# SAGICOR FINANCIAL CORPORATION – FINANCIAL REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2005

## CHAIRMAN'S REPORT

The performance of the Sagicor Group for the first three months of 2005 has been very encouraging. Group net income reached Bds\$24.8 million, an increase of 33% when compared to the same period in 2004. At March 31, 2005, total assets and total liabilities were Bds\$4.3 billion and Bds\$3.5 billion respectively, increases of 38% and 46% for the three month period.

These increases reflect our expansion into the broader financial services market, with the first tranche of our acquisition of Pan Caribbean Financial Services Limited (PCFS) being effected early in January 2005. The second tranche of this acquisition, which increases our shareholding in PCFS, was announced on May 16, 2005, and will be reflected in our next quarterly financial statements.

However, in the period under review, PCFS has contributed Bds\$8.9 million to Group net income, and assets and liabilities respectively of Bds\$1.3 billion and Bds\$1.1 billion to the Group balance sheet at March 31, 2005.

Revenues have increased by Bds\$25.4 million to reach Bds\$218.5 million for the first quarter. Premium growth accounted for Bds\$11.8 million, while net investment and other income accounted for Bds\$13.6 million. Net policy benefits and expenses amounted to Bds\$188.9 million for the period, compared to Bds\$172.3 million for the corresponding three months in 2004.

In accordance with recent changes in International Financial Reporting Standards which are applicable from 2005, the Group's net income is allocated to three stakeholder groups, the shareholders of the Company, the participating policyholders of Sagicor Life Inc and the minority interests in subsidiaries. Accordingly, net income is allocated as follows:

	2005 Bds\$ million	2004 Bds\$ million
Shareholders	15.4	14.9
Participating policyholders	1.4	0.4
Minority interests	8.0	3.4
Group net income	24.8	18.7

The earnings per common share for the period was Bds 6 cents, similar to that recorded in 2004.

The growth in income attributable to minority interests is largely a result of the significant minority interest in PCFS after the first tranche of our acquisition of this company.

At March 31, 2005, shareholders' equity amounted to Bds\$691.1 million, just under the Bds\$693.3 million at the beginning of the period. Our balance sheet remains strong, as evidenced by our total equity to total assets ratio of 20%. In addition, our debt to shareholders' equity ratio was a modest 7%, with total borrowings of Bds\$49.0 million included in the balance sheet.

We are well on the way to achieving our goals for 2005, the achievement of which will redound to the benefit of our shareholders, clients, financial advisors and staff.

Colin G Goddard, Chairman  
May 27, 2005

### CONSOLIDATED BALANCE SHEET

<i>Amounts expressed in thousands of Barbados dollars</i>	March 31 2005 (unaudited)	December 31 2004 (restated)
<b>ASSETS</b>		
Investments	3,611,845	2,450,405
Other assets	693,900	676,927
Total assets	4,305,745	3,127,332
<b>LIABILITIES</b>		
Policy liabilities	2,094,364	2,130,968
Other liabilities	1,369,983	236,579
Total liabilities	3,464,347	2,367,547
<b>EQUITY</b>		
Shareholders' equity	691,104	693,266
Participating accounts	2,791	1,388
Minority interest	147,503	65,131
Total equity	841,398	759,785
Total liabilities and equity	4,305,745	3,127,332

### CONSOLIDATED INCOME STATEMENT

<i>Amounts expressed in thousands of Barbados dollars</i>	Three months ended March 31    March 31 2005        2004 (unaudited) (unaudited)	
<b>REVENUE</b>		
Net premiums and contributions	140,664	128,868
Net investment and other income	77,829	64,266
Total revenue	218,493	193,134
<b>POLICY BENEFITS AND EXPENSES</b>		
Net policy benefits	115,698	112,698
Expenses	73,230	59,607
Total policy benefits and expenses	188,928	172,305
<b>INCOME FROM ORDINARY ACTIVITIES</b>		
Corporation taxes	(4,783)	(2,150)
<b>NET INCOME FOR THE PERIOD</b>	24,782	18,679
Net income attributed to shareholders	15,389	14,910
Net income attributed to participating policyholders	1,403	339
Net income attributed to minority interest	7,990	3,430
	24,782	18,679
<b>Basic and diluted earnings per share</b>	6 cents	6 cents

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in  
thousands of Barbados dollars

