



Sagicor Annual Report 2003

"THIS TIME, LIKE ALL TIMES,  
IS A VERY GOOD ONE,  
IF WE KNOW WHAT TO DO WITH IT."



# VISION:

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

“THE ROOTS OF  
LIE IN THE WILL  
THE BEST THAT



ACHIEVEMENT  
TO BECOME  
YOU CAN BECOME”



Wise Financial Thinking for Life

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Board of Directors



**Colin G Goddard,**  
BComm - Chairman



**Krishna Narinesingh, CMT -**  
Vice Chairman



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



**David W Allan**



**J Arthur L Bethell**



**Michael A G Fraser**



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



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



**Terrence A Martins**



**Stephen D R  
McNamara**

**Board Committees of Sagikor Financial Corporation**

**Governance Committee**

**Mr Krishna Narinesingh - Chairman**  
**Mr Colin Goddard - Member**  
**Dr Oscar Jordan - Member**  
**Mr Stephen McNamara - Member**

**Audit Committee**

**Mr Krishna Narinesingh - Chairman**  
**Mrs Anne Gittens - Member**  
**Mr Terrence Martins - Member**

**Investment Committee**

**Mr Colin Goddard - Chairman**  
**Mr Krishna Narinesingh - Member**  
**Mr Stephen McNamara - Member**  
**Mr Dodridge Miller - Member**  
**Mrs Pat Downes-Grant - Member**  
**Mr Terrence Martins - Member**  
**Mr Arthur Bethell, Alternate Member for non-executive Directors**



"IT TAKES COURAGE TO GROW UP AND TURN OUT  
TO BE WHO YOU REALLY ARE."

# Financial Highlights

Amounts expressed in Barbados dollars

## SHAREHOLDER RETURNS

	Year ended December 31, 2003
Earnings per common share	22 cents
Dividends per common share:	
Interim	3 cents
Final	3 cents
Total	<u>6 cents</u>
Book value per common share at December 31	\$2.21
Market value per common share at December 31	\$4.15
Net income attributable to shareholders	\$56.9 million
Total shareholder book value at December 31	\$574.1 million
Total shareholder market value at December 31	\$1,079.1 million

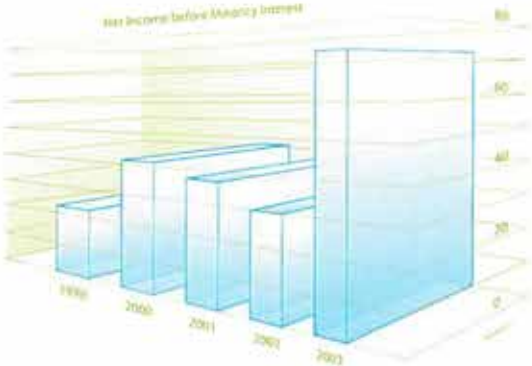
## GROUP PERFORMANCE

(with 2002 comparative amounts for Sagicor Life Inc)

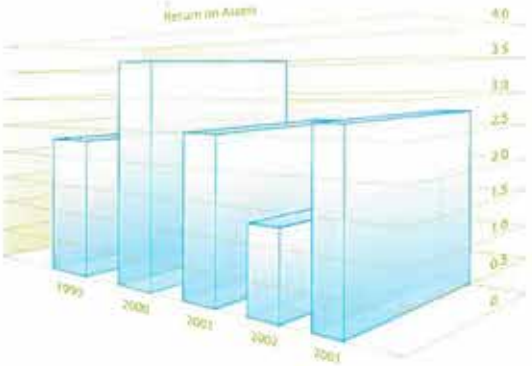
	2003 \$ millions	2002 \$ millions
Net premium income	<u>470.2</u>	<u>436.9</u>
Net investment income	<u>184.5</u>	<u>139.6</u>
Net policy benefits	<u>297.6</u>	<u>261.1</u>
Administrative expenses and commissions	<u>227.9</u>	<u>195.5</u>
Taxes	<u>14.6</u>	<u>13.5</u>
Net income	<u>55.6</u>	<u>13.5</u>

# Financial Highlights

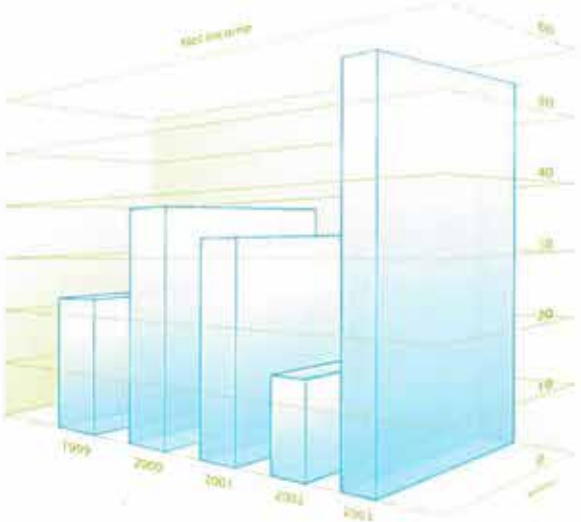
Net income before Minority Interest  
(Bds \$ million)



Return on assets  
(%)



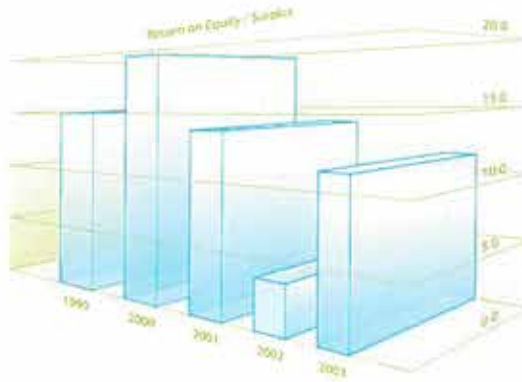
Net Income  
(Bds \$ millions)



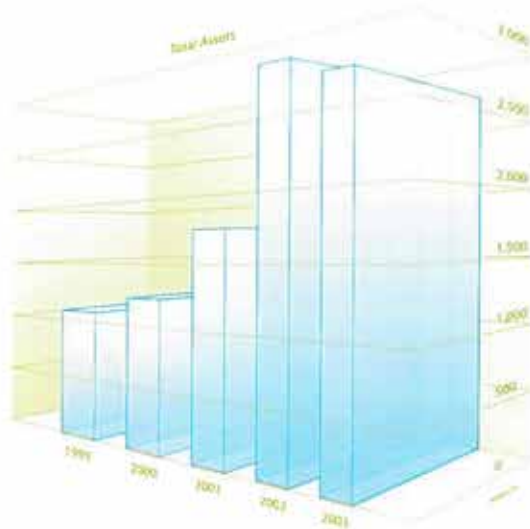


# Financial Highlights

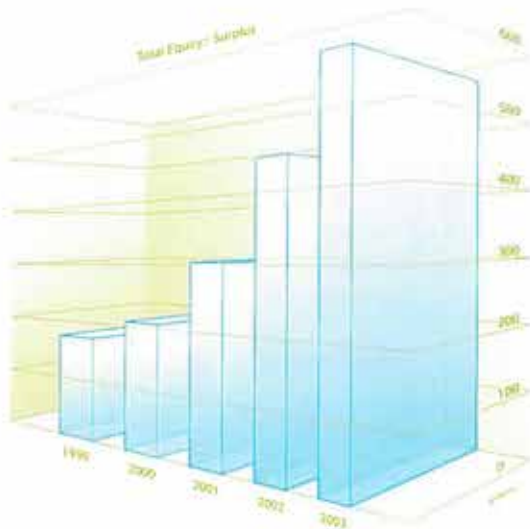
Return on Equity/Surplus (%)



Total Assets (Bds \$ millions)



Total Equity/Surplus (Bds \$ millions)



## Directors' Report

## DIRECTOR'S APPOINTMENT

On January 6, 2004, following the end of the financial year, Sir Henry de Boulay Forde, QC, resigned as a Director of the Company. At a meeting of the Board of Directors held on January 9, 2004 Terrence Anthony Martins was appointed to fill the casual vacancy created on the Board of Directors by Sir Henry Forde's resignation.

## DIRECTORS' INTEREST

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

Director	As at December 31, 2003		As at May 17, 2004	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
Colin G Goddard	10,000	Nil	10,000	Nil
Krishna Narinesingh, CMT	Nil	Nil	1,000	Nil
David W Allan	705	Nil	1,705	Nil
J Arthur L Bethell	34,672	Nil	30,000	Nil
Michael A G Fraser	Nil	Nil	Nil	Nil
Vivian-Anne L Gittens	21,295	Nil	21,295	Nil
Dr Oscar W Jordan	18,381	Nil	18,381	Nil
Terrence A Martins	70,000	Nil	70,000	Nil
Stephen D R McNamara	2,011	Nil	2,011	Nil
Dodridge D Miller	13,290	Nil	13,290	Nil

## SHAREHOLDING

No shareholder owns more than 5% of the Company.

There is no Employee or Executive Share Option or Share Purchase Plan in place.

## ANALYSIS OF SHAREHOLDERS AS AT DECEMBER 31, 2003

Shareholders by Size of Holdings as at December 31, 2003		
Size of Holding	Shareholders	
I - 2,500	24,449	
2,501 - 5,000	8,927	
5,001 - 10,000	5,102	
10,001 - 25,000	3,700	
25,001 - 100,000	658	
100,001 - 1,000,000	185	
1,000,001 - and above	11	
<b>Total</b>	<b>43,032</b>	

## NUMBER OF SHAREHOLDERS BY COUNTRY OF RESIDENCE AND BY TYPE AS AT DECEMBER 31, 2003

Country	Directors Management, Staff, Financial Advisors		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad & Tobago	12	10.1	643	72.7	17,770	42.3	18,425	42.8
Barbados	104	87.4	171	19.3	14,294	34.0	14,569	33.9
Eastern Caribbean	3	2.5	35	3.9	9,003	21.4	9,041	21.0
Other Caribbean	0	0.0	29	3.3	223	0.5	252	0.6
Other	0	0.0	6	0.8	739	1.8	745	1.7
<b>Total</b>	<b>119</b>	<b>100.0</b>	<b>884</b>	<b>100.0</b>	<b>42,029</b>	<b>100.0</b>	<b>43,032</b>	<b>100.0</b>



SHAREHOLDING BY COUNTRY OF RESIDENCE AND BY TYPE AS AT DECEMBER 31, 2003								
Country	Directors Management, Staff, Financial Advisors		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad & Tobago	231,655	24.7	46,300,730	76.5	94,288,608	47.5	140,820,993	54.2
Barbados	703,949	74.9	11,435,327	18.9	73,339,998	37.0	85,479,274	32.9
Eastern Caribbean	3,956	0.4	293,151	0.5	26,014,174	13.1	26,311,281	10.1
Other Caribbean	0	0	1,738,065	2.9	1,470,417	0.7	3,208,482	1.2
Other	0	0	746,690	1.2	3,463,028	1.7	4,209,718	1.6
Total	939,560	100.0	60,513,963	100.0	198,576,225	100.0	260,029,748	100.0

## DIVIDEND

A final dividend of BDS 3 cents per share approved for the year ended December 31, 2003 was paid on June 7, 2004 to the holders of common shares whose names were registered on the books of the Company at the close of business on May 17, 2004.

An interim dividend of BDS 3 cents per share approved for the half year ended June 30, 2003 was paid on October 29, 2003 to the holders of common shares whose names were registered on the books of the Company at the close of business on October 17, 2003.

The total dividend for the 2003 financial year amounted to BDS 6 cents per common share.

## SHARE RESTRICTIONS

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

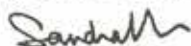
The Articles of the Company provide that, at any time during the 5 year period immediately following the date of incorporation of the Company, no person may hold, or be beneficially entitled to, or control, or have any other interest, directly or indirectly, in any shares (whether in one or more classes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

- (i) not less than two thirds of the directors then in office approve of the same; and
- (ii) there is an agreement between the Company and such person restricting the transfer of such shares; and
- (iii) the Supervisor of Insurance of Barbados (or the Supervisor's successor regulatory authority) is satisfied that such shareholder is a fit and proper person.

## AUDITORS

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

By Order of the Board of Directors



Sandra Osborne  
Corporate Secretary  
June 7, 2004.

## Chairman's Report



Colin G Goddard, BComm  
Chairman  
Sagicor Financial Corporation

**D**ear Shareholder,

Last year I shared with you the phenomenal changes that our Group had undergone during 2002 and the challenges and opportunities that we expected for the future, as we engaged our markets and our environment as a shareholder-owned company. This year, I am pleased to report to you that after our first year of operation under our new name, Sagicor, our Group has evolved as one of the strongest financial institutions in the region with a blueprint to take us ahead into the global arena.

### Sagicor – One Year Later

At the end of December 31st 2003, Sagicor is a financially secure and operationally efficient Group of companies. Total assets at the end of the year amounted to \$2.7 billion and our capital stood at \$575 million. Our market capitalization exceeded \$1 billion. Our profits for the year exceeded expectation at 22 cents per share or \$56.9 million, and our MCCR (Minimum Capital and Continuing Surplus Requirement) ratio, an internationally accepted measure of capital strength, exceeded 200%. Internationally, companies with a ratio exceeding 150% are considered to be strong. For the fourth consecutive year, we were rated "A" Excellent by A.M. Best & Company, the international rating agency. Sagicor is now poised for international expansion, and we expect to commence implementation of this strategy during the financial year 2004.

Where we are today is the result of a journey which started before 2003 or even 2002. From the beginning of the 1990s, management have been

transforming The Mutual, now Sagicor, from a single-product line company into a regional and now global financial institution. All of our strategic initiatives, whether they were mergers, acquisitions or divestitures, were designed to take us to this point. We also recently announced several strategic initiatives which we are confident will enable us to compete in the global market. These initiatives are rooted in the belief that our global competitiveness can only be achieved through regional integration.

### Financial Services

The first major step on our journey of transformation was to deepen our involvement in financial services. It was not enough to be a leading life insurance company. We needed to offer our customers a wider range of financial products and services. In this regard, we established The Mutual Bank of the Caribbean Inc. in 1993 to offer a full range of commercial banking products and services. In addition to commercial banking, in 1994 our Group introduced local and international credit cards, Automatic Teller Machines (ATM's) in the Barbados market and one year later, Debit Card Networks. This was achieved through our technology company Caribbean CariCard Services Inc. Prior to this, credit cards were in limited use and were only available from the overseas offices of some of the locally operated international banks. Today, these facilities are considered commonplace in Barbados and indeed throughout the region. In 1997, The Mutual Global Balance Fund (a mutual fund) was established, and this



## Chairman's Report

provided an attractive opportunity to capitalize on the legislative changes in relation to taxation introduced by the Government of Barbados. With these initiatives, Sagicor was no longer a single-product line company. It had become a financial services provider.

### Regional Strategy

The second major step in our transformation was our participation in the consolidation of the regional life insurance industry. Through this participation, Sagicor acquired:

- Nationwide Insurance Company Limited in 1999 (Trinidad);
- Island Life Insurance Company Limited in 1999 (Jamaica);
- Life of Jamaica Limited in 2001 (Jamaica); and
- Life of Barbados Limited in 2002 (Barbados, Trinidad and the OECS).

We also acquired Barbados Fire and Commercial Insurance Company Limited, now Sagicor General; Global Life Assurance Company Limited, Cayman, now Sagicor Life of the Cayman Islands Limited, and GlobE Finance Inc. in Barbados. In addition, we acquired a small health insurance portfolio in Panama in 1998 and Allnation Insurance Company, a Delaware-registered health insurance company in 2001. Allnation, which was purchased from Blue Cross Blue Shield, specializes in the provision of US health coverage to international clients. Allnation's operations are located in the United States.

These acquisitions gave both scale and scope to the Sagicor Group and have prepared us for

the third phase of our transformation. By the end of financial year 2001, Sagicor operated in 22 countries, including Latin America and the United States. We had increased our total assets from \$308 million at the beginning of 1990 to \$1.7 billion by the end of the period. Our capital and surplus had grown from \$16 million to \$311 million, and the number of policies in force from 70,000 to 365,000 while our average annual profit had increased eleven fold, from \$3 million to \$33 million.

This was indeed a solid foundation from which to launch the next stage of our transformation. Now was the time to commence the process of becoming an international financial services company, but this required a new and more flexible capital structure. Consequently, we started the process of restructuring in 2002 and completed it in 2003. Much has been said in our last report about this restructuring process. I would like to highlight some of the significant features in this report.

The process involved two components:

- Corporate restructuring through demutualization; and
- Rebranding to Sagicor.

### Demutualization

The Sagicor Group was demutualized in November 2002 by a vote of 99% from its eligible policyholders. The Company then converted from a mutual society to a shareholder-owned company with 45,000 eligible policyholders becoming its first shareholders. A capital distribution of nearly \$300 million was allocated by way of

shares to policyholders across the region. The process was a smooth one, and I would like to thank the policyholders and regulators for their assistance and support in what was a landmark in the history of our company. Immediately following our demutualization, Sagicor enjoyed the most successful Initial Public Offering (IPO) in the region. The IPO was heavily oversubscribed and raised \$143 million from 85 million new shares.

### Corporate Rebranding

The new name and brand for the Sagicor Group was unveiled at the official launch during the first quarter of 2003. Since then the rebranding campaign continues to be executed in the various countries in which we operate. We firmly believe that our name and brand are suited to the strategic direction of the Group and are aligned with the competitive realities of global expansion through regional integration. Sagicor, which means wise judgment, continues to represent the essence of our Group and reflects a promise to our customers, shareholders, employees and communities of our region. The Sagicor brand, based on our timeless, colourless and borderless core attributes, will maintain our foundation in building a strong value proposition for all our stakeholders.

