



ANNUAL REPORT 2002



Wise Financial Thinking for Life

VISION

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

MISSION

Sagicor is committed to being
an outstanding corporate citizen,
providing financial services that create
value for our customers,
excellent returns to our shareholders,
the highest quality of work life and the opportunity
for development of our staff and financial advisers.

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BOARD OF DIRECTORS

Colin G Goddard, BComm - *Chairman*

Krishna Narinesingh, CMT - *Vice Chairman*

David W Allan

J Arthur L Bethell

M Patricia Downes-Grant, BA, MA, MBA - *Chief Operating Officer*

Honourable Sir Henry de B Forde, KA, QC, MA, LL.M, (Cantab)

V Anne L Gittens, BSc (Eng), MBA, CMA, FCA

Dr Oscar W Jordan, MB, ChB, FRCPE, DCH

Stephen D R McNamara

Dodridge D Miller, FCCA, MBA - *President and Chief Executive Officer*

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

(expressed in thousands of Barbados dollars)

OPERATING RESULTS

	2002	2001
Premium Income (Net of Reinsurance)		
Individual Life Insurance	\$ 189,580	\$ 98,431
Individual Health Insurance	17,455	16,873
Property and Casualty	10,275	0
Group Insurance	132,979	69,382
Deferred Annuities and Pensions	108,805	47,422
Total Premium Income	\$ 459,094	\$ 232,108
Net Investment Income	\$ 157,261	\$ 75,276
Benefit Payments (Net of Reinsurance)		
Individual Life Death Claims	\$ 20,354	\$ 10,142
Group Insurance Death Claims	9,486	4,561
Group Insurance Health Claims	75,769	41,868
Individual Health Claims	11,351	6,651
Annuity and Pension Payments	75,115	29,149
Maturity and Surrender Values	76,188	43,185
Property and Casualty Claims	2,368	0
Other benefits	9,109	1,291
Total Benefit Payments	\$ 279,740	\$ 136,847
Expenses		
Net Commissions	\$ 57,768	\$ 28,520
Employee Costs and Benefits	65,659	35,783
Other Expenses and Taxes (other than Goodwill and Finance Costs)	101,985	62,800
Total Expenses	\$ 225,412	\$ 127,103
Net Profit	\$ 13,504	\$ 33,230
Number of administrative employees, at year end	1,248	1,129
Number of sales representatives, at year end	848	524

FINANCIAL POSITION/STRENGTH

Invested Assets	\$ 2,229,848	\$ 1,423,726
Assets	\$ 2,795,640	\$ 1,752,117
Assets Under Management (including Segregated Funds)	\$ 3,874,667	\$ 2,808,111
Shareholders Equity/Surplus	\$ 468,826	\$ 303,755
Return on Assets	1.3%	2.5%
Return on Equity	3.5%	13.0%
MCCSR (Minimum Continuing Capital and Surplus Requirement)	174%	172%

FINANCIAL HIGHLIGHTS

(expressed in thousands of Barbados dollars)

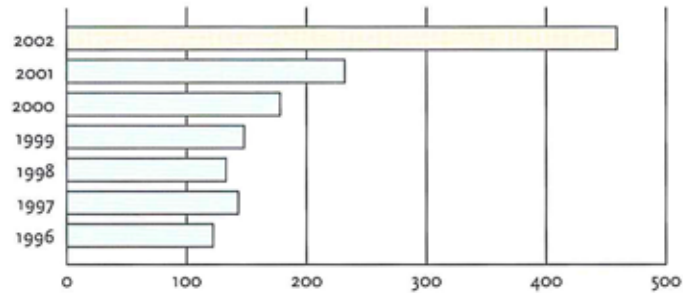
BUSINESS IN FORCE AND NEW SALES

	2002	2001
New Insurance Amounts		
Individual Life – Sums Assured	\$ 1,927,805	\$ 1,222,785
Group Life – Sums Assured	105,836	231,633
Creditor Life – Face Amounts	2,809	13,379
Total New Insurance Amounts	\$ 2,036,450	\$ 1,467,797
New Annualised Premiums		
Individual Life (excluding single premiums)	\$ 40,194	\$ 23,174
Single Premiums (excluding products classified as financial instruments)	13,947	6,457
Group Life	496	830
Creditor Life	112	197
Individual Health	6,222	19,886
Group Health	3,632	4,964
Total New Annualised Premiums	\$ 64,603	\$ 55,508
Insurance Amounts In Force		
Individual Life – Sums Assured	\$ 15,296,747	\$ 12,129,655
Group Life – Sums Assured	5,075,820	4,342,799
Creditor Life – Face Amounts	2,403,037	2,003,657
Deferred Annuities – Basic Maturity Value	365,883	32,722
Total In Force	\$ 23,141,487	\$ 18,508,833
RATING		
A.M.Best (Rating Agency)	A(Excellent)	A(Excellent)

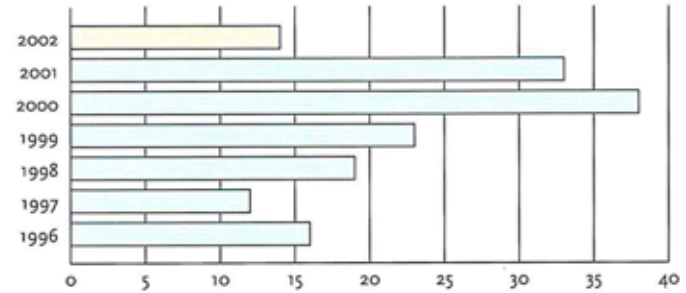
FINANCIAL HIGHLIGHTS

(expressed in thousands of Barbados dollars)

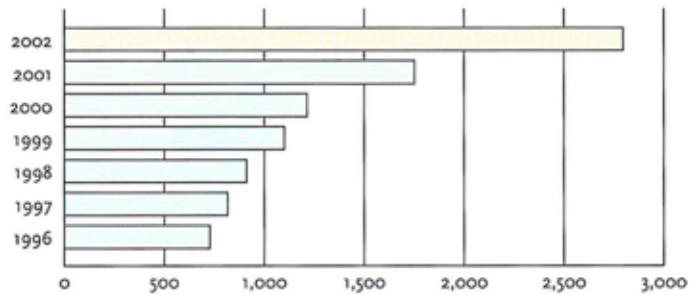
INSURANCE PREMIUMS ANNUITIES AND PENSIONS CONTRIBUTIONS
(Bds\$ Millions)



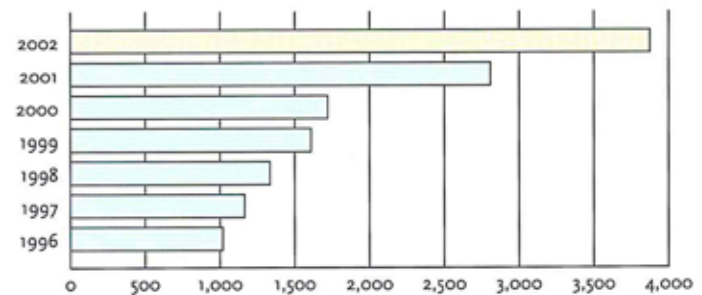
NET PROFITS AFTER MINORITY INTEREST
(Bds\$ Millions)



TOTAL ASSETS
(Bds\$ Millions)



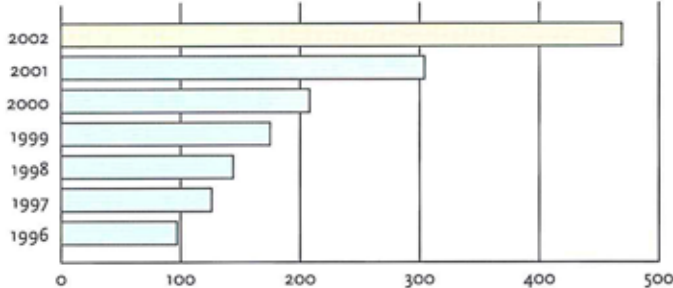
GROWTH OF ASSETS UNDER MANAGEMENT
(Bds\$ Millions)



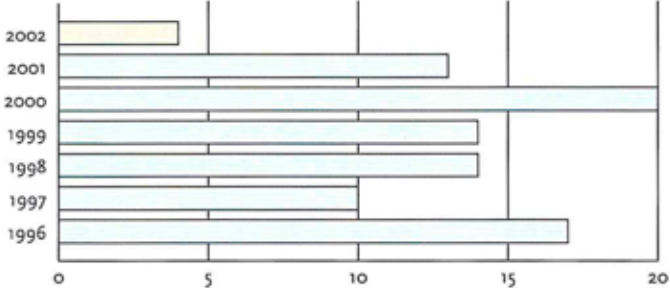
FINANCIAL HIGHLIGHTS

(expressed in thousands of Barbados dollars)

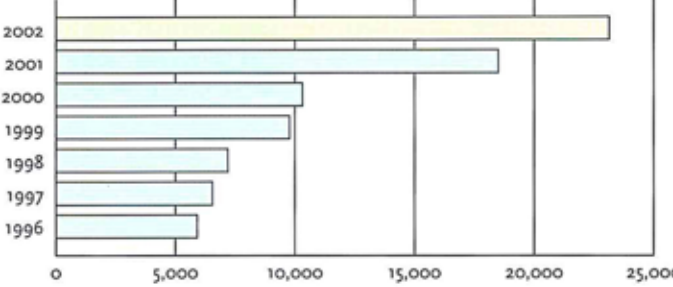
TOTAL SURPLUS
(Bds\$ Millions)



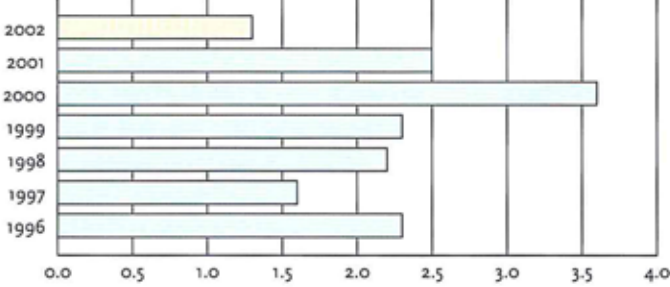
RETURN ON SURPLUS
%



TOTAL INSURANCE IN FORCE
(Bds\$ Millions)



RETURN ON ASSETS
%



CHAIRMAN'S REPORT

The Mutual is now Sagicor

The financial year 2002 was one of unprecedented change for The Barbados Mutual. In the midst of economic and political uncertainties, locally, regionally and indeed internationally, The Mutual embarked upon its most strategic and significant transformation since its establishment in 1840. We started the year as The Mutual, a mutual insurance company of 162 years, but by the end of the year our company had been re-born and had transformed itself from a mutual insurance company into a shareholder-owned company with share capital. In addition, we developed a new brand **Sagicor** and through this new brand proposition we both renewed and deepened our commitment to our policyholders, our shareholders and the people of our region.

The Mutual is now Sagicor, with a new vision and a new mission. During the 1990s we set ourselves the objective of being one of the leading financial institutions in the Caribbean, offering a wide range of quality products to our customers. We defined ourselves by our growth, our product range and by our geographical reach. By the end of 2002 we were one of the leading, if not the leading financial institution in this region. Our policy base had increased from 70,000 a decade ago to over 400,000 by the end of 2002. Our assets had grown from \$0.5 billion to just under \$3.0 billion dollars. We now operate in 20 countries including the United States and Panama, and had once again extended our regional reach to Jamaica. Our product range is second to none in the region, and our profits before tax had increased from approximately \$6.0 million per annum to approximately \$43 million by year ended 2002. This to me suggests that we have achieved our objectives set at the beginning of the 1990s.

