Contents

Sagicor

Wise Financial Thinking for Life

ANNUAL REPORT 2005

Contents

"A JOURNEY IS BEST MEASURED IN
FRIENDS RATHER THAN IN MILES"

– Tom Cahill

Vision

To be a great Caribbean Company committed to improving the lives of the people in the communities in which we operate.

Contents

Mr. J. Arthur L. Bethell
Chairman

Mr. J. Arthur L. Bethell is our non-executive Chairman. He retired as President and Chief Executive Officer of The Mutual Group, now Sagicor, on June 30, 2002, having been appointed to that office in 1995. He joined The Mutual as a sales representative in 1965 and has held the positions of Superintendent of Agencies, Sales Manager, Vice President, Marketing, and Chief Executive Officer of Capital Life Insurance Company Limited (Bahamas). Mr. Bethell was elected a director of The Mutual, now Sagicor Life Inc, in 1994 and is presently chairman of the subsidiary, Life of Jamaica Limited.

Mr. Terrence A. Martins
Vice Chairman

Mr. Terrence Martins is our Deputy Chairman, with over forty years' experience in the financial services industry. His areas of expertise include banking, finance, administration, corporate governance and risk management. Mr. Martins, the former Group Chief Executive Officer of RBTT Financial Holdings Limited, is currently the Deputy Chairman of the DFL Caribbean Group and Chairman of the Label House Group of Companies. Mr. Martins has previously held several directorships within the RBTT Financial Holdings Group, in and outside of Trinidad and Tobago and is also a member of the Integrity Commission of Trinidad and Tobago.

Mr. David W. Allan

Mr. David W. Allan is a former President and Chief Executive Officer of The Mutual Group, now Sagicor, a position he held for 23 years. He joined the Group in 1956 and was elected director of The Mutual, now Sagicor Life Inc, in 1986. He also serves as director of various Group subsidiaries and is a director of Barbados registered exempt insurance companies. Mr. Allan is a former Barbados and West Indies cricketer.

Board of Directors

Mr. Andrew Aleong

Mr. Andrew Aleong is currently the Director, Sales and Marketing, of the Albrosco Group of Trinidad and Tobago and a director of several companies within the Albrosco Group. He has spent all of his professional career in various management positions within that group. Mr. Aleong is a past president of the Trinidad and Tobago Manufacturers' Association. He holds an MBA from the Richard Ivey School of Business, University of Western Ontario, Canada.

Prof. Hilary McD. Beckles

Professor Hilary Beckles earned his PhD from Hull University, United Kingdom, in 1980, and received an Honorary Doctorate of Letters from the same university in 2003. He has served as the Head of the History Department and Dean of the Faculty of the Humanities, University of the West Indies. In 1998, he was appointed Pro-Vice-Chancellor for Undergraduate Studies, and, in 2002, the Principal of Cave Hill Campus. Professor Beckles has published widely on Caribbean economic history, cricket history and culture and higher education and serves on the editorial boards of several academic journals. He has lectured in Africa, Asia, Europe and the Americas.

Mrs. Marjorie Chevannes-Campbell

Mrs. Marjorie Chevannes-Campbell holds an MSc in Accounting from the University of the West Indies and is a member of the Institute of Chartered Accountants of Jamaica and of the Hospitality, Financial and Technology Professionals. She is General Manager of the Urban Development Corporation (the UDC Group), Jamaica, which is a large property owning company that manages a variety of several entities. Prior to assuming this position she worked in other positions within the UDC Group. She is a director of Life of Jamaica Limited, a subsidiary of Sagicor Financial Corporation, and also of several other private and public sector companies in Jamaica.

Mr. Christopher D. deCaires

Mr. Christopher deCaires is a Chartered Accountant and holds an MBA from Henley Management College, United Kingdom. He has over 25 years' professional and management consulting experience in Barbados and the wider Caribbean, United Kingdom and Brazil. He is currently the principal of deCaires Associates, and his areas of expertise include corporate finance, international taxation, financial management, mergers and acquisitions, information systems, organisational design and business planning. He is Chairman of the Barbados Tourism Investment Inc. and World Cup Barbados. Mr. deCaires is a former partner of Price Waterhouse, Barbados, where he was responsible for corporate finance, business advisory, corporate secretarial and trust services.

Mrs. Vivian-Anne L. Gittens

Mrs. Vivian-Anne L. Gittens, BSc (Eng), MBA, CMA, FCA, became a Director of The Mutual, now Sagicor Life Inc, in 1989. She is a Director and CEO Designate of The Nation Publishing Co. Ltd., a newspaper publishing company in Barbados. She is a former Deputy Chairman of the Fair Trading Commission in Barbados and also chaired its precursor, the Public Utilities Board, from 1994. Mrs. Gittens earned a BSc in Engineering from the University of the West Indies and an MBA from the University of Ohio, United States.

Mr. Stephen D.R. McNamara

Mr. Stephen D.R. McNamara is Senior Partner of McNamara & Company, Attorneys-at-Law of St. Lucia. He was elected to the board of The Mutual, now Sagicor Life Inc, in 1997. He is a former Chairman of the St. Lucia Tourist Board and is currently a Director of various subsidiaries in the Group.

Board of Directors

Dr. Oscar W. Jordan G.C.M.

Dr. Oscar W. Jordan, G.C.M., MB, ChB, FRCPE, DCH, Diabetologist, is Consultant Physician, Department of Medicine of the Queen Elizabeth Hospital, Barbados. He is Chairman of the Diabetes Foundation of Barbados and Director of Clinical Medicine in Barbados for the University of St. Georges, Grenada. A widely published and well respected physician, he is President of the Caribbean Golf Association. He became a Director of The Mutual, now Sagicor Life Inc, in 1990.

Mr. William P. Lucie-Smith

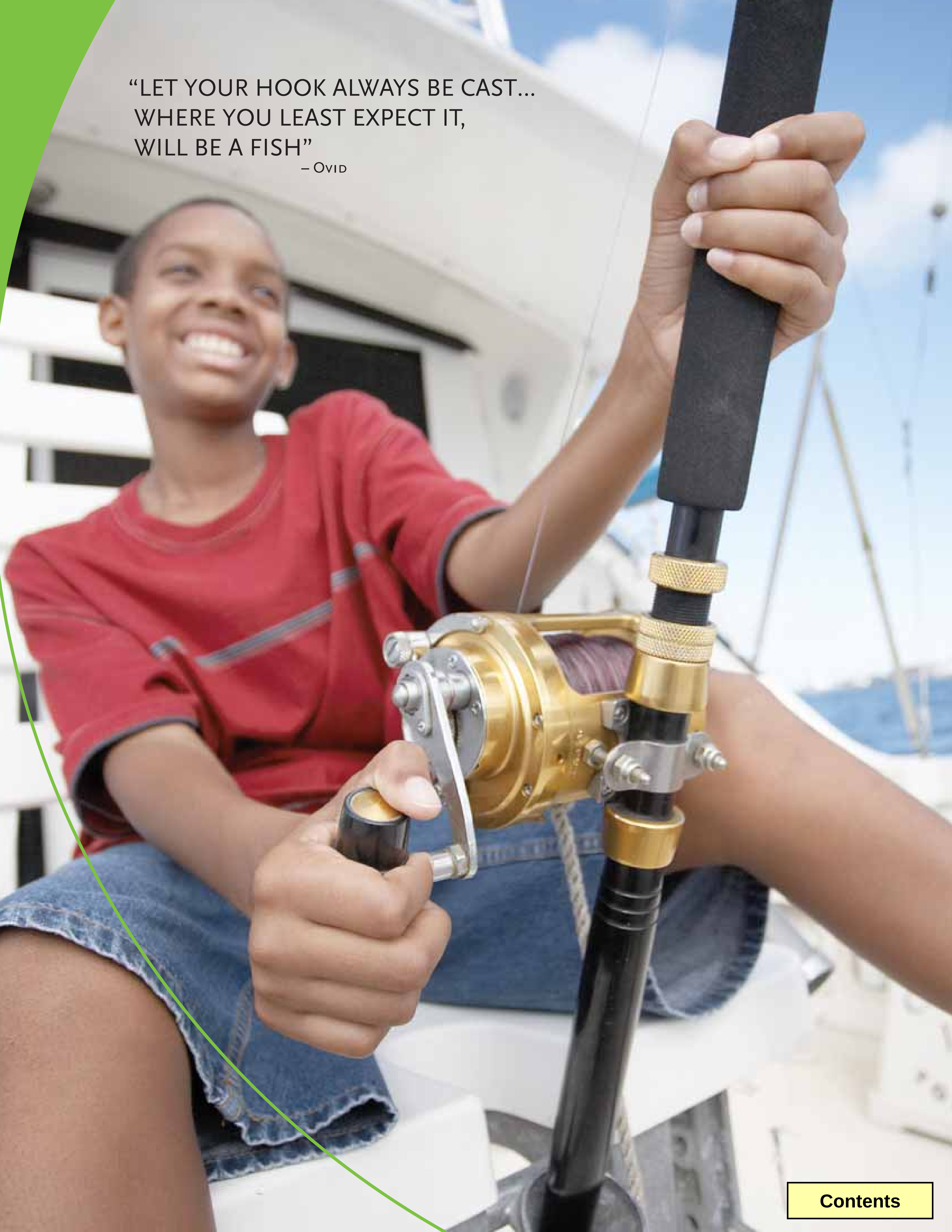
Mr. William P. Lucie-Smith earned an MA degree from Oxford University and is a Chartered Accountant. He is a retired senior partner of PricewaterhouseCoopers, Trinidad and Tobago, where he headed the Corporate Finance and Recoveries Divisions. Mr. Lucie-Smith has been a Special Advisor to the Trinidad and Tobago Government and Central Bank on divestment. He also served on the Rampersad Committee to review the Reorganisation and Rationalisation of State Enterprises of Trinidad and Tobago and the Daly Committee on Corporate Insolvency and Company Law with special reference to severance pay. Mr. Lucie-Smith is an independent consultant.

Mr. Dodridge D. Miller

Mr. Dodridge D. Miller, FCCA, MBA, LLM, with over 25 years' experience in the financial services industry, was appointed President and Chief Executive Officer of The Mutual Group of Companies, now Sagicor, on July 1, 2002. He joined the Group in 1989 and held the positions of Treasurer and Vice President, Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. He was elected a Director of the Group in 2001. He also chairs and is a Director of other subsidiaries. He is a Chartered Certified Accountant with an MBA from the University of Wales and Manchester Business School, United Kingdom and gained his LLM in Corporate and Commercial Law from the University of the West Indies.

"LET YOUR HOOK ALWAYS BE CAST...
WHERE YOU LEAST EXPECT IT,
WILL BE A FISH"

– OVID



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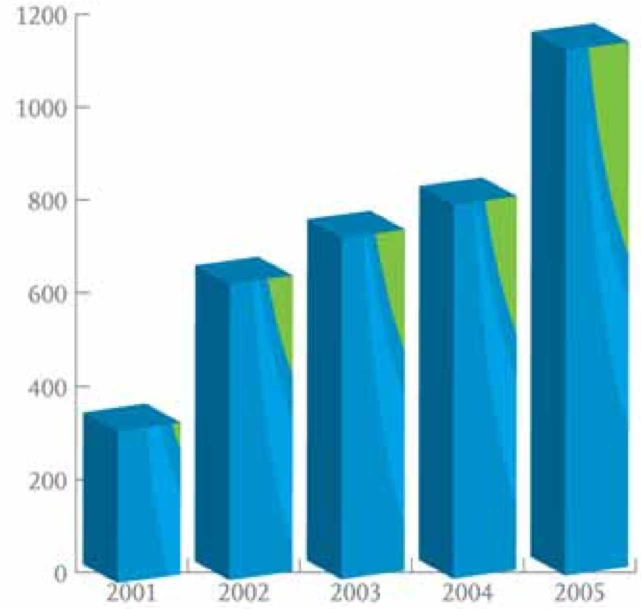
Financial Highlights

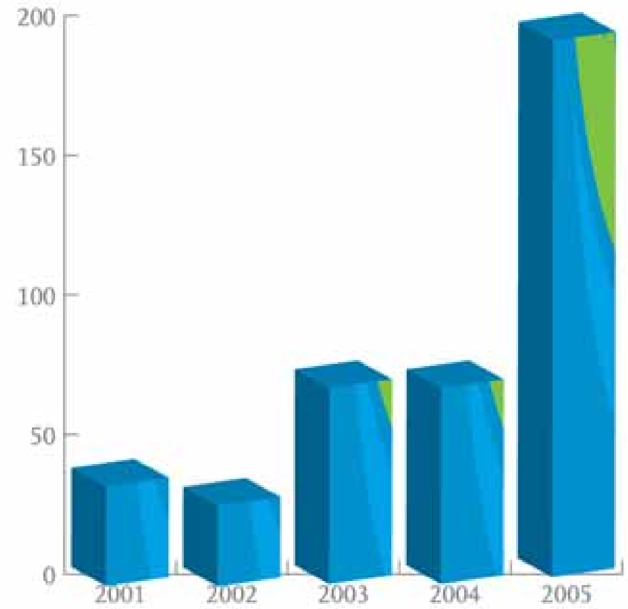
SHAREHOLDER RETURNS	2005	2004
Earnings per common share	52 cents	26 cents
Dividends per common share:		
Interim	6 cents	4 cents
Final	6 cents	6 cents
Total	12 cents	10 cents
Book value per common share at December 31	$2.82	$2.67
Market value per common share at December 31	$4.30	$4.35
Net income attributable to shareholders	$136.6 million	$67.7 million
Total shareholder book value at December 31	$ 747.5 million	$693.3 million
Total shareholder market value at December 31	$1,141.9 million	$1,131.1 million

GROUP PERFORMANCE	2005 $ millions	2004 $ millions
Net premium revenue	639.2	537.5
Net investment income	415.4	242.9
Benefits	(595.6)	(481.2)
Administrative and commission expenses	(309.5)	(239.7)
Premium and corporation taxes	(39.4)	(18.6)
Net income	199.6	73.0

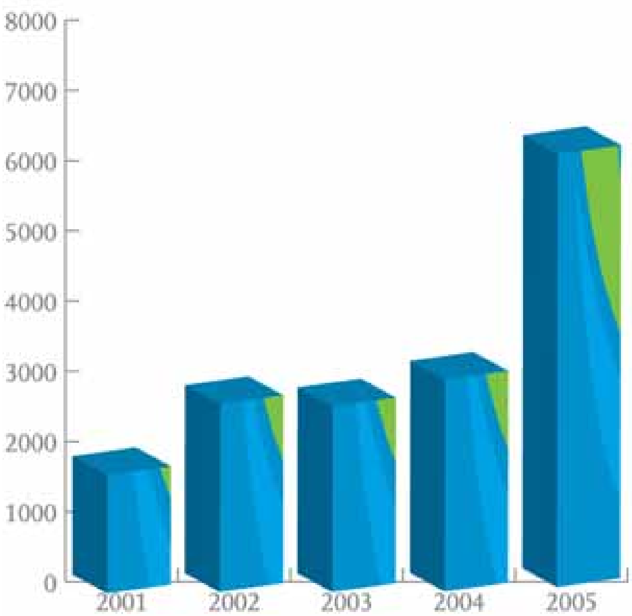
Financial Highlights



Group Consolidated Revenues *($ Millions)*

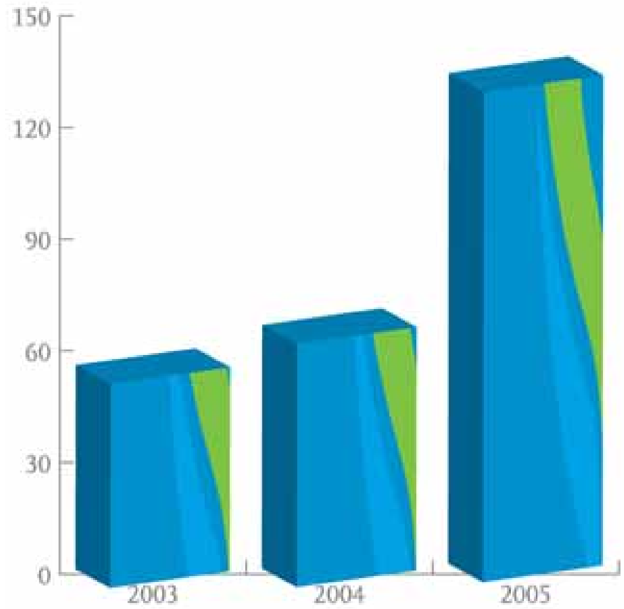


Group Net Income *($ Millions)*

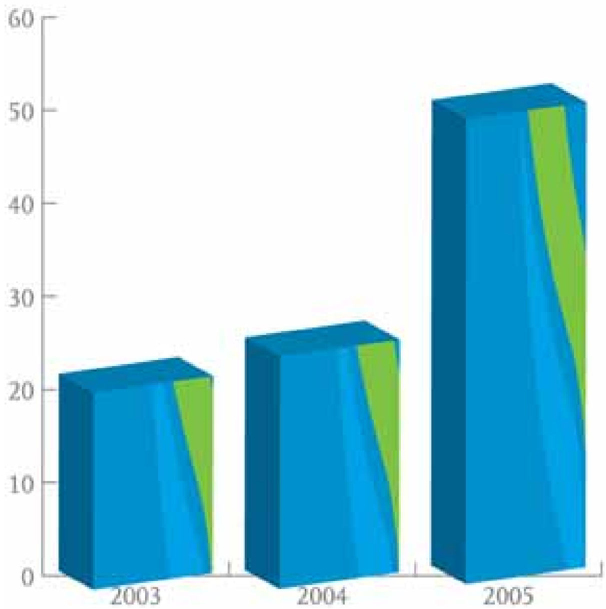


Group Consolidated Assets *($ Millions)*

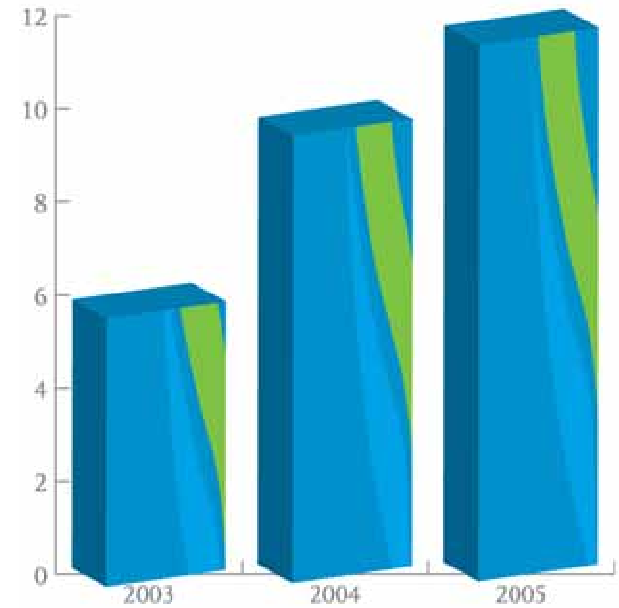
Financial Highlights



Shareholder Net Income *($ Millions)*



Earnings Per Share *(¢ Cents)*



Dividends Per Share *(¢ Cents)*

Directors' Report

DIRECTORS' INTEREST

Particulars of Directors' shareholdings in the issued capital of the Company are as follows:

Director	As at December 31, 2005		As at May 12, 2006	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
J Arthur L Bethell	30,000	Nil	30,000	Nil
Terrence A Martins	70,000	Nil	70,000	Nil
Andrew Aleong	251,833	Nil	252,833	Nil
David W Allan	1,705	Nil	1,705	Nil
Professor Hilary McD Beckles	9,579	Nil	9,579	Nil
Marjorie M Chevannes-Campbell	1,087	Nil	1,087	Nil
Christopher D de Caires	2,378	Nil	2,378	Nil
Vivian-Anne L Gittens	21,295	Nil	21,295	Nil
Dr Oscar W Jordan, GCM	18,381	Nil	18,381	Nil
William P Lucie-Smith	5,000	Nil	5,000	Nil
Stephen D R McNamara	2,011	Nil	2,011	Nil
Dodridge D Miller	17,612	Nil	500,281	Nil

SHAREHOLDING

No shareholder owns more than 5% of the capital of the Company.

During 2005, 5,523,000 Series A Common Shares were issued pursuant to the acquisition by the Company's subsidiary, Life of Jamaica Limited, of the business of Pan Caribbean Financial Services Limited and EBA Limited. This brought the total shares in issue as at December 31, 2005 to 265,552,748.

At a special meeting held on December 19, 2005, Shareholders approved the establishment of a Long-Term Incentive Plan ("LTI") for Executives and an Employee Share Ownership Plan ("ESOP") for Employees and Advisors ("Sales Agents") and for this purpose reserved 10% of Series A Common Shares outstanding or 26,555,274 Shares. Both Plans took effect on December 31, 2005. No shares were issued pursuant to the LTI or the ESOP as at December 31, 2005. Subsequent to year-end the Company issued 1,342,027 shares under the LTI.

ANALYSIS OF SHAREHOLDING

SHAREHOLDERS BY SIZE OF HOLDINGS AS AT DECEMBER 31, 2005				
Size of Holding	Number of Shareholders	Percentage of Shareholders	Total Shares Held	Percentage Shares Held
1 - 1,000	5,781	14.52	3,888,250	1.46
1,001 - 2,500	17,107	42.98	28,439,332	10.71
2,501 - 5,000	8,177	20.54	27,872,247	10.50
5,001 - 10,000	4,570	11.48	32,747,364	12.33
10,001 - 25,000	3,302	8.31	47,433,618	17.86
25,001 - 100,000	670	1.68	31,913,138	12.02
100,001 - 1,000,000	180	0.45	46,507,000	17.51
1,000,001 and above	15	0.04	46,751,799	17.61
Total	39,802	100.00	265,552,748	100.00

NUMBER OF SHAREHOLDERS BY COUNTRY OF RESIDENCE AND BY TYPE AS AT DECEMBER 31, 2005								
Country	Directors, Management, Staff, Agents		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	44	25.44	623	71.61	16,856	43.49	17,523	44.03
Barbados	120	69.36	172	19.77	12,903	33.29	13,195	33.15
Eastern Caribbean	5	2.89	35	4.02	7,926	20.45	7,966	20.01
Other Caribbean	3	1.73	38	4.37	230	0.59	271	0.68
Other	1	0.58	2	0.23	844	2.18	847	2.13
Total	173	100.00	870	100.00	38,759	100.00	39,802	100.00

NUMBER OF SHARE HELD BY COUNTRY OF RESIDENCE AND BY TYPE AS AT DECEMBER 31, 2005								
Country	Directors, Management, Staff, Agents		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	733,507	46.44	53,457,787	75.63	100,936,494	52.22	155,127,788	58.42
Barbados	677,608	42.90	13,528,254	19.14	64,657,075	33.45	78,862,937	29.70
Eastern Caribbean	7,173	0.45	462,374	0.65	22,617,225	11.70	23,086,772	8.69
Other Caribbean	160,187	10.14	3,230,899	4.57	1,499,388	0.78	4,890,474	1.84
Other	1,000	0.07	2,107	0.01	3,581,670	1.85	3,584,777	1.35
Total	1,579,475	100.00	70,681,421	100.00	193,291,852	100.00	265,552,748	100.00

DIVIDENDS

A final dividend of BDS 6 cents per Share, payable on May 17, 2006, was approved for the year ended December 31, 2005 to the holders of Common Shares whose names were registered on the books of the Company at the close of business on May 12, 2006.

An interim dividend of BDS 6 cents per Share approved for the half year ended June 30, 2005 was paid on October 17, 2005 to the holders of Common Shares whose names were registered on the books of the Company at the close of business on October 3, 2005.

The total dividend for the 2005 financial year amounted to BDS 12 cents per Common Share.

SHARE RESTRICTIONS

Shareholders have no pre-emptive rights in respect of the issue of shares.

The Articles of the Company provide that, at any time during the 5-year period immediately following the date of incorporation of the Company, no person may hold, or be beneficially entitled to, or control, or have any other interest, directly or indirectly, in any shares (whether in one or more classes of shares in the capital of the Company) that represent more than 5% of any class in the capital of the Company. The Articles provide further that, at any time after such 5-year period, no person may hold, or be beneficially entitled to, or control, or have any other interest, directly or indirectly, in any shares (whether in one or more classes of shares in the capital of the Company) that represent more than 20% of any class in the capital of the Company unless:

(i) not less than two-thirds of the directors then in office approve of the same; and

(ii) there is an agreement between the Company and such person restricting the transfer of such shares;

(iii) the Supervisor of Insurance of Barbados (or the Supervisor's successor regulatory authority) is satisfied that such shareholder is a fit and proper person.

Directors' Report

The Trinidad and Tobago Securities and Exchange Commission has issued Guidelines ("the Guidelines") relating to the listing on the Trinidad and Tobago Stock Exchange ("the Exchange") of demutualised companies with constrained share ownership provisions limiting any single shareholder to owning a maximum of 5% of outstanding shares. Under the Guidelines, it is recommended that within two years of listing, such a company seek the approval of shareholders for the retention of its constrained share ownership provisions. The company may retain these provisions for a maximum period of five years after listing. At the expiration of the five-year period, the entity may retain its listing with constrained share ownership provisions only if it seeks and obtains the approval of shareholders and the Exchange. These approvals may only be granted for a further period not exceeding two years. Thereafter the entity may only continue to be listed if it removes the provisions completely.

CORPORATE GOVERNANCE STATEMENT

The Company's Articles and By-Laws provide for a minimum of seven and a maximum of twelve Directors, of which only two are permitted to be Executives. Nine of the twelve Directors are considered independent of Management, while two are ex-CEO's and one is the incumbent CEO. The By-Laws require that one-third of the Board retires annually and that the Board has the following composition:

- it must be controlled by Barbadians; and
- there must be at least one representative each from Trinidad & Tobago, Jamaica and the Eastern Caribbean region.

The Board of Directors is mandated to develop the strategic direction and objectives, risk tolerances and policies and procedures of the Group. Specifically, these include:

- developing a competitive human resource strategy to attract and retain competent people, and to implement a code of conduct of ethical behaviour;
- developing an internal control environment to be applied throughout the Group, and to operate the member companies in a safe and sound manner; and
- developing a reporting process to provide the board and stakeholders more efficiently and accurately with information about the Group's business activities, risks, financial condition and performance.

Management is responsible for the day-to-day operations of Group.

The Chairman of the Board of Directors is Mr. J. Arthur L. Bethell and the Vice-Chairman is Mr. Terrence A. Martins. The Audit and Corporate Governance Committees have been established in accordance with the By-Laws. In addition, there are other Board committees which enable the Board to review in greater depth particular areas of its mandate.

The Governance Committee is independent of Management. Its members are Mr. Terrence A. Martins, Chairman, Dr. Oscar W. Jordan, G.C.M., and Mr. Stephen D.R. McNamara. The Committee's mandate is to monitor best practices for governance worldwide, and review the Group's governance practices to ensure they comply with the highest standards of corporate governance in areas such as the composition and size of the Board, the frequency of Board meetings, appointments to subsidiary Boards and Board committees, code of conduct and succession planning.

The purpose of the Audit Committee is to assist with Board oversight of the integrity of the Group's financial reporting, the Group's compliance with legal and regulatory requirements, the Independent Auditor's qualifications and independence and the systems of internal controls, including the internal audit functions and the audit process. The Committee is independent of Management and its members are Mrs. Vivian-Anne L. Gittens, Chairman, Mr. David W. Allan and Mr. William P. Lucie-Smith. The role of the Human Resource Committee is to approve, review and exercise oversight responsibility over Sagicor's Human Resource principles, policies and practices, including recruitment, compensation, benefits and incentive and equity-based plans. The Committee comprises Mr. Terrence A. Martins, Chairman, Mrs. Vivian-Anne L. Gittens and Mr. Christopher D. deCaires.

The mandate of the Investment Committee is to oversee the investing of excess funds and clients' investment funds that will provide both short and long-term returns that meet the reasonable investment expectations of policyholders, clients, pensioners and other investors while maintaining portfolio risks within acceptable limits. The Committee members are Mr. Terrence A. Martins, Chairman, Messrs. David W. Allan, J. Arthur L. Bethell, William P. Lucie-Smith, Stephen D.R. McNamara, Dodridge D. Miller and Dr. M. Patricia Downes-Grant.

Directors' Report

During 2005, Directors' record of attendance was as follows:

Director	Board Meetings Attended	Audit Committee Meetings Attended	Corporate Governance Committee Meetings Attended	Human Resource Committee Meetings Attended	Investments Committee Meetings Attended
Arthur Bethell	10 of 10	N/A	N/A	3 of 3	N/A
Terrence Martins	9 of 10	4 of 4	1 of 1	3 of 3	1 of 1
Andrew Aleong	3 of 4	N/A	N/A	N/A	N/A
David Allan	9 of 10	N/A	N/A	3 of 3	N/A
Professor Hilary Beckles	3 of 4	N/A	N/A	N/A	N/A
Marjorie Chevannes-Campbell	4 of 4	N/A	N/A	N/A	N/A
Christopher deCaires	3 of 4	2 of 3	N/A	N/A	N/A
Vivian-Anne Gittens	9 of 10	6 of 7	N/A	N/A	N/A
Dr Oscar Jordan, GCM	9 of 10	N/A	4 of 4	N/A	N/A
William Lucie-Smith	4 of 4	3 of 3	N/A	N/A	N/A
Stephen McNamara	9 of 10	N/A	4 of 4	N/A	0 of 1
Dodridge Miller	9 of 10	N/A	N/A	N/A	1 of 1

Notes on changes to Board and Board Committees during the year:

1. *Mr. Aleong, Professor Beckles, Mrs. Chevannes-Campbell, Mr. deCaires and Mr. Lucie Smith were elected Directors on June 24, 2005.*
2. *Mr. Martins ceased to be a member of the Audit Committee on August 24, 2005.*
3. *Messrs. deCaires and Lucie-Smith were appointed to the Audit Committee on August 24, 2005.*
4. *Mr. Martins was appointed a member of the Corporate Governance Committee on August 24, 2005.*
5. *Mr. deCaires ceased to be a member of the Audit Committee on October 26, 2005.*
6. *Mrs. Gittens and Mr. deCaires were appointed members of the Human Resource Committee on October 26, 2005.*
7. *Messrs. Allan, Bethell and Lucie-Smith were appointed members of the Investment Committee on October 26, 2005.*
8. *Mr. Allan was appointed a member of the Audit Committee on November 23, 2005.*

AUDITORS

The incumbent Auditors, PricewaterhouseCoopers, offer themselves for re-appointment for the ensuing year.