### Financial Services Environment

The financial services industry in the Caribbean continues to consolidate. Life insurance and banking have been consolidated in Jamaica and the general insurance sector is now poised to follow suit.

## Chairman's Report

In Barbados, the life insurance industry has consolidated and consolidation has started in general insurance and banking. In addition, locally-owned banks have changed ownership in favour of regional banking institutions. Trinidad is currently served by three large local and one international bank. No significant further consolidation is expected in the near term. All three local banks have demonstrated an interest in implementing a regional banking strategy. The general insurance industry has started its consolidation and the life insurance industry is at the initial stage of this process.

In the OECS, consolidation has been influenced by the events occurring outside of the OECS region. The merger of CIBC and Barclays into FirstCaribbean consolidated many of the banking activities in that region. Likewise, the merger between Sagicor and Life of Barbados similarly consolidated the life insurance sector. We expect that consolidation of the general insurance industry currently occurring in Barbados and Trinidad and Tobago will similarly influence the general insurance sector in the OECS.

What we see emerging from this consolidation are fewer large regional financial institutions capable of offering a wide range of financial products and services, but more importantly with the financial capital, scale and operating capability to compete in a global environment. This is critical as we prepare to operate within a Caribbean Single Market and Economy (CSME) and ultimately in a wider, larger Free Trade Area of the Americas (FTAA).

CSME will give political

recognition to the regional economic space currently being traversed by several regional companies. By appropriate amendments to the Treaty of Chaguaramas, regional governments will facilitate the smooth movement of enterprise, capital and people across a single economic space. This should enhance operating efficiency and enable the creation of a sustainable competitive advantage as we move into an FTAA arena. FTAA will bring a significant change in markets, competition, opportunities and challenges. Regional and local companies must therefore rapidly make the structural and cultural changes required to compete in this new economic environment. I am pleased to report to you that Sagicor is ready to be an active participant in both the CSME and FTAA.

### Strategies for the next three years

Core strategies for the Sagicor Group over the next three years include the following:

- Continue to streamline existing operations to reap the benefits of strong market share;
- Enter new product markets within the regional financial services industry; and
- Develop new markets, both regionally and extra regionally.

We are confident that these strategies and the initiatives within each strategy that we intend to implement will create a sustainable competitive advantage for Sagicor, as we continue to serve our customers, our shareholders, our staff and our communities in a wider, more dynamic environment.

In this regard, our long-term objectives have been developed to support these important areas. In relation to our customers, it is our intention to deliver:

- Value-added products and services;
- Efficient customer service;
- Friendly, efficient advisory sales processes; and
- Wise financial thinking for life.

In relation to our shareholders, it is our intention to deliver:

- Strong return on equity; and
- Competitive dividend yields.

In relation to our employees, we will continue to foster an environment characterized by:

- Fair and equitable treatment for all staff;
- A positive working environment; and
- Opportunities for growth and development.

In this regard, we have strengthened our Human Resources department and given it a new mandate to develop our employees with particular focus on the new realities of the market within which we will be operating. This involves renewed emphasis on training, recruitment and retention. In addition, we will continue with our strategy of exposing our staff members to cross-border experiences thereby creating a more globally aware employee.

In relation to our communities, it is our vision to enhance the lives of the people in the communities in which we operate. Sagicor will achieve this by focusing on three main areas:

- Health;
- Education; and
- Sport.



## Chairman's Report

In addition, we will continue to be involved in the general activities of the communities in which we operate. During 2003, Sagicor responded to a number of requests from charities, schools, sporting bodies and other organizations. In the area of health, we contributed to programmes ranging from HIV/AIDS, cancer, drug addiction and healthy lifestyle management to chronic disease research. Additionally, Sagicor is a sponsor of the PAHO Caribbean Media Awards for Health Journalism. We also provided funding for the University Hospital of the West Indies' expansion of its intensive care unit and operating theatres in Jamaica.

In the area of sport and education, Sagicor sponsored the University of the West Indies' cricket team in the Red Stripe Bowl. We also contributed to the hosting of regional horse racing events both in Trinidad and Barbados. Together with the University of the West Indies, we committed to the development of a Cricket Centre of Excellence to ensure that our West Indian cricketers enjoy a sound tertiary education while representing our region. We are in the exploratory stage of the development of a major regional children's educational project. This project will expose several Caribbean children between the ages of 11 and 15 to our company and the wider environment in which we will operate.

### Management Changes

In keeping with our long-term objective to be a Caribbean-based financial institution with the capital strength and operating capability to compete globally, and in order to

maximize our return on investment from existing operations, as well as give maximum focus to our international business strategy, we have reorganized the reporting relationships of some of our operations and have reallocated the responsibilities of some of our executives. In this regard, we recently announced the following management changes within the Group.

### SAGICOR USA DIVISION - FLORIDA

Ms. Maxine MacLure has been appointed to the position of President, US Division. She will now spearhead our US business expansion strategy. Ms. MacLure joined the Sagicor Group in December 2001 as President and CEO of Life of Jamaica (LOJ).

### JAMAICA

Mr. Richard Byles replaces Ms. MacLure as President and CEO of Life of Jamaica Limited. Mr. Byles, a graduate of the University of the West Indies and the University of Bradford, England was formerly the President and CEO of Pan Jamaican Investment Trust Ltd. (Pan Jam) and Chairman and CEO of Pan Jam's largest subsidiary, First Life Insurance Company Ltd.

### CAPITAL LIFE INSURANCE COMPANY LIMITED

Mr. David O'Brien, Executive Vice President of Sagicor Life Inc and General Manager of its Trinidad and Tobago Operations, was appointed President and CEO of Capital Life Insurance Company Limited. Capital Life is a wholly owned insurance subsidiary of Sagicor Life Inc, with operations in Aruba, Curaçao, Belize and Panama.

### TRINIDAD and TOBAGO

Mr. Kendrick (Ken) Marshall, Executive Vice President responsible for Barbados and the Eastern Caribbean, and President and CEO of Capital Life Insurance Company Limited, was appointed Executive Vice President of Sagicor Life Inc and General Manager of the Trinidad and Tobago Operations.

Mr. Alan Cabral was appointed General Manager of Sagicor General, Trinidad. Mr. Cabral has over twenty five (25) years' experience in the field of General Insurance and will be responsible for the implementation of Sagicor's general insurance strategy in Trinidad.

### BARBADOS

Mr. Steve Stoute, Senior Executive Vice President of the Sagicor Group of Companies, now has additional responsibilities as General Manager, Barbados Operations. One of the region's most respected Underwriters, he is active in several industry-related organizations and is the current President of the Insurance Association of the Caribbean (IAC) and the Institute of Caribbean Home Office Underwriters.

### SHARED SERVICES DIVISION

In 2003, Sagicor Financial Corporation established a Shared Services Division to manage and coordinate the efficient use of common business processes, including technology, across the Group.

Mr. Vincent Yearwood was appointed Executive Vice President of Sagicor Financial Corporation, with responsibility for the Shared Services Division. Mr. Yearwood brings to Sagicor a broad spectrum of experience in the areas of



“DON'T BE AFRAID TO TAKE A BIG STEP.  
YOU CAN'T CROSS A CHASM IN TWO SMALL JUMPS.”



## Chairman's Report



strategic and change management, finance, marketing and planning and management of information systems. Formerly CEO of Cable and Wireless BET and, more recently CEO of the Barbados Investment and Development Corporation (BIDC), Mr. Yearwood is a Certified Chartered Accountant and has an MBA from the University of Wales and Manchester Business School.

Mrs. Susan Boyea was appointed Vice-President, Shared Services - Information Technology. Mrs. Boyea was Assistant Vice President in charge of Information Systems at the time of LOB's acquisition by Sagicor. In April 2003 she was appointed Head, Shared Services Information Systems during the operational merger of Sagicor and Life of Barbados. A graduate of the University of the West Indies, Mrs. Boyea has a BSc. in Computer Science and Mathematics, and an Executive Masters in Business Administration.

#### **CHIEF OPERATING OFFICER – SAGICOR FINANCIAL CORPORATION**

With the exception of Capital International, Capital Life and Allnation, all country operations and divisions will now report to Mrs. Patricia Downes-Grant, Chief Operating Officer of Sagicor Financial Corporation.

#### **Changes to the Board**

Early in 2004, Sir Henry Forde QC tendered his resignation as a Director. Sir Henry was first appointed in 1966 and resigned in 1976 to take up the appointment of Attorney General in Barbados. He subsequently returned to the Board in 1981 and continued to serve until 2004. On behalf of my

## Chairman's Report

colleagues on the Board and on my own behalf I wish to extend our sincere thanks to Sir Henry for his contribution and wise counsel over the years.

Mr. Terrence A. Martins has been appointed Director of Sagicor Life Inc and Sagicor Financial Corporation to fill the casual vacancy created by Sir Henry's resignation. Mr. Martins brings a wealth of knowledge to Sagicor, with forty three (43) years experience in the financial service industry throughout the Caribbean and the United Kingdom. Mr. Martins previously held the position of Group Chief Executive Officer of RBTT Financial Holdings Limited, with responsibility for group product operations, business development and corporate strategy. His areas of expertise include banking, finance, administration, corporate governance, and risk management. Mr. Martins is also Deputy Chairman of the DFL Caribbean Group and Chairman of the Label House Group of Companies. He has previously held several directorships within the RBTT Financial Holdings Group, in and outside of Trinidad and Tobago, and is a member of the Integrity Commission of Trinidad and Tobago.

### Corporate Governance

Sagicor has developed, over the more than 160 years of its existence, a culture that embraces the values of honesty, integrity, commitment, discipline, respect, responsibility and accountability, and we intend to ensure that these values continue to permeate the whole organization.

The Board has appointed a Governance Committee during the current year and has approved its

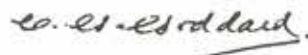
Terms of Reference and Responsibilities. The committee is reviewing Sagicor's corporate governance rules, and the Board has decided to be guided by the best practices as outlined in the Code of Corporate Governance Conduct by the Institute of Directors in the United Kingdom.

We intend to maintain the highest ethical standards of business practice and processes at all times.

### Conclusion

As we embrace the opportunities inherent in the new environment, Sagicor will continue to strive to impact and influence the growth and development of our region. We will do this by placing great emphasis on our people, because we strongly believe that the people of our region are the key to our future in this forever changing environment.

Sagicor is about people - people who are committed to our vision for our region. I wish therefore to commend the staff and management who, despite experiencing many changes during their day-to-day working lives, have sought to live up to the ideals of our vision. They have made Sagicor the strong dynamic company it is today and I thank them for their dedication and loyalty throughout 2003. I feel assured that with their continued support, Sagicor will become THE GREAT Caribbean company, committed to enhancing the lives of the people in the communities in which we operate.



Colin G. Goddard  
Chairman





“SAVING IS LIKE A WHEELBARROW;  
NOTHING EVER HAPPENS UNTIL YOU START PUSHING”



## Management Discussion and Analysis



Dodridge D Miller, FCCA, MBA  
President and Chief Executive Officer  
Sagicor Financial Corporation

### Overview

After 162 years as a mutual company, Sagicor has completed its first year as a shareholder-owned company. Born out of The Barbados Mutual Life Assurance Society, Sagicor represents the beginning of the second phase in the company's vision of creating a financial services group with the financial strength and operating capability to compete globally.

The first phase, which was completed with the acquisition of Life of Barbados in 2002, focused on the consolidation of the life insurance industry in the Caribbean to achieve economies of scale and on the geographical diversification of the Group's operations. Sagicor is now the dominant insurance-based financial services company in the English-speaking Caribbean.

The second phase is the creation of a world-class company, with a flexible capital structure, offering a wide range of financial products and services across the Caribbean – and beyond. The strong financial performance of your company in 2003 is the result of the solid platform built in the first phase and the repositioning of Sagicor as we begin this exciting new journey of growth and success.

In 2003, Sagicor Financial Corporation earned a record operating profit of \$80.2 million, up 117% over 2002. Net income attributable to shareholders was \$56.9 million, compared to \$13.5 million in 2002. On a per common share basis, earnings rose 175% to 22 cents, exceeding the 21 cents per share projected in our IPO Prospectus. Equity was \$575.4 million, up from \$468.8 million in 2002 while return on equity was

11% compared to 3.5% in the previous year.

Total assets of the Group stood at \$2.7 billion at the end of the 2003 financial year, down marginally from \$2.8 billion in 2002. This largely reflects the sale of Sagicor's 73% interest in The Mutual Bank of the Caribbean to the Bank of NT Butterfield, which removed over \$200 million in assets from the balance sheet.

Sagicor again performed well in its major markets and total revenue rose 15.1% to \$722.5 million in 2003, up from \$627.8 million, primarily due to the increase in net investment income. Net investment income rose 32.1% to \$184.5 million.

In 2003, total revenue from individual life and health insurance and annuities rose 11.1% to \$478.0 million (\$430.1 million in 2002) while total revenue from group life and health insurance business and pensions grew 5.4% to \$167.0 million (\$158.4 million in 2002). With the recognition of the full year's business from Sagicor General in 2003, property and casualty insurance revenue increased 108% to \$33.9 million. Revenue from insurance business increased 12.3% to \$679.0 million and represents 94% of the Group's total revenue (96.3% in 2002).

Sagicor Financial Corporation's strong performance in 2003 reflects the success of the Group in achieving its earlier vision of becoming the leading financial services company in the region. Delivering superior financial performance over the long-term is the basis on which the Group will pursue and achieve its new vision of becoming a great Caribbean company that contributes to improving the lives of people in its communities.

## Management Discussion and Analysis

**Risk Management**

As an enterprise whose revenue is derived principally from providing services and managing risk on behalf of our customers, our business exposes us to a number of risk types including market, operational, credit, foreign exchange, interest rate, liquidity, litigation and other risks.

In our effort to protect and enhance shareholder value, the Group actively manages its exposure to risks. With long-term policy liabilities as its principal liabilities, the Group has adopted a policy of investing in assets with characteristics that match those of its policy liabilities.

Through Asset Liability Management (ALM), Sagikor seeks to ensure that it can meet its long-term policyholder obligations arising from its insurance contracts and that the company satisfies capital adequacy requirements over the short and medium term, in accordance with regulatory requirements in each jurisdiction. The ALM exercise serves to guide the Group's investment decisions.

Sagikor's exposure to market risk is also reduced by the diversity of its operations across the Caribbean and the Americas, which reduces the impact of local financial and economic cycles on the overall Group.

**Anti-Money Laundering Programme**

Sagikor has long been recognized as a strong and stable financial services company, with sound professional and ethical practices. To further demonstrate this strength, and support international efforts to combat the crimes of money laundering and terrorist financing, Sagikor has established an Anti-Money Laundering Programme. This programme accords with the requirements of the anti-money laundering and anti-terrorist financing legislation and guidelines for financial institutions issued by the relevant authorities in the various jurisdictions where Sagikor and its subsidiaries operate.

**Financial Strength and Solvency**

Sagikor has a long tradition of prudence and financial discipline in the management of its affairs on behalf of its owners and its policyholders. Though it has not been established as a requirement in many of the jurisdictions in which it operates, Sagikor follows the Canadian standard for assessing capital adequacy and solvency. In 2003, Sagikor's Minimum Continuing Capital &

Surplus Requirements (MCCSR) ratio was 211%, up from 174% in 2002. The prudential standard recommended by the Canadian regulators for Canadian companies is 150%.

The Group's Balance Sheet remains very strong with the debt to equity ratio declining to 4.7% in 2003 compared to 7.8% at the end of 2002.