We are now in the early stages of a new century. A century which seems destined to bring greater challenges and opportunities than at any other time before. Our new mission seeks to embrace these opportunities, manage the challenges of the period while delivering quality products and services to our customers, excellent returns to our shareholders and a positive working environment for our staff. This was the essence of the changes which occurred during 2002.

While our new name **Sagicor** is the most visible expression of the transformation, there is much more to this change. Through demutualization, 45,000 of our policyholders have become the first shareholders of Sagicor Financial Corporation, while maintaining all of the contractual benefits under their insurance policies. For the company, demutualization allows for a more flexible capital structure. With a flexible capital structure, Sagicor is in a better position to respond to the challenges of the global environment, which require that we offer world-class products and services to the Caribbean and beyond.



Colin G. Goddard
Chairman



(l to r) Patricia Downes-Grant, Dodridge Miller, Sandra Osborne, Andrew Gallagher and Steve Stoute presenting the issues of Demutualisation.

We firmly believe that we have found a new name and a brand that fits the strategic direction of the Group, is aligned with current competitive realities, and is relevant to the new century. Sagicor, which means 'wise judgement,' represents the essence of our Group and reflects a promise to our customers and our region. Our new name, logo, and vibrant colours are key elements of our new brand identity and create a distinctive look for the Group. The Sagicor brand, based on our core attributes of confidence, trust, relevance and respect will form the foundation in building a strong value proposition for our customers.

In addition to those changes which I described earlier, we incorporated a holding company, Sagicor Financial Corporation, and launched the most successful Initial Public Offering in the history of the Caribbean. The eighty-five (85) million shares offered were over-subscribed by 85% with 4,068 applicants subscribing for a total of 157,228,800 shares. Sagicor Financial Corporation is now listed on the Barbados Stock Exchange.

In the midst of these significant changes, the Sagicor Group was able to deliver creditable results in 2002. The value of the Group's strong fundamentals, its financial prudence and conservative business approach were re-affirmed. Revenue increased to \$669.6 million, from

\$356.7 million in 2001. Group net profit, from ordinary activities before accelerated goodwill write-off was \$66.4 million, 60.1% above the figure of \$41.3 million for 2001, while shareholders' equity/surplus increased by \$165.1 million to reach \$468.8 million. Net profit for the year before the accelerated write-off of goodwill was \$43.0 million, (\$13.5 million after goodwill) compared to the forecast of \$39.6 million indicated in the Prospectus supporting the Initial Public Offering. Total assets of the Group increased by 59.5% to \$2.8 billion and funds under management increased to \$3.9 billion. This performance is due to the dedication and hard work of our management, staff and agents and further positions Sagicor to enhance and preserve wealth for our many customers and shareholders across the Caribbean.

A new vision

Sagicor has a new vision – to be a great Caribbean company, committed to improving the lives of its customers, its staff and the people of the region. To achieve this new vision, Sagicor has begun to implement a new business model and business strategy. The model places the customer at the forefront of the business strategy and emphasizes the importance of strengthening brand loyalty through improved customer relationships, enhanced distribution capabilities and world-class products and service.

A renewed commitment to our stakeholders and to our communities

Sagicor Group continues to be a good corporate citizen. However, the implementation of the new vision requires a renewed commitment to the people of the region. Within the last three years, the Group has made acquisitions in Jamaica, Panama, the United States, and more recently, Barbados. These acquisitions have increased the customer base to over 400,000 policyholders, and have enhanced significantly our presence across the region. To these customers, we are committed to delivering quality products and services that provide great value.

For our staff, it requires a commitment to the creation of a working environment, which will facilitate their continuing development, and which will allow them to fulfill their personal and financial goals.

As a company with more than 45,000 shareholders across the region, Sagicor Group will seek out new ways to engage its investors and to enhance their total relationship with the company. We remain committed to the creation of a strong Caribbean financial services Group capable of competing with the best the world has to offer.

In addition, we are committed to participation in initiatives and developments that will enhance the long-term quality of life in the communities in which we operate. We will continue to support developments in the areas of health, education, and sport, with special focus on the youth.

Building a better future

At Sagicor we recognize that financial institutions have a fundamental role to play in underwriting economic development in the Caribbean, contributing to its financial stability and creating and enhancing wealth for the people of the region. We believe that development in the Caribbean can best be achieved through strong indigenous companies, headquartered in the region, but which operate with a global perspective. The Group is well positioned to leverage its scale and capability to forge deeper relationships with global partners.

The directors and management are confident that the new direction will position Sagicor to achieve its new vision, that of becoming a great Caribbean company, which contributes to improving the lives of the people of this region. We believe that Sagicor, more than any other company in this region, is ready to meet the challenges of the global environment. With the continued support of our customers, staff, sales

representatives and shareholders and the people of this region, we will help to create the type of future we desire for our children.

Board and Management Changes

During the year there were a number of changes both with respect to key management positions and to the Board of Directors. We welcomed Mr. Dodridge Miller to the position of Chief Executive Officer and President of the Sagicor Group of companies. Mr. Miller succeeds Mr. Arthur Bethell who served the company in various capacities for 38 years. On behalf of my colleagues on the Board and on my own behalf, I wish to extend congratulations and best wishes to Mr. Miller as he continues to chart a path for the success of our Group well into the century. We are confident that under his leadership, Sagicor will continue to grow from strength to strength. I also want to thank Mr. Bethell for his valuable contributions and his unfailing loyalty and I wish him a happy and healthy retirement.



Geoffrey Cave

Sir Douglas Lynch

Three of our directors resigned during 2002 and I wish to place on record our deep appreciation for their support and guidance over many years. Mr. Robert Bermudez resigned in July to pursue other business interests after serving on the board for four years. As one of our directors from Trinidad and Tobago, he brought a keen insight into the business requirements of one of our most important markets. Mr. Geoffrey Cave resigned in November after 28 years of sterling service on the board. We will be eternally grateful to Mr. Cave, his father, and his grandfather, who together served as directors for 81 years.

The third director to resign was Sir Douglas Lynch, QC, who, having served as a director for the last 42 years, is the longest serving director in our 162 years of existence. He was chairman of the board between 1991 and 1995. Sir Douglas could always be relied on to give thoughtful opinion on matters brought to the Board.

To these Gentlemen, I say thank you sincerely for your valuable contributions.

Conclusion

The year 2002 while successful, was indeed an extremely challenging one. These challenges are likely to continue into the foreseeable future. One such challenge for the company is the integration with Life of Barbados, which is progressing smoothly. I take this opportunity to welcome the customers, management, sales representatives and staff of Life of Barbados into the Sagicor family. We are confident that our combined resources are more than adequate to meet any challenges and also to be successful in enhancing shareholder value while providing quality service to our customers.

I must say a special 'thank you' to senior management and to our advisors, including those in the legal and actuarial areas, who worked tirelessly on the many strategic initiatives of 2002. You demonstrated

dedication and professionalism in delivering on the many Herculean tasks.

To our staff, policyholders and customers, many of whom are now shareholders, we could not have reached this point without your commitment, and to our shareholders, we could not have had such a successful IPO without your confidence in us.

With your continued support, we can look forward to an even brighter future together.



Colin G. Goddard
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The year, 2002, is easily the most significant and extraordinary in the history of this 162-year-old organisation, now known as The Sagicor Group of Companies. The year started with a strategic acquisition, followed by demutualization and ended with a very successful initial public offering. In spite of these intense activities, the Sagicor Group's financial performance was strong, exceeding projections for 2002.

At the end of the financial year, total assets of the Group stood at \$2.8 billion, compared with \$1.7 billion at the end of the previous year. This represents a 60% increase and largely reflects the impact of the acquisition of Life of Barbados Limited. The Group performed well in its major markets and across its various sectors. Group net profit from ordinary activities before accelerated goodwill write-off increased from \$41.3 million for 2001 to reach \$66.4 million in 2002, after demutualization, rebranding and reorganisation expenses of \$16.4 million. Net profit before the accelerated write-off of goodwill amounted to \$43.0 million, compared to \$33.2 million for 2001.

The accelerated write-off of Goodwill was projected in the Prospectus to reduce net profits for 2002 to \$10.1 million. However, the Sagicor Group exceeded that projection to report a net profit of \$13.5 million for 2002, after the write-off of Goodwill (\$29.5 million) arising out of the acquisition of Life of Barbados.

Net insurance premiums from life and health business increased by 84.1% to \$340.0 million, while contributions from annuity and pensions increased to \$108.8 million, an increase of 129.4% over the 2001 amount of \$47.4 million. Assets under management increased to \$3.9 billion from \$2.8 billion in 2001. Shareholders' equity grew by 54.3% to \$469 million and the Group achieved a return on equity of 11.1% before accelerated write-off of Goodwill, 3.5%, after.

In what may be characterised as a difficult sales environment, we again added a record level of new life insurance protection, \$2.04 billion, bringing total insurance in force to \$23 billion. New annualised individual life insurance premiums also rose by 73%, reflecting the impact of the recent acquisitions of Life of Jamaica at the end of 2001 and Life of Barbados in 2002.

Building a solid platform for the next 160 years

In 2002, the Group achieved a number of significant strategic objectives, which usher in a new phase in the development of this Group and which position it to become the major financial services group in the region.



Dodridge Miller
President & Chief Executive Officer

Sagicor acquired its strategic partner Life of Barbados in June 2002. With this acquisition and the integration of the two operations, Sagicor is well on the way to creating a Group with the financial strength and operating capability to compete globally – a goal envisioned by The Mutual and Life of Barbados some years ago.

In December 2002, The Mutual demutualized and changed its name to Sagicor Life Inc. A new holding company, Sagicor Financial Corporation, was also incorporated. Demutualization, with a 99.1% vote in favour of the plan, was a resounding success. Demutualization provides the flexible capital structure the Sagicor Group needs to remain competitive in a globalised environment.

Consequent upon demutualization, Sagicor Financial Corporation, the holding company, launched a very successful Initial Public Offering in December 2002, which raised in excess of \$148 million. This was followed by a major rebranding and repositioning campaign launched to establish Sagicor as the leading indigenous financial services Group operating in the region.

The Group's strategy to increase its market share and to have a more flexible capital structure that enables it to build a platform for its future, has been a success. This strategy, coupled with our principles of financial prudence and strong market discipline, positions the Group to continue to thrive.

Indeed a decade ago, The Mutual Group had revenue of \$126 million, a policybase of less than 70,000, insurance in force of \$4.2 billion and assets of \$481 million. Today, the Sagicor Group has revenue of \$670 million, a policybase exceeding 400,000 policies, insurance in force of \$23.0 billion and assets of \$2.8 billion. The geographic distribution of revenue and assets of the Group has widened, thereby reducing the dependence on any single market. Almost 50% of the Group's revenue is now generated in markets in which the Group had no presence in 1992

and 4% of all premiums are generated from international business. The Group now operates 22 offices in 20 countries in the Caribbean, Central America and the United States.

Our subsidiaries and associated companies have also performed well, contributing to the continued growth and profitability of the Sagicor Group.

Subsequent to year-end, the Group appointed Mrs. Patricia Downes-Grant as Chief Operating Officer. Mrs Downes-Grant holds an MBA in Finance and an MA in Economics. She joined the Group in 1991 as Assistant Vice President and was promoted to Vice President responsible for Investments in 1994. She has extensive experience in management, business consulting and financial services.

Financial Strength and Solvency

The Minimum Continuing Capital & Surplus Requirements (MCCSR) ratio for the Sagicor Group at the end of 2002 was 174%, up slightly from 172% in 2001. The prudential standard recommended by the Canadian regulators for Canadian companies is 150%. The MCCSR ratio measures the company's financial strength and solvency.

A.M. Best Company, the world's oldest and most authoritative insurance rating agency has been reporting on the financial condition of insurance companies since 1899. Their ratings represent an independent opinion of a company's financial strength and its ability to meet its obligations to policyholders. Following their review in 2002, A.M. Best affirmed Sagicor's A (Excellent) Rating.

