



# SAGICOR FINANCIAL CORPORATION

## FINANCIAL REPORT

### FOR THE YEAR ENDED DECEMBER 31, 2006

#### CHAIRMAN'S STATEMENT

The Sagicor Group enjoyed another successful year in 2006, recording net income of Bds \$173.2 million. Net income attributable to shareholders totalled Bds \$135.3 million as compared to Bds \$121.5 million in 2005, a growth of 11%. The 2006 earnings per share were Bds 50.8 cents compared to Bds 46.0 cents in 2005, and the return on shareholders' equity was 19%.

With these results, I am happy to report that the Board of Directors has approved a final dividend of Bds 7 cents per share. The total dividend for 2006 is therefore Bds 13 cents, compared to Bds 12 cents for the previous year.

For Sagicor, 2006 has been a year of consolidation. After a record year of acquisitions in 2005, where the Group acquired five companies, 2006 was used to bring these new acquisitions fully on-stream and to integrate them within the Sagicor Group. I am pleased to report that this integration process has gone very well and these companies are now contributing to our overall Group performance. Included in the 2005 results were one time gains arising from business combinations and acquisitions amounting to Bds \$25.1 million. These did not recur in 2006. If these gains were excluded from the comparative 2005 results, net income from recurrent operations in 2006 and 2005 can be better compared. On this basis, Group net income from recurrent operations grew by 19.3% over 2005 and net income from recurrent operations attributable to shareholders improved by 40.5% over 2005.

The business environment for the financial services sector continues to be a challenging one. Equity markets across the Caribbean region remain stagnant and interest rates in Jamaica have declined in 2006.

In 2006, revenue totalled Bds \$1,318.8 million compared to Bds \$1,158.0 million in 2005. Net premium revenue rose by 18.6% to Bds \$755.2 million for the year. Net investment income totalled Bds \$471.0 million, an increase of 13.4% for the year.

Policy benefits and interest expense totalled Bds \$686.1 million in 2006, as compared to Bds \$608.7 million in 2005. This represents an increase of 12.7%. Expenses grew by Bds \$76.8 million to Bds \$431.7 million in 2006.

As of December 31, 2006, total assets were Bds \$6.7 billion and total liabilities were Bds \$5.6 billion. During the year, total equity surpassed Bds \$1.0 billion for the first time in the Group's history and stood at Bds \$1.1 billion at year end. Shareholders' equity stood at Bds \$0.8 billion at year end.

During the year, the Sagicor Group successfully floated a US \$150 million bond in the United States market, and its principal operating subsidiary Sagicor Life Inc. was rated BBB+ by Standard and Poor's. In February 2007, Sagicor's common shares were listed on the London Stock Exchange. These were significant steps as they both enable the Company to position itself to take advantage of future growth opportunities.

In conclusion, the Sagicor Group continues to enjoy strong growth and deliver solid results. I wish to thank all who have contributed to this year of significant achievement through their dedication and commitment, and to thank especially our customers who continue to place confidence in Sagicor by doing business with us.