	Three months ended March 31, 2005					Total
	Share Capital	Reserves	Retained Earnings (unaudited)	Participating Accounts	Minority Interest	
Balance at beginning of period:						
As previously reported	432,495	181,513	89,049	1,388	67,858	772,303
Prior year adjustments	-	(9,791)	-	-	(2,727)	(12,518)
As restated	432,495	171,722	89,049	1,388	65,131	759,785
Net losses recognised directly in equity	-	(17,551)	-	-	(5,670)	(23,221)
Net income for the period	-	-	15,389	1,403	7,990	24,782
Total recognised gains/(losses)	-	(17,551)	15,389	1,403	2,320	1,561
Issue of shares	-	-	-	-	1,958	1,958
Dividends declared	-	-	-	-	(1,854)	(1,854)
Acquisition of a subsidiary	-	-	-	-	79,948	79,948
Transfers	-	328	(328)	-	-	-
	-	(17,223)	15,061	1,403	82,372	81,613
Balance at end of period	432,495	154,499	104,110	2,791	147,503	841,398

  

	Three months ended March 31, 2004					Total
	Share Capital	Reserves	Retained Earnings (unaudited)	Participating Accounts	Minority Interest	
Balance at beginning of period:						
As previously reported	432,495	98,323	43,317	1,222	56,289	631,646
Prior year adjustments	-	(9,041)	-	-	(4,632)	(13,673)
As restated	432,495	89,282	43,317	1,222	51,657	617,973
Net gains recognised directly in equity	-	62,812	-	-	4,323	67,135
Net income for the period	-	-	14,910	339	3,430	18,679
Total recognised gains	-	62,812	14,910	339	7,753	85,814
Issue of shares	-	-	-	-	1,224	1,224
Dividends declared	-	-	-	-	(566)	(566)
Transfers	-	283	(283)	-	-	-
	-	63,095	14,627	339	8,411	86,472
Balance at end of period	432,495	152,377	57,944	1,561	60,068	704,445

## CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts expressed in  
thousands of Barbados dollars

	Three months ended	
	March 31 2005 (unaudited)	March 31 2004 (unaudited)
<b>CASH FLOWS</b>		
Cash flows from operating activities	58,661	111,916
Cash flows from investing activities	(83,380)	(141,362)
Cash flows from financing activities	36,176	(2,336)
Effects of exchange rate changes	77	(27)
Net increase (decrease) in cash and cash equivalents	11,534	(31,809)
Cash and cash equivalents at beginning of period	135,608	161,796
<b>Cash and cash equivalents at end of period</b>	<b>147,142</b>	<b>129,987</b>

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. ACCOUNTING POLICIES

##### a) Basis of preparation

These interim consolidated financial statements have been prepared in condensed form. The Group has adopted the new and revised International Financial Reporting Standards which are effective for accounting periods beginning on or after January 1, 2005. Compared to the accounting policies adopted by the Group at the close of its last financial year, the more significant changes are indicated in paragraphs b) and c) below.

##### b) Investment securities, loans and deposits

The Group classifies its investment securities, loans and deposit assets as held to maturity investments, available for sale investments, at fair value through income or as loans.

Investment securities with fixed maturity and for which management has both the intent and ability to hold to maturity are classified as held to maturity. These investments are carried at amortised cost.

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. These investments are carried at amortised cost.

Financial assets at fair value through income consist of held for trading securities. A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking or if so designated by management. These investments are measured initially at cost and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as investment income.

Other investment securities, loans and deposits are classified as available for sale investments. These investments are measured initially at cost and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Unrealised gains and losses are recorded in fair value reserves. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income.

In response to the changes in these classifications, the Group has reclassified debt securities that are quoted in an active market to the available for sale category. These assets were formerly carried at amortised cost. The reclassification has been applied retroactively.

##### c) Intangible assets

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill is included in intangible assets, is tested annually for impairment and is carried at cost less accumulated impairment.

In response to the change in accounting for goodwill, (in prior years goodwill was amortised over its estimated useful life and only tested for impairment when there was evidence of impairment), the net carrying value of goodwill at the beginning of the period is now deemed to be the cost which will be subject to annual testing for impairment.

Intangible assets arising on acquisitions occurring on or after January 1, 2005 are recognised only if it is probable that future economic benefits attributable to the asset will flow to the Group and if the cost of the asset can be measured reliably.

#### 2. BUSINESS COMBINATION

In January 2005, a Group subsidiary, Life of Jamaica Limited acquired a further 43% interest in Pan Caribbean Financial Services Limited (PCFS). Combined with its' previous 8% interest in PCFS, Life of Jamaica increased its interest to 51%.

PCFS is a publicly listed company on the Jamaica Stock Exchange and is engaged in Jamaica in securities dealing, merchant banking, foreign exchange dealing, corporate trust services, mutual fund management and the provision of debit cards for corporate fleet management.

The amounts consolidated in these financial statements in respect of PCFS are as follows:

	\$ 000
Investments	1,166,922
Other assets	103,581
Other liabilities	1,101,095
Revenues	16,714
Net income for the period	8,892
Net income attributable to shareholders	3,535

In addition to the above, the Group balance sheet includes intangible assets of \$38,633,000 arising from this acquisition and borrowings of \$34,011,000 received to assist with its financing.