Life Insurance

In a year characterised by economic uncertainty in countries across the region and political uncertainty in the Trinidad market, net individual life insurance premiums increased significantly (by 92.6%) to \$189.6 million,

reflecting our recent acquisitions. New annualized premium income (excluding single premiums) was \$40.2 million (\$23.2 million in 2001), while new annualized single premium income rose from \$6.5 million in 2001 to \$13.9 million in 2002. This performance reflects the full year performance of our Life of Jamaica subsidiary and Life of Barbados' post-acquisition performance – from July 2002.

Both of our Jamaican subsidiaries, Island Life and Life of Jamaica had an excellent year for new business, together writing 22,993 policies with new annualised premiums of \$20.5 million. The re-entry into Jamaica and the turnaround of these two insurance companies has contributed substantially to Sagicor's total new business production and profitability and continues the growth and diversification of the Group's portfolio. Lloyd Robinson was the top performer for Island Life for 2002 while Keith Lemard was Rookie of the Year. Albert Lyons was the top performer for Life of Jamaica for 2002 while Natoya Morrison was Rookie of the Year.

Sagicor's branch in Trinidad and Tobago wrote \$4.2 million in annualized premium from 2,865 policies up marginally from 2001 when they wrote \$4.1 million from 2,802 policies. In addition, single premium annuity business was a significant contributor to Trinidad and Tobago's performance, adding \$5.6 million in annualized premium from 155 policies. For the third consecutive year, Jackie Bennett received the President's Award for her outstanding performance. David Grainger was the Rookie of the Year.

With the decline in the Barbados economy in 2002, new annualised premiums for Sagicor fell by 20% to \$2.5 million from 1,403 policies. These results were mitigated somewhat by the improvement in single premium annuity business to \$2.2 million (\$1.3 million in 2001) from 20 policies. The President's Award was won by Patrick Estwick and Margaret Audain was the Top Producer for 2002.

The Eastern Caribbean maintained its policy count for new business (1,337 in 2002 compared to 1,365 in 2001), though new annualized premium fell by almost 53% in 2002 to \$1.9 million. Everton Richards from Antigua was again the leading producer in the Eastern Caribbean and Philip Harris, also from Antigua, was the Rookie of the Year.

In the six months to December 2002, the Life of Barbados operations in Barbados, Trinidad and the Eastern Caribbean wrote new annualized premiums of \$2.6 million and \$1.8 million of single premium annuity business. Cheryl Rolle, from Dominica, was Life of Barbados' leading agent for the second consecutive year.

Capital Life, our subsidiary that operates in a number of countries in the Northern Caribbean and in the Netherlands Antilles, was able to improve its performance with the return to growth in its key Curaçao market. New policies increased by 4% to 1,681 policies, with new annualised premiums of \$3.6 million (\$3.5 million in 2001). Rudolph Coelho from Curaçao was the leading producer for Capital Life, while George Palm from Aruba won the Rookie of the Year Award.

Congratulations are extended to all of our sales representatives for their contributions to this year's performance.

Group and Health Insurance

The Sagicor Group is one of the leading group insurance carriers in the region, providing service in health, life and creditor insurance to individuals and institutions in more than 20 countries. The acquisition of Life of Barbados and the joint venture between Life of Jamaica and First Life Insurance Company in Jamaica in the area of employee benefits have added significantly to this portfolio. Group insurance premium income, net of reinsurance, grew by 91.8% to \$133.0 million compared to \$69.3 million last year. Group insurance annualised premiums from new plans decreased to \$4.2 million, down from \$6.0 million in 2001. New individual health insurance premiums, primarily our

international health business and from our subsidiary Allnation Insurance Company, was \$6.2 million.

After a major review of the portfolio and a number of actions taken to deliver sustainable performance, we are pleased to report a turnaround in our group health insurance business. The improvements that began in some markets in 2001 carried through into 2002 and the poor claims experience for 2001 in Trinidad and the Cayman Islands have been addressed. In addition, the impact of the full year's performance of Life of Jamaica, resulted in net group health premiums increasing significantly to \$107.2 million (\$53.4 million in 2001).

Life and creditor insurance continue to make a profitable contribution to the group insurance portfolio.

Property and Casualty Insurance

With the acquisition of Life of Barbados in 2002, Sagicor also acquired majority ownership of Barbados Fire and Commercial Insurance Company, a property and casualty insurance carrier operating mainly in Barbados and selected countries of the Eastern Caribbean. For the six months to December 2002, Barbados Fire contributed net premiums of \$10.3 million to Group revenue.

Investments

Inherent in operating its business, Sagicor faces market, operational and public policy risks. The Group considers the management of risk as a core capability. It takes a strategic approach to managing risk and demonstrates proactive risk stewardship on behalf of its customers, shareholders and also to the people of the region.

Through geographic and financial diversification, and the development and use of techniques such as asset liability management and enterprise risk management, Sagicor remains a strong financial services company.

Investment Performance

The Sagicor Group has a significant and diversified portfolio of invested assets. At the end of 2002, invested assets were \$2.2 billion, up from \$1.4 billion. Net investment income rose almost 110% from \$75.3 million to \$157.3 million. The Group's average return on invested assets was 8.6%.

Bonds and treasury bills represent the largest category at 40.8%. This portfolio stood at \$910.0 million. With the declining interest rate environment, yields on bonds and treasury bills are also declining.

At 14.7% of invested assets, mortgages represent the second largest asset class for the Group. This portfolio increased by 88.7% to \$327.4 million and continues to perform well. In December 2002, Life of Jamaica launched its Mortgage Investor Plan to an excellent response from its customers. This plan is expected to increase that subsidiary's share of the mortgage market in Jamaica.

The Group's equities portfolio remains significant and comprises common shares, mutual funds and preferred shares. The weak performance of the international stock markets for the third consecutive year continues to make equity investing a challenge. Equities represent 14.3% of invested assets.

Demand and discount loans representing 8.8% of invested assets increased from \$150.2 million to \$196.2 million and attracted interest rates ranging from 3% to 22% depending on the country.

The Group owns a number of investment properties directly, and through its investment in RGM Limited, a property development company in Trinidad. The consolidated real estate portfolio increased from \$84.5 million to \$139.9 million with the addition of a number of properties gained through the Life of Barbados acquisition. Real estate represented 6.3% of invested assets.

Group Pensions

Sagicor manages its pension funds in Barbados through two unit trusts, one with a fixed income strategy, the other with an equity investment strategy.

Though 2001 was a difficult year for the Equity Fund, caused by the weak performance in international equity markets and a general decline in interest rates locally, regionally and internationally, the Fund bonds performed well, yielding 8.1%. The Equity Fund's performance though weak improved over 2001. The fund realised a yield of 1.4%. Net assets of these Segregated Funds rose \$19.7 million to \$427.5 million, with \$170.8 million in the Bonds Fund and \$256.7 million in the Equity Fund.

Since 1993, the Bonds Fund and the Equity Fund have returned compound annual interest rates of 8.5% and 6.4% respectively.

Life of Barbados manages its pension portfolio in Barbados and the Eastern Caribbean through deposit administration funds. At the end of 2002, Life of Barbados' deposit administration funds reached \$96.2 million and credited interest rates on these funds ranged from 3% to 7.0%.

The Eastern Caribbean Segregated Fund, which was launched in 2001 using the model of the Barbados Segregated Funds, continues to grow. Net assets reached more than 13% to \$33.8 million at December 31, 2002. The yield of the fund was 6.8% (2001: 6.0%). The Fund has a balanced investment strategy and invests in a combination of equity and fixed income instruments.

Island Life's Diversified Investment Fund (DIF) administers and manages pension funds in Jamaica. Assets in this Segregated Fund increased 12.2% to reach \$64.4 million at the end of 2002, up from \$57.4 million over 2001. The yield on the fund was 19.8% (2001: 17.7%).

Life of Jamaica administers and manages pension funds through its Segregated Pooled Investment Fund (PIF). At the end of 2002, this fund had assets of \$504.7 million (2001: \$511.5 million) while the yield was 19.2 % (2001: 9.7%).

The Mutual Global Balanced Fund

The performance of The Mutual Global Balanced Fund improved in 2002 after the challenging years experienced in 2000 and 2001. The net asset value of the Fund increased by 3.1% for 2002 to reach \$1.48.

Total assets in the fund increased by 4.0% to \$53 million. In a declining interest rate environment, investment income for the fund was \$1.6 million, reflecting the fund's diversified portfolio and conservative stance towards equities.

With the return to positive growth this year, following the weak performance in the past two years, the compound annual growth rate for the six-year existence of the fund was 8.1%. We continue to attract new investment to the Fund, with shareholder contributions for 2002 at \$3.5 million.

During 2003, the fund will continue its conservative position with an emphasis on securities offering moderate risk and growth potential consistent with its objective of achieving income and long-term capital appreciation.

Financial Services

The Mutual Financial Services Inc. (MFS) comprises The Mutual Bank of the Caribbean Inc. and Caribbean CariCard Services Inc. Consolidated net profit for MFS increased to \$2.5 million for 2002, with Sagicor's share of these profits being \$1.8 million.

The Mutual Bank of the Caribbean Inc, which was established almost a decade ago, continues to grow and develop. The Bank's revenue and profitability in 2002 increased over 2001 by 7.6% and 34.9% respectively. In spite of the continued high levels of liquidity in the banking sector and falling interest rates, the Bank has continued to build its loan portfolio and its depositor base. CariCard, established as a key electronic transaction processor for banks and commercial houses in the region, continues to make a contribution to the Group's profitability.

Our two finance companies, GlobE Finance Inc. and The Mutual Finance Inc., our subsidiary in St Lucia, continue to make a positive contribution to the Group.

Human Resources

The new vision articulated by the Sagicor Group requires a way of leading and managing of human assets. Our people must be engaged and committed to making Sagicor the great Caribbean company envisioned.

The new way of looking at human resource management within the Group requires us to deliver on the promise to "create a working environment which is characterised by fair and equitable treatment to all employees, fair remuneration, recognition for work done, and the opportunity for development and self-actualization for all staff".

This is the commitment of the Group. Subsequent to year-end, the Group recruited a new Senior Manager with responsibility for implementing the new strategic mandate for human resources. Mrs Marguerite Estwick joins the Group with significant experience and skills in human resource and business management.

We also welcome back Mrs Melba Smith as Vice President for Corporate Communications to strengthen the Group's ability to manage its communications across its diverse internal and external stakeholder groups.

Sagicor Group of Companies employs 1,248 persons as well as 848 sales representatives and maintains relationships with a growing network of brokers, independent agents and business partners across the Caribbean and internationally.

In an increasingly challenging and competitive industry, the Group continues to focus on employee development through education. Many of our staff have successfully pursued key industry designations and have been awarded the Fellow, Life Management Institute. This year Natalie Collins and Patricia Pilgrim from Barbados, Sandra Rambaran of Trinidad and Tobago, Marcia Grey, Claude Peters and Vanessa Quarrie in Jamaica completed this designation. Orwyn Sandiford of Barbados was awarded Fellow, Life and Health Claims (FLHC) designation.

In addition, a number of employees also completed successfully other insurance related designations including the Associate, Insurance Agency Administration (AIAA), the Associate, Customer Service (ACS), the Associate, Life and Health Claims (ALHC), the Associate, Annuity Products Administration (AAPA), the Associate, Reinsurance Administration (ARA) and the Associate, Insurance Regulatory Compliance (AIRC).

The Sagicor Group is also preparing its agents and advisors for the changing financial environment by enhancing their skills in financial planning and advice to meet the changing needs of our customers. Gay Griffith in Barbados and Valerie Farquharson, Mark Lindsay, Juliet Parkes, Monica Robotham, Whylna Spence and Marcia Wright in Jamaica completed the Chartered Financial Consultant (ChFC) designation. In addition, early in the new year, all Sagicor agents were exposed to intensive training, which will enable them to provide their clients with a wider range of financial solutions.

