

#### CHAIRMAN'S REVIEW

The Sagicor Group continues to achieve successful results. Group net income totalled Bds \$72.7m, of which Bds \$50.4m is attributable to shareholders. Basic earnings per common share amounted to Bds 18.9 cents.

These results have been achieved in a business environment which has been a challenging one for businesses in the financial services sector. Equity markets across the region declined significantly as investors withdrew from the market on the expectations of lower profit returns from businesses. This decline in the equity markets negatively impacted the investment portfolios of financial institutions.

Revenue totalled Bds \$622.1m compared to Bds \$617.7m for the comparative period in 2005. Premium revenue rose by 19% to Bds \$361.4m. Net investment and other income declined from Bds \$314.3 in 2005 to Bds \$260.7m. The decline reflects the impact of the unusual income in 2005 rather than any underlying trends. You will recall that in our report on our 2005 mid year results, I reported that the Group's investment income had benefited from a higher than anticipated level of gains in the equity portfolio. By comparison in 2006, the gains realised in the equity portfolio have been minimal. In 2005, other income benefited from Bds \$39.1m in gains arising from business combinations and acquisitions, whilst for 2006, there were no such gains. When we remove these unusual effects from investment and other income in 2005, our 2006 performance compares favourably with that of 2005.

Benefits, which consist of policy benefits, changes in reserves for policy benefits and interest on customer and other funds, totalled Bds \$332.4m. This is an increase of 5% over 2005. Expenses, which consist of administrative expenses, commissions, premium taxes, finance costs, depreciation and amortisation, amounted to Bds \$203.6m as compared to Bds \$165.1m in 2005.

The acquisitions completed in April and September of 2005 have contributed to the growth in the respective amounts for revenue, benefits and expenses, and consequently to the Group's overall profitability.

Group net income for the period amounted to Bds \$72.7m as compared to Bds \$125.1m in 2005. Income attributable to shareholders amounted to Bds \$50.4m as compared to Bds \$92.5m in 2005, and earnings per share amounted to Bds 18.9 cents as compared to Bds 35.3 cents. If the gains arising from business combinations and acquisitions were

removed from the 2005 results, the comparable 2005 income to shareholders and earnings per share would have been Bds \$53.4m and Bds 20.4 cents respectively.

On the balance sheet at June 30, 2006, assets totalled Bds \$6.6 billion and liabilities amounted to Bds \$5.6 billion. As I advised in my last quarterly report, the Group successfully floated debt securities of US \$150m in the US market in May of this year. Approximately half of the net proceeds have been used to repay bank loans and the remainder are included in our financial investments.

Total equity remained at just under Bds \$1.0 billion during the period. Shareholders' equity amounted to Bds \$737.4m at June 30, 2006 as compared to Bds \$747.5m at December 31, 2005. A net decline in the carrying value of equities and other available for sale financial investments has affected negatively the total reserves in shareholders' equity.

During the period, awards were made in respect of the equity based incentive plans for executives, administrative employees and sales agents. As a result, new share grants and new share options have been issued and shares in the Company have been purchased from the market for the administrative employees and sales agents incentive plan.

At our annual shareholders' meeting held on August 11, 2006, shareholders approved the removal of the 5% shareholding restriction in the Company. It is to be noted that the 20% shareholding restriction is retained.

In conclusion, we believe that our results are a reflection of the strength of our Group, and of the quality of the strategies adopted to grow and manage the Group. We acknowledge the continuing support of our customers and the contribution of our employees and sales agents in achieving these positive six month results.



J. Arthur Bethell  
Chairman

August 23, 2006

#### CONSOLIDATED BALANCE SHEET

<i>Amounts expressed in thousands of Barbados dollars</i>	June 30 2006 (unaudited)	December 31 2005 (audited)
<b>ASSETS</b>		
Financial investments	4,928,550	4,732,425
Other investments and assets	1,648,322	1,684,768
<b>Total assets</b>	<b>6,576,872</b>	<b>6,417,193</b>
<b>LIABILITIES</b>		
Policy liabilities	3,435,054	3,487,791
Other liabilities	2,146,380	1,935,795
<b>Total liabilities</b>	<b>5,581,434</b>	<b>5,423,586</b>
<b>EQUITY</b>		
Shareholders' equity	737,434	747,549
Participating accounts	38,639	34,647
Minority interest	219,365	211,411
<b>Total equity</b>	<b>995,438</b>	<b>993,607</b>
<b>Total liabilities and equity</b>	<b>6,576,872</b>	<b>6,417,193</b>