J. Arthur Bethell  
Chairman  
April 4, 2007

**AUDITED FINANCIAL STATEMENTS**
**CONSOLIDATED BALANCE SHEET**

As of December 31, 2006	Amounts expressed in Barbados \$000	
	2006	2005
<b>ASSETS</b>		
Investment property	181,156	181,586
Property, plant and equipment	161,055	148,248
Investment in associated companies	53,671	49,829
Intangible assets	225,416	240,187
Financial investments	5,049,644	4,732,847
Reinsurance assets	643,378	686,648
Income tax assets	36,665	35,711
Miscellaneous assets and receivables	200,202	202,888
Cash resources	175,367	118,863
<b>Total assets</b>	<b>6,726,554</b>	<b>6,396,807</b>
<b>LIABILITIES</b>		
<b>Policy liabilities</b>		
Actuarial liabilities	2,747,168	2,791,197
Other insurance liabilities	305,402	283,248
Investment contract liabilities	441,709	426,161
	3,494,279	3,500,606
<b>Other liabilities</b>		
Senior notes and loans payable	321,065	160,728
Deposit and security liabilities	1,490,783	1,440,445
Provisions	41,130	37,446
Income tax liabilities	37,355	30,958
Accounts payable and accrued liabilities	257,331	273,890
<b>Total liabilities</b>	<b>5,641,943</b>	<b>5,444,073</b>
<b>EQUITY</b>		
Share capital	460,470	458,451
Reserves	96,212	106,526
Retained earnings	271,017	165,329
Total shareholders' equity	827,699	730,306
Participating accounts	19,805	20,920
Minority interest in subsidiaries	237,107	201,508
<b>Total equity</b>	<b>1,084,611</b>	<b>952,734</b>
<b>Total equity and liabilities</b>	<b>6,726,554</b>	<b>6,396,807</b>

These financial statements have been approved for issue by the Board of Directors on April 4, 2007.

  
Director

  
Director

**CONSOLIDATED INCOME STATEMENT**

Year ended December 31, 2006	Amounts expressed in Barbados \$000	
	2006	2005
<b>REVENUE</b>		
Premium revenue	937,406	748,707
Reinsurance premium expense	(182,162)	(111,689)
Net premium revenue	755,244	637,018
Net investment income	471,032	415,415
Share of operating income of associated companies	5,455	3,473
Fees and other revenue	87,115	76,951
Gains arising on business combinations and acquisitions	-	25,115
<b>Total revenue</b>	<b>1,318,846</b>	<b>1,157,972</b>
<b>BENEFITS</b>		
Policy benefits and change in actuarial liabilities	586,780	498,986
Policy benefits and change in actuarial liabilities reinsured	(59,395)	(38,189)
Net policy benefits and change in actuarial liabilities	527,385	460,797
Interest expense	158,739	147,869
<b>Total benefits</b>	<b>686,124</b>	<b>608,666</b>
<b>EXPENSES</b>		
Administrative expenses	250,743	214,544
Commissions and related compensation	114,132	94,961
Premium taxes	13,240	15,308
Finance costs	18,839	4,426
Depreciation and amortisation	34,700	25,636
<b>Total expenses</b>	<b>431,654</b>	<b>354,875</b>
<b>INCOME FROM ORDINARY ACTIVITIES</b>	201,068	194,431
Income taxes	(27,818)	(24,046)
<b>NET INCOME FOR THE YEAR</b>	<b>173,250</b>	<b>170,385</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Shareholders	135,325	121,455
Participating policyholders	(606)	12,013
Minority interest	38,531	36,917
	173,250	170,385
<b>Net income attributable to shareholders - EPS</b>		
Basic earnings per common share	50.8 cents	46.0 cents
Fully diluted earnings per common share	50.8 cents	46.0 cents

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Amounts expressed in Barbados \$000

	Year ended December 31, 2006					Total
	Share capital	Reserves	Retained earnings	Participating accounts	Minority interest	
Balance, beginning of year as restated	458,451	106,526	165,329	20,920	201,508	952,734
Net gains/(losses) recognised directly in equity	-	(11,875)	(44)	2	7,920	(3,997)
Net income/(loss) for the year	-	-	135,325	(606)	38,531	173,250
Total recognised gains and income for the year	-	(11,875)	135,281	(604)	46,451	169,253
Issue of shares	5,652	-	-	-	4,123	9,775
Value of employee services rendered	-	2,944	-	-	-	2,944
Purchase of treasury shares	(3,633)	-	-	-	-	(3,633)
Dividends declared	-	-	(31,980)	-	(14,482)	(46,462)
Other movements	-	(1,383)	2,387	(511)	(493)	-
	2,019	(10,314)	105,688	(1,115)	35,599	131,877
Balance, end of year	460,470	96,212	271,017	19,805	237,107	1,084,611

