



Sagikor

ANNUAL REPORT 2004



VISION

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

Mission

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



THE CREATION OF A SINGLE ECONOMIC SPACE IS AKIN
TO THE ENLARGEMENT OF THE DREAMS WITHIN WHICH
CARIBBEAN PEOPLE CAN ASPIRE

– DR. KENNY ANTHONY

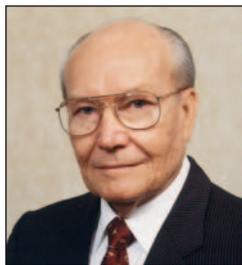
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Board of Directors



Colin G Goddard, BComm -
Chairman



Krishna Narinesingh, CMT -
Vice Chairman



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



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

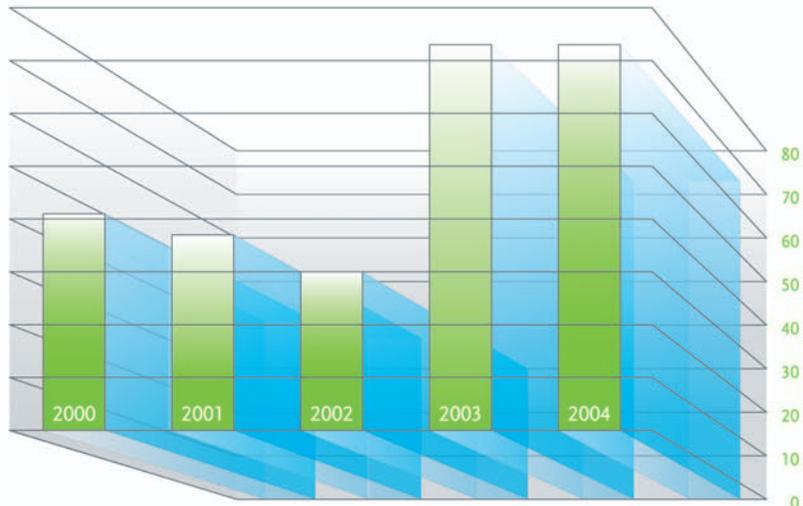
Financial Highlights

	2004	2003
SHAREHOLDER RETURNS		
Earnings per common share	26 cents	22 cents
Dividends per common share:		
Interim	4 cents	3 cents
Final	6 cents	3 cents
Total	10 cents	6 cents
Book value per common share at December 31	\$2.70	\$2.21
Market value per common share at December 31	\$4.35	\$4.15
Net income attributable to shareholders	\$67.7 million	\$56.9 million
Total shareholder book value at December 31	\$703.1 million	\$574.1 million
Total shareholder market value at December 31	\$1,131.1 million	\$1,079.1 million

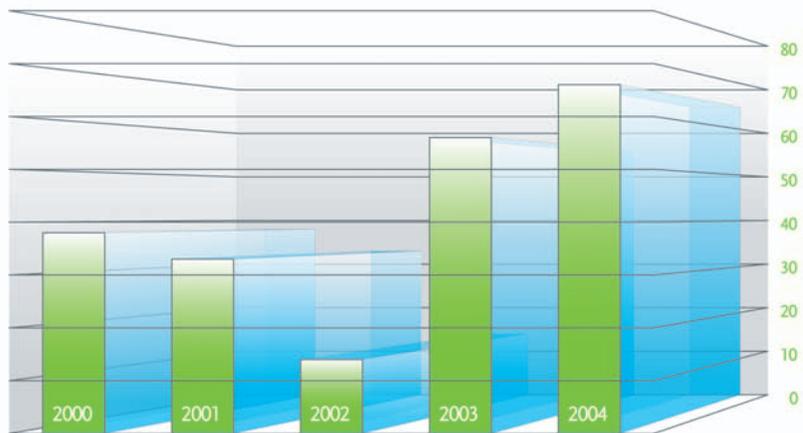
	2004 \$ millions	2003 \$ millions
GROUP PERFORMANCE		
Net premium income	537.5	470.2
Net investment income	203.9	184.5
Net policy benefits	324.3	297.6
Administrative and commission expenses	243.6	227.9
Premium and corporation taxes	18.6	14.9
Net income	65.7	55.6

Financial Highlights

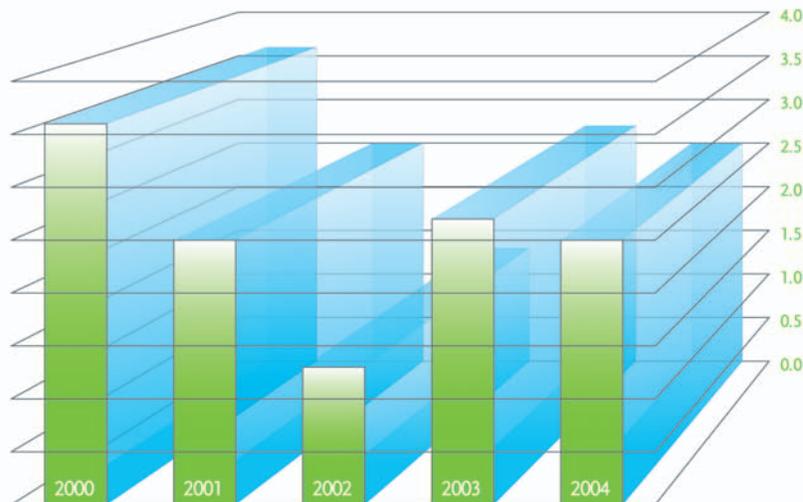
Net Income Before Minority Interest
(Bds \$ Millions)



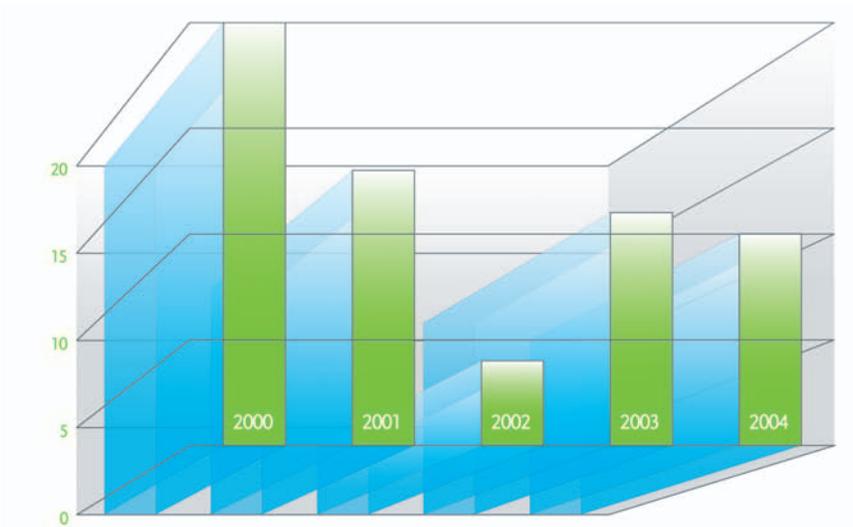
Net Income
(Bds \$ Millions)



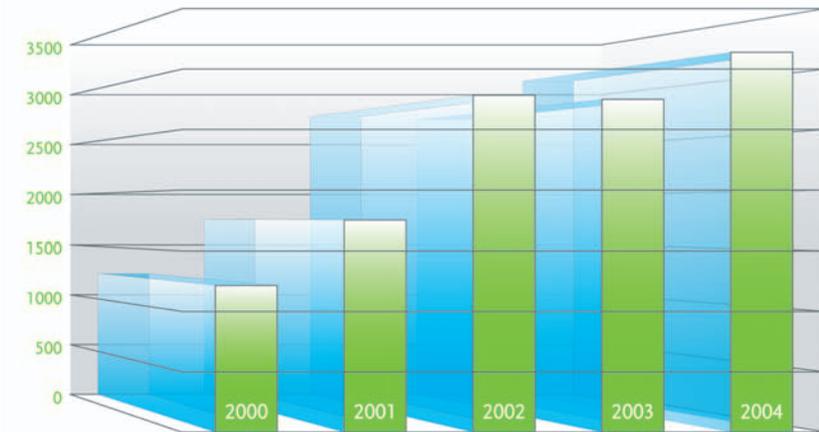
Return on Assets
(%)



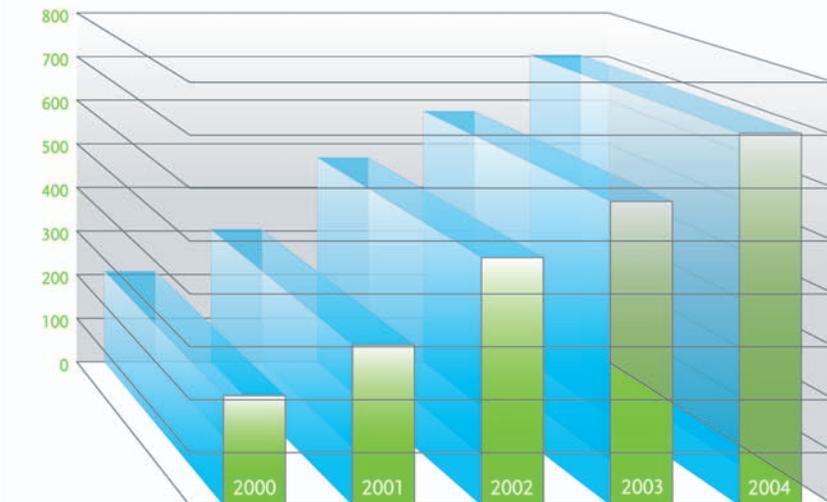
Financial Highlights



Return on Equity (%)



Total Assets
(Bds \$ Millions)



Total Equity
(Bds \$ Millions)

Directors' Report

DIRECTORS' INTEREST

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

Director	As at December 31, 2004		As at May 12, 2005	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
Colin G Goddard	10,000	Nil	10,000	Nil
Krishna Narinesingh, CMT	1,000	Nil	1,000	Nil
David W Allan	1,705	Nil	1,705	Nil
J Arthur L Bethell	30,000	Nil	30,000	Nil
Michael A G Fraser	1,000	Nil	1,000	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	17,612	Nil	17,612	Nil

SHAREHOLDING

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

There are no equity-based plans for employees or executives.

ANALYSIS OF SHAREHOLDING AS AT DECEMBER 31, 2004

SHAREHOLDERS BY SIZE OF HOLDINGS AS AT DECEMBER 31, 2004				
Size of Holding	Number of Shareholders	Percentage of Shareholders	Total Shares Held	Percentage Shares Held
1 - 1,000	5,089	12.69	3,688,551	1.42
1,001 - 2,500	17,736	44.23	29,473,042	11.33
2,501 - 5,000	8,271	20.63	28,606,617	11.00
5,001 - 10,000	4,743	11.83	33,970,714	13.06
10,001 - 25,000	3,425	8.54	49,082,277	18.88
25,001 - 100,000	644	1.61	30,693,100	11.80
100,001 - 1,000,000	174	0.43	42,063,676	16.18
1,000,001 and above	14	0.04	42,451,771	16.33
Total	40,096	100.00	260,029,748	100.00

NUMBER OF SHAREHOLDERS BY COUNTRY OF RESIDENCE AND BY TYPE AS AT DECEMBER 31, 2004								
Country	Directors, Management, Staff, Financial Advisors		Companies		Individuals		Total	
	Shareholders	%	Shareholders	%	Shareholders	%	Shareholders	%
Trinidad and Tobago	77	38.12	668	74.39	16,553	42.45	17,298	43.14
Barbados	117	57.92	161	17.93	13,122	33.65	13,400	33.42
Eastern Caribbean	5	2.48	37	4.12	8,300	21.28	8,342	20.81
Other Caribbean	0	0.00	28	3.12	134	0.34	162	0.40
Other	3	1.48	4	0.44	887	2.28	894	2.23
Total	202	100.00	898	100.00	38,996	100.00	40,096	100.00

NUMBER OF SHARES HELD BY COUNTRY OF RESIDENCE AND BY TYPE AS AT DECEMBER 31, 2004								
Country	Directors, Management, Staff, Financial Advisors		Companies		Individuals		Total	
	Shares	%	Shares	%	Shares	%	Shares	%
Trinidad and Tobago	558,559	46.01	61,297,540	81.62	88,555,542	48.20	150,411,641	57.85
Barbados	637,075	52.47	11,066,572	14.74	65,855,567	35.85	77,559,214	29.83
Eastern Caribbean	6,766	0.56	364,165	0.48	24,293,910	13.22	24,664,841	9.49
Other Caribbean	0	0.00	1,142,776	1.52	1,052,377	0.57	2,195,153	0.84
Other	11,671	0.96	1,229,539	1.64	3,957,689	2.16	5,198,899	1.99
Total	1,214,071	100.00	75,100,592	100.00	183,715,085	100.00	260,029,748	100.00

DIVIDENDS

A final dividend of BDS 6 cents per share approved for the year ended December 31, 2004 was paid on May 17, 2005 to the holders of common shares whose names were registered on the books of the Company at the close of business on May 12, 2005.

An interim dividend of BDS 4 cents per share approved for the half year ended June 30, 2004 was paid on September 17, 2004 to the holders of common shares whose names were registered on the books of the Company at the close of business on September 15, 2004.

The total dividend for the 2004 financial year amounted to BDS 10 cents per common share.

Directors' Report

SHARE RESTRICTIONS

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

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

- (i) not less than two thirds of the directors then in office approve of the same; and
- (ii) there is an agreement between the Company and such person restricting the transfer of such shares; 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.

CORPORATE GOVERNANCE OVERVIEW

Corporate Governance Practices

The Board of Directors is committed to managing the business and affairs of the companies within the Sagicor Group in such a manner as to ensure their soundness and the alignment of the interests of all stakeholders. The Board believes that good corporate governance is essential to the effective, efficient and prudent operations of the Group's business. An internal control environment with strong corporate governance structures and procedures has therefore been developed and is continuously being strengthened. The Board is committed to honesty, integrity and ethical conduct in all areas of business and to governing in compliance with law, avoiding actual or apparent conflicts of interest and disclosing the same when they arise, and acting in good faith, objectively and confidentially.

Board Mandate

The mandate of the Board of Directors is to:

- establish standards of business conduct and ethical behaviour for Directors, senior management and other personnel and obtain reasonable assurance, on a regular basis, that the Company has an ongoing, appropriate and effective process for ensuring adherence to those standards;
- approve the Group's strategic direction, objectives, code of conduct, risk tolerances and significant policies and review the Group's performance against the strategic direction and objectives;
- recruit and retain a qualified and competent chief executive officer and senior management team and ensure that compensation and incentive plans are appropriate;
- ensure that the Group has a consistent and effective risk management process to manage and control the risks arising from its business activities;
- ensure that the Group complies with the laws of the countries in which it operates;
- ensure that the Group is in sound financial condition and operates in a safe manner within an appropriate internal control environment;
- confirm through independent verification or audit that the Group's code of conduct, risk tolerances, policies, procedures and controls are being complied with;
- ensure that stakeholders receive meaningful information with an appropriate degree of transparency with which to judge reasonably the effectiveness of the Board of Directors and senior management in meeting their corporate governance responsibilities;
- ensure that the Board is effectively exercising its corporate governance responsibilities.