By Order of the Board of Directors

Sandra Osborne
Corporate Secretary

May 15, 2006.

Chairman's Report

Mr. J. Arthur L. Bethell
Chairman

Dear Shareholders,

I have the distinct pleasure of reporting to you for the first time in your Annual Report as your Chairman of the Sagicor Group of Companies.

You may recall that in my review of our financial results for the nine months ended September 30, 2005, I indicated that 2005 was already proving to be an historic year in terms of our financial performance. I am pleased to confirm that the Sagicor Group of Companies enjoyed an exceptional year and recorded its highest profit ever. Net Income for the year, Bds $199.6 million, was an increase of 173% over Bds $73.0 million for 2004.

The Group's Total Revenue for the year, Bds $1.2 billion, was increased by 40.6% over that of 2004. Our Revenue benefited from an unusual gain arising from the dilution of our equity interest in Life of Jamaica Limited on the acquisition of Pan Caribbean Financial Services Limited. Prior to that acquisition, our interest amounted to 78%, while it amounted to 60% after the acquisition. The unusual gain flowed directly through to Net Income for the year and contributed to our good performance.

Your Board of Directors has approved a final dividend of Bds 6 cents per share, bringing the total dividend payable for the 2005 financial year to Bds 12 cents per share.

Once again, A.M. Best has affirmed the financial strength rating of "A" (Excellent) and issuer credit rating (ICR) of "A" for Sagicor Life Inc, and its wholly-owned subsidiary, Sagicor Capital Life Insurance Company Limited (Bahamas). Following the acquisition in September of American Founders Life Insurance Company, now Sagicor Life Insurance Company, that company's rating was increased by A.M. Best to "B++" (Very Good) and we expect that this rating will continue to improve.

For the first time, A.M. Best has assigned a financial strength rating of "A" (Excellent) and an ICR of "A" to Life of Jamaica Limited (Jamaica), a majority-owned subsidiary of Sagicor Life Inc.

After the end of this financial year, our Group applied to Standard and Poor's (S&P) for a financial strength rating. We are pleased to report that S&P gave Sagicor Life Inc, our principal operating company, a financial strength rating of "BBB+". This is an excellent rating and demonstrates the financial strength and operating capability of the Sagicor Group.

Concurrently, Standard and Poor's has assigned a debt rating of "BBB" for up to USD150 million of senior unsecured notes issued by Sagicor Finance Limited, a subsidiary of Sagicor Financial Corporation.

Chairman's Report

We continue to execute on our business strategy of streamlining our existing operations, expanding into new geographic markets and into new product markets, and we believe that this strategy continues to drive our exceptional results. During the year, our Group made five acquisitions. These included a majority interest in Pan Caribbean Financial Services Limited and certain insurance businesses of First Life Insurance Company, both of which are in Jamaica. These acquisitions are strategic to the Group's operation in Jamaica, and are expected to contribute significantly to the future performance of the Sagicor Group. The more important aspect of these acquisitions is that they are in keeping with our strategy to expand globally by seeking opportunities for further consolidation within the region.

While these acquisitions are indeed significant, on September 30, 2005 our Group made an historic entry into the US financial services market through the acquisition of 100% of Laurel Life Insurance Company and its wholly owned subsidiary American Founders Life Insurance Company (AFL), now re-branded Sagicor Life Insurance Company. Through this acquisition, Sagicor now has licences to operate in 41 states and the District of Columbia. In addition, Sagicor Life Insurance has licences to operate as a Reinsurer and as a Third Party Administrator. We are confident that this strategic acquisition will facilitate the growth and development of Sagicor in the USA. We also acquired a controlling interest in Cayman General Insurance Company Limited. At the end of the financial year we acquired a 20% interest in FamGuard Corporation Limited, the parent company of leading Bahamian insurance provider Family Guardian Insurance Company Limited. This acquisition is in keeping with our strategy of geographic expansion, and gives the Sagicor Group a stronger position in the lucrative Bahamian financial services market.

As a consequence, Sagicor will be one step closer to becoming a truly borderless company. By borderless, I mean that while we view ourselves as originating in the Caribbean, with the vision to becoming a great Caribbean company, we are at the same time committed to building a Company that is global in scope and operations.

For us at Sagicor, a company is acquired because it offers us an opportunity to achieve our stated objectives in fulfilment of our Vision. This is achieved through a careful blending of people, systems and procedures with those already existing within our Group. The intention is not to dominate, but to create a larger more focused group of talented individuals with the skills, systems and resources to move our Sagicor family forward. Again and again we have demonstrated this with the many companies that have joined our Group over the years, and we, like them, have benefited from this approach. Using this philosophy over the years, our acquisitions have brought us closer to achieving our goal of a company that is global in scope and operations and at the same time, spurred our company's diversity, capabilities and growth.

Even as we consciously set out to build a world-class organisation that is global in scope and operation, we recognise that Sagicor is now part of a new financial services environment which demands a market driven approach to business. We will therefore continue our commitment to creating value for our Shareholders, Policyholders, Customers, Employees and Advisors.

We will continue to measure that value when a shareholder continues to receive increasing dividends over the years; when a family can achieve their financial goals; when a couple can enjoy retirement free of financial worry; when our Employees and Financial Advisors experience the highest quality of work life throughout our entire organisation.

Chairman's Report

One of the hallmarks of Sagicor is the many wise sayings and quotations, which form part of our new brand. In keeping with this tradition I wish to quote some famous lines from Shakespeare's Julius Caesar.

"There is a tide in the affairs of men, which taken at the flood, leads on to fortune. On such a full sea we are now afloat, and we must take the current when it serves, or lose our ventures".

This quotation appropriately describes where we are at this stage of our journey to becoming a great Caribbean company. I also see it as a challenge to all of us to celebrate our achievements to date and at the same time, continue to maximise every opportunity to propel the Sagicor Group into the premiere position in the financial services industry in the Caribbean and a world class organisation in the global arena.

I would like to thank my fellow Board members for the unstinting support and cooperation they have given during the start of my tenure as Chairman.

On their behalf and that of the Executive Management, Staff and Advisors, I would like to place on record our thanks to Mr. Colin Goddard, former Chairman, and Mr. Krishna Narinesingh, former Vice Chairman, for their sterling service to the Sagicor Group. It was under their incumbency that we made the momentous change from a mutual to a publicly held company and thus the foundation for our new company, Sagicor, was laid.

Mrs. Anne Gittens has advised the Board that, due to work commitments, she will not be seeking re-election at the forthcoming Annual Meeting. I wish to place on record the Board's and Management's appreciation of Mrs. Gittens' service to our organisation over the last 17 years. She was the first female to serve as a director of Sagicor Life Inc and joined the Board at an important time when, as a mutual company, policyholders were demanding wider representation at the board level. Mrs. Gittens has given of her financial expertise and has seen the Group through its conversion from a mutual company to a publicly listed company. She has passionately shared in the vision for Sagicor's growth and expansion. I extend our sincere thanks to her for her role at this critical time in our history, and wish her well.

I also wish to place on record the Board's thanks to the Executive Management, Staff and Advisors who have all contributed to making 2005 the most profitable year of our organisation. And special thanks are also due to our Shareholders, Policyholders and Customers for their contribution to the continued development of our Company. We remain confident about the future.

J. Arthur L. Bethell
Chairman

Management Discussion & Analysis

Mr. Dodridge D. Miller
President and Chief Executive Officer

OVERVIEW

Sagicor has evolved into one of the leading publicly-listed financial services companies in the Caribbean, with core markets in Barbados, Eastern Caribbean, Jamaica and Trinidad.

2005 was the most successful year in our 165-year history, with net earnings of Bds $199.6 million being recorded. This represents our best result and highest profit ever, and compared to Bds $73.0 million for 2004, an increase of 173%. Return on Shareholder's Equity was 19.0% and Earnings per Share amounted to 52 cents, compared to 26 cents for the previous year. This Net Income is allocated Bds $136.6 million to Shareholders, Bds $25.5 million to Participating Policyholders and Bds $37.5 million to Minority Interest.

Total Revenue of the Group for the year was Bds $1.2 billion, compared to Bds $835 million, an increase of 40.6% over 2004. We benefited from an unusual gain arising from the dilution of our equity interest in Life of Jamaica Limited (LOJ) on the acquisition of Pan Caribbean Financial Services Limited (PCFS). Prior to that acquisition, we held 78% of LOJ, and after the acquisition, our interest was reduced to 60%. This unusual gain flowed directly through to Net Income for the year and contributed to our good performance.

Benefits amounted to Bds $595.6 million compared to Bds $481.2 million, while Total Group Expenses moved from Bds $273.9 million to Bds $354.7 million. Both our Revenue and Expenses were significantly influenced by our acquisitions during the year. Net Income from Ordinary Activities amounted to Bds $223.6 million and, after deducting Income Taxes of Bds $24.0 million, produced Net Income of Bds $199.6 million.

Total Assets of the Group stood at Bds $6.4 billion, compared to Bds $3.1 billion at the end of 2004. This represents an increase of 105%, again reflecting the impact of the acquisitions made during the year. Total Equity stood at Bds $993.6 million compared to Bds $759.8 million at the end of 2004, of which Bds $747.5 million represented Total Shareholders Equity (Bds $693.3 in 2004).

STRATEGY

In 2005 we continued to execute on our business strategy of:

- Expanding internationally and in the Caribbean;
- Diversifying our product offerings and cross-selling our products;-
- Effectively using our balance sheet; and
- Continuing to improve the efficiency of our operations.

Management Discussion & Analysis

We intend to maintain our current market position, while building on our competitive strengths to expand our operations, improve our financial performance and maximise shareholder value. We attribute our position and performance to the following competitive strengths:

- Dominant market position in major markets;
- Efficient and effective distribution network of dedicated advisors;
- Strong operating performance;
- Strong capitalisation and conservative risk profile and policies; and
- The significant experience of our management team in the insurance business.

ACQUISITIONS

Following our corporate reorganisation through demutualisation and raising additional capital from our initial public offering in December 2002, we now enjoy favorable liquidity and financial resources to support our new opportunities beyond our core Caribbean markets. Operating in a number of Caribbean markets for over 160 years, our strong market presence and historically profitable operations have fueled our growth and enabled us to maintain our favorable capitalisation. In addition, we offer a broad portfolio of products which reduce a reliance on any one business segment. Our range of products and services includes life and health insurance, annuities and pensions, property and casualty insurance, asset management, investment and merchant banking, securities brokerage, mutual funds and real estate development. We operate our insurance business primarily through Sagicor Life Inc, which has insurance operations in Barbados, Trinidad and Tobago and the Eastern Caribbean countries, and through LOJ, majority-owned by Sagicor, with the public owning the remainder. Our merchant banking business is operated primarily out of Jamaica through PCFS, which is also majority-owned, with the public owning the remainder.

Since there is limited organic growth potential in the mature markets in which we operate, we continue to seek new growth opportunities through acquisitions and expanding presence in new geographic regions. The most significant factors influencing our 2005 results were the five acquisitions the Group made during the year. These acquisitions require efficient integration.

On September 30, 2005, we acquired for US $58.8 million (Bds $117.6 million) a 100% interest in Laurel Life Insurance Company and its wholly owned subsidiary, American Founders Life Insurance Company, now the rebranded Sagicor Life Insurance Company (SLIC). This acquisition was financed by a US dollar denominated bank loan. The results of operations from Laurel Life and SLIC since the acquisition have been included in our 2005 financial statements. When we acquired SLIC on September 30, 2005, it had approximately US $2.0 billion (face value) of life and annuity products in force and approximately US $559.4 million in financial investments.

Laurel Life and SLIC are life insurance entities operating in the United States. With its insurance licenses in forty-one states and in the District of Columbia, SLIC will be the platform for the growth and development of our operations in the United States. SLIC's business has been driven primarily by the acquisitions of closed blocks of life insurance policies and, to a lesser extent, by marketing and distributing its fixed annuity products. Life insurance products are sold through marketing firms, financial institutions and 400 independent agents located throughout 41 states and the District of Columbia.

In January, 2005, LOJ acquired for J $3.3 billion (Bds $108.1 million) a 42.2% interest in PCFS, thereby increasing its total ownership interest in PCFS to 49%. On May 6, 2005, Sagicor Financial Corporation and LOJ acquired for J $2.5 billion (Bds $79.0 million) a further 37% interest in PCFS. Currently, Sagicor has an equity interest of 66% in PCFS. PCFS is a publicly-listed company on the

Jamaica Stock Exchange. For the year ended December 31, 2005, PCFS's net income was J $1.0 billion (Bds $33.2 million) and total assets stood at J$39.9 billion (Bds $1.2 billion).

PCFS is a diversified financial services group, with its operations based in Jamaica. It has five principal lines of business. These include (i) investment and cash management services, (ii) foreign exchange and fixed income trading, (iii) corporate credit, merchant banking and investment banking, (iv) asset management, mutual fund management, stock brokerage and equities trading, and (v) trust and custody services.

On April 1, 2005, LOJ also purchased from its joint venture partner, First Life Insurance Company Limited, the remaining 50% interest in EBA Limited, a joint venture which managed employee benefits insurance business in Jamaica. LOJ also purchased the remaining insurance business of First Life.

On November 30, 2005 Sagicor Life of the Cayman Islands Limited, a wholly owned subsidiary of LOJ, acquired for US $10.0 million (Bds $20.0 million) a 51% interest in Cayman General Insurance Company Limited (CGI). CGI markets group health, as well as property and casualty insurance. At that date, Cayman General had total assets of US $44.7 million (Bds $89.5 million).

Finally, on December 28, 2005, we acquired a 20% interest in FamGuard Corporation Limited, the parent company of a leading Bahamian insurance provider, Family Guardian Insurance Company Limited. This acquisition is in keeping with our strategy of geographic expansion, and gives the Sagicor Group a stronger position in the lucrative Bahamian financial services market.

ECONOMIC CONDITIONS

Seventy-nine percent of our operations in terms of revenue for the year ended December 31, 2005 were in Barbados, Jamaica and Trinidad and Tobago. As a result, our business, results of operations, financial condition and prospects are materially dependent upon economic, political and other conditions and developments in those countries. Our future financial performance will be linked to economic conditions in these countries. Key to the economic conditions in each of these countries are interest rates, inflation, foreign direct investment and general economic stability.

Barbados

The Barbados economy expanded at 4.1% in 2005 following the rate of 4.8% recorded in 2004. The manufacturing sector and construction industry grew by 2.8% and 17.6%, respectively. However, the tourism sector as a whole fell by 4.2%, in 2005, compared to 2004, due to decreases in long-stay and cruise ship arrivals. Inflation for 2005 is likely to exceed 4.0%, up from 1.4% in 2004. This increase resulted from rising energy prices. Interest rates have closely followed the pattern of interest rate movement in the United States over the past three years and have been trending up moderately in 2005 and 2006.

Jamaica

In recent years, Jamaica's economy has experienced some expansion after several years of negative or minimal growth. Exchange rate and financial sector liberalisation in the early 1990's and a financial crisis in the mid to late 1990's have had a negative impact on Jamaica's GDP growth. Total external debt was US $5.3 billion in 2005 (US $5.1 billion in 2004). Falling inflation, lower interest rates and the ability to access international markets have strengthened the country's net international reserves, and improving fiscal discipline has led to higher levels of confidence. The economy has been in transition away from manufacturing and agriculture, into areas where the country can compete more effectively. Areas of expansion have been in tourism, services, transportation, mining and telecommunications. GDP growth is estimated at 1.5% for 2005, compared to 1.2% in 2004. The inflation rate for 2005 was

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12.9%, compared to 13.7% in 2004. The currency exchange rate of Jamaican dollars and United States dollars at April 28, 2006 was at J $65.51 per US$1.00 or Bds $2.00.

Trinidad and Tobago

In 2005, Trinidad and Tobago registered estimated GDP growth of 7.0%, principally due to the oil and gas industries production. The percentage contribution of agriculture, industry, and services to the GDP was approximately 0.7%, 57.0% and 42.3%, respectively. In 2005, the energy sector grew by approximately 11.0% and the non-energy sector grew by approximately 4.0%. GDP growth was 6.5% in 2004. During 2005, inflation increased by an estimated 6.8%, mainly because of an increase in food prices, compared to 3.7% in 2004. For the last four years, the value of the Trinidad and Tobago dollar has been relatively stable.

RESULTS OF OPERATIONS

Geographic Segments

We have significant concentrations of our business in Barbados, Jamaica and Trinidad and Tobago, where our operations are primarily managed by a subsidiary or branch. Geographic segments are defined accordingly. The following table presents, for the periods indicated, the total revenues for significant segments as a percentage of total revenue:

Year Ended December 31 (in millions of Bds $, except percentages)

		2005		2004
Barbados	Bds $220.8	18.8%	Bds $214.3	25.7%
Jamaica	513.9	43.8	292.3	35.0
Trinidad and Tobago	191.6	16.3	160.8	19.3
United States	46.0	3.9	24.3	2.9
OECS and Other Caribbean	160.9	13.7	143.0	17.1
Not allocated to segments	40.8	3.5	0.3	0
Total	Bds $1,174.0	100.0%	Bds $835.0	100.0%

Total revenue from our Barbados operations increased by 3.0% in 2005 from 2004, primarily as a result of organic growth of our insurance operations. The total revenue from our Jamaican operations increased by 75.8% in 2005 from 2004, primarily as a result of our acquisition of PCFS, together with organic growth of our existing business. The total revenue from our Trinidad and Tobago operations increased by 19.2% in 2005 from 2004, primarily as a result of a significant increase in investment income reflecting the gains from the sale of equities as we sought to rebalance our equities investment. The total revenue from our United States operations increased by 89.3% in 2005 from 2004, primarily as a result of our acquisition of SLIC. The total revenue from our other Caribbean operations increased by 12.5% in 2005 from 2004, primarily as a result of the expansion of our existing business operations. For 2005, amounts not allocated to segments include gains from business combinations and acquisitions of Bds $38.9 million.

Product Segments

Our business segments are defined by the grouping of products and services of a similar nature. The following table presents, for the periods indicated, the total revenues for significant product segments as a percentage of total revenue:

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Year Ended December 31 (in millions of Bds $)

	2005	2004
Life insurance, health insurance and annuities issued to individuals	Bds $609.4	Bds $533.2
Life insurance, health insurance and annuities issued to groups	279.1	240.4
Property and casualty insurance	47.0	32.3
Banking and other financial services	197.7	28.8
Not allocated to segments	40.8	0.3
Total	Bds $1,174.0	Bds $835.0

The growth in 2005 in our life insurance, health insurance and annuities issued to individuals and to groups is mostly attributable to the acquisition of the remaining 50% of EBA in Jamaica. The property and casualty insurance growth in 2005 is mainly driven by the expansion of this product segment in Trinidad and Tobago. The growth in 2005 in banking and other financial services largely reflects our acquisition of PCFS.

Revenue

Total revenue is composed of net premium revenue, net investment income, our share of operating income from our associated companies, fees and other revenue, and gains on business combinations and acquisitions. The following table shows revenue information for the years ended December 31, 2005 and December 31, 2004:

Year Ended December 31 (in millions of Bds $)

	2005	2004
Net premium revenue	Bds $639.2	Bds $537.5
Net investment income	415.4	242.9
Share of operating income of associated companies	3.5	9.3
Fees and other revenue	77.0	45.3
Gains on business combinations and acquisitions	38.9	–
Total revenue	Bds $1,174.0	Bds $835.0

Our total revenue grew in 2005 compared to 2004, primarily as a result of increases in net investment income, net premium revenue and fees and other revenue, as explained below. This increase was partially offset by a decrease in share of operating income of associated companies, as further explained below.

Net Premium Revenue

The following table shows information on our net premium for the years ended December 31, 2005 and December 31, 2004:

Year Ended December 31 (in millions of Bds $)

	2005	2004
Life insurance	Bds $392.3	Bds $324.5
Health insurance	197.0	159.1
Property and casualty insurance	74.1	56.3
Annuities and pensions	85.3	81.7
Premiums and contributions	748.7	621.6
Reinsurance premiums	(109.5)	(84.1)
Net premium revenue	Bds $639.2	Bds $537.5

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Net premium revenue increased by 18.9 % in 2005 compared to 2004. Our net premium revenue derived from life insurance grew in 2005 compared to 2004 mainly as a result of growth in the number of policies. Our net premium revenue derived from health insurance grew in 2005 compared to 2004 mainly as a result of the purchase by LOJ of the remaining 50% of EBA. Our net premium revenue derived from property and casualty insurance grew in 2005 compared to 2004 mainly by our expansion in the Trinidad and Tobago market and rate increases in, and the acquisition in the Cayman Islands. Reinsurance premiums increased in 2005 compared to 2004 primarily as a result of a general increase in our insurance businesses and the increase in the amount of reinsurance that we purchased.

Net Investment Income

Net investment income increased 71.0% to Bds $415.4 million in 2005 from Bds $242.9 million in 2004. The significant increase in net investment income was primarily a result of the acquisitions and recognised gains on sales of securities resulting from our strategy to rebalance our investment portfolio. These gains were somewhat offset by allowances for impairment losses. Our return on invested assets in 2005 was 11.9% compared to 10.9% in 2004.

Share of Operating Income from Associated Companies

In 2005, the share of operating income from associated companies decreased 62.5% to Bds $3.5 million compared to Bds $9.3 million in 2004. This decrease resulted from the disposition of our credit card operation, CariCard, which generated a gain on the disposal in 2004. This gain was recorded in operating income from associated companies in the amount of Bds $5.2 million, but no similar event occurred in 2005.

Fees and Other Revenue

Fees and other revenue increased 70.1% in 2005 to Bds $77.0 million from Bds $45.3 million, primarily as a result of the acquisition of PCFS, which generated significant fee income through its asset management operations.

Gains on Business Combinations and Acquisitions

Gains on business combinations and acquisitions were Bds $38.9 million in 2005. This mainly reflects the reduction in interest in LOJ, from 78.0% to 60.0%, and the amount by which the value of our share of net identifiable assets acquired exceeded the consideration we paid for the acquisition of a 37.0% interest in PCFS.

Benefits

The following table shows information on benefits expensed for the years ended December 31, 2005 and December 31, 2004:

Year Ended December 31 (in millions of Bds $)

	2005	2004
Net policy benefits	Bds $389.0	Bds $333.1
Net increase in actuarial liabilities	58.7	109.1
Interest expense	147.9	39.0
Total benefits	Bds $595.6	Bds $481.2

Total benefits increased in 2005, mainly as a result of the large increase in interest expense and the increase in net policy benefits. However, offsetting these increases was the decline in actuarial liabilities reflecting the change in interest rate assumptions to reflect interest rate increases, a reduction in unit maintenance expenses, changes in lapse rate assumptions and an improvement in mortality assumptions. The increase in interest expense was mainly as a result of acquired liabilities on other funding instruments, such as customer deposits, repurchase liabilities of our PCFS operation and SLIC's obligations under the Federal Home Loan Bank of Dallas (FHLB) loan program. The increase in net policy benefits paid in 2005 reflects the growth in the number of policies.

Expenses

The following table shows information for our expenses for the years ended December 31, 2005 and 2004:

Year Ended December 31 (in millions of Bds $)

	2005	2004
Administrative	Bds $214.5	Bds $154.3
Commissions and related compensation	95.0	85.4
Premium taxes	15.3	11.7
Finance costs	4.4	0.7
Depreciation and Amortisation	25.5	21.8
Total	Bds $354.7	Bds $273.9

Expenses increased in 2005, primarily driven by increased headcount of approximately 300 new employees as a result of the acquisition of PCFS and SLIC.

Commission and related compensation increased in 2005, mainly as a result of the increase in the variable compensation of our advisors and brokers, which reflects the growth of our business and the addition of SLIC brokers and general agents. The increase in finance costs reflects interest expense of the loans used to finance our acquisitions.

Income taxes

We are taxed in the countries in which our operations are carried out. Taxes are based on income in each country according to the tax regulations of that country. Our income tax expense is composed of current taxes, deferred taxes, plus our share of the taxes of associated companies. Income taxes increased 248.0% to Bds $24.0 million in 2005 from Bds $6.9 million in 2004. This was primarily a result of an increase in income from new businesses, most significantly PCFS.

Net Income

Our net income totaled Bds $199.6 million in 2005, an increase of 173% from Bds $73.0 million in 2004. This increase was primarily driven by the growth of our existing business and the acquisition of PCFS.

Year Ended December 31 (in millions of Bds $)

	2005	2004
Net income (loss) attributable to:		
Shareholders	Bds $136.6	Bds $67.7
Participating policyholders	25.5	(2.0)
Minority interest	37.5	7.3
Total net income	Bds $199.6	Bds $73.0

The net income attributed to participating policyholders is influenced by the underlying performance of the assets allocated to such policyholders, while the net income attributable to minority interest reflects the allocation of net income to other shareholders in our non-wholly owned consolidated

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subsidiaries. Participating policyholders' amount in 2004 was a net loss because the cost related to new participating policies was higher than the related premium income. In 2005, the participating policyholder amount was positive because, with the amalgamation of Life of Barbados Limited's participating policies, the participating business generated enough profitability to offset new participating policy expenses. Our return on average equity in 2005 was 22.8% compared to 10.7% in 2004.

Liquidity and Capital Resources

Cash Flow

In 2005, our net cash from operating activities was Bds $313.9 million, our net cash used in investing activities was Bds $261.6 million, our net cash from financing activities was Bds $109.6 million, and our net cash decreased Bds $23.2 million from effects of exchange rates. These produced a net increase in cash and cash equivalents of Bds $138.7 million for 2005. In 2004, our net cash from operating activities was Bds $22.5 million, our net cash used in investing activities was Bds $14.6 million, and our net cash used in financing activities was Bds $34.1 million.

Our principal liabilities include customer deposits, the FHLB program, debt for acquisitions, repurchase agreements and insurance policies. The insurance policies we underwrite are mostly long-term in nature. Our policy is to invest in assets to produce cash flows that are synchronised with the timing and the amounts of payments that must be paid to policyholders, while also managing reinvestment risks by reducing the need for reinvestment.

Debt Funding and Liquidity

Loans Payable

We had a Debt to Shareholders' Equity ratio of 21.5% at December 31, 2005, compared to 2.3% at December 31, 2004. Historically, we have not borrowed from banks or the capital markets for ongoing operations. However, we have borrowed in connection with acquisitions. These borrowings have typically been in US dollars and from local branches of international banks. At December 31, 2005, we had Bds $160.7 million in borrowings compared to Bds $15.9 million at December 31, 2004. At December 31, 2005, we had short-term liabilities of Bds $132.2 million, of which Bds $116.4 million was a US dollar-denominated bank loan incurred in connection with the acquisition of Laurel Life.

Deposit and Security Liabilities

Deposit and security liabilities represent sources of funds for on-lending, leasing and portfolio investments. These liabilities comprised other funding instruments, which as of December 31, 2005 and 2004, were Bds $296.2 million and Bds $1.5 million, respectively customer deposits, which as of December 31, 2005 and 2004 were Bds $227.5 million and Bds $74.1 million, respectively securities sold under agreements to repurchase, which as of December 31, 2005 and 2004 were Bds $908.0 million and nil respectively; and bank overdrafts, which as of December 31, 2005 and 2004 were Bds $8.7 million and Bds $10.3 million, respectively. The increases in 2005, compared to 2004 in other funding instruments, were primarily a result of our acquisition of SLIC and PCFS and the increase in securities sold under agreements to repurchase was a result of our acquisition of PCFS.

Within other funding instruments is SLIC's funding arrangement with FHLB, of which SLIC is a member. This membership provides SLIC with the capability to take short-term advances from the FHLB at rates linked to the Federal Funds rate or to take long-term advances. SLIC periodically utilises the short-term capacity to fund modest operating cash needs, rather than sell securities and incur transaction costs. In 2002, SLIC agreed with the Texas Department of Insurance (DOI) to stop drawing on the long-term part of this facility as a result of Texas regulatory requirements. At December 31, 2005, the aggregate outstanding amount was US $126.3 million (Bds $252.7 million).

At December 31, 2005, there was capacity to borrow an additional US $2.1 million (Bds $4.2 million) within the DOI limits. As of December 31, 2005, these loans were collateralised by an equity holding in FHLB equal to Bds $12.0 million, and mortgages and mortgage-backed securities having a total market value of Bds $255.6 million.

Capital Adequacy

We manage capital adequacy at the country level and operating company level. This capital adequacy is calculated by our Appointed Actuaries and reviewed frequently by our Executive Management, various operating subsidiaries' audit committees on a quarterly basis and our Board of Directors annually. In addition to such review, we have hired an external independent Actuary who also reviews our capital adequacy. We seek to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist us in evaluating our current business and strategy opportunities, we utilise a risk-based capital approach as one of our core measures of financial performance. The risk-based assessment measure, which we have adopted in all our operations other than the United States, is the Canadian Minimum Continuing Surplus and Capital Requirement (MCCSR) standard. It should be noted that many of the jurisdictions in which we operate have no capital adequacy requirements. In 2005, Sagicor's MCCSR ratio was 256%, compared to 238% and 212% in 2004 and 2003 respectively. The standard recommended by the Canadian regulators for Canadian companies is 150%.

In 2005, we also introduced a capital allocation model where capital is specifically applied to each business through our Enterprise Risk Management function. This approach helps us to better measure the relative profitability of our component businesses, and to set clear performance targets across our operations, so that we can quickly identify those operations that are contributing meaningfully and those that are not. This approach also helps us to make specific investment management decisions. Our Enterprise Risk Management is expected to develop a more sophisticated and structured approach to risk-based capital during 2006. In this regard, we have recruited a senior executive to spearhead this effort, together with a consultant, who would provide expertise in building a model for financial and operational risks across Sagicor and its group of subsidiaries. This model will be linked to our corporate governance architecture and reporting philosophy.

SLIC

In order to enhance the regulation of insurer solvency, a risk-based capital (RBC) formula and model were adopted by the National Association of Insurance Commissioners (NAIC) of the U.S. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The "Company Action Level" (as defined by the NAIC) requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount. The "Regulatory Action Level" (as defined by the NAIC) requires an insurer to submit a plan containing corrective actions and permits the relevant insurance commissioner to perform an examination or other analysis and issue a corrective order if surplus falls below 150% of the RBC amount. The "Authorised Control Level" (as defined by the NAIC) allows the relevant insurance commissioner to rehabilitate or liquidate an insurer in addition to the aforementioned actions if surplus falls below 100% of the RBC amount. The "Mandatory

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Control Level" (as defined by the NAIC) requires the relevant insurance commissioner to rehabilitate or liquidate the insurer if surplus falls below 70% of the RBC amount.
SLIC looks to maintain at least 250% of the Company Action Level, allowing it flexibility in its asset and product mix. The following table presents the RBC ratios for the past three years for SLIC:

	2005	2004	2003
% of Company Action Level	438%	320%	361%

The decrease between 2003 and 2004 is a result of SLIC's decision to put excess capital to work through the acquisition of a block of business. The increase between 2004 and 2005 is attributable principally to additional capital contributed to SLIC of US $10.5 million by Sagicor shortly after the acquisition.