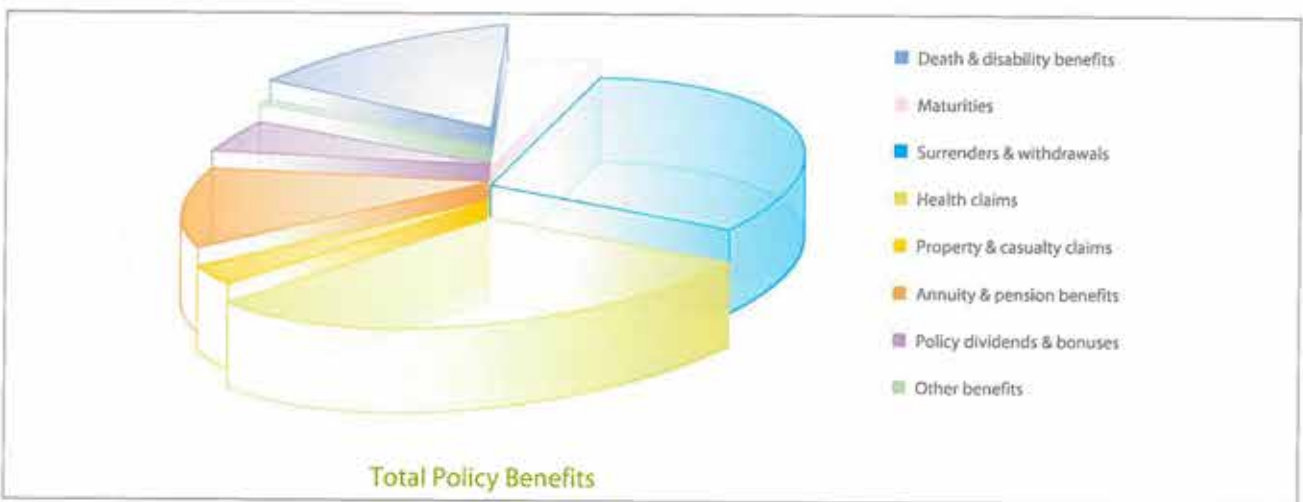
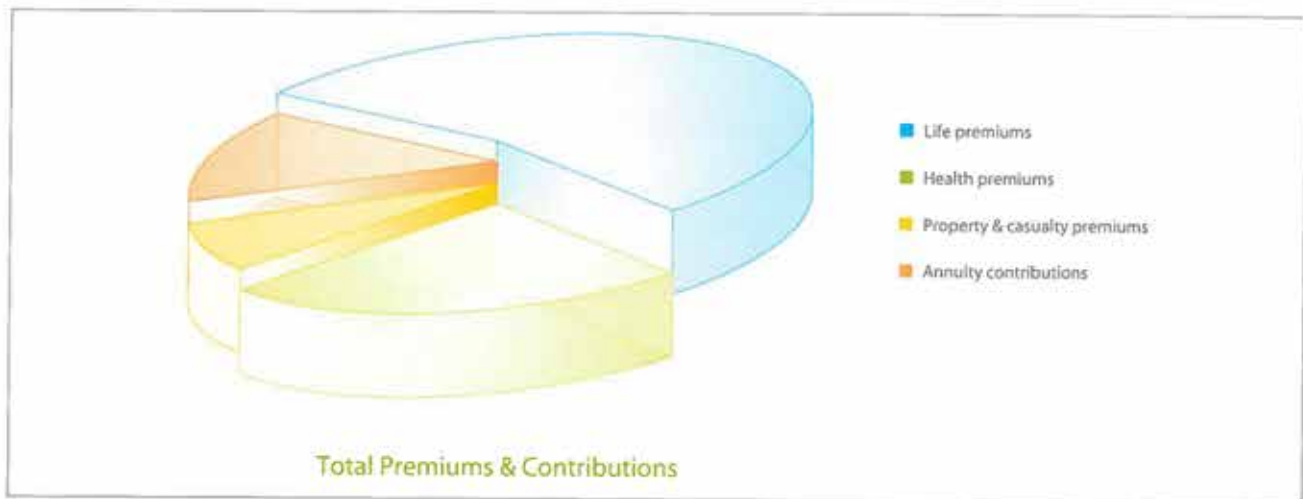
Following their annual review of Sagikor Life Inc's financial and strategic management in January 2004, A.M. Best again re-affirmed the company's 'A' Excellent rating. The Company has maintained this rating every year since it was first rated in 1999. The 'A' Excellent rating is assigned to companies that have, in the opinion of A.M. Best, an excellent ability to meet their ongoing obligations to policyholders.

**Business Operations**

Sagikor's business operations are spread across 20 countries and are managed in five (5) major geographical groups, namely Barbados, Jamaica, Trinidad and Tobago, the Eastern Caribbean, and Other Caribbean and International. The company provides financial solutions to customers in individual life and health

	Actual Results - 2003	Forecast Results - 2003
Net profit before minority interest	\$73.4 m	\$60.9 m
Minority interest	\$17.8 m	\$11.5 m
Net income attributed to shareholders	\$56.9 m	\$49.3 m
Total assets	\$2,749.1 m	\$2,678.8 m
Total liabilities	\$2,117.4 m	\$2,181.1 m
Total equity	\$575.4 m	\$445.0 m
Weighted average number of common shares	260.0 m	235.0 m
Earnings per common share	22 cents	21 cents
Return on equity	11%	12%





insurance, annuities, general insurance, investments, group life and health insurance and group pensions. The Group's business is managed by geography and by product line.

**Barbados**

The Barbados economy grew by an estimated 2.2% in 2003 primarily due to the performance of its tourism sector and to a lesser extent, the wholesale and retail sectors. This growth followed a slight contraction in real economic activity in 2002. The country's net international reserves at year-end stood at \$1.5 billion, up 10% from 2002. Liquidity remained high, the rate of inflation was up to 1.53% at December (0.17% December

2002) and Government's fiscal position improved with a deficit of 4.5% of GDP compared to 6.7% in 2002.

With the acquisition of Life of Barbados in 2002, the Sagicor Group consolidated its position in the insurance sector and is the market leader in the provision of life insurance, health insurance and pensions. Other subsidiaries in Barbados include Sagicor General (formerly Barbados Fire and Commercial Insurance), Sagicor Asset Management Inc., and GlobE Finance Inc. Caribbean CariCard Services Inc. is an associated company. In addition, Sagicor manages segregated bonds and equity funds for pension holders and also operates The Mutual Global Balanced Fund.

Total revenue from Barbados operations increased 45.4% to \$230.4 million in 2003, with the recognition of the full year's revenue from Life of Barbados (6 months in 2002). Barbados operations account for 31.9% of the Group's total revenue. Income from ordinary activities was \$36.9 million, an increase of 16.2% over 2002.

The acquisition of Life of Barbados has increased Sagicor's distribution capability in life insurance in Barbados. With the full year's performance of Life of Barbados included, Sagicor wrote new annualized individual life insurance premium of \$6.6 million from 3,365 policies. In addition, Barbados also wrote \$2.2 million in single premium annuity

## Management Discussion and Analysis

business from 28 policies and \$0.3 million in new annualized group life and health insurance premiums from 54 plans.

During the year, Sagikor took the strategic decision to sell its 73% interest in The Mutual Bank of the Caribbean Inc. On November 30, 2003, the sale of the company was effected, resulting in a gain of \$12.5 million after minority interests.

Barbados Fire and Commercial Insurance Company, our general insurance subsidiary with operations in Barbados, Trinidad, Cayman Islands, St Lucia and Dominica was renamed Sagikor General Insurance Inc, in line with the Group's strategy for general insurance in the region.

Sagikor General delivered improved results over 2002 with gross written premiums reaching \$46 million. The company achieved successful results in all classes of its general insurance business, except for Motor. Net earned premiums increased to \$23.3 million in 2003, compared to net earned premiums of \$21.7 million for the 14 month period ended December 31, 2002. Net income after tax was \$5.8 million up from \$4.8 million in the previous year.

GlobE Finance Inc. continues to make a positive contribution to the Group.

### Jamaica

The Jamaican economy recorded real Gross Domestic Product (GDP) growth of 2.1 per cent, representing the fifth consecutive year of growth and the strongest growth performance since 1990. Growth was broad-based with the goods-producing sector up by 1.6 per cent (due largely to the performance in Agriculture and in

Mining and Quarrying) and the Services sector up by 2.4 per cent largely attributed to the performance of Finance and Insurance and Miscellaneous services (which includes much of the Tourism performance). Two of the major challenges for the economy were:

- an increase in the point-to-point inflation rate of 14.1 per cent, up from 7.3 in 2002. The main inflationary pressures emanated from the impact of higher international commodity prices, exchange rate depreciation and the new tax measures introduced;
- a deterioration in the fiscal deficit by JA\$1.4 billion to JA\$34.8 billion, during the period April to December 2003.

In addition, the Jamaica dollar moved from JA\$50.66 per US\$1.00 at January 1, 2003 to JA\$60.61 by December 31, 2003.

Sagikor operations in Jamaica at the end of 2003 include Life of Jamaica Limited, Island Life (amalgamated with Life of Jamaica in 2003) and Life of Jamaica Property Management Limited. Life of Jamaica also manages segregated funds through its pension fund management company, LOJ Pooled Investment Funds Limited.

Life of Jamaica has a joint venture with First Life Insurance Company Limited, named Employee Benefits Administrator Limited, which provides combined administrative service to clients for group life, group health, pensions and personal accident business.

Effective March 31, 2003, Life of Jamaica acquired Sagikor Life Inc's interest in Island Life Insurance Company Limited in Jamaica by

way of a share exchange of 4.25 Life of Jamaica ordinary shares for each ordinary share in Island Life. The two companies were operationally integrated in 2003 and the assets and liabilities of Island Life were transferred to Life of Jamaica in November 2003.

Life of Jamaica is the leading provider of life and group insurance and group pension products in Jamaica.

In 2003, total revenue reported at Group level from operations in Jamaica fell by 2.9% to \$245.4 million from \$252.7 million in 2002, in part due to the downward movement of the Jamaica dollar. Income from ordinary activities was \$31.1 million.

Jamaica operations again delivered very strong new business performance in 2003 with \$20.5 million in new annualized individual life insurance premiums from 24,187 policies and sums assured of \$1.07 billion. This was a record for the company. In addition, the Employee Benefits Division, which writes business in group life and health and in group pensions, produced \$12.8 million of new annualized premium. Gross premiums collected by the Employee Benefits Division were \$56 million in 2003 compared to \$52 million in 2002.

In 2004, Sagikor will rebrand Life of Jamaica in line with the Group strategy, allowing it to benefit from the synergies and brand leverage available to the Sagikor Group.

### Trinidad and Tobago

The Trinidad and Tobago economy experienced its tenth consecutive year of growth in 2003, with real GDP growth of 4.1%. This economic growth continued to





be driven by the energy sector which grew by 11.4% in 2003, while in the non-energy sector growth was modest at 1.8%. Inflation rose by 3.8% fuelled by increasing food prices.

Government posted a surplus of TT\$958.4 million at the end of fiscal year 2002/2003, a turnaround from the deficit of TT\$354.3 million for the previous year. High liquidity and the low level of interest rates that persisted throughout the year saw the money-flow to the equity market increase significantly as investors searched for higher rates of return. Consequently, the stock market registered significant growth as stocks had their best performance since 1997.

The Group's primary operations in Trinidad and Tobago are through a branch of Sagicor Life Inc. The branch has a market share in life insurance exceeding 20% and is recognized as one of the country's leading providers of life and health insurance.

In 2003, total revenue from Trinidad and Tobago operations stood at \$96.6 million compared to \$73.4 million in 2002. This increase of 31.6% was as a result of the impact of the recognition of the full year's revenue from Life of Barbados (6 months in 2002) and an improvement in net investment

income over the previous year. Income from ordinary activities improved to \$5.9 million, compared to a loss of \$1.1 million realised in 2002.

Trinidad and Tobago operations reported a significantly improved new business performance, writing \$6.1 million in new annualized individual life insurance premium, up by 45.2% over the \$4.2 million reported in 2002. New policies sold increased 46.3%, up from 2,865 policies in 2002 to 4,191 policies in 2003. The Trinidad and Tobago operation also wrote \$7.8 million in single premium annuity business from 191 policies and \$0.7 million in new annualized group life and health insurance premiums from 96 plans. Sagicor integrated the agency force from the Life of Barbados branch into its Trinidad operations in 2003.

After year-end, a branch of Sagicor General Insurance was launched successfully in Trinidad to offer a range of property and casualty insurance products.

#### Eastern Caribbean

Output in 2003 in the OECS countries was projected to have improved compared to the corresponding period of 2002, partly on account of expansion in the hotel and restaurant sectors.

During the period January to September 2003 stay over visitors increased 6.3% above the level in 2002. However, a decline in agricultural output was expected as bananas, the major agricultural crop in OECS, continued to experience difficulty.

Sagicor has provided insurance and financial solutions to customers in the Eastern Caribbean for over 100 years. The Sagicor Group operates offices of Sagicor Life Inc in Anguilla, Antigua, Grenada, Dominica, St Kitts, St. Lucia and St Vincent. The Group is the major shareholder in The Mutual Finance, a finance company operating in St Lucia. In addition, Sagicor General Insurance Inc operates general insurance agencies in St Lucia and Dominica.

Total revenue from Eastern Caribbean operations increased by 16.3% from \$45.8 million in 2002 to \$53.3 million in 2003, primarily as a result of the recognition of the full year's revenue from Life of Barbados (6 months in 2002). Eastern Caribbean operations account for 7.4% of the Group's total revenue. Income from ordinary activities was \$11.8 million in 2003.

New individual life insurance

## Management Discussion and Analysis

premiums written in the Eastern Caribbean operations was \$4.1 million from 2,606 policies. The Eastern Caribbean also sold \$0.1 million in new annualized group life and health insurance premiums from 26 plans. During the year, Sagicor completed the operational integration of Life of Barbados operations in Antigua, Dominica, St Lucia and St Vincent.

Our finance company, in St. Lucia, The Mutual Finance Inc. continues to make a contribution to the Group's profitability.

#### Other Caribbean and International

This regional grouping consists of Capital Life Insurance Company, Capital de Seguros (Panama), Allnation Insurance Company (Delaware) and Sagicor Life of the Cayman Islands Limited. Sagicor General Insurance also operates an agency in the Cayman Islands.

For the Other Caribbean and International region, revenue fell marginally in 2003 to \$92.6 million compared to \$95.7 million in 2002. However, income from ordinary activities increased 131% to reach \$11.1 million (\$4.8 million in 2002).

Since 1987, the Sagicor Group has operated in Belize, Curaçao, St Maarten and Aruba as Capital Life Insurance Company, writing primarily individual life insurance business. In 2003, as part of its strategy to streamline its operations, the Group entered into an agreement, which is yet to be concluded, to dispose of its branch operations in the Bahamas. In addition, after year-end, the Group restructured its operations in the Cayman Islands and transferred its Capital Life portfolio in the

Cayman Islands to Sagicor Life of the Cayman Islands Limited, a subsidiary of Life of Jamaica.

In 2003, Capital Life reported an improved new business performance, writing \$3.8 million in new annualized individual life insurance premium, up over 5% from the \$3.6 million reported in 2002. New policies sold increased 2.2%, up from 1,681 policies in 2002 to 1,718 policies in 2003.

Through its International Division and Allnation Insurance Company located in the United States, Sagicor has sought to extend its reach beyond the Caribbean. The International Division offers other financial solutions to Third Country Nationals and Expatriates traveling outside of their home countries on medium to long-term business assignments while Allnation Insurance Company provides US based health care to the top 5% of the population in many countries in Latin America, Asia and the Middle East.

#### Capital International Management Services

With Allnation Insurance Company, Capital International Management Services (CIMS) is a key plank in the Group's strategy to internationalise its operations. The primary function of CIMS is to coordinate the Group's activities regarding acquisitions and mergers, strategic alliances, joint venture relationships, portfolio evaluation and business development and expansion. CIMS will spearhead the Group's international business expansion strategy.

#### Investments

Sagicor has reported its available for sale securities on the basis of fair value since its move to adopt International Accounting Standard 39 from the 2001 financial year. On adoption of this standard, Sagicor had the option to:

- Immediately recognize income for changes in fair value (Income Method); or
- Defer these changes in fair value to equity and recognize income on disposal of the asset. Under this method (Balance Sheet Method), when the asset is disposed, the full gain or loss is brought into income.

Sagicor believes that, for an insurance company, the Income Method is aggressive and can potentially result in significant fluctuations in income, as market values on shares fluctuate. The Group considers that the likely volatility in earnings from this method would not reflect consistently the long-term performance of the Group.

We have therefore, decided to adopt the Balance Sheet Method and recognise these gains or losses as income at the time of the sale of the asset. The net unrealized gains on available for sale securities reported in the Balance Sheet for 2003 were \$75 million, with cumulative unrealised gains of \$110 million at December 31, 2003.

We believe that this approach takes a long-term view to our business. It reflects the prudence and conservatism necessary in a business whose primary competence must be the management of risks. However, as International Standards continue to evolve, the Group will review its position and continue to embrace the most prudential approach.



## Management Discussion and Analysis

## Investment Performance

Global equity markets registered a strong performance during 2003 as stocks rebounded after a three-year downturn. The MSCI World Index, a benchmark of stocks in 23 developed countries gained 31.0% for the year. The United States economy, the world's largest, expanded at an annualized rate of 8.2% in the third quarter. During 2003 corporate profit growth accelerated as the global economy entered a recovery phase.

With this recovery, US benchmark indices recorded outstanding performances. At December 31, 2003, the Dow Jones Industrial Index was up 25.3%, the Nasdaq Index rose 50% and the Standard & Poors 500 Index was up 26.4%.

In the US, the Federal Reserve maintained its target for the federal funds rate at 1.0%. The low interest rate environment, coupled with a growth in productivity, has provided ongoing support for economic activity.

International markets also benefited from the improvement in global economic performance, with Japan's Nikkei posting a 24.5% gain, while the DAX in Germany advanced by 36.6%.

In the Caribbean, the Barbados, Trinidad and Jamaica stock markets all recorded gains in 2003. The Barbados Stock Exchange recorded a gain of 29.0%, the Trinidad and Tobago Stock Exchange rose by 27.2% and the Jamaica Stock Exchange rallied during the second half of the year to advance by 48.9%.

As a leading financial services Group, Sagicor has a significant and globally diversified portfolio of invested assets, which in 2003, represented 80% of the Group's

total assets of \$2.7 billion. At the end of 2003, invested assets were \$2.197 billion, down marginally from \$2.224 billion, partly reflecting the divestiture of the Group's ownership in The Mutual Bank of the Caribbean. Net investment income rose almost 32.1% from \$139.6 million to \$184.5 million. The Group's average return on invested assets was 8.3%.

Investment securities, loans and deposits represent 93.1% of invested assets and stood at \$2.0 billion at the end of 2003.

Bonds and treasury bills continue to represent the largest asset category for the Group at 45.1% of investments. At the end of 2003, this portfolio stood at \$922.6 million, up 1.4% over 2002. Interest income from bonds and treasury bills increased from \$80.9 million in 2002 to \$92.5 million in 2003. The effective interest rate was 10.6% (11.7% in 2002).

Interest rates on new issues of government securities in a number of countries across the region declined during the course of the year as the capital markets continued to be characterized by excess liquidity. The over-subscription of most new issues of government securities meant that it was difficult to replace those which had matured and this resulted in declines in both the yield and volume of government securities held in these portfolios. The modest rate of growth in the portfolio was achieved by increased purchases of corporate bonds, many of which were issued by companies seeking to refinance their borrowings at lower rates of interest.

The Group's equity portfolio remains significant and comprises

common shares, mutual funds and preferred shares. The improved performance on regional and international stock markets has been reflected in an improved equity performance for the Group.