Directors' Report

Board Committees

The Audit and Corporate Governance Committees have been established in accordance with the By-Laws of the Company. In addition, there are other board committees with oversight responsibility for Actuarial, Investment and Human Resources matters which enable the Board to review in greater depth particular areas of their respective mandates.

Corporate Governance Committee

The mandate of the Corporate Governance Committee is to:

- (a) Monitor best practices for governance worldwide and review the Group's governance practices to ensure they comply with the highest standards of corporate governance.
- (b) Recommend to the Board, inter alia:
 - the frequency and content of Board meetings
 - the size and composition of the Board
 - suitable candidates for nomination as non-executive Directors
 - appointments to the Boards of Subsidiary and Associate Companies
 - membership and mandates of Board Committees
 - the communication process between the Board and Management
 - the appointment of executives to the Boards of companies outside the Sagicor Group.
- (c) Establish/monitor an appropriate Code of Conduct for the Company, and consider and deal with all matters of an ethical nature, including transactions between the Company, its subsidiaries and affiliates involving executive and non-executive Directors.
- (d) Review annually the mandates and composition of Board Committees, the performance of Directors as a prelude to re-election, and the compensation of Directors.
- (e) Keep under review succession planning for executive management and Directors.

The Corporate Governance Committee is independent of Management. Its members are Mr Krishna Narinesingh, CMT, Chairman, Mr Colin Goddard, Dr Oscar Jordan and Mr Stephen McNamara.

Audit Committee

The Audit Committee also forms an integral part of the corporate governance process. Its purpose is to assist in Board oversight of:

- (a) the integrity of the Group's financial statements,
- (b) the Group's compliance with legal and regulatory requirements,
- (c) the Independent Auditors' qualifications and independence,
- (d) the performance of the Group's internal audit function and Independent Auditors,
- (e) the financial and compliance information required to be provided by the Group to shareholders, governmental agencies, regulators and others, and
- (f) the systems of internal controls, including the internal audit functions and the audit process.

The Audit Committee is independent of Management. Its members are Mr Krishna Narinesingh, CMT, Chairman, Mrs Anne Gittens and Mr Terrence Martins.

Directors' Report

Actuarial Committee

The Actuarial Committee considers the recommendations of the Appointed Actuaries as to the assumptions used in actuarial valuations, reviews valuations and recommends their acceptance to the Board.

The members of the Actuarial Committee are Mr Colin Goddard, Chairman, Mr David Allan, Mr Dodridge Miller, Mr André Lafond, Appointed Actuary - Sagicor Life Inc, and Mr Sylvain Goulet of Eckler Partners Ltd, Appointed Actuary - Sagicor Financial Corporation.

Investment Committee

The mandate of the Investment Committee includes:

- (a) investing excess policyholders' funds, as well as clients' investment funds, that will provide both short and long-term returns,
- (b) ensuring that the overall focus of the investment activities is on achieving an equilibrium between income generation and capital preservation,
- (c) maintaining a growth rate in investment income that is in keeping with strategic and budgeted profit objectives, and
- (d) providing for the reasonable investment expectations of policyholders, clients, pensioners and other investors while maintaining portfolio risks within acceptable limits.

The members of the Investment Committee are Mr Colin Goddard, Chairman, Mr Krishna Narinesingh, CMT, Dr Patricia Downes-Grant, Mr Terrence Martins, Mr Stephen McNamara and Mr Dodridge Miller.

Human Resources Committee

A Human Resources Committee of the Board has been established to approve, review and exercise oversight responsibility over Sagicor's human resources principles, policies and practices, including recruitment, compensation, benefits and incentive and equity-based plans.

The members of the Human Resources Committee are Mr Arthur Bethell, Chairman, Mr David Allan and Mr Terrence Martins.

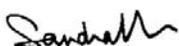
Meetings

During 2004, ten Board meetings were held. The Audit Committee met five times, the Corporate Governance and Investment Committees met three times each and the Actuarial and Human Resources Committees held one meeting each.

AUDITORS

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

By Order of the Board of Directors



Sandra Osborne
Corporate Secretary

May 27, 2005.



WE NEED TO EMBRACE A BOLD NEW VISION
OF A VIBRANT CARIBBEAN
— OWEN ARTHUR

Chairman's Report



Colin G Goddard, BComm
Chairman
Sagikor Financial Corporation

Dear Shareholders:

I am pleased to report that your company Sagikor Financial Corporation had another outstanding year's performance for the financial year ended December 31, 2004. Net income for the year attributable to shareholders amounted to \$67.7 million compared to \$56.9m for 2003. The fact that this was achieved against a background of significant losses due to hurricane Ivan is indeed a commendable performance and is a testimony to the financial strength and resilience of our company. Total assets of the Group increased to \$3.1 billion compared to \$2.8 billion the previous year. Total revenue for the year amounted to \$787 million compared to \$723 million for the same period last year, while operating profits amounted to \$80 million, level with that for 2003. The operating profit for the year was significantly impacted by the losses incurred in our general insurance division due to hurricane Ivan. In 2003, by comparison, operating income included the gain on sale of the Mutual Bank. Despite this, net income for the year was some \$10.1 million higher than last year, an increase of 18.1%. Earnings Per Share (EPS) for the year was 26 cents compared to 22 cents for 2003.

During the year the company paid an interim dividend of four (4) cents per share to all shareholders registered as at the record date. This amounted to \$10.4 million and this was paid on September 17, 2004. Your directors are now pleased to declare a final dividend for the year 2004 of six (6) cents per share making a total

dividend of ten (10) cents per share for the financial year. The final dividend which amounts to \$15.7 million will be paid on May 17, 2005 to all shareholders registered as at the record date May 12, 2005.

Last year I reported to you that 2003 was the culmination of a number of strategic initiatives taken over the years which were designed to transform Sagikor from a single-product life insurance company to one of the strongest integrated financial services institutions in the region. I also indicated then that the successful implementation of those initiatives had enabled us to build a solid foundation both financially and operationally which would allow us to take another quantum leap from the regional to the global financial arena. During financial year 2004 Sagikor commenced the ground work for the implementation of our international business strategy with the transfer of key executives to our US Business Development Division. These executives managed directly by our President & CEO have been given a mandate to seek out business opportunities within the international financial services arena, with a primary focus initially on the US market. We are pleased with the response we have received from the market so far and we remain very excited about the prospects for the future.

In keeping with our culture and business philosophy, we will embark upon our international expansion with the same care and diligence that were the hallmark of our regional strategies over the years. In addition, we believe that regional

Chairman's Report

competitiveness is a prerequisite for a successful global strategy and in this regard, we will continue to seek out opportunities for further consolidation within the region as we attempt to expand globally. We believe that a strong home-base, anchored on a deep and lasting value-added relationship with our regional customers and partners, is an essential part of our international strategy. Consequently we will continue to introduce new and innovative products and services and deliver these in new and innovative ways to our regional communities.

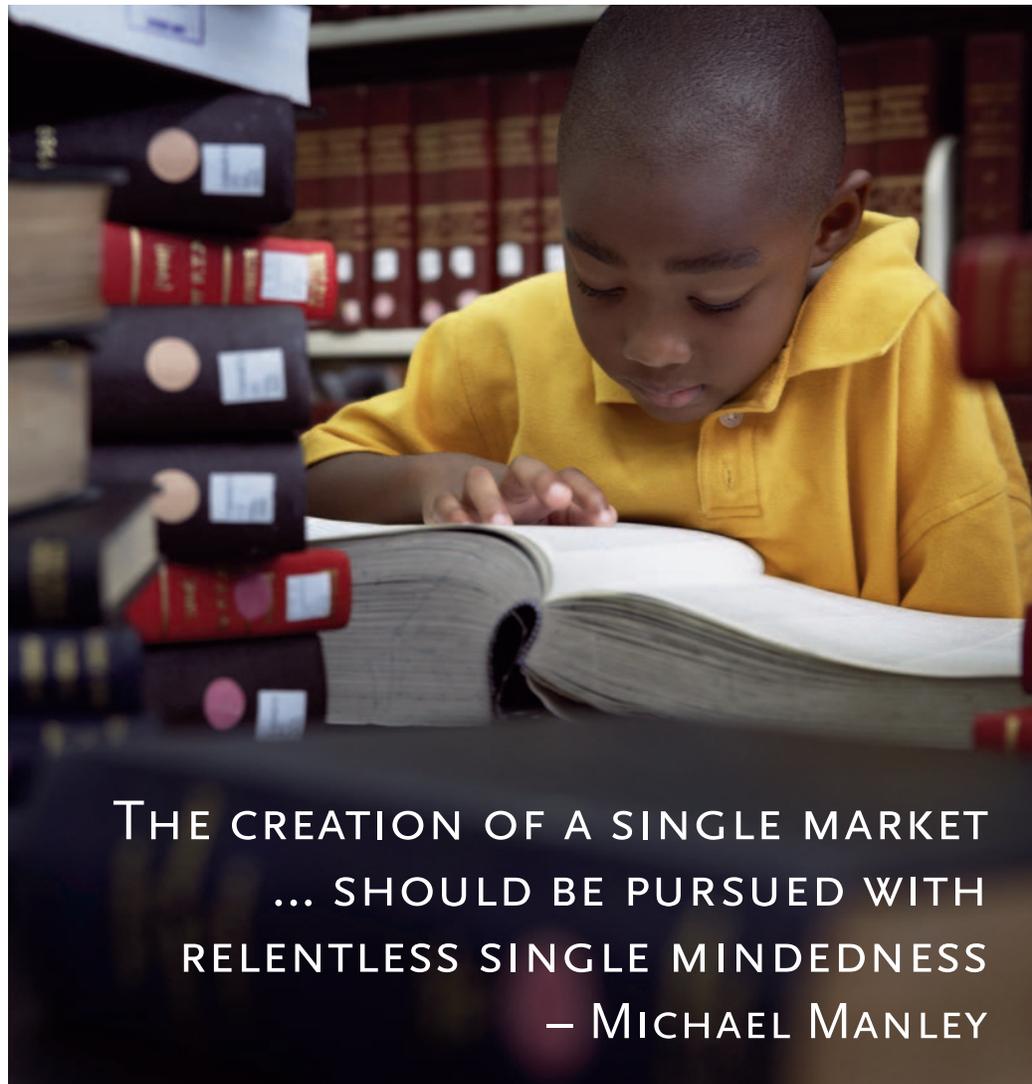
Then and now, we are of the firm belief that global competitiveness must be a necessary objective for our region. We must be prepared to participate on equal footing in the international market if our region is to continue to deliver the quality of life to our people. But we are equally firmly of the view that as individual companies, like individual countries, the objective of global competitiveness may elude us unless we work together. We cannot walk alone. For us in the Caribbean and indeed in Sagicor, any international strategy must be anchored in an overarching understanding that our global competitiveness is best achieved through regional integration.

2004 Performance

Overall, in 2004, the performance of your company was outstanding. Sagicor continues to be a financially secure and operationally efficient Group, and there are plans to further improve efficiency, especially in the areas of customer service even as we continue to expand.

Total assets at the end of the year amounted to \$3.1 billion, and our capital stood at \$704 million. Our market capitalization exceeded \$1.1 billion, while our net profits for the year were in line with expectation at \$65.7 million. Our MCCR (Minimum Capital and Continuing Surplus Requirement) ratio was 238% compared to 211% for 2003, and continues to surpass the internationally accepted standard for financially strong companies. Our debt to equity ratio continues to be low at 2.4% confirming that our company has the financial capacity to

support future expansion programs. I am also pleased to report that for the fifth consecutive year, Sagicor Life was rated "A" Excellent by A.M. Best & Company, the international rating agency. Our continued rating is based on our strong market presence in the region, particularly in Barbados and Jamaica, strong capitalization and consistently strong earnings. Our strategy to continue to enhance market share and to grow earnings by at least 12% per annum over the next 3 – 5 years also supports this rating. Within this strategy, we will continue to further streamline our existing



THE CREATION OF A SINGLE MARKET
 ... SHOULD BE PURSUED WITH
 RELENTLESS SINGLE MINDEDNESS
 – MICHAEL MANLEY

Chairman's Report

operations to achieve greater efficiency, reap additional cost synergies and widen the scope of our product offering as we position our company to compete in the international financial services arena.

Sagicor and the Caribbean Single Market and Economy

For many years the Caribbean, like many sub-groupings across the world, has been wrestling with the concept of regional integration. As we attempt to come to grips with the realities of a single market, there is still a widespread lack of appreciation of its full implication. Consequently, when we are faced with new situations, the negatives, threats and challenges seem to outweigh the benefits and opportunities, a not unusual response when faced with magnitudinal change. We at Sagicor have been living this reality, if you will, for quite some time. In fact, our movement toward creating our own CSME began nine years after our former company, The Mutual (Barbados Mutual Life Assurance Society) was established in Barbados in 1840. The first foray into the Caribbean by our predecessor was in 1849 to St. Vincent and 1858 to Trinidad and Grenada. By the time Sagicor was born out of the demutualization of the Barbados Mutual, we were operating in at least twenty Caribbean countries, from the Bahamas in the North to Trinidad in the South and Belize in the West. We also had operations in Latin America and the United States, making us the most geographically-dispersed insurance-based financial institution in the region. Our over 40,000 shareholders are spread across the

region, and so too are our customers. Our staff of approximately 1,200 operate in four languages and with nine currencies.

During our 2004 Biennial Convention in London, our keynote speaker, The Rt Hon Owen Arthur, Prime Minister of Barbados, commented on the fact that Sagicor had created its own version of a CSME. He said "Here in London, one came face to face with a living, vivid and very pragmatic representation of what our Caribbean Single Market and Economy is truly about. For here are gathered together, people drawn from all across the Caribbean, speaking in different accents but with one voice, working to build the Pan-Caribbean company that is Sagicor, uninhibited by any of the economic, physical or psychological frontiers the region too often imposes on its own.

The trail you are blazing is one that we wish others to follow. For in the final analysis, the creation of a Caribbean Single Market and Economy will come to have a real meaning in the number of 'Sagicors' we succeed in creating; and this will require that the region evolve new, globally competitive enterprise by making the fullest use of our new freedoms under the CSME to draw upon human talents, capital, management expertise and markets wherever available in the Caribbean.

What has also been very graphically represented at this Convention is a very clear appreciation on your part of a phenomenon which must also come to be understood by Caribbean peoples of all walks of life – that the region may be our origin, but the

whole world must become our oyster."

But while we were living our version of the CSME, we were also very much aware of the rapid changes taking place in the world economic landscape, and the fact that, from the early 1980's, that change was increasing exponentially. With the rapid innovative changes in communication and technology and the advent of the World Wide Web, the world economic environment was not just changing, but transforming itself into a global economy. In response, to facilitate and support that transformation, the major economic powers began to steadfastly push markets towards liberalization of economic activity, and concomitantly to dismantle subsidies and other measures and barriers protecting national economies. James P. Johnson put it most succinctly in his book, "International Business: The Challenge of Global Competition" ~ "We are moving toward a world in which the barriers to trade are tumbling, perceived distance is shrinking due to advances in transportation and telecommunication; and national economies are merging into an interdependent global economic system. The process by which this is occurring is commonly referred to as globalization."