PCFS

Under the Bank of Jamaica (BOJ) and the Financial Services Commission (FSC) regulations, PCFS and its wholly owned subsidiary, Pan Caribbean Merchant Bank Limited (PCMB), are both required to separately maintain qualifying capital of at least 10% of their respective risk-weighted assets. The FSC's early warning benchmark is 14%, while the BOJ's trigger is 12%. Therefore, if PCFS' risk adjusted ratio of capital to asset falls below 14%, then the FSC would inspect and warn the company. BOJ would intervene if the ratio fell below 12%. We currently have capital substantially above the minimum capital adequacy requirements. Compliance is calculated based upon the unconsolidated financial statements of each regulated entity.

The following table presents the capital adequacy ratios (defined as qualifying capital divided by risk weighted assets) for the last three years:

	2005	2004	2003
PCFS	62%	114%	58%
PCMB	27%	31%	68%

SUBSEQUENT EVENT

Bond Offering

Subsequent to year-end, on May 12, 2006, Sagicor Finance Limited, a special purpose vehicle incorporated in the Cayman Islands, and a wholly owned subsidiary of Sagicor Financial Corporation, issued Senior Notes bearing interest at the rate of 7.5% due 2016 with an aggregate maturity value of US $150.0 million. The Notes were unconditionally guaranteed by Sagicor Financial Corporation and Sagicor Life Inc. The Notes were fully underwritten by Morgan Stanley & Co Incorporated and were oversubscribed. Application is to be made to list the Notes on the Luxembourg Stock Exchange and to trade on the Euro MTF Market, the alternative market of the Luxembourg Stock Exchange. Out of the net proceeds of the Notes, we refinanced bank loans totalling Bds $150.7 million.

RATINGS

Sagicor Life Inc, along with its wholly-owned life insurance subsidiaries, has consistently maintained its "A" (Excellent) rating originally received in 1999. This rating was affirmed in May 2006, and LOJ received an "A" (Excellent) rating for the first time. Our property and casualty insurance subsidiary, Sagicor General Life Insurance Company, has a rating of "A-" (Excellent) and SLIC, has a rating of "B++" (Very Good). These ratings are financial strength ratings awarded by A.M. Best Company.

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Subsequent to year-end, our Group applied to Standard and Poor's (S&P) for a financial strength rating. We are pleased to report that S&P gave Sagicor Life Inc, our principal operating company, a financial strength rating of "BBB+". This is an excellent rating, and demonstrates the financial strength and operating capability of the Sagicor Group.

HUMAN RESOURCES

Our human resource strategy focuses on the development of a strong customer service culture, firmly supported by systems that recognise and reward performance. We will continue to work towards achieving the international benchmarks as an employer of choice in the Caribbean and elsewhere, working to improve employee morale, productivity and retention. In both 2004 and 2005, LOJ was listed among the 20 most admired companies in the inaugural Jamaica Employers Federation-Employer of Choice Awards.

In 2005, Sagicor Life Inc and Sagicor Capital Life Insurance Company Limited initiated a job evaluation initiative that adjusted compensation to be competitive with the market. We also introduced a performance management programme and training programmes, with the goal of building a performance-based culture.

As of December 31, 2005, we had a total workforce of 2,337 people, which number includes our advisors. The following table shows the breakdown of our workforce by geographic segment as of December 31, 2005:

	Workforce	% of Sagicor Workforce
Barbados		
Employees	464	19.9%
Advisors	114	4.9
Jamaica		
Employees	689	29.4
Advisors	367	15.7
Trinidad and Tobago		
Employees	170	7.3
Advisors	144	6.2
Eastern Caribbean		
Employees	79	3.4
Advisors	70	3.0
Other Caribbean		
Employees	71	3.0
Advisors	66	2.8
United States		
Employees	103	4.4
Advisors	—	—
Total	2,337	100%

Management Discussion & Analysis

Training and Development

We provide structured industry training for all staff, and they are encouraged to achieve professional insurance designations. Considerable support is offered to students pursuing professional designations in Accounting, Actuarial Science, Investments and Information Technology through grants, loans, study-leave programmes and facilitating attendance at the annual Life Office Management Association (LOMA) and The Life Insurance Marketing and Research Association (LIMRA) conferences, where attendees benefit from presentations and discussions on a number of insurance industry issues.

Share Incentive Plans

On December 19, 2005, we obtained shareholder approval to implement an executive long-term incentive plan (LTI Plan) and a share ownership plan for employees and advisors (ESOP). Both these plans became effective on December 31, 2005. A total of 26,555,274 common shares, which represents 10% of the common shares outstanding at December 31, 2005, have been reserved for the plans and are expected to be sufficient for the ten-year duration of both plans.

Both the LTI and ESOP Plans are stock-based incentives for Employees and Advisors of Sagicor Financial Corporation, Sagicor Life Inc and Sagicor Capital Life Insurance Company Limited to acquire a proprietary interest in our growth and performance and to have an increased incentive in contributing to our future success and prosperity. The LTI Plan was developed after taking into consideration international and regional best practices and comprises share options and restricted share grants.

The ESOP provides for an annual allocation of a portion of our profit to acquire shares to be held for ESOP participants, who are at the level of Assistant Vice President and below, and Advisors. The ESOP has been established as a discretionary trust and is administered by trustees appointed by the Board.

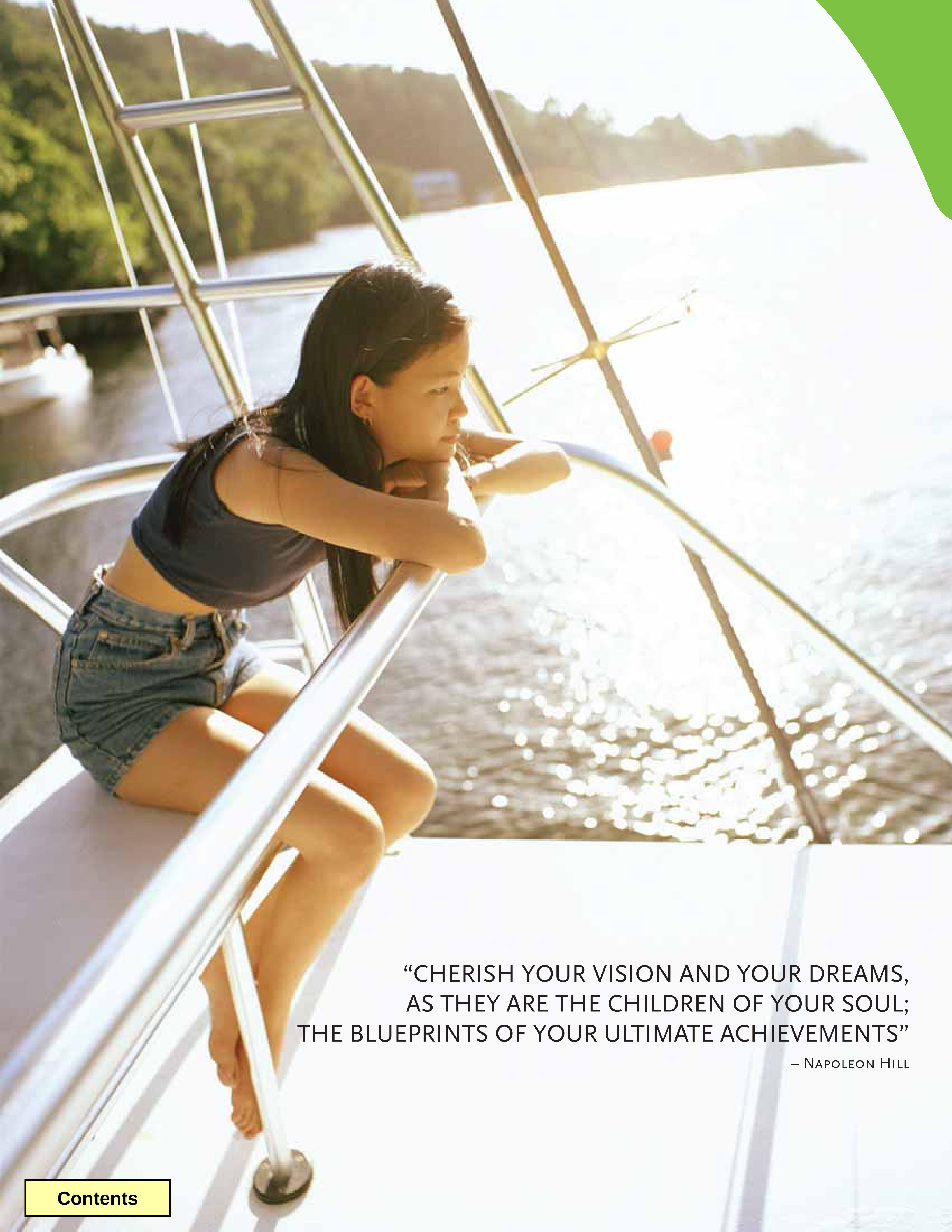
CONCLUSION

The year 2005 was a watershed year for us in many respects, both in terms of our expansion and our decision to establish a footprint in the international capital markets. We intend to build on this foundation and continue our prudent management of our business.

I welcome the management and staff of PCFS and Sagicor USA Groups to the Sagicor family, and extend my personal thanks to the entire management team, staff and advisors across the Group for an excellent performance.

D. Miller

Dodridge D. Miller
President and Chief Executive Officer



"CHERISH YOUR VISION AND YOUR DREAMS,
AS THEY ARE THE CHILDREN OF YOUR SOUL;
THE BLUEPRINTS OF YOUR ULTIMATE ACHIEVEMENTS"

– Napoleon Hill

INTERNATIONALLY MILLIMAN GLOBAL
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SAGICOR FINANCIAL CORPORATION

APPOINTED ACTUARY'S
2005 REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have valued the consolidated policy liabilities of Sagicor Financial Corporation ("Sagicor") which include the policy liabilities of its life insurance subsidiaries, Sagicor Life Inc, Life of Jamaica Limited, Sagicor Capital Life Insurance Company Limited, Capital Life Insurance Company Bahamas Limited, Capital de Seguros, S.A., Sagicor Allnation Insurance Company, Nationwide Insurance Company Limited, Sagicor Life of the Cayman Islands Limited, Sagicor Re Insurance Limited, American Founders Limited, and Laurel Life Inc. for the balance sheet, at 31st December 2005, and their change in the consolidated statement of operations, for the year then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of Sagicor and its life insurance subsidiaries was conducted by various actuaries using either the Policy Premium Method ("PPM") as an approximation to the Canadian Asset Liability Method ("CALM"), or using CALM directly, assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Consolidated Standards of Practice of the Canadian Institute of Actuaries. I have reviewed and accepted their valuation and have relied on them in order to issue this certificate.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly represent the results of the valuation.

Sylvain Goulet

SYLVAIN GOULET, FCIA, FSA, MAAA
AFFILIATE MEMBER OF THE (BRITISH) INSTITUTE OF ACTUARIES
APPOINTED ACTUARY FOR SAGICOR FINANCIAL CORPORATION
27TH APRIL 2006

Contents

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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, 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements set out on pages 34 to 122 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Chartered Accountants
April 27, 2006

Contents

CONSOLIDATED BALANCE SHEET

As of December 31, 2005

Amounts expressed in Barbados $000

	Notes	2005	2004
ASSETS			
Investment property	7	181,586	179,015
Property, plant and equipment	8	148,248	131,562
Investment in associated companies	9	50,251	24,276
Intangible assets	10	250,505	103,345
Financial investments	11	4,732,425	2,311,519
Reinsurance assets	12	696,188	109,200
Income tax assets	13	35,711	20,596
Miscellaneous assets and receivables	14	203,416	139,237
Cash resources	15	118,863	119,137
Total assets		6,417,193	3,137,887
LIABILITIES			
Policy liabilities			
Actuarial liabilities	16	2,777,231	1,485,042
Deposit administration liabilities	17	346,229	305,464
Other policy liabilities	18	364,331	333,367
		3,487,791	2,123,873
Other liabilities			
Loans payable	19	160,728	15,912
Deposit and security liabilities	20	1,440,445	85,838
Provisions	21	32,360	28,147
Income tax liabilities	22	30,958	18,073
Accounts payable and accrued liabilities	23	271,304	106,256
Total liabilities		5,423,586	2,378,099
EQUITY			
Share capital	24	458,451	432,495
Reserves	25	100,794	167,694
Retained earnings		188,304	93,079
Total shareholders' equity		747,549	693,268
Participating accounts	26	34,647	1,388
Minority interest in subsidiaries		211,411	65,132
Total equity		993,607	759,788
Total equity and liabilities		6,417,193	3,137,887

These financial statements have been approved for issue by the Board of Directors on April 27, 2006.

Director

Director

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2005 | *Amounts expressed in Barbados $000*

	Notes	2005	2004
REVENUE			
Premium revenue		748,707	621,669
Reinsurance premium expense		(109,511)	(84,131)
Net premium revenue	27	639,196	537,538
Net investment income	28	415,415	242,928
Share of operating income of associated companies	9	3,473	9,269
Fees and other revenue	29	76,951	45,237
Gains arising on business combinations and aquisitions	38	38,946	-
Total revenue		1,173,981	834,972
BENEFITS			
Policy benefits incurred		432,380	501,053
Policy benefits reinsured		(43,340)	(167,965)
Net policy benefits incurred	30	389,040	333,088
Net increase in actuarial liabilities	16	58,680	109,115
Interest expense	31	147,869	39,006
Total benefits		595,589	481,209
EXPENSES			
Administrative expenses		214,544	154,262
Commissions and related compensation		94,961	85,405
Premium taxes		15,308	11,653
Finance costs		4,426	743
Depreciation and amortisation		25,498	21,801
Total expenses		354,737	273,864
INCOME FROM ORDINARY ACTIVITIES		223,655	79,899
Income taxes	33	(24,046)	(6,916)
NET INCOME FOR THE YEAR		199,609	72,983
NET INCOME ATTRIBUTABLE TO:			
Shareholders		136,562	67,690
Participating policyholders		25,522	(1,983)
Minority interest		37,525	7,276
		199,609	72,983
Earnings per common share – basic and diluted	35	52 cents	26 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

	Year ended December 31, 2005					
	Share capital Note 24	Reserves Note 25	Retained earnings	Participating accounts Note 26	Minority interest	Total
Balance, beginning of year						
As previously reported	432,495	181,513	89,049	1,388	67,858	772,303
Prior year adjustments (note 2.1 (a) (v))	-	(13,819)	4,030	-	(2,726)	(12,515)
As restated	432,495	167,694	93,079	1,388	65,132	759,788
Net gains / (losses) recognised directly in equity	-	(69,135)	-	235	(23,469)	(92,369)
Net income for the year	-	-	136,562	25,522	37,525	199,609
Total recognised gains and income for the year	-	(69,135)	136,562	25,757	14,056	107,240
Issue of shares	25,956	-	-	-	88,200	114,156
Dividends declared (note 35)	-	-	(31,600)	-	(9,026)	(40,626)
Acquisition of subsidiary and insurance business	-	-	-	-	53,049	53,049
Transfers	-	2,235	(9,737)	7,502	-	-
	25,956	(66,900)	95,225	33,259	146,279	233,819
Balance, end of year	458,451	100,794	188,304	34,647	211,411	993,607

	Year ended December 31, 2004					
	Share capital Note 24	Reserves Note 25	Retained earnings	Participating accounts Note 26	Minority interest	Total
Balance, beginning of year						
As previously reported	432,495	98,323	43,317	1,222	56,289	631,646
Prior year adjustments (note 2.1 (a) (v))	-	(20,743)	4,030	-	(4,654)	(21,367)
As restated	432,495	77,580	47,347	1,222	51,635	610,279
Net gains / (losses) recognised directly in equity	-	89,358	-	(851)	14,632	103,139
Net income for the year	-	-	67,690	(1,983)	7,276	72,983
Total recognised gains and income for the year	-	89,358	67,690	(2,834)	21,908	176,122
Dividends declared (note 35)	-	-	(18,202)	-	(8,411)	(26,613)
Transfers	-	756	(3,756)	3,000	-	-
	-	90,114	45,732	166	13,497	149,509
Balance, end of year	432,495	167,694	93,079	1,388	65,132	759,788

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2005

Amounts expressed in Barbados $000

	Notes	2005	2004
Cash flows from operating activities			
Income from ordinary activities		223,655	79,899
Adjustments for non-cash items, interest and dividends	36	(206,466)	(71,116)
Interest and dividends received		296,905	170,590
Interest paid		(151,634)	(40,874)
Income taxes paid		(29,690)	(10,330)
Changes in operating assets	36	214,384	(238,278)
Changes in operating liabilities	36	(33,210)	132,598
Net cash from operating activities		313,944	22,489
Cash flows from investing activities			
Property, plant and equipment	36	(18,295)	(20,629)
Investment in associated companies, net		(22,232)	6,481
Intangible assets		(6,117)	(466)
Acquisition of subsidiaries and insurance businesses, net of cash and cash equivalents		(214,939)	-
Net cash used in investing activities		(261,583)	(14,614)
Cash flows from financing activities			
Dividends paid to shareholders		(31,435)	(18,202)
Shares issued to minority interest		5,554	2,170
Dividends paid to minority interest		(8,542)	(8,411)
Loans payable	36	143,994	(9,633)
Net cash from / (used in) financing activities		109,571	(34,076)
Effects of exchange rate changes		(23,198)	13
Net increase / (decrease) in cash and cash equivalents		138,734	(26,188)
Cash and cash equivalents, beginning of year		135,608	161,796
Cash and cash equivalents, end of year	36	274,342	135,608

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sagicor Financial Corporation was incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, Sagicor Financial Corporation allotted common shares to the eligible policyholders of The Society and became the holding company of Sagicor Life Inc.

The principal activities of the Sagicor Group are as follows:

- Insurance
- Annuities
- Pensions
- Pension fund management
- Mutual fund management
- Corporate trust services
- Securities dealing
- Currency dealing
- Merchant banking
- Loan finance and deposit taking

The Group operates across the Caribbean and in the United States of America (USA).

The table below identifies the principal operating subsidiaries in the Group, their principal activities, their country of incorporation and the effective equity interest held by the shareholders of Sagicor.

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life Inc	Life and health insurance, annuities and pensions	Barbados	100%
Life of Barbados Limited (1)	Life and health insurance, annuities and pensions	Barbados	100%
Life of Jamaica Limited	Life and health insurance, annuities and pensions	Jamaica	60%(2)
American Founders Life Insurance Company (3)	Life insurance, annuities and pensions	Texas, USA	100%
Sagicor Capital Life Insurance Company Limited	Life and health insurance, annuities and pensions	The Bahamas	100%
Capital Life Insurance Company Bahamas Limited	Life and health insurance, annuities and pensions	The Bahamas	100%
Capital de Seguros, SA	Life and health insurance	Panama	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
Sagicor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	60%(2)
Laurel Life Insurance Company (3)	Life insurance	Texas, USA	100%
Sagicor Allnation Insurance Company	Health insurance	Delaware, USA	100%
Cayman General Insurance Company Limited (4)	Property, casualty, health and life insurance	The Cayman Islands	31%
Sagicor General Insurance Inc	Property and casualty insurance	Barbados	53%
Sagicor Re Insurance Limited	Property and casualty insurance	The Cayman Islands	60%(2)
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
Sagicor USA Inc	Insurance holding company	Delaware, USA	100%
LTE Limited (5)	Holding company	Barbados	100%
Pan Caribbean Financial Services Limited (6)	Development banking, investment and fund management services	Jamaica	66%(7)
Pan Caribbean Merchant Bank Limited (6)	Merchant banking	Jamaica	66%(7)
Sagicor Merchant Limited (8)	Merchant banking	Trinidad & Tobago	73%
GlobE Finance Inc	Loan and lease financing, and deposit taking	Barbados	51%
Sagicor Finance Inc (formerly The Mutual Finance Inc)	Loan and lease financing, and deposit taking	St. Lucia	70%
Pan Caribbean Asset Management Limited (6)	Investment and fund management	Jamaica	66%(7)
Sagicor Asset Management Inc	Investment management and advisory services	Barbados	100%
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Funds Incorporated	Mutual fund holding company	Barbados	100%
LOJ Pooled Investment Funds Limited	Pension fund management	Jamaica	60%(2)
LOJ Property Management Limited	Property management	Jamaica	60%(2)
Sagicor International Management Services, Inc (formerly Capital International Management Services, Inc)	Management and business development services	Florida, USA	100%
Cayman National Insurance Managers Limited (4)	Captive insurance management services	The Cayman Islands	31%

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

(1) Amalgamated with Sagicor Life Inc on February 1, 2005.
(2) An equity interest of 78% until April 1, 2005.
(3) Acquired September 30, 2005.
(4) Acquired by Life of Jamaica Limited on November 30, 2005. Through control of Life of Jamaica Limited, the Group has a 51% voting interest in Cayman General Insurance Company Limited.
(5) Incorporated as a special purpose vehicle to temporarily hold the Company's direct 34% interest in Pan Caribbean Financial Services Limited.
(6) Acquired January 7, 2005.
(7) An equity interest of 38% from January 7, 2005 to May 5, 2005. Between May 6 and September 1, interests totalling 28% were acquired. Through control of Life of Jamaica Limited, the Group held a 49% voting interest from January 7 to May 5, which increased to 87% effective September 1.
(8) Incorporated on August 11, 2005 and commenced trading October 13, 2005.

The associated companies of the Group are as follows:

Associated Companies	Principal Activities	Country of Incorporation	Effective Shareholders' Interest
RGM Limited	Property ownership and management	Trinidad & Tobago	33%
Caribbean CariCard Services Inc (9)	Bank card processing, ATM and point-of-sale handling services	Barbados	37%
Manufacturers Credit and Information Services Limited (6)	Provision of fleet advance cards	Jamaica	16%(10)
FamGuard Corporation Limited (11)	Investment holding company	Bahamas	20%
Family Guardian Insurance Company Limited (11)	Life and health insurance and annuities	Bahamas	20%
FG General Insurance Agency Limited (11)	General insurance brokerage	Bahamas	20%
BahamaHealth Insurance Brokers and Benefit Consultants Limited (11)	Insurance brokers and benefit consultants	Bahamas	20%

(9) Caribbean CariCard Services Inc sold its operations effective July 31, 2004.
(10) A fully owned subsidiary of Pan Caribbean Financial Services Limited (PCFS) until May 31, when 75% of its interest was disposed. Through PCFS, the Group has a 25% voting interest in Manufacturers Credit and Information Services Limited.
(11) Acquired December 28, 2005.

For ease of reference, when the term "insurer" is used in the following notes, it refers to either one or more Group subsidiaries that engage in insurance.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

The Group had adopted accounting policies for the computation of actuarial liabilities on life insurance and annuity contracts which comply with the Canadian Asset Liability Method (CALM). As no specific guidance is provided by IFRS for computing actuarial liabilities, management has judged that CALM should continue to be applied. The adoption of IFRS 4 – insurance contracts, permits the Group to continue with this accounting policy, with the modification required by IFRS 4 that rights under reinsurance contracts are measured separately. The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of investment property, owner-occupied property, available for sale investment securities and financial assets held at fair value through income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

All amounts in these financial statements are shown in thousands of Barbados dollars, unless otherwise stated.

(a) Changes in IFRS

The introduction of new IFRSs and revisions to IASs affects the Group from the 2005 reporting year. These changes affect how items are presented in the financial statements, the disclosures made in the notes to the financial statements, and how certain items are accounted.

The new standards introduced are:

IFRS 2 Share-based Payment
IFRS 3 Business Combinations
IFRS 4 Insurance Contracts
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The standards revised are as follows:

IAS 1 Presentation of Financial Statements
IAS 2 Inventories
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 Events after the Balance Sheet Date
IAS 16 Property, Plant and Equipment
IAS 17 Leases
IAS 19 Employee Benefits
IAS 21 The Effects of Changes in Foreign Exchange Rates
IAS 24 Related Party Disclosures
IAS 27 Consolidated and Separate Financial Statements
IAS 28 Investments in Associates
IAS 31 Interests in Joint Ventures
IAS 32 Financial Instruments: Disclosure and Presentation
IAS 33 Earnings per Share
IAS 36 Impairment of Assets
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property

These and other changes have resulted in several overall changes in presentation and in the consequential restatement of 2004 comparative amounts.

A summary of the changes significantly affecting the Group is set out below.

(i) IFRS 3 – Business Combinations, IAS 36 – Impairment of Assets, and IAS 38 – Intangible assets

The changes introduced affect the quantification of assets and liabilities acquired in a business combination, and affect the subsequent accounting for goodwill and other intangible assets.

The definition of intangible assets, other than goodwill, has been amended with the result that such assets are more readily recognised in a business combination. The impact of the change is that the recognition of separate intangible assets reduce the amount of goodwill that would hitherto have been recognised. Intangible assets are subject to either amortisation or to an annual impairment test.

Contingent liabilities are included in liabilities acquired. The impact of this change, is that the recognition of contingent liabilities will increase the amount of goodwill that would hitherto have been recognised.

Once a business combination has occurred, any subsequent increases in ownership are accounted for as a purchase of minority interest, and the excess of the consideration over the book value of the share of net assets acquired is recorded as goodwill.

Goodwill is allocated to cash generating units of the Group expected to benefit from that goodwill, it is not amortised, and it is tested annually for impairment. The impact of the change is that there is no goodwill amortisation expense in the income statement, but there is potentially an impairment expense.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) Introduction of IFRS 4 – Insurance Contracts

The changes introduced by IFRS 4 affected the Group's financial statement presentation, disclosure and measurement in the following ways:

- The effect of reinsurance on all insurance assets, insurance liabilities, insurance income and insurance benefits are either presented separately or disclosed in the notes to the financial statements. Up to December 2004, the Group did not present separately or disclose effects of reinsurance on actuarial liabilities, on the benefit for the increase in actuarial liabilities, and on the provision for unearned premiums. This change affects the reported amounts for assets and liabilities respectively.
- The accounting policies for insurance contracts are more fully described in note 2.11. The Group has made no significant change in the measurement of its issued insurance policies.
- The insurance risks of the Group are more fully described in note 4.
- The techniques used to value actuarial liabilities are more fully described in notes 3.4 and 16.2, the analysis of components in the actuarial liabilities is provided in note 16, and sensitivity analysis on the actuarial liabilities is provided in note 16.

(iii) Changes to IAS 1 – Presentation of Financial Statements and IAS 27 – Consolidated and Separate Financial Statements

The revisions to these standards affected the Group's financial statement presentation and disclosure in the following ways:

- Minority interest on the balance sheet is presented within equity, and the income attributable to minority interest in the income statement is presented as an allocation of net income.
- A note entitled "critical accounting estimates and judgements" is included.

(iv) Changes to IAS 24 – Related party disclosures

The revisions to this standard have affected the identification of related parties, namely key management, and consequently the disclosures made.

(v) Changes to IAS 39 – Financial Instruments: Recognition and Measurement

Up to December 2004, the Group classified certain investments as "originated loans" (carried at amortised cost). The changes to IAS 39 have resulted in the Group reclassifying these investments as either "loans and receivables" (carried at amortised cost) or as "available for sale financial assets" (carried at fair value).
In accordance with the IFRS, the change from amortised cost to fair value has been recorded retrospectively, and its effects are disclosed in the statement of equity, resulting in a reduction in the carrying values and fair value reserves at the beginning of the year of $12,515 (2004 - $21,367).

Arising from a change in the definition of "held to maturity investments", most of the Group's investments which were in this category have been reclassified as "loans and receivables". This reclassification has resulted in no change in measurement of the affected investments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(vi) IAS 38 – Intangible assets

The Group has reclassified software as an intangible asset. Formerly, software was included within property, plant and equipment.

(vii) IAS 19 – Employee Benefits

An amendment to IAS 19 now allows the option of recognising actuarial gains and losses in full in the period in which they occur, outside of the income statement, in the statement of equity. The Group does not intend to adopt this option.

2.2. Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a majority voting interest. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Minority interest balances represent the interest of minority shareholders in subsidiaries not wholly owned by the Group.

The Group uses the purchase method of accounting for the acquisitions of subsidiaries and insurance businesses. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. If, after reassessment of the net assets acquired, the cost of the acquisition is less than the Group's share of net assets acquired, the difference is recognised in income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.2. Basis of consolidation (continued)

(b) Investment in associated companies

The investments in associated companies, which are not majority owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments are originally recorded at cost and may include goodwill identified on acquisition, less any impairment loss.

The Group's share of its associates' post acquisition income and reserve movements are recognised in the consolidated income statement and consolidated statement of changes in equity respectively.

Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(c) Joint Ventures

Interests in the assets, liabilities and earnings of jointly controlled ventures are included in these consolidated financial statements using the proportionate consolidation method, eliminating all material related party balances.

(d) Divestitures

Realised gains on the disposal of subsidiaries, operations, associates and joint ventures are included in revenue.

(e) Pension and investment funds

Insurers have issued deposit administration and unit linked contracts in which the full return of the assets supporting these contracts accrue directly to the contract-holders. As these contracts are not operated under legal trusts, they have been consolidated in these financial statements.

The Group manages a number of segregated pension funds and mutual funds. These funds are legally segregated and investment returns on these funds accrue directly to unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each consolidated entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in thousands of Barbados dollars, which is the Group's presentational currency.

(b) Group Entities

The results and financial position of all Group entities that have a functional currency other than the presentational currency are translated into the presentational currency as follows:

(i) Income statements, movements in equity and cash flows are translated at average exchange rates for the year.
(ii) Balance sheets are translated at the exchange rates ruling on December 31.
(iii) Resulting exchange differences are recognised in the equity reserve for currency translation.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are fixed to the United States dollar are converted into Barbados dollars at the equivalent fixed rates. Currencies which float are converted to the Barbados dollar by reference to the average of buying and selling rates quoted by the respective central banks.