The Sagicor Group also recognises the outstanding contributions made by employees to the company during the year. Employee of the Year awards were conferred on Marva Depieza of the Human Resources

department and Ansley Weekes (Life of Barbados) in Barbados, Philip Moo in Trinidad and Tobago, Glenroy Castle (Life of Jamaica) and Sharon Duncan-Fraser (Island Life) in Jamaica and Arnetta Wilson in St Lucia. The Employee of the Year for the Mutual Bank was Kerwin Blackett. Congratulations to all of you on your fine achievements.

Conclusion

There can be little doubt that 2002 has been challenging for the Sagicor Group of Companies. We have taken the opportunity to restructure and realign our Group to:

- Have the more flexible capital structure needed to continue the growth and prosperity of the Group.
- Participate more effectively in the Jamaica market, which has almost 50% of the population in the English-speaking Caribbean.
- Defend our home market in Barbados and at the same time create a Group with the size and operational capability to compete effectively in a global world.
- Redefine the competitive space and market position as an insurance-based financial services Group, with a clear strategy for future success.
- Pass the mantle of leadership to a new generation of leaders.
- Build a strong and distinctive brand under our new name Sagicor.

The fall of the Berlin wall, which ushered in a decade of American and global prosperity, also reduced the strategic relevance of our small island states in an increasingly uni-polar world. Liberalisation and globalisation will be major tests for small Caribbean States. To be successful, we must rely on our own creativity and talents to foster the development of our people, our companies and our countries. Companies like Sagicor must be ready to take our place on the global stage. We believe that much of the work we have done in 2002 prepares us to become a world-class company capable of competing with the best the world has to offer.

More than anything, the achievements of the Sagicor Group in 2002 are a reflection of the spirit of a company that believes that it is not limited by the history of its region nor the fragmentation of its markets. Our Group stands on the warm threshold of an exciting future – a future in which we can create a great Caribbean company committed to improving the lives of our customers, our staff and the people of our region.

I extend my gratitude to the staff and agents for contributing to the success of the past year, to my colleagues in management for their support and hard work, to the Board of Directors for their guidance and advice, and to you, our policyholders, customers and shareholders, for your continuing support and confidence in this, our Company.



Dodridge D. Miller
President and Chief Executive Officer

FINANCIAL STATEMENTS



INTERNATIONALLY MILLIMAN GLOBAL

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Consultants and Actuaries

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**APPOINTED ACTUARY'S REPORT
TO THE SHAREHOLDER**

I have valued the consolidated policy liabilities of Sagicor Life Inc and its subsidiaries, Capital Life Insurance Company Limited, Capital Life Insurance Company Bahamas Limited, Capital de Seguros, S.A., Life of Barbados Limited, Nationwide Life Insurance Company Limited, Allnation Insurance Company, Island Life Insurance Company Limited, Life of Jamaica Limited and Global Life Assurance Company Limited, for the consolidated balance sheets, at December 31, 2002, and their change in the consolidated statements 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 Life Inc and its subsidiaries was conducted using the Policy Premium Method as an approximation to the Canadian Asset Liability Method assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Consolidated Standards of Practice of the Canadian Institute of Actuaries.

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, FCIA, FSA, MAAA
Affiliate Member of the (British) Institute of Actuaries
Appointed Actuary for Sagicor Life Inc
June 3rd, 2003

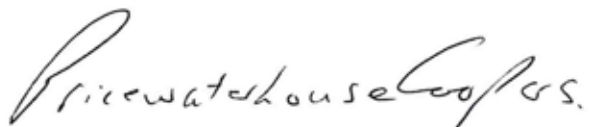
PricewaterhouseCoopers
The Financial Services Centre
Bishop's Court Hill
P.O. Box 111
St. Michael
Barbados, W.I.
Telephone (246) 436-7000
Facsimile (246) 436-1275

**AUDITORS' REPORT
TO THE SHAREHOLDER
OF SAGICOR LIFE INC**

We have audited the accompanying consolidated balance sheet of Sagicor Life Inc as of December 31, 2002, and the related consolidated statements of operations, changes in equity and cash flows for the year then ended as shown on pages 26 to 69. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers
Chartered Accountants
June 3rd, 2003

Antigua Charles W. A. Walwyn Robert J. Wilkinson
Barbados J. Andrew Marryshow Philip St. E. Atkinson Michael R. Boyce (Principal) R. Michael Bynoe Joyce E. Dear Gloria R. Eduardo Wayne I. Fields
Maurice A. Franklin Geoffrey R. Gregory Marcus A. Hatch Stephen A. Jardine Lindell E. Nurse Brian D. Robinson
Christopher S. Sambrano R. Charles D. Tibbits Ann M. Wallace-Elcock Michelle J. White-Ying
Grenada Philip St. E. Atkinson (resident in Barbados)
St. Lucia Anthony D. Atkinson Richard N. C. Peterkin

SAGICOR LIFE INC (FORMERLY THE BARBADOS MUTUAL LIFE ASSURANCE SOCIETY)

CONSOLIDATED BALANCE SHEET

As of December 31, 2002

(expressed in thousands of Barbados dollars)

	2002	2001
ASSETS		
Investments (Note 3)	\$ 2,229,848	\$ 1,423,726
Investments in associated companies (Note 4)	16,150	36,456
Cash resources	123,064	41,427
Premiums due	36,031	11,439
Accrued investment income	40,392	28,675
Reassurance recoveries and other accounts receivable	70,438	50,352
Property, plant and equipment (Note 6)	130,254	87,383
Goodwill (Note 7)	129,764	62,789
Other assets (Note 8)	19,699	9,870
	<u>549,642</u>	<u>291,935</u>
TOTAL ASSETS	\$ 2,795,640	\$ 1,752,117
LIABILITIES & EQUITY		
Insurance and annuity reserves (Note 10)	\$ 1,193,152	\$ 666,332
Deposit administration funds (Note 11)	456,741	324,260
	<u>1,649,893</u>	<u>990,592</u>
Loans payable (Note 12)	26,983	19,285
Demand and term deposits	269,175	205,572
Policyholders' funds on deposit	119,596	55,300
Accounts payable and accrued liabilities	87,815	90,648
Claims and other benefits payable	56,153	34,870
Provision for unearned premiums	28,656	0
Other liabilities (Note 13)	33,097	14,600
	<u>594,492</u>	<u>400,990</u>
TOTAL LIABILITIES	\$ 2,271,368	\$ 1,410,867

SAGICOR LIFE INC (FORMERLY THE BARBADOS MUTUAL LIFE ASSURANCE SOCIETY)

CONSOLIDATED BALANCE SHEET (CONT'D)

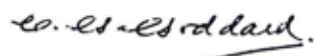
As of December 31, 2002

(expressed in thousands of Barbados dollars)

	2002		2001
Minority interest (Note 15)	\$ 55,446	\$	37,495
EQUITY			
Share capital (Note 32)	\$ 432,495	\$	0
Investment and fair value reserves	42,384		(6,926)
Currency translation reserves	(9,011)		(2,014)
Other reserves (Note 24)	2,958		1,807
Policyholders' surplus/retained earnings	0		310,888
TOTAL EQUITY	\$ 468,826	\$	303,755 ✓
TOTAL LIABILITIES & EQUITY	\$ 2,795,640	\$	1,752,117

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board – June 3, 2003



Colin G. Goddard



Dodridge D. Miller

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

	2002	2001
REVENUE		
Net life insurance premiums <i>(Note 19)</i>	\$ 215,299	\$ 114,395
Net health insurance premiums <i>(Note 19)</i>	124,715	70,291
Property and casualty insurance premiums <i>(Note 19)</i>	10,275	0
Annuities and pensions contributions <i>(Note 19)</i>	108,805	47,422
Net investment income <i>(Note 3)</i>	157,261	75,276
Share of income from associated companies <i>(Note 4)</i>	6,180	5,333
Net gain on divestiture of portfolios and companies <i>(Notes 30 and 4)</i>	6,576	25,294
Fees and other revenue <i>(Note 16)</i>	40,510	18,645
TOTAL REVENUE	669,621	356,656
DISPOSITION OF REVENUE		
Policyholders' Benefits:		
Death and disability benefits	29,840	14,703
Maturities	12,735	4,685
Surrenders	63,453	38,500
Annuity and pension payments	75,115	29,149
Health insurance benefits	87,120	48,519
Increase in reserves for future benefits <i>(Note 10)</i>	60,705	31,390
Increase in deposit administration funds <i>(Note 11)</i>	37,036	20,332
Property and casualty claims	2,368	0
Other benefits	9,109	1,291
	377,481	188,569
Expenses:		
Net commissions	57,768	28,520
Operating expenses	124,551	73,612
Demutualization and rebranding expenses <i>(Note 27)</i>	7,411	7,349
Reorganization costs <i>(Note 28)</i>	8,995	0
Depreciation <i>(Note 6)</i>	13,164	9,853
Amortization of goodwill <i>(Note 7)</i>	2,461	1,928
Finance costs	4,977	2,521
Premium taxes <i>(Note 22)</i>	6,388	3,012
	225,715	126,795
TOTAL DISPOSITION OF REVENUE	\$ 603,196	\$ 315,364

SAGICOR LIFE INC (FORMERLY THE BARBADOS MUTUAL LIFE ASSURANCE SOCIETY)

CONSOLIDATED STATEMENT OF OPERATIONS (CONT'D)

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

	2002	2001
Goodwill write-off <i>(Note 7)</i>	\$ (29,482)	\$ 0
GROUP NET PROFIT, from ordinary activities, before taxation	36,943	41,292
Corporation taxes <i>(Note 22)</i>	(7,135)	(4,757)
GROUP NET PROFIT, after taxation	29,808	36,535
Minority interest	(16,304)	(3,305)
NET PROFIT, for the year	\$ 13,504	\$ 33,230 ✓
Earnings per share <i>(Note 34)</i>	8¢	19¢

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

	Share Capital	Investment and Fair Value Reserves	Currency Translation Reserves	Other Reserves	Policyholders' Surplus/ Retained Earnings	Total Equity
Year ended December 31, 2002						
Balance at beginning of year	\$ 0	\$ (6,926)	\$ (2,014)	\$ 1,807	\$ 310,888	\$ 303,755
Adjustment to revaluation surplus on adoption of IAS 40	0	0	0	0	1,598	1,598
Adjustment to currency translation reserves	0	0	(174)	0	174	0
Transfer of net unrealised gains on securities	0	35,042	0	0	(35,042)	0
Net profit, for the year	0	0	0	0	13,504	13,504
Transfer to other reserves <i>(Note 24)</i>	0	0	0	1,151	(1,151)	0
Preference share dividends	0	0	0	0	(380)	(380)
Currency translation differences	0	0	(6,823)	0	0	(6,823)
Gains recycled to revenue on disposal of available-for-sale securities	0	(4,412)	0	0	0	(4,412)
Revaluation surplus on owner-occupied properties	0	2,499	0	0	0	2,499
Fair value gains/(losses)	0	16,181	0	0	0	16,181
Transfer to share capital	289,591	0	0	0	(289,591)	0
Share capital issued	142,904	0	0	0	0	142,904
Balance at end of year	\$ 432,495	\$ 42,384	\$ (9,011)	\$ 2,958	\$ 0	\$ 468,826