We at Sagicor recognized that in the same way that countries were responding to this global phenomenon, by merging and forming economic blocks and developing both defensive and competitive strategies, companies

Chairman's Report

have been responding similarly, consolidating within sectors, within industries and, more importantly, across industries. They have been doing this to build critical mass in order to enhance market share and market scope to both defend existing operations and develop economies of scale to compete in the new economic reality.

Last year, I delineated Sagicor's strategy of expansion as the second major step in our own transformation; the first was to deepen our involvement in financial services by expanding our products and services beyond insurance. Our actions were predicated on the awareness of what was occurring around us – the thrust to

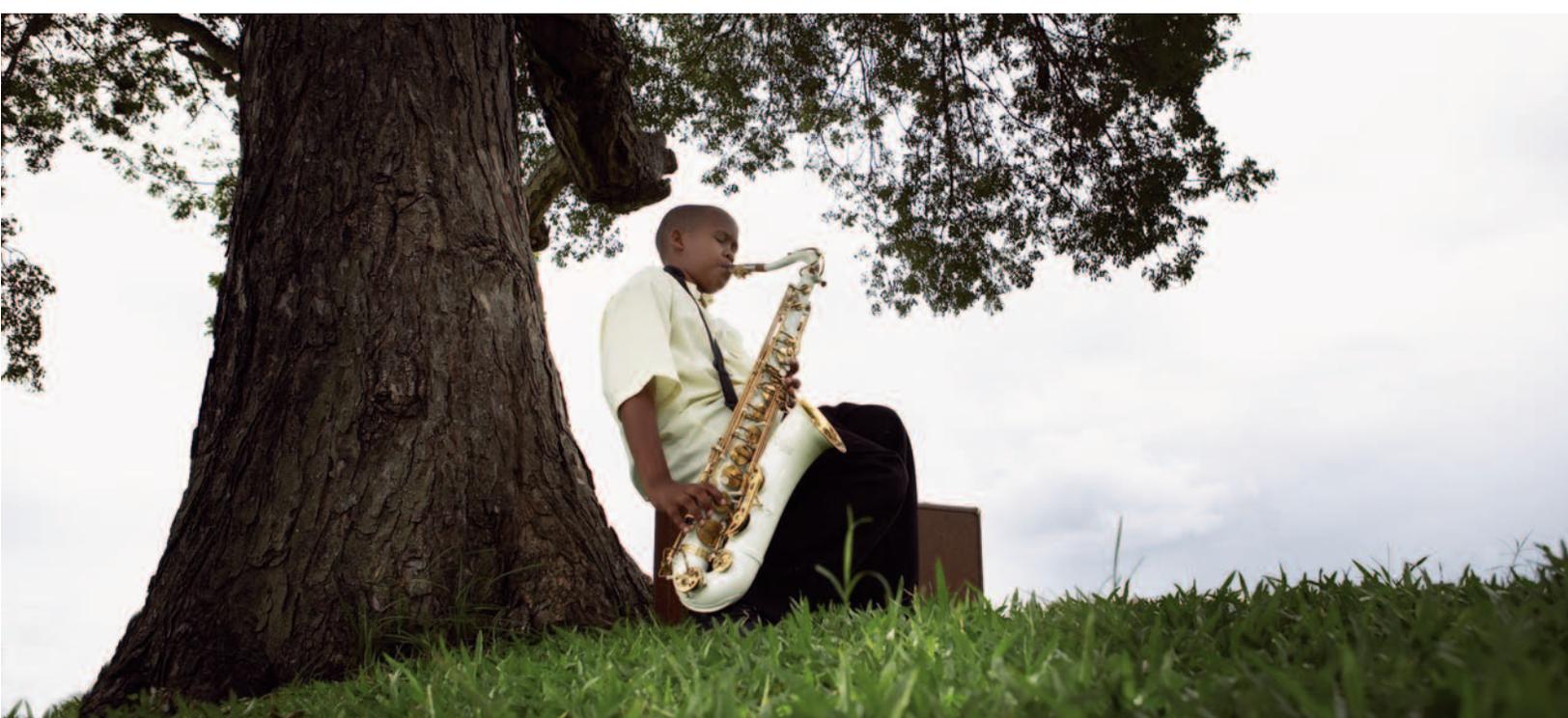
globalization. In fact, our thrust toward globalization started in the mid-1990's. We were acutely aware, even then, that to do nothing was to become redundant – nay, even non-existent – by the first decade of the 21st Century. While we were aware of the progressive march to globalization that had picked up momentum externally, we were also aware that internally we had operated across the region for more than a century, but not in a properly coordinated, cross-border way such as to unlock both the economic and social value our wide spread offered us. To enter the global arena, we decided we first had to become a truly regional company and fully engage the people in the region. We also believed that this regional

platform would become the launching pad for our global thrust. Consequently, we devised a strategy to achieve global competitiveness through the full Caribbean integration of our operations.

The transformation of Sagicor to a fully regional company was even more compelling when we saw the myriad opportunities available, and a little more than a decade later, we have realized some of the potential in those opportunities. As a result of our expansion strategy, the total assets of the Sagicor Group increased from just under \$308 million at the beginning of 1990 to over \$3 billion by the end of 2004. Our annual net profit increased from \$3 million to approximately \$66 million, and our

THE POLITICAL WILL IS NECESSARY IF WE ARE TO CEMENT ALL OF THE HISTORICAL, SOCIAL AND CULTURAL BONDS INTO AN ECONOMIC ONE

– P.J. PATTERSON



Chairman's Report

capital surplus moved from \$16 million to \$704 million. More importantly, the total number of our customers moved from 70,000 to over 450,000.

We also recognized that, while operating in a wider regional market space provided many opportunities available, along with this also came challenges. While, in simplistic terms, being all Caribbean people should make us similar, we are all very different in many respects, some of these differences range from mere nuances or how we use language to the profound differences that exist between our languages. Nonetheless, our company's culture at Sagicor has been made all the richer because of the interaction between the English, Spanish, French, Dutch and, more recently, American men and women that make up the staff and advisors of our company.

While Sagicor was forging ahead with its programme of Caribbean integration, the legal, regulatory and other formal structures had not yet themselves been integrated. As a result, our company was exposed to many different macro-economic circumstances throughout the region. Differences in exchange rates, interest rates, taxation and repatriation of return on capital and investment risk meant that Sagicor had to adjust its investment and operating strategies depending on the country.

Other challenges exist when operating within a region with different legal and regulatory environments. Our regional operation must comply with different Companies Acts, ranging from

modern companies' legislation to some that mirror the 1948 United Kingdom laws.

Stock Exchange Rules also differ across the region. As a natural response to the global economic change, companies within the Caribbean have been consolidating. Our Stock Exchanges have therefore had to cope with mergers and acquisitions, some friendly, others hostile. But the rules governing mergers and acquisition are not consistent across the region. This is particularly so with the rules governing "Take Over Bids". In Barbados, the acquisition or offer to acquire 25% or more of the shares of a company would trigger a bid, whether or not that was the intention. In Trinidad and Tobago, it is 30%; in Jamaica it is 50%, while in the Bahamas it does not exist.

We at Sagicor therefore see the implementation of the CSME as a positive initiative. Recognition by Governments and Regulatory Institutions of a single regional economic space with transparent liberalized and harmonized rules will go a long way towards eliminating many of the impediments to the development of efficient regional business.

Impact of the Free Trade Area of the Americas and World Trade Organization

However, the full implication of the implementation of the CSME must be interpreted within the context of the wider world of international trade and investment. Although the Free Trade Area of the Americas appears to have

stalled, the further implementation of the rules of the World Trade Organization is continuing.

Whereas the CSME will recognize an economic space of 6 million people, the FTAA will create an economic space of approximately 800 million people, and will magnify both the opportunities and challenges which will confront a regional Group such as Sagicor. In order for our company to remain in business and still contribute to shareholder wealth and economic development, we must implement business strategies to create a sustainable competitive advantage.

Traditional strategies ~ to achieve cost leadership within our industry, to differentiate ourselves from our competitors and to focus on achieving market segmentation ~ will not be easy to implement, and will be further compounded as the economic space becomes larger and the competitive base greater. However, we are convinced that the blueprint for Sagicor's continued survival is to constantly reinvent ourselves in order to remain competitive.

Future Strategic Initiatives

The implementation of the CSME, and later the FTAA, will make the whole issue of scale and size even more important, we at Sagicor will continue to pursue a strategy to increase our market share.

Size alone, however, is no guarantee of success, and our second strategic thrust will be to enhance operational efficiency by ensuring that our human resources are capable of operating in

Chairman's Report

the fast-paced, customer-focused environment. To acquire and retain good people will be vital; therefore we will implement a human resource development model which is characterized by fair and equitable treatment for all, fair and realistic compensation for performance and an opportunity for growth and development.

Our third strategic thrust will be in the area of technology. The strategic assessment, application, development and use of technology will not only differentiate us from our competitors, but will significantly add value to our customers through the delivery of innovative products and services.

Our fourth strategic initiative will place us in the forefront of product market development, as we implement programmes that will allow us to understand thoroughly the structure of our industry, the forces of competition driving economic returns, our customers, their tastes and buying habits, in order to develop products that create value.

Our final strategic initiative revolves around capital strength. We believe that a weak and poorly structured balance sheet is not in the long-term interest of our shareholders, our customers or our employees. We will enhance our enterprise risk management capability to ensure that Sagicor remains a financially strong and viable company. We will continue to benchmark ourselves against first world companies and maintain the highest rating from first world Rating Agencies.



**WE CANNOT LIVE IN ISOLATION
AND SUCCEED**

– DR ERIC WILLIAMS

Chairman's Report

In 2003, we announced management changes within the Group in order to maximize our return on investments from existing operations, as well as to give maximum focus to our international business strategy. Our organization structure is constantly kept under review and necessary changes are made to support our evolving business strategy.

In keeping with the initiative to maximize our return from existing operations, I am pleased to welcome Anthony Bowen as our new Executive Vice President, Eastern Caribbean. Mr Bowen, who took up duties on February 1, 2005, brings a wealth of industry experience to this new position, having previously worked with the Barbados Mutual for several years, first as Assistant Vice President, Sales, Barbados Branch, and then Vice President, Barbados Operations. Mr Bowen is charged with implementing our strategies across the Eastern Caribbean, specifically to enhance operating efficiency, improve customer service and enhance operating returns.

Corporate Governance

The structure of the Boards of Directors of our subsidiaries has also been reviewed during the year and we continue to keep these under review as we seek to improve independence and corporate governance across our Group. In this regard we are pleased to welcome Beverly Sisson to the Board of our US based subsidiary Sagicor AllNation. As a resident of the United States, Mrs Sisson has an impressive depth of knowledge with respect to insurance trends, issues and regulatory requirements in that

market. We have no doubt that she will be making an important contribution to our subsidiary.

Money Laundering

Sagicor's solid reputation for sound legal, professional and ethical practices has long been a source of strength for the company. Our behaviour has been characterized by the highest standards of integrity. Consequently, to continue to protect our Group's sound reputation, we have established an Anti-Money Laundering Programme (AML) throughout the Group. The objectives of the AML programme are to ensure compliance with applicable laws and regulations; implement the required policies, procedures and internal controls; provide training and direction to staff, advisors and business partners; prevent Sagicor's systems from being used as a conduit for laundering illegal funds or financing terrorist activities and to help us to better know our customers and employees and continue building sound legal, professional and ethical relationships.

A key component of the programme is the requirement that staff and advisors promptly report suspected acts of money laundering and terrorist financing. An on-going comprehensive programme was started in 2004 to sensitize staff to all facets of the AML programme. Sagicor will continue to cooperate with all law enforcement authorities, industry regulators and other investigative and supervisory authorities within the constraints of the law, and in accordance with its other policies.

Insider Trading Policy

In keeping with our commitment to honesty and integrity, the Board and Senior Management of Sagicor have developed a Group Corporate Policy on Insider Trading. We are committed to governing in compliance with law, avoiding actual or apparent conflicts of interest and disclosing the same when they arise, acting in good faith and objectively and confidentially where the need arises.

Conclusion

I would like to pay a special tribute to two Directors who will be retiring at the Annual General Meeting.

Our Vice Chairman, Krishna Narinesingh, created history on August 4, 1976 when he became the first non-Barbadian on the Board of Directors. During his tenure, he has provided unstinting support and service to Sagicor.

An eminent Attorney-at-Law from Trinidad & Tobago, he did much to improve Sagicor's image in his homeland and the wider Caribbean. As the first Chairman of the Investment Committee in the twin island republic, he played a key role in securing the prime real estate where the Sagicor Financial Centre in Trinidad is now situated on the Savannah. He also spearheaded the acquisition of other prime commercial real estate for our Trinidad and Tobago real estate portfolio.

He was appointed Vice Chairman on September 5, 2001 and is also the

Chairman's Report

Chairman of the Audit Committee and Corporate Governance Committee.

I wish to acknowledge his incredible contribution to the Group over the last twenty-nine years and the splendid support and cooperation which he has given me during my tenure as Chairman.

Michael Fraser joined the Group in 2000 when we re-entered the Jamaican market with the acquisition of Island Life Insurance Company Limited. As the President and CEO of Island Life he played an integral role in positioning our company in the Jamaican market.

He also created history when he was appointed as the first Jamaican Director of the Board of Sagicor in December 2002.

On behalf of the Board, I would like to thank him for his enthusiastic and loyal support and wish to add my deepest appreciation for his unswerving support to Sagicor. We are pleased that Mr Fraser will continue to play a key role in the management of Life of Jamaica Limited.

When I joined the Board of the Barbados Mutual forty years ago, the Mutual was investing in relatively the same portfolio as it had during the previous 30 years. However, after 1965, the decision was taken to develop the organization along modern corporate lines; introducing specialization of tasks and positions, while at the same time broadening the product lines of the Society. This decision provided the foundation for

the growth of the Mutual in the last quarter of the 20th Century. Another key factor in the growth of the organization was the employment of professional expertise at the management level. Moderate but steady growth in the 70's and 80's ensured that the organization survived the difficult years for insurance in the 1990's.

Throughout its long and colourful history, our organization has been shaped by the unselfish efforts of men and women contributing to the building of our new company, Sagicor.

I am proud not only to be a part of this organization's history but to have worked with these men and women first as a Board Member, and over the past ten and a half years as Chairman. I am especially proud of the fact that the history of our organization will show that our company has acted out its true purpose on many occasions, and has contributed to the survival and development of its community way beyond the narrow confines of profits and investment return. We have gone through a metamorphic change, especially in the last decade, and have emerged a stronger and more competitive company ~ to the benefit of our employees, our customers, our shareholders, our country and our region.