#### CONSOLIDATED INCOME STATEMENT

<i>Amounts expressed in thousands of Barbados dollars</i>	Six months ended		Three months ended	
	June 30 2006 (unaudited)	June 30 2005 (restated)	June 30 2006 (unaudited)	June 30 2005 (restated)
<b>REVENUE</b>				
Net premium revenue	361,397	303,376	182,079	162,712
Net investment and other income	260,687	314,346	137,885	201,546
<b>Total revenue</b>	<b>622,084</b>	<b>617,722</b>	<b>319,964</b>	<b>364,258</b>
<b>BENEFITS AND EXPENSES</b>				
Benefits	332,444	316,803	160,932	166,134
Expenses	203,612	165,052	104,641	90,048
<b>Total policy benefits and expenses</b>	<b>536,056</b>	<b>481,855</b>	<b>265,573</b>	<b>256,182</b>
<b>INCOME FROM ORDINARY ACTIVITIES</b>	<b>86,028</b>	<b>135,867</b>	<b>54,391</b>	<b>108,076</b>
Income taxes	(13,305)	(10,779)	(7,973)	(5,996)
<b>NET INCOME FOR THE PERIOD</b>	<b>72,723</b>	<b>125,088</b>	<b>46,418</b>	<b>102,080</b>
Net income attributed to shareholders	50,372	92,496	31,505	77,785
Net income attributed to participating policyholders	4,334	12,862	3,819	11,459
Net income attributed to minority interest	18,017	19,730	11,094	12,836
	<b>72,723</b>	<b>125,088</b>	<b>46,418</b>	<b>102,080</b>
<b>Net income attributed to shareholders - EPS</b>				
Basic earnings per common share	18.9 cents	35.3 cents	11.8 cents	29.6 cents
Fully diluted earnings per common share	18.2 cents	35.3 cents	11.1 cents	29.6 cents

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in  
thousands of Barbados dollars

	Six months ended June 30, 2006 (unaudited)					Total
	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	
Balance at beginning of period	458,451	100,794	188,304	34,647	211,411	993,607
Net losses recognised directly in equity	-	(46,779)	-	(87)	(6,431)	(53,297)
Net income for the period	-	-	50,372	4,334	18,017	72,723
Total recognised gains / (losses)	-	(46,779)	50,372	4,247	11,586	19,426
Issue of shares	5,294	-	-	-	2,392	7,686
Value of employee services rendered	571	-	-	-	-	571
Purchase of treasury shares	(3,814)	-	-	-	-	(3,814)
Dividends declared	-	-	(16,014)	-	(6,024)	(22,038)
Transfers	-	(826)	1,081	(255)	-	-
	2,051	(47,605)	35,439	3,992	7,954	1,831
<b>Balance at end of period</b>	<b>460,502</b>	<b>53,189</b>	<b>223,743</b>	<b>38,639</b>	<b>219,365</b>	<b>995,438</b>

	Six months ended June 30, 2005 (restated)					Total
	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	
Balance at beginning of period	432,495	167,694	93,079	1,388	65,131	759,787
Net losses recognised directly in equity	-	(62,766)	-	-	(3,217)	(65,983)
Net income for the period	-	-	92,496	12,862	19,730	125,088
Total recognised gains / (losses)	-	(62,766)	92,496	12,862	16,513	59,105
Issue of shares	16,050	-	-	-	88,353	104,403
Dividends declared	-	-	(15,677)	-	(1,854)	(17,531)
Acquisition of subsidiary and insurance business	-	-	-	-	23,476	23,476
Transfers	-	451	5,049	(5,500)	-	-
	16,050	(62,315)	81,868	7,362	126,488	169,453
<b>Balance at end of period</b>	<b>448,545</b>	<b>105,379</b>	<b>174,947</b>	<b>8,750</b>	<b>191,619</b>	<b>929,240</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts expressed in  
thousands of Barbados dollars

	Six months ended	
	June 30 2006 (unaudited)	June 30 2005 (restated)
<b>CASH FLOWS</b>		
Cash flows (used in) / from operating activities	(34,234)	122,863
Cash flows used in investing activities	(1,412)	(91,584)
Cash flows from financing activities	151,732	11,525
Effects of exchange rate changes	(10,189)	(85)
Net increase in cash and cash equivalents	105,897	42,719
Cash and cash equivalents at beginning of period	274,342	135,608
<b>Cash and cash equivalents at end of period</b>	<b>380,239</b>	<b>178,327</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These interim financial statements have been prepared in condensed form under the accounting policies adopted by the company at the close of its last financial year (December 31, 2005).

Comparative amounts for the period ended June 30, 2005 have been restated for the following.

- A gain of \$12,001,000 arising on the acquisition of a 37% interest in Pan Caribbean Financial Services Limited. This gain, which is fully attributable to shareholders, was recognised in the annual 2005 accounts but not in the issued June 2005 interim financial statements.
- Charges of \$4,119,000 in respect of the amortisation of the cost of intangible assets arising from business combinations in the period. \$2,012,000 is attributable to shareholders and \$2,107,000 is attributable to minority interests. Amortisation charges were recognised in the annual 2005 accounts, but not in the issued June 2005 interim financial statements.