Exchange rates of the other principal operating currencies to the Barbados dollar were as follows:

	December 2005 closing rate	2005 average rate	December 2004 closing rate	2004 average rate
Bahamas dollar	0.50	0.50	0.50	0.50
Belize dollar	1.00	1.00	1.00	1.00
Cayman Islands dollar	0.4175	0.4175	0.4175	0.4175
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Jamaica dollar	32.1903	31.1218	30.7250	30.5794
Netherlands Antillean guilder	0.90	0.90	0.90	0.90
Trinidad & Tobago dollar	3.1493	3.1332	3.1444	3.1373
United States dollar	0.50	0.50	0.50	0.50

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the equity reserve for currency translation. When a foreign entity is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and other purchase accounting adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the rate ruling on December 31.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities held available for sale are included in the fair value reserve in equity.

2.4 Investment property

Investment property is recorded initially at cost. At subsequent balance sheet dates, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property held under partnership and joint venture arrangements with third parties. These are accounted for under the proportionate consolidation method.

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2.5.

Investment property may include property of which a portion is held for rental to third parties and another portion is occupied by the Group for administrative purposes. This type of property is accounted for as an investment property if the Group’s occupancy level is 25% or less of the total available occupancy. In other instances, this type of property is accounted for as an owner-occupied property.

Rental income is recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Property, plant and equipment are recorded initially at cost.

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Movements in fair value are taken to the fair value reserve in equity, unless there is a net depreciation in respect of an individual property, which is then recorded in the income statement. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. On disposal of owner-occupied property, the amount included in the reserve is transferred to retained earnings.

Any gain or loss on disposal included in income is determined by comparing proceeds to the asset's carrying value at the time of disposal.

The Group, as lessor, enters into operating leases with third parties to lease assets. Operating leases are leases in which the Group maintains substantially the risks of ownership and the associated assets are recorded as property, plant and equipment. Income from operating leases is recognised on the straight-line basis over the term of the lease.

Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives. The carrying amount of an asset is written down immediately through the depreciation account if the carrying amount is greater than its estimated recoverable amount.

The estimated useful lives of property, plant and equipment are as follows:

Asset	Estimated useful life
Buildings	20 to 50 years
Furnishings and leasehold improvements	10 years or lease term
Computer and office equipment	3 to 10 years
Vehicles	5 to 6 years
Leased equipment and vehicles	3 to 6 years

2.6 Intangible assets

(a) Goodwill

Goodwill (defined in note 2.2(a)) arising from an acquisition of a subsidiary or insurance business is allocated to appropriate cash generating units. A cash generating unit is determined to be the relevant subsidiary's operations in a geographical segment. Goodwill arising from an investment in an associate is included in the carrying value of the investment in associate.

From 2005, goodwill 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 end of 2004 is now deemed to be the cost.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.6 Intangible assets (continued)

(b) Other intangible assets

Other intangible assets arising on acquisitions occurring on or after March 31, 2004 are recognised only if future economic benefits attributable to the asset will flow to the Group and if the fair value of the asset can be measured reliably. In addition for the purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. Intangible assets acquired in a business combination are initially recognised at their fair value. Other intangible assets which have been acquired directly, are recorded initially at cost. On acquisition the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is tested annually for impairment.

The estimated useful lives of recognised intangible assets are as follows:

Asset	Estimated useful life
Customer relationships and contracts	2 – 20 years
Trade names	4 years, indefinite
Software	2 – 6 years

2.7 Financial assets

The Group classifies its financial assets into four categories:

- held to maturity financial assets;
- available for sale financial assets;
- financial assets at fair value through income; and
- loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets with fixed maturities and for which management has both the intent and ability to hold to maturity are classified as held to maturity. These assets are carried at amortised cost less provision for impairment.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through income include held for trading securities. An 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

Other financial assets are classified as available for sale. These assets 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, net of deferred income taxes, are recorded in the fair value reserve. 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. Discounts and premiums on available for sale securities are amortised using the effective yield method.

Purchases and sales of these investments are recognised on the trade date. Cost of purchases includes transaction costs. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The recoverable amount for assets carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

(a) Securities purchased under agreements to resell

Securities purchased under agreements to resell are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(b) Finance leases

The Group, as lessor, enters into finance leases with third parties to lease assets. Finance leases are leases in which the Group has transferred substantially the risks of ownership to the lessee. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the effective yield method.

(c) Derivative financial instruments

The Group holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

If the measurement of an embedded derivative can be separated from its host contract, the embedded derivative is carried at current market value and is presented with its related host contract. Unrealised gains and losses are recorded as investment income.

If the measurement of an embedded derivative cannot be separated from its host contract, the full contract is accounted for as a held for trading security.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.7 Financial assets (continued)

(d) Financial assets held in trust under modified coinsurance arrangements

These assets are held in trust for the insurer and are in respect of policy liabilities ceded to reinsurers. These assets are classified as available for sale.

2.8 Real estate developed or held for resale

Lands being made ready for resale along with the cost of infrastructural works are classified as real estate held for resale and are valued at the lower of cost and net realisable value.

Real estate acquired through foreclosure is classified as real estate held for resale and is valued at the lower of cost and net realisable value.

Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

2.9 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, call deposits, other liquid balances with original maturities of ninety days or less, and bank overdrafts. Cash and cash equivalents do not include balances principally of an investment nature or funds held to meet statutory requirements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.11 Insurance and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk, financial risk or both.

Insurance contracts transfer insurance risk and may also transfer financial risk. The Group defines insurance risk if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

Investment contracts are those contracts that transfer financial risk and no insurance risk (as defined above).

A number of insurance contracts contain a discretionary participation feature. A discretionary participation feature entitles the holder to receive, supplementary to the main benefit, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of management; and
- that are contractually based on
  - the performance of a specified pool of contracts;
  - investment returns on a specified pool of assets held by the insurer; or
  - the profit or loss of a fund or insurer issuing the contract.

Policy bonuses and policy dividends constitute discretionary participation features which the Group classifies as liabilities.

Residual gains in the participating accounts constitute discretionary participation features which the Group classifies as equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.11 Insurance and investment contracts (continued)

(b) Recognition and measurement

The main insurance and investment contracts issued by the Group are summarised below.

(i) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks over property, motor, accident and marine.

Premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims and loss adjustment expenses are recorded as incurred. Claim reserves represent estimates of future payments of reported and unreported claims and related expenses with respect to insured events that have occurred up to the balance sheet date. Reserving involves uncertainty and the use of informed estimates and judgements. The Group does not discount its loss reserve. The claim reserve is included in policy benefits in the course of settlement.

The Group obtains reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage. Reinsurance claim recoveries are established at the time of the recording of the claim liability. Profit sharing commission due to the Group is recognised only when there is reasonable certainty of collectibility, at which time it is recorded as commission income.

Commissions and premium taxes payable are recognised on the same basis as premiums written.

(ii) Health insurance contracts

Health insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks for medical expenses of insured persons.

Premium revenue is recognised when due for contracts where the premium is billed monthly. For contracts where the premium is billed annually or semi-annually, premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims are recorded on settlement. Reserves are recorded as described in note 2.12.

The Group may obtain reinsurance coverage for its health insurance risks. The reinsurance premium is expensed over the coverage period of respective policies. Reinsurance claims recoveries are established at the time of claim settlement.

Commissions and premium taxes payable are recognised on the same basis as earned premiums.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.11 Insurance and investment contracts (continued)

(iii) Long-term traditional insurance contracts

Long-term traditional insurance contracts are generally issued for fixed terms of five years or more, or for the remaining life of the insured. Benefits are typically a death or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Some of these contracts have a discretionary participation feature in the form of regular bonuses or dividends. Other benefits such as disability or waiver of premium on disability may also be included in these contracts. Some contracts may allow for the advance of policy loans to the policyholder and may also allow for dividend withdrawals by the policyholder during the life of the contract.

Premium revenue is recognised when due. Typically, premiums are fixed and are required to be paid within the due period for payment. If premiums are unpaid, the contract will terminate unless an automatic premium loan is available to settle the premium.

Policy benefits are recognised on notification of death, receipt of surrender request, on the maturity date of endowment policies, on the declaration of a cash bonus or dividend or on the annuity payment date. Policy loans advanced are recorded as loans and receivables in the balance sheet and are secured by the cash values of the respective policies. Policy bonuses may be “non-cash” and utilised to purchase additional amounts of insurance coverage. Accumulated cash bonuses and dividends are recorded as interest bearing policy funds on deposit.

Reserves for future policy liabilities are recorded as described in note 2.12.

The Group may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claims recoveries are established at the time of claim notification.

Commissions and premium taxes payable are recognised on the same basis as earned premiums.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.11 Insurance and investment contracts (continued)

(iv) Long-term – universal life and unit linked insurance contracts

Universal life and unit linked insurance contracts are generally issued for fixed terms or for the remaining life of the insured. Benefits are typically a death or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Benefits may include amounts for disability or waiver of premium on disability.

Universal life and unit linked contracts have either an interest bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns are credited to the investment accounts and expenses, not included in the aforementioned allowances, are debited to the investment accounts. Allowances and expense charges are in respect of applicable commissions, cost of insurance, administrative expenses and premium taxes. Fund withdrawals may be permitted.

Premium revenue is recognised when received and consists of all monies received from the policyholders. Typically, premiums are fixed at the inception of the contract or periodically thereafter but additional non-recurring premiums may be paid.

Death benefits are recognised in policy benefits on notification. Fund withdrawals are recognised in policy benefits on receipt of the withdrawal request. Reserves for future policy liabilities are recorded as described in note 2.12.

The Group may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due. Reinsurance claims recoveries are established at the time of claim notification.

Commissions and premium taxes payable are generally recognised only on settlement of premiums.

(v) Reinsurance contracts assumed

Reinsurance contracts assumed by an insurer are accounted for in a similar manner as if the insurer has issued the risk.

Reinsurance contracts assumed include blocks of life and annuity policies assumed from third party insurers. In some instances, the Group also administers these policies.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.11 Insurance and investment contracts (continued)

(vi) Reinsurance contracts held

As noted in sections (i) to (iv) above, an insurer may obtain reinsurance coverage for insurance risks underwritten. The Group cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the originating insurer of its liability.

Reinsurance contracts held include blocks of life and annuity policies ceded to reinsurers on coinsurance or modified coinsurance bases. The Group records as a receivable the reinsurer's share of the actuarial liabilities on these policies.

The benefits to which an insurer is entitled under its reinsurance contracts held are recognised as reinsurance assets or receivables. Reinsurance assets and receivables are assessed for impairment. If there is evidence that the asset or receivable is impaired, the impairment is recorded in the statement of income. The obligations of an insurer under reinsurance contracts held are recognised as reinsurance liabilities or payables.

Reinsurance balances are measured consistently with the insurance liabilities to which they relate.

(vii) Investment contracts – deposit administration and other investor contracts

Deposit administration contracts are issued by an insurer to registered pension schemes which deposit the pension plan assets with the insurer. The insurer is obligated to provide investment returns to the pension scheme in the form of interest or in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability.

The interest or investment return provided is recorded as an interest expense.

In addition, the Group may provide pension administration services to the pension schemes. The Group earns fee income for both pension administration and investment services.

Interest guarantees which may adversely affect the Group are recorded in actuarial liabilities.

Other investor contracts are valued at amortised cost and are otherwise accounted in a manner similar to deposit administration contracts. The liability in respect of other investor contracts is included under policy funds on deposit.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.11 Insurance and investment contracts (continued)

(viii) Investment contracts – securities sold under agreements to repurchase

Securities sold under agreements to repurchase are treated as collateralised financing transactions. The difference between the sale and repurchase price is treated as interest and is accrued over the life of the agreements using the effective yield method.

(ix) Investment contracts – deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

(c) Liability adequacy tests

At balance sheet date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the income statement under benefits.

2.12 Actuarial liabilities

The Canadian Asset Liability Method (CALM) is used for the determination of actuarial liabilities of long-term insurance contracts. These liabilities consist of amounts that, together with future premiums and investment income, are required to provide for future policy benefits, expenses and taxes on insurance and annuity contracts.

The process of calculating life insurance and annuity actuarial liabilities for future policy benefits necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and persistency, including reasonable margins for adverse deviations. As experience unfolds, these provisions for adverse deviations will be included in future income to the extent they are no longer required to cover adverse experience. Assumptions used to project benefits, expenses and taxes are based on company and industry experience and are updated annually.

CALM is based on an explicit projection of cash flows using best estimate assumptions for each material cash flow item and contingency. Investment returns are based on projected investment income using the current asset portfolios and projected re-investment strategies. Each assumption is adjusted by a margin for adverse deviation.

Certain life insurance policies issued by the insurer contain equity linked policy side funds. The investment returns on these unitised funds accrue directly to the policies with the insurer assuming no credit risk. Investments held in these side funds are accounted for as financial assets at fair value through income and unit values of each fund are determined by dividing the value of the assets in the fund at balance sheet date by the number of units in the fund. The resulting liability is included in actuarial liabilities.

The actuarial liabilities of health insurance policies are estimated in respect of claims that have been incurred but not yet reported and claims that have been reported but not yet paid, due to the time taken to process the claim.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.13 Participating Accounts

(a) “Closed” participating fund

For participating policies of Sagicor Life Inc in force at demutualisation, Sagicor Life Inc established a closed participating fund in order to protect the guaranteed benefits and future policy dividends, bonuses and other non-guaranteed benefits of the afore-mentioned policies. The rules of this fund require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies, are recorded in a ‘closed’ participating account. Policy dividends and bonuses of the said policies are paid from the participating account on a basis substantially the same as prior to demutualisation. The fund also includes the required provisions for adverse deviations as determined in the computation of actuarial liabilities of the said policies. Changes in the provision for adverse deviations are not recorded in the participating account, but are borne by the general operations of Sagicor Life Inc.

(b) “Open” participating fund

Sagicor Life Inc also established an open participating fund for participating policies it issues after demutualisation. The rules of this fund require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies are recorded in an ‘open’ participating account. The open participating fund was established at demutualisation. In 2003 and 2004, transfers were made from retained earnings to the fund as initial seed capital to support the issue of new participating policies.

On February 1, 2005, Sagicor Life Inc amalgamated with Life of Barbados Limited, and participating policies of the latter were transferred to the open participating fund. Accordingly, the liabilities of these participating policies and matching assets were transferred to the open participating fund. The liabilities transferred included provisions for adverse deviations on the transferred policies, which are accounted for in the same way as the corresponding provisions in the closed participating fund. Additional assets to support the profit distribution to shareholders (see below) were also transferred into the fund.

Effective June 30, 2005, on the recommendation of the Appointed Actuary of Sagicor Life Inc, the open participating fund had reached a size at which capital self sufficiency had been attained, and the seed capital was returned to retained earnings. A return on the seed capital, as determined by the Appointed Actuary, has been charged to the participating account.

Distributable profits of the open participating account are shared between participating polices and shareholders in a ratio of 90:10. Profits are distributed to the participating policies in the form of declared bonuses and dividends. Profits which are distributed to shareholders are included in the allocation of Group net income to shareholders. Undistributed profits remain in the participating account.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.13 Participating Accounts (continued)

(c) Financial statement presentation

The assets and liabilities of the participating funds are not presented separately in the financial statements. The revenues, benefits and expenses of the participating accounts are also not presented separately in the financial statements. However, the overall surplus of assets held in the participating funds over the associated liabilities is presented in equity as the participating accounts. The overall Group net income that is attributable to the participating funds is disclosed as an allocation of net income. Movements in reserves attributable to the participating funds are presented in equity under the participating accounts.

The allocation of additional assets to the participating funds is recognised in equity as a transfer from retained earnings to the participating accounts.

2.14 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the investment yield method.

Borrowings undertaken for the purposes of Group expansion are classified as loans payable and the associated cost is classified as finance cost. Borrowings undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as other funding instruments and are included in deposit and security liabilities and the associated cost is included in interest expense.

2.15 Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.16 Interest income and expenses

Interest income and expenses are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment securities, loans and deposits and accrued discount and premium on discounted instruments.

2.17 Fees and other revenue

Fees and other revenue are recognised on an accrual basis when the related service has been provided.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.18 Employee benefits

(a) Pension benefits

Group companies have various pension schemes in place for their employees. Some schemes are defined benefit plans and others are defined contribution plans.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates for the maturity dates and location of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged or credited to the income statement over the average service lives of the related employees. Past service costs are charged to the income statement on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits vest immediately.

For defined contribution plans, the Group pays contributions to the pension schemes on a mandatory or contractual basis. Once paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in expenses in the income statement.

(b) Other retirement benefits

Certain Group subsidiaries provide supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans.

(c) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on various profit and other objectives of the Group as a whole or of individual subsidiaries. A provision is recognised where there are contractual obligations or where past practice has created a constructive obligation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(d) Equity compensation benefits

The Company and certain Group subsidiaries have in place equity-settled share-based compensation plans for their administrative, sales and managerial staff.

For equity-settled share-based compensation plans, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of income, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital or minority interests when the options are exercised.

A subsidiary has in place a share purchase plan which enables its administrative and sales staff to purchase new shares of that subsidiary at a discount.

(e) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the balance sheet date are discounted to present value.

2.19 Deferred income taxes

The Group uses the balance sheet liability method of accounting for income tax. Deferred tax assets and liabilities resulting from temporary differences are computed at tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised. Provision for taxes, which could arise on the remittance of retained earnings from subsidiaries, is only made where there is a current intention to remit such earnings.

2.20 Dividend distributions

Dividend distributions on the Company's common shares are recorded in the period during which the dividend declaration has been approved by the directors.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

2. ACCOUNTING POLICIES (continued)

2.21 Statutory reserves

Statutory reserves are established when regulatory accounting requirements result in lower distributable profits or when an appropriation of retained earnings is required or permitted by law to protect policyholders, insureds or depositors.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting polices may have a material impact on the Group's reported assets, liabilities, revenues, benefits and expenses. The items which may have the most effect on the Group's financial statements are set out below.

3.1 Impairment of financial assets

An available for sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower.

An available for sale equity investment is considered impaired when there is a significant or prolonged decline in the fair value below cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and viability of the investee.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

3.2 Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination involve the utilisation of valuation techniques which may be very sensitive to the underlying assumptions utilised. These intangibles may be marketing related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilises independent professional advisors to assist management in determining the recognition and measurement of these assets.

3.3 Impairment of intangible assets

(a) Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash generating business units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and / or to the Group as a whole.

The Group updates its business unit financial projections annually and applies discounted cash flow models on these projections to determine if there is any impairment of goodwill.

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NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.3 Impairment of intangible assets (continued)

(b) Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible's value in use, estimates are required of future cash flows generated as a result of holding the asset.

3.4 Actuarial liabilities

(a) Canadian asset liability method (CALM)

The objective of the valuation of policy liabilities is to determine the amount of the insurer's assets that, in the opinion of the Appointed Actuary (AA) and taking into account the other pertinent items on the balance sheet, will be sufficient without being excessive to provide for the policy liabilities over their respective terms. The amounts set aside for future benefits are dependent on the asset and liability cash flows, as well as any mismatch during the valuation period.

The actuarial liabilities are determined by the amount of assets required to ensure that sufficient monies are available to meet the policy liabilities as they become due, even under adverse economic circumstances.

The AA identifies the current economic scenario and the existing investment portfolio as at the date of the actuarial valuation. The investments required to support the policy liabilities are then determined under a variety of future interest rate environments using scenario testing. The total policy liability is determined as the amount of assets required in order that sufficient monies are available to meet the liabilities as they become due under the "worst case" economic scenario, that is, the scenario that produces the highest investment requirement.

The CALM methodology produces the total reserve requirement for each CALM fund. In general, the CALM methodology is used to determine the net overall actuarial liabilities required by the insurer. Policy premium method (PPM) equivalents are used to determine the amount of reinsurance balances in the reserve, the distribution of the total reserve by country (for statutory reporting), and the distribution of the reserve by policy (for MCCSR negative reserves). PPM equivalents and other approximations to CALM have also been used in calculating certain components in the actuarial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.4 Actuarial liabilities (continued)

(b) Best estimate reserve assumptions & provisions for adverse deviations

Actuarial liabilities include two major components: a best estimate reserve and a provision for adverse deviations. This latter provision is established in recognition of the uncertainty in computing best estimate reserves, to allow for possible deterioration in experience and to provide greater comfort that reserves are adequate to pay future benefits.

For the respective reserve assumptions for mortality and morbidity, lapse, future investment yields, operating expenses and taxes, best estimate reserve assumptions are determined where appropriate for each major geographical segment, namely Barbados, Jamaica, Trinidad & Tobago, USA and other Caribbean.

Provisions for adverse deviations are established in accordance with the risk profiles of the business, and are, as far as is practicable, standardized across the major geographical segments. Provisions are determined within a specific range established by the Canadian Standards of Practice.

4. RISK MANAGEMENT

The Group's activities are related principally to the use of financial instruments and insurance contracts. As such, the Group is exposed to financial and insurance risks and the principles utilised by management in dealing with these risks are set out below.

4.1 Credit risk

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks are primarily associated with financial investments and reinsurance contracts held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

Significant concentrations of credit risk associated with financial investments are set out in notes 11.3 and 15.

The risks associated with reinsurance contracts held are set out in note 4.9.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

4. RISK MANAGEMENT (continued)

4.2 Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies.

In order to manage the risk associated with movements in currency exchange rates, the Group seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. Exceptions are made to invest limited proportions in United States dollar assets which are held to back liabilities in operating currencies. Management considers that these assets diversify the range of investments available, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities by currency are set out in note 37.

4.3 Interest rate risk

The Group is exposed to interest rate risk, which arises when the returns earned from invested assets are insufficient either to maintain returns or to fulfil the minimum returns within insurance and investment contract liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. Guaranteed minimum returns exist within cash values of long term traditional insurance contracts, long term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. For other investment contract liabilities, returns are usually contractual. The Group is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Group is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

The Group manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities, the offering of investment contracts which match the maturity profile of assets, the re-pricing of interest rates on loans receivable, insurance contracts and investment contracts in response to market changes. In the Caribbean region, where availability of suitable investments is often a challenge, the Group holds many of its fixed rate debt securities to maturity and therefore mitigates the transient interest rate changes in the markets.

The effective interest rates of the Group’s financial assets and financial liabilities are set out in the notes 11, 18, 19 and 20.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

4. RISK MANAGEMENT (continued)

4.4 Liquidity risk

In order to manage liquidity risks, management seeks to maintain levels of cash and short-term deposits in each of its operating currencies, which are sufficient to meet reasonable expectations of its short-term obligations.

The Group is exposed to daily calls on its available cash resources for policy benefits and withdrawals, operating expenses and taxes, loan draw-downs, repayment of borrowings, maturing deposit liabilities and other security obligations. The Group does not maintain cash resources to meet all these needs as experience shows that a minimum level of revenue flows and maturing investments can be predicted with a high level of certainty.

Certain investment portfolios within the Group contain securities which can only be disposed of over a period of time. In such instances, the Group generally maintains higher levels of short-term instruments to compensate for the relative illiquidity of the aforementioned securities.

The maturity profiles of the Group's financial assets and liabilities are disclosed in notes 11, 18, 19 and 20.

4.5 Fair values of financial assets and financial liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The estimated fair values of financial assets and financial liabilities are based on market values of quoted securities as at December 31 where available. In assessing the fair value of non-traded financial assets and financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models.

The Group's financial assets and financial liabilities as disclosed in the balance sheet approximate their fair value, except as disclosed in notes 11 and 20.

4.6 Insurance risk - short term insurance contracts

Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the insurer. In determining the premium payable under the contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles to limit amounts of potential losses incurred.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e a property or casualty claim, a medical expense or a death claim. Settlement of these benefits is expected generally within six months. However, some benefits are settled over a longer duration.

For the Group's property and casualty insurance contracts, significant risk exposures arise from low frequency high severity events such as hurricanes. Single events, such as major fires and accidents may also generate significant claims.

For the Group's health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

4. RISK MANAGEMENT (continued)

4.7 Insurance risks - long-term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the insurer's assessment of the risk. The insurer assesses the likely benefits and cash flows both in establishing the amount of premium payable under the contract and in estimating the balance sheet liability arising from the contract.

For long-term contracts inforce, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Policy benefits payable under long-term contracts may be triggered:
- by an insurable event, i.e. a death, disability or critical illness claim;
- at a specified time, i.e. an annuity settlement or a policy maturity; and
- on the exercise of a surrender or withdrawal request by the policyholder.

Settlement of these benefits is therefore expected over a wide time span, extending over the remaining lives of the insureds and annuitants. Industry and Group experience do suggest that settlement will in fact occur over this time period, but does not remove the uncertainty which exists over the timing of future benefit cash outflows.

Significant risks arise from mortality and morbidity experience. Worsening mortality and morbidity will increase the incidence of death and disability claims. Improving mortality will lengthen the payout period of annuities.

4.8 Concentrations of insurance risk

The Group carries significant insurance risks concentrated in certain countries within the Caribbean. In these countries, the Group carries a notable proportion of the insured population (life, annuity health) or insured assets or casualty risk (property and casualty) of the country as a whole.

Significant concentration of life insurance, annuity, and health risks occurs in Antigua, Barbados, Cayman Islands, Jamaica, Netherland Antilles, St Lucia and Trinidad and Tobago. Significant concentration of property and casualty risks occurs in Barbados and Cayman Islands.

Total insurance coverage on insurance policies quantify some of the risk exposures. Typically, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total sums assured at December 31, 2005, gross and net of reinsurance on life and property and casualty risks are summarised below.

	Gross	Net
Contracts issued to individuals – life insurance	24,110,493	19,631,953
Contracts issued to groups – life insurance	8,548,240	7,127,969
Property and casualty	7,893,760	3,268,676

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

4. RISK MANAGEMENT (continued)

4.9 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers. The retention programs used by insurers are summarised below:

Type of insurance contract	Retention by insurers
Property and casualty insurance	
Property risks	• maximum retention of $20,000 for a single event; • maximum retention of $10,000 for a catastrophic event; • quota share retention to maximum of 60% in respect of the treaty limits; • quota share retention is further reduced to a maximum of $1,000 per event.
Motor and liability risks	• maximum retention of $1,000 for a single event; • treaty limits apply.
Miscellaneous accident risks	• maximum retention of $180 for a single event; • treaty limits apply.
Engineering business risks	• maximum retention of $300 • treaty limits apply for material damage and for liability claims.
Marine risks	• maximum retention of $150 for a single event; • treaty limits apply.
Property, motor, liability, and engineering risk	• catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits; • treaty limits apply to catastrophic excess of loss coverage.
Health insurance contracts with individuals	Retention per individual to a maximum of $785
Health insurance contracts with groups	Retention per individual to a maximum of $200
Life insurance contracts with individuals	Retention per individual life to a maximum of $700
Life insurance contracts with groups	Retention per individual life to a maximum of $200
Life insurance and annuity blocks of contracts	0% to 37.5% retention on policy liabilities

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

4. RISK MANAGEMENT (continued)

4.9 Reinsurance risk (continued)

Certain insurers of the Group have ceded to a re-insurer further amounts representing 50% of the retentions for individual life contracts.

Insurers may also have catastrophic reinsurance coverage in place whereby reinsurance coverage is obtained for multiple claims arising from one event or occurring within a specified time period.

Reinsurance ceded does not discharge the insurer's liability and failure by a reinsurer to honour its commitments could result in losses to the Group.

Reinsurance balances and the effects of reinsurance ceded on income are disclosed in the notes 12, 16, 18, 27 and 30.

4.10 Fiduciary activities

The Group provides investment management, administration and corporate trust services to pension and mutual funds and other corporate entities which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. Those assets are held in a fiduciary capacity and are not included in these financial statements. These services give rise to fiduciary risk that may expose the Group to claims for mal-administration or under-performance of these funds. As of December 31, the Group administered approximately $2.4 billion (2004 - $1.5 billion) in assets on behalf of these funds.

5. STATUTORY RESTRICTIONS ON ASSETS

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders.

Banking subsidiaries may also be required to hold deposits with Central Banks which regulate the conduct of banking operations.

To satisfy the above requirements, invested assets and cash totalling $1,271 million (2004 - $1,076 million) have been deposited with or are held in trust to the order of the insurance regulators.

In some countries where the Group operates, there are exchange control or other restrictions on the remittance of funds out of those countries.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

6. SEGMENTED INFORMATION

6.1 Geographical Segments

The Group's operations are primarily segregated by the location of the subsidiary or branch initiating the business.