As I retire from the Board of Sagicor, I wish to extend my personal thanks to my fellow Board Members, Members of Management and the Staff of Sagicor for your generous support extended to me over the years. I especially want those Members of Executive Management with whom I

have worked very closely to know how greatly I appreciate the splendid support and cooperation which have been given to me during my tenure as Chairman. Your support has not been passive or mere approval; it has been spontaneous, active and enthusiastic. I have no doubt that you will give my successor that same degree of cooperation you have given me and, in so doing, do all in your power to continue to fulfill the vision of Sagicor "To be a great Caribbean company committed to improving the lives of the people in the communities in which we operate".



Colin G Goddard
Chairman

Management Discussion & Analysis



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

Overview

The year 2004 was a challenging year for the Sagicor Group of Companies and for the Caribbean region, where a series of hurricanes devastated Grenada and the Cayman islands. Notwithstanding these challenges, the Sagicor Group produced sound financial results. Net profits reached \$65.7 million compared to \$55.6 million in 2003; while net profit attributed to shareholders rose to \$67.7 million from \$56.9 million. This resulted in earnings per share of 26¢ (2003 - 22¢).

The Group's total revenue amounted to \$786.8 million up 8.9% over 2003. Of total revenue, Jamaica contributed 35.4%, Barbados 25.5% and Trinidad and Tobago 18.9%. Revenue from net premiums and contributions including premiums from individual life, health and annuities increased by 14.3% to \$537.5 million.

Net investment income rose to \$203.9 million, an increase of 10.6% with a return on invested assets of 11%.

Policy benefits for the year, including the provision for insurance liabilities stood at \$442.2 million compared to \$381.7 million last year. This increase was influenced by the experience of our property and casualty subsidiary, Sagicor General as it responded to claims from hurricane Ivan.

Expenses were contained and registered a 1.6% increase for the year.

Total assets of the Sagicor Financial Group were \$3.1 billion compared to \$2.8 billion at the end of the last financial year, an increase of 14.1%. Equity increased to \$704.4 million compared to \$575.4 million at December 2003. Our return on equity compared favourably with 2003 at 10.3%, while our solvency ratio namely the Minimum Continuing Capital and Surplus Requirement (MCCSR) registered a high of 238%. This ratio was 211% for 2003.

A number of events occurred subsequent to year end. Our subsidiary Life of Jamaica Limited (LOJ) secured a 43% interest in Pan Caribbean Financial Services Limited, whose business involves securities dealing, merchant banking, foreign exchange dealing, corporate trust services and mutual fund management. This acquisition brought LOJ's ownership in this entity to 51% having held 8% previously.

On February 1, 2005 Sagicor Life Inc and Life of Barbados Limited filed Articles of Amalgamation. The amalgamated company continues as Sagicor Life Inc.

We believe that our corporate governance and audit controls are strong but in 2004, we moved to strengthen these areas further by engaging the services of a consultant to assist us in further developing our Group enterprise risk management and internal audit control division. We expect full implementation by the first half of 2005.

REGIONAL INTEGRATION REMAINS THE MOST VIABLE
STRATEGY FOR THE MAXIMUM DEVELOPMENT OF ALL
THE STATES OF THE REGION
– TOM ADAMS



Management Discussion & Analysis

Risk Management

Sagicor is in the business of taking risks and must manage effectively those risks to generate profitable growth, safeguard its reputation and protect its solvency.

Sagicor is exposed to a variety of risks, both financial and operational, through its diverse business activities and geographies. These risks can result in a combination of direct financial loss, damage to reputation, or inability to conduct business or service customers, all of which can impact shareholder value. Financial risks include product risk, credit/counterparty risk, interest rate risk, foreign exchange risk, and liquidity risk.

Product risk is the risk of loss due to actual experience emerging differently than assumed when the product was designed and priced. Sagicor manages product risk actively through regular reviews of emerging experience against that assumed and re-prices and or re-designs products where necessary. In addition, through reinsurance, Sagicor shares its product risk on large exposures.

Credit risk is the risk of loss due to the inability or unwillingness of a borrower or counterparty to fulfil its payment obligations. Sagicor's Investment Committees set policies to manage credit risk. Specific limits are set for concentration by asset class and issuer, in addition to minimum standards for asset quality. Further, Sagicor deals only with highly rated reinsurers in an effort to manage counterparty risk.

Through asset liability management, (ALM) Sagicor manages its interest

rate, foreign exchange and liquidity risks by matching assets and liabilities of similar duration, currency and cash flows.

Financial Strength and Solvency

Sagicor continues to foster its long tradition of prudence and financial discipline in the management of its affairs on behalf of its owners and its policyholders. Sagicor has adopted the Canadian regulatory standard for risk based capital requirements. It should be noted that many of the jurisdictions in which it operates have no such requirements. In 2004, Sagicor's Minimum Continuing Capital & Surplus Requirements (MCCSR) ratio was 238%, up from 211% in 2003. 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 of 2.4% in 2004 compared to 4.7% at the end of 2003.

Following the annual review of Sagicor Life Inc's financial and strategic management in January 2005, 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.

Barbados

The Barbados economy recorded its third consecutive year of growth in 2004. This growth was bolstered by

robust performance in tourism activity and subdued gains in the non-traded sectors. The deficit deteriorated to approximately 9.9% of Gross Domestic Product (GDP), compared to a deficit of 6.4% in 2003.

With the cut in the minimum savings rate by 25-basis points by the Barbados Central Bank and the intensification of competitive pressures, the commercial banks rolled back interest rates during the period. However, liquidity remained high. The rate of inflation fell to 1.4% at year end compared to 1.6% in 2003.

The Group's primary operations in Barbados are through Sagicor Life Inc, Life of Barbados Limited, Sagicor General Insurance Inc, Sagicor Asset Management Inc, and GlobE Finance Inc. Life of Barbados Limited was amalgamated with Sagicor Life Inc subsequent to year end. In addition, Sagicor Life Inc manages segregated Bonds and Equity Funds for pension holders and through its subsidiary Sagicor Asset Management Inc, manages a number of Mutual Funds.

The total revenue from Barbados' operations fell by 13% to \$201 million (2003 - \$232 million). You will recall that we disposed of the Mutual Bank of the Caribbean Inc in November 2003 and recognised a gain of \$12.5 million. Consequently, the reduced revenue in 2004 reflects this disposal. The Barbados operations accounted for 25.5% of the Group's total revenue. Income from ordinary activities in 2004 was \$28.9 million compared to \$37.2 million in 2003.

Included in the total revenue for 2004 is a gain of \$5.2 million from the sale of an associated company's

Management Discussion & Analysis

(Caribbean CariCard Services Inc (Caricard)) operations. This sale took effect July 31, 2004.

The Barbados operations made provisions, in compliance with International Financial Reporting Standards and our own prudential standards, for significant impairments of some invested assets in 2004. In particular, provisions were made for Eastern Caribbean regional sovereign debt, which was in the Barbados Portfolio and also for international equities. The total provisions for impaired invested assets in 2004 was \$3.2 million.

Sagikor Life Inc wrote new annualized individual life insurance premiums in Barbados of \$6.18 million from 3,502 policies in 2004 and \$5.5 million in single premium annuity business. New annualized group life and health insurance premiums were \$0.2 million.

Total benefits paid out for group life and health were \$19.5 million or 62.2% of group life and health premiums. In 2003, total benefits paid out represented 63.2% of group life and health premiums.

Our general insurance operation, Sagikor General wrote \$4.6 million in annualized premium income in 2004. Total general insurance revenue from Barbados operations was \$23.4 million in 2004 down 8.3% from 2003. Net income from ordinary activities was \$4.2 million in 2004 compared to \$7.3 million in 2003.

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

Invested assets amounted to \$909.1 million and total funds under

management by Barbados was \$657 million. Investment income reached \$55.8 million resulting in a return on invested assets of 6.7%.

Trinidad and Tobago

The Group's operations in Trinidad and Tobago include life, health, pensions, annuities and general insurance through a branch of Sagikor General established in January 2004. Other operations include Life of Barbados Limited and Nationwide Insurance Company Limited. The combined market share for the life companies exceeds 23% of the life insurance market. Life of Barbados Limited was amalgamated with Sagikor Life Inc subsequent to year end and Nationwide's portfolio is being prepared for transfer to Sagikor Life Inc in 2005.

In 2004, revenue from the Trinidad and Tobago operations increased to \$148.6 million, up from \$96.6 million in 2003. This substantial increase of 54% was realised as the company took advantage of soaring stock market values to rebalance its investment portfolio. As a consequence, income from ordinary activities showed a marked improvement from \$5.9 million in 2003 to \$58.2 million in 2004.

The Trinidad and Tobago operations reported significantly improved new business performance, with \$12.6 million in new annualized individual life and annuity premiums (excluding single premiums) up 98% over the \$6.1 million reported in 2003. The number of new policies sold increased by 18% to 4,961.

Total benefits paid out for group life and health were \$8.5 million or 68.5% of group life and health premiums. In 2003, total benefits paid out represented 59.5% of group life and health premiums.

Invested assets amounted to \$605 million. Investment income reached \$80.5 million resulting in a return on invested assets of 14.6%.

Sagikor General was successfully launched in Trinidad and in its first year of operation, the branch achieved new annualized premiums of \$7.3 million. We consider this to be a creditable performance.

Jamaica

High oil prices and the effects of hurricanes Charley and Ivan put pressure on GDP and inflation. GDP grew by 2.5% representing the sixth consecutive year of growth and inflation finished the year at a high of 13.7%.

During 2004, the Jamaican economy remained relatively stable. Interest rates declined appreciably to an average of 15% and the parity of the Jamaican Dollar to the US Dollar declined by 1.8% to close at J\$61.63 per US\$1.

Against this background, our Jamaican subsidiary, Life of Jamaica produced excellent financial results. Total revenue reached \$278.8 million compared to \$246.2 million in 2003. This increase reflected strong new business performance in the individual life and employee benefits business.

Management Discussion & Analysis

With respect to new business in individual life, LOJ continued to be the market leader with new annualized premium income of \$27 million and sums assured of \$6.7 billion. Single premium annuities increased significantly to \$13.6 million, an increase of 106% over 2003. LOJ continues to be the market leader for employee benefits. New annualized premiums from group life and health doubled in 2004 to reach \$9 million. This division contributed significantly to the overall performance of LOJ. The group health claims experience for 2004 was improved at 71%. The claims experience in 2003 was 83%. Group health benefits paid out for 2004 amounted to \$35 million and \$33.4 million for 2003.

The investment division of LOJ manages in excess of \$1.3 billion of invested assets. This division is also responsible for LOJ's property management company which manages significant commercial office and warehouse space, shopping malls and a resort.

The economic environment sustained lower interest rates, thereby presenting a challenge to achieve attractive investment yields. The exchange rate also depreciated only moderately and therefore the company did not achieve any meaningful foreign exchange gains.

Fortunately, however there was a bull market as the Jamaican Stock Exchange (JSE) registered a 66.7% gain over 2003, with a number of stocks realizing price increases exceeding 100%. The company therefore took advantage of this bull market by liquidating some shares to

realize profits. These gains amount to \$10.5 million. The net return on invested assets was 13%.

LOJ also manages a number of segregated pension funds and other segregated policy funds. These funds all realized excellent yields for 2004.

At December 31, 2004, total assets of LOJ stood at \$613.8 million, and pension funds under management were \$861.6 million.

The Sagicor Group intends to deepen its experience in financial services. In this regard, subsequent to year-end, LOJ acquired a 43% interest in the Pan Caribbean Financial Services Group. When combined with the 8% previously held, LOJ now holds a 51% interest in the Pan Caribbean Group. This Group comprises Pan Caribbean Financial Services Limited (PCFS), the parent company and its wholly owned subsidiaries, Pan Caribbean Merchant Bank (PCMB), Pan Caribbean Asset Management (PCAM), and Manufacturers Credit and Information Services Ltd (MCIB). PCFS is a licensed securities dealer. Its business is investment management, private client services, venture capital financing and development project financing. PCMB offers deposits, savings accounts, loan and lease financing, foreign exchange trading, trust and custodian services. PCAM is a unit trust management company.

It should be noted that the market price of LOJ stock stood at J\$11.30 (US\$0.18) at December 31, 2004, compared to J\$3.90 (US\$0.06) at December 31, 2003.

Eastern Caribbean

The Eastern Caribbean Region faced significant challenges as a result of the hurricanes experienced during 2004. This was particularly so for our neighbours in Grenada, whose economy was devastated by hurricane Ivan. The economies continue to be fragile with only moderate growth in some islands.

The financial results for the Eastern Caribbean were disappointing. Total revenue generated stood at \$48.0 million in 2004 compared to \$53.3 million in 2003. This represents 6.1% of the Group's total revenue. The Eastern Caribbean region recorded a net loss of \$20.9 million from ordinary activities in 2004, compared to a profit of \$11.8 million for 2003.

The fall off in net income was two-fold. Firstly, significant modifications were made to the actuarial expense assumptions for long term insurance and annuity business, to more closely reflect the experience. This contributed significantly to the increase in actuarial liabilities in the Eastern Caribbean region of \$25.5 million.

Secondly, the company made provisions of \$7.6 million for debt related to the Governments of Dominica, Antigua and Barbuda and Grenada. Other investment impairments totalled \$1.4 million.

Investment income from other assets remained relatively flat. The region acquired 2,520 new individual life policies with annualized premium income of \$3.6 million. The Group insurance portfolio generated \$12.1 million in net premiums compared to \$12.6 million in 2003.

Management Discussion & Analysis

Total benefits paid out for group life and health were \$5.8 million or 47.8% of group life and health premiums. In 2003, total benefits paid out represented 47.0% of group life and health premiums.

Mutual Finance Inc, a finance company in St. Lucia, continues to produce disappointing results. We have recruited new management for this operation with a mandate to develop and implement a turnaround strategy.

Other Caribbean and International

Sagicor Capital Life Insurance Company Limited, Capital de Seguros, S.A., Sagicor Life of the Cayman Islands Limited and Sagicor Allnation Insurance Company (Delaware) make up this regional grouping. Life of Barbados and Sagicor General also have small operations in this regional grouping.

Sagicor Life of the Cayman Islands acquired the Cayman Islands' insurance portfolio of Sagicor Capital Life, thereby rationalizing the operations of the Group in this jurisdiction.

Total revenue for 2004 financial year was \$110.4 million and compares favourably to revenue of \$92.6 million for 2003. This performance is largely attributed to premium growth.

The loss from ordinary activities was \$17.3 million in 2004 compared to a profit of \$11.1 million in 2003. This significant reduction in income from operations is partly as a result of an unusually large number of claims resulting from the devastation by

hurricane Ivan in the Cayman Islands. The general insurance operations showed a net loss of \$20.5 million in 2004 from operations. Sagicor General settled 781 claims in the Cayman Islands following hurricane Ivan.

Sagicor Allnation continues to provide quality insurance options to third party nationals and expatriates working outside their home countries.

Capital International Management Services, Inc

Capital International Management Services, Inc was established to assist our Group in achieving an international presence. This role has been enhanced by the creation of Sagicor USA, whose primary mandate is the research and assessment of potential take-over targets and joint venture partners within the U.S.A.