The value of the equity portfolio increased by 26.3% largely on the strength of the improved performances of the regional stock market and the performance of some individual securities. At \$401.5 million, equities are the second largest asset class representing 19.6% of investments.

At the end of 2003, mortgage loans were \$340.7 million, up 4.1% from 327.4 million in 2002. This portfolio continues to perform well, with an effective interest rate of 10.5%, up from 10.1% in 2002. Mortgages represent 16.7% of investments (15.7% in 2002).

With the sale of The Mutual Bank of the Caribbean in 2003, finance loans and leases reduced significantly in 2003, from \$196.2 million to \$53.1 million, representing 2.6% of investments (9.4% in 2002). The effective interest rate fell slightly, from 10.4% in 2002 to 10.2% in 2003.

Other investments, which include policy loans, convertible loans, repurchase agreements and deposits, declined marginally in 2003 to stand at \$328.1 million. This category of assets represents 16% of investments (16% in 2002).

The Sagicor 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 \$139.9 million in 2002 to \$151.5 million in 2003. Real estate represented 6.9% of invested assets in 2003 (6.3% in 2002).



## Management Discussion and Analysis

### Human Resources

Sagicor believes that development in the Caribbean can best be achieved through strong indigenous companies, which operate with a global perspective. This is the basis of our vision - a vision which understands and shares the aspirations of our people and reflects our commitment to the people of the region. A focus on the social, intellectual and financial development of people of the Caribbean is at the heart of Sagicor's vision.

Our Sagicor advisors and staff have a significant role to play in the creation of strong relationships with our customers and our communities. Therefore, they are central to building the enduring greatness that the Company has identified in its vision. This vision requires a commitment to the creation of a working environment that will facilitate their continuing development, and which will allow them to fulfill their personal and financial goals.

As part of this, 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. 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 continues to

prepare its agents and advisors for the new financial environment, by enhancing their skills in financial planning and advice to meet the changing needs of our customers.

During 2003, as part of our effort to restructure the company, Sagicor offered administrative employees the opportunity to leave the Group through voluntary separation. A number of persons took the opportunity to study, to move into new career areas or to retire early. We wish all of them well and thank them for their contribution.

For those of us who have chosen to be a part of the creation of this great Caribbean company, the major challenges of the integration process are now substantially behind us. The organization is rich with talented and committed people who are now ready to take Sagicor on to the world stage.

### Conclusion

After the significant changes to the organization in 2002, the year under review represented a watershed year for the Sagicor Group. Under its new name and new brand, with a new capital structure and with a new vision, your company has made its first bold step into the future. In 2003, it has done so successfully by performing well in all major markets; delivering financial results above projections; creating a distinctive and recognizable brand; integrating its operations; and enhancing an already strong balance sheet.

Sagicor's business model is based on achieving global competitiveness through regional integration and places people at the core of the business strategy. Sagicor emphasizes the importance

of strengthening the loyalty of its customers, staff, shareholders and communities through value-added relationships, enhanced distribution capabilities and world-class products and service. As market leaders in insurance in Barbados and Jamaica, and with a strong presence in Trinidad, Sagicor is now the foremost indigenous financial services group in the region.

Over the years, the Sagicor Group has continued to change to meet the challenges of its environment and the needs of its stakeholders. The Group has remained steadfast in adhering to the principles of financial prudence and strong market discipline, which have been the foundation of our success for almost two centuries. We have consistently delivered on the promises that we make and have built our reputation on sound performance over the long-term.

Again the Group has delivered a solid performance in 2003, and at the same time, has positioned itself to face the challenges and to capitalize on the opportunities created by this era of globalization and liberalization.

I extend my gratitude to the staff and advisors for contributing to the continuing success of the Sagicor Group, 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 & Chief Executive Officer



**Eckler Partners Ltd.**

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## SAGICOR FINANCIAL GROUP

### APPOINTED ACTUARY'S 2003 REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have valued the consolidated policy liabilities of Sagicor Financial Corporation ("Sagicor") including the policy liabilities of its life insurance subsidiaries, Sagicor Life Inc, Life of Barbados Limited, Life of Jamaica Limited, Island Life Insurance Company Limited, Capital Life Insurance Company Limited, Capital Life Insurance Company Bahamas Limited, Capital de Seguros, S.A., Allnation Insurance Company, Nationwide Insurance Company Limited, Sagicor Life of the Cayman Islands Limited, and Sagicor Re Insurance Limited, for the balance sheet, at 31st December 2003, and their change in the consolidated statement of operations, for the year then ended, for each organization and on a consolidated basis in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of Sagicor and its life insurance subsidiaries was conducted by various actuaries using the Policy Premium Method ("PPM") as an approximation to the Canadian Asset Liability Method ("CALM"), 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 THE SAGICOR FINANCIAL GROUP  
5<sup>TH</sup> MAY 2004

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 Shareholders of Sagicor Financial Corporation

We have audited the accompanying consolidated balance sheet of **Sagicor Financial Corporation** (the Company) as of December 31, 2003 and the related consolidated statements of income, changes in equity and cash flows for the year then ended as shown on pages 30 to 72. 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers.*

**PricewaterhouseCoopers**  
**Chartered Accountants**  
**May 5, 2004**

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 Glona 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 Phillip St. E. Atkinson (resident in Barbados)  
St. Lucia Anthony D. Atkinson Richard N. C. Peterkin

# Consolidated Balance Sheet

Amounts expressed in Barbados \$000

As of December 31, 2003  
(with 2002 comparative amounts for Sagikor Life Inc)

	Notes	2003	2002
<b>ASSETS</b>			
<b>Investments</b>			
Investment property	6	151,523	139,931
Investment securities, loans and deposits	7	2,045,926	2,084,284
		<u>2,197,449</u>	<u>2,224,215</u>
Property, plant and equipment	8	127,148	130,254
Associated companies	9	21,278	16,150
Goodwill	10	109,259	129,764
Accrued investment income		45,524	40,392
Premiums in the course of collection		27,221	24,731
Miscellaneous assets and receivables	11	130,590	89,701
Cash resources	12	90,615	128,697
<b>Total assets</b>		<u>2,749,084</u>	<u>2,783,904</u>
<b>LIABILITIES</b>			
<b>Policy liabilities</b>			
Actuarial liabilities	13	1,377,708	1,360,173
Deposit administration liabilities	14	313,901	293,592
Policy funds on deposit	15	152,316	119,596
Policy benefits in the course of settlement		57,126	52,281
Provision for unearned premiums		16,539	17,356
		<u>1,917,590</u>	<u>1,842,998</u>
<b>Other liabilities</b>			
Loans payable	16	26,953	36,570
Deposit liabilities	17	58,736	269,175
Miscellaneous liabilities	18	28,497	36,826
Accounts payable and accrued liabilities		85,662	74,063
<b>Total liabilities</b>		<u>2,117,438</u>	<u>2,259,632</u>
Minority interest in subsidiaries	19	56,289	55,446
<b>EQUITY</b>			
Share capital	20	432,495	432,495
Reserves	21	98,323	36,331
Retained earnings		43,317	-
Participating accounts	13	1,222	-
<b>Total equity</b>		<u>575,357</u>	<u>468,826</u>
<b>Total equity and liabilities</b>		<u>2,749,084</u>	<u>2,783,904</u>

These financial statements have been approved for issue by the Board of Directors on May 5, 2004

*W. E. S. David*

Chairman

*J. Miller*

Director



# Consolidated Income Statement

Amounts expressed in Barbados \$000

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

	Notes	2003	2002
<b>REVENUE</b>			
Net premiums and contributions	22	470,236	436,914
Net investment income	23	184,454	139,647
Share of income from associates		3,074	6,180
Fees and other revenue	24	47,665	38,508
Gains on divestitures	34	17,094	6,576
Total revenue		<u>722,523</u>	<u>627,825</u>
<b>POLICY BENEFITS</b>			
Policy benefits	25	297,596	261,076
Increase in actuarial liabilities		84,137	74,609
Total policy benefits		<u>381,733</u>	<u>335,685</u>
<b>EXPENSES</b>			
Administrative expenses		163,012	137,715
Commissions and related compensation		64,857	57,768
Premium taxes		7,797	6,388
Demutualisation and rebranding expenses	28	2,462	7,411
Reorganisation costs	29	11,725	8,995
Finance costs		1,724	4,977
Amortisation of goodwill		8,995	2,461
Write-off of goodwill	10	-	29,482
Total expenses		<u>260,572</u>	<u>255,197</u>
<b>INCOME FROM ORDINARY ACTIVITIES</b>		80,218	36,943
Corporation taxes	30	<u>(6,842)</u>	<u>(7,135)</u>
<b>NET INCOME BEFORE MINORITY INTEREST</b>		73,376	29,808
Minority interest		<u>(17,753)</u>	<u>(16,304)</u>
<b>NET INCOME FOR THE YEAR</b>		<u>55,623</u>	<u>13,504</u>
Net loss attributed to participating policyholders	13	(1,278)	-
Net income attributed to shareholders		56,901	13,504
		<u>55,623</u>	<u>13,504</u>
Earnings per common share	32	<u>22 cents</u>	<u>8 cents</u>

# Consolidated Statement of Changes in Equity

Amounts expressed in Barbados \$000

(with 2002 comparative amounts for Sagcor Life Inc)

## Year ended December 31, 2003

Notes	Share capital 20	Reserves 21	Retained earnings	Participating accounts 13	Total
Balance as of January 1, 2003	432,495	36,331	-	-	468,826
Net gains realised on available for sale investments	-	(3,082)	-	-	(3,082)
Net unrealised gains on available for sale investments	-	74,969	-	-	74,969
Net unrealised gains on revaluation of owner-occupied property	-	1,889	-	-	1,889
Currency re-translation	-	(14,719)	-	-	(14,719)
Net gains not recognised in income	-	59,057	-	-	59,057
Net income for the year	-	-	56,901	(1,278)	55,623
Transfers	-	2,935	(5,435)	2,500	-
Dividends on common shares - 3 cents per share	-	-	(7,801)	-	(7,801)
Dividends on preference shares of a subsidiary	-	-	(348)	-	(348)
Balance as of December 31, 2003	432,495	98,323	43,317	1,222	575,357

## Year ended December 31, 2002

Notes	Share capital 20	Reserves 21	Policyholders' surplus / retained earnings	Total
Balance as of January 1, 2002	-	(7,133)	310,888	303,755
Net gains realised on available for sale investments	-	(4,412)	-	(4,412)
Net unrealised gains on available for sale investments	-	16,181	-	16,181
Net unrealised gains on revaluation of owner-occupied property	-	2,499	-	2,499
Currency re-translation	-	(6,997)	-	(6,997)
Net gains not recognised in income	-	7,271	-	7,271
Net income for the year	-	-	13,504	13,504
Transfers to statutory reserves	-	1,151	(1,151)	-
Dividends on preference shares of a subsidiary	-	-	(380)	(380)
Adjustments to surplus and reserves	-	35,042	(33,270)	1,772
Transfer of surplus to share capital	289,591	-	(289,591)	-
Issue of share capital	142,904	-	-	142,904
Balance as of December 31, 2002	432,495	36,331	-	468,826

# Consolidated Cash Flow Statement

Amounts expressed in Barbados \$000

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

	Notes	2003	2002
<b>Cash flows from operating activities</b>			
Income from ordinary activities		80,218	36,943
Adjustments for non-cash items, interest and dividends	33	(83,227)	(25,962)
		(3,009)	10,981
Interest and dividends received		163,926	158,379
Interest paid		(36,426)	(42,264)
Corporation taxes paid		(11,357)	(9,100)
		113,134	117,996
Changes in operating assets and liabilities:			
Investment property	33	(3,665)	(3,026)
Equities	33	959	(1,498)
Bonds and treasury bills	33	(124,202)	(85,401)
Mortgage loans		(13,435)	(597)
Policy loans		(158)	2,800
Finance loans and leases		8,845	(9,422)
Convertible loans		814	(7,054)
Deposit investments		7,210	14,164
Repurchase agreements		(16,628)	14,715
Receivables and miscellaneous assets		(55,823)	(30,811)
Deposit liabilities		(13,347)	28,764
Payables and miscellaneous liabilities		110,179	54,774
Net cash from operating activities		13,883	95,404
<b>Cash flows from investing activities</b>			
Property, plant and equipment	33	(22,471)	(11,098)
Associated companies		(3,224)	(915)
Proceeds from divestitures, net of cash		(13,976)	23,530
Subsidiaries acquired, net of cash		-	(135,313)
Net cash used in investing activities		(39,671)	(123,796)
<b>Cash flows from financing activities</b>			
Common shares issued		-	142,904
Dividends paid to shareholders		(7,801)	-
Shares issued to minority interest		1,612	-
Dividends paid to minority interest		(3,375)	-
Loans payable	33	(9,617)	(6,942)
Net cash (used in) / from financing activities		(19,181)	135,962
Effects of exchange rate changes		796	132
<b>Net (decrease) / increase in cash and cash equivalents</b>			
Cash and cash equivalents, beginning of year		205,969	98,267
Cash and cash equivalents, end of year	33	161,796	205,969



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## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 1 INCORPORATION AND PRINCIPAL ACTIVITIES

Sagicor Financial Corporation was incorporated on December 6, 2002 under the Companies Act of Barbados as a public limited liability holding company. On December 6, 2002, Sagicor Life Inc was formed following its conversion from The Barbados Mutual Life Assurance Society (The Society). On December 30, 2002, Sagicor Financial Corporation allotted 175,004,651 common shares to the eligible policyholders of The Society following the latter's conversion from a mutual company to a company with share capital. As a result of this issue, Sagicor Financial Corporation became the holding company of Sagicor Life.

Following an initial public offering of common shares in December 2002, Sagicor Financial Corporation allotted a further 85,000,000 shares to the public on December 31, 2002. On February 13, 2003, a further 25,097 shares were allotted to eligible policyholders of the Society in respect of the demutualisation, such shares representing adjustments and corrections to policyholder entitlements.

Sagicor Financial Corporation did not trade between its date of incorporation and December 30, 2002. From this date, the consolidated operations of Sagicor Life Inc have continued under Sagicor Financial Corporation and are referred to below as the Sagicor Group.

These financial statements are prepared for the period from January 1, 2003 to December 31, 2003. Comparative financial statements and disclosures for 2002 are in respect of Sagicor Life Inc.

The Sagicor Group markets and administers insurance, annuity and pension products. The Group also provides management services to pension and mutual funds. Group operations are carried out mainly across the Caribbean region.

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

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Equity Interest
Sagicor Life Inc	Life and health insurance, annuities and pensions	Barbados	100%
Life of Barbados Limited	Life and health insurance, annuities and pensions	Barbados	100%
Life of Jamaica Limited	Life and health insurance, annuities and pensions	Jamaica	79% (1)
Island Life Insurance Company Limited	Life and health insurance, annuities and pensions	Jamaica	78.8% (2)

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagikor Life Inc)

### 1 INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Equity Interest
Capital Life Insurance Company Limited	Life and health insurance, annuities and pensions	The Bahamas	100%
Capital Life Insurance Company Bahamas Limited	Life and health insurance, annuities and pensions	The Bahamas	100%
Capital de Seguros, SA	Life and health insurance	Panama	100%
Allnation Insurance Company	Health insurance	Delaware, USA	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%
Sagikor Life of the Cayman Islands Limited (formerly Global Life Assurance Company Limited)	Life insurance	The Cayman Islands	79% (1)
Sagikor General Insurance Inc (formerly Barbados Fire and Commercial Insurance Company Limited)	Property and casualty insurance	Barbados	52.8%
Sagikor Re Insurance Limited (4)	Property and casualty insurance	The Cayman Islands	79%
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
LOJ Pooled Investment Funds Limited	Pension fund management	Jamaica	79% (1)
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagikor Asset Management Inc (formerly The Mutual Asset Management Inc)	Investment management and advisory services	Barbados	100%
The Mutual Funds Incorporated	Mutual fund	Barbados	100%



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 1 INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Equity Interest
LOJ Property Management Limited	Property management	Jamaica	79% (1)
Capital International Management Services, Inc	Management and business development services	Florida, USA	100%
The Mutual Bank of the Caribbean Inc	Banking	Barbados	73% (3)
GlobE Finance Inc	Loan and lease financing, and deposit taking	Barbados	50.6%
The Mutual Finance Inc	Loan and lease financing and deposit taking	St. Lucia	70%

(1) The equity interest moved from 76% at the beginning of the year to 79% effective June 30.

(2) An equity interest of 78.8% until March 31, when the company was acquired by Life of Jamaica Limited.

(3) An equity interest of 73% until November 30, when this interest was sold.

(4) Sagicor Re Insurance Limited was established in July 2003 and provides property and casualty insurance services to the Group.

Associated Companies	Principal Activities	Country of Incorporation	Effective Equity Interest
RGM Limited	Property ownership and management	Trinidad & Tobago	33.3%
Caribbean CariCard Services Inc	Bank card processing, ATM and point-of-sale handling services	Barbados	36.5%

# Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

## 2 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

### a) Basis of preparation

These consolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The computation of insurance and annuity reserves conforms to Canadian generally accepted actuarial practice as no specific guidance is provided by IFRS in this area. The consolidated financial statements are prepared under the historical cost convention except as modified by the revaluation of investment property, owner-occupied property, available for sale investment securities and held for trading investments.

Preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

### b) Basis of consolidation

The accounts of subsidiary companies, where there is a majority ownership and controlling interest, are combined under the full consolidation basis from the date on which control is transferred to the Group, and all material inter-company balances and transactions are eliminated on consolidation. Investments in subsidiary companies held temporarily are accounted for as available for sale investments. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies of the Group.

The investments in associated companies, which are not majority owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting.