Amounts expressed in Barbados \$000

	Year ended December 31, 2005					Total
	Share capital	Reserves	Retained earnings	Participating accounts	Minority interest	
Balance, beginning of year as restated	432,495	167,694	85,705	676	57,918	744,488
Net gains/(losses) recognised directly in equity	-	(63,499)	96	235	(23,469)	(86,637)
Net income for the year	-	-	121,455	12,013	36,917	170,385
Total recognised gains and income for the year	-	(63,499)	121,551	12,248	13,448	83,748
Issue of shares	25,956	-	-	-	88,200	114,156
Dividends declared	-	-	(31,600)	-	(9,026)	(40,626)
Acquisition of subsidiary and insurance business	-	-	-	-	50,968	50,968
Other movements	-	2,331	(10,327)	7,996	-	-
	25,956	(61,168)	79,624	20,244	143,590	208,246
Balance, end of year	458,451	106,526	165,329	20,920	201,508	952,734

Year ended December 31, 2006

Amounts expressed in Barbados \$000

	2006	2005
<b>Cash flows from operating activities</b>		
Income from ordinary activities	201,068	194,431
Adjustments for non-cash items, interest and dividends	(211,201)	(177,242)
Interest and dividends received	384,321	296,905
Interest paid	(172,731)	(151,634)
Income taxes paid	(27,048)	(29,690)
Changes in operating assets	(121,042)	214,384
Changes in operating liabilities	125,137	(33,210)
Net cash from operating activities	<u>178,504</u>	<u>313,944</u>
<b>Cash flows from investing activities</b>		
Property, plant and equipment, net	(22,690)	(18,295)
Investment in associated companies, net	620	(22,232)
Intangible assets, net	(4,456)	(6,117)
Acquisition of subsidiaries and insurance businesses, net of cash and cash equivalents	-	(214,939)
Net cash used in investing activities	<u>(26,526)</u>	<u>(261,583)</u>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(3,633)	-
Dividends paid to shareholders	(31,594)	(31,435)
Shares issued to minority interest	3,534	5,554
Dividends paid to minority interest	(14,538)	(8,542)
Senior notes and loans payable, net	158,299	143,994
Net cash from financing activities	<u>112,068</u>	<u>109,571</u>
Effects of exchange rate changes	<u>(23,676)</u>	<u>(23,198)</u>
<b>Net increase in cash and cash equivalents</b>	240,370	138,734
Cash and cash equivalents, beginning of year	<u>274,342</u>	<u>135,608</u>
<b>Cash and cash equivalents, end of year</b>	<u>514,712</u>	<u>274,342</u>

## AUDITORS' REPORT

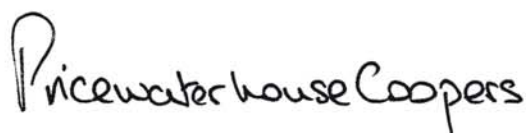
## To the Shareholders of Sagicor Financial Corporation

The accompanying summarised financial statements have been derived from the consolidated financial statements of **Sagicor Financial Corporation** (the Company) for the year ended December 31, 2006. These summarised financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on whether these summarised financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

We have audited the consolidated financial statements of **Sagicor Financial Corporation** for the year ended December 31, 2006, from which these summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated April 4, 2007, we expressed an unqualified opinion on the consolidated financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the year, and of the scope of our audit, the summarised financial statements should be read in conjunction with the consolidated financial statements from which the summarised financial statements were derived and our audit report thereon.



PricewaterhouseCoopers  
Chartered Accountants  
April 4, 2007

INSURANCE • INVESTMENTS  
• RETIREMENT PLANNING  
• HOME OWNERSHIP •  
EDUCATION SAVING •  
SAVINGS PLANS • MONEY  
MANAGEMENT

Trinidad & Tobago, Barbados,  
Jamaica, St. Lucia, Antigua, and  
16 other countries