Investments

Sagicor has a globally diversified portfolio of invested assets, which represent 78.4% of the Group's total assets. At the end of 2004, invested assets stood at \$2.5 billion up 12.1% from 2003. Interest rates generally declined during 2004 in a number of countries where our Group operates, and this presented challenges in achieving the desired yields. However, gross investment income rose almost 12.8% to \$265.2 million and the return on invested assets was 11%. The return in 2003 was 10.7%.

Bonds and treasury bills account for the major asset class at 42.2% of invested assets. At the end of 2004, this portfolio stood at \$1.04 billion,

up 12.8% over 2003. Income from bonds and treasury bills was \$98.6 million and the effective yield was 10.6%.

The Group's mortgage portfolio was \$344.3 million with an effective yield of 8.8%. Mortgages represent 14% of the overall portfolio of invested assets.

The equity portfolio continues to be significant to the Group, but we took the opportunity during 2004 to realize profits from the sale of some of our equities where we considered the valuations to be high. This exercise contributed significantly to the \$59.3 million in realized gains on available for sale and held for trading securities.

You may recall from last year's report that we use the balance sheet method of accounting for our unrealized gains and losses, thereby accounting for gains and losses in our income statement only when they are realized on disposal or on impairment. The net increase in unrealized gains on available for sale securities for 2004, was \$76.6 million with cumulative unrealized gains of \$186.7 million. Had we adopted the income approach as some of our competitors have, these additional gains would flow directly to income. We continue to believe that our existing policy is the more prudent approach for long term business, but as the International Financial Reporting Standards continue to evolve, we will review and adopt the most appropriate standards.

Human Resources

During 2004 considerable progress was made in a number of strategic

Management Discussion & Analysis

human resource initiatives across the Sagicor Group. Among these were:-

1. The selection of a Performance Appraisal Management system to facilitate company and group wide collaboration on performance management. Customization and training began during 2004 and the project is expected to be rolled out across the Sagicor Group during the second quarter of 2005.
2. A review of enterprise compensation for the sales force using the consultancy service of LIMRA.
3. Training of staff on the compliance requirements for Anti-Money Laundering.
4. The launch of a new Employee Awards Program which recognizes outstanding customer service, innovation and creativity, and outstanding work to Sagicor and the community. The prestigious Sagicorian Award will be presented to an outstanding employee from the Group at the end of each year.
5. Sagicor Life Inc made significant progress in the harmonization of employee compensation and benefits during this period and the Job Evaluation Project that included both Sagicor Life and Sagicor Capital Life was completed.
6. A new Employee Policies and Procedures Manual has been completed and was rolled out to the Group subsequent to year end.

Our Human Resource strategy will focus on the development of a stronger customer service culture firmly supported by systems that

recognize and reward performance within the Group. The Sagicor Group of Companies will continue to work towards achieving the international benchmarks as an employer of choice in the regional and extra regional market, working to improve employee morale, productivity and retention.

Life of Jamaica was listed among the 20 most admired companies in the inaugural Jamaica Employers Federation - Employer of Choice Awards. The Human Resources Department in Jamaica also launched a newsletter to improve communications and reintroduced an employee counselling support programme.

We continue to encourage our staff to pursue educational opportunities.

Margaret Audain, a Sagicor Financial Advisor in Barbados was awarded a scholarship under the Caribbean Regional Intern/Scholarship Programme and successfully completed an internship at LIMRA. Several of our new Financial Advisors completed the requirement for the Certificate of Proficiency in General Insurance; while others pursued the Life Underwriters Training Course (LUTC) and the Insurance and Financial Advisors Training Course (IFTAC). Fifty one (51) agents from LOJ completed the final stage of the LIMRA Master Financial Advisor Programme.

A number of our administrative staff also successfully completed various qualifications including insurance designations. Our heartfelt congratulations to all of you on your fine achievements.

With the devastation brought about by the recent hurricanes, employees responded with generous contributions of money, food and clothing and their personal time, to their colleagues in Grenada and the Cayman Islands, who were severely affected by the effects of hurricanes Ivan and Charley.

We commend the dedication of our staff in Grenada and The Cayman Islands who returned to their posts in local offices that had no electricity or running water supply in order to respond to our customers' needs during the early days following the hurricanes.

In the Conversion Regulations governing demutualization, it was indicated that Sagicor Financial Corporation could not issue share options to any of its employees within one year of listing. The company has now been listed for over two years and, as stated in the Demutualization Proposal, intends to develop share option and share purchase plans for senior officials and employees to purchase or obtain shares in Sagicor Financial Corporation.

These plans will be designed in such a way as to align the interests of those who are members of the plans with those of the company's owners and will reward members of the plans for creating and enhancing shareholder value, while observing fiscal prudence. The plans will also assist the Group in recruiting and retaining top quality management and employees.

A special meeting of shareholders will be called in the very near future for approval of the first of these plans.

Management Discussion & Analysis

Conclusion

I started this report by stating that 2004 was a challenging year, however we are pleased that we were able to overcome these challenges. This could not have been accomplished without the unwavering dedication of our management and staff and wise counsel of our Board.

The financial services sector in our region today is extremely dynamic and highly competitive. Our key to remaining at the forefront of this dynamic industry is our people.

Investing in our people and ensuring we get the appropriate return on that investment remains our focus for 2005.

We congratulate all of our Financial Advisors for their excellent contributions to the Group's success for 2004 and in particular our top advisors namely Margaret Audain from Barbados; Albert Lyon from Jamaica; Joan Carr from Trinidad & Tobago; Hyacinth Polius from the Eastern Caribbean and Rudolf 'Rudy' Coelho from Sagicor Capital Life.

To my colleagues in management and our staff in administration, I thank you for your commitment and hard work. To our policyholders, clients, customers and shareholders, we thank you for your loyalty and support.



Dodridge D Miller
President and Chief Executive Officer



THE TASK BEFORE US IS CLEAR; WE HAVE TO INCREASE THE MOMENTUM OF THE REGIONAL INTEGRATION PROCESS – DR CHEDDIE JAGAN

**SAGICOR FINANCIAL CORPORATION****APPOINTED ACTUARY'S
2004 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, Sagicor Capital Life Insurance Company Limited, Capital Life Insurance Company Bahamas Limited, Capital de Seguros, S.A., Sagicor Allnation Insurance Company, Nationwide Insurance Company Limited, Sagicor Life of the Cayman Islands Limited, and Sagicor Re Insurance Limited, for the balance sheet, at 31st December 2004, 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
26TH APRIL 2005

Auditors' Report

To the Shareholders of Sagicor Financial Corporation

We have audited the accompanying consolidated balance sheet of **Sagicor Financial Corporation** (the Company) as of December 31, 2004 and the related consolidated statements of income, changes in equity and cash flows for the year then ended as shown on pages 32 to 73. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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



PricewaterhouseCoopers
Chartered Accountants
April 26, 2005

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2004

Amounts expressed in Barbados \$'000

	Notes	2004	2003
REVENUE			
Net premiums and contributions	22	537,538	470,236
Net investment income	23	203,922	184,454
Share of operating income of associated companies		9,269	3,308
Fees and other revenue	24	35,703	47,665
Gains on divestitures	34	384	17,094
Total revenue		<u>786,816</u>	<u>722,757</u>
POLICY BENEFITS			
Policy benefits	25	324,254	297,596
Increase in actuarial liabilities		117,949	84,137
Total policy benefits		<u>442,203</u>	<u>381,733</u>
EXPENSES			
Administrative expenses		167,388	163,012
Commissions and related compensation		76,255	64,857
Premium taxes		11,653	7,797
Demutualisation and rebranding expenses	28	95	2,462
Reorganisation costs	29	26	11,725
Finance costs		743	1,724
Amortisation of goodwill		8,554	8,995
Total expenses		<u>264,714</u>	<u>260,572</u>
INCOME FROM ORDINARY ACTIVITIES		79,899	80,452
Corporation taxes	30	<u>(6,916)</u>	<u>(7,076)</u>
NET INCOME BEFORE MINORITY INTEREST		72,983	73,376
Minority interest		<u>(7,276)</u>	<u>(17,753)</u>
NET INCOME FOR THE YEAR		<u>65,707</u>	<u>55,623</u>
Net loss attributed to participating policyholders	13	(1,983)	(1,278)
Net income attributed to shareholders		<u>67,690</u>	<u>56,901</u>
		<u>65,707</u>	<u>55,623</u>
Earnings per common share	32	<u>26 cents</u>	<u>22 cents</u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2004

Amounts expressed in Barbados \$000

	Notes	2004	2003
Cash flows from operating activities			
Income from ordinary activities		79,899	80,452
Adjustments for non-cash items, interest and dividends	33	(63,234)	(78,830)
		16,665	1,622
Interest and dividends received		170,590	162,718
Interest paid		(40,874)	(36,426)
Corporation taxes paid		(10,330)	(11,357)
		136,051	116,557
Changes in operating assets and liabilities:			
Investment property	33	(13,846)	(3,665)
Equities	33	47,431	959
Bonds and treasury bills	33	(103,946)	(123,575)
Mortgage loans		(5,099)	(13,435)
Policy loans		(1,563)	(158)
Finance loans and leases		(9,357)	8,845
Convertible loans		7,059	814
Deposit investments		(68,238)	7,210
Repurchase agreements		(4,566)	(17,255)
Miscellaneous assets and receivables		(86,153)	(55,448)
Deposit administration liabilities		16,087	27,813
Policy funds on deposit		(6,305)	36,301
Deposit liabilities		14,423	(13,347)
Miscellaneous liabilities and payables		100,511	41,059
Net cash from operating activities		22,489	12,675
Cash flows from investing activities			
Property, plant and equipment	33	(21,095)	(22,471)
Associated companies, net		6,481	(2,016)
Proceeds from divestitures, net of cash		-	(13,976)
Net cash used in investing activities		(14,614)	(38,463)
Cash flows from financing activities			
Dividends paid to shareholders		(18,202)	(7,801)
Shares issued to minority interest		2,170	1,612
Dividends paid to minority interest		(8,411)	(3,375)
Loans payable	33	(9,633)	(9,617)
Net cash used in financing activities		(34,076)	(19,181)
Effects of exchange rate changes		13	796
Net decrease in cash and cash equivalents		(26,188)	(44,173)
Cash and cash equivalents, beginning of year		161,796	205,969
Cash and cash equivalents, end of year	33	135,608	161,796

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

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.

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	78.2% ⁽¹⁾
Island Life Insurance Company Limited	Life and health insurance, annuities and pensions	Jamaica	78.8% ⁽²⁾
Sagicor Capital Life Insurance Company Limited (formerly 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%
Sagicor Allnation Insurance Company (formerly Allnation Insurance Company)	Health insurance	Delaware, USA	100%
Nationwide Insurance Company Limited	Life insurance	Trinidad & Tobago	100%

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

1. INCORPORATION AND PRINCIPAL ACTIVITIES (continued)

Subsidiary Companies	Principal Activities	Country of Incorporation	Effective Equity Interest
Sagicor Life of the Cayman Islands Limited	Life insurance	The Cayman Islands	78.2% ⁽¹⁾
Sagicor General Insurance Inc	Property and casualty insurance	Barbados	52.8%
Sagicor Re Insurance Limited ⁽³⁾	Property and casualty insurance	The Cayman Islands	78.2% ⁽¹⁾
LOJ Holdings Limited	Insurance holding company	Jamaica	100%
LOJ Pooled Investment Funds Limited	Pension fund management	Jamaica	78.2% ⁽¹⁾
The Mutual Financial Services Inc	Financial services holding company	Barbados	73%
Sagicor Asset Management Inc	Investment management and advisory services	Barbados	100%
Sagicor Funds Incorporated (formerly The Mutual Funds Incorporated)	Mutual fund holding company	Barbados	100%
LOJ Property Management Limited	Property management	Jamaica	78.2% ⁽¹⁾
Capital International Management Services, Inc	Management and business development services	Florida, USA	100%
The Mutual Bank of the Caribbean Inc	Banking	Barbados	73% ⁽⁴⁾
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) 78.9% as of December 31, 2003.

(2) An equity interest of 78.8% until March 31, 2003, when the company was acquired by Life of Jamaica.

(3) Company established in July 2003.

(4) An equity interest of 73% until November 30, 2003, when this interest was sold.

Associated Companies	Principal Activities	Country of Incorporation	Effective Equity Interest
RGM Limited	Property ownership and management	Trinidad & Tobago	33.3%
Caribbean CariCard Services Inc ⁽⁵⁾	Bank card processing, ATM and point-of-sale handling services	Barbados	36.5%

(5) Caribbean CariCard Services Inc sold its operations effective July 31, 2004.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

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. 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 on the disposal of operations 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 unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

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.

Foreign currency branches are accounted for as foreign entities. In prior years, foreign currency branches were accounted for as integral operations. The change in policy has been made as it more accurately reflects the conduct of foreign branch operations.

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

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.

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

Rental income is recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

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	3 to 6 years

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

2. ACCOUNTING POLICIES (continued)

f) Investment securities, loans and deposits (continued)

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 for investment securities, loans and deposits carried at amortised cost 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, 2004

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 and repurchase agreements with a maturity date of ninety days 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 life insurance and annuity actuarial liabilities for future policy benefits necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and 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.

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

The actuarial liabilities of health insurance policies are estimated by establishing appropriate reserves in respect of claims that have been incurred but not yet reported and claims that have been reported but not yet paid, due to the time taken to process the claim. The reserve is recorded net of reinsurance recoveries.

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 property or casualty claim.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

2. ACCOUNTING POLICIES (continued)

l) Provisions

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

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 or return credited to these funds is recorded as an investment expense.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Amounts expressed in Barbados \$000

2. ACCOUNTING POLICIES (continued)

p) Employee retirement benefits (continued)

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.

s) Statutory reserves

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

3. 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, 2004

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, 11 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 2004 closing rate	2004 average rate	December 2003 closing rate	2003 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	30.7250	30.5794	30.2585	28.6786
Netherlands Antillean guilder	0.90	0.90	0.90	0.90
Trinidad & Tobago dollar	3.1444	3.1373	3.1308	3.1327
United States dollar	0.50	0.50	0.50	0.50

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

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, 15, 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.