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

	Investment and Fair Value Reserves	Currency Translation Reserves	Other Reserves	Policyholders' Surplus	Total Equity
Year ended December 31, 2001					
Balance, at beginning of year	\$ 0	\$ (1,662)	\$ 1,445	\$ 207,284	\$ 207,067
Revaluation surplus on adoption of IAS 39 & IAS 40	1,698	0	0	71,996	73,694
Net profit, for the year	0	0	0	33,230	33,230
Transfer to other reserves (Note 24)	0	0	362	(362)	0
Preference share dividends	0	0	0	(380)	(380)
Currency translation differences	0	(352)	0	0	(352)
Gains recycled to revenue on disposal of available-for-sale securities	0	0	0	(880)	(880)
Fair value gains/(losses)	(8,624)	0	0	0	(8,624)
Balance at end of year	\$ (6,926)	\$ (2,014)	\$ 1,807	\$ 310,888	\$ 303,755

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

	2002	2001
Cash flows from operating activities:		
Net profit, for the year	\$ 13,504	\$ 33,230
Adjustments for:		
Depreciation	13,164	9,853
Amortization of deferred expenses	188	188
Amortization of goodwill	2,461	1,928
Goodwill write-off	29,482	0
Capital (gains)/losses	(12,169)	3,001
Gain on sale of property, plant and equipment	(259)	(142)
Exchange gains on other assets and liabilities	(1,723)	(691)
Provision for investment (gains)/losses	(596)	31
Share of profits from associated companies	(6,180)	(5,333)
Net gain on divestiture of portfolios and companies	(6,576)	(25,294)
Corporation and premium taxes	13,523	7,769
Interest income	(126,629)	(62,384)
Interest expense	15,170	9,082
Change in insurance and annuity reserves	60,705	31,390
Change in deposit administration funds	37,036	20,332
Minority interest	16,304	3,305
	47,405	26,265
Transfer to segregated funds	0	(20,523)
Increase in other assets	(31,742)	(2,553)
Increase in other liabilities	50,105	28,683
Cash generated from operations	65,768	31,872
Corporation and premium taxes paid	(15,488)	(5,296)
Interest received	130,211	61,364
Interest paid	(18,919)	(9,690)
Net cash from operating activities	\$ 161,572	\$ 78,250

SAGICOR LIFE INC (FORMERLY THE BARBADOS MUTUAL LIFE ASSURANCE SOCIETY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

	2002	2001
Cash flows used in investing activities:		
Mortgage disbursements	\$ (36,914)	\$ (21,496)
Mortgage repayments	36,317	16,624
Bonds and treasury bills purchased	(207,718)	(90,311)
Bonds and treasury bills maturities	122,317	63,084
Repurchase agreements purchased	(154,730)	(30,251)
Repurchase agreements maturities	169,445	27,948
Equities purchased	(31,349)	(46,893)
Proceeds from the sale of equities	29,851	34,698
Investment properties disbursements	(11,012)	(1,808)
Proceeds from sale of investment properties	6,876	2,647
Demand and discount loans disbursements	(51,074)	(4,964)
Demand and discount loans repayments	41,652	11,740
Purchase of property, plant and equipment	(11,721)	(9,683)
Proceeds from sale of property, plant and equipment	1,554	397
Convertible loans – net	(7,054)	(5,072)
Policy loans – net	2,800	347
Demand and term deposits – net	21,505	(4,819)
Investment in associated companies	(915)	0
Proceeds from divestiture of portfolios and companies	23,530	56,501
Dividends received from associated company	1,362	3,844
Insurance companies acquired - net of cash	(135,313)	(40,679)
Net cash used in investing activities	(190,591)	(38,146)
Cash flows from financing activities:		
Common shares issued	142,904	0
Proceeds from long-term borrowings	120,000	0
Payments on long-term borrowings	(126,942)	(4,286)
Net cash from /(used in) financing activities	135,962	(4,286)
Net increase in cash & cash equivalents	\$ 106,943	\$ 35,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***1. CONSTITUTION AND PRINCIPAL ACTIVITIES (cont'd)**

Sagicor Life Inc's subsidiary and associated companies are as follows:-

Name of Company	Jurisdiction of Incorporation	Issued Equity Capital Held	Principal Activities
<i>Subsidiary companies:</i>			
1. Allnation Insurance Company	Delaware, USA	100%	International Health Insurance
2. Capital Life Insurance Company Limited (Capital Life)	The Commonwealth of the Bahamas	100%	Individual Life and Health Insurance, Group Insurance, Annuities and Pensions
3. Island Life Insurance Company Limited (Island Life)	Jamaica	78.8%	Individual Life Insurance, Group Insurance, Annuities and Pensions
4. Life of Barbados Limited	Barbados	100%	Individual Life Insurance, Group Insurance, Annuities and Pensions
5. LOJ Holdings Limited	Jamaica	66.7%	Insurance Holding Company
6. Mutual International Holdings Limited	Bermuda	100%	Insurance Holding Company
7. Nationwide Insurance Company Limited (Nationwide)	Trinidad	100%	Individual Life Insurance
8. The Mutual Asset Management Inc (MAMI)	Barbados	100%	Investment Management and Advisory Services
9. The Mutual International Cayman Limited	Cayman Islands	100%	Investment Holding Company
10. The Mutual Finance Inc	St. Lucia	70%	Loans, Hire Purchase and Lease Financing, Deposit Taking
11. The Mutual Financial Services Inc (MFS)	Barbados	73%	Financial Services Holding Company
12. The Mutual Funds Incorporated (MFI)	Barbados	100%	Mutual Fund (The Mutual Global Balanced Fund)
<i>Associated companies:</i>			
13. RGM Limited	Trinidad	33.3%	Property Development

Capital Life's subsidiary companies are as follows:-

1. Capital Life Insurance Company Bahamas Limited	The Commonwealth of the Bahamas	100%	Individual Life Insurance, Group Insurance, Annuities and Pensions
2. Capital International Management Services, Inc (CIMS)	Florida	100%	Management and Business Development Services
3. Capital de Seguros, SA	Panama	100%	Individual Health and Group Insurance
4. Capital Pensions Services Limited	Cayman Islands	100%	Pensions Administration

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)*1. CONSTITUTION AND PRINCIPAL ACTIVITIES (cont'd)

The subsidiary company of LOJ Holdings Limited is as follows:-

Name of Company	Jurisdiction of Incorporation	Issued Equity Capital Held	Principal Activities
1. Life of Jamaica Limited (LOJ)	Jamaica	76%	Individual Life Insurance, Group Insurance, Annuities and Pensions

Life of Barbados Limited's subsidiary and associated companies are as follows:-

Subsidiary companies:

1. Barbados Fire and Commercial Insurance Company Limited	Barbados	52.8%	Property and Casualty Insurance
2. GlobE Finance Inc.	Barbados	50.6%	Loan Financing, Lease Financing and Deposit Taking

Associated companies:

3. LOJ Holdings Limited	Jamaica	33.3%	Insurance Holding Company
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Life of Jamaica Limited's subsidiary companies are as follows:-

1. Global Life Assurance Company Limited	Cayman Islands	100%	Individual Life Insurance, Group Insurance, Annuities and Pensions
2. LOJ Pooled Investment Funds Limited	Jamaica	100%	Pension Fund Management
3. LOJ Property Management Limited	Jamaica	100%	Property Management

The Mutual Financial Services Inc's subsidiary and associated companies are as follows:-

Subsidiary:

1. The Mutual Bank of the Caribbean Inc	Barbados	100%	Banking
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Associated company:

2. Caribbean CariCard Services Inc	Barbados	50%	Plastic Card Processing, ATM and Point-of-Sale Handling Services
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Effective June 30, 2002 Sagicor Life Inc purchased an additional 72.34% of the outstanding shares of Life of Barbados Limited (LOB). The company previously held a 23% interest in LOB. On September 1, 2002 LOB became a fully-owned subsidiary of Sagicor Life Inc with the acquisition of the remaining 4.66% outstanding shares (see Note 21).

Effective December 1, 2002 Sagicor Life Inc obtained an additional 14.8% interest in Island Life Insurance Company Limited bringing the total interest to 78.8%. The Company previously held a 64% interest (see Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Investments (cont'd)

- Demand and Term Deposits are carried at amortised cost.
- Demand and Discount Loans are carried at amortised cost less provision for credit losses. A provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception of the loan. The provision for loan losses also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related allowance; subsequent recoveries are credited to the provision for losses on loans in the Consolidated Statement of Operations.

Interest on discount loans is recognized over the terms of the loans using the reducing balance method. At balance sheet date, discount loans are recorded net of interest relating to future periods.

- Convertible Loans are carried at amortised cost.
 - Policy Loans are carried at their unpaid balances and are collateralised by the cash surrender value of the policies on which the respective loans were made.
- v) Investment Property comprises real estate held for long-term rental yields, which is not occupied by the Group and land banks, held long-term for capital appreciation. Investment Property is carried at fair value, representing the open market value as determined by external valuers using the investment yield method. All properties are appraised at least once every three years.

d) Deposit Administration and Policy Side Funds

Deposit administration and policy side funds are managed by group companies but are not legally segregated from the general operations of the group. The assets, liabilities and activity of these funds are included in these consolidated financial statements. Group companies earn administration and investment fees on the management of these funds.

e) Cash and Cash Equivalents

For the purpose of the Consolidated Statement of Cash Flows, Cash and Cash Equivalents comprise Cash Resources, Bank Indebtedness and Short-Term Deposits with a maturity date of three months or less from the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Goodwill

Goodwill arising on the acquisition of subsidiaries and insurance portfolios is calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired. Goodwill is amortised on the straight-line basis over its remaining useful life for a period not exceeding fifteen years from the date of acquisition. When goodwill is determined to be permanently impaired, it is written off immediately.

An excess of the identifiable net assets acquired over the acquisition cost is treated as negative goodwill. Negative goodwill related to expected post acquisition losses is taken to income during the period the future losses are recognised. Negative goodwill which does not relate to expected future losses and expenses is recognised as income immediately.

g) Insurance and Annuity Reserves

Insurance and Annuity Reserves 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. These reserves are shown net of reinsurance and are calculated in accordance with Canadian standards, specifically the Canadian Asset Liability Method (CALM). Under CALM, the reserve is equal to the market value of assets required to retire all insurance and annuity contract liabilities. In 2002, certain companies within the Group have approximated CALM using the Policy Premium Method (PPM) as permitted under Canadian standards.

The process of calculating 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 rates of withdrawal, 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.

h) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated to Barbados dollars at the exchange rates in effect at the balance sheet date.

The balance sheets of foreign branches and agencies, which are integral operations, are translated to Barbados dollars at closing rates with non-monetary assets and liabilities translated at historic rates.

Transactions during the year are translated using exchange rates at the date of the transactions. Differences arising from fluctuations in exchange rates are included in the Consolidated Statement of Operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****h) Foreign Currency Translation (cont'd)**

Investments in foreign entities are translated to Barbados dollars using exchange rates at the balance sheet date. Income and expense items from these operations are translated at an average rate for the reporting period. Exchange differences on translation are deferred and taken directly to Currency Translation Reserves. On disposal of the foreign entity, such translation differences are recognised in the Consolidated Statement of Operations as part of the gain or loss on sale.

i) Property, Plant and Equipment

Owner-occupied properties consist of real estate owned by the Group and used by members of the Group. These properties are stated at their fair value, based on valuations by external valuers, less depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are included in Investment and Fair Value Reserves. Decreases that offset previous increases of the same asset are charged against the Investment and Fair Value Reserves. All other decreases are taken directly to the Consolidated Statement of Operations.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in Revenue. On disposal of revalued assets, the revaluation amounts are transferred to Retained Earnings.

Operating leases are recorded as property, plant and equipment. Income from the lease is recognized on the straight line basis over the lease term.

Depreciation is determined on a straight-line basis, at rates estimated to write-off each asset to its residual value over its estimated useful life.

