

Life of Jamaica Limited

Interim report

LIFE OF JAMAICA LIMITED

Interim report to shareholders for the quarter ended 30th September 2002.

The Directors of Life of Jamaica Limited are pleased to present the unaudited consolidated results for the nine-month period ended September 30, 2002. The company recorded profits before extraordinary item for the period of **\$369 million**, 32% higher than the level of profits recorded for the same period last year. Net profit after extraordinary item is **\$400 million**, \$274 million higher than profits for the same period last year of **\$126 million**.

The results reflect an extraordinary item of \$31 million, which represents the release of provision made against gains arising from the sale of subsidiaries in the prior year. The performance of the third quarter of the year largely reflects strong cash flow management, good investment performance and marked improvements in the company's cost efficiencies.

LOCAL OPERATIONS

Individual Line Insurance Operations

The improved profitability of our Individual line over the previous year is primarily due to marked improvement in business retention with conservation levels significantly higher than previous year. The line's performance also reflects efficient asset liability management, good investment performance and favourable claims experience.

New business generation at the end of the third quarter is higher than the previous year with new sales for the period also above target. We expect this aggressive sales thrust to continue in the last quarter of the year.

Employee Benefits

Our Group Business continued to report strong performance in the third quarter of the year, particularly in Pension Administration and Group Insurance. The performance for the period was largely as a result of revenue growth and growth in fee based income related to our pension business. The performance of the division continues to reflect efficient expense management, as demonstrated in the lower than anticipated expense ratios.

The joint venture with First Life Insurance Company Limited is progressing well with full implementation expected by December 2002.

INTERNATIONAL OPERATIONS

Our overseas subsidiary Global Life, reported consolidated profits attributable to LOJ for the nine months of the year to 30th September of US\$250,022, 45% lower than the profits for the same period last year of US\$453,044.

The performance of Global Life for the year is largely affected by the sale of its Bahamian subsidiary at the end of 2001.

Capital Gains on our investment in Global life arising from the appreciation of the US dollar are not reflected in the year to date profits of the company.

CONCLUSION

All the company's main lines of business continue to perform profitably largely due to good retention in our operational lines. We continue to work towards achieving a timely and smooth integration with Island Life, which should pave the way to significant improvements in profitability as we reap the synergies gained from efficiencies associated with the merger.

On behalf of the Board

Maxine MacLure
President & CEO

J. Arthur Bethell
Chairman

LIFE OF JAMAICA LIMITED
Notes to Financial Statements
9 Months ended September 30, 2002

NOTE 1
LIFE OF JAMAICA LIMITED
PROFIT & LOSS ACCOUNT
9 Months ended September 30, 2002
(UNAUDITED)

| | <u>THOUSANDS OF DOLLARS</u> | |
|-------------------------------|-----------------------------|------------------|
| | September | December |
| | 2002 | 2001 |
| Balance at Beginning of Year | (897,796) | (1,129,655) |
| Net Profit for the period | 400,126 | 231,859 |
| Balance at September 30, 2002 | <u>(497,671)</u> | <u>(897,796)</u> |

NOTE 2
LIFE OF JAMAICA LIMITED AND SUBSIDIARIES
Consolidated Life Assurance Fund
9 Months ended September 30, 2002

(UNAUDITED)

| | <u>THOUSANDS OF DOLLARS</u> | |
|-------------------------------------|-----------------------------|--------------------|
| | September | December |
| | 2002 | 2001 |
| Balance at Beginning of Year | 3,005,858 | 6,692,555 |
| Foreign Exchange Adjustment | 40,217 | 185,833 |
| Adjustments on Sale of Subsidiaries | | (4,130,076) |
| Normal change in Provision | 148,304 | 257,546 |
| Net Adjustment | <u>188,521</u> | <u>(3,686,697)</u> |
| Balance at September 30, 2002 | <u>3,194,379</u> | <u>3,005,858</u> |