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. Reinsurance recoveries are disclosed in note 11.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

3. RISK MANAGEMENT (continued)

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 \$1.5 billion (2003 - \$1.2 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 \$1,076,946,000 (2003 - \$1,046,489,000) have been deposited with or are held in trust to the order of the insurance regulators.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

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, 2004				
	Total assets	Total liabilities	Total revenue	Income from ordinary activities	Total cash flows
Barbados	1,101,910	922,890	200,611	28,929	(33,986)
Jamaica	536,440	399,133	278,836	46,627	13,517
Trinidad & Tobago	714,456	491,958	148,561	58,202	5,049
OECS	256,897	246,632	48,126	(20,909)	(3,883)
Other Caribbean & International	385,195	284,027	110,374	(17,374)	14,986
Not allocated to segments	144,952	22,907	308	(15,576)	(21,871)
	<u>3,139,850</u>	<u>2,367,547</u>	<u>786,816</u>	<u>79,899</u>	<u>(26,188)</u>

	Year ended December 31, 2003				
	Total assets	Total liabilities	Total revenue	Income from ordinary activities	Total cash flows
Barbados	1,007,772	867,585	231,581	37,171	(11,621)
Jamaica	436,894	374,576	246,244	31,933	(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	2,537	(17,423)	(26,648)
	<u>2,750,930</u>	<u>2,119,284</u>	<u>722,757</u>	<u>80,452</u>	<u>(44,173)</u>

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

	Year ended Dec. 31, 2004		Year ended Dec. 31, 2003	
	Depreciation and amortisation	Increase in actuarial liabilities	Depreciation and amortisation	Increase in actuarial liabilities
Barbados	8,530	20,516	10,290	29,135
Jamaica	2,006	25,556	2,762	22,050
Trinidad & Tobago	1,256	28,758	1,312	38,645
OECS	966	25,504	1,088	(4,168)
Other Caribbean & International	466	17,615	431	(1,525)
Not allocated to segments	8,577	-	9,129	-
	<u>21,801</u>	<u>117,949</u>	<u>25,012</u>	<u>84,137</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

5 SEGMENTED INFORMATION (continued)

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, 2004		Year ended Dec. 31, 2003	
	Total assets	Income from ordinary activities	Total assets	Income from ordinary activities
Barbados	2,113	5,525	1,909	708
Trinidad & Tobago	22,030	3,744	19,369	2,600
	<u>24,143</u>	<u>9,269</u>	<u>21,278</u>	<u>3,308</u>

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, 2004	
	Total assets	Total revenue
Life insurance, health insurance and annuities - issued to individuals	2,110,977	516,020
Life insurance, health insurance and pensions - issued to groups	557,965	213,112
Property and casualty insurance	181,710	32,344
Banking and other financial services	144,246	25,032
Not allocated to segments	144,952	308
	<u>3,139,850</u>	<u>786,816</u>

	Year ended December 31, 2003	
	Total assets	Total revenue
Life insurance, health insurance and annuities - issued to individuals	1,916,551	479,819
Life insurance, health insurance and pensions - issued to groups	500,469	167,001
Property and casualty insurance	81,264	33,930
Banking and other financial services	110,279	39,470
Not allocated to segments	142,367	2,537
	<u>2,750,930</u>	<u>722,757</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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

6 INVESTMENT PROPERTY

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

	2004	2003
Balance, beginning of year	151,523	139,931
Additions at cost	15,605	7,070
Transfer from property, plant & equipment	7,258	2,740
Disposals	(1,824)	(3,591)
Appreciation in fair values	6,892	10,148
Effects of exchange rate changes	(439)	(4,775)
Balance, end of year	<u>179,015</u>	<u>151,523</u>

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

Description of property	Percentage ownership	2004	2003
Land at Fort George Heights, Upton, St Michael, Barbados	50%	5,250	5,250
Land at Plum Tree, St Thomas, Barbados	50%	3,544	3,544
Trident House Properties, Lower Broad Street, Bridgetown, Barbados	33%	6,333	6,283
Financial Services Centre, Bishop's Court Hill, St Michael, Barbados	50%	6,425	6,466
United Nations House, Marine Gardens, Christ Church, Barbados	25%	7,500	7,141
BET Building, Wildey, St Michael, Barbados	10%	3,470	3,440
Ernst & Young Building, Sweet Briar Road, Port-of-Spain Trinidad & Tobago	60% ⁽¹⁾	8,300	7,891
The Mutual/Trans-Nemwil Office Complex, The Villa, St George's, Grenada	50%	2,255	2,115
Belize Insurance Centre, North Front Street, Belize City, Belize	50%	900	800
		<u>43,977</u>	<u>42,930</u>

(1) 62% as of December 31, 2003.

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:

	2004	2003
Cash, miscellaneous assets and receivables	5,304	5,172
Loans payable, accounts payable and accrued liabilities	1,647	2,213
Revenue	4,737	6,650
Expenses	<u>1,586</u>	<u>2,301</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

7 INVESTMENT SECURITIES, LOANS AND DEPOSITS

	Carrying value 2004	Fair value 2004	Carrying value 2003	Fair value 2003
Held to maturity investment securities				
Bonds and treasury bills	242,109	253,617	254,244	254,311
Available for sale investment securities				
Bonds and treasury bills	153,216	153,216	148,277	148,277
Equities	452,488	452,488	380,536	380,536
	<u>605,704</u>	<u>605,704</u>	<u>528,813</u>	<u>528,813</u>
Held for trading investment securities				
Bonds and treasury bills	126,010	126,010	117,691	117,691
Equities	38,922	38,922	20,977	20,977
	<u>164,932</u>	<u>164,932</u>	<u>138,668</u>	<u>138,668</u>
Originated loans, securities and deposits				
Mortgage loans	344,254	344,254	340,694	340,694
Bonds and treasury bills	519,007	572,495	402,363	380,664
Policy loans	139,741	139,741	138,461	138,461
Finance loans and leases	61,130	61,130	53,067	53,067
Convertible loans	9,139	9,139	16,462	16,462
Repurchase agreements	30,127	30,127	25,840	25,840
Deposits	167,765	167,765	147,314	147,314
	<u>1,271,163</u>	<u>1,324,651</u>	<u>1,124,201</u>	<u>1,102,502</u>
Total investment securities, loans and deposits	<u>2,283,908</u>	<u>2,348,904</u>	<u>2,045,926</u>	<u>2,024,294</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

*Amounts expressed in Barbados \$000***7 INVESTMENT SECURITIES, LOANS AND DEPOSITS (continued)**

Equity investments include \$11,834,000 (2003 - \$8,325,000) in mutual funds managed by the Group. Convertible loans include \$1,718,000 (2003 - \$16,462,000) issued to the Group by an associated company. These loans can be converted to preference shares or bonds upon the agreement of the Directors of the associated company. Included in the originated securities category is \$21,884,000 (2003 - \$7,091,000) in bonds issued by an associated company.

	2004	2003
Significant concentrations		
Bonds and treasury bills:		
Government of Jamaica	351,707	278,039
Government of Barbados	161,241	104,819
Government of Trinidad & Tobago	125,022	116,338
Equities:		
RBTT Financial Holdings Limited	122,336	129,442

	2004	2003
Effective interest rates		
Mortgage loans	8.9%	10.5%
Bonds and treasury bills	11.5%	10.6%
Policy loans	10.2%	10.0%
Finance loans and leases	11.9%	10.2%
Convertible loans	13.9%	11.2%
Repurchase agreements	10.9%	30.1%
Deposits	5.3%	7.4%

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

7 INVESTMENT SECURITIES, LOANS AND DEPOSITS (continued)**Maturity profiles**

	December 31, 2004			Total
	Repayable within one year	Repayable between one and five years	Repayable after five years	
Mortgage loans	14,164	41,486	288,604	344,254
Bonds and treasury bills	93,198	321,268	625,876	1,040,342
Finance loans and leases	5,883	40,834	14,413	61,130
Convertible loans	3,932	5,207	-	9,139
Repurchase agreements	30,127	-	-	30,127
Deposits	152,614	13,033	2,118	167,765
	<u>299,918</u>	<u>421,828</u>	<u>931,011</u>	<u>1,652,757</u>

	December 31, 2003			Total
	Repayable within one year	Repayable between one and five years	Repayable after five years	
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
	<u>264,654</u>	<u>364,971</u>	<u>876,327</u>	<u>1,505,952</u>

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

	<u>2004</u>	<u>2003</u>
Allowances for impairment losses		
Mortgage loans	7,839	7,136
Bonds	8,530	-
Finance loans and leases	3,009	2,419
	<u>19,378</u>	<u>9,555</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$'000

8 PROPERTY, PLANT AND EQUIPMENT

	Owner-occupied properties	Furnishings & leasehold improvements	Office equipment & software	Vehicles	Leased vehicles & equipment	Total 2004	Total 2003
Cost or valuation							
Balance, beginning of year	93,163	34,112	67,736	7,832	14,002	216,845	230,562
Additions at cost	7,167	1,373	8,101	2,179	10,559	29,379	24,695
Disposals	(5,904)	(202)	(27,564)	(1,194)	(2,917)	(37,781)	(10,858)
Disposals arising from divestitures	-	-	-	-	-	-	(19,444)
Depreciation eliminated on revaluation	(3,400)	-	-	-	-	(3,400)	(274)
Appreciation in fair values	7,827	-	269	-	-	8,096	1,931
Depreciation in fair values transferred to income	(1,336)	-	-	-	-	(1,336)	-
Transfer to investment properties	(7,258)	-	-	-	-	(7,258)	(2,908)
Effects of exchange rate changes	(1,005)	(147)	(258)	(20)	-	(1,430)	(6,859)
Balance, end of year	89,254	35,136	48,284	8,797	21,644	203,115	216,845
Accumulated depreciation							
Balance, beginning of year	3,589	21,893	56,835	3,860	3,520	89,697	100,308
Transfer to investment properties	-	-	-	-	-	-	(168)
Depreciation charge	1,688	1,693	4,997	1,449	3,420	13,247	16,017
Disposals	(146)	(185)	(27,373)	(1,080)	(1,385)	(30,169)	(7,931)
Disposals arising from divestitures	-	-	-	-	-	-	(13,458)
Depreciation eliminated on revaluation	(3,400)	-	-	-	-	(3,400)	(274)
Effects of exchange rate changes	(747)	(64)	(224)	(8)	-	(1,043)	(4,797)
Balance, end of year	984	23,337	34,235	4,221	5,555	68,332	89,697
Net book value							
Balance, beginning of year	89,574	12,219	10,901	3,972	10,482	127,148	130,254
Balance, end of year	88,270	11,799	14,049	4,576	16,089	134,783	127,148

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

9 ASSOCIATED COMPANIES

	<u>2004</u>	<u>2003</u>
Investment, beginning of year	21,414	16,286
Additions	-	3,224
Operating income (<i>see below</i>)	9,269	3,308
Corporation taxes	159	(234)
Dividends paid	(6,481)	(1,208)
Effects of exchange rate changes	(85)	38
Investment, end of year	<u>24,276</u>	<u>21,414</u>

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

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

\$1,404,000 of the above gain is attributable to the minority interest.

10 GOODWILL

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	109,259	129,764
Goodwill arising on acquisitions during the year (see below)	-	(3,012)
Amortisation charge	(8,554)	(8,995)
Effects of exchange rate changes	(581)	(8,498)
Balance, end of year	<u>100,124</u>	<u>109,259</u>
Represented by: Cost	170,521	170,521
Accumulated charges	(57,788)	(49,234)
Effects of exchange rate changes	(12,609)	(12,028)
	<u>100,124</u>	<u>109,259</u>

During 2003, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$'000

10 GOODWILL (continued)

The goodwill arising was as follows:

	<u>2003</u>
Conversion of Life of Jamaica preference shares to ordinary shares	(2,744)
Adjustment arising from corporate restructuring (<i>note 35</i>)	325
Other	<u>(593)</u>
	<u>(3,012)</u>

11 MISCELLANEOUS ASSETS AND RECEIVABLES

	<u>2004</u>	<u>2003</u>
Pension plan asset (<i>note 27</i>)	7,927	8,136
Deferred tax asset (<i>note 31</i>)	8,037	3,990
Corporation tax recoverable	12,559	10,196
Real estate developed for resale	15,293	16,995
Accrued investment income	47,154	45,524
Premiums in the course of collection	32,770	27,221
Reinsurance recoveries (<i>see below</i>)	92,912	26,894
Amounts due from managed funds	1,680	1,966
Other accounts receivable	<u>80,275</u>	<u>64,123</u>
	<u>298,607</u>	<u>205,045</u>

Real estate developed for resale includes \$8,268,000 (2003 - \$9,249,000) in respect of the Group's participation in a joint venture for the Rolling Hills Development at Bye Mill, St George, Barbados, in which the Group has an effective equity interest of 81%.

Accrued investment income includes \$3,385,000 outstanding on impaired mortgages.

	<u>2004</u>	<u>2003</u>
Reinsurance recoveries include the following significant item:		
AON Re	<u>74,265</u>	<u>7,705</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

12 CASH RESOURCES

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

	<u>2004</u>	<u>2003</u>
FirstCaribbean International Bank	45,209	41,488

13 ACTUARIAL LIABILITIES

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	1,377,708	1,360,173
Transfer to policy funds on deposit	-	(26,617)
Increase for the year	117,949	84,137
Effects of exchange rate changes	(4,670)	(39,985)
Balance, end of year	<u>1,490,987</u>	<u>1,377,708</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, 2004

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 are 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.

At December 31, 2004 the actuarial liabilities of the closed participating fund amounted to \$164,307,000 (2003 - \$157,277,000). Other net assets allocated to this fund amounted to \$165,086,000 (2003 - \$158,324,000).

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. In 2003, 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. On December 31, 2004, a further \$3,000,000 was transferred from retained earnings as additional seed capital. Once the fund has reached a size at which capital self sufficiency has been attained, the seed capital will be returned to retained earnings, along with a reasonable return to be determined by the Appointed Actuary.

At December 31, 2004 the actuarial liabilities of the open participating fund amounted to \$ nil (2003 - \$498,000). Other net assets allocated to this fund amounted to \$609,000 (2003 - \$673,000).

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:

	Year ended December 31, 2004			2003
	'Closed' participating account	'Open' participating account	Total participating accounts	Total participating accounts
Balance, beginning of year	1,047	175	1,222	-
Transfer from retained earnings	-	3,000	3,000	2,500
Net unrealised loss arising on revaluation of available for sale investment securities	(851)	-	(851)	-
Net income/(loss) for the year	583	(2,566)	(1,983)	(1,278)
Balance, end of year	779	609	1,388	1,222

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

14 DEPOSIT ADMINISTRATION LIABILITIES

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	313,901	293,592
Increase for the year	16,087	27,813
Effects of exchange rate changes	(1,141)	(7,504)
Balance, end of year	<u>328,847</u>	<u>313,901</u>

The increase for the year is represented by:

Contributions received	30,145	30,047
Net investment income	23,894	24,261
Payments and withdrawals	(36,131)	(23,991)
Expenses	(2,303)	(2,065)
Effects of exchange rate changes	482	(439)
	<u>16,087</u>	<u>27,813</u>

15 POLICY FUNDS ON DEPOSIT

	<u>2004</u>	<u>2003</u>
Effective interest rate	8.0%	6.0%

The maturity profile of policy funds on deposit is as follows:

Repayable on demand or within one year	125,080	127,184
Repayable between one and five years	6,113	12,946
Repayable after five years	13,618	12,186
	<u>144,811</u>	<u>152,316</u>

16 LOANS PAYABLE

	<u>Interest rate</u>	<u>2004</u>	<u>2003</u>
Bank loans:			
US dollar loan due 2005	LIBOR + 1.25%	10,714	15,000
US dollar loan due 2005	LIBOR + 1.50%	5,187	10,373
Barbados dollar loan due 2011	8.85%	1,475	1,580
		<u>17,376</u>	<u>26,953</u>
Effective interest rate		3.4%	3.0%

The maturity profile of loans payable is as follows:

Repayable within one year	9,647	9,612
Repayable between one and five years	7,515	16,913
Repayable after five years	214	428
	<u>17,376</u>	<u>26,953</u>

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, 2004

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17 DEPOSIT LIABILITIES

	<u>2004</u>	<u>2003</u>
Effective interest rate	5.8%	2.8%
The maturity profile of deposit liabilities is as follows:		
Repayable within one year	37,926	43,908
Repayable between one and five years	36,106	14,828
Repayable after five years	32	-
	<u>74,064</u>	<u>58,736</u>

18 MISCELLANEOUS LIABILITIES

	<u>2004</u>	<u>2003</u>
Pension plan liabilities (<i>note 27</i>)	8,614	10,086
Deferred tax liabilities (<i>note 31</i>)	3,852	2,491
Corporation tax payable	14,221	6,670
Amounts due to managed funds	6,242	5,041
Bank indebtedness	10,299	4,209
	<u>43,228</u>	<u>28,497</u>

Bank indebtedness represents bank balances which are in technical overdraft due mainly to the incidence of uncleared issued cheques.