The annual rates used are:-

Land	Nil
Freehold buildings	3% - 5%
Computers and software	20% - 33 1/3%
Equipment	15%
Furniture	10%
Motor vehicles	20%
Leasehold improvements	term of lease, not to exceed ten years
Leasehold land	term of lease
Leased vehicles and equipment	term of lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Real Estate Developed for Resale

Lands being made ready for resale along with the cost of infrastructural works are classified as Real Estate Developed for Resale and are valued at the lower of cost and net realisable value. If on the commencement of development, land is transferred from Investment Property to Real Estate Developed for Resale, the land's cost is determined to be its fair value at the date of change in use. Gains and losses realised on the sale of real estate developed for resale are included in revenue at the time of sale.

k) Income and Corporation Taxes

The Group uses the balance sheet liability method of accounting for corporation 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.

l) Pension Obligations

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to income so as to spread the regular cost over the service lives of the employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate equivalent to the coupon rate of long term government bonds.

Net cumulative unrecognised actuarial gains and losses at the beginning of a year in excess of a corridor limit (10% of the greater of the fair value of plan assets and the present value of the defined benefit obligation at that date) are amortised to income over a period of ten years.

The Group's contributions to the defined contribution pension plans are charged to income in the year to which they relate.

A group member company also provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The estimated present value of these benefits are charged to earnings over the employees' years of service to their date of full entitlement.

m) Acceptances

The Group's potential liability under acceptances is reported as a liability in the balance sheet. The recourse against the customer in the event of a call on any of these commitments is reported as a corresponding asset of the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Finance Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred and included as part of Finance Costs in the Consolidated Statement of Operations.

o) Recognition of Insurance Revenue and Related Benefits

Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Revenue for universal life products and annuity contributions are recognised as revenue when received. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Property and Casualty insurance premiums are recognized on a pro-rated basis over the period of the respective policies. Unearned premiums are the proportion of net premiums written in the current year which relate to cover provided in the following year.

Amounts received or paid under contracts with principally financial risk (financial instruments) are recorded directly to the balance sheet as an adjustment to Policyholders' Funds on Deposit and are not reflected in the Consolidated Statement of Operations. The interest credited to these funds is recorded as an interest expense.

p) Fees and Other Revenue

Fees and other revenue are generally recognized at the time of the delivery of the related service.

q) Claims and other Benefits Payable

Claims and other benefits payable include the cost of insurance contract benefits which have been set-up as payable but not settled as at the balance sheet date. Benefits are recognized as payable on notification of death, receipt of surrender request, on the maturity date of endowment policies or on the date of occurrence of a health, property or casualty claim.

Reinsurance recoverables for death claims are shown as receivables from the reinsurers.

r) Other funds under management

The company and certain of its subsidiaries manage a number of segregated pension funds and mutual funds on which administration and investment fees are earned. These funds are legally segregated and investment returns on these funds accrue directly to unit holders with group companies assuming no risk. Consequently the assets, liabilities and activity of these funds are not included in these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***3 INVESTMENTS**

	Carrying Value 2002	Fair Value 2002	Carrying Value 2001	Fair Value 2001
Held-To-Maturity Investments				
Bonds and treasury bills	\$ 190,175	\$ 190,186	\$ 188,187	\$ 188,253
Available-For-Sale Investments				
Bonds and treasury bills	132,180	132,180	50,750	50,750
Equities	299,206	299,206	211,113	211,113
Trading Investments				
Bonds and Treasury Bills	101,401	101,433	99,670	99,656
Equities	18,777	18,777	15,461	15,461
Investment Property	139,931	139,931	84,469	84,469
Originated Loans				
Bonds and treasury bills	486,225	472,406	217,867	213,235
Repurchase agreements	9,758	9,826	34,712	34,661
Mortgages	327,371	327,371	173,468	173,468
Demand and discount loans	196,224	196,224	150,242	150,242
Demand and term deposits	169,934	169,934	115,871	115,871
Convertible loans	17,203	17,203	10,304	10,304
Policy loans	141,463	141,463	71,612	71,612
Total Investments	\$ 2,229,848	\$ 2,216,140	\$ 1,423,726	\$ 1,419,095

Included in Equities are 5,015,543 (2001 – 4,970,013) shares in The Mutual Global Balanced Fund with a carrying value of \$7,404,948 (2001 - \$7,113,083).

Included in Demand and Discount Loans are impaired loans amounting to \$12,200,000 (2001 - \$11,900,000).

The Convertible Loans were issued to Sagicor Life Inc by an associated company and can be converted to preference shares or bonds upon the agreement of the Directors of the associated company. Interest income arising on these loans of \$2,097,850 (2001 - \$1,227,249) has been included in Net Investment Income in the Consolidated Statement of Operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)*4. INVESTMENTS IN ASSOCIATED COMPANIES

	2002	2001
Cost of investments	\$ 8,375	\$ 51,976
Share of post-acquisition retained profits and reserve movements	7,775	5,393
Goodwill on acquisition	o	(20,913)
	<u>\$ 16,150</u>	<u>\$ 36,456</u>
The share of income from associated companies comprises:-		
Caribbean CariCard Services Inc	\$ 449	\$ 323
RGM Limited	3,631	2,084
Life Of Barbados Limited	2,100	1,728
NEM (West Indies) Insurance Limited	o	1,198
	<u>\$ 6,180</u>	<u>\$ 5,333</u>

These investments comprise:-

- 50.0% of the issued capital of Caribbean CariCard Services Inc, held through MFS.
- 33.3% of the issued capital of RGM Limited.
- 23.0% of the issued capital of Life Of Barbados Limited (for the prior year and the period ended June 2002).

Effective June 30, 2002, Sagicor Life Inc increased its shareholding in LOB to 95.34%. From September 1, 2002, LOB became a wholly owned subsidiary of Sagicor Life Inc.

During 2001 Sagicor Life Inc divested of its 35.96% interest in NEM (West Indies) Insurance Limited, realising a gain of \$25,294,000.

5. JOINT VENTURE UNDERTAKINGS

Included in these Consolidated Financial Statements is the Group's share of the assets, liabilities, revenue and expenses of jointly controlled entities. The aggregate amounts are as follows:-

	2002	2001
Investment property	\$ 39,185	\$ 19,691
Real estate developed for resale	\$ 1,546	\$ 2,110
Accounts receivable	\$ 2,339	\$ 1,487
Loans payable	\$ 1,763	\$ o
Accounts payable	\$ 1,465	\$ 1,562
Net income from Joint Ventures	\$ 3,408	\$ 1,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)*6. PROPERTY, PLANT AND EQUIPMENT

	Computers & Software	Furniture	Owner Occupied Properties	Other	2002	2001
Cost or Valuation:						
Balance, at beginning of year	\$ 56,897	\$ 23,371	\$ 57,937	\$ 22,312	\$ 160,517	\$ 65,346
Cost acquired on acquisitions	13,706	7,014	32,738	11,288	64,746	30,882
Transfer of owner-occupied properties from Investments on adoption of IAS 40	0	0	0	0	0	54,754
Transfer from accumulated depreciation on revaluation	0	0	(328)	0	(328)	0
Fair value gains	0	0	2,499	0	2,499	1,358
Additions	3,457	825	1,622	6,748	12,652	9,683
Disposals	(771)	(211)	(1,097)	(3,571)	(5,650)	(1,506)
Balance, at end of year	73,289	30,999	93,371	36,777	234,436	160,517
Accumulated Depreciation:						
Balance, at beginning of year	44,650	14,191	1,271	12,799	72,911	39,855
Depreciation on acquired assets	10,838	4,979	823	5,361	22,001	24,452
Depreciation charge for year	5,089	2,113	1,523	4,439	13,164	9,853
Transfer to accumulated depreciation on revaluation	0	0	(328)	0	(328)	0
Disposals	(358)	(157)	(1,097)	(2,708)	(4,320)	(1,249)
Balance, at end of year	60,219	21,126	2,192	19,891	103,428	72,911
Currency exchange adjustment	(170)	(402)	(95)	(87)	(754)	(223)
Net book value, at end of year	\$ 12,900	\$ 9,471	\$ 91,084	\$ 16,799	\$ 130,254	\$ 87,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)*9. PENSION PLAN ASSET (cont'd)

Movement in the amount recognised in the Consolidated Balance Sheet is as follows:-

	2002		2001
Balance, at beginning of year	\$ (604)	\$	6,251
Surplus/ (deficit) assumed on acquisition	806		(7,287)
Exchange difference on foreign plans	389		(29)
Increase in surplus during the year	1,350		461
Balance, at end of year	<u>\$ 1,941</u>	\$	<u>(604)</u>

The principal actuarial assumptions used were as follows:-

Pensions:-	Barbados & territories other than		
	Trinidad & Jamaica	Trinidad	Jamaica
Discount rate	6.00 – 7.00 %	9.00%	12.50%
Expected rate on plan assets	6.00 – 7.00 %	10.00%	12.50%
Future merit salary increases	2.25 – 3.00%	2.50%	0.00%
Future inflationary salary increases	2.50 – 3.00%	3.50%	10.00%
Future pension increases	0.00 – 2.00%	2.00%	3.50%
Proportion of employees opting for early retirement	0.00%	0.00%	0.00%
Future changes in National Insurance ceiling	2.50 – 3.50%	0.00%	0.00%

Supplementary benefits provided by a subsidiary company reflect the following assumptions:

Health Insurance:	Jamaica
Discount rate	12.5% per annum
Medical claims growth	11.5% per annum

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***10. INSURANCE AND ANNUITY RESERVES**

	2002	2001
Reserves, at beginning of year	\$ 666,332	\$ 505,829
Transfer to Deposit Administration Funds	(2,438)	0
Reserves assumed on acquisition	479,191	129,432
Change in reserves during year	60,705	31,390
Currency translation adjustments	(10,638)	(319)
Reserves, at end of year	<u>\$ 1,193,152</u>	<u>\$ 666,332</u>

In conformity with the Conversion Plan for demutualization, actuarial liabilities include \$151,671,481 (2001 – \$0) which form participating sub-accounts for the in-force participating policies of the former The Barbados Mutual Life Assurance Society as at demutualization. These participating accounts will operate with allocated assets, and cash flows derived from related premiums, investment income, benefits and expenses will remain in the participating sub-accounts. Profits from these sub-accounts may only be distributed to shareholders under the established rules.