	Year ended December 31, 2005				
	Total assets	Total liabilities	Total revenue	Income from ordinary activities	Total cash flows
Barbados	1,169,324	1,011,566	220,830	18,610	(9,114)
Jamaica	2,001,138	1,561,793	513,850	92,408	71,340
Trinidad & Tobago	734,358	536,615	191,558	64,341	25,104
USA	1,782,293	1,646,972	46,012	(9,970)	5,588
Other Caribbean	729,676	490,947	160,892	40,939	54,998
Not allocated to segments	404	175,693	40,839	17,327	(9,182)
	6,417,193	5,423,586	1,173,981	223,655	138,734

	Year ended December 31, 2004				
	Total assets	Total liabilities	Total revenue	Income from ordinary activities	Total cash flows
Barbados	1,113,345	934,325	214,313	28,929	(33,986)
Jamaica	523,925	399,133	292,267	46,627	13,517
Trinidad & Tobago	712,922	490,424	160,750	58,202	5,049
USA	21,784	15,740	24,341	(3,607)	(2,012)
Other Caribbean	620,959	515,570	142,993	(34,676)	13,115
Not allocated to segments	144,952	22,907	308	(15,576)	(21,871)
	3,137,887	2,378,099	834,972	79,899	(26,188)

Items not allocated to segments include balances relating to goodwill (in 2004 only), loans received to finance acquisitions and gains arising on business combinations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

6. SEGMENTED INFORMATION (continued)

6.1 Geographical Segments (continued)

Significant non-cash expenses charged to income from ordinary activities comprise:

	Year ended Dec. 31,2005		Year ended Dec.31,2004	
	Depreciation and Amortisation	Increase in actuarial liabilities	Depreciation and Amortisation	Increase in actuarial liabilities
Barbados	10,041	24,713	8,530	20,516
Jamaica	12,334	7,807	2,006	16,722
Trinidad & Tobago	1,106	38,575	1,256	28,758
USA	608	(1,972)	966	25,504
Other Caribbean	1,409	(10,443)	466	17,615
Not allocated to segments	-	-	8,577	-
	25,498	58,680	21,801	109,115

Other significant cash expenditures comprise:

	Year ended Dec. 31, 2005		Year ended Dec. 31, 2004	
	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Barbados	17,002	2,539	16,348	420
Jamaica	3,819	3,578	3,636	46
Trinidad & Tobago	666	-	7,011	-
USA	668	-	-	-
Other Caribbean	1,710	-	1,918	-
Not allocated to segments	-	-	-	-
	23,865	6,117	28,913	466

Included in the first two tables above are amounts relating to associated companies which each conduct business primarily in one geographical segment. Total assets and income for the associates consolidated in these financial statements are as follows:

	Year ended Dec. 31, 2005		Year ended Dec. 31, 2004	
	Total assets	Income from ordinary activities	Total assets	Income from ordinary activities
Barbados	253	40	2,113	5,525
Jamaica	507	68	133	-
Trinidad & Tobago	24,775	3,365	22,030	3,744
Other Caribbean	24,716	-	-	-
	50,251	3,473	24,276	9,269

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

6. SEGMENTED INFORMATION (continued)

6.2 Business segments

The Group's business segments are defined by the grouping of products and services of a similar nature. Total assets and total revenue for the principal business segments are as follows:

	Year ended December 31, 2005	
	Total assets	Total revenue
Life insurance, health insurance and annuities business from contracts issued to individuals	4,009,674	609,367
Life insurance, health insurance and pensions business from contracts issued to groups	787,811	279,147
Property and casualty insurance	198,343	46,963
Banking and other financial services	1,420,961	197,665
Not allocated to segments	404	40,839
	6,417,193	1,173,981

	Year ended December 31, 2004	
	Total assets	Total revenue
Life insurance, health insurance and annuities business from contracts issued to individuals	2,097,416	533,182
Life insurance, health insurance and pensions business from contracts issued to groups	556,164	240,369
Property and casualty insurance	195,109	32,344
Banking and other financial services	144,246	28,769
Not allocated to segments	144,952	308
	3,137,887	834,972

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

7. INVESTMENT PROPERTY

The movement in investment property for the year is as follows:

	2005	2004
Balance, beginning of year	179,015	151,523
Additions at cost	8,873	15,605
Transfer to real estate developed for resale	(5,849)	-
Transfer from property, plant & equipment	-	7,258
Disposals	(336)	(1,824)
Appreciation in fair values	1,710	6,892
Effects of exchange rate changes	(1,827)	(439)
Balance, end of year	181,586	179,015

Investment property includes $43,552 (2004 - $43,977) which represents the Group's proportionate interest in the partnerships and joint ventures set out below.

Description of property	Percentage owned by the Group
Barbados:	
Land at Fort George Heights, Upton, St Michael	50%
Land at Plum Tree, St Thomas	50%
Trident House Properties, Lower Broad Street, Bridgetown	33%
Financial Services Centre, Bishop's Court Hill, St Michael	50%
United Nations House, Marine Gardens, Christ Church	25%
BET Building, Wildey, St Michael	10%
Belize:	
Belize Insurance Centre, North Front Street, Belize City	50%
Grenada:	
The Mutual/Trans-Nemwil Office Complex, The Villa, St George's	50%
Trinidad & Tobago:	
Ernst & Young Building, Sweet Briar Road, Port-of-Spain	60%

Pension Funds managed by the Group own a 50% interest in Fort George Heights and Plum Tree respectively, a 33% interest in Trident House Properties and a 25% interest in United Nations House.

Other balances included in the financial statements in respect of the above partnerships and joint ventures are as follows:

	2005	2004
Cash, miscellaneous assets and receivables	4,830	5,304
Other funding instruments, accounts payable and accrued liabilities	553	1,647
Revenue	3,588	4,737
Expenses	221	1,586

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

8. PROPERTY, PLANT AND EQUIPMENT

	Year ended December 31, 2005				
	Owner-occupied properties	Furnishings & leasehold improvements	Computer & Office equipment	Vehicles	Total assets for internal use
Net book value, beginning of year	88,270	6,939	15,688	4,576	115,473
Additions at cost	539	5,333	6,339	1,332	13,543
Additions arising from acquisitions	-	2,113	7,216	281	9,610
Disposals	(819)	(2,349)	(191)	(270)	(3,629)
Appreciation in fair values	4,896	-	-	-	4,896
Depreciation charge	(1,380)	(1,886)	(5,413)	(1,749)	(10,428)
Effects of exchange rate changes	(243)	(114)	(553)	(32)	(942)
Net book value, end of year	91,263	10,036	23,086	4,138	128,523
Represented by:					
Cost or valuation	91,980	31,629	67,914	9,347	200,870
Accumulated depreciation	(717)	(21,593)	(44,828)	(5,209)	(72,347)
	91,263	10,036	23,086	4,138	128,523

	Year ended December 31, 2005		
	Leased vehicles & equipment	Total assets for internal use	Total
Net book value, beginning of year	16,089	115,473	131,562
Additions at cost	10,322	13,543	23,865
Additions arising from acquisitions	-	9,610	9,610
Disposals	(2,094)	(3,629)	(5,723)
Appreciation in fair values	-	4,896	4,896
Depreciation charge	(4,592)	(10,428)	(15,020)
Effects of exchange rate changes	-	(942)	(942)
Net book value, end of year	19,725	128,523	148,248
Represented by:			
Cost or valuation	28,318	200,870	229,188
Accumulated depreciation	(8,593)	(72,347)	(80,940)
	19,725	128,523	148,248

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Year ended December 31, 2004				
	Owner-occupied properties	Furnishings & leasehold improvements	Computer & Office equipment	Vehicles	Total assets for internal use
Net book value, beginning of year	89,574	7,359	12,333	3,972	113, 238
Additions at cost	7,167	1,373	7,635	2,179	18,354
Disposals	(5,758)	(8)	(179)	(113)	(6,058)
Disposals arising from divestitures	-	(10)	(12)	-	(22)
Appreciation in fair values	6,492	-	269	-	6,761
Transfer to investment properties	(7,258)	-	-	-	(7,258)
Depreciation charge	(1,688)	(1,693)	(4,351)	(1,449)	(9,181)
Effects of exchange rate changes	(259)	(82)	(7)	(13)	(361)
Net book value, end of year	88,270	6,939	15,688	4,576	115,473
Represented by:					
Cost or valuation	89,254	26,163	52,250	8,796	176,463
Accumulated depreciation	(984)	(19,224)	(36,562)	(4,220)	(60,990)
	88,270	6,939	15,688	4,576	115,473

	Year ended December 31, 2004		
	Leased vehicles & equipment	Total assets for internal use	Total
Net book value, beginning of year	10,482	113,238	123,720
Additions at cost	10,559	18,354	28,913
Disposals	(1,532)	(6,058)	(7,590)
Disposals arising from divestitures	-	(22)	(22)
Appreciation in fair values	-	6,761	6,761
Transfer to investment properties	-	(7,258)	(7,258)
Depreciation charge	(3,420)	(9,181)	(12,601)
Effects of exchange rate changes	-	(361)	(361)
Net book value, end of year	16,089	115,473	131,562
Represented by:			
Cost or valuation	21,644	176,463	198,107
Accumulated depreciation	(5,555)	(60,990)	(66,545)
	16,089	115,473	131,562

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

9. INVESTMENT IN ASSOCIATED COMPANIES

	2005	2004
Investment, beginning of year	24,276	21,414
Additions	25,702	-
Operating income (see below)	3,473	9,269
Income taxes	(16)	159
Dividends paid	(3,102)	(6,481)
Effects of exchange rate changes	(82)	(85)
Investment, end of year	50,251	24,276

The Group's associated company, Caribbean CariCard Services Inc (CariCard) sold its operations effective July 31, 2004. The net assets sold, consideration received and gain are as follows:

	2004
Net assets sold	2,547
Consideration received	12,947
Total gain on sale	10,400
Gain included in operating income above	5,200

$1,404 of the above gain is attributable to the minority interest.

The aggregate balances and results in respect of associated companies for the period are set out below. For associates acquired during 2005, the full year's revenue and net income are included.

	2005	2004
Total assets	447,823	145,638
Total liabilities	284,502	108,246
Total revenue	34,099	47,972
Net income for the year	10,321	22,580

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

10. INTANGIBLE ASSETS

	Year ended December 31, 2005				
	Goodwill	Customer relationships	Trade names	Software	Total
Net book value, beginning of year	100,124	-	-	3,221	103,345
Assumed on acquisitions	-	-	-	834	834
Additions:					
PCFS (note 38.1)	5,814	63,798	15,212	-	84,824
EBA (note 38.2)	12,770	37,418	-	106	50,294
First Life (note 38.3)	-	3,856	-	-	3,856
Laurel Life (note 38.4)	1,965	724	-	-	2,689
Cayman General (note 38.5)	1,478	9,394	2,093	2,250	15,215
Other	-	-	-	6,117	6,117
Amortisation charge	-	(4,625)	(3,803)	(2,050)	(10,478)
Effects of exchange rate changes	(1,801)	(3,673)	(453)	(264)	(6,191)
Net book value, end of year	120,350	106,892	13,049	10,214	250,505
Represented by:					
Cost:	120,350	111,366	16,726	15,041	263,483
Accumulated amortisation	-	(4,474)	(3,677)	(4,827)	(12,978)
	120,350	106,892	13,049	10,214	250,505

	Year ended December 31, 2004		
	Goodwill	Software	Total
Net book value, beginning of year	109,259	3,428	112,687
Additions	-	466	466
Amortisation charge	(8,554)	(645)	(9,199)
Effects of exchange rate changes	(581)	(28)	(609)
Net book value, end of year	100,124	3,221	103,345
Represented by:			
Cost:	170,521	5,007	175,528
Accumulated amortisation	(70,397)	(1,786)	(72,183)
	100,124	3,221	103,345

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

10. INTANGIBLE ASSETS (continued)

Goodwill has been allocated to the following geographical segments.

	Goodwill			
	Allocation, beginning of year	Additions	Effects of exchange rate changes	Balance, end of year
Barbados	45,266	-	-	45,266
Jamaica	23,355	18,584	(1,704)	40,235
Trinidad & Tobago	9,840	-	-	9,840
USA	-	1,965	-	1,965
Other Caribbean	21,663	1,478	(97)	23,044
	100,124	22,027	(1,801)	120,350

The recoverable amount of a cash generating unit is based on its value in use. These calculations use income projections prepared by management for the next three years. Projections beyond three years are extrapolated using the estimated discount factors and growth rates set out below.

	2005	
	Discount factor	Residual growth rate
Barbados	12.00%	6.00%
Jamaica	21.00%	8.00%
Trinidad & Tobago	12.00%	6.00%
USA	8.91%	5.00%
Other Caribbean	10.00%, 12.00%	4.00%, 6.00%

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

11. FINANCIAL INVESTMENTS

11.1 Analysis of financial investments

	2005 Carrying Value	2005 Fair Value	2004 Carrying Value	2004 Fair Value
Held to maturity securities:				
Debt securities	43,260	47,215	50,080	50,221
Available for sale securities:				
Debt securities	2,308,667	2,308,667	293,292	293,292
Equity securities	396,752	396,752	453,456	453,456
	2,705,419	2,705,419	746,748	746,748
Securities at fair value through income:				
Debt securities	150,884	150,884	130,380	130,380
Equity securities	43,261	43,261	38,922	38,922
	194,145	194,145	169,302	169,302
Loans and receivables:				
Debt securities	637,886	668,822	582,946	584,983
Mortgage loans	420,600	419,406	355,050	355,050
Policy loans	254,993	254,993	143,639	143,639
Finance loans and finance leases	235,133	235,133	61,549	61,549
Securities purchased under agreements to resell	69,029	69,029	30,179	30,179
Deposits	171,960	171,960	172,026	172,026
	1,789,601	1,819,343	1,345,389	1,347,426
Total financial investments	4,732,425	4,766,122	2,311,519	2,313,697

Debt securities comprise:

	2005	2004
Government debt securities	1,943,775	841,893
Corporate debt securities	612,692	200,662
Collateralised mortgage obligations	475,636	-
Other securities	108,594	14,143
	3,140,697	1,056,698

Debt securities include $12,733 (2004 - $8,285) that contain options to convert to common shares of the issuer.

Corporate debt securities include:

(i) convertible loans totalling $1,548 (2004 - $1,718) issued to the Group by an associated company. These loans can be converted into equity or bonds issued by the associated company.

(ii) $25,598 (2004 - $21,884) in bonds issued by an associated company.

Equity securities include $12,526 (2004 - $11,834) in mutual funds managed by the Group.

Policy loans include $89,900 (2004 – nil) in assets held as reinsurers' share of actuarial liabilities. The Group earns no income on these assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

11. FINANCIAL INVESTMENTS (continued)

11.2 Pledged assets

Debt securities include $82,330 (2004 – nil) held in trust supporting reinsurance liabilities assumed. The Group manages these investments and bears the investment risk.

Debt and equity securities include $55,749 (2004 - $45,875) as collateral for loans payable.

The collateral for other funding instruments – loans for mortgage funding – from the Federal Home Loan Bank (FHLB), consists of an equity holding in the FHLB (market value $12,026), and mortgages and mortgage backed securities having a total market value of $255,554.

Debt securities are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions. As of December 31, 2005, these pledged assets totalled $904,302 (2004 - $309). Of these assets pledged as security $394,706 (2004 – nil) represent collateral for securities sold under agreements to repurchase in instances when the transferee has the right by contract or by custom to sell or re-pledge the collateral.

11.3 Significant concentrations

	2005	2004
Debt securities:		
Government of Jamaica	1,322,041	351,707
Federal government of USA and its agencies	576,354	5,864
Government of Barbados	208,154	161,241
Government of Trinidad & Tobago	86,086	125,022
Equity securities:		
RBTT Financial Holdings Limited	42,081	122,336
Securities purchased under agreements to resell:		
Government of Jamaica	68,863	30,127

11.4 Effective interest rates

	2005	2004
Debt securities	8.7%	11.5%
Mortgage loans	7.1%	8.9%
Policy loans	11.0%	10.2%
Finance loans and finance leases	12.9%	11.9%
Securities purchased under agreements to resell	7.3%	10.9%
Deposits	7.2%	5.3%

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

11. FINANCIAL INVESTMENTS (continued)

11.5 Maturity profiles

	December 31, 2005			
	Repayable within one year	Repayable between one and five years	Repayable after five years	Total
Debt securities	235,775	479,804	2,425,118	3,140,697
Mortgage loans	7,965	36,115	376,520	420,600
Finance loans and finance leases	81,163	94,870	59,100	235,133
Securities purchased under agreements to resell	69,029	-	-	69,029
Deposits	134,326	11,067	26,567	171,960
	528,258	621,856	2,887,305	4,037,419

	December 31, 2004			
	Repayable within one year	Repayable between one and five years	Repayable after five years	Total
Debt securities	149,615	247,280	659,803	1,056,698
Mortgage loans	14,989	44,004	296,057	355,050
Finance loans and finance leases	4,964	43,118	13,467	61,549
Securities purchased under agreements to resell	30,179	-	-	30,179
Deposits	152,848	17,123	2,055	172,026
	352,595	351,525	971,382	1,675,502

Policy loans are repayable either at the discretion of the policyholder or on termination of the policy.

11.6 Returns accruing to the benefit of contract-holders

Financial investments include the following amounts for which the full income and capital returns accrue to the holders of unit linked contracts, certain deposit administration contracts and “closed” participating policies.

	2005	2004
Debt securities	393,382	149,234
Equity securities	35,520	29,579
Mortgage loans	224,806	82,074
Securities purchased under agreements to resell	6,706	7,003
Deposits	45,660	959
	706,074	268,849

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

11. FINANCIAL INVESTMENTS (continued)

11.7 Allowances for impairment losses

	2005	2004
Mortgage loans	5,222	7,839
Debt securities	14,826	8,530
Finance loans and finance leases	5,710	3,009
	25,758	19,378

Interest of $3,645 (2004 - $3,481) has been accrued on impaired financial investments.

12. REINSURANCE ASSETS

	2005	2004
Reinsurers' share of actuarial liabilities (note 16.1)	605,995	2,889
Claim recoveries from reinsurers (note 18.2)	44,396	92,912
Unearned premiums ceded to reinsurers (note 18.3)	33,289	13,399
Other	12,508	-
	696,188	109,200

The reinsurers' share of actuarial liabilities represent balances which are long term in nature, and for which, most are expected to be settled after one year.

	2005	2004
Reinsurers' share of actuarial liabilities and claim recoveries from reinsurers include the following significant balances:		
Scottish Re (U.S.) Inc (rated A-Excellent by A.M. Best)	366,900	-
Washington National Insurance Company (rated B++ Very Good by A.M. Best)	211,532	-
AON Re	6,783	74,265

13. INCOME TAX ASSETS

	2005	2004
Deferred income tax assets (note 34)	8,226	8,037
Income and withholding taxes recoverable	27,485	12,559
	35,711	20,596

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 — *Amounts expressed in Barbados $000*

14. MISCELLANEOUS ASSETS AND RECEIVABLES

	2005	2004
Pension plan assets (note 32.2)	2,723	2,191
Real estate developed or held for resale	23,498	15,293
Premiums in the course of collection	52,517	32,770
Amounts due from managed funds	10,722	1,680
Other accounts receivable	113,956	87,303
	203,416	139,237

Real estate developed for resale includes $8,611 which is expected to be realised after one year.

Real estate developed for resale includes $4,628 (2004 - $8,268) which represents the Group's proportionate interest in the joint ventures set out below.

Description of property	Percentage owned by the Group
Barbados:	
Land at Fort George Heights, Upton, St Michael	50%
Rolling Hills Development, Byde Mill, St George	81%

15. CASH RESOURCES

Significant concentrations of cash resources at December 31 are as follows:

	2005	2004
FirstCaribbean International Bank	72,440	45,209

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

16. ACTUARIAL LIABILITIES

16.1 Analysis of actuarial liabilities

	2005	2004
(a) Contracts issued to individuals:		
Life - participating policies	539,382	450,120
Life and annuity - non-participating policies	1,673,880	675,174
Health	7,192	5,988
Unit linked funds	169,151	174,102
Reinsurance contracts held	18,910	9,451
	2,408,515	1,314,835
(b) Contracts issued to groups:		
Life	54,704	8,383
Annuities	282,565	139,200
Health	31,447	22,624
	368,716	170,207
Total actuarial liabilities	2,777,231	1,485,042

The following notes are in respect of the above:

- Life includes insurance coverage for disability and critical illness.
- Actuarial liabilities include $368,271 (2004 - $6,472) in assumed reinsurance.
- Liabilities for reinsurance contracts held occur because the reinsurance premium costs exceed the mortality costs assumed in determining the gross liability of the policy.

The above liabilities include the following amounts which are recoverable from reinsurers:

	2005	2004
(a) Contracts issued to individuals:		
Life - participating policies	6,302	-
Life and annuity - non-participating policies	483,188	-
Health	2,666	344
	492,156	344
(b) Contracts issued to groups:		
Life	7,157	2,138
Annuities	106,428	-
Health	254	407
	113,839	2,545
Total reinsurers' share of actuarial liabilities (note 12)	605,995	2,889

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

16. ACTUARIAL LIABILITIES (continued)

16.2 Assumptions

(a) Process used to set actuarial assumptions and margins for adverse deviations

At each date for valuation of actuarial liabilities, the Appointed Actuary (AA) of each insurer reviews the assumptions made at the last valuation date. The AA tests the validity of each assumption by reference to current data, and where appropriate, changes the assumptions for the current valuation.

A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Recent changes in actuarial standards and practice are also incorporated in the current valuation.

(b) Assumptions for mortality and morbidity

For the 2005 valuation, insurers (with the exception of American Founders Life Insurance Company) conducted studies of their own recent mortality experience. Studies were conducted by combining data in some geographic segments to create a credible mortality table. The combined experience was measured against an industry standard (CIA 86-92) and the combined experience resulted in a modification of the probabilities of death by policy duration. Appropriate modification factors were selected and applied to underwritten and non-underwritten business respectively in the actuarial valuation. Annuitant mortality was determined by reference to established scales.

American Founders Life Insurance Company has relied upon industry studies and other sources to develop its mortality assumptions for its life insurance and annuity contracts.

Assumptions for morbidity are determined after taking into account insurer and industry experience.

(c) Assumptions for lapse

Lapse studies were performed by insurers for the 2005 valuation, to determine the most recent experience of persistency. Appropriate rates of termination by policy duration were determined and applied in the actuarial valuation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

16. ACTUARIAL LIABILITIES (continued)

16.2 Assumptions (continued)

(d) Assumptions for investment yields

Returns on existing variable rate securities, shares, investment property and policy loans are linked to the current economic scenario. Yields on reinvested assets are also tied to the current economic scenario. Returns are however assumed to decrease and it is assumed that at the end of twenty years from valuation date, all investments, except policy loans, are reinvested in long-term, default free government bonds. In accordance with revisions in actuarial practice standards, for the 2005 valuation, policy loans are assumed to be held beyond twenty years, as long as the current level of policy loans is in line with investment strategy.

The ultimate rate of return (URR) is the assumed rate that will ultimately be earned on government bonds and is as follows:

Geographical segment	URR
Barbados	4.75%
Jamaica	7.00%
Trinidad & Tobago	5.75%
USA	4.00 – 4.25%
Other Caribbean	4.75 - 5.25%

(e) Assumptions for operating expenses and taxes

New business and maintenance expense costs for long-term business are measured and monitored by each insurer. These costs were updated for the 2005 valuation, were computed on a per policy basis, and were reflected in the actuarial valuation after adjusting for expected inflation.

(f) Asset defaults

The AA of each insurer includes a provision for asset default in the modelling of the cash flows. The provision is based on industry and Group experience and includes a specific margin for equity securities and a combined margin for debt securities, mortgage loans and deposits.

(g) Margins for adverse deviations

Margins for adverse deviations are determined for the assumptions in the actuarial valuation. The application of these margins resulted in the following provisions for adverse deviations being included in the actuarial liabilities:

Provisions for adverse deviations	2005	2004
Mortality and morbidity	48,536	37,927
Lapse	34,406	24,021
Investment yields and asset default	136,517	41,627
Operating expenses and taxes	25,969	18,955
	245,428	122,530

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

16. ACTUARIAL LIABILITIES (continued)

16.2 Assumptions (continued)

(h) Supplemental benefits

Further harmonisation between insurers in the valuation of supplemental benefits has been effected in 2005. The valuation is based on the specific cash flows associated with these benefits.

(i) Health insurance

The outstanding liabilities for health insurance claims incurred but not yet reported and for claims reported but not yet paid are determined by statistical methods using expected loss ratios which have been derived from recent historical data. No material claim settlements are anticipated after one year of balance sheet date.

16.3 Movement in actuarial liabilities and changes in assumptions

The movement in actuarial liabilities for the year is as follows:

	2005	2004
Balance, beginning of year	1,485,042	1,380,741
Liabilities assumed on acquisitions	1,254,825	-
Changes in net inforce, assumptions and actuarial modelling	(57,472)	88,103
Changes in provisions for adverse deviations	109,885	21,360
Effect of exchange rate changes	(15,049)	(5,162)
Balance, end of year	2,777,231	1,485,042

The movement in actuarial liabilities includes the following amounts which are recoverable from reinsurers:

	2005	2004
Balance, beginning of year	2,889	2,541
Liabilities assumed on acquisitions	609,373	-
Change during the year	(6,267)	348
Balance, end of year (note 12)	605,995	2,889

The net increase in actuarial liabilities charged to income is as follows:

	2005	2004
Changes in net inforce, assumptions and actuarial modelling	(57,472)	88,103
Change in reinsurance recoverable	6,267	(348)
Changes in provisions for adverse deviations	109,885	21,360
	58,680	109,115

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

16. ACTUARIAL LIABILITIES (continued)

16.3 Movement in actuarial liabilities and changes in assumptions (continued)

Components of the net increase in actuarial liabilities have been estimated using Policy Premium Method equivalents. Because the process of changes in assumptions is applied to all affected insurance contracts, changes in assumptions and in actuarial modelling may have a significant effect in the period in which they are recorded. The introduction of a margin on equity securities and real estate supporting policy liabilities was the only change in assumptions and actuarial modelling which represented more than 5% of actuarial liabilities at the beginning of the year. The impact of this change on the actuarial liabilities was an approximate increase of $76,400 but was offset by other changes in assumptions and actuarial modelling. In summary, the components of the net change in actuarial liabilities are as follows:

	2005
Normal increase in liabilities	141,223
Effect of changes in assumptions and actuarial modelling	(82,543)
	58,680

16.4 Sensitivity analysis

(a) Sensitivity arising from the valuation of actuarial liabilities

The valuation of actuarial liabilities is sensitive to:

- the economic scenario used in CALM;
- the investments allocated to back the liabilities;
- the underlying assumptions used; and
- the margins for adverse deviations.

Under the CALM methodology, the AA is required to test the actuarial liability under 7 economic scenarios. These tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under CALM reflect the impact of different yields.

The other assumptions which are most sensitive in determining the actuarial liabilities of the Group, are in descending order of impact:

- Operating expenses and taxes
- Lapse
- Mortality and morbidity

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

16. ACTUARIAL LIABILITIES (continued)

16.4 Sensitivity analysis (continued)

(b) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of the insurer's financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the balance sheet at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

The purpose of the DCAT is:
- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management to material, plausible and imminent threats to the insurer's solvency;
- and to describe possible courses of action to address these threats.

Specific scenarios tested and the resulting impact on insurers are as follows.

(i) Worsening rate of lapse. For products which produce higher valuation reserves with an increase in lapse rates, the scenario lapse rates were increased. For products which produce higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were reduced. Overall, this scenario produces adverse results.

(ii) High interest rate. An assumed increase in portfolio rate of 1% per year for 5 years (LOJ - 0.5% per year for ten years) was tested in this scenario. Overall, this scenario produces favourable results.

(iii) Low interest rate. An assumed decrease in portfolio rate of 0.25% for 5 years (LOJ -1% per year for 5 years) was tested in this scenario. Overall, this scenario produces adverse results.

(iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for insurance and critical illness products and decreased for annuity products. For insurance and critical illness products, rates were increased by 3% of the base rate per year for 5 years. For annuity products, rates were decreased by 3% of the base rate for 5 years. Overall, this scenario produces adverse results.

(v) Higher expenses. Higher unit maintenance expenses were tested by setting the unit expense rate for each projection year 5% greater than the unit expense rate assumed in the base scenario. Overall, this scenario produces adverse results.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

16. ACTUARIAL LIABILITIES (continued)

16.4 Sensitivity analysis (continued)

The DCAT conducted has not tested any correlation that may exist between assumptions. The use of differing sensitivity rates by insurers reflects differences in the insurers' environment.

Certain insurers in the Group conducted DCAT as of December 31, 2005. In each instance, the AA concluded that the financial condition of the insurer is satisfactory under the DCAT procedures. The insurers were as follows:

- Sagicor Life Inc;
- Life of Jamaica Limited;
- Sagicor Capital Life Insurance Company Limited;
- Capital Life Insurance Company Bahamas Limited;
- Nationwide Insurance Company Limited.

These insurers have net actuarial liabilities totalling $1,520,235 or 70% of the Group total.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities one year from balance sheet date.

	(i)	(ii)	(iii)	(iv)	(v)
Scenario	Worsening rate of lapse	High interest rate	Low interest rate	Worsening mortality / morbidity	Higher expenses
(Increase) / decrease in liability	(38,033)	328,625	(176,423)	(63,408)	(54,397)

17. DEPOSIT ADMINISTRATION LIABILITIES

The movement in deposit administration liabilities for the year is as follows:

	2005	2004
Balance, beginning of year	305,464	292,217
Liabilities assumed on acquisition	25,458	-
Contributions received	28,376	28,904
Interest expense	24,617	22,569
Payments and withdrawals	(32,541)	(35,369)
Expenses	(2,014)	(2,232)
Effects of exchange rate changes	(3,131)	(625)
Balance, end of year	346,229	305,464

Deposit administration liabilities represent balances which are long term in nature and for which, most are expected to be settled after one year.

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

18. OTHER POLICYHOLDER LIABILITIES

	2005	2004
Policy funds on deposit	202,231	153,645
Policy benefits in the course of settlement	102,547	144,086
Provision for unearned premiums	56,967	35,636
Unearned reinsurance commissions	2,586	-
	364,331	333,367

18.1 Policy funds on deposit

Policy funds on deposit comprise:

	2005	2004
Investment contracts	85,546	61,127
Dividends on deposit – participating policies	108,283	85,427
Other policy balances	8,402	7,091
	202,231	153,645

The effective interest rate and contractual maturity profile of policy funds on deposit are as follows:

	2005	2004
Effective interest rate	5.3%	8.0%
Contractual maturity profile:		
Repayable on demand or within one year	163,047	132,414
Repayable between one and five years	20,201	18,461
Repayable after five years	18,983	2,770
	202,231	153,645

18.2 Policy benefits in the course of settlement

(a) Analysis of policy benefits in the course of settlement

Policy benefits in the course of settlement comprise:

	2005	2004
Death and disability claims	52,137	40,483
Maturities	8,258	7,290
Health claims	1,140	1,683
Property and casualty claims	36,581	91,066
Other	4,431	3,564
	102,547	144,086

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

18. OTHER POLICYHOLDER LIABILITIES (continued)

18.2 Policy benefits in the course of settlement (continued)

Health claims include $315 (2004 – $922) in provisions for claims incurred but not yet reported.
Property and casualty claims include $1,695 (2004 – $1,984) in provisions for claims incurred but not yet reported.

The associated reinsurance recoveries from benefits in the course of settlement are in respect of:

	2005	2004
Death and disability claims	20,283	16,451
Health claims	851	640
Property and casualty claims	23,168	75,821
Other	94	-
Total (note 12)	44,396	92,912

(b) Movement in policy benefits in the course of settlement

The movement in policy benefits in the course of settlement for the year is as follows:

	2005	2004
Balance, beginning of year	144,086	58,972
Balance assumed on acquisitions	33,022	-
Policy benefits incurred	432,380	492,219
Policy benefits paid	(505,028)	(406,760)
Effect of exchange rate changes	(1,913)	(345)
Balance, end of year	102,547	144,086

The movement in policy benefits in the course of settlement includes the following amounts which are recoverable from reinsurers.