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

Realised gains and losses on the sale of subsidiary and associated companies and interests in joint ventures are included in the revenue item gains on divestitures.

The Group operates certain deposit administration and policyholder side funds where the full return of the assets in the fund accrue entirely to the policyholders of the fund. As these funds are not operated under legal trusts, they have been consolidated in these financial statements.

The Group manages a number of segregated pension funds and mutual funds. These funds are legally segregated and investment returns on these funds accrue directly to unitholders 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 Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 2 ACCOUNTING POLICIES (continued)

#### c) Foreign currency translation

Items included in the financial statements of each consolidated entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the measurement currency). The consolidated financial statements are presented in Barbados dollars.

Income statements and cash flows of foreign entities are translated into Barbados dollars at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on December 31. Exchange differences arising from the translation of the net investment in foreign entities are taken to the currency translation component of equity. When a foreign entity is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

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

Foreign currency branches are accounted for as integral operations and accordingly, their balance sheets are translated at closing rates, with non-monetary assets and liabilities translated at historic rates. Foreign currency gains and losses arising on translation are included in the income statement.

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

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

#### d) Investment property

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

Rental income is recognised on an accruals basis.



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagikor Life Inc)

### 2 ACCOUNTING POLICIES (continued)

#### e) Property, plant and equipment

Property, plant and equipment are recorded initially at cost. Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Movements in fair value are taken to the fair value reserve, unless there is a net depreciation in respect of an individual property, which is then recorded in the income statement.

On disposal of owner-occupied property, the amount included in the reserve is transferred to retained earnings. Any gain or loss on disposal included in income is determined by comparing proceeds to the asset's carrying value at the time of disposal.

The Group, as lessor, enters into operating leases with third parties to lease assets. These operating leases are recorded as property, plant and equipment. Income from operating leases is recognised on the straight-line basis over the term of the lease.

Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives as follows:

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

#### f) Investment securities, loans and deposits

The Group classifies its investment securities, loans and deposit assets as held to maturity investments, available for sale investments, held for trading investments, or originated loans. Management determines the appropriate classification of these investments at the time of purchase.

Purchases and sales of these investments are recognised on the trade date. Cost of purchases includes transaction costs. Interest income arising on investments is accrued as earned and dividends are recorded in revenue when due.

Investment securities with fixed maturity and for which management has both the intent and ability to hold to maturity are classified as held to maturity. These investments are carried at amortised cost.

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 2 ACCOUNTING POLICIES (continued)

#### f) Investment securities, loans and deposits (continued)

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, changes in interest rates, exchange rates or equity prices are classified as available for sale. These securities are initially recorded at cost and subsequently re-measured at fair value based on quoted prices where available. Unrealised gains and losses are recorded in fair value reserves. Either on the disposal of the security or if the security is determined to be impaired, the previously recorded unrealised gain or loss is transferred to investment income.

Held for trading investments are securities which are either acquired for generating a profit from short-term fluctuations in price or are included in a portfolio in which a pattern of short-term profit taking exists or where management is ultimately unable to determine the timing of disposal. Held for trading securities are initially recorded at cost and subsequently re-measured at fair value based on quoted prices where available. Realised and unrealised gains and losses are recorded as investment income.

Investment securities, loans and deposits originated by the Group by providing money directly to the borrower or to a sub-participation agent at drawdown, are categorised as loans originated by the Group and are carried at amortised cost. An allowance for 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 the security, loan or deposit. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the security, loan or deposit.

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

The Group, as lessor, enters into finance leases with third parties to lease assets. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

#### g) 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 in which the future losses are recognised. Negative goodwill which does not relate to expected future losses and expenses is recognised as income immediately.



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 2 ACCOUNTING POLICIES (continued)

#### h) 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.

#### i) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include short-term deposits with a maturity date of three months or less from the date of acquisition.

#### j) Actuarial liabilities

Actuarial liabilities consist of amounts that, together with future premiums and investment income, are required to provide for future policy benefits, expenses and taxes on insurance and annuity contracts. These reserves are shown net of reinsurance and conform to Canadian generally accepted actuarial practices.

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.

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

#### k) Policy benefits in the course of settlement

Policy benefits in the course of settlement are insurance contract benefits which have been set up as payable but not settled as at the balance sheet date. Benefits are recognised 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.



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 2 ACCOUNTING POLICIES (continued)

#### l) 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.

#### m) Recognition of insurance revenue and related benefits

Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Premiums and contributions for universal life, pension and annuity products 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 recognised 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 are recorded directly to the balance sheet as deposit administration liabilities or as policy funds on deposit. Accordingly, receipts and payments are not reflected in the income statement. The interest credited to these funds is recorded as an interest expense. In prior years, amounts received or paid under deposit administration contracts were recorded in the income statement. This presentation has been changed to better reflect the economic substance of these transactions. The 2002 presentation has been restated to conform to the new presentation.

#### n) Interest income and expenses

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

#### o) Fees and other revenue

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

#### p) Employee retirement benefits

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

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 2 ACCOUNTING POLICIES (continued)

#### p) Employee retirement benefits (continued)

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates for the maturity dates and location of the related liability. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are charged or credited to the income statement over the average service lives of the related employees.

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

A Group company also provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified actuaries.

#### q) Deferred income 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.

#### r) Dividends on common shares

Dividends on common shares are recorded in the period in which they are declared.

### 3 RISK MANAGEMENT

#### a) Introduction

As an enterprise whose principal liabilities are long-term policy liabilities, the Group has adopted a policy of investing in assets with characteristics that closely match the characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders. This policy of asset and liability matching also assists the Group in managing its reinvestment risks.



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 3 RISK MANAGEMENT (continued)

#### b) Credit risk

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower.

Credit risk is minimised through holding a diversified portfolio of investment securities, advancing loans only after careful assessment of the borrower, and placing deposits with financial institutions with a strong capital base.

Significant concentrations of credit risk are as set out in notes 7 and 12.

#### c) Foreign exchange risk

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

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

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

	December 2003 closing rate	December 2003 average rate	December 2002 closing rate	December 2002 average rate
Bahamas dollar	0.50	0.50	0.50	0.50
Belize dollar	1.00	1.00	1.00	1.00
Cayman Islands dollar	0.4175	0.4175	0.4175	0.4175
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Jamaica dollar	30.2585	28.6786	25.4665	24.3312
Netherlands Antillean guilder	0.90	0.90	0.90	0.90
Trinidad & Tobago dollar	3.1308	3.1327	3.1429	3.1061
United States dollar	0.50	0.50	0.50	0.50



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 3 RISK MANAGEMENT (continued)

#### d) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The effective interest rates of the Group's financial assets and liabilities are set out in notes 7, 15, 16 and 17.

#### e) Liquidity risk

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

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

The maturity profile of the Group's financial assets and liabilities are disclosed in notes 7, 16 and 17.

#### f) Fair values of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The estimated fair values of investments are based on market values of quoted securities as at December 31 where available. In assessing the fair value of non-traded securities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models.

The Group's financial assets and liabilities as disclosed in the balance sheet approximate their fair value, except in the case of certain investment securities, loans and deposits for which fair values are disclosed in note 7.

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

### 3 RISK MANAGEMENT (continued)

#### g) Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the Group may cede certain levels of risk to reinsurers which enjoy high credit ratings. The Group manages its claims risks by monitoring claims trends and its own claims experience. In addition, appropriate underwriting standards and retention limits have been established.

Reinsurance ceded does not discharge the Group's liability as the primary insurer and failure by reinsurers to honour their commitments could result in losses to the Group.

#### h) Fiduciary activities

The Group provides investment management and administration services to pension and mutual funds which involve the Group making allocation, purchase and sale decisions in relation to a wide range of investments. Those assets are held in a fiduciary capacity and are not included in these financial statements. These services give rise to fiduciary risk that may expose the Group to claims for maladministration or under-performance of these funds. As of December 31, the Group administered approximately \$1.2 billion (2002 - \$1.1 billion) in assets on behalf of these funds.

### 4 STATUTORY RESTRICTIONS ON ASSETS

The insurance subsidiaries of the Group are registered to conduct business under insurance legislation in place in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders. To satisfy these requirements, invested assets and cash totalling \$1,046,489,000 (2002 - \$914,302,000) have been deposited with or held in trust to the order of the insurance regulators.

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



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 5 SEGMENTED INFORMATION

The Group's operations are primarily managed by the location of the subsidiary or branch initiating the business. Geographical segments are defined accordingly and totals for the significant segments are as follows:

	----- Year ended December 31, 2003 -----				
	Total assets	Total liabilities	Total revenue	Income from ordinary activities	Total cash flows
Barbados	1,005,926	865,739	230,417	36,937	(11,621)
Jamaica	436,894	374,576	245,394	31,083	(4,194)
Trinidad & Tobago	643,640	463,080	96,563	5,889	8,318
OECS	244,001	197,541	53,268	11,762	(3,571)
Other Caribbean & International	276,256	187,981	92,564	11,120	(6,457)
Not allocated to segments	142,367	28,521	4,317	(16,573)	(26,648)
	<u>2,749,084</u>	<u>2,117,438</u>	<u>722,523</u>	<u>80,218</u>	<u>(44,173)</u>

	----- Year ended December 31, 2002 -----				
	Total assets	Total liabilities	Total revenue	Income from ordinary activities	Total cash flows
Barbados	1,118,077	1,090,002	158,474	31,785	58,954
Jamaica	476,277	377,909	252,725	43,878	9,095
Trinidad & Tobago	485,952	382,147	73,431	(1,132)	2,530
OECS	232,819	190,289	45,808	1,064	8,838
Other Caribbean & International	262,247	173,383	95,697	4,814	(1,388)
Not allocated to segments	208,532	45,902	1,690	(43,466)	29,673
	<u>2,783,904</u>	<u>2,259,632</u>	<u>627,825</u>	<u>36,943</u>	<u>107,702</u>

Items not allocated to segments include balances relating to goodwill, loans received to finance acquisitions, demutualisation and rebranding expenses. OECS denotes the member countries of the Organisation of Eastern Caribbean States.

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

	Year ended Dec. 31, 2003		Year ended Dec. 31, 2002	
	Total assets	Income from ordinary activities	Total assets	Income from ordinary activities
Barbados	1,909	474	2,035	2,549
Trinidad & Tobago	19,369	2,600	14,115	3,631
	<u>21,278</u>	<u>3,074</u>	<u>16,150</u>	<u>6,180</u>



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagikor Life Inc)

Amounts expressed in  
Barbados \$000

### 5 SEGMENTED INFORMATION (continued)

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

	Year ended December 31, 2003	
	Total assets	Total revenue
Life insurance, health insurance and annuities - issued to individuals	1,916,551	478,039
Life insurance, health insurance and pensions - issued to groups	500,469	167,001
Property and casualty insurance	79,418	33,930
Banking and other financial services	110,279	39,236
Not allocated to segments	142,367	4,317
	<u>2,749,084</u>	<u>722,523</u>

	Year ended December 31, 2002	
	Total assets	Total revenue
Life insurance, health insurance and annuities - issued to individuals	1,709,353	430,141
Life insurance, health insurance and pensions - issued to groups	484,449	158,376
Property and casualty insurance	63,583	16,315
Banking and other financial services	317,987	21,303
Not allocated to segments	208,532	1,690
	<u>2,783,904</u>	<u>627,825</u>

### 6 INVESTMENT PROPERTY

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

	2003	2002
Balance, beginning of year	139,931	84,469
Additions at cost	7,070	10,624
Additions arising from acquisitions	-	52,017
Transfer from property, plant & equipment	2,740	-
Disposals	(3,591)	(7,985)
Appreciation in fair values	10,148	3,015
Effects of exchange rate changes on re-translation of foreign entities	(4,775)	(2,209)
Balance, end of year	<u>151,523</u>	<u>139,931</u>

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 6 INVESTMENT PROPERTY (continued)

Included in investment property is the Group's interests in partnerships and joint ventures as follows:

Description of property	Percentage ownership	2003	2002
Undeveloped land at Fort George Heights, Upton, St Michael, Barbados	50%	5,250	5,000
Land at Plum Tree, St Thomas, Barbados	50%	3,544	-
Trident House Properties, Lower Broad Street, Bridgetown, Barbados	33%	6,283	6,450
Financial Services Centre, Bishop's Court Hill, St Michael, Barbados	50%	6,466	6,359
United Nations House, Marine Gardens, Christ Church, Barbados	25%	7,141	7,141
BET Building, Wildey, St Michael, Barbados	10%	3,440	3,440
Ernst & Young Building, Sweet Briar Road, Port-of-Spain, Trinidad & Tobago	62%	7,891	7,915
The Mutual / Trans-Nemwil Office Complex, The Villa, St George's, Grenada	50%	2,115	2,113
Belize Insurance Centre, North Front Street, Belize City, Belize	50%	800	767
		42,930	39,185

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

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

	2003	2002
Cash and accounts receivable	4,360	2,339
Real estate developed for resale	812	1,546
Loans payable	1,580	1,763
Accounts payable	633	1,465
Revenue	6,650	4,494
Expenses	(2,301)	(1,086)
Income from ordinary activities	4,349	3,408

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

## 7 INVESTMENT SECURITIES, LOANS AND DEPOSITS

	Carrying value 2003	Fair value 2003	Carrying value 2002	Fair value 2002
<b>Held to maturity investment securities</b>				
Bonds and treasury bills	254,244	254,311	190,175	190,186
<b>Available for sale investment securities</b>				
Bonds and treasury bills	148,277	148,277	132,180	132,180
Equities	380,536	380,536	299,206	299,206
	528,813	528,813	431,386	431,386
<b>Held for trading investment securities</b>				
Bonds and treasury bills	117,691	117,691	101,401	101,433
Equities	20,977	20,977	18,777	18,777
	138,668	138,668	120,178	120,210
<b>Originated loans, securities and deposits</b>				
Mortgage loans	340,694	340,694	327,371	327,371
Bonds and treasury bills	402,363	380,664	486,225	472,406
Policy loans	138,461	138,461	141,463	141,463
Finance loans and leases	53,067	53,067	196,224	196,224
Convertible loans	16,462	16,462	17,203	17,203
Repurchase agreements	25,840	25,840	9,758	9,826
Deposits	147,314	147,314	164,301	164,301
	1,124,201	1,102,502	1,342,545	1,328,794
Total investment securities, loans and deposits	2,045,926	2,024,294	2,084,284	2,070,576

Equity investments include \$8,325,000 (2002 - \$7,405,000) in a mutual fund managed by the Group. The convertible loans were issued to the Group by an associated company and can be converted to preference shares or bonds upon the agreement of the Directors of the associated company. Included in the held to maturity category is \$7,091,000 in bonds issued by an associated company.



## Notes to the Financial Statements

Amounts expressed in  
Barbados \$000Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

## 7 INVESTMENT SECURITIES, LOANS AND DEPOSITS (continued)

	2003	2002
<b>Significant concentrations</b>		
Bonds and treasury bills		
Government of Jamaica	278,039	326,757
Government of Barbados	104,819	165,891
Government of Trinidad & Tobago	116,338	88,779
Equities		
RBTT Financial Holdings Limited	129,442	73,789
Deposits		
The Bank of Nova Scotia	17,320	50,192
FirstCaribbean International Bank Limited	8,540	18,430
RBTT Financial Holdings Limited	28,438	15,591

	2003	2002
<b>Effective interest rates</b>		
Mortgage loans	10.5%	10.1%
Bonds and treasury bills	10.6%	11.7%
Policy loans	10.0%	10.3%
Finance loans and leases	10.2%	10.4%
Convertible loans	11.2%	12.4%
Deposits and repurchase agreements	9.5%	5.4%

	Within one year	Between one and five years	Over five years	Total
<b>Maturity profiles</b>				
Mortgage loans	13,710	47,034	279,950	340,694
Bonds and treasury bills	63,587	275,515	583,473	922,575
Finance loans and leases	7,014	33,149	12,904	53,067
Convertible loans	16,462	-	-	16,462
Repurchase agreements	25,840	-	-	25,840
Deposits	138,041	9,273	-	147,314
	264,654	364,971	876,327	1,505,952

	2003	2002
<b>Allowances for impairment losses</b>		
Mortgage loans	(7,136)	(3,330)
Finance loans and leases	(2,419)	(7,587)
	(9,555)	(10,917)

# Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagacor Life Inc)

Amounts expressed in  
Barbados \$000

## 8 PROPERTY, PLANT AND EQUIPMENT

	Owner-occupied properties	Furnishings & leasehold improvements	Office equipment & software	Vehicles	Leased vehicles & equipment	Total 2003	Total 2002
<b>Cost or valuation</b>							
Balance, beginning of year	93,898	33,765	81,412	13,354	8,133	230,562	160,200
Transfer to investment properties	(2,908)	-	-	-	-	(2,908)	-
Additions at cost	1,964	6,060	6,283	2,371	8,017	24,695	12,652
Additions arising from acquisitions	-	-	-	-	-	-	64,746
Disposals	(293)	(1,304)	(4,024)	(3,089)	(2,148)	(10,858)	(5,650)
Disposals arising from divestitures	-	(3,258)	(11,591)	(4,595)	-	(19,444)	-
Depreciation eliminated on revaluation	(274)	-	-	-	-	(274)	(328)
Appreciation in fair values	1,931	-	-	-	-	1,931	2,499
Effects of exchange rate changes on re-translation of foreign entities	(1,155)	(1,151)	(4,344)	(209)	-	(6,859)	(3,557)
Balance, end of year	93,163	34,112	67,736	7,832	14,002	216,845	230,562
<b>Accumulated depreciation</b>							
Balance, beginning of year	2,180	22,356	66,116	7,216	2,440	100,308	72,142
Transfer to investment properties	(168)	-	-	-	-	(168)	-
Depreciation on acquired assets	-	-	-	-	-	-	22,001
Depreciation charge	1,930	2,890	6,799	2,146	2,252	16,017	13,164
Disposals	(25)	(765)	(3,839)	(2,133)	(1,169)	(7,931)	(4,320)
Disposals arising from divestitures	-	(1,932)	(8,238)	(3,288)	-	(13,458)	-
Depreciation eliminated on revaluation	(274)	-	-	-	-	(274)	(328)
Effects of exchange rate changes on re-translation of foreign entities	(54)	(656)	(4,003)	(81)	(3)	(4,797)	(2,351)
Balance, end of year	3,589	21,893	56,835	3,860	3,520	89,697	100,308
<b>Net book value</b>							
Balance, beginning of year	91,718	11,409	15,296	6,138	5,693	130,254	88,058
Balance, end of year	89,574	12,219	10,901	3,972	10,482	127,148	130,254

## Notes to the Financial Statements

Amounts expressed in  
Barbados \$000Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

9 ASSOCIATED COMPANIES	2003	2002
Investment, beginning of year	16,150	55,045
Additional investment in associated companies	3,224	915
Share of income from ordinary activities	3,074	6,180
Amortisation of goodwill	-	(697)
Dividends paid	(1,208)	(1,362)
Share of movements in other equity reserves	-	(1,130)
Associated company acquired as a subsidiary	-	(42,715)
Effects of exchange rate changes	38	(86)
Investment, end of year	<u>21,278</u>	<u>16,150</u>

10 GOODWILL	2003	2002
Balance, beginning of year	129,764	62,789
Adjustment to purchased goodwill on prior years' acquisition	-	(962)
Goodwill arising on acquisitions during the year (see below at note 35)	(3,012)	103,619
Negative goodwill recognised as income	-	5,065
Amortisation charge	(8,995)	(7,526)
Impairment charge	-	(29,482)
Effects of exchange rate changes	(8,498)	(3,739)
Balance, end of year	<u>109,259</u>	<u>129,764</u>
Represented by:		
Cost	170,521	173,533
Accumulated charges	(61,262)	(43,769)
	<u>109,259</u>	<u>129,764</u>

During the year, the issued preference shares of Life of Jamaica Limited held by the Group were converted to ordinary shares of Life of Jamaica at a rate of three ordinary shares for every ten preference shares. As a result, the Group acquired a further 3% equity interest in Life of Jamaica for no consideration and the resulting gain was used to reduce the existing goodwill on the Life of Jamaica acquisition.