11. DEPOSIT ADMINISTRATION FUNDS

	2002	2001
Funds, at beginning of year	\$ 324,260	\$ 163,804
Transfer from Insurance & Annuity Reserves	2,438	0
Segregation of certain Eastern Caribbean pension funds	0	(20,523)
Funds assumed on acquisition	107,176	161,131
Normal change in funds during year	37,036	20,332
Currency translation adjustments	(14,169)	(484)
Funds, at end of year	<u>\$ 456,741</u>	<u>\$ 324,260</u>

The movement in funds for the year as included in the Consolidated Statement of Operations is analyzed as follows:-

	2002	2001
Contributions received	\$ 54,459	\$ 16,923
Net investment income	41,875	18,702
Payments and withdrawals	(57,390)	(14,096)
Expenses net of exchange adjustments	(1,908)	(1,197)
Increase in funds during the year	<u>\$ 37,036</u>	<u>\$ 20,332</u>

On April 1, 2001, several of the Deposit Administration Fund accounts previously administered by The Society were transferred to The Mutual (Eastern Caribbean) Fund at Ec\$1.00 per unit. Assets equivalent to the liabilities transferred were assigned by The Society to the new segregated fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

12 LOANS PAYABLE

Details of the long-term loans carried by the Group are as follows:-

	2002		2001
a) The Bank of Nova Scotia, Barbados			
Balance Payable	\$ 19,285	\$	23,571
Amount due within one year (Note 13)	(4,285)		(4,286)
	<u>15,000</u>		<u>19,285</u>
b) Citibank N.A.			
Balance Payable	15,560		0
Amount due within one year (Note 13)	(5,187)		0
	<u>10,373</u>		<u>0</u>
c) RBTT Merchant Bank			
Balance Payable	1,725		0
Amount due within one year (Note 13)	(115)		0
	<u>1,610</u>		<u>0</u>
	<u>\$ 26,983</u>	\$	<u>19,285</u>

- a) This loan is held by Sagicor Life Inc. The loan is for a term of five years with an interest rate based on three (3) months LIBOR plus 1.25% and the principal is repayable in equal quarterly installments of US\$ 535,715. The loan is secured through a Bankers Guarantee issued by Merrill Lynch Bank (Suisse) S.A. in the amount of US\$ 10,714,280.
- b) This loan is held by Life of Barbados Limited. The loan is for a term of four years. Interest is based on three (3) months LIBOR plus 1.5%. The principal is repayable by installments of Bds\$ 1,311,000 per quarter. The loan is secured by bonds.
- c) This represents Life of Barbados' share of a joint venture loan. The loan is for a period of ten years with interest fixed at 8.85%. It is collateralized by the investment property of the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

13. OTHER LIABILITIES

Other liabilities consist of the following :-

	2002		2001
Bank indebtedness	\$ 6,832	\$	4,965
Current portion of Loans Payable (Note 12)	9,587		4,286
Dividends payable (Note 14)	5,265		4,745
Pension plan liability (Note 9)	o		604
Amounts due to segregated pension funds	11,195		o
Amounts due to parent company	218		o
	<u>\$ 33,097</u>	<u>\$</u>	<u>14,600</u>

Bank indebtedness represents mainly uncleared effects. Subsidiaries have pledged \$1,570,690 in securities as security for bank overdraft facilities. Included in amounts due to segregated pension funds is a balance of \$9,500,000 which bears interest at 6.0% per annum and is repayable within one year.

14. DIVIDENDS PAYABLE

This represents the provision for dividends on preference shares held in a subsidiary company by a third party. Sagicor Life Inc's portion is \$3,844,000 (2001 - \$3,464,000).

15. MINORITY INTEREST

Minority interest in subsidiaries is comprised of the following:-

	2002		2001
Barbados Fire and Commercial Insurance Company Limited – 47.2% (2001 – 0%)	\$ 19,230	\$	o
GlobE Finance Inc – 49.43% (2001 – 0%)	1,878		o
The Mutual Financial Services Inc – 27% (2001 – 27%)	3,312		2,769
The Mutual Finance Inc – 30% (2001 – 30%)	567		552
Life of Jamaica Limited – 24% (2001 – 49.33%)	15,000		14,684
Island Life Insurance Company Limited – 21.2% (2001 – 36%)	7,459		11,490
Preference Shareholders	8,000		8,000
	<u>\$ 55,446</u>	<u>\$</u>	<u>37,495</u>

The preference shares, which are held by a third party in a subsidiary company, earn a cumulative fixed dividend of 6.5%, with a right to further participation in profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***16. FEES AND OTHER REVENUE**

Fees and other revenue is comprised of the following:-

	2002		2001
Pensions administration and investment fees	\$ 16,858	\$	7,084
Other fees and commissions	15,181		6,544
Net rental income from tenants in owner-occupied properties	2,503		1,125
Foreign exchange gains	3,522		2,980
Miscellaneous items	2,446		912
	<u>\$ 40,510</u>	\$	<u>18,645</u>

The Sagicor Group serves as Trustee and Manager of a number of funds for which the net assets are not included in the balance sheet, and on which it earned administration and investment fees of \$15,518,588 (2001 - \$6,081,189). As at December 31, 2002, the net assets of these funds amounted to \$1.1billion (2001 - \$1.1billion).

17. EMPLOYEE COSTS AND BENEFITS

Included within Net Commissions and Operating Expenses are the following amounts in respect of employee costs and benefits:-

	2002		2001
Remuneration Costs			
Administrative salaries, allowances and bonuses	\$ 54,675	\$	31,210
Employer Contributions			
Social security schemes	4,883		3,134
Employees' group health, life and disability schemes	3,081		1,992
Employees' defined benefit plans (Note 9)	4,464		694
Employees' defined contribution plans	674		657
	<u>13,102</u>		<u>6,477</u>
	<u>\$ 67,777</u>	\$	<u>37,687</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***18. FINANCIAL INSTRUMENTS**

i) Interest Rate Risk

Differences in contractual repricing or maturity dates and changes in interest rates may expose the Group to interest rate risk. Unless disclosed elsewhere in the financial statements, the effective interest rates and periods to maturity of the Group's financial assets and liabilities are summarized in the following table: -

	2002		2001	
	Interest Rates	Years to Maturity	Interest Rates	Years to Maturity
Financial Assets				
Bonds and treasury bills	0.25% - 21.32%	1mth - 47 yrs	1.0% - 21.3%	1 mth - 29 yrs
Mortgages	3.0% - 36.0%	1-29 yrs	4.5% - 36.0%	1 - 28 yrs
Demand and term deposits	0.27% - 28.0%	Call - 3 yrs	1.0% - 26.0%	Call - 3 yrs
Policy loans	5.0% - 23.0%	N/A	5.0% - 25.0%	N/A
Demand and discount loans	3.0% - 22.0%	Call - 15 yrs	3.0% - 22.0%	9 mths - 15 yrs
Convertible loans	10.0% - 12.5%	N/A	10.0% - 12.5%	N/A
Repurchase agreements	8.0% - 19.25%	1 mth - 12mths	14.8% - 29.5%	1 mth - 14mths
Financial Liabilities				
Bank indebtedness	11.0% - 24.0%	Demand	11.0% - 25.0%	Demand
Demand and term deposits	0.0% - 9.0%	Demand - 5 yrs	0.0% - 9.0%	Demand - 5 yrs
Policyholders' funds on deposit	4.0% - 18.0%	N/A	4.0% - 15.0%	N/A

ii) Credit Risk

The Group's exposure to credit risk is as indicated by the carrying amounts of its assets. Credit risk is minimized through the following: -

- (a) Holding a diversified portfolio of Equities, Bonds and Treasury Bills issued in a number of different countries and denominated in various currencies.
- (b) Issuing Mortgages, Demand and Discount Loans, Policy Loans and generally conducting its business with a large number of institutions and individuals in the Caribbean and overseas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***19. PREMIUMS AND CONTRIBUTIONS BY LINE OF BUSINESS AND GEOGRAPHY**

i) Gross premiums and contributions by line of business:

	2002	2001
Individual Life	\$ 204,642	\$ 109,026
Group Creditor Life	13,941	14,695
Group Life	27,891	15,354
Individual Health	19,396	17,733
Group Health	113,773	58,060
Property and Casualty	21,893	0
Annuities and Pensions	108,805	47,422
	<u>510,341</u>	<u>262,290</u>
Reinsurance premiums by line of business:		
Individual Life	(15,062)	(10,595)
Group Creditor Life	(12,441)	(11,759)
Group Life	(3,672)	(2,326)
Individual Health	(1,941)	(860)
Group Health	(6,513)	(4,642)
Property and Casualty	(11,618)	0
	<u>(51,247)</u>	<u>(30,182)</u>
Net Premiums and Contributions	\$ 459,094	\$ 232,108
ii) Premiums and contributions by geography:		
Barbados	\$ 109,684	\$ 53,303
Trinidad and Tobago	53,279	44,168
Jamaica	184,774	45,752
Eastern Caribbean	33,276	26,444
Netherlands Antilles	14,584	13,882
International	7,189	5,152
Other	56,308	43,407
Total	<u>\$ 459,094</u>	<u>\$ 232,108</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***20. SEGMENTAL FINANCIAL INFORMATION**

The Sagicor Group of Companies operates in the financial services industry. Its principal activities are insurance, banking and investment services.

The geographical distribution of Assets Employed, Liabilities, Total Revenue and Net Profit is as follows:-

	2002				2001			
	Assets Employed	Liabilities	Total Revenue	Net Profit	Assets Employed	Liabilities	Total Revenue	Net Profit
Insurance:								
Barbados	\$ 1,012,836	\$ 850,382	\$ 149,852	\$ (36,014)	\$ 251,867	\$ 200,951	\$ 95,845	\$ 22,687
Trinidad & Tobago	485,952	382,147	85,955	(2,082)	419,523	337,626	72,036	1,238
Jamaica	476,277	377,908	266,653	43,500	455,529	386,244	54,671	1,038
Eastern Caribbean	222,640	183,106	47,199	(325)	125,526	97,049	34,561	2,625
Other Territories	279,948	194,195	98,659	4,624	260,248	172,139	82,424	4,082
	<u>2,477,653</u>	<u>1,987,738</u>	<u>648,318</u>	<u>9,703</u>	<u>1,512,693</u>	<u>1,194,009</u>	<u>339,537</u>	<u>31,670</u>
Banking and Investment services:								
Barbados	307,807	276,447	20,490	3,752	230,724	210,891	16,141	1,476
Eastern Caribbean	10,180	7,183	813	49	8,700	5,967	978	84
	<u>317,987</u>	<u>283,630</u>	<u>21,303</u>	<u>3,801</u>	<u>239,424</u>	<u>216,858</u>	<u>17,119</u>	<u>1,560</u>
	<u>\$ 2,795,640</u>	<u>\$ 2,271,368</u>	<u>\$ 669,621</u>	<u>\$ 13,504</u>	<u>\$ 1,752,117</u>	<u>\$ 1,410,867</u>	<u>\$ 356,656</u>	<u>\$ 33,230</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***21. ACQUISITIONS**

Sagicor Life Inc held a 23% interest in Life of Barbados Limited (LOB), a life insurance company incorporated in Barbados. On June 24, 2002, Sagicor Life Inc acquired a further 72.34% of the issued common shares of LOB. On September 1, 2002, Sagicor Life Inc purchased the remaining 4.66% of the issued common shares of LOB. The increased share of earnings has been included in these Consolidated Financial Statements.

On November 1, 2002, FINSAC Limited transferred 95,765,462 12.5% perpetual non-cumulative convertible preference shares of J\$1.00 each in the share capital of Island Life Insurance Company Limited to Sagicor Life Inc for nil consideration. On November 22, 2002 the preferred shares were converted to common shares, at the rate of one ordinary share for every two preference shares, thereby increasing Sagicor Life's interest in Island Life's share capital by 14.8% to 78.8%. Island Life is a life insurance company incorporated in Jamaica. The increased share of earnings has been included in these Consolidated Financial Statements.