	2005	2004
Balance, beginning of year	92,912	26,894
Balance assumed on acquisitions	10,263	-
Policy benefits reinsured	43,340	167,965
Reinsurance claim recoveries	(101,238)	(101,909)
Effect of exchange rate changes	(881)	(38)
Balance, end of year (note 12)	44,396	92,912

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

18. OTHER POLICYHOLDER LIABILITIES (continued)

18.3 Provision for unearned premiums

(a) Analysis of provision for unearned premiums

The provision for unearned premiums arises from:

	2005	2004
Property and casualty insurance	53,857	25,940
Health insurance	3,110	9,696
	56,967	35,636

The associated unearned premiums ceded to reinsurers are in respect of:

	2005	2004
Property and casualty insurance	33,289	13,399
Total (note 12)	33,289	13,399

(b) Movement in provision for unearned premiums

The movement in the provision for unearned premium for the year is as follows:

	2005	2004
Balance, beginning of year	35,636	28,246
Balance assumed on acquisitions	21,131	-
Premiums written	99,869	90,028
Premium revenue	(97,931)	(82,620)
Effect of exchange rate changes	(1,738)	(18)
Balance, end of year	56,967	35,636

The movement in unearned premiums ceded to reinsurers is as follows:

	2005	2004
Balance, beginning of year	13,399	10,699
Balance assumed on acquisitions	15,003	-
Reinsurance on premiums written	38,207	31,248
Reinsurance premium expense	(33,147)	(28,548)
Effect of exchange rate changes	(173)	-
Balance, end of year (note 12)	33,289	13,399

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

19. LOANS PAYABLE

	2005	2004
US$ bank loan secured by shares in certain subsidiaries and by the guarantee of another subsidiary, repayable 2006	116,427	-
US$ bank loan secured by portfolio of investment securities (note 11.2), repayable 2006 – 2010	34,268	-
US$ bank loan secured by portfolio of investment securities (note 11.2), repayable 2006 and bears interest at 6%	10,000	-
US$ bank loan secured by bankers' guarantee, repayable 2004 – 2005	-	10,714
US$ bank loan secured by portfolio of investment securities, repayable 2004 – 2005	33	5,198
	160,728	15,912

Unless stated above, the interest rates on the above loans float based on either the 3 month or the 6 month LIBOR. The carrying value of these loans therefore approximates their fair value. The effective interest rate and maturity profile of loans payable are as follows:

	2005	2004
Effective interest rate	4.9%	3.4%
Maturity profile:		
Repayable within one year	132,168	9,496
Repayable between one and five years	28,560	6,416
	160,728	15,912

20. DEPOSIT AND SECURITY LIABILITIES

Deposit and security liabilities represent sources of funds for on-lending, leasing and portfolio investments.

	2005	2004
Other funding instruments:		
Loans for mortgage financing (market value $250,792)	252,704	-
Loans for development financing (market value $31,042)	31,042	-
Loans from commercial banks (market value $12,496)	12,496	1,475
Deposits:		
Customer deposits	227,504	74,064
Securities:		
Securities sold under agreements to repurchase	907,987	-
Bank overdrafts	8,712	10,299
Total deposit and security liabilities	1,440,445	85,838

The loans for mortgage financing have been obtained from the Federal Home Loan Bank (FHLB).

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

20. DEPOSIT AND SECURITY LIABILITIES (continued)

The collateral for loans for mortgage financing and securities sold under agreements to resell is set out in note 11.2.

Un-disbursed facilities in respect of other funding instruments and bank overdrafts total approximately $6,054 (2004 – nil).

(a) Effective interest rates

	2005	2004
Other funding instruments	5.9%	8.9%
Deposits	7.3%	5.8%
Securities	10.0%	-

(b) Maturity profiles

	2005			
	Repayable within one year	Repayable between one and five years	Repayable after five years	Total
Other funding instruments	154,103	41,886	100,253	296,242
Deposits	163,665	47,952	15,887	227,504
Securities	907,880	107	-	907,987
Bank overdrafts	8,712	-	-	8,712
	1,234,360	89,945	116,140	1,440,445

	2004			
	Repayable within one year	Repayable between one and five years	Repayable after five years	Total
Other funding instruments	163	1,045	267	1,475
Deposits	37,926	36,106	32	74,064
Bank overdrafts	10,299	-	-	10,299
	48,388	37,151	299	85,838

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

21. PROVISIONS

	2005	2004
Pension plans and other retirement benefits (note 32.2)	28,994	26,261
Other	3,366	1,886
	32,360	28,147

22. INCOME TAX LIABILITIES

	2005	2004
Deferred income tax liabilities (note 34)	10,938	3,852
Income taxes payable	20,020	14,221
	30,958	18,073

23. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2005	2004
Amounts due to policyholders	2,331	4,692
Amounts due to reinsurers	139,046	42,970
Amounts due to managed funds	11,956	6,242
Other accounts payable and accrued liabilities	117,971	52,352
	271,304	106,256

24. SHARE CAPITAL

The Company is authorised to issue an unlimited number of common shares issuable in series, and an unlimited number of preference shares issuable in series.

Series A Common Shares have been issued and movements are summarised in the following table.

	2005		2004	
	Number of shares	Consideration (Barbados $000)	Number of shares	Consideration (Barbados $000)
Balance, beginning of year	260,029,748	432,495	260,029,748	432,495
Allotment (note 38)	5,523,000	25,956	-	-
Balance, end of year	265,552,748	458,451	260,029,748	432,495

At a special general meeting of shareholders held on December 19, 2005, approval was granted for the establishment of an executive long-term incentive plan (LTI) and an employee share ownership plan (ESOP). 26,555,274 Series A Common Shares have been reserved for these plans which become effective from December 31, 2005.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

25. RESERVES

	2005	2004
Fair value reserve – available for sale investment securities:		
Balance, beginning of year as previously reported	186,739	110,127
Prior year adjustments	(13,819)	(20,743)
Balance, beginning of year as restated	172,920	89,384
Unrealised gains arising on revaluation	4,967	130,140
Gains transferred to income on disposal and impairment	(65,874)	(46,604)
Balance, end of year	112,013	172,920
Fair value reserve – owner occupied property:		
Balance, beginning of year	12,971	6,033
Unrealised gains arising on revaluation	4,896	7,578
Gains transferred to retained earnings on disposal	(96)	(640)
Balance, end of year	17,771	12,971
Currency translation:		
Balance, beginning of year	(25,486)	(23,730)
Restatement of foreign branch operations	-	(310)
Retranslation of foreign operations	(13,124)	(1,446)
Balance, end of year	(38,610)	(25,486)
Statutory reserves:		
Balance, beginning of year	7,289	5,893
Net change for the year	2,331	1,396
Balance, end of year	9,620	7,289
Total reserves, end of year	100,794	167,694

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

26. PARTICIPATING ACCOUNTS

26.1 'Closed' participating fund

The movement in the closed participating account during the year was as follows:

	2005	2004
Balance, beginning of year	779	1,047
Net unrealised gains / (losses) arising on available for sale investment securities	235	(851)
Net income for the year	12,950	583
Balance, end of year	13,964	779

The amounts in the financial statements relating to closed participating funds are as follows:

	2005	2004
Assets	182,074	170,449
Liabilities	168,110	169,670
Revenues	21,059	22,040
Benefits	3,911	18,004
Expenses	3,595	2,924
Income taxes	603	529

26.2 'Open' participating fund

The movement in the open participating account during the year was as follows:

	2005	2004
Balance, beginning of year	609	175
Transfer from retained earnings to support the profit distribution to shareholders	13,500	-
Return of transfer to support profit distribution to shareholders	(498)	-
Transfer of seed capital from retained earnings	-	3,000
Return of seed capital to retained earnings	(5,500)	-
Net income / (loss) for the year	12,572	(2,566)
Balance, end of year	20,683	609

The amounts in the financial statements relating to open participating funds are as follows:

	2005	2004
Assets	418,686	896
Liabilities	398,003	287
Revenues	69,784	3,745
Benefits	33,974	(494)
Expenses	21,813	6,805
Income taxes	1,425	-

26.3 Total participating accounts

	2005	2004
Total participating accounts, end of year	34,647	1,388

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

27. NET PREMIUM REVENUE

	Year ended December 31, 2005			2004
	Premium revenue	Reinsurance premium expense	Net premium revenue	Net premium revenue
Life insurance	392,303	(57,726)	334,577	281,300
Health insurance	197,039	(8,452)	188,587	151,650
Property and casualty insurance	74,063	(43,211)	30,852	22,892
Annuities and pensions	85,302	(122)	85,180	81,696
	748,707	(109,511)	639,196	537,538

Premium revenue includes $24,640 (2004 - $13,340) in reinsurance assumed.

28. NET INVESTMENT INCOME

	2005	2004
Income:		
Rental income from investment property	11,179	11,176
Interest income:		
Debt securities	242,360	108,767
Mortgage loans	28,071	29,284
Policy loans	14,184	13,459
Finance loans and finance leases	25,431	6,398
Securities purchased under agreements to resell	10,735	2,883
Deposits	8,619	8,168
Other balances	509	263
Dividend income	12,432	11,047
Net gains on financial investments	78,189	63,748
Net fair value gains on investment property	1,710	6,892
Foreign exchange translation and trading	4,461	3,140
Other investment income	1,825	-
	439,705	265,225
Expenses		
Direct operating expenses of investment property	2,430	2,101
Allowances for impairment losses	15,608	14,243
Other direct investment expenses	6,252	5,953
	24,290	22,297
Net investment income	415,415	242,928

Interest from debt securities includes $2,881 (2004 - $2,463) from an associated company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 — *Amounts expressed in Barbados $000*

29. FEES AND OTHER REVENUE

	2005	2004
Fee income - assets under administration	19,792	13,976
Fee income - deposit administration and policy funds	5,762	6,653
Commission income on insurance ceded to reinsurers	16,687	13,740
Other fees and commission income	17,038	1,544
Miscellaneous income	17,672	9,324
	76,951	45,237

30. NET POLICY BENEFITS

	Year ended December 31, 2005			2004
	Policy benefits incurred	Policy benefits reinsured	Net policy benefits incurred	Net policy benefits incurred
Death and disability	64,853	(17,988)	46,865	33,937
Maturities	18,809	(52)	18,757	32,337
Surrenders and withdrawals	111,533	(8,946)	102,587	69,086
Annuities and pensions	58,676	(2,634)	56,042	46,373
Policy dividends and bonuses	15,204	(144)	15,060	14,007
Health insurance	134,128	(8,782)	125,346	97,720
Property and casualty insurance	19,788	(4,682)	15,106	27,217
Other benefits	9,389	(112)	9,277	12,411
	432,380	(43,340)	389,040	333,088

Policy benefits incurred include $23,085 (2004 - $5,782) in reinsurance assumed.

31. INTEREST EXPENSE

	2005	2004
Deposit administration and employee pension plan liabilities	26,338	23,894
Policy funds on deposit	11,829	11,375
Other funding instruments	5,801	-
Deposits	14,598	3,737
Securities	87,418	-
Other Items	1,885	-
	147,869	39,006

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

32. EMPLOYEE BENEFITS

Included in administrative expenses, commissions and related compensation are the following:

	2005	2004
Administrative staff salaries, directors' fees and other short-term benefits	91,272	65,360
Employer contributions to social security schemes	7,082	4,987
Equity compensation benefits	6,773	-
Employer contribution to defined contribution pension schemes	1,026	686
Costs – defined benefit pension schemes	4,672	3,061
Costs – other retirement benefits	1,403	1,429
	112,228	75,523

The total number of administrative staff at December 31 was 1,627 persons (2004 – 1,251 persons).

32.1 Equity compensation benefits

(a) The Company

Effective December 31, 2005, the Company authorised compensation of $5,809 under the executive long-term incentive plan. The compensation awarded may, at the option of the recipient, be settled in cash, or shares issued by the Company, or by a combination of cash and shares.

(b) Life of Jamaica Limited (LOJ)

Share options in LOJ shares are granted to key management of LOJ who have completed the minimum eligibility period of one year. Options are granted at a 25% discount of the last sale price on the Jamaica Stock Exchange on the trading day prior to the grant date and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual term of five years.

The movement in share options was as follows:

	2005		2004	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Balance, beginning of year	14,959	J$ 5.13	11,665	J$ 3.39
Options granted	4,086	J$ 9.86	3,294	J$11.30
Balance, end of year	19,045	J$ 6.14	14,959	J$ 5.13
Exercisable at the end of the year	3,739	J$ 9.86	2,916	J$11.30

The proceeds from shares issued under the share purchase plan totalled $4,754 (2004 - $2,181)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

32. EMPLOYEE BENEFITS (continued)

32.1 Equity compensation benefits (continued)

(c) Pan Caribbean Financial Services Limited (PCFS)

The directors of PCFS have granted options in PCFS shares as follows:

(i) 450,000 share options on February 7, 2002. These expire on December 31, 2006. The shares in respect of these options have been issued by the company and are held in an Employee Share Option Trust. The exercise price for these options is J$4.55.

(ii) 17,220,000 share options on March 8, 2004. The exercise price for these options is J$10. The options vest by December 31, 2006. 6,600,000 shares were allotted in the prior year. A further 900,000 vested options were exercised during the year.

(iii) 816,800 share options on March 8, 2004. The exercise price for the options is J$10 less a 20% discount. These options vested and were fully exercised in March 2005.

(iv) 1,200,000 share options on March 1, 2005. These options expire on December 31, 2008. The exercise price for the options is J$36.50. The options vest over four years – 25% on each anniversary date of the grant.

The movement in share options was as follows:

	2005	
	Number of options '000	Weighted average exercise price
Assumed on acquisition	11,887	J$9.80
Options granted	1,200	J$36.50
Options exercised	(1,817)	J$10.00
Options lapsed	(60)	J$4.55
Balance, end of year	11,210	J$12.70
Exercisable at the end of the year	7,510	J$10.20

For options outstanding at the end of the year, exercise prices range from J$4.55 to J$36.50. The weighted average remaining contractual term is two years.

The weighted average share price at the date of exercise for options exercised during the year was J$37.20.

J$20,420 (Barbados $656) was expensed during the year in respect of these share options.

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

32. EMPLOYEE BENEFITS (continued)

32.2 Employee retirement benefits

Retirement benefits recognised in the balance sheet are as follows:

	2005	2004
Defined benefit pension schemes	(19,983)	(18,921)
Other retirement benefits	(6,288)	(5,149)
Net liability	(26,271)	(24,070)

(a) Defined benefit pension schemes

Certain Group subsidiaries have contributory defined benefit pension schemes in place for eligible administrative staff.

	2005	2004
The amounts recognised in the balance sheet are determined as follows:		
Fair value of pension plan assets	122,392	104,550
Present value of pension obligations	(137,745)	(118,942)
	(15,353)	(14,392)
Unrecognised actuarial gains	(4,630)	(4,529)
Amounts recognised in the balance sheet	(19,983)	(18,921)
Represented by:		
Asset balances	2,723	2,191
Liability balances	(22,706)	(21,112)
	(19,983)	(18,921)

Included in liability balances are interest bearing deposit administration fund balances totalling $25,536 (2004 - $23,383), representing employee pension plan funds on deposit with the Group.

	2005	2004
The amounts recognised in the income statement are determined as follows:		
Current service cost	5,322	2,864
Interest cost	10,519	7,865
Net actuarial losses recognised during the year	123	86
Past service cost	696	-
Expected return on pension plan assets	(11,988)	(7,754)
Pension cost	4,672	3,061

The actual return on plan assets was $10,573 (2004 – $28,240)

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

32. EMPLOYEE BENEFITS (continued)

32.2 Employee retirement benefits (continued)

	2005	2004
The movement in the amounts recognised in the balance sheet is as follows:		
Amounts recognised, beginning of year	(18,921)	(19,604)
Amounts recognised on subsidiaries acquired	452	-
Pension cost	(4,672)	(3,061)
Contributions made	3,045	3,675
Effects of exchange rate changes	113	69
Amounts recognised, end of year	(19,983)	(18,921)

The principal actuarial assumptions used were as follows:

	Jamaica	Trinidad & Tobago	Barbados & other countries
Discount rate	12.5%	7.0%	6.0% - 7.0%
Expected return on plan assets	12.5%	7.0%	6.0% - 7.0%
Future salary increases	10.0%	5.5%	2.25% - 5.80%
Future pension increases	3.5%	1.5%	0.0% - 2.5%
Portion of employees opting for early retirement	0.0%	0.0%	0.0%
Future changes in National Insurance Scheme Ceilings	0.0%	2.5%	2.5% - 4.0%

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

32. EMPLOYEE BENEFITS (continued)

32.2 Employee retirement benefits (continued)

(b) Other retirement benefits

Certain Group subsidiaries offer retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of retirees and beneficiaries.

	2005	2004
The liability recognised in the balance sheet is determined as follows:		
Present value of obligations	(9,117)	(5,534)
Unrecognised actuarial losses	2,829	385
Liability recognised in the balance sheet	(6,288)	(5,149)
The amounts recognised in the income statement are determined as follows:		
Current service cost	734	355
Interest cost	670	948
Net actuarial / (gains) losses recognised during the year	(1)	126
Total cost	1,403	1,429
The movement in the liability recognised in the balance sheet is as follows:		
Liability recognised, beginning of year	(5,149)	(4,030)
Amounts recognised on subsidiaries acquired	(110)	-
Total cost	(1,403)	(1,429)
Contributions made	154	243
Effects of exchange rate changes	220	67
Liability recognised, end of year	(6,288)	(5,149)

The principal actuarial assumptions used were as follows:

	Jamaica
Discount rate	12.5%
Expected return on plan assets	12.5%
Long term increase in health costs	10.5%

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

33. INCOME TAXES

The Group is subject to taxation in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for income year 2005 are as follows:

	Life insurance, non-registered annuities	Registered annuities	Health, property and casualty insurance
Taxes on premium revenue:			
Barbados	3% - 5%	Nil	3.75%
Jamaica	3%	Nil	Nil
Trinidad and Tobago	Nil	Nil	6%
United States of America	0.75% - 3.5%	Nil	Nil

	Life insurance, non-registered annuities	Registered annuities	All other lines of business
Taxes on income:			
Barbados	5% of gross investment income	Nil	30% of net income
Jamaica	15% of investment income	15% of investment income	331/3 % of net income
Trinidad and Tobago	15% of investment income	Nil	25% - 35% of net income
United States of America	34%/35% of net income	34%/35% of net income	34%/35% of net income

The income tax expense is comprised of:

	2005	2004
Current tax	17,514	9,776
Deferred tax	6,516	(2,701)
Share of tax of associated companies	16	(159)
	24,046	6,916

In summary, income tax is levied on the following sources of income:

	2005	2004
Investment income subject to direct taxation	66,083	61,334
Income from ordinary activities subject to direct taxation	9,804	(16,793)
Total income subject to taxation	75,887	44,541

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

33. INCOME TAXES (continued)

The income tax on the total income subject to taxation differs from the theoretical amount that would arise using the applicable tax rates as set out below:

	2005	2004
Income subject to tax	75,887	44,541
Tax calculated at the applicable rates on income subject to tax	11,864	(28)
Adjustments to current tax for items not subject to tax or not allowed for tax	(637)	647
Other current tax adjustments	(689)	410
Adjustments for current tax of prior periods	(13)	(721)
Movement in unrecognised deferred tax asset	8,418	3,719
Deferred tax expense / (income) relating to the origination / (reversal) of temporary differences	161	1,372
Deferred tax expense / (income) relating to changes in tax rates and the imposition of new taxes	969	14
Deferred tax expense / (income) that arises from the write down / (reversal of a write down) of a deferred tax asset	(158)	195
Tax on distribution of profits from policyholder funds	3,526	137
Other taxes	605	1,171
	24,046	6,916

34. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are attributable to the following items:

	2005	2004
Deferred income tax assets:		
Pensions and other retirement benefits	1,322	2,049
Unused tax losses	8,454	7,287
Other items	(1,550)	(1,299)
Total (Note 13)	8,226	8,037

	2005	2004
Deferred income tax liabilities:		
Accelerated tax depreciation	2,192	2,069
Policy reserves taxable in the future	372	372
Pensions and other retirement benefits	65	(9)
Accrued Interest	809	314
Available for sale investments	5,884	-
Other items	1,616	1,106
Total (Note 22)	10,938	3,852

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Year ended December 31, 2005 — *Amounts expressed in Barbados $000*

34. DEFERRED INCOME TAXES (continued)

These balances include the following

	2005	2004
Deferred income tax assets to be settled after one year	3,060	2,323
Deferred income tax liabilities to be settled after one year	8,368	1,545

The Group has not recognised potential deferred income tax assets of $26,209 (2004 – $7,660) arising from unrecognised tax losses of $82,370 (2004 - $24,924).

Deferred income taxes have not been provided for income taxes that would be payable on the distribution of retained earnings of certain subsidiaries because there is no intention to distribute those earnings. These retained earnings totalled $52,855 at December 31, 2005 (2004 - $63,758)

35. EARNINGS AND DIVIDENDS PER COMMON SHARE

35.1 Earnings per common share

Basic earnings per common share is calculated by dividing the net income for the year attributable to shareholders by the weighted average number of common shares in issue during the year.

	2005	2004
Net income for the year attributable to shareholders	136,562	67,690
Weighted average number of shares in issue (in thousands)	263,937	260,030
Basic and diluted earnings per common share	52 cents	26 cents

35.2 Dividends per common share

In 2005, the Company declared dividends per common share of 12 cents, of which 6 cents was the final dividend for 2004 and 6 cents was the interim dividend for 2005.

In 2004, the Company declared dividends per common share of 7 cents, of which 3 cents was the final dividend for 2003 and 4 cents was the interim dividend for 2004.

On April 27, 2006, the Company declared a final dividend for 2005 of 6 cents per common share which will be recorded in the 2006 financial statements.

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Year ended December 31, 2005 *Amounts expressed in Barbados $000*

36. CASH FLOWS

The components of certain items in the cash flow statement are as follows:

OPERATING ACTIVITIES	2005	2004
Adjustments for non-cash items, interest and dividends		
Increase / (decrease) in provision for unearned premiums	3,006	4,708
Interest income	(329,909)	(169,222)
Dividend income	(12,432)	(11,047)
Net gains on financial investments and investment property	(79,899)	(70,640)
Interest expense	153,140	40,734
Increase in provisions for impairment	17,557	14,243
Share of operating income of associated companies	(3,473)	(9,269)
Increase in actuarial liabilities	58,680	109,115
Movement in recognised employee retirement benefits	3,030	815
Depreciation	15,020	12,601
Loss / (gain) on disposal of property, plant and equipment	154	(672)
Amortisation of intangible assets	10,478	9,199
Gain on business combinations and acquisitions	(38,946)	-
Other items	(2,872)	(1,681)
	(206,466)	(71,116)
Changes in operating assets		
Investment property	(2,688)	(13,846)
Debt securities	(144,400)	(96,887)
Equity securities	78,181	47,431
Mortgage loans	(38,153)	(5,099)
Policy loans	(303)	(1,563)
Finance loans and finance leases	(53,623)	(9,357)
Securities purchased under agreements to resell	272,529	(4,566)
Deposits	42,623	(68,238)
Reinsurance assets	(1,374)	-
Other assets and receivables	61,592	(86,153)
	214,384	(238,278)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

36. CASH FLOWS (continued)

	2005	2004
Investment property		
Disbursements	(8,873)	(15,605)
Disposal proceeds	6,185	1,759
	(2,688)	(13,846)
Debt securities		
Purchases	(675,475)	(309,246)
Proceeds on maturities and disposals	531,075	212,359
	(144,400)	(96,887)
Equity securities		
Purchases	(171,860)	(45,772)
Disposal proceeds	250,041	93,203
	78,181	47,431
Changes in operating liabilities		
Deposit administration liabilities	18,438	13,872
Policy funds on deposit	(14,578)	2,529
Other funding instruments	(4,977)	-
Customer deposits	48,674	14,423
Securities sold under agreements to repurchase	6,740	-
Other benefits and payables	(87,507)	101,774
	(33,210)	132,598

INVESTING ACTIVITIES

	2005	2004
Property, plant and equipment		
Purchases	(23,865)	(28,913)
Disposal proceeds	5,570	8,284
	(18,295)	(20,629)

FINANCING ACTIVITIES

	2005	2004
Loans payable		
Proceeds	162,905	-
Repayments	(18,911)	(9,633)
	143,994	(9,633)

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise:

	2005	2004
Cash resources	117,105	119,137
Financial investments with an initial term to maturity of 90 days or less	165,949	26,770
Bank overdrafts	(8,712)	(10,299)
	274,342	135,608

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

37. ASSETS AND LIABILITIES BY CURRENCY

	Balances denominated in					2005
	Barbados $	Jamaica $	Trinidad $	US $	Other currencies	Total
ASSETS						
Investment property	98,699	33,678	38,641	7,191	3,377	181,586
Property, plant and equipment	78,663	18,782	20,790	5,369	24,644	148,248
Investment in associated companies	253	507	24,775	-	24,716	50,251
Intangible assets	48,507	166,583	9,847	3,447	22,121	250,505
Financial investments	700,281	1,003,320	484,632	2,164,149	380,043	4,732,425
Reinsurance assets	16,041	4,247	10,004	623,564	42,332	696,188
Income tax assets	5,907	22,083	300	5,690	1,731	35,711
Miscellaneous assets and receivables	37,169	64,534	14,363	45,800	41,550	203,416
Cash resources	29,920	12,389	6,120	44,666	25,768	118,863
Total assets	1,015,440	1,326,123	609,472	2,899,876	566,282	6,417,193
LIABILITIES						
Policy liabilities						
Actuarial liabilities	661,046	263,537	355,736	1,304,632	192,280	2,777,231
Deposit administration liabilities	98,342	69,392	121,318	2,932	54,245	346,229
Other policy liabilities	106,090	79,767	28,801	78,372	71,301	364,331
	865,478	412,696	505,855	1,385,936	317,826	3,487,791
Other liabilities						
Loans payable	-	-	-	160,728	-	160,728
Deposit and security liabilities	85,571	513,912	861	817,406	22,695	1,440,445
Provisions	12,851	8,938	5,851	1,226	3,494	32,360
Income tax liabilities	3,098	18,080	4,579	2,516	2,685	30,958
Accounts payable and accrued liabilities	25,549	49,490	7,916	191,898	(3,549)	271,304
Total liabilities	992,547	1,003,116	525,062	2,559,710	343,151	5,423,586
Net position	22,893	323,007	84,410	340,166	223,131	993,607

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

38. ACQUISITIONS

During the year, the Group acquired control of:

- The Pan Caribbean Financial Services Limited Group (PCFS);
- The employee benefits insurance business of First Life Insurance Company Limited, hereinafter referred to as the EBA joint venture;
- The individual life insurance business of First Life Insurance Company Limited;
- Laurel Life Insurance Company (Laurel Life);
- Cayman General Insurance Company Limited (Cayman General).

In the acquisition of PCFS and EBA, the Company issued 5,523,000 new shares which were recorded at the prevailing listed price on the Barbados Stock Exchange. In the same transaction, LOJ issued 919,227,731 shares to the vendor, which were independently valued at J$3,493,065 for the purpose of the transaction. The prevailing listed price of J$12.50 for LOJ shares on the Jamaica Stock Exchange was not utilised since, because of the thinness of the market, this price was not an indicative fair value for a transaction of the size of shares involved. The independent valuation was conducted using the maintainable earnings approach and verified by comparable company and comparable transactions data.

As a consequence of part of the consideration for the PCFS and EBA acquisitions being shares issued by LOJ, the Group reduced its interest in LOJ from 78% to 60% and recorded a gain of $26,769 arising from the difference between the net assets of LOJ attributable to minority interests after the acquisition and the value of shares issued by LOJ to the minority interests.

The Group also acquired interests in two associated companies, Manufacturers' Credit and Information Services (MCIS) and FamGuard Corporation Limited (Family Guardian).

The Group has accounted for the above acquisitions provisionally because data is being gathered to support some of the underlying assumptions. Therefore, adjustments may result in the carrying amounts of the identifiable assets, liabilities and contingent liabilities acquired in the 2006 financial year.

38.1 PCFS

(a) Details of acquisition

On January 7, 2005, Life of Jamaica Limited (LOJ) acquired a 43% interest in PCFS. Combined with its previous 6% effective interest, LOJ increased its interest to 49%. Because of certain related party shareholdings in PCFS on January 7 and a definitive agreement to purchase a further 37% interest in the company, the Group recognised it effectively had a controlling interest from this date.

Effective May 6, 2005, the Company and LOJ acquired a further 37% interest in PCFS. Between July 1 and September 1, 2005, LOJ acquired further shareholdings totalling 1%.

PCFS is a listed company on the Jamaica Stock Exchange and is engaged in Jamaica in securities dealing, merchant banking, foreign exchange dealing, corporate trust services and mutual fund management.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

38. ACQUISITIONS (continued)

38.1 PCFS (continued)

The fair values of the net assets acquired, the purchase consideration and the goodwill arising on the January 7 acquisition are set out below.

	Total fair value January 2005	Acquirees' carrying value January 2005
Net assets acquired:		
Property, plant and equipment	2,920	2,920
Intangible assets (note 10)	79,844	25,227
Financial investments	1,237,064	1,237,064
Income tax assets	5,069	5,069
Miscellaneous assets and receivables	17,086	17,086
Cash resources	24,898	24,898
Deposit and security liabilities	(1,091,279)	(1,091,279)
Income tax liabilities	(16,838)	(16,838)
Accounts payable and accrued liabilities	(21,425)	(21,425)
Total net assets	237,339	182,722
Share of net assets acquired by the Group	116,249	
Purchase consideration and related costs		
Cash	118,160	
Goodwill arising on acquisition	1,911	

The book values of the net assets acquired and the purchase consideration and gain arising on the May 6 acquisition are set out below.

Share of net assets acquired by the Group	90,976
Purchase consideration and related costs	
Cash	643
Shares issued by the Company	14,537
Shares to be issued by the Company	939
Shares issued by LOJ	62,856
Total purchase consideration	78,975
Gain arising on the acquisition of minority interest	12,001

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

38. ACQUISITIONS (continued)

38.1 PCFS (continued)

The gain arising on acquisition of minority interest has been included in revenue and arose when the PCFS interest was acquired in exchange for the issue of shares. The agreement to purchase these shares was negotiated in 2003 and the gain arising on the acquisition of the minority interest is partly as a result of a change in the relative values of the shares of the issuers and those of PCFS.

Other shareholdings in PCFS were acquired for cash consideration of $8,324 and generated additional goodwill of $3,903.