The goodwill arising during the year is as follows:

	2003
Conversion of Life of Jamaica preference shares to ordinary shares	(2,744)
Adjustment arising from corporate restructuring (note 36)	325
Other	(593)
	<u>(3,012)</u>

After an assessment of its carrying value, goodwill relating to the Life of Barbados acquisition and amounting to \$29,482,000 was written off in 2002.



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 11 MISCELLANEOUS ASSETS AND RECEIVABLES

	2003	2002
Pension plan asset (note 27)	8,136	5,905
Deferred tax asset (note 31)	2,877	1,502
Real estate developed for resale	16,995	15,500
Other accounts receivable	102,582	66,794
	<u>130,590</u>	<u>89,701</u>

### 12 CASH RESOURCES

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

	2003	2002
The Mutual Bank of the Caribbean Inc	31,297	-
FirstCaribbean International Bank Limited	<u>41,488</u>	<u>52,577</u>

### 13 ACTUARIAL LIABILITIES

	2003	2002
Balance, beginning of year	1,360,173	826,691
Transfer from deposit administration liabilities	-	(2,438)
Transfer to policy funds on deposit	(26,617)	-
Liabilities assumed on acquisition	-	482,657
Increase for the year	84,137	74,609
Effects of exchange rate changes	(39,985)	(21,346)
Balance, end of year	<u>1,377,708</u>	<u>1,360,173</u>

#### Best estimate reserve assumptions & provisions for adverse deviations

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

For the respective reserve assumptions for mortality and morbidity, rates of policy termination, future investment yields, operating expenses and taxes, best estimate reserve assumptions are determined for each major geographical segment, namely Barbados, Jamaica, Trinidad & Tobago, OECS and other Caribbean and International.

Provisions for adverse deviations are established in accordance with the risk profiles of the business, and are, as far as is practicable, standardised across the major geographical segments.

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 13 ACTUARIAL LIABILITIES (continued)

#### Participating Funds

For participating policies of Sagicor Life Inc in force at demutualisation, Sagicor Life Inc has established a closed participating fund in order to protect the guaranteed benefits and future policy dividends, bonuses and other non-guaranteed benefits of the afore-mentioned policies. The rules of this fund require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies, are recorded in a 'closed' participating account. Policy dividends and bonuses of the said policies will be paid from the fund on a basis substantially the same as prior to demutualisation. The fund also includes the required provisions for adverse deviations as determined in the computation of actuarial liabilities of the said policies.

The closed participating fund was established at demutualisation and at December 31, 2002 the fund had assets of \$153,805,000 to match its actuarial liabilities. As at December 31, 2003 the assets allocated to the fund were \$158,324,000 and the actuarial liabilities amounted to \$157,277,000.

Sagicor Life Inc has also established an open participating fund for participating policies it issues after demutualisation. The rules of this fund require that premiums, benefits, actuarial reserve movements, investment returns, expenses and taxes, attributable to the said policies are recorded in an 'open' participating account. The rules contain restrictions on the amount of any residual profits which may be transferred to shareholders.

The open participating fund was established at demutualisation. During the year, a transfer of \$2,500,000 was made from retained earnings to the fund as initial seed capital to support the issue of participating policies. Once the fund has reached a size at which capital self sufficiency has been attained, the initial seed capital will be returned to retained earnings, along with a reasonable return to be determined by the Appointed Actuary.

As at December 31, 2003, the assets allocated to the fund were \$673,000 and the actuarial liabilities amounted to \$498,000.

#### Participating accounts

Participating accounts have been established for the closed and open participating funds in order to account for the residual gains in these funds. The movement on the participating accounts for the year is as follows:

	'Closed' participating account	'Open' participating account	Total participating accounts
Transfer from retained earnings	-	2,500	2,500
Net income/(loss) for the year	1,047	(2,325)	(1,278)
Balance, end of year	1,047	175	1,222



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagikor Life Inc)

Amounts expressed in  
Barbados \$000

## 14 DEPOSIT ADMINISTRATION LIABILITIES

	2003	2002
Balance, beginning of year	293,592	163,901
Transfer from actuarial liabilities	-	2,438
Liabilities assumed on acquisition	-	107,176
Increase for the year	27,813	23,536
Effects of exchange rate changes	(7,504)	(3,459)
Balance, end of year	313,901	293,592

The increase for the year is represented by:

Contributions received	30,047	22,181
Net investment income	24,261	17,614
Payments and withdrawals	(23,991)	(14,352)
Expenses	(2,065)	(1,206)
Effects of exchange rate changes	(439)	(701)
	27,813	23,536

## 15 POLICY FUNDS ON DEPOSIT

	2003	2002
Effective interest rate	6.0%	8.6%

## 16 LOANS PAYABLE

	Interest rate	2003	2002
Bank loans:			
US dollar loan due 2005	LIBOR + 1.25%	15,000	19,285
US dollar loan due 2005	LIBOR + 1.50%	10,373	15,560
Barbados dollar loan due 2011	8.85%	1,580	1,725
		26,953	36,570
Effective interest rate		3.0%	6.0%

The maturity profile of loans payable is as follows:

Due within one year	9,612	9,617
Due between one and five years	16,913	26,311
Due after five years	428	642
	26,953	36,570

The US dollar loans are secured by bankers' guarantee and by a portfolio of bonds respectively. The Barbados dollar loan is secured by the mortgage of a joint venture investment property.



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 17 DEPOSIT LIABILITIES

	2003	2002
Effective interest rate	2.8%	3.8%
The maturity profile of deposit liabilities is as follows:		
Due within one year	55,819	225,542
Due between one and five years	2,917	31,550
Due after five years	-	12,083
	<u>58,736</u>	<u>269,175</u>

### 18 MISCELLANEOUS LIABILITIES

	2003	2002
Pension plan liabilities <i>(note 27)</i>	10,086	3,964
Deferred tax liabilities <i>(note 31)</i>	2,491	3,034
Corporation tax	6,670	6,536
6.5% cumulative dividends payable on preference shares issued by a subsidiary	-	5,265
Amounts due to managed funds	5,041	11,195
Bank indebtedness	4,209	6,832
	<u>28,497</u>	<u>36,826</u>

Included in amounts due to managed funds is a balance of nil (2002 - \$9,500,000) which is repayable in one year and bears interest at 6.0% per annum. Bank indebtedness represents bank balances which are in technical overdraft due to the incidence of uncleared issued cheques.

### 19 MINORITY INTEREST IN SUBSIDIARIES

	2003	2002
Balance, beginning of year	55,446	37,495
Minority interest assumed on acquisitions	(1,394)	3,977
Share of net income of subsidiaries	17,753	16,304
Dividends paid	(3,375)	-
Share of movements in other equity reserves	(1,946)	(711)
Disposals	(8,075)	-
Effects of exchange rate changes	(2,120)	(1,619)
Balance, end of year	<u>56,289</u>	<u>55,446</u>

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 20 SHARE CAPITAL

The company is authorised to issue :

- (a) an unlimited number of common shares issuable in series, and
  - (b) an unlimited number of preference shares issuable in series;
- in each case the shares are without nominal or par value.

Details of issued Series A Common Shares are as follows:

Date of allotment	Number of shares	Consideration (Barbados \$000)
December 30, 2002	175,004,651	289,591
December 31, 2002	85,000,000	142,904
February 13, 2003	25,097	-
	260,029,748	432,495

### 21 RESERVES

	2003	2002
<b>Fair value reserve - available for sale investment securities</b>		
Balance, beginning of year	38,240	(8,571)
Net gains realised on disposals	(3,082)	(4,412)
Net unrealised gains on revaluation	74,969	16,181
Transfer from policyholders' surplus	-	35,042
Balance, end of year	<u>110,127</u>	<u>38,240</u>
<b>Fair value reserve - owner-occupied property</b>		
Balance, beginning of year	4,144	1,645
Net unrealised gains on revaluation	1,889	2,499
Balance, end of year	<u>6,033</u>	<u>4,144</u>
<b>Currency translation</b>		
Balance, beginning of year	(9,011)	(2,014)
Re-translation of net investment in foreign entities	(14,719)	(6,997)
Balance, end of year	<u>(23,730)</u>	<u>(9,011)</u>
<b>Statutory reserves</b>		
Balance, beginning of year	2,958	1,807
Net transfer from retained earnings	2,935	1,151
Balance, end of year	<u>5,893</u>	<u>2,958</u>
<b>Total reserves</b>	<u>98,323</u>	<u>36,331</u>

Statutory reserves have been established for appropriations from retained earnings which are either required by or permitted by law.

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 22 NET PREMIUMS AND CONTRIBUTIONS

----- Year ended December 31, 2003 -----

2002

	Premiums & contributions	Reinsurance premiums	Net premiums & contributions	Net premiums & contributions
Life insurance	294,537	(45,560)	248,977	247,578
Health insurance	135,663	(8,464)	127,199	124,715
Property and casualty insurance	48,016	(24,560)	23,456	10,275
Annuities and pensions	70,604	-	70,604	54,346
	<u>548,820</u>	<u>(78,584)</u>	<u>470,236</u>	<u>436,914</u>

Reinsurance premiums include \$8,088,000 (2002 - nil) in respect of a treaty to cede 90% of the mortality risk on individual life business not otherwise reinsured.

### 23 NET INVESTMENT INCOME

2003

2002

#### Investment income:

Rental income from investment property	10,695	8,368
Interest income - bonds and treasury bills	92,483	80,931
Interest income - mortgage loans	33,318	24,136
Interest income - policy loans	13,315	10,393
Interest income - finance loans and leases	17,333	18,703
Interest income - deposits and repurchase agreements	15,777	8,494
Interest income - other loans	1,880	3,277
Dividend income	10,907	11,592
Net realised gains	9,692	6,013
Net unrealised gains	16,003	5,508
Foreign exchange gains	13,404	2,476
Other	376	2,076
	<u>235,183</u>	<u>181,967</u>

#### Investment expenses:

Direct operating expenses of investment property	1,137	1,325
Interest expense and capital gains - deposit administration liabilities	24,261	17,614
Interest expense - policy funds on deposit	7,974	7,171
Interest expense - deposit liabilities	7,355	8,827
Allowances for impairment losses	2,311	(397)
Other direct investment expenses	7,691	7,780
	<u>50,729</u>	<u>42,320</u>

#### Net investment income

184,454      139,647



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 24 FEES AND OTHER REVENUE

	2003	2002
Administration and investment fees:		
Pension and Mutual Funds not consolidated in these financial statements	10,704	10,858
Deposit administration and policy funds consolidated in these financial statements	3,744	6,820
Other fees and commissions	22,619	14,361
Miscellaneous items	10,598	6,469
	<u>47,665</u>	<u>38,508</u>

### 25 POLICY BENEFITS

	----- Year ended December 31, 2003 -----			2002
	Policy benefits	Reinsurance recoveries	Net benefits	Net benefits
Death and disability	44,337	(16,956)	27,381	29,840
Maturities	16,589	-	16,589	12,735
Surrenders and withdrawals	98,979	-	98,979	95,076
Health insurance	95,875	(4,469)	91,406	86,714
Property and casualty insurance	11,988	(3,778)	8,210	2,368
Annuity and pension	37,468	-	37,468	25,234
Policy dividends and bonuses	15,079	-	15,079	8,232
Other	2,484	-	2,484	877
	<u>322,799</u>	<u>(25,203)</u>	<u>297,596</u>	<u>261,076</u>

Reinsurance recoveries include \$5,829,000 (2002 - nil) in respect of a treaty to cede 90% of the mortality risk on individual life business not otherwise reinsured.

### 26 EMPLOYEE COSTS

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

	2003	2002
Administrative staff salaries, allowances and bonuses	62,413	54,675
Employer contributions to social security schemes	4,821	4,883
Employer contributions to group health, life and disability schemes	2,443	3,081
Employer contributions to defined contribution pension schemes	484	674
Costs - defined benefit pension schemes (note 27)	10,095	3,755
Costs - supplementary insurance benefits (note 27)	812	709
	<u>81,068</u>	<u>67,777</u>

The total number of administrative staff at December 31 was 1,080 persons (2002 - 1,248 persons).

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagikor Life Inc)

Amounts expressed in  
Barbados \$000

### 27 EMPLOYEE RETIREMENT BENEFITS

Retirement benefits recognised in the balance sheet are as follows:

	2003	2002
Defined benefit pension schemes	2,080	5,905
Supplementary insurance benefits	(4,030)	(3,964)
Net (liability)/asset	(1,950)	1,941

#### a) Defined benefit pension schemes

The Group has contributory defined benefit pension schemes in place for eligible administrative staff. These schemes are administered either as Group deposit administration plans or as segregated pension plans.

	2003	2002
The amounts recognised in the balance sheet are determined as follows:		
Fair value of pension plan assets	94,827	88,289
Present value of pension obligations	(89,631)	(92,796)
	5,196	(4,507)
Unrecognised actuarial (gains) / losses	(3,116)	10,412
Amounts recognised in the balance sheet	2,080	5,905
Represented by:		
Asset balances	8,136	5,905
Liability balances	(6,056)	-
	2,080	5,905

The amounts recognised in the income statement are determined as follows:

Current service cost	2,640	3,356
Interest cost	7,899	7,991
Net actuarial (gains)/losses recognised during the year	(543)	377
Past service cost	7,461	-
Expected return on pension plan assets	(7,362)	(7,969)
Pension cost	10,095	3,755

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 27 EMPLOYEE RETIREMENT BENEFITS (continued)

#### a) Defined benefit pension schemes (continued)

	2003	2002
The movement in the amounts recognised in the balance sheet is as follows:		
Amounts recognised, beginning of year	5,905	2,984
Amounts recognised on acquisition of subsidiaries	-	806
Effects of exchange rate changes	481	121
Pension cost	(10,095)	(3,755)
Contributions made	5,379	5,749
Amounts de-recognised on disposal of a subsidiary	410	-
Amounts recognised, end of year	<u>2,080</u>	<u>5,905</u>

The principal actuarial assumptions used were as follows:

	Jamaica	Trinidad & Tobago	Barbados & other countries
Discount rate	15.0%	7.0%	6.0%
Expected return on plan assets	12.0%	7.0%	6.0%
Future salary increases	10.0%	2.5%	2.25% - 5.0%
Future pension increases	3.5%	1.0%	0.0% - 2.0%
Portion of employees opting for early retirement	0.0%	0.0%	0.0%
Future changes in National Insurance Scheme ceilings	0.0%	0.0%	2.5% - 3.5%

#### b) Supplementary insurance benefits

A Group subsidiary offers retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of retirees and beneficiaries.

	2003	2002
The liability recognised in the balance sheet is determined as follows:		
Present value of obligations	(6,333)	(4,540)
Unrecognised actuarial losses	2,303	576
Liability recognised in the balance sheet	<u>(4,030)</u>	<u>(3,964)</u>



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 27 EMPLOYEE RETIREMENT BENEFITS (continued)

#### b) Supplementary insurance benefits (continued)

	2003	2002
The amounts recognised in the income statement are determined as follows:		
Current service cost	267	245
Interest cost	532	464
Net actuarial losses recognised during the year	13	-
Total cost	812	709

The movement in the liability recognised in the balance sheet is as follows:

Liability recognised, beginning of year	3,964	3,588
Effects of exchange rate changes	(666)	(268)
Total cost	812	709
Contributions made	(80)	(65)
Liability recognised, end of year	4,030	3,964

The principal actuarial assumptions used were as follows:

	Jamaica
Discount rate	15.0%
Expected return on plan assets	12.0%
Future benefit increases	0.0%
Long term increase in health costs	10.5%

### 28 DEMUTUALISATION AND REBRANDING COSTS

Demutualisation costs arose out of the implementation of the plan of The Barbados Mutual Life Assurance Society to demutualise. These costs comprised of engaging external accounting, actuarial, investment banking and legal consultants and the printing and postage of communications to policyholders.