Details of net assets acquired and goodwill are as follows:-

	Life of Barbados Limited	Life of Barbados Limited	Island Life Insurance Company Ltd	Total
Fair value of net assets acquired	\$ 60,417	\$ 4,208	\$ 5,065	\$ 69,690
Purchase consideration and related costs	161,380	11,929	0	173,309
Goodwill arising on acquisition	\$ 100,963	\$ 7,721	\$ (5,065)	\$ 103,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

22. CORPORATION AND PREMIUM TAXES

	2002	2001
Current income tax expenses:-		
Premium taxes	\$ 6,388	\$ 3,012
Corporation taxes	6,745	4,364
Deferred income tax expenses:-		
Corporation taxes	390	393
Total corporation and premium taxes	\$ 13,523	\$ 7,769

a) Premium taxes
 Premium taxes are levied on local premiums by certain countries. Rates of tax vary according to line of business and are calculated on gross premiums written.

b) Corporation taxes
 Barbados is the tax domicile of Sagicor Life Inc and levies corporation taxes as follows:-

<u>Type of business</u>	<u>Taxation basis</u>
Registered pensions & annuities	Exempt from taxation
Life insurance & non-registered annuities	Gross investment income
Property, casualty, health insurance, & banking and investment services	Net income

Certain other countries levy corporation taxes according to local legislation. In most instances where tax is levied, the method does not differ significantly from that of Barbados and the taxable income is exempt from taxation in Barbados by double taxation treaty or by virtue of the domicile of the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***22. CORPORATION AND PREMIUM TAXES (cont'd)**

The corporation taxes on taxable income differ from the theoretical amount that would arise using the Barbados tax rates as set out below:-

	2002	2001
i) Life insurance and non-registered annuities:-		
Gross investment income	\$ 224,069	\$ 103,519
Less: Investment income not subject to tax	(52,988)	(31,072)
Investment income allocated to other taxable lines of business	(37,732)	(31,883)
Allowable expenses	(72,119)	(11,449)
Investment income subject to tax	61,230	29,115
Corporation tax at the Barbados rate of 5%	3,062	1,456
Effect of different tax rates applicable in other countries	974	1,128
Current year over-provision	(8)	10
Movement on deferred tax asset not booked	229	(297)
Losses utilized	(289)	0
Adjustments to prior year tax	(1,450)	583
Corporation tax expense	2,518	2,880
ii) Property, casualty and health insurance, banking and investment services :-		
Net income subject to tax	11,929	4,922
Corporation tax at the Barbados rate of 37.5% (2001 – 40%)	4,473	1,969
Effect of different tax rates applicable in other countries	72	(97)
Current year over/(under) provision	15	0
Effect of reduced tax rate on Government securities	(498)	(435)
Expenses disallowed for tax purposes	140	116
Income not subject to tax	(937)	0
Deferred tax over/ (under) provision of corporation tax in prior year	752	(200)
Underprovision of corporation tax in prior year	228	360
Movement in deferred tax asset not recognized	(240)	(23)
Other taxes	612	187
Corporation tax expense	4,617	1,877
Total corporation tax expense	\$ 7,135	\$ 4,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

22. CORPORATION AND PREMIUM TAXES (cont'd)

c) Corporation taxes - deferred

	2002	2001
i) Accelerated tax depreciation	\$ 6,295	\$ 5,870
Interest and policy reserves taxable in the future	3,584	2,925
	<u>9,879</u>	<u>8,795</u>
Deferred tax liability	<u>3,034</u>	<u>2,880</u>
ii) Tax provisions	1,083	1,901
Unused tax losses (see note below)	2,923	2,444
	<u>4,006</u>	<u>4,345</u>
Deferred tax asset	<u>1,502</u>	<u>1,738</u>
Potential tax asset not booked resulting from tax losses	<u>\$ 5,155</u>	<u>\$ 5,144</u>

Unused tax losses for which deferred tax is recognised –

Income Year	Losses Brought Forward	Losses Acquired	Losses Restated	Losses (Utilized)/ Incurred	Losses Carried Forward	Expiry Year
1994	\$ 797	\$ 0	\$ (797)	\$ 0	\$ 0	2003
1995	198	0	0	(198)	0	2004
1999	0	174	0	0	174	2004
2000	557	809	0	(557)	809	2005
2001	892	970	(892)	0	970	2006
2002	0	0	0	970	970	2007
	<u>\$ 2,444</u>	<u>\$ 1,953</u>	<u>\$ (1,689)</u>	<u>\$ 215</u>	<u>\$ 2,923</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***23. RESTRICTIONS ON ASSETS**

The Group conducts its operations in territories throughout the Caribbean. Remittance of funds from certain of these territories is subject to exchange control restrictions. In addition, cash and other securities are deposited with various regulatory authorities in a number of countries in which the Group operates as security for its policyholders and clients. The insurance regulations in some territories also require that the Group maintain a statutory fund representing the liabilities to local policyholders. Assets in support of computed statutory funds are placed in trust to the order of the local regulatory authorities. At December 31, 2002 the Group had total assets of \$914,301,762 pledged with insurance regulatory authorities.

24. OTHER RESERVES

These represent statutory reserves required to be maintained by banking and financing subsidiaries and a catastrophe reserve held by a general insurance subsidiary. Regulations require a transfer to statutory reserves of not less than 20% of net income for the year in respect of one subsidiary and 25% in respect of another subsidiary, whenever the amount of the statutory reserve is less than the share capital of the subsidiaries. The general insurance subsidiary company maintains a catastrophe reserve fund for its property insurance risks.

25. COMMITMENTS

Approval for commitments to be incurred over the next year for which no provision has been made in these financial statements is as follows:-

	2002		2001
Undisbursed mortgage commitments	\$ 29,203	\$	7,695
Undisbursed loan commitments	13,493		8,000
Capital expenditure	5,831		3,286
Real estate development	3,061		8,627
Operating lease agreements rental payments	2,102		775
	<u>\$ 53,690</u>	<u>\$</u>	<u>28,383</u>

26. CONTINGENT LIABILITIES

Sagicor Life Inc and certain of its subsidiaries are the subject of legal actions and tax assessments. Management considers the liability, if any, resulting from these actions, for which provision has not already been made, will not be material.

Under the sale agreement of Global Bahamas Holdings Limited, LOJ Holdings Limited has given a number of indemnities to the purchaser, to Global Bahamas Holdings Limited and to Global Life Assurance Bahamas Limited with respect to certain guarantees and commitments outstanding at the completion date of the sale and to certain actions which may be brought with respect to the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

27. DEMUTUALIZATION AND REBRANDING EXPENSES

Demutualization expenses are associated with the implementation of the plan for demutualization and include the cost of engaging external accounting, actuarial, investment banking and legal consultants to advise Sagicor Life Inc. Costs of printing and postage for communications with policyholders are also included.

Rebranding expenses comprise amounts paid to external consultants engaged to advise Sagicor Life Inc on the development of a new corporate profile and supporting strategies.

28. RE-ORGANISATION COSTS

Various costs were incurred or accrued during the year in connection with the rationalization of the Sagicor Group's Caribbean operations.

29. POST BALANCE SHEET EVENTS

The administrative staff of Sagicor Life Inc and Life of Barbados Limited across the Caribbean were offered voluntary separation packages in January 2003. This was part of the program to integrate the operations of Sagicor Life Inc and Life of Barbados Limited. The cost associated with this integration, estimated to be \$11 million, will be expensed in 2003.

On February 4, 2003 Sagicor Life Inc's parent company, Sagicor Financial Corporation, obtained a listing on the Barbados Stock Exchange.

Subsequent to the year end, Life of Jamaica Limited acquired the issued shares of Island Life Insurance Company Limited. The acquisition was effected by way of exchange of shares with Life of Jamaica Limited issuing four point two five (4.25) new ordinary stock units of \$0.10, in the share capital of Life of Jamaica Limited, in exchange for one (1) stock unit of Island Life Insurance Company Limited. The new stock units in Life of Jamaica Limited rank pari passu for all purposes and in all respects with the existing ordinary shares of the company. Plans are currently underway to combine the operations of both companies. Additional costs relating to this exercise will be expensed in 2003.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

(expressed in thousands of Barbados dollars)

30. DIVESTITURE

During the year, the sale of Global Bahamas Holdings Limited was completed. As the sale of this subsidiary was expected when it was acquired by the Group, it was recorded in the 2001 financial statements as an equity investment at its estimated net realisable value. On completion of the sale in 2002, no income or loss was realised, and the sale proceeds received amounted to Bds\$23,530,000.

On July 23, 2002, Life of Jamaica Limited and First Life Insurance Company Limited entered into a co-insurance agreement to establish a joint venture vehicle to coordinate the administration of their respective employee benefits businesses. The future profits or losses accruing from this venture will be apportioned equally between the two entities. In order to achieve the desired value parity in the arrangement, First Life Insurance Company Limited issued a promissory note in the value of Bds\$6,576,000 (J\$160,000,000) at a rate of 20% per annum to Life of Jamaica Limited.

31. REINSURANCE AGREEMENT

Effective December 31, 2002 Sagicor Life Inc and Life of Barbados Limited entered into a reinsurance agreement with Munich Re of Toronto to cede the mortality risk of the individual life business (not otherwise reinsured) at the level of 90% of the amount at risk. The treaty is for a period of five years with a recapture clause. There is also a profit sharing arrangement in the event that the mortality experience is better than the valuation estimates.

32. SHARE CAPITAL

On December 30, 2002, Sagicor Life Inc allotted and issued 175,004,651 common shares of no par value to Sagicor Financial Corporation (SFC). SFC is the holding company of Sagicor Life Inc. SFC in turn issued 175,004,651 series A common shares to the eligible policyholders of the former The Barbados Mutual Life Assurance Society in satisfaction of their ownership rights which became extinguished upon demutualization. On December 31 2002, a further 85,000,000 common shares were allotted and issued to SFC in return for funds raised by SFC through the issuance of 85,000,000 series A common shares in an initial public offering.

As at December 31, 2002 the share capital of Sagicor Life Inc was as follows:

Authorised: Unlimited number of common shares of no par value.

Issued and fully paid:	Number of shares (000's)	Amount (000's)
Issued to Sagicor Financial Corporation	260,004	\$ 432,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2002

*(expressed in thousands of Barbados dollars)***33. COMPARATIVE FIGURES**

Certain reclassifications have been made to prior-year amounts to conform to current-year reporting classifications. These reclassifications had no impact on Net Profit, for the year.

34. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period. For the purposes of this calculation an assumption has been made that the company operated with the same capital base prior to the demutualisation as post demutualisation. The calculation therefore assumes that the 175,004,651 common shares issued by the company on demutualisation were in existence for the period commencing January 1, 2001.

	<u>2002</u>	<u>2001</u>
Net profit attributable to shareholders	\$ 13,504,000	\$ 33,230,000
Weighted average number of shares in issue	175,237,527	175,004,651
Basic earnings per share	8¢	19¢

The company's diluted earnings per share is no different to the company's basic earnings per share.

OUR PEOPLE

SENIOR MANAGEMENT

EXECUTIVE MANAGEMENT

Dodridge D. Miller, FCCA, MBA
President and Chief Executive Officer

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

Steve R. Stoute, SCM
Senior Executive Vice President

Philip N. W. Osborne, BSc, FCA
Group Chief Financial Officer

André Lafond, FSA, FCIA
Group Resident Actuary

J. Andrew Gallagher, FSA, FCIA
Group Corporate Actuary

Ken A. Marshall
Executive Vice President - Barbados and Eastern Caribbean Regions
Chief Executive Officer - Capital Life

David N. O'Brien, BA
Executive Vice President and General Manager (Trinidad and Tobago)

Sandra Osborne, BSc, LLB, FCIS
Executive Vice President, General Counsel and Secretary

Maxine MacLure, BSc, MEd, MBA
President and Chief Executive Officer, Life of Jamaica

George J. Estock, BAAS, MBA
Vice President, Capital International Management Services Inc.
President, Capital de Seguros, S.A.
President, Allnation Insurance Company

VICE PRESIDENTS

Anthony O. Chandler, CGA
Vice President, Finance

Marguerite M. Estwick, EMBA
Vice President, Human Resources

Althea C. Hazzard, LLM, FCIS
Vice President, Legal, and Compliance

Henry L. Inniss, LLIF, BSc, MBA, FLMI, ACS
Vice President, Barbados, Eastern Caribbean and Capital Life

Michael A. Lashley, BSc Eng, MBA
Vice President, Corporate Marketing

Melba Smith BA
Vice President, Corporate Communications

Robert Trestrail
Vice President, Administration (Trinidad and Tobago)

Teri Townsend
Vice President, Corporate Strategy - Information Technology

Gregory Whiby
Vice President, Marketing and Deputy General Manager (Trinidad and Tobago)

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

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

The Mutual Bank of the Caribbean Inc

Citibank

Bank of Montreal

Barclays Bank PLC

Caribbean Mercantile Bank NV

First Union National Bank

Maduro & Curiel's Bank NV

Republic Bank Limited

Royal Bank of Canada

The Bank of Nova Scotia