19 MINORITY INTEREST IN SUBSIDIARIES

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	56,289	55,446
Adjustments arising from changes in shareholdings	1,397	(1,394)
Net income	7,276	17,753
Dividends paid	(8,411)	(3,375)
Movements in other equity reserves	11,700	(1,946)
Disposals	-	(8,075)
Effects of exchange rate changes	(393)	(2,120)
Balance, end of year	<u>67,858</u>	<u>56,289</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

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:

	2004	2004	2003	2003
	Number of shares	Consideration (Barbados \$000)	Number of shares	Consideration (Barbados \$000)
Balance, beginning of year	260,029,748	432,495	260,004,651	432,495
Allotments during the year	-	-	25,097	-
Balance, end of year	260,029,748	432,495	260,029,748	432,495

21 RESERVES

	2004	2003
Fair value reserve - available for sale investment securities		
Balance, beginning of year	110,127	38,240
Net unrealised gains arising on revaluation	123,216	80,066
Net gains transferred to income on disposal and impairment	(46,604)	(8,179)
Balance, end of year	186,739	110,127
Fair value reserve - owner-occupied property		
Balance, beginning of year	6,033	4,144
Net unrealised gains arising on revaluation	7,578	1,889
Net gains transferred to retained earnings on disposal	(640)	-
Balance, end of year	12,971	6,033
Currency translation		
Balance, beginning of year	(23,730)	(9,011)
Restatement of foreign branch operations as foreign entities	(310)	-
Retranslation of net investment in foreign entities	(1,446)	(14,719)
Balance, end of year	(25,486)	(23,730)
Statutory reserves		
Balance, beginning of year	5,893	2,958
Net transfer from retained earnings	1,396	2,935
Balance, end of year	7,289	5,893
Total reserves	181,513	98,323

NOTES TO THE FINANCIAL STATEMENTS

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Amounts expressed in Barbados \$'000

22 NET PREMIUMS AND CONTRIBUTIONS

	Year ended December 31, 2004		2003
	Premiums & contributions	Reinsurance premiums	Net premiums & contributions
Life insurance	324,608	(43,308)	281,300
Health insurance	159,094	(7,444)	151,650
Property and casualty insurance	56,271	(33,379)	22,892
Annuities and pensions	81,696	-	81,696
	621,669	(84,131)	537,538
			470,236

23 NET INVESTMENT INCOME

	2004	2003
Investment income:		
Rental income from investment property	11,176	10,695
Interest income - bonds and treasury bills	107,099	92,483
Interest income - mortgage loans	29,284	33,318
Interest income - policy loans	13,459	13,315
Interest income - finance loans and leases	6,398	17,333
Interest income - convertible loans	1,668	1,761
Interest income - repurchase agreements	2,883	4,662
Interest income - deposits	8,168	11,115
Interest income - other balances	263	119
Dividend income	11,047	10,907
Net realised gains	59,342	9,692
Net unrealised gains	11,298	16,003
Foreign exchange gains and other items	3,140	13,780
	265,225	235,183
Investment expenses:		
Direct operating expenses of investment property	2,101	1,137
Interest expense and capital gains - deposit administration liabilities	23,894	24,261
Interest expense - policy funds on deposit	11,375	7,974
Interest expense - deposit liabilities	3,737	7,355
Allowances for impairment losses	14,243	2,311
Other direct investment expenses	5,953	7,691
	61,303	50,729
Net investment income	203,922	184,454

During the year, the Group sold certain listed equities to its Managed Funds at a value of \$14,617,000. The equities were sold at the prevailing listed prices and realised gains of \$12,288,000, which are included in investment income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$'000

24 FEES AND OTHER REVENUE

	2004	2003
Administration and investment fees:		
Pension and Mutual Funds not consolidated in these financial statements	13,976	10,704
Deposit administration and policy funds consolidated in these financial statements	6,653	3,744
Other fees and commissions	6,134	22,619
Miscellaneous items	8,940	10,598
	<u>35,703</u>	<u>47,665</u>

25 POLICY BENEFITS

	Year ended December 31, 2004			2003
	Policy benefits	Reinsurance recoveries	Net benefits	Net benefits
Death and disability	47,519	(13,582)	33,937	27,667
Maturities	32,337	-	32,337	39,455
Surrenders and withdrawals	69,086	-	69,086	72,271
Health insurance	102,411	(4,691)	97,720	91,530
Property and casualty insurance	176,909	(149,692)	27,217	8,210
Annuity and pension	46,373	-	46,373	39,887
Policy dividends and bonuses	14,007	-	14,007	15,079
Other	3,577	-	3,577	3,497
	<u>492,219</u>	<u>(167,965)</u>	<u>324,254</u>	<u>297,596</u>

26 EMPLOYEE COSTS

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

	2004	2003
Administrative staff salaries, allowances and bonuses	61,100	66,672
Employer contributions to social security schemes	4,987	4,821
Employer contributions to group health, life and disability schemes	4,113	4,093
Employer contributions to defined contribution pension schemes	685	484
Costs - defined benefit pension schemes (note 27)	3,061	10,095
Costs - supplementary insurance benefits (note 27)	1,429	812
	<u>75,375</u>	<u>86,977</u>

The total number of administrative staff at December 31 was 1,251 persons (2003 - 1,216 persons).

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

27 EMPLOYEE RETIREMENT BENEFITS

Retirement benefits recognised in the balance sheet are as follows:

	<u>2004</u>	<u>2003</u>
Defined benefit pension schemes	4,462	2,080
Supplementary insurance benefits	(5,149)	(4,030)
Net liability	<u>(687)</u>	<u>(1,950)</u>

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.

	<u>2004</u>	<u>2003</u>
The amounts recognised in the balance sheet are determined as follows:		
Fair value of pension plan assets	127,933	94,827
Present value of pension obligations	<u>(118,942)</u>	<u>(89,631)</u>
	8,991	5,196
Unrecognised actuarial gains	<u>(4,529)</u>	<u>(3,116)</u>
Amounts recognised in the balance sheet	<u>4,462</u>	<u>2,080</u>

Represented by:

Asset balances	7,927	8,136
Liability balances	<u>(3,465)</u>	<u>(6,056)</u>
	<u>4,462</u>	<u>2,080</u>

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

Current service cost	2,864	2,640
Interest cost	7,865	7,899
Net actuarial (gains)/losses recognised during the year	86	(543)
Past service cost	-	7,461
Expected return on pension plan assets	<u>(7,754)</u>	<u>(7,362)</u>
Pension cost	<u>3,061</u>	<u>10,095</u>

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

Amounts recognised, beginning of year	2,080	5,905
Effects of exchange rate changes	69	481
Pension cost	(3,061)	(10,095)
Contributions made	5,374	5,379
Amounts de-recognised on disposal of a subsidiary	-	410
Amounts recognised, end of year	<u>4,462</u>	<u>2,080</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

27 EMPLOYEE RETIREMENT BENEFITS (continued)

a) Defined benefit pension schemes (continued)

The principal actuarial assumptions used were as follows:

	Jamaica	Trinidad & Tobago	Barbados & other countries
Discount rate	12.5%	6.5%	6.0%
Expected return on plan assets	12.5%	6.5%	5.5% - 6.0%
Future salary increases	10.0%	5.0%	4.75% - 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%	2.5%	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.

	2004	2003
The liability recognised in the balance sheet is determined as follows:		
Present value of obligations	(5,534)	(6,333)
Unrecognised actuarial losses	385	2,303
Liability recognised in the balance sheet	(5,149)	(4,030)

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

Current service cost	355	267
Interest cost	948	532
Net actuarial losses recognised during the year	126	13
Total cost	1,429	812

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

Liability recognised, beginning of year	4,030	3,964
Effects of exchange rate changes	(67)	(666)
Total cost	1,429	812
Contributions made	(243)	(80)
Liability recognised, end of year	5,149	4,030

The principal actuarial assumptions used were as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

*Amounts expressed in Barbados \$000***28 DEMUTUALISATION AND REBRANDING COSTS**

Demutualisation costs arose in 2003 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 rebrand Group companies as 'Sagikor' entities.

29 REORGANISATION COSTS

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

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 and casualty insurance, banking and other financial services	Net income

Certain other countries levy corporation taxes according to local legislation and the Group is subject to taxation in these jurisdictions, by virtue of the domicile of the subsidiary or by virtue of the existence of branch operations. Taxation is levied either upon derived investment income or upon derived net income.

	<u>2004</u>	<u>2003</u>
Corporation tax expense		
Current tax	9,776	8,760
Deferred tax	(2,701)	(1,918)
Share of taxes of associated companies	(159)	234
	<u>6,916</u>	<u>7,076</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

30 CORPORATION TAXES (continued)

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

	2004	2003
(i) Corporation taxes derived from investment income		
Gross investment income subject to tax	75,206	99,060
Corporation tax at the Barbados rate of 5%	3,760	4,953
Effect of different tax rates applicable in other countries	4,015	2,383
Allowable expenses	(1,717)	(1,661)
Expenses not deductible for tax purposes	692	-
Movement on deferred tax not booked	597	545
Other items and adjustments	392	(156)
Corporation tax expense	<u>7,739</u>	<u>6,064</u>
(ii) Corporation taxes derived from net income		
(Loss)/income from ordinary activities subject to tax	<u>(8,810)</u>	<u>20,398</u>
Corporation tax at the Barbados rate of 33% (2003 - 36%)	(2,907)	7,343
Income not subject to tax	(2,510)	(1,307)
(Over) / under provision of corporation tax in prior years	(672)	336
Deferred tax charge on transfer of portfolio	1,381	(380)
Other movements on deferred tax	3,618	(2,335)
Other items and adjustments	267	(2,645)
Corporation tax expense	<u>(823)</u>	<u>1,012</u>
Total corporation tax expense	<u>6,916</u>	<u>7,076</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

31 DEFERRED TAXES

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

	2004	2003
(i) Temporary differences under the liability method		
Accelerated tax depreciation	7,488	4,416
Policy reserves taxable in the future	1,849	3,365
Pension plan surplus	(8)	1,076
Accrued interest and other items	6,528	798
	<u>15,857</u>	<u>9,655</u>
Deferred tax liability	<u>3,852</u>	<u>2,491</u>
(ii) Tax losses and temporary differences		
Tax provisions	12,099	15,684
Unused tax losses for which deferred tax is recognised:		
Expiring in 2004	-	990
Expiring in 2005	924	1,770
Expiring in 2006	2,292	1,398
Expiring in 2007	1,613	1,398
Expiring thereafter	21,423	2,109
	<u>38,351</u>	<u>23,349</u>
Deferred tax asset	<u>8,037</u>	<u>3,990</u>
Potential deferred tax asset arising from unrecognised tax losses	<u>9,179</u>	<u>5,978</u>

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.

	2004	2003
Net income for the year attributable to shareholders	<u>67,690</u>	<u>56,901</u>
Weighted average number of shares in issue (in thousands)	<u>260,030</u>	<u>260,027</u>
Basic and diluted earnings per common share	<u>26 cents</u>	<u>22 cents</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$'000

33 CASH FLOWS

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

	<u>2004</u>	<u>2003</u>
OPERATING ACTIVITIES		
Adjustments for non-cash items, interest and dividends		
Depreciation	13,247	16,017
Amortisation of goodwill and deferred expenses	8,554	9,151
Capital gains	(70,640)	(25,695)
(Gain)/loss on disposal of property, plant and equipment	(672)	703
Exchange gains on other assets and liabilities	(1,298)	(4,783)
Increase in provisions for impairment	14,243	1,636
Share of associated companies' income from ordinary activities	(9,269)	(3,308)
Gains on divestitures	(384)	(17,094)
Interest income	(169,222)	(174,106)
Dividend income	(11,047)	(10,907)
Interest expense	40,734	40,788
Increase in actuarial liabilities	117,949	84,137
Increase/(decrease) in provision for unearned premiums	5,698	(817)
Movement in recognised employee retirement benefits	(1,127)	5,448
	<u>(63,234)</u>	<u>(78,830)</u>
Investment property		
Disbursements	(15,605)	(7,070)
Disposal proceeds	1,759	3,405
	<u>(13,846)</u>	<u>(3,665)</u>
Equities		
Purchases	(45,772)	(28,155)
Disposal proceeds	93,203	29,114
	<u>47,431</u>	<u>959</u>
Bonds and treasury bills		
Purchases	(309,246)	(281,826)
Proceeds on maturities and disposals	205,300	158,251
	<u>(103,946)</u>	<u>(123,575)</u>
INVESTING ACTIVITIES		
Property, plant and equipment		
Purchases	(29,379)	(24,695)
Disposal proceeds	8,284	2,224
	<u>(21,095)</u>	<u>(22,471)</u>
FINANCING ACTIVITIES		
Loans payable		
Repayments	(9,633)	(9,617)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

33 CASH FLOWS (continued)**CASH AND CASH EQUIVALENTS**

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

	<u>2004</u>	<u>2003</u>
Cash resources	119,137	90,615
Investment securities, loans and deposits with an initial term to maturity of 90 days or less	26,770	75,390
Bank indebtedness	<u>(10,299)</u>	<u>(4,209)</u>
	<u>135,608</u>	<u>161,796</u>

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

	<u>2003</u>
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	<u>(13,741)</u>
Net assets	16,526
Net disposal consideration	<u>33,620</u>
Gain on divestiture	17,094
Less: gain attributable to minority interests	4,615
Gain attributable to the Group's interest	<u>12,479</u>

In 2004, a residual gain of \$384,000 on the above divestiture was recorded, representing adjustments to accrued liabilities.

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, 2004 and is therefore not reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

35 CORPORATE RESTRUCTURING

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

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, the Group held 76.0% of the ordinary shares of Life of Jamaica then in issue. Immediately prior to the share exchange, the Group 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:

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

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.

36 COMMITMENTS

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

	<u>2004</u>	<u>2003</u>
Mortgage loans	30,182	36,658
Operating lease agreements and rental payments	<u>1,716</u>	<u>1,035</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

37 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.