Rebranding costs comprise amounts paid to external consultants engaged to advise on the development of a new corporate profile and the Sagicor brand.

### 29 REORGANISATION COSTS

Reorganisation costs comprise costs incurred or accrued in connection with the rationalisation of the Group's operations.

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagikor Life Inc)

Amounts expressed in  
Barbados \$000

### 30 CORPORATION TAXES

Barbados is the tax domicile of the company and levies corporation taxes as follows:

Type of business	Taxation basis
Registered pensions and annuities	Exempt from taxation
Life insurance and non-registered annuities	Gross investment income
Health, property, casualty insurance and banking and other financial 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.

	2003	2002
Corporation tax expense		
Current tax	8,760	6,745
Deferred tax	(1,918)	390
	<u>6,842</u>	<u>7,135</u>

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

	2003	2002
<b>(i) Life insurance and non-registered annuities</b>		
Gross investment income	188,984	137,915
Less: Investment income not subject to tax	(95,049)	(81,054)
Allowable expenses	(16,153)	(6,516)
Add: Expenses not deductible for tax purposes	5,125	8,051
Investment income subject to tax	<u>82,907</u>	<u>58,396</u>
Corporation tax at the Barbados rate of 5%	4,145	2,920
Effect of different tax rates applicable in other countries	1,531	1,223
Current year over provision of corporation tax	266	7
Movement on deferred tax not booked	545	168
Losses utilised	(424)	(350)
Adjustments in respect of taxes on prior periods	(813)	(1,450)
Other	814	-
Corporation tax expense	<u>6,064</u>	<u>2,518</u>

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 30 CORPORATION TAXES (continued)

#### (ii) Health, property, casualty insurance and banking and other financial services

	2003	2002
Income from ordinary activities subject to tax	19,690	11,929
Corporation tax at the Barbados rate of 36% (2002 - 37.5%)	7,088	4,473
Effect of different tax rates applicable in other countries	(195)	72
Effect of the change in tax rate	(21)	-
Current year (under)/over provision of corporation tax	(12)	15
Effect of reduced tax rate on interest from government securities	(116)	(498)
Expenses (deferred)/disallowed for tax purposes	(9)	140
Income not subject to tax	(1,681)	(937)
Prior year under provision of current and deferred corporation tax	119	980
Tax losses brought forward now utilised and recognised	(2,124)	(240)
Tax allowances	(15)	-
Other	(2,256)	612
Corporation tax expense	778	4,617
<b>Total corporation tax expense</b>	<b>6,842</b>	<b>7,135</b>

### 31 DEFERRED TAXES

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

	2003	2002
<b>(i) Temporary differences under the liability method</b>		
Accelerated tax depreciation	4,416	6,295
Policy reserves taxable in the future	3,365	3,584
Pension plan surplus	1,076	-
Accrued interest and other	798	-
	9,655	9,879
Deferred tax liability	2,491	3,034
<b>(ii) Tax losses and temporary differences</b>		
Tax provisions	760	1,083
Unused tax losses for which deferred tax is recognised:		
Expiring in 2004	990	174
Expiring in 2005	1,770	809
Expiring in 2006	1,398	970
Expiring in 2007	1,398	970
Expiring in 2008	111	-
Expiring in 2022/2023	1,998	-
	8,425	4,006
Deferred tax asset	2,877	1,502
<b>Potential deferred tax asset arising from unrecognised tax losses</b>	<b>5,978</b>	<b>8,450</b>



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
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### 32 EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated by dividing the net income for the year attributable to shareholders by the weighted average number of common shares in issue during the year. For the purposes of the 2002 comparative figures, an assumption has been made that Sagicor Life Inc operated with the same capital base prior to demutualisation as at demutualisation. Accordingly, it has been assumed that the 175,004,651 common shares issued at demutualisation were in existence from January 1, 2002.

	2003	2002
Net income for the year attributable to shareholders	56,901	13,504
Weighted average number of shares in issue (in thousands)	260,027	175,238
Basic and diluted earnings per common share	22 cents	8 cents

### 33 CASH FLOWS

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

#### OPERATING ACTIVITIES

##### Adjustments for non-cash items, interest and dividends

	2003	2002
Depreciation	16,017	13,164
Amortisation of goodwill and deferred expenses	9,151	2,649
Goodwill write-off	-	29,482
Capital gains	(25,695)	(11,521)
Loss/(gain) on disposal of property, plant and equipment	703	(259)
Exchange gains on other assets and liabilities	(4,783)	(1,723)
Increase/(decrease) in provisions for impairment	1,636	(596)
Share of associated companies' net income	(3,074)	(6,180)
Gains on divestitures	(17,094)	(6,576)
Interest income	(174,106)	(145,934)
Dividend income	(10,907)	(11,592)
Interest expense	40,788	38,515
Increase in actuarial liabilities	84,137	74,609
	(83,227)	(25,962)

##### Investment property

Disbursements	(7,070)	(10,624)
Disposals	3,405	7,598
	(3,665)	(3,026)

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 33 CASH FLOWS (continued)

#### OPERATING ACTIVITIES (continued)

	2003	2002
<b>Equities</b>		
Purchases	(28,155)	(31,349)
Disposals	29,114	29,851
	<u>959</u>	<u>(1,498)</u>

#### Bonds and treasury bills

Purchases	(286,560)	(207,718)
Maturities and disposals	162,358	122,317
	<u>(124,202)</u>	<u>(85,401)</u>

#### INVESTING ACTIVITIES

#### Property, plant and equipment

Purchases	(24,695)	(12,652)
Disposals	2,224	1,554
	<u>(22,471)</u>	<u>(11,098)</u>

#### FINANCING ACTIVITIES

#### Loans payable

Proceeds	-	120,000
Repayments	(9,617)	(126,942)
	<u>(9,617)</u>	<u>(6,942)</u>

#### CASH AND CASH EQUIVALENTS

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

Cash resources	90,615	128,697
Deposit assets with an initial term to maturity of 90 days or less	75,390	84,104
Bank indebtedness	(4,209)	(6,832)
	<u>161,796</u>	<u>205,969</u>

## Notes to the Financial Statements

Amounts expressed in  
Barbados \$ooo

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagikor Life Inc)

### 34 DIVESTITURES

The sale of The Mutual Bank of the Caribbean Inc was effected as of November 30, 2003. This subsidiary operated in the banking segment and contributed revenues of \$15,254,000 for the 11 months ended November 30, 2003 ( \$18,584,000 for the year ended December 31, 2002).

The details of assets and liabilities disposed, the disposal consideration and the gain on divestiture are as follows:

	2003
Invested assets	85,179
Cash resources	47,596
Other non-cash assets	137,397
Deposit liabilities	(231,211)
Accounts payable and accrued liabilities	(8,694)
Preference shares and accumulated dividends	(13,741)
Net assets	16,526
Net disposal consideration	33,620
Gain on divestiture	17,094
Less: gain attributable to minority interests	4,615
Gain attributable to the Group's interest	12,479

In 2003, the Group entered into an agreement to dispose of its branch operations in the Bahamas. This agreement has not been completed as of December 31 and is therefore not reflected in these financial statements.

In 2002, the Group disposed of its interest in Global Bahamas Holdings Limited. No gain or loss was realised on this sale.

Also in 2002, a subsidiary entered into a co-insurance agreement with a third party to coordinate the administration of their respective group insurance and group pensions businesses. In order to achieve the desired parity of ownership, the third party issued a promissory note of Jamaica \$ 160,000,000 to the subsidiary, this amount being in effect the disposal of an interest to the third party.

### 35 ACQUISITIONS

In 2002, the Group acquired a further 77% interest in Life of Barbados Limited to add to the 23% interest previously acquired. The acquisition occurred in two stages with Life of Barbados becoming a subsidiary of the Group on June 24, 2002. Also in 2002, the Group acquired a further 14.8% interest in Island Life Insurance Company Limited to add to the 64% interest previously acquired.

Details of net assets acquired and goodwill arising were as follows:

	2002
Fair value of net assets acquired	69,690
Purchase consideration and related costs	173,309
Goodwill arising on acquisitions	103,619



## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
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### 36 CORPORATE RESTRUCTURING

Effective March 31, 2003, Life of Jamaica acquired Sagicor Life's 78.8% interest in Island Life Insurance Company Limited. The consideration was by way of a share exchange where 4.25 Life of Jamaica ordinary shares were issued in exchange for each ordinary share of Island Life. This share exchange was effected to all the outstanding shares of Island Life, thus making the latter a wholly owned subsidiary of Life of Jamaica. As a result of the share exchange, Sagicor Life and another group company held 76.0% of the ordinary shares of Life of Jamaica then in issue. Immediately prior to the share exchange, the group company held 75.1% of the issued ordinary shares of Life of Jamaica then in issue.

As a result of the foregoing, the change in Group ownership of Life of Jamaica and Island Life collectively has been accounted for as follows:

	2003
Group interest in Life of Jamaica immediately prior to share exchange	44,211
Group interest in Island Life immediately prior to share exchange	24,648
	<hr/>
Group interest in Life of Jamaica immediately after share exchange	68,859
Adjustment taken to goodwill	(68,534)
	<hr/>
	325

Pursuant to a Scheme of Arrangement made under the provisions of The Insurance Act of Jamaica, the assets and liabilities of Island Life were transferred to Life of Jamaica, effective November 10, 2003.

### 37 RELATED PARTY BALANCES

	2003	2002
Balances with Pension and Mutual Funds managed by the Group		
Receivables	1,966	2,515
Payables	5,591	11,195
	<hr/>	<hr/>

## Notes to the Financial Statements

Year ended December 31, 2003  
(with 2002 comparative amounts for Sagicor Life Inc)

Amounts expressed in  
Barbados \$000

### 38 COMMITMENTS

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

	2003	2002
Mortgage loans	36,658	29,203
Other loans	130	13,493
Capital expenditure	1,338	5,831
Real estate development	-	3,061
Operating lease agreements and rental payments	1,035	2,102
	<u>39,161</u>	<u>53,690</u>

### 39 CONTINGENT LIABILITIES

The Group is subject to certain legal actions and tax assessments. Management considers that any liability from these actions, for which provision has not been already made, will not be material.

Under the sale agreement of The Mutual Bank of the Caribbean Inc, the Group has given a number of indemnities to the purchaser with respect to certain guarantees and commitments as at the completion date of the sale.

### 40 SUBSEQUENT EVENTS

From January 1, 2004, the Group restructured its operations in the Cayman Islands by the sale of the Cayman insurance portfolio of Capital Life Insurance Company Limited to Sagicor Life of the Cayman Islands Limited.

In February, 2004, the Group announced its intention to acquire the insurance portfolio of First Life Insurance Company Limited and its interest in Pan Caribbean Financial Services Limited, companies both resident in and operating in Jamaica. This acquisition will be financed by issues of additional shares by the Group.

On May 5, 2004, the Directors of the company declared a final dividend of 3 cents per common share in respect of the year ended December 31, 2003. This dividend will amount to \$7,801,000 and will be paid in June 2004.

### 41 COMPARATIVE AMOUNTS

Certain reclassifications have been made to the 2002 comparative amounts to conform with the current year's presentation.





"THE BEST AND SAFEST THING IS TO KEEP BALANCE IN YOUR LIFE,  
ACKNOWLEDGE THE GREAT POWERS AROUND AND IN US.  
IF YOU CAN DO THAT, AND LIVE THAT WAY, YOU ARE REALLY A WISE MAN."

EURIPEDES



## 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 and  
General Manager, Barbados Operations

**Richard O Byles**, BSc, MSc  
President and Chief Executive Officer,  
Life of Jamaica Limited

**George J Estock**, BAAS, MBA  
President, Capital International  
Management Services, Inc  
President, Capital de Seguros, SA  
President, Allnation Insurance Company

**J Andrew Gallagher**, FSA, FCIA  
Group Corporate Actuary

**André Lafond**, FSA, FCIA  
Chief Actuary

**Maxine MacLure**, BSc, MEd, MBA  
President, US Division

**Ken A Marshall**  
Executive Vice President and  
General Manager,  
Trinidad and Tobago Operations

**David N O'Brien**, BA  
President and Chief Executive Officer,  
Capital Life Insurance Company Limited

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

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

**Vincent L Yearwood**, ACCA, MBA  
Executive Vice President, Shared Services

### Vice Presidents

**Susan Boyea**, BA, MBA  
Vice President,  
Shared Services - Information Technology

**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 Operations

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

**Melba Smith**, BA  
Vice President,  
Corporate Communications

**Robert Trestrail**, BA  
Vice President, Administration,  
Trinidad Operations

**Teri Townsend**  
Vice President,  
Corporate Strategy –  
Information Technology

**Gregory Whiby**  
Vice President, Marketing, and  
Deputy General Manager,  
Trinidad Operations

## Advisors and Bankers

### Appointed Actuary

Sylvain Goulet, FCIA, FSA, MAAA, Affiliate Member of the (British) Institute of Actuaries

### Medical Consultants

Dr Livingstone A Forde, MBBS, DM (Medicine) (UWI)

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

### Dental Consultant

Dr Trevor E H Talma, BSc, DDS

### Auditors

PricewaterhouseCoopers, Chartered Accountants

### Head Office Attorneys

Edmund A Bayley

Carrington & Sealy

Patterson K H Cheltenham, QC, LLM (Lond)

Clarke, Gittens & Farmer

Cottle Catford & Company

Hon Sir Henry de B Forde, K.A., QC, MA, LLM (Cantab)

Barry L V Gale, QC, LLB (Hon)

Sir Douglas P Lynch, K.A., CMG, QC

### Principal Bankers

Bank of Butterfield (Barbados) Limited

Bank of Montreal

FirstCaribbean International Bank

Caribbean Mercantile Bank NV

Citibank

First Union National Bank

Maduro & Curiel's Bank NV

RBTT Bank Limited

Republic Bank Limited

Royal Bank of Canada

The Bank of Nova Scotia

## Offices

### Parent Company

#### SAGICOR FINANCIAL CORPORATION

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Barbados  
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Fax: (246) 436-8829  
Email: [info@sagicor.com](mailto:info@sagicor.com)

### Life Insurance Subsidiaries

#### SAGICOR LIFE INC

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Email: [info@sagicor.com](mailto:info@sagicor.com)

#### SAGICOR BRANCH OFFICES

##### Barbados

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##### Antigua

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Email: [bmlas\\_an@caribsurf.com](mailto:bmlas_an@caribsurf.com)

##### Grenada

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Fax: (473) 440-4169  
Email: [bmlas\\_gre@caribsurf.com](mailto:bmlas_gre@caribsurf.com)

##### St Kitts

Cnr Cayon and West Independence Square Sts  
Basseterre  
Tel: (869) 465-9476  
Fax: (869) 465-6437  
Email: [bmlas\\_sk@caribsurf.com](mailto:bmlas_sk@caribsurf.com)

##### St Lucia

Sagicor Financial Centre  
Choc Estate, Castries  
Tel: (758) 452-3169  
Fax: (758) 450-3787  
Email: [bmlas@canlw.lc](mailto:bmlas@canlw.lc)

### Trinidad and Tobago

Sagicor Financial Centre  
16 Queen's Park West, Port of Spain  
Tel: (868) 628-1636/7/8  
Fax: (868) 628-1639  
Email: [comments@sagicor.com](mailto:comments@sagicor.com)

### De Verteuil and Penco Streets

Chaguana  
Tel: (868) 665-3604/3089  
Fax: (868) 665-3604/3089

### 64 Lewis Street, San Fernando

Tel: (868) 652-2785/4720  
Fax: (868) 653-6101

### Emerald Plaza, Eastern Main Road St Augustine

Tel: (868) 663-8060/8746  
(868) 662-3053  
Fax: (868) 645-4531

### Scarborough Mall, Tobago

Tel: (868) 639-3120/3978/3619  
Fax: (868) 639-3978

### SAGICOR AGENCIES

#### Anguilla

Malliouhana Insurance Co Ltd  
Caribbean Commercial Centre  
The Valley  
Tel: (264) 497-3712  
Fax: (264) 497-3710

#### Dominica

WillCher Services Inc  
42-2 Corner Kennedy Ave and Independence Street  
Roseau  
Tel: (767) 440-2562  
Fax: (767) 440-2563  
Email: [bmlas@cwdom.dm](mailto:bmlas@cwdom.dm)

#### Guyana

Hand-in-Hand Mutual Life Assurance Company Limited  
Lots 1, 2 and 3, Avenue of the Republic  
Georgetown  
Tel: (592) 251861  
Fax: (592) 251867

#### Montserrat

Administered by Antigua Branch



## Offices

### St Vincent

Incorporated Agencies Limited  
Kenmars Building, Halifax Street  
Kingstown  
Tel: (784) 456-1159  
Fax: (784) 456-2232

### ALLNATION INSURANCE COMPANY

1511 North West Shore Blvd, Suite 820  
Tampa, Florida 33607-4543, USA  
Tel: (813) 286-2222  
Fax: (813) 287-7420  
Website: [www.allnation.com](http://www.allnation.com)

