



SAGICOR FINANCIAL CORPORATION – FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2004

CHAIRMAN'S REPORT

I am pleased to present the consolidated financial results for Sagicor Financial Corporation for the year ended December 31, 2004. These results represent the financial position of Sagicor Financial Corporation and its various subsidiaries and associated companies as at the end of the year and the results of its operations for the year then ended.

INCOME STATEMENT:

Net Income for the financial year 2004 amounted to \$65.7 million compared to \$55.6 million for 2003. This represents an 18.1% increase over the financial year 2003. Net Income attributable to shareholders amounted to \$67.7 million compared to \$56.9 million for 2003. Earnings Per Share (EPS) for the year was 26 cents compared to 22 cents for the previous year. The Board is therefore pleased to recommend a final dividend of 6 cents per share making a total dividend for the year of 10 cents per share compared to 6 cents for the year 2003.

Total revenue for the year was \$787 million compared to \$723 million for 2003, an 8.9% increase. Policy benefits, including the increase in the provision for insurance liabilities, amounted to \$442 million as against \$382 million for 2003, an increase of 15.8%. This increase was significantly influenced by the increase in claims experienced by our property and casualty subsidiary resulting from the impact of hurricane Ivan on many Caribbean Islands. Administrative and

other expenses registered a slight increase for the year totaling \$265 million compared to \$261 million last year, an increase of 1.6%.

BALANCE SHEET:

Total assets of Sagicor Financial Corporation as at year end 2004 amounted to \$3.1 billion compared to \$2.8 billion as at the end of 2003, an increase of 14.1%. Shareholders equity stood at \$704 million compared to \$575 million for 2003. Our Return on Equity (ROE) was 10.3% for 2004 compared to 10.7% for the previous year, while our MCCR (Minimum Continuing Capital and Surplus Requirement) ratio was 238% compared to 211% for 2003.

The Sagicor Group was once again rated A Excellent by A.M Best based on its solid capital base and strong earnings.

On behalf of the Board of Directors

Colin G Goddard, Chairman

CONSOLIDATED BALANCE SHEET

As of December 31, 2004

Amounts expressed in Barbados \$000

	2004	2003
ASSETS		
Investments		
Investment property	179,015	151,523
Investment securities, loans and deposits	2,283,908	2,045,926
	2,462,923	2,197,449
Property, plant and equipment	134,783	127,148
Associated companies	24,276	21,414
Goodwill	100,124	109,259
Miscellaneous assets and receivables	298,607	205,045
Cash resources	119,137	90,615
Total assets	3,139,850	2,750,930
LIABILITIES		
Policy liabilities		
Actuarial liabilities	1,490,987	1,377,708
Deposit administration liabilities	328,847	313,901
Policy funds on deposit	144,811	152,316
Policy benefits in the course of settlement	144,086	58,972
Provision for unearned premiums	22,237	16,539
	2,130,968	1,919,436
Other liabilities		
Loans payable	17,376	26,953
Deposit liabilities	74,064	58,736
Miscellaneous liabilities	43,228	28,497
Accounts payable and accrued liabilities	101,911	85,662
Total liabilities	2,367,547	2,119,284
Minority interest in subsidiaries	67,858	56,289
EQUITY		
Share capital	432,495	432,495
Reserves	181,513	98,323
Retained earnings	89,049	43,317
Participating accounts	1,388	1,222
Total equity	704,445	575,357
Total equity and liabilities	3,139,850	2,750,930

These financial statements have been approved for issue by the Board of Directors on April 26, 2005.

Colin G Goddard, Director

Dodridge Miller, Director

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2004

Amounts expressed in Barbados \$000

	2004	2003
REVENUE		
Net premiums and contributions	537,538	470,236
Net investment income	203,922	184,454
Share of operating income of associated companies	9,269	3,308
Fees and other revenue	35,703	47,665
Gains on divestitures	384	17,094
Total revenue	786,816	722,757
POLICY BENEFITS		
Policy benefits	324,254	297,596
Increase in actuarial liabilities	117,949	84,137
Total policy benefits	442,203	381,733
EXPENSES		
Administrative expenses	167,388	163,012
Commissions and related compensation	76,255	64,857
Premium taxes	11,653	7,797
Demutualisation and rebranding expenses	95	2,462
Reorganisation costs	26	11,725
Finance costs	743	1,724
Amortisation of goodwill	8,554	8,995
Total expenses	264,714	260,572
INCOME FROM ORDINARY ACTIVITIES	79,899	80,452
Corporation taxes	(6,916)	(7,076)
NET INCOME BEFORE MINORITY INTEREST	72,983	73,376
Minority interest	(7,276)	(17,753)
NET INCOME FOR THE YEAR	65,707	55,623
Net loss attributed to participating policyholders	(1,983)	(1,278)
Net income attributed to shareholders	67,690	56,901
	65,707	55,623
Earnings per common share	26 cents	22 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in Barbados \$000