At balance sheet date, the Group had given an undertaking to a third party to reimburse losses which the third party might incur on the resale of certain investment securities purchased from the Group. The Group had also undertaken to bear the trading costs of the third party on resale. Subsequent to balance date, these losses and trading costs have been quantified at \$368,000 and have been recorded in these financial statements.

In accordance with the sale agreement for the sale of CariCard's operations, sale proceeds amounting to \$3,009,000 are being held in escrow for one year after the sale and will be released to CariCard, subject to any claims assessed by the purchaser.

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.

38 DEFINITIVE AGREEMENTS

In June 2003, Life of Jamaica Limited (LOJ) and First Life Insurance Company Limited (First Life) signed a Memorandum of Understanding and in July 2004, both companies signed and exchanged definitive agreements for LOJ to acquire First Life's insurance business and their 37% interest in Pan Caribbean Financial Services Limited (PCFS). The definitive agreements provided for settlement by way of the allotment of LOJ's shares based on the relative values of LOJ's and First Life's financial services business at the valuation date. LOJ would have to issue 1,156,020,795 shares to First Life. However, First Life has opted to limit their interest in LOJ to 25% and renounce the extra 236,793,064 shares to Sagicor Financial Corporation in exchange for new shares issued by Sagicor Financial Corporation at a value of \$26,822,000 to First Life and its nominees.

Completion of these transactions is subject to regulatory approvals, after which the Group's interest in LOJ will be 60%.

First Life's insurance business consists of individual life, group insurance and pension business in Jamaica.

PCFS is a publicly listed company on the Jamaica Stock Exchange and is engaged in Jamaica in securities dealing, merchant banking, foreign exchange dealing, corporate trust services, mutual fund management and the provision of debit cards for corporate fleet management.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2004

Amounts expressed in Barbados \$000

39 SUBSEQUENT EVENTS

a) Acquisition

In January 2005, Life of Jamaica acquired a further 43% interest in PCFS (identified in note 38). Combined with its previous 8% interest in PCFS, Life of Jamaica increased its interest to 51%. The acquisition was financed by the Group partially out of its own resources and the remainder from a bank loan amounting to \$34,000,000.

b) Amalgamation of Sagicor Life Inc and Life of Barbados Limited

Pursuant to a Scheme of Amalgamation, Sagicor Life Inc and Life of Barbados Limited filed articles of amalgamation, effective February 1, 2005. The amalgamated company continues as Sagicor Life Inc.

Under the Scheme of Amalgamation, inforce participating policies issued by Life of Barbados are to be transferred to the open participating fund described in note 13 and will be subject to similar rules and conditions. As a result, actuarial liabilities approximating \$335,598,000 are to be transferred to the open participating fund and a corresponding amount of assets is also to be transferred to the fund.

c) Proposed alliance

In February 2005, the Group announced that it is in discussion with FamGuard Corporation Limited (FamGuard) with a view to entering a strategic alliance. FamGuard is a publicly listed company in the Bahamas and is engaged in the provision of life and health insurance and annuities in the Bahamas.

The terms and conditions of the proposed alliance are currently being negotiated and are expected to result in the Sagicor Group acquiring a 20% shareholding in FamGuard. It is also expected that Sagicor will make available product development, marketing and technological capabilities to FamGuard.

The negotiations are expected to be concluded within 90 days and are subject to regulatory approval.

d) Proposed dividend

On April 26, 2005, the Directors of the Company declared a final dividend of 6 cents per common share in respect of the year ended December 31, 2004.

40 COMPARATIVE AMOUNTS

Certain reclassifications have been made to the 2003 comparative amounts to conform with the current year's presentation.

Senior Management

Executive Management

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

M Patricia Downes-Grant, BA, MA, MBA, DBA
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, Sagicor Allnation Insurance Company

J Andrew Gallagher, FSA, FCIA
Group Corporate Actuary

André Lafond, FSA, FCIA
Chief Actuary

Maxine MacLure, BSc, MEd, MBA
President and Chief Executive Officer, Sagicor USA, Inc

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

David N O'Brien, BA
President and Chief Executive Officer,
Sagicor 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, FCCA, MBA
Executive Vice President, Shared Services

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

Vice Presidents

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

Tammy-Anne Campbell, FSA, FCIA
Vice President, Actuarial

Anthony O Chandler, CGA, MBA
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

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
Caribbean Mercantile Bank NV
Citibank
FirstCaribbean International Bank Limited
First Union National Bank
Maduro & Curiel's Bank NV
National Commercial Bank (Jamaica) Limited
RBTT Bank Limited
Republic Bank Limited
Royal Bank of Canada
The Bank of Nova Scotia

Offices

Parent Company

SAGICOR FINANCIAL CORPORATION

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Fax: (246) 436-8829
Email: info@sagicor.com

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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
Tel: (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
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Fax: (264) 497-3710

Dominica

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Corner Hillsborough & Independence Street
Roseau
Tel: (767) 440-2562
Fax: (767) 440-2563
Email: bmlas@cwdom.dm

Guyana

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Fax: (592) 251867

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Administered by Antigua Branch

St Vincent

Incorporated Agencies Limited
Kenmars Building, Halifax Street
Kingstown

Tel: (784) 456-1159

Fax: (784) 456-2232

CAPITAL de SEGUROS, SA

Ave Samuel Lewis y Calle Santa Rita
Edificio Plaza Obarrio
3er Piso Oficina 201
Panama City, Panama

Tel: (507) 223-1511

Fax: (507) 264-1949

Email: capital1@sinfo.net

LIFE OF JAMAICA LIMITED

28-48 Barbados Avenue
Kingston 5, Jamaica

Tel: (876) 929-8920(-9)

Fax: (876) 960-1927

Website: www.life-of-ja.com

NATIONWIDE INSURANCE COMPANY LIMITED

Sagicor Financial Centre
16 Queen's Park West
Port of Spain, Trinidad

Tel: (868) 628-1636

Fax: (868) 628-1639

Email: comments@sagicor.com

SAGICOR 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

SAGICOR CAPITAL LIFE INSURANCE COMPANY LIMITED

Registered Office
Grosvenor Close and Shirley Street
Nassau, Bahamas

SAGICOR CAPITAL LIFE BRANCH OFFICES

Aruba

Fergusonstraat #106
AHMO Plaza Building, Suites 1 and 2
Oranjestad

Tel: (297) 823967

Fax: (297) 826004

Email: calico@setarnet.aw

Belize

The Insurance Centre
212 North Front Street
Belize City

Tel: (501) 223-3147

Fax: (501) 223-7390

Email: capitalbe@btl.net

Curaçao

Schottegatweg Oost #11

Tel: (599) 9 736-8558

Fax: (599) 9 736-8575

Email: capital.life@curinfo.an

SAGICOR CAPITAL LIFE AGENCIES

Haiti

Cabinet d'Assurance Fritz de Catalogne
Angles Rues de Peuple et des Miracles
Port-au-Prince

Tel: (509) 226695

Fax: (509) 230827

Email: capital@compa.net

St Maarten

C/o Charlisa NV, Walter Nisbeth Road #99B
Phillipsburg

Tel: (599) 542-2070

Fax: (599) 542-3079

Email: capital@sintmaarten.net

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

Offices

SAGICOR LIFE OF THE CAYMAN ISLANDS LIMITED

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

SAGICOR RE INSURANCE LIMITED

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

General Insurance Subsidiaries

SAGICOR GENERAL INSURANCE INC

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

Finance Companies

GLOBE FINANCE INC

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

THE MUTUAL FINANCE INC

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

Other Subsidiaries/Associated Companies

CAPITAL INTERNATIONAL MANAGEMENT SERVICES, INC

(Capital Life's GlobalSURE International Benefits)
1511 North West Shore Blvd, Suite 820
Tampa, Florida 33607-4543, USA
Tel: (813) 287-1602
Fax: (813) 287-7420
Website: www.globalsure.com

SAGICOR ASSET MANAGEMENT INC

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

SAGICOR FUNDS INCORPORATED

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

SAGICOR USA, INC

1511 North West Shore Blvd, Suite 420
Tampa, Florida 33607-4543, USA
Tel: (813) 287-6161
Fax: (813) 287-7449

THE MUTUAL FINANCIAL SERVICES INC

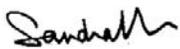
Sagicor Corporate Centre
Wildey, St Michael, Barbados
Tel: (246) 467-7500
Fax: (246) 436-8829
Email: info@sagicor.com

NOTICE OF MEETING

NOTICE is hereby given that the Second Annual Meeting of Shareholders of Sagicor Financial Corporation (“the Company”) will be held at Sherbourne Conference Centre, Two Mile Hill, St Michael, Barbados, on Friday June 24, 2005 at 5.00 pm to transact the following business:-

1. To receive and consider the Statement of Accounts and the Balance Sheet for the year ended December 31, 2004 and the Auditors’ Report thereon.
2. To elect Directors.
3. To re-appoint the incumbent Auditors for the ensuing year and to authorize the Directors to fix their remuneration.
4. To transact such other business as may properly come before the Meeting.

By Order of the Board of Directors



Sandra Osborne
Corporate Secretary

May 27, 2005.

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 second annual meeting of shareholders of Sagicor Financial Corporation (hereinafter called "the Company") to be held on June 24, 2005 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 22, 2005.

Any shareholder having given a proxy has the right to revoke it by depositing an instrument in writing executed by the shareholder or his/her attorney authorized in writing, or if the shareholder is a company, 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 12, 2005 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 and (ii) the re-appointment of the incumbent Auditors and Directors' authorization to fix their remuneration.

Only the holders of common shares of the Company will be entitled to vote at the Meeting. On a show of hands, each shareholder has one vote. On a poll, each holder of a Series A common share is entitled to one vote for each share held. Each holder of a Series C common share is entitled to one vote for the first 1,000,000 Series C common shares held, or any part thereof, plus one additional vote for every additional 1,000,000 Series C common shares held. As at December 31, 2004, 260,029,748 Series A common shares of the company were issued and outstanding. On May 6, 2005, an additional 1,250,000 Series A common shares were issued, bringing the total number of issued shares to 261,279,748 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, 2004 and the Auditors' Report thereon are included in the 2004 Annual Report which is being mailed to shareholders with this Notice of Meeting and Management Proxy Circular.

ELECTION OF DIRECTORS

The minimum number of Directors of the Company is SEVEN and the maximum number is TWELVE. The Board of Directors consists of TEN members. The Directors propose that the Board be increased to the maximum number of TWELVE. The number of Directors of the Company to be elected at the Meeting is FIVE. Messrs Colin Glyne Goddard, Krishna Narinesingh, CMT, and Michael Alexander Gordon Fraser will retire at the end of the Meeting and will not be seeking re-election.

The following are the names of the qualified persons proposed as nominees for election as Directors of the Company, and for whom it is intended that votes will be cast pursuant to the form of proxy hereby enclosed:

- MR ANDREW ALEONG, MBA, BA
- PROFESSOR HILARY McD BECKLES, PhD
- MRS MARJORIE CHEVANNES-CAMPBELL, MSc
- MR CHRISTOPHER de CAIRES, FCA, MBA
- MR WILLIAM LUCIE-SMITH, MA (Oxon), FCA

Mr Andrew Aleong holds an MBA from the Richard Ivey School of Business, University of Western Ontario, Canada. He is currently the Director, Sales and Marketing of the Albrosco Group of Trinidad & Tobago and a director of several companies within the Albrosco Group. Mr Aleong is a Trinidad & Tobago citizen and resident and is a past president of the Trinidad & Tobago Manufacturers' Association.

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

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

Mr Christopher de Caires is a chartered accountant and holds an MBA. He has over 25 years' professional and management consulting experience in Barbados and the wider Caribbean, United Kingdom and Brazil. He is currently the principal of de Caires Associates and his areas of expertise include corporate finance, international taxation, financial management, mergers and acquisitions, information systems, organizational design and business planning. He is Chairman of the Barbados Private Sector Association, the Barbados Tourism Investment Inc and World Cup Barbados. Mr de Caires is a former partner of Price Waterhouse, Barbados, where he was responsible for corporate finance, business advisory, corporate secretarial and trust services. He is a citizen and resident of Barbados.

Mr William Lucie-Smith earned an MA degree from Oxford University and is a chartered accountant. He is a retired senior partner of PricewaterhouseCoopers, Trinidad & Tobago, where he headed the Corporate Finance and Recoveries Divisions, specializing in all aspects of business valuations, privatization, mergers and acquisitions and corporate taxation. Mr Lucie-Smith has been a special advisor to the Trinidad & Tobago Government and Central Bank on divestment and has served on several national committees such as the Rampersad Committee to review the reorganization and rationalization of State Enterprises of Trinidad & Tobago and the Daly Committee on Corporate Insolvency and Company Law with special reference to severance pay. Since his retirement, Mr Lucie-Smith, a resident and citizen of Trinidad & Tobago, has been an independent consultant.

Shareholders are asked to vote FOR the election of MR ANDREW ALEONG, PROFESSOR HILARY BECKLES, MRS MARJORIE CHEVANNES-CAMPBELL, MR CHRISTOPHER de CAIRES and MR WILLIAM LUCIE-SMITH 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

PricewaterhouseCoopers, Chartered Accountants, of The Financial Services Centre, Bishop's Court Hill, St Michael, Barbados, are the incumbent Auditors of the Company. It is proposed to re-appoint PricewaterhouseCoopers as Auditors of the Company to hold office until the next annual meeting of shareholders.

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

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 ANDREW ALEONG
- PROFESSOR HILARY BECKLES
- MRS MARJORIE CHEVANNES-CAMPBELL
- MR CHRISTOPHER de CAIRES
- MR WILLIAM LUCIE-SMITH

(b) The re-appointment of the incumbent Auditors, PRICEWATERHOUSECOOPERS, and the authorization of the Directors to fix their remuneration.

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

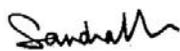
Unless otherwise noted, a simple majority of the votes cast at the Meeting, whether by proxy or otherwise, will constitute approval of any matter submitted to a vote.

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

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

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

Dated May 27, 2005.



Sandra Osborne

Corporate Secretary

SHAREHOLDER PROXY

SECOND ANNUAL MEETING OF SHAREHOLDERS

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

.....of
(PLEASE PRINT)

.....
(PLEASE PRINT)

as my/our proxy to attend, vote and otherwise act for and on behalf of the undersigned in respect of all other matters that may properly come before the SECOND ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 24, 2005 and any adjournments thereof.

_____ NAME OF SHAREHOLDER (PLEASE PRINT)	_____ SIGNATURE OF SHAREHOLDER
_____ DATE	

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

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

This proxy authorization form confers discretionary authority upon the person whom it appoints in respect of any variation or amendments or additions to the matters identified in the Notice of Meeting and any other matter that may properly come before the Meeting or any adjournment thereof.

THIS IS YOUR PROXY AUTHORIZATION FORM. PLEASE COMPLETE, SIGN AND RETURN THIS FORM BY 5.00 PM ON JUNE 22, 2005, 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.