### CAPITAL de SEGUROS, SA

Ave Samuel Lewis y Calle Santa Rita  
Edificio Plaza Obarrio  
3er Piso Oficina 201  
Panama City, Panama  
Tel: (507) 223-1511  
Fax: (507) 264-1949  
Email: [capital@sinfo.net](mailto:capital@sinfo.net)

### CAPITAL LIFE INSURANCE COMPANY BAHAMAS LIMITED

C/o Colina Insurance Company Limited  
56 Collins Avenue, P O Box 4937  
Nassau, Bahamas  
Tel: (242) 393-9518  
Fax: (242) 393-9523

### CAPITAL LIFE INSURANCE COMPANY LIMITED

Registered Office  
Grosvenor Close and Shirley Street  
Nassau, Bahamas

### CAPITAL LIFE BRANCH OFFICES

#### Aruba

Fergusonstraat #106  
AHMO Plaza Building, Suites 1 and 2  
Oranjestad  
Tel: (297) 823967  
Fax: (297) 826004  
Email: [calico@setarnet.aw](mailto:calico@setarnet.aw)

#### Belize

The Insurance Centre  
212 North Front Street  
Belize City  
Tel: (501) 223-3147  
Fax: (501) 223-7390  
Email: [capitalbe@btl.net](mailto:capitalbe@btl.net)

### Curaçao

Schottegatweg Oost #11  
Tel: (599) 9 736-8558  
Fax: (599) 9 736-8575  
Email: [capital.life@curinfo.an](mailto:capital.life@curinfo.an)

### CAPITAL LIFE AGENCIES

#### Haiti

Cabinet d'Assurance Fritz de Catalogne  
Angles Rues de Peuple et des Miracles  
Port-au-Prince  
Tel: (509) 226695  
Fax: (509) 230827  
Email: [capital@compa.net](mailto:capital@compa.net)

#### St Maarten

C/o Charlisa NV, Walter Nisbeth Road #99B  
Phillipsburg  
Tel: (599) 542-2070  
Fax: (599) 542-3079  
Email: [capital@sintmaarten.net](mailto:capital@sintmaarten.net)

### LIFE OF BARBADOS LIMITED

Sagicor Corporate Centre  
Wilkey, St Michael, Barbados  
Tel: (246) 467-7500  
Fax: (246) 436-8829  
Email: [info@sagicor.com](mailto:info@sagicor.com)

### LIFE OF JAMAICA LIMITED

28-48 Barbados Avenue  
Kingston 5, Jamaica  
Tel: (876) 929-8920(-9)  
Fax: (876) 960-1927  
Website: [www.life-of-ja.com](http://www.life-of-ja.com)

### NATIONWIDE INSURANCE COMPANY LIMITED

Sagicor Financial Centre  
16 Queen's Park West  
Port of Spain, Trinidad  
Tel: (868) 628-1636  
Fax: (868) 628-1639  
Email: [comments@sagicor.com](mailto:comments@sagicor.com)

### SAGICOR LIFE OF THE CAYMAN ISLANDS LIMITED

Global House, 198 North Church Street  
George Town, Grand Cayman  
Cayman Islands  
Tel: (345) 949-8211  
Fax: (345) 949-8262  
Email: [global@candw.ky](mailto:global@candw.ky)

## Offices

### **SAGICOR RE INSURANCE LIMITED**

Global House, 198 North Church Street  
George Town, Grand Cayman  
Cayman Islands  
Tel: (345) 949-8211  
Fax: (345) 949-8262  
Email: [global@candw.ky](mailto:global@candw.ky)

### **General Insurance Subsidiaries**

### **SAGICOR GENERAL INSURANCE INC**

Beckwith Place, Lower Broad Street  
Bridgetown, Barbados  
Tel: (246) 431-2800  
Fax: (246) 426-0752  
Email: [barbadosfire@caribsurf.com](mailto:barbadosfire@caribsurf.com)

### **Finance Company Subsidiaries**

### **GLOBE FINANCE INC**

6 Rendezvous Court, Rendezvous Main Road  
Christ Church, Barbados  
Tel: (246) 426-4755  
Fax: (246) 426-4772  
Website: [www.globefinanceinc.com](http://www.globefinanceinc.com)

### **THE MUTUAL FINANCE INC**

No 6 Chakiro Court, Vide Boutielle  
Castries, St Lucia  
Tel: (758) 452-4272  
Fax: (758) 452-4279

### **Other Subsidiaries**

### **CAPITAL INTERNATIONAL MANAGEMENT SERVICES INC**

1511 North West Shore Blvd, Suite 820  
Tampa, Florida 33607-4543, USA  
Tel: (813) 287-1602  
Fax: (813) 287-7420  
Website: [www.globalsure.com](http://www.globalsure.com)

### **THE MUTUAL FINANCIAL SERVICES INC**

Sagicor Corporate Centre  
Willey, St Michael, Barbados  
Tel: (246) 467-7500  
Fax: (246) 436-8829  
Email: [info@sagicor.com](mailto:info@sagicor.com)

### **THE MUTUAL FUNDS INCORPORATED**

Sagicor Corporate Centre, Willey  
St Michael, Barbados  
Tel: (246) 467-7500  
Fax: (246) 436-8829  
Email: [info@sagicor.com](mailto:info@sagicor.com)

### **SAGICOR ASSET MANAGEMENT INC**

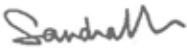
Sagicor Corporate Centre  
Willey, St Michael, Barbados  
Tel: (246) 467-7500  
Fax: (246) 426-1153  
Email: [info@sagicor.com](mailto:info@sagicor.com)

## Notice Of Meeting

NOTICE is hereby given that the First Annual Meeting of Shareholders of Sagicor Financial Corporation ("the Company") will be held at Sherbourne Conference Centre, Two Mile Hill, St. Michael, Barbados, on Wednesday June 30, 2004 at 5.00 pm to transact the following business:-

1. To receive and consider the Statement of Accounts and the Balance Sheet and the Auditors' Report for the year ended December 31st, 2003.
2. To elect Directors.
3. To re-appoint the incumbent Auditors for the ensuing year and to authorize the Directors to fix their remuneration.
4. To consider, and if thought advisable, confirm By-Law No 1 as the General By-Law of the Company relating generally to the conduct of the affairs of the Company.
5. To fix Directors' remuneration at BDS \$40,000 per annum for the Chairman and BDS \$25,000 per annum for each Director.
6. To transact such other business as may properly come before the Meeting.

By Order of the Board of Directors.



Sandra Osborne  
Corporate Secretary

June 7, 2004.

### PROXIES:

Shareholders who are unable to attend the Meeting in person may complete and return the enclosed form of proxy to the Corporate Secretary, Sagicor Financial Corporation, Sagicor Corporate Centre, Wildey, St Michael, Barbados, at least 48 hours before the appointed time of the Meeting or adjourned meeting.

### DOCUMENTS AVAILABLE FOR INSPECTION:

There are no service contracts granted by the Company, or its subsidiaries, to any Director of the Company.



## Management Proxy Circular

### SAGICOR FINANCIAL CORPORATION

Company No 21849

Management is required by the Companies Act, Chapter 308 of the Laws of Barbados (hereinafter called "the Act") to send with the Notice convening the Meeting, forms of proxy. By complying with the Act, management is deemed to be soliciting proxies within the meaning of the Act.

This Management Proxy Circular accompanies the Notice of the first annual meeting of shareholders of Sagicor Financial Corporation (hereinafter called "the Company") to be held on June 30, 2004 at 5:00 pm (hereinafter called "the Meeting") and is furnished in connection with the solicitation of proxies by the management of the Company for use at the Meeting, or any adjournments thereof. The solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

### APPOINTMENT AND REVOCATION OF PROXY

A form of proxy is enclosed and, if it is not your intention to be present at the Meeting, you are asked to sign, date and return the proxy. Proxies to be exercised at the Meeting must be deposited with the Company not later than 5:00 pm on June 28, 2004.

Any shareholder having given a proxy has the right to revoke it by depositing an instrument in writing executed by the shareholder or his attorney authorised in writing, or if the shareholder is a company, under its corporate seal or by any officer or attorney thereof duly authorized, with the Corporate Secretary at the registered office of the Company at Sagicor Corporate Centre, Wildey, St Michael, Barbados, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof.

The persons named in the enclosed form of proxy are Directors of the Company. If you wish to appoint some other person or company to represent you at the Meeting you may do so by inserting the name of your appointee, who need not be a shareholder, in the blank space provided on the proxy form.

### RECORD DATE AND VOTING OF SHARES

The Directors of the Company have fixed May 17, 2004 as the record date for determining the shareholders entitled to receive Notice of the Meeting and have given Notice thereof by advertisement as required by the Act. Only the holders of common shares of the Company of record at the close of business on that day will be entitled to receive Notice of the Meeting.

Common Shareholders are voting on:

- (i) the election of Directors;
- (ii) the re-appointment of the incumbent Auditors and Directors' authorization to fix their remuneration;
- (iii) special business relating to:
  - a. the confirmation of By-Law No 1, and
  - b. the fixing of Directors' fees.

Only the holders of common shares of the Company will be entitled to vote at the Meeting. On a show of hands, each shareholder has one vote. On a poll, each holder of a Series A common share is entitled to one vote for each share held. Each holder of a Series C common share is entitled to one vote for the first 1,000,000 Series C common shares held, or any part thereof, plus one additional vote for every additional 1,000,000 Series C common shares held. As at the date hereof there are 260,029,748 Series A common shares of the Company outstanding. As at the date hereof there are no Series C common shares of the Company outstanding.

### PRESENTATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements of the Company for the year ended December 31, 2003 and the Auditors' Report thereon are included in the 2003 Annual Report which is being mailed to shareholders with this Notice of Meeting and Management Proxy Circular.

**ELECTION OF DIRECTORS**

The Board of Directors consists of ten members. The number of Directors of the Company to be elected at the Meeting is three. The following are the names of the persons proposed as nominees for election as Directors of the Company, and for whom it is intended that votes will be cast pursuant to the form of proxy hereby enclosed:

David Walter Allan  
Terrence Anthony Martins  
Dodridge Denton Miller

Shareholders are asked to vote FOR the election of Mr David Walter Allan, Mr Terrence Anthony Martins and Mr Dodridge Denton Miller as Directors for terms expiring not later than the close of the third annual meeting of shareholders following this Meeting or until their respective successors are elected or appointed.

The management of the Company does not contemplate that any of the persons named above will, for any reason, become unable to serve as a director.

**RE-APPOINTMENT OF INCUMBENT AUDITORS**

At the organizational meeting of the Company, the Directors appointed PricewaterhouseCoopers as the Auditors of the Company to hold office until the first annual meeting of shareholders. It is proposed to re-appoint the firm of PricewaterhouseCoopers, the incumbent Auditors, as Auditors of the Company to hold office until the next annual meeting of shareholders.

The Directors recommend that the shareholders vote FOR the re-appointment of PricewaterhouseCoopers and the authorization of Directors to fix the Auditors' remuneration.

**CONFIRMATION OF BY-LAW NO 1**

The Act requires the Board of Directors to submit a by-law made by the Board to the shareholders at the next meeting of shareholders after the making of the by-law for confirmation, amendment or rejection. By-Law No 1 of the Company, relating generally to the conduct of the affairs of the Company, was made by Directors on December 6, 2002. On November 22, 2002, the said By-law was also approved by the eligible policyholders of Sagicor Life Inc pursuant to the Demutualization Plan of Sagicor Life Inc dated October 9, 2002 and pursuant to which the Company was incorporated. The By-law was also published in the Prospectus issued by the Company on December 12, 2002. A copy of By-law No 1 is available for inspection at the following offices:

Sagicor Financial Corporation:	Sagicor Corporate Centre, Wildey, St Michael, Barbados
Sagicor Life Inc:	Sagicor Financial Centre, Lower Collymore Rock, St Michael, Barbados
	Sagicor Financial Centre, 16 Queen's Park West, Port of Spain, Trinidad
	Sagicor Financial Centre, Choc Estate, Castries, St Lucia
	Sagicor Financial Centre, No 9 Factory Road, St John's, Antigua
	The Mutual/Trans-Nemwil Office Complex, St George's, Grenada
	Corner Cayon and West Independence Square Streets, St Kitts
Sagicor Life Inc's General Agent:	Malliouhana Insurance Co Ltd, Caribbean Commercial Centre, The Valley, Anguilla
	Wilcher Services Inc, 42-2 Cr. Kennedy Ave & Independence St, Roseau, Dominica
	Incorporated Agencies Limited, Kenmars Building, Halifax St, Kingstown, St Vincent
Life of Jamaica Limited	28-48 Barbados Avenue, Kingston 5, Jamaica

The Directors recommend that shareholders vote FOR the confirmation of By-Law No 1 as the General By-law of the Company relating generally to the conduct of the affairs of the Company.

#### **DIRECTORS' REMUNERATION**

By-law 3.15 of the Company's By-law No 1 provides inter alia that, subject to the articles or any unanimous shareholder agreement, the Directors shall be paid such remuneration for their services as the shareholders may from time to time determine.

The Board of Directors recommends that shareholders vote FOR the payment of Directors' remuneration as follows:

Chairman	BDS \$40,000 per annum
Directors	BDS \$25,000 per annum

#### **EXERCISE OF DISCRETION BY PROXIES**

Shares represented by any proxy given on the enclosed form of proxy to the persons named in the proxy will be voted or withheld from voting on any ballot in accordance with the instructions contained therein.

In the absence of shareholder instructions, COMMON SHARES represented by proxies received will be voted FOR:

- (a) the election as Directors of Mr David Walter Allan, Mr Terrence Anthony Martins and Mr Dodridge Denton Miller;
- (b) the re-appointment of the incumbent Auditors, PricewaterhouseCoopers, and the authorization of the Directors to fix their remuneration;
- (c) the confirmation of By-law No 1 as the General By-law of the Company relating generally to the conduct of the affairs of the Company.
- (d) the fixing of Directors' remuneration at BDS \$40,000 per annum for the Chairman and BDS \$25,000 per annum for each Director.

The enclosed form of proxy confers discretionary authority upon the persons named with respect to amendments to or variations in matters identified in the Notice of Meeting or other matters that may properly come before the Meeting. The management of the Company knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting. If any other matters which are not now known to management should properly come before the Meeting, the persons named in the accompanying form of proxy will vote on such matters in accordance with their best judgement.

Unless otherwise noted, a simple majority of the votes cast at the Meeting, whether by proxy or otherwise, will constitute approval of any matter submitted to a vote.

The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 71(2).

No Auditors' statement is submitted pursuant to Section 163(1).

Dated June 7, 2004.



Sandra Osborne  
Corporate Secretary



Shareholder Proxy

First Annual Meeting of Shareholders - June 30, 2004

The undersigned shareholder of SAGICOR FINANCIAL CORPORATION hereby appoints Colin G Goddard, Chairman, or failing him, Dodridge D Miller, President and Chief Executive Officer and Director, or instead of either of them:

..... of .....  
 as proxyholder of the undersigned with power of substitution, to attend, vote and otherwise act for and on behalf of the undersigned as directed below, and in respect of all other matters that may properly come before the FIRST ANNUAL MEETING OF SHAREHOLDERS ("THE MEETING") TO BE HELD ON JUNE 30, 2004 and any adjournments thereof. This proxy authorization is solicited by and on behalf of management of Sagicor Financial Corporation.

The directors and management recommend shareholders vote FOR items numbered 1, 2 3 and 4 below:

1. Election as Directors of the Nominees listed below:

	Vote FOR	WITHHOLD from Voting
David Walter Allan	<input type="checkbox"/>	<input type="checkbox"/>
Terrence Anthony Martins	<input type="checkbox"/>	<input type="checkbox"/>
Dodridge Denton Miller	<input type="checkbox"/>	<input type="checkbox"/>
	Vote FOR	WITHHOLD from Voting

2. Re-appointment of Incumbent Auditors and Authorization of Directors to fix their Remuneration

<input type="checkbox"/>	<input type="checkbox"/>
Vote FOR	WITHHOLD from Voting

3. Confirmation of By-Law No 1

<input type="checkbox"/>	<input type="checkbox"/>
Vote FOR	WITHHOLD from Voting

4. Fixing of Directors' Remuneration set out below:

Chairman	-	BDS \$40,000 per annum	<input type="checkbox"/>	<input type="checkbox"/>
Directors	-	BDS \$25,000 per annum	<input type="checkbox"/>	<input type="checkbox"/>

\_\_\_\_\_ Date

\_\_\_\_\_ Signature

This form must be executed by the shareholder or by his/her attorney duly authorized in writing. If the shareholder is a body corporate, an estate, or trust, the form must be executed by the officers or attorney thereof, duly authorized, in which case each signatory should state the capacity in which he/she signs.

If this form is not dated in the space provided, it will be deemed to bear the date on which it was mailed to the shareholder.

This proxy authorization form confers discretionary authority upon the person whom it appoints in respect of any variation or amendments or additions to the matters identified in the Notice of Meeting and any other matter that may properly come before the Meeting or any adjournment thereof. If no choice is specified with respect to the matters identified above, the common shares represented by proxies in this form which designate management's nominees will be voted FOR items 1, 2, 3 and 4. Shares represented by any properly executed proxy authorization form will be voted or withheld from voting by the persons designated in accordance with the instructions of the shareholder appointing them.

THIS IS YOUR PROXY AUTHORIZATION FORM. PLEASE COMPLETE, SIGN AND RETURN THIS FORM BY 5.00 PM ON JUNE 28, 2004, OR AT LEAST 48 HOURS BEFORE THE TIME APPOINTED FOR HOLDING THE MEETING OR ADJOURNED MEETING TO THE CORPORATE SECRETARY, SAGICOR FINANCIAL CORPORATION, SAGICOR CORPORATE CENTRE, WILDEY, ST MICHAEL, BARBADOS.