	Year ended December 31, 2004				Total
	Share capital	Reserves	Retained earnings	Participating accounts	
Balance as of January 1, 2004	432,495	98,323	43,317	1,222	575,357
Available for sale investments	-	123,216	-	(851)	122,365
- net fair value gains/(losses)	-	(46,604)	-	-	(46,604)
- net gains transferred to income	-	7,578	-	-	7,578
Owner-occupied property - net fair value gains	-	(1,756)	-	-	(1,756)
Currency re-translation	-	82,434	-	(851)	81,583
Net gains/(losses) not recognised in income	-	-	67,690	(1,983)	65,707
Net income/(loss) for the year	-	756	(3,756)	3,000	-
Transfers	-	-	(18,202)	-	(18,202)
Dividends on common shares - 7 cents per share	-	-	-	-	-
Balance as of December 31, 2004	432,495	181,513	89,049	1,388	704,445
	Year ended December 31, 2003				
	Share capital	Reserves	Retained earnings	Participating accounts	Total
Balance as of January 1, 2003	432,495	36,331	-	-	468,826
Available for sale investments	-	80,066	-	-	80,066
- net fair value gains	-	(8,179)	-	-	(8,179)
- net gains transferred to income	-	1,889	-	-	1,889
Owner-occupied property - net fair value gains	-	(14,719)	-	-	(14,719)
Currency re-translation	-	59,057	-	-	59,057
Net gains not recognised in income	-	-	56,901	(1,278)	55,623
Net income/(loss) for the year	-	2,935	(5,435)	2,500	-
Transfers	-	-	(7,801)	-	(7,801)
Dividends on common shares - 3 cents per share	-	-	(348)	-	(348)
Dividends on preference shares of a subsidiary	-	-	-	-	-
Balance as of December 31, 2003	432,495	98,323	43,317	1,222	575,357

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2004

Amounts expressed in Barbados \$000

	2004	2003
Cash flows from operating activities		
Income from ordinary activities	79,899	80,452
Adjustments for non-cash items, interest and dividends	(63,234)	(78,830)
	16,665	1,622
Interest and dividends received	170,590	162,718
Interest paid	(40,874)	(36,426)
Corporation taxes paid	(10,330)	(11,357)
	136,051	116,557
Changes in operating assets and liabilities:		
Investment property	(13,846)	(3,665)
Equities	47,431	959
Bonds and treasury bills	(103,946)	(123,575)
Mortgage loans	(5,099)	(13,435)
Policy loans	(1,563)	(158)
Finance loans and leases	(9,357)	8,845
Convertible loans	7,059	814
Deposit investments	(68,238)	7,210
Repurchase agreements	(4,566)	(17,255)
Miscellaneous assets and receivables	(86,153)	(55,448)
Deposit administration liabilities	16,087	27,813
Policy funds on deposit	(6,305)	36,301
Deposit liabilities	14,423	(13,347)
Miscellaneous liabilities and payables	100,511	41,059
Net cash from operating activities	22,489	12,675
Cash flows from investing activities		
Property, plant and equipment	(21,095)	(22,471)
Associated companies, net	6,481	(2,016)
Proceeds from divestitures, net of cash	-	(13,976)
Net cash used in investing activities	(14,614)	(38,463)
Cash flows from financing activities		
Dividends paid to shareholders	(18,202)	(7,801)
Shares issued to minority interest	2,170	1,612
Dividends paid to minority interest	(8,411)	(3,375)
Loans payable	(9,633)	(9,617)
Net cash used in financing activities	(34,076)	(19,181)
Effects of exchange rate changes	13	796
Net decrease in cash and cash equivalents	(26,188)	(44,173)
Cash and cash equivalents, beginning of year	161,796	205,969
Cash and cash equivalents, end of year	135,608	161,796

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SAGICOR FINANCIAL CORPORATION

We have audited the accompanying consolidated balance sheet of Sagicor Financial Corporation (the Company) as of December 31, 2004, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

April 26, 2005