The total goodwill arising on the PCFS acquisition is as follows:

Arising on acquisition of 49% interest	1,911
Arising on acquisition of 1% interest	3,903
Total goodwill arising (note 10)	5,814

In Jamaica, it is common for shares of listed financial services entities to trade above their related book values. The intangible assets recognised in these transactions and the resulting goodwill are reflections of the profitability of PCFS and the synergies and opportunities it brings to the Group.

b) Details of acquiree's net income

	2005
Net income for the year per acquiree's financial statements	33,158
Amortisation of identified intangible assets	(7,028)
Adjusted net income consolidated by the Group	26,130

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 — *Amounts expressed in Barbados $000*

38. ACQUISITIONS (continued)

38.2 EBA joint venture

(a) Details of acquisition

Effective April 1, 2005, LOJ acquired the remaining 50% interest in the EBA joint venture. The Group previously held the other 50% interest in the EBA joint venture.

	Total fair value	Acquirees' carrying value
Net assets acquired:		
Property, plant and equipment	167	167
Intangible assets (note 10)	37,524	-
Financial investments	63,065	63,065
Reinsurance assets	338	338
Miscellaneous assets and receivables	9,297	9,297
Cash resources	4,713	4,713
Actuarial liabilities	(24,662)	(24,662)
Deposit administration liabilities	(25,458)	(25,458)
Other policy liabilities	(10,129)	(10,129)
Loans payable	(1,767)	(1,767)
Income tax liabilities	(234)	(234)
Accounts payable and accrued liabilities	(4,083)	(3,898)
Total net assets acquired	48,771	11,432
Purchase consideration and related costs		
Shares issued by the Company	11,419	
Shares to be issued by the Company	739	
Shares issued by LOJ	49,383	
Total purchase consideration	61,541	
Goodwill arising on acquisition (note 10)	12,770	

In Jamaica, it is common for shares of listed financial services entities to trade above their related book values. The employee benefits business was acquired from a listed Jamaica company. The intangible assets recognised in these transactions and the resulting goodwill are therefore reflections of market conditions and the further synergies which the acquisition brings to the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 — *Amounts expressed in Barbados $000*

38. ACQUISITIONS (continued)

38.2 EBA joint venture (continued)

(b) Details of acquirees' net income

	2005
Net income for the year per acquiree's financial statements	12,708
Amortisation of identified intangible assets	(1,341)
Adjusted net income consolidated by the Group	11,367

38.3 First Life individual life insurance business

(a) Details of acquisition

Effective April 1, 2005, LOJ acquired the individual life insurance business of First Life Insurance Company Limited.

	Total fair value	Acquirees' carrying value
Net assets acquired:		
Intangible assets	3,856	-
Financial investments	11,813	11,813
Reinsurance assets	40	40
Income tax assets	47	47
Miscellaneous assets and receivables	1,355	1,355
Cash resources	508	508
Actuarial liabilities	(9,045)	(9,045)
Other policy liabilities	(4,101)	(4,101)
Accounts payable and accrued liabilities	(617)	(617)
Total net assets acquired	3,856	-
Purchase consideration and related costs		
Cash	3,856	
Goodwill arising on acquisition	-	

(b) Details of acquirees' net income

The acquired individual life insurance business has been integrated into the Group's operations, and it is not possible to determine the net income arising from the acquired business.

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NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

38. ACQUISITIONS (continued)

38.4 Laurel Life

(a) Details of acquisition

On September 30, 2005, Sagicor USA Inc acquired a 100% interest in Laurel Life. American Founders Life Insurance Company is the operating subsidiary of Laurel Life and provides life insurance and annuity products in the USA.

The fair values of the net assets acquired and the purchase consideration are set out below.

	Total fair value	Acquirees' carrying value
Net assets acquired:		
Property, plant and equipment	3,908	1,734
Intangible assets (note 10)	724	62,192
Financial investments	1,118,800	1,120,394
Reinsurance assets	625,064	647,894
Income tax assets	-	2,854
Miscellaneous assets and receivables	14,704	11,178
Cash resources	2,632	2,632
Actuarial liabilities	(1,221,118)	(1,367,380)
Other policy liabilities	(45,978)	-
Deposit and security liabilities	(248,362)	(242,916)
Income tax liabilities	(2,902)	-
Accounts payable and accrued liabilities	(131,880)	(223,706)
Total net assets acquired	115,592	14,876
Purchase consideration and related costs		
Cash	117,557	
Goodwill arising on acquisition (note 10)	1,965	

The acquirees' carrying value is stated in accordance with generally accepted accounting practice in the United States of America, since IFRS values were computed only in conjunction with the fair value restatement.

(b) Details of acquiree's net income

Laurel Life's net income from acquisition date to December 31, 2005 amounted to $2,734 which has been consolidated by the Group. Prior to acquisition, Laurel Life did not prepare financial statements conforming to IFRS and as a result its net income for 2005 is not available.

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NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

38. ACQUISITIONS (continued)

38.5 Cayman General

(a) Details of acquisition

On November 30, LOJ acquired a 51% interest in Cayman General. Cayman General is engaged in property, casualty, group health and group life insurance in the Cayman Islands.

The fair values of the net assets acquired, the purchase consideration and the goodwill arising are set out below.

	Total fair value	Acquirees' carrying value
Net assets acquired:		
Property, plant and equipment	2,622	2,622
Intangible assets (note 10)	13,737	-
Financial investments	103	103
Reinsurance assets	33,489	33,489
Miscellaneous assets and receivables	16,254	16,254
Cash resources	23,291	23,291
Other policy liabilities	(28,266)	(28,266)
Accounts payable and accrued liabilities	(24,830)	(24,830)
Total net assets	36,400	22,663
Share of net assets acquired by the Group	18,565	
Purchase consideration and related costs		
Cash	20,043	
Goodwill arising on acquisition (note 10)	1,478	

(b) Details of acquiree's net income

Net income after acquisition and consolidated by the Group amounted to $692. In the opinion of management, it is impractical to derive the acquiree's net income for the year ended December 31, 2005, as the acquiree's year end is not coterminous with the Group and the information is not readily available.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

38. ACQUISITIONS (continued)

38.6 MCIS

(a) Details of acquisition

MCIS was a wholly owned subsidiary of PCFS when the latter was acquired by the Group in January 2005. Effective May 31, 2005, PCFS disposed of a 75% interest in MCIS with the result that MCIS became an associated company. The gain realised by PCFS on the disposal amounted to $717. The net income of MCIS for the five month period to June 1, 2005 amounted to $261 and has been included in the Group's net income. On May 31, 2005, the Group recorded its 25% interest in MCIS at a value of $368.

(b) Details of acquiree's net income

The Group's share of MCIS's net income for the seven month period from May 31, 2005 to balance sheet date, amounted to $68.

38.7 Family Guardian

(a) Details of acquisition

On December 28, 2005, Sagicor Life Inc acquired a 20% shareholding in Family Guardian. Family Guardian is a listed company on the Bahamas International Securities Exchange and is engaged in life and health insurance and annuities.

	2005
Group's share of net assets acquired	13,618
Cash consideration	24,716
Goodwill	11,098

The market value, as determined by the listed price of Family Guardian's shares, of the Group's shareholding amounted to $24,200 at balance sheet date.

(b) Details of acquiree's net income and fair value

The Group has not recognised any net income or loss between the acquisition date and the balance sheet date.

39. COMMITMENTS

Commitments entered into for which no provision has been made in these financial statements include the following:

	2005	2004
Loan advances	44,824	30,182
Expenditure on real estate	19,229	-
Operating lease agreements and rental payments	8,543	1,716
Customer guarantees and letters of credit	6,751	-

There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

40. CONTINGENT LIABILITIES

(a) Legal proceedings

During the normal course of business, the Group is subject to legal actions which may affect the reported amounts of liabilities, benefits and expenses. Management considers that any liability from these actions, for which provision has not been already made, will not be material.

(b) Tax assessments

The Group is also subject to tax assessments during the normal course of business. Adequate provision has been made for all assessments received to date and for tax liabilities accruing in accordance with management's understanding of tax regulations. Potential tax assessments may be received by the Group which are in addition to accrued tax liabilities. No provisions have been made in these financial statements for such potential tax assessments.

(c) Insurance contracts

The Group develops and markets insurance products under various types of insurance contracts. The design of these products is consistent with international best practice and reflects the current thinking at the time of development. The Group keeps its products under review to ensure that they meet both policyholder and company expectations.

One such insurance product is the universal life product which was developed and launched in 1987. The design of this product is based on the assumption that the fund value built-up from premiums paid and from investment earnings will be sufficient to cover future administrative costs and mortality charges. A review of the Group's universal life policy portfolio in Jamaica revealed that many of these policies were affected by fund values which were insufficient to cover these costs through the life of the policies.

Once the problem was recognized, discussions were initiated with the Jamaica Regulators, the Financial Services Commission (FSC), and affected policyholders. Affected policyholders were given the opportunity to reduce their existing coverage under the policies or to increase the premiums. Approximately 90% of these policyholders have agreed to adjustments to their policies. However, some affected policyholders, (less than 1%), have filed complaints with the FSC. The Group believes that it has acted properly and in the best interest of the policyholders. The matter is under review by the FSC.

The cost, if any, of resolving this issue cannot be quantified at this time and no provision has been made in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2005 *Amounts expressed in Barbados $000*

41. RELATED PARTY TRANSACTIONS

(a) Key management

Key management comprises directors and senior management of the Company and of Group subsidiaries. Key management includes those persons at or above the level of Vice President or its equivalent. Compensation of and loans to these individuals were as follows:

Compensation	2005	2004
Salaries, directors' fees and other short-term benefits	17,702	11,447
Equity compensation benefits	6,773	-
Pension and other retirement benefits	401	297
	24,876	11,744

Loans	Mortgage loans	Other loans	Total loans
Balance, beginning of year	5,579	39	5,618
Advances	1,275	-	1,275
Repayments	(589)	(15)	(604)
Balance, end of year	6,265	24	6,289

The Company has not advanced any loans to key management. All loans have been advanced by Group subsidiaries. Mortgage loans bear interest at rates from 5.5% to 11%. Other loans bear interest at rates from 9% to 10%.

(b) Employee pension plans

Certain Group subsidiaries have employee pension plans which are administered by the Group as segregated pension plans. The assets of the segregated pension plans at December 31, 2005 amounted to $116,806 and are included in the assets under administration referred to in note 4.10.

(c) First Jamaica Investment Limited (First Jamaica)

The Group acquired a 37% shareholding in PCFS and the remaining 50% interest EBA (see note 38), from First Jamaica (formerly First Life Insurance Company Limited). As a result of these transactions, First Jamaica holds a 25% interest in LOJ. Because of the size of this shareholding, First Jamaica is considered to be a related party.

Apart from the above-mentioned transactions during the year, other accounts receivable includes $7,856 (2004 - $ 3,301) and accounts payable includes $ 6,138 (2004 – nil) in balances with First Jamaica.

42. SUBSEQUENT EVENT

On March 30, 2006, Sagicor Finance Limited was incorporated in the Cayman Islands as a wholly owned subsidiary of the Company for the purpose of raising finance for the Group.

Senior Management
Executive Management

Mr. Dodridge D. Miller, FCCA, MBA, LLM
President & Chief Executive Officer, Sagicor Financial Corporation

Mr. Dodridge Miller was appointed President & Chief Executive Officer of the Mutual Group, now Sagicor, on July 1, 2002, having held a number of senior managerial positions in Sagicor. He previously held the positions of Treasurer and Vice President, Finance and Investments and Deputy Chief Executive Officer and Chief Operating Officer.

Mr. Miller is a U.K.-trained Chartered Certified Accountant and also holds an MBA in Finance from the University of Wales and Manchester Business School, and an LLM in Corporate and Commercial Law from the University of the West Indies. He has more than 25 years' experience in the insurance and financial services industries, spanning auditing and accounting, banking, investments and insurance. Prior to joining Sagicor in 1989, Mr. Miller worked as Director of Finance for Trust House Forte Hotels Ltd. and Sandy Lane Hotel in Barbados for two years. Prior to joining Trust House Forte Hotels, Mr. Miller was Chief Accountant at Barbados National Bank for seven years.

Dr. M. Patricia Downes-Grant, BA, MA, MBA, DBA
Chief Operating Officer

Dr. Patricia Downes-Grant was appointed as COO on July 1, 2002, and is responsible for our day-to-day operations. She joined Sagicor in 1991 and held several senior positions, including those of Vice President (Investments), and Treasurer and Executive Vice President (Finance and Investments) before being appointed COO. She holds an MBA in Finance from St. John's University, United States, an MA in Economics from George Washington University, United States and a Doctorate in Business Administration (Finance) from the University of Bradford, United Kingdom.

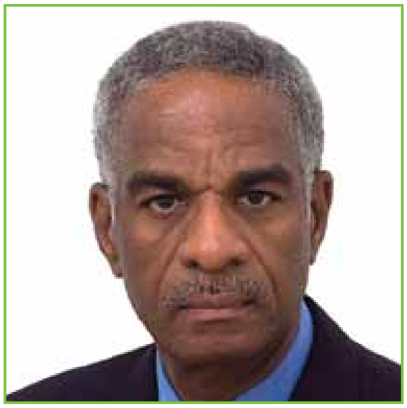
Prior to joining Sagicor, Dr. Downes-Grant was a Senior Manager in the Management, Business Consulting and Insolvency Division of Coopers & Lybrand (now PricewaterhouseCoopers). Dr. Downes-Grant has also had significant work experience in development banking. She is a Director of several companies within Sagicor and within the private sector of Barbados.

Mr. Steve R. Stoute, SCM
Senior Executive Vice President

Mr. Steve Stoute, Senior Executive Vice President of Sagicor, has been responsible for Barbados Operations since April 5, 2004. Mr. Stoute, who joined Sagicor in 1960, has had extensive experience as an Underwriting Executive in Industrial and Group Life and Health insurance, and has held many senior positions in Sagicor Life.

Mr. Stoute is active in several industry-related organisations and is a Director of the Insurance Association of the Caribbean.

Senior Management
Executive Management



Mr. Anthony Bowen, CLU, FLMI
Executive Vice President, Eastern Caribbean Operations

Mr. Anthony Bowen joined Sagicor Life Inc on February 1, 2005 as Executive Vice President, Eastern Caribbean Operations. Mr. Bowen brings a wealth of industry experience to this new position at Sagicor Life Inc, having previously worked with the Barbados Mutual Life Assurance Society for several years as Assistant Vice President, Sales, Barbados Branch, and Vice President, Barbados Operations. Prior to joining Sagicor, Mr. Bowen managed his own insurance brokerage company, Ultimate Insurance and Financial Solutions.

Mr. Richard Byles, BSc, MSc
President and Chief Executive Officer, LOJ

Mr. Richard Byles is the President and CEO of Life of Jamaica Ltd. Mr. Byles is the Chairman of Pan Caribbean Financial Services Limited. During his tenure as CEO of the Pan Jam Group, Mr. Byles was responsible for a number of mergers, acquisitions and other strategic business initiatives which have had a profound and positive impact on the performance of that Group.

Mr. Byles is a graduate of the University of the West Indies. He holds a BSc in Economics and an MSc in National Development from the University of Bradford, England. He is a Director of several companies within the public and private sector of Jamaica.

Mr. George Estock, BSc, MBA
President, Sagicor International Management Services Limited
and President and CEO, Sagicor Allnation Insurance Company

In 1996, Mr. George Estock joined the Barbados Mutual Life Assurance Society as President of the U.S.-based subsidiary, Sagicor International Management Services. He also holds the position of President and CEO of Sagicor Allnation Insurance Company. He has over 15 years' experience in the Life Insurance and Property & Casualty business.

Prior to joining Sagicor, Mr. Estock spent several years with CIGNA; the U.S.-based multinational insurance carrier, working in their U.S. domestic personal lines and Property & Casualty Division, and was Director of Planning and Control of CIGNA's International Reinsurance Division. He was then appointed President of CIGNA Life and Health Operations for the United Kingdom and, on his return to the U.S., he served as Regional Vice President-Americas, for CIGNA's Life and Health Operations for Canada, the Caribbean, and Latin America.

Mr. Estock has a Degree in Political Economics from the University of Delaware and a Masters in Business Administration from Wilmington College.

Senior Management
Executive Management

Mr. J. Andrew Gallagher, FSA, FCIA, G.B.
Chief Risk Officer

Mr. Andrew Gallagher joined Sagicor in August 1997 as Resident Actuary. He holds a Bachelor of Mathematics degree from the University of Waterloo, and is both a Fellow of the Canadian Institute of Actuaries and a Fellow of the Society of Actuaries. Prior to joining Sagicor, Mr. Gallagher worked with Eckler Partners in Toronto in their financial institutions practice. He has over 20 years of experience in the industry.

Mr. Keston Howell, BSc
Executive Vice-President, Merchant Banking

Mr. Keston Howell joined Sagicor in July 2005, with responsibility for the establishment of Sagicor Merchant Bank as well as the overall banking strategy for the Group. He has worked in the banking industry for 17 years, the last seven of which were at the senior executive level. He brings to Sagicor considerable knowledge and experience in Corporate and Investment Banking.

Mr. Howell's responsibilities over the years have included day-to-day banking operations, building and fostering relationships with institutional investors in the English and Dutch-speaking Caribbean. Other key areas in which he has had responsibility are asset/liability management, and ensuring regulatory compliance with securities laws in various jurisdictions. Mr. Howell holds a BSc (Hons) in Management Studies from the University of the West Indies.

Mr. André Lafond, FSA, FCIA,
Executive Vice President and Sagicor Chief Actuary

Mr. André Lafond joined Life of Barbados as the Company's Appointed Actuary and Vice President, Actuarial in September 1997, prior to becoming the Sagicor Chief Actuary in 2003. Mr. Lafond is an Actuary with over 20 years' experience in both the life and general insurance industries, and is a Fellow of both the Canadian Institute of Actuaries and the Society of Actuaries. He attended Laval University in Quebec, obtaining a Bachelors in Administration and Actuarial Science.

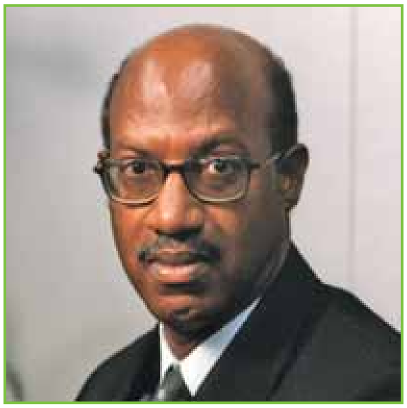
Senior Management
Executive Management

Mr. Ken A. Marshall
Executive Vice President & General Manager (Trinidad and Tobago)

Mr. Kendrick (Ken) Marshall was formerly Executive Vice President responsible for Barbados and the Eastern Caribbean, and President and CEO of Capital Life Insurance Company Limited. He is currently the Executive Vice President of Sagicor Life Inc and General Manager of the Trinidad and Tobago Operations. Mr. Marshall has had extensive experience in the insurance field, both in sales and management. He has been with the company for over 30 years, and has held several senior positions within the Barbados, Eastern Caribbean and Capital Life operations. Mr. Marshall is also a former President and member of the Life Underwriters' Association of Barbados.

Ms. Maxine MacLure, BSc, MEd, MBA
President and CEO, Sagicor USA Inc and
President and CEO, Sagicor Life Insurance Company

Ms. Maxine MacLure currently spearheads our U.S. business expansion strategy. Ms. MacLure joined Sagicor in December 2001 as President and CEO of Life of Jamaica. She effectively managed that company through its merger with Island Life Insurance Company. Prior to joining LOJ, Ms. MacLure led a two-year joint insurance reform project sponsored by the Inter-American Development Bank and the Jamaican Government, where she participated in the resolution of the financial sector crisis. Ms. MacLure also spent seven years as a Senior Government Financial Sector Regulator in Canada. Ms. MacLure has a Masters degree in Education from Western Washington University in the United States and a BSc from the University of Manitoba, Canada, with a major in Mathematics and an MBA from the Richard Ivey School of Business at the University of Western Ontario, Canada.



Philip N. W. Osborne, BSc, FCA
Chief Financial Officer

Mr. Philip Osborne joined Life of Barbados in 1989 as Chief Accountant. He was appointed Assistant Vice President, Finance, in 1995 and in September 1996 he was appointed Vice President, Finance, and a Director of the Company. After qualifying as a Chartered Accountant in 1983, Mr. Osborne served in various supervisory and management positions in professional accounting firms in England and Barbados, namely Touche Ross in the United Kingdom and Pricewaterhouse in Barbados. Mr. Osborne is a graduate of the University of London, England where he earned a BSc in Mathematics with Computer Science in 1978.

Senior Management
Executive Management

Ms. Sandra Osborne, BSc, LLB, FCIS
Executive Vice President, General Counsel and Secretary

Ms. Sandra Osborne is an Attorney-at-Law and Chartered Secretary who joined Sagicor in 1989 as General Counsel and Corporate Secretary. She has over 27 years' experience in the legal and corporate secretarial field, having previously practiced as a Crown Counsel and at the private Bar in civil practice in Barbados. Prior to joining Sagicor, Ms. Osborne worked in private practice at the Juris Chambers law firm in Barbados.

Ms. Osborne holds a BSc (Hons), in Political Science from the University of the West Indies, Jamaica, a Bachelor of Laws (Hons) from the University of the West Indies, Barbados, and a Certificate in Legal Education, Hugh Wooding Law School, Council of Legal Education, Trinidad. She is also a Fellow of the Institute of Chartered Secretaries and Administrators in Canada, and holds an Executive Development Program Certificate from Kellogg Graduate School of Management, Northwestern University, United States.

Mr. Ravi Rambarran, BSc, MSc, FIA
Executive Vice President, Strategy

Mr. Ravi Rambarran's work experience includes Pensions Actuary of Life of Jamaica, Appointed Actuary of Global Life Bahamas and Global Life Cayman, Chief Financial & Investment Officer of LOJ, Managing Director of NCB Capital Markets and West Indian Trust Company, part-time Lecturer in Actuarial Science at the University of the West Indies and running his own actuarial practice. Prior to joining LOJ, Mr. Rambarran was a Consulting Actuary with the Aon Group and the HSBC Group in the United Kingdom.

Mr. Rambarran has a BSc (Hons) in Actuarial Science from City University, London, and an MSc in Financial Economics from the University of London. Mr. Rambarran was awarded an Open Mathematics Scholarship by the Government of Trinidad and Tobago, and is also a Fellow of the Institute of Actuaries.

Mr. Vincent Yearwood, FCCA, MBA
Executive Vice President, Shared Services & Employee Benefits

Mr. Vincent Yearwood was appointed as Executive Vice President of Sagicor Financial Corporation, with responsibility for the Shared Services Division, effective March 1, 2004. In 2005, he bacame responsible for Employee Benefits. Mr. Yearwood brought to Sagicor a broad spectrum of experience in the areas of strategic and change management, finance, marketing and planning and management of information systems. The former CEO of Cable and Wireless BET and, more recently, CEO of the Barbados Investment and Development Corporation, Mr. Yearwood is a Certified Chartered Accountant and has an MBA from the University of Wales and Manchester Business School.

Senior Management

Vice Presidents

Ms. Susan Boyea, BSc, MBA, FLMI
Vice President, Shared Services, Information Technology

Mrs. Susan Boyea joined Life of Barbados in 1989 and was Assistant Vice President in charge of Information Systems at the time of LOB's acquisition by Sagicor. In April 2003 she was appointed Head, Shared Services Information Systems during the operational merger of Sagicor Life and Life of Barbados. She was appointed Vice President, IT, in February, 2004.

A graduate of the University of the West Indies, Mrs Boyea has a BSc in Computer Science and Mathematics, and an Executive Masters in Business Administration. She is also a Fellow of the Life Management Institute (FLMI).

Ms. Tammy-Anne Campbell, BSc, FSA, FCIA
Vice President, Actuarial

Ms. Tammy-Anne Campbell joined Life of Barbados in 2001 as Assistant Vice President, Actuarial. She was promoted to Vice President, Actuarial, of Sagicor Life Inc in April 2005. Ms. Campbell has a diverse background, having worked for 11 years with an actuarial consulting firm in Toronto, followed by two years with the Provincial Workers' Compensation Board, before joining Life of Barbados. Ms. Campbell has expertise in several practice areas including pensions, life insurance, property and casualty insurance and investments, she has also been involved in over 2,000 litigation situations involving actuarial mathematics. Ms Campbell attended the University of Toronto where she earned a BSc in Mathematics, Statistics and Computer Science in 1988. She later received her fellowship from the Society of Actuaries and Canadian Institute of Actuaries in 2000.

Mr. Anthony O. Chandler, CGA, MBA
Vice President, Finance

Mr. Anthony Chandler is Vice President, Finance of Sagicor Life Inc. He joined the company as Financial Accountant in 1995 until 2000, when he transferred to our subsidiary Island Life Insurance Company Ltd. In 2003, he joined the management of LOJ as Head of its Internal Audit Function. Mr. Chandler returned to Barbados in the position of Vice President, Finance, in 2003. He has been a member of the Institute of Chartered Accountants of Barbados since 1992 and a member of the Certified General Accountants Association of Canada since 1990. Mr. Chandler has over 15 years' experience in the accounting profession. His experience includes the provision of accounting, audit and business advisory services. Mr. Chandler earned his MBA from the University of Wales and Manchester Business School in 2004.

Mrs. Althea Hazzard, LLM, FCIS
Vice President, Legal & Compliance

Mrs. Althea Hazzard is an Attorney-at-Law with sixteen (16) years' experience, with particular emphasis on Corporate Law as it relates to the international business and financial sectors in Barbados. She joined Life of Barbados in 1997 and holds a Master of Laws degree from the University of Cambridge and an International Diploma in Compliance from the International Compliance Association in the United Kingdom. Mrs. Hazzard is a Fellow of the Institute of Chartered Secretaries and Administrators.

Senior Management
Vice Presidents

Mr. Gregory Hinkson, BSc, FCGA
Vice President, Investments

Mr. Gregory Hinkson joined Sagicor in July, 2005, with responsibility for the Investments Department. He is a graduate of the University of the West Indies and holds a professional accounting designation and fellowship from the Certified General Accountants (CGA) Association of Canada.

Mr. Hinkson is a Fellow of the Institute of Chartered Accountants of Barbados, a member of the CFA Institute and the Barbados Chapter of Investment Professionals, as well as a former President of the CGA Association of Barbados.

Mr. Hinkson has brought a wealth of industry knowledge and experience, both public and private sector, to the Sagicor Group, and he has held several senior positions in local and off-shore banking and investments.

Mr. Henry Inniss, LLIF, FLMI, MBA, BSc
Vice President, Barbados Operations

Mr. Henry Inniss joined Life of Barbados in 1990 as Manager, Marketing Support. He was promoted in 1995 to Assistant Vice President, Marketing, and in 1998 he became Vice President, Marketing. He is a Fellow of the LIMRA Leadership Institute and the Life Management Institute. He holds a Bachelor's degree in Business Administration from the University of Puerto Rico and a Masters in Business Administration from Inter American University. Mr. Inniss also speaks Spanish.

Mrs. Melba Smith, BA
Vice President, Corporate Communications

Mrs. Melba Smith is a Communications professional who joined Sagicor in 2002 as Vice President, Corporate Communications, and has over 25 years' experience in Business Communication, Public Relations and Management.

Prior to joining Sagicor Mrs. Smith was the General Manager of the Caribbean Broadcasting Corporation, a position she held for 7 years. She was also a Board member of the Caribbean Broadcasting Union and became that Institution's first female President in 2000.

Mrs. Smith, a graduate of the University of the West Indies, holds a BA (Hons), and a Post Graduate Diploma in Mass Communication, a Certificate in Privatisation from the Irish Management Institute and is a member of the International Association of Business Communicators.

Senior Management
Vice Presidents

Mr. Robert Trestrail, BA
Vice President, Administration, Trinidad Operations

Mr. Robert Trestrail joined Sagicor Life in 2001 as an Assistant Vice President, Administration.

In 2004, he was promoted to Vice President, Administration, with responsibility for general branch administration and administration of the Investment Portfolio. He has been a member of the Trinidad Investment Committee, and brings several years of Commercial Banking experience to Sagicor.

Mr Trestrail is an Economics major, with a Bachelor of Arts from the University of Ontario, Canada.

Ms. Teri Townsend, MBA
Vice President, Corporate Strategy, Information Systems

Ms. Teri Townsend joined the Sagicor Group in 2000, after successfully managing the Company's Y2K Project.

Prior to joining Sagicor, Ms Townsend spent 15 years with a large computer manufacturer in Silicon Valley, California. On her return to Barbados she spent 5 years with Fujitsu Barbados in Services and then in General Management. She has managed many large information technology projects in the region, and has provided consulting services to Governments on education technology throughout the Caribbean.

Ms. Townsend brings this international and regional expertise and knowledge in business and technology to the Sagicor Group. She holds an Executive Masters in Business Administration from the University of the West Indies. She is a member of the ICT Advisory Committee for the Government of Barbados and is a past President of the Information Society of Barbados.

Mr. Gregory Whiby
Vice President, Marketing and Deputy General Manager, Trinidad Operations

Mr. Gregory Whiby is responsible for the Sales and Marketing functions of Sagicor Life in Trinidad. He was a successful salesman and agency manager before being promoted to lead the sales force.

With over 30 years' experience in sales and management in the insurance industry, Mr. Whiby started his career as an insurance agent and went on to win every major award that the Company and the insurance industry had to offer for sales producers.