LIFE OF JAMAICA LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet

September 30, 2002

| | Notes | THOUSANDS OF DOLLARS | |
|--|-------|--------------------------------|-----------------------------|
| | | UNAUDITED September 2002 | AUDITED December 2001 |
| <u>SHAREHOLDERS' FUNDS</u> | | | |
| Share Capital | | 1,222,308 | 1,222,308 |
| Share Premium | | 128,985 | 128,985 |
| Capital Redemption Reserve Fund | | 2,675 | 2,675 |
| Accumulated Deficit | 1 | (497,671) | (897,796) |
| | | <u>856,297</u> | <u>456,172</u> |
| <u>POLICYHOLDERS' FUNDS</u> | | | |
| Provision for policyholders' liabilities | 2 | 3,194,378 | 3,005,858 |
| Policyholder amounts on deposit | | 234,804 | 212,404 |
| Pension Funds | | 464,311 | 369,832 |
| | | <u>3,893,493</u> | <u>3,588,094</u> |
| INVESTMENT RESERVES | | 186,039 | 199,517 |
| OTHER LIABILITIES | | 1,254,987 | 1,249,163 |
| SEGREGATED FUNDS LIABILITIES | | <u>3,459,714</u> | <u>3,627,119</u> |
| | | <u>9,650,530</u> | <u>9,120,065</u> |

Represented By:

INVESTMENTS

| | | |
|--|------------------|------------------|
| Real Estate | 226,825 | 287,778 |
| Quoted equities | 255,583 | 47,758 |
| Government and other fixed interest securities | 3,163,908 | 2,155,788 |
| Unit Trust | 15,720 | 10,542 |
| Short term deposits | 996,424 | 1,236,289 |
| Mortgages | 154,421 | 135,501 |
| Policy Loans | 335,804 | 331,535 |
| | <u>5,148,685</u> | <u>4,205,191</u> |

INVESTMENT IN ASSOCIATED COMPANIES

| | | |
|--------------------------------|------------------|------------------|
| FIXED ASSETS | 2,725 | 4,093 |
| OTHER ASSETS | 123,430 | 143,181 |
| SEGREGATED FUNDS ASSETS | 915,975 | 1,140,481 |
| | <u>3,459,714</u> | <u>3,627,119</u> |
| | <u>9,650,529</u> | <u>9,120,065</u> |

On behalf of the Board

M. G. MacLure

President

J.A. Bethell

Chairman

The accompanying notes form an integral part of the consolidated financial statements.

LIFE OF JAMAICA LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED RESULTS

9 Months ended September 30, 2002

| | THOUSANDS OF DOLLARS | | | |
|---|-------------------------------|-------------------|-------------------------------|-------------------|
| | UNAUDITED | | | |
| | The Company | | The Group | |
| | September 2002 Restated | September 2001 | September 2002 Restated | September 2001 |
| GROSS INCOME | 2,738,279 | 2,647,990 | 2,894,664 | 4,327,702 |
| TOTAL BENEFIT & EXPENSES | (2,349,377) | (2,295,814) | (2,558,630) | (3,906,528) |
| OPERATING PROFIT | 388,902 | 352,176 | 336,034 | 421,174 |
| INVESTMENT RESERVE TRANSFERS | - | - | 22,320 | 15,137 |
| PROFIT BEFORE TAXATION | 388,902 | 352,176 | 358,354 | 436,311 |
| TAXATION | 11,224 | (81,225) | 10,286 | (117,424) |
| PROFIT AFTER TAXATION, BEFORE MINORITY INTEREST | 400,126 | 270,951 | 368,642 | 318,887 |
| MINORITY INTEREST | - | - | - | (39,047) |
| PROFIT BEFORE EXTRAORDINARY ITEM | 400,126 | 270,951 | 368,642 | 279,840 |
| EXTRAORDINARY ITEM | - | (153,422) | 31,484 | (153,422) |
| NET PROFIT FOR THE YEAR | 400,126 | 117,529 | 400,126 | 126,418 |

Profit per ordinary stock unit

Before extraordinary item

Basic

Fully diluted

| | |
|----------|----------|
| \$0.2226 | \$0.1636 |
| \$0.1865 | \$0.1373 |

| | | | |
|--------------------------|--|-----------------|-----------------|
| After extraordinary item | | | |
| Basic | | \$0.2416 | \$0.0710 |
| Fully diluted | | <u>\$0.2028</u> | <u>\$0.0596</u> |

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| MANAGED SEGREGATED POLICY FUNDS | <u>3,618,671</u> | <u>3,392,565</u> | <u>3,618,671</u> | <u>3,392,565</u> |
| MANAGED PENSION FUNDS | <u>12,451,094</u> | <u>11,351,224</u> | <u>12,451,094</u> | <u>11,351,224</u> |

On Before of the Board
M.G. MacLure President

J. A. Bethell Chairman