Advisors and Bankers

Appointed Actuary
Sylvain Goulet, FCIA, FSA, MAAA, Affiliate Member
of the (British) Institute of Actuaries

Medical Consultants
Dr Livingstone A Forde, MBBS, DM (Medicine) (UWI)
Dr Oscar W Jordan, MB, ChB, FRCPE, DCH, Diabetologist

Dental Consultant
Dr Trevor E H Talma, BSc, DDS

Auditors
PricewaterhouseCoopers, Chartered Accountants

Head Office Attorneys
Edmund A Bayley
Carrington & Sealy
Patterson K H Cheltenham, QC, LLM (Lond)
Clarke, Gittens & Farmer
Cottle Catford & Company
Hon Sir Henry de B Forde, K.A., QC, MA, LLM (Cantab)
Barry L V Gale, QC, LLB (Hon)
Sir Douglas P Lynch, K.A., CMG, QC

Principal Bankers
Butterfield Bank (Barbados) Limited
Bank of Montreal
Caribbean Mercantile Bank NV
Citibank
FirstCaribbean International Bank Limited
First Union National Bank
JP Morgan Chase Bank
Maduro & Curiel's Bank NV
National Commercial Bank Jamaica Limited
RBTT Bank Limited
Republic Bank Limited
Royal Bank of Canada
The Bank of Nova Scotia

Offices

Parent Company

SAGICOR FINANCIAL CORPORATION
Sagicor Corporate Centre
Wildey, St Michael
Barbados
Tel: (246) 467-7500
Fax: (246) 436-8829
Email: info@sagicor.com
Website: www.sagicor.com

Insurance Subsidiaries

SAGICOR LIFE INC
Sagicor Financial Centre
Lower Collymore Rock
St Michael, Barbados
Tel: (246) 467-7500
Fax: (246) 436-8829
Email: info@sagicor.com

SAGICOR LIFE INC BRANCH OFFICES

Barbados
1st Avenue, Belleville
St Michael
Tel: (246) 467-7700
Fax: (246) 429-4148
Email: info@sagicor.com

Antigua
Sagicor Financial Centre
#9 Factory Road,
St John's
Tel: (268) 480-5550
Fax: (268) 480-5520
Email: bmlas_an@caribsurf.com

Grenada
The Mutual/Trans-Nemwil Office Complex
The Villa, St George's
Tel: (473) 440-1223
Fax: (473) 440-4169
Email: bmlas_gre@caribsurf.com

St Kitts
Cnr Cayon and West Independence Square Sts
Basseterre
Tel: (869) 465-9476
Fax: (869) 465-6437
Email: bmlas_sk@caribsurf.com

St Lucia
Sagicor Financial Centre
Choc Estate, Castries
Tel: (758) 452-3169
Fax: (758) 450-3787
Email: bmlas@candw.lc

Trinidad and Tobago
Sagicor Financial Centre
16 Queen's Park West, Port of Spain
Tel: (868) 628-1636/7/8
Fax: (868) 628-1639
Email: comments@sagicor.com

SAGICOR LIFE INC AGENCIES

Anguilla
Malliouhana Insurance Co Ltd
Caribbean Commercial Centre
The Valley
Tel: (264) 497-3712
Fax: (264) 497-3710

Dominica
WillCher Services Inc
44 Hillsborough Street
Corner Hillsborough & Independence Street
Roseau
Tel: (767) 440-2562
Fax: (767) 440-2563
Email: bmlas@cwdom.dm

Guyana
Hand-in-Hand Mutual Life Assurance Company Limited
Lots 1, 2 and 3, Avenue of the Republic
Georgetown
Tel: (592) 251861
Fax: (592) 251867

Monserrat
Administered by Antigua Branch

St Vincent
Incorporated Agencies Limited
Kenmars Building, Halifax Street
Kingstown
Tel: (784) 456-1159
Fax: (784) 456-2232

Offices

SAGICOR ALLNATION INSURANCE COMPANY
1201 North Orange Street
Suite 716
Wilmington, Delaware
19801-1186
USA
Tel: (302) 884-6770
Fax: (302) 884-6771
Website: www.allnation.com

CAPITAL de SEGUROS, SA
Ave Samuel Lewis y Calle Santa Rita
Edificio Plaza Obarrio
3er Piso Oficina 201
Panama City, Panama
Tel: (507) 223-1511
Fax: (507) 264-1949
Email: capital1@sinfo.net

CAPITAL LIFE INSURANCE COMPANY BAHAMAS LIMITED
C/o Colina Insurance Company Limited
56 Collins Avenue, P O Box 4937
Nassau, Bahamas
Tel: (242) 393-9518
Fax: (242) 393-9523

SAGICOR CAPITAL LIFE INSURANCE COMPANY LIMITED
Registered Office
Grosvenor Close and Shirley Street
Nassau, Bahamas

CAPITAL LIFE BRANCH OFFICES

Aruba
Fergusonstraat #106
AHMO Plaza Building, Suites 1 and 2
Oranjestad
Tel: (297) 823967
Fax: (297) 826004
Email: calico@setarnet.aw

Belize
The Insurance Centre
212 North Front Street
Belize City
Tel: (501) 223-3147
Fax: (501) 223-7390
Email: capitalbe@btl.net

Curaçao
Schottegatweg Oost #11
Tel: (599) 9 736-8558
Fax: (599) 9 736-8575
Email: capital.life@curinfo.an

CAPITAL LIFE AGENCIES

Haiti
Cabinet d'Assurance Fritz de Catalogne
Angles Rues de Peuple et des Miracles
Port-au-Prince
Tel: (509) 226695
Fax: (509) 230827
Email: capital@compa.net

St Maarten
C/o Charlisa NV, Walter Nisbeth Road #99B
Phillipsburg
Tel: (599) 542-2070
Fax: (599) 542-3079
Email: capital@sintmaarten.net

LIFE OF JAMAICA LIMITED
28-48 Barbados Avenue
Kingston 5, Jamaica
Tel: (876) 929-8920(-9)
Fax: (876) 960-1927
Website: www.life-of-ja.com

NATIONWIDE INSURANCE COMPANY LIMITED
Sagicor Financial Centre
16 Queen's Park West
Port of Spain, Trinidad
Tel: (868) 628-1636
Fax: (868) 628-1639
Email: comments@sagicor.com

SAGICOR LIFE INSURANCE COMPANY
4343 N. Scottsdale Road, Suite 300
Scottsdale, Arizona
85251
Tel: 1-800-531-5067
Fax: (345) 949-8262
Email: info@sagicor.com

Offices

SAGICOR LIFE OF THE CAYMAN ISLANDS LIMITED
Global House, 198 North Church Street
George Town, Grand Cayman
Cayman Islands
Tel: (345) 949-8211
Fax: (345) 949-8262
Email: global@candw.ky

SAGICOR RE INSURANCE LIMITED
Global House, 198 North Church Street
George Town, Grand Cayman
Cayman Islands
Tel: (345) 949-8211
Fax: (345) 949-8262
Email: global@candw.ky

General Insurance Subsidiaries

CAYMAN GENERAL INSURANCE COMPANY LIMITED
Harbour Place
Box 2171 GT
George Town , Grand Cayman
Cayman Islands
Tel: (345) 949 7028
Fax: (345) 949 7457

SAGICOR GENERAL INSURANCE INC
Beckwith Place, Lower Broad Street
Bridgetown, Barbados
Tel: (246) 431-2800
Fax: (246) 426-0752
Email: barbadosfire@caribsurf.com

Sagicor General Insurance Branch Offices

Barbados
Mall Internationale
Haggatt Hall
St Michael
Tel: (246) 431-2886
Fax: (246) 426-8245

Barbados
Sagicor Financial Centre
Lower Collymore Rock
St Michael
Tel: (246) 467-7650
Fax: (246) 428-6269

Trinidad and Tobago
Sagicor Financial Centre
16 Queen's Park West
Port of Spain
Tel: (868) 628-1636/7/8
Fax: (868) 628-1639

Sagicor General Insurance Agencies

HHV Whitchurch & Company Limited
Old Street
PO Box 771
Roseau
Dominica
Tel: (767) 448-2181
Fax: (767) 448-5787

WillCher Services Inc
44 Hillsborough Street
Corner Hillsborough & Independence Street
Roseau
Dominica
Tel: (767) 440-2562
Fax: (767) 440-2563
Email: bmlas@cwdom.dm

Peter & Company Limited
Vide Boutielle
Castries
St Lucia
Tel: (758) 452 2771
Fax: (758) 457-7079

JE Maxwell & Company Limited
PO Box GGM507
Bridge Street
Castries
St Lucia
Tel: (758) 451-7829
Fax: (758) 451-7271

Derek Bogle & Assocaites Insurance Limited
34 Pasadora Place
Smith Road
Grand Cayman
Cayman Islands
Tel: (345) 949-0579

Offices

BANKING AND OTHER FINANCIAL SERVICES

SAGICOR MERCHANT LIMITED
Sagicor Financial Centre
16 Queen's Park West, Port of Spain
Tel: (868) 628-1636/7/8
Fax: (868) 628-1639

PAN CARIBBEAN FINANCIAL SERVICES LIMITED
Pan Caribbean Building
60 Knutsford Boulevard
Kingston 5, Jamaica
Tel: (876) 929-5583-4
Fax: (876) 926-4385
Website: www.gopancaribbean.com
Email: options@gopancaribbean.com

Finance Companies

GLOBE FINANCE INC
6 Rendezvous Court, Rendezvous Main Road
Christ Church, Barbados
Tel: (246) 426-4755
Fax: (246) 426-4772
Website: www.globefinanceinc.com

THE MUTUAL FINANCE INC
Sagicor Financial Centre
Choc Estate, Castries
Tel: (758) 452-4272
Fax: (758) 452-4279

Other Subsidiaries/Associated Companies

SAGICOR INTERNATIONAL MANAGEMENT SERVICES, INC
(Capital Life's GlobalSURE International Benefits)
1511 North West Shore Blvd, Suite 820
Tampa, Florida 33607-4543,
USA
Tel: (813) 287-1602
Fax: (813) 287-7420
Website: www.globalsure.com

SAGICOR FUNDS INCORPORATED
Sagicor Corporate Centre, Wildey
St Michael, Barbados
Tel: (246) 467-7500
Fax: (246) 436-8829
Email: info@sagicor.com

SAGICOR ASSET MANAGEMENT INC
Sagicor Corporate Centre
Wildey, St Michael,
Barbados
Tel: (246) 467-7500
Fax: (246) 426-1153
Email: info@sagicor.com

FAMGUARD CORPORATION LIMITED
East Bay & Shirley Street
PO Box SS-6232
Nassau, NP
Bahamas
Tel: (242) 396 4000
Fax: (242) 393 1100
Website: www.famguardbahamas.com

NOTICE OF MEETING

NOTICE is hereby given that the Third Annual Meeting of Shareholders of Sagicor Financial Corporation ("the Company") will be held at Hilton Barbados, Needham's Point, St Michael, Barbados, on Wednesday June 28, 2006 at 5.00 pm to transact the following business:-

1. To receive and consider the Statement of Accounts and the Balance Sheet for the year ended December 31, 2005 and the Auditors' Report thereon.

2. To elect Directors.

3. To re-appoint the incumbent Auditors for the ensuing year and to authorize the Directors to fix their remuneration.

4. To consider and if thought fit adopt the following Resolution as a Special Resolution:

   WHEREAS:

   (a) The Shares of the Company were cross-listed on the Trinidad and Tobago Stock Exchange on August 24, 2004.

   (b) The Trinidad and Tobago Securities and Exchange Commission has issued Guidelines relating to the listing on the Trinidad and Tobago Stock Exchange of demutualized companies with constrained share ownership provisions limiting any single shareholder to owning a maximum of 5% of outstanding shares ("the Guidelines").

   (c) Under the Guidelines, it is recommended that within two years of listing, a demutualized company seek the approval of shareholders for the retention of its constrained share ownership provisions.

   (d) Pursuant to the terms of the Demutualization Plan of its wholly owned subsidiary, Sagicor Life Inc, the Company was incorporated with constrained share ownership provisions limiting any single shareholder to owning a maximum of 5% of outstanding shares for the first five years following incorporation and thereafter a maximum of 20% subject to certain conditions as stated in the Restated Articles of Incorporation of the Company.

   BE IT RESOLVED AS A SPECIAL RESOLUTION of the Shareholders of the Company that:

   (1) Pursuant to Section 197(1)(e) of the Companies Act, the Restated Articles of Incorporation of the Company be and are hereby amended to change or remove the rights, privileges, restrictions or conditions in respect of the Shares of the Company as follows:

   The restrictions, if any, on share holding and on share transfers are amended by:

   (a) the deletion of Article 3.1.5 of Schedule 2 of the Restated Articles of Incorporation and the substitution therefor of a new Article 3.1.5 as set out in the annexed Schedule 1 which is incorporated herein;

   (b) the deletion of Article 3.1.7 of Schedule 2 of the Restated Articles of Incorporation and the substitution therefor of a new Article 3.1.7 as set out in the annexed Schedule 2 which is incorporated herein.

   (2) The proper officers of the Company be and are hereby authorized to file and register all such documents and instruments and to take all such action as may be necessary or advisable to give effect to this Special Resolution.

5. To transact such other business as may properly come before the Meeting.

By Order of the Board of Directors

Sandra Osborne
Corporate Secretary

May 15, 2006.

PROXIES:

Shareholders who are unable to attend the Meeting in person may complete and return the enclosed form of proxy to the Corporate Secretary, Sagicor Financial Corporation, Sagicor Corporate Centre, Wildey, St Michael, Barbados, at least 48 hours before the appointed time of the Meeting or adjourned Meeting.

DOCUMENTS AVAILABLE FOR INSPECTION:

1 Copies of the Restated Articles of Incorporation of the Company dated December 6, 2002, are available for inspection at the following offices:
- Barbados - Sagicor Financial Corporation, Sagicor Corporate Centre, Wildey, St Michael
- Sagicor Life Inc Branch Offices/Agencies:
  - Trinidad - Sagicor Financial Centre, 16 Queen’s Park West, Port of Spain
  - Anguilla - Malliouhana Insurance Co Ltd, Caribbean Commercial Centre, The Valley
  - Antigua - Sagicor Financial Centre, 9 Factory Road, St John’s
  - Dominica – Willcher Services Inc, 44 Hillborough Street, Corner Hillsborough & Independent Street, Roseau
  - Grenada - The Mutual/Trans-Nemwil Office Complex, The Villa, St George’s
  - St Kitts - Corner Cayon and West independence Square Streets, Basseterre
  - St Lucia - Sagicor Financial Centre, Choc Estate, Castries
  - St Vincent - Incorporated Agencies Limited Kenmars Building, Halifax Street, Kingstown
- Jamaica - Life of Jamaica Limited, 28-48 Barbados Avenue, Kingston 5.

2 There are no service contracts granted by the Company, or its subsidiaries, to any Director of the Company.

1.	Name of Company SAGICOR FINANCIAL CORPORATION	2.	Company No. 21849

SCHEDULE 1

3. Restrictions, if any, on share holding and share transfers.

3.1.5 “maximum aggregate holdings” means the number of shares in any class in the capital of the Company that would amount to 20% of the total number of shares in any class of the capital of the Company issued and outstanding at such time;

1.	Name of Company SAGICOR FINANCIAL CORPORATION	2.	Company No. 21849

SCHEDULE 2

3. Restrictions, if any, on share holding and share transfers.

3.1.7 No person may hold, or be beneficially entitled to, or control, or have any other interest, directly or indirectly, in any shares (whether in one or more classes of shares in the capital of the Company) that represent more than the maximum aggregate holdings unless:

3.1.7.1 not less than two thirds of the directors then in office approve of the same; and

3.1.7.2 there is an agreement between the Company and such person restricting the transfer of such shares; and

3.1.7.3 the Supervisor of Insurance (or the Supervisor’s successor regulatory authority) is satisfied that such shareholder is a fit and proper person.

MANAGEMENT PROXY CIRCULAR

SAGICOR FINANCIAL CORPORATION
Company No 21849

Management is required by the Companies Act Chapter 308 of the Laws of Barbados (hereinafter called "the Act") to send with the Notice convening the Meeting, forms of proxy. By complying with the Act, management is deemed to be soliciting proxies within the meaning of the Act.

This Management Proxy Circular accompanies the Notice of the third annual meeting of shareholders of Sagicor Financial Corporation ("the Company") to be held on June 28, 2006 at 5:00 pm ("the Meeting") and is furnished in connection with the solicitation of proxies by the management of the Company for use at the Meeting, or any adjournments thereof. The solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXY

A form of proxy is enclosed and, if it is not your intention to be present at the Meeting, you are asked to sign, date and return the proxy. Proxies to be exercised at the Meeting must be deposited with the Company not later than 5:00 pm on June 26, 2006.

Any shareholder having given a proxy has the right to revoke it by depositing an instrument in writing executed by the shareholder or his/her attorney authorized in writing, or if the shareholder is a company, by any officer or attorney thereof duly authorized, with the Corporate Secretary at the registered office of the Company at Sagicor Corporate Centre, Wildey, St Michael, Barbados, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof.

The persons named in the enclosed form of proxy are Directors of the Company. If you wish to appoint some other person or company to represent you at the Meeting you may do so by inserting the name of your appointee, who need not be a shareholder, in the blank space provided on the proxy form.

RECORD DATE AND VOTING OF SHARES

The Directors of the Company have fixed May 12, 2006 as the record date for determining the shareholders entitled to receive Notice of the Meeting and have given notice thereof by advertisement as required by the Act. Only the holders of common shares of the Company of record at the close of business on that day will be entitled to receive Notice of the Meeting.

Common shareholders are voting on (i) the election of Directors (ii) the re-appointment of the incumbent Auditors and Directors' authorization to fix their remuneration and (iii) the amendment of Schedule 2 of the Restated Articles of Incorporation of the Company to change or remove the rights, privileges, restrictions or conditions in respect of the Shares of the Company by removing the provisions limiting any single shareholder to owning a maximum of 5% of outstanding shares.

Only the holders of common shares of the Company will be entitled to vote at the Meeting. On a show of hands, each shareholder has one vote. On a poll, each holder of a Series A common share is entitled to one vote for each share held. Each holder of a Series C common share is entitled to one vote for the first 1,000,000 Series C common shares held, or any part thereof, plus one additional vote for every additional 1,000,000 Series C common shares held. As at December 31, 2005, there are 265,552,748 Series A common shares of the Company outstanding. As at the date hereof there are no Series C common shares of the Company outstanding.

PRESENTATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements of the Company for the year ended December 31, 2005 and the Auditors' Report thereon are included in the 2005 Annual Report which is being mailed to shareholders with this Notice of Meeting and Management Proxy Circular.

ELECTION OF DIRECTORS

The Board of Directors consists of twelve members. The number of Directors to be elected at the Meeting is four. Mr John Arthur Lionel Bethell, Dr Oscar Wendell Jordan, GCM, and Mr Stephen David Rupert McNamara will retire at the end of the Meeting and will be seeking re-election. Mrs Vivian-Anne Lenora Gittens will also retire at the end of the Meeting but will not be seeking re-election.

The following are the names of the qualified persons proposed as nominees for election as Directors of the Company, and for whom it is intended that votes will be cast pursuant to the form of proxy hereby enclosed:

- MR JOHN ARTHUR LIONEL BETHELL
- DR OSCAR WENDELL JORDAN, GCM, MB, CHB, FRCPE, DCH
- MR STEPHEN DAVID RUPERT McNAMARA
- MRS JOYCE ETTIENNETTE DEAR, FCCA, MBA

J Arthur L Bethell is non-executive Chairman. He retired as President and Chief Executive Officer of The Mutual Group, now the Sagicor Group of Companies, on June 30, 2002, having been appointed to that office in 1995. He joined The Mutual as a sales representative in 1965 and has held the positions of Superintendent of Agencies, Sales Manager, Vice President, Marketing, and Chief Executive Officer of Capital Life Insurance Company Limited (Bahamas). Mr. Bethell was elected a director of The Mutual, now Sagicor Life Inc., in 1994 and is presently chairman of the subsidiary, Life of Jamaica Limited and a director of a number of subsidiaries in the Group. He is Barbadian.

Dr Oscar W Jordan, GCM, MB, ChB, FRCPE, DCH, Diabetologist, is Consultant Physician, Department of Medicine of the Queen Elizabeth Hospital, Barbados. He holds a Bachelor of Medicine and Surgery (MB, ChB) from Edinburgh University, Scotland, and is a Fellow of the Royal College of Physicians (FRCPE), Edinburgh University, Scotland. He also holds a Diploma in Child Health (DCH) from Glasgow University, Scotland. He is Chairman of the Diabetes Foundation of Barbados and Director of Clinical Medicine in Barbados for the University of St. Georges, Grenada. A widely published and well-respected physician, he is President of the Caribbean Golf Association. He became a director of The Mutual, now Sagicor Life Inc, in 1990. Dr Jordan is Barbadian.

Stephen D R McNamara is Senior Partner of McNamara & Company, Attorneys-at-Law of St Lucia. He is also a Barrister-at-Law of Lincoln's Inn, College of Legal Education, England. He was elected to the board of The Mutual, now Sagicor Life Inc, in 1997. He is a former chairman of the St Lucia Tourist Board and is currently a director of a number of subsidiaries in the Group. Mr. McNamara is a citizen of St Lucia.

Joyce E Dear, FCCA, MBA, was, until 2004, a partner in the Assurance and Business Advisory Services Division of PricewaterhouseCoopers ("PwC") in Barbados. She is a Fellow of the Association of Chartered Certified Accountants of the United Kingdom and holds a Masters in Business Administration from the University of Warwick. She is also a member of the Hospitality Financial and Technology Professionals. Mrs Dear has over 31 years' experience in rendering audit and financial services to a wide variety of industries, including public companies, tourism and hospitality entities, manufacturing companies, statutory corporations and international funding agencies/government financed programs and projects. Mrs Dear was the PwC Industry lead partner for the public service assignments. She is a past President of the Institute of Chartered Accountants of Barbados and a former director of a general insurance company in Barbados.

Mr Bethell, a former senor insurance executive, Dr Jordan, GCM, a noted and widely published physician, and Mr McNamara, one of St Lucia' leading Attorneys-at-Law, each brings a wealth of experience to the Board of Directors. They continue to be effective and demonstrate commitment to the role of Director, including commitment of time for board and committee meetings. Mrs Dear brings a wealth of financial experience spanning different industries and will add financial depth to the Board. The Management of the Company does not contemplate that any of the persons named above will, for any reason, become unable to serve as a Director.

The Directors recommend that the shareholders vote FOR the election of the above-named Nominees.

RE-APPOINTMENT OF INCUMBENT AUDITORS

PricewaterhouseCoopers, Chartered Accountants, of The Financial Centre, Bishops Court Hill, St Michael, Barbados, are the incumbent Auditors of the Company. It is proposed to re-appoint PricewaterhouseCoopers as Auditors of the Company to hold office until the next annual meeting of shareholders.

The Directors recommend that the shareholders vote FOR the re-appointment of PricewaterhouseCoopers and the authorization of Directors to fix the Auditors' remuneration.

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CONSTRAINED SHARE OWNERSHIP PROVISIONS

The Company's Articles contain constrained share ownership provisions ("the Provisions") which provide that, at any time during the 5 year period immediately following the date of incorporation of the Company, no person may hold, or be beneficially entitled to, or control, or have any other interest, directly or indirectly, in any shares (whether in one or more classes of shares in the capital of the Company) that represent more than 5% of any class in the capital of the Company. The Articles provide further that, at any time after such 5 year period, no person may hold, or be beneficially entitled to, or control, or have any other interest, directly or indirectly, in any shares (whether in one or more classes of shares in the capital of the Company) that represent more than 20% of any class in the capital of the Company unless:

(i) not less than two thirds of the directors then in office approve of the same;
(ii) there is an agreement between the Company and such person restricting the transfer of such shares; and
(iii) the Supervisor of Insurance of Barbados (or the Supervisor's successor regulatory authority) is satisfied that such shareholder is a fit and proper person.

The Trinidad and Tobago Securities and Exchange Commission has issued Guidelines ("the Guidelines") relating to the listing on the Trinidad and Tobago Stock Exchange ("the Exchange") of demutualized companies with constrained share ownership provisions limiting any single shareholder to owning a maximum of 5% of outstanding shares. Under the Guidelines, it is recommended that within two years of listing, such a company seek the approval of shareholders for the retention of its constrained share ownership provisions. The company may retain these provisions for a maximum period of five years after listing. At the expiration of the five-year period, the entity may retain its listing with constrained share ownership provisions only if it seeks and obtains the approval of shareholders and the Exchange. These approvals may only be granted for a further period not exceeding two years. Thereafter the entity may only continue to be listed if it removes the provisions completely.

The Company was incorporated on December 6, 2002 pursuant to the terms of the Demutualization Plan of the Company's wholly owned subsidiary, Sagicor Life Inc. The shares of the Company were listed on the Barbados Stock Exchange on February 4, 2003 and cross-listed on the Exchange on August 24, 2004.

In accordance with the Company' Articles, the 5% constrained share ownership provisions are due to expire on December 6, 2007, five years after incorporation of the Company. The Provisions were implemented in 2002 in order to give the Sagicor Group time to adjust from being a mutual society to a publicly listed company, consistent with the practice of demutualized companies in Canada, the demutualization model of which Sagicor Life Inc adopted.

The Company's business strategy is to:

- Expand internationally and in the Caribbean
- Diversify its product offerings and cross-sell its products
- Effectively use its balance sheet, and
- Continue to improve the efficiency of its operations

The Provisions may limit the Company's ability to engage in transactions that require an offering or an exchange of shares, which in turn could limit its ability to engage in certain strategic acquisitions, thus having a material adverse effect on its strategic options and growth.

The Directors consider it appropriate at this time to remove the constrained share ownership provisions limiting any single shareholder to owning a maximum of 5% of outstanding shares, and to retain the constrained share ownership provisions limiting any single shareholder to owning a maximum of 20% of outstanding shares subject to the existing conditions. The rationale for this recommendation is:

- the Guidelines;
- the fact that the 5% constrained share ownership provisions will expire in any event within the next 18 months; and
- the potential constraints that the Provisions pose to the Company's ability to execute its strategy.

The Board of Directors therefore recommends that the Articles of the Company be amended to remove the constrained share ownership provisions limiting any single shareholder or group of shareholders to holding a maximum of 5% of outstanding shares, but retaining the constrained share ownership provisions limiting any single shareholder to holding a maximum of 20% subject to the condition that no person may hold, or be beneficially entitled to, or control, or have any other interest, directly or indirectly, in any shares (whether in one or more classes of shares in the capital of the Company) that represent more than 20% of any class in the capital of the Company unless:

(i) not less than two thirds of the directors then in office approve of the same;
(ii) there is an agreement between the Company and such person restricting the transfer of such shares; and
(iii) the Supervisor of Insurance of Barbados (or the Supervisor's successor regulatory authority) is satisfied that such shareholder is a fit and proper person.

A majority of not less than two-thirds of the votes cast by Shareholders at the Meeting, whether by proxy or otherwise, will constitute approval of this Special Resolution.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by any proxy given on the enclosed form of proxy to the persons named in the proxy will be voted or withheld from voting on any ballot in accordance with the instructions contained therein.

In the absence of shareholder instructions, COMMON SHARES represented by proxies received will be voted FOR:

(a) The election as Directors of:

- MR JOHN ARTHUR LIONEL BETHELL
- DR OSCAR WENDELL JORDAN, MB, CHB, FRCPE, DCH
- MR STEPHEN DAVID RUPERT McNAMARA
- MRS JOYCE ETTIENNETTE DEAR, FCCA, MBA

(b) The re-appointment of the incumbent Auditors, PRICEWATERHOUSECOOPERS, and the authorization of the Directors to fix their remuneration.

(c) The amendment of the Restated Articles of Incorporation of the Company, pursuant to Section 197(1)(e) of the Act , to change or remove the rights, privileges, restrictions or conditions in respect of the Shares of the Company by:

(i) deleting Article 3.1.5 of Schedule 2 of the Restated Articles of Incorporation and substituting therefor a new Article 3.1.5 as set out in Schedule 1 annexed to the Notice of the Meeting; and
(ii) deleting Article 3.1.7 of Schedule 2 of the Restated Articles of Incorporation and substituting therefor a new Article 3.1.7 as set out in Schedule 2 annexed to the Notice of the Meeting.

The enclosed form of proxy confers discretionary authority upon the persons named with respect to amendments to or variations in matters identified in the Notice of Meeting or other matters that may properly come before the Meeting. The management of the Company knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting. If any other matters which are not now known to management should properly come before the Meeting, the persons named in the accompanying form of proxy will vote on such matters in accordance with their best judgement.

Unless otherwise noted, a simple majority of the votes cast at the Meeting, whether by proxy or otherwise, will constitute approval of any matter submitted to a vote.

The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 71(2) of the Act.

No Auditors' statement is submitted pursuant to Section 163(1) of the Act.

Dated May 15, 2006.

Sandra Osborne
Corporate Secretary

SHAREHOLDER PROXY

THIRD ANNUAL MEETING OF SHAREHOLDERS

The undersigned shareholder(s) of SAGICOR FINANCIAL CORPORATION hereby appoint(s) J Arthur L Bethell, Chairman, or failing him, Dodridge D Miller, President and Chief Executive Officer and Director, or instead of either of them:

. . . .

(PLEASE PRINT NAME OF PROXY ON THIS LINE ONLY IF YOU WISH TO APPOINT A PROXY OTHER THAN THE CHAIRMAN OR PRESIDENT)

of . . . .

(PLEASE PRINT PROXY'S ADDRESS HERE)

as my/our proxy to attend, vote and otherwise act for and on behalf of the undersigned in respect of all other matters that may properly come before the THIRD ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 28, 2006 and any adjournments thereof.

The Directors and Management recommend Shareholders vote FOR items numbered 1, 2 and 3 below:

1 Election as Directors of the Nominees listed below:

	Vote FOR	WITHHOLD from Voting
JOHN ARTHUR LIONEL BETHELL	☐	☐
DR OSCAR WENDELL JORDAN, GCM	☐	☐
STEPHEN DAVID RUPERT McNAMARA	☐	☐
JOYCE ETTIENNETTE DEAR	☐	☐

	Vote FOR	WITHHOLD from Voting
2 Re-appointment of Incumbent Auditors and Authorization of Directors to fix their Remuneration:	☐	☐

	Vote FOR	WITHHOLD from Voting
3 Adoption of Special Resolution to amend the Articles to change or remove the rights, privileges, restrictions or conditions in respect of the Shares of the Company:	☐	☐

. . . .
NAME OF SHAREHOLDER (S) (PLEASE PRINT)

. . . .
SIGNATURE OF SHAREHOLDER(S)

. . . .
DATE

NOTES ON PROXY:

This form must be executed by the shareholder or by his/her attorney duly authorized in writing. If the shareholder is a body corporate, an estate, or trust, the form must be executed by the officers or attorney thereof or the person, duly authorized, in which case each signatory should state the capacity in which he/she signs.

If this form is not dated in the space provided, it will be deemed to bear the date on which it was mailed to the shareholder.

This proxy authorization form confers discretionary authority upon the person whom it appoints in respect of any variation or amendments or additions to the matters identified in the Notice of Meeting and any other matter that may properly come before the Meeting or any adjournment thereof.

THIS IS YOUR PROXY AUTHORIZATION FORM. PLEASE COMPLETE, SIGN AND RETURN THIS FORM BY 5.00 PM ON JUNE 26, 2006, OR AT LEAST 48 HOURS BEFORE THE TIME APPOINTED FOR HOLDING THE MEETING OR ADJOURNED MEETING, TO THE CORPORATE SECRETARY, SAGICOR FINANCIAL CORPORATION, SAGICOR CORPORATE CENTRE, WILDEY, ST MICHAEL, BARBADOS.