

# Life of Jamaica Limited

## Interim report to shareholders

for the six months ended 30th June 2003.

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### Chairman's Report

The Directors of Life of Jamaica are pleased to present the unaudited consolidated results for the six months ended June 30, 2003. The company recorded profits at the end of the second quarter of the year, after adjustments to comply with International Financial Reporting Standards (IFRS), of **\$519 million**, \$252 million or 94% higher than profits recorded for the same period last year of **\$267 million**.

The profits for the period also reflect an exceptional item of \$45 million which represents redundancy costs arising on completing the final staff restructuring for the merged LOJ/Island Life operations.

The year to date performance, as well as the performance for the quarter, reflects significant earnings growth over the previous quarter, as well as the previous year, mainly due to strong investment performance resulting from a balance sheet appropriately hedged against currency risk, and good expense management evidenced by lower expense ratios.

We continue to see strong performances by our main operational lines despite some challenging economic developments, in particular, the introduction of a number of new tax initiatives. Notwithstanding, total sales for the period amounted to \$388 million, higher than both our target and the level of sales for the same period last year.

Our overseas subsidiary, Global Life, recorded consolidated profits attributable to LOJ for the six months of the year of US\$0.8 million, 99% higher than profits for the same period last year of US\$0.4 million.

The consolidated performance shows the level of net premiums written up 30% over the level in the previous year. The total assets of the Group at the end of the period amounted to \$11 billion, \$4 billion higher than total assets at the end of 2002 of \$6.8 billion, due mainly to the acquisition of Island Life. Total Assets under management (including the Segregated Policyholder Funds and Pension Funds) have grown to \$26.6 billion from \$22.4 billion at the end of 2002.

The company's total surplus grew by 124% over the six months to \$3.4 billion, due in part to the purchase of Island Life by way of an issue of Life of Jamaica shares. The performance of the quarter reflects an annualized return on equity of 42%.

#### **Conclusion**

We are pleased by the company's performance to date and in the second half of the year we expect to achieve greater efficiencies through even stricter expense management while continuing to better the strong sales performance of the first quarter.

J. Arthur Bethell  
Chairman

## Consolidated Statement of Operations - Unaudited

	June 30, 2003 \$'000	June 30, 2003 \$'000	June 30, 2002 \$'000	June 30, 2002 \$'000
<b>Revenues:</b>				
Net premiums	1,777,880	965,838	1,368,968	705,399
Annuities and pension contributions	117,117	45,444	98,060	43,721
Net investment income	637,847	323,691	329,909	167,067
Fees and other revenues	262,432	202,998	126,929	65,770
<b>Total revenue</b>	<b>2,795,276</b>	<b>1,537,971</b>	<b>1,923,866</b>	<b>981,957</b>
<b>Disposition of revenues:</b>				
Policyholders benefits	1,030,015	546,788	836,862	413,278
Change in insurance reserves and funds	288,107	221,670	78,273	3,574
Commissions and expenses	860,358	398,247	713,984	366,918
Amortization of goodwill	10,292	10,292	(9,703)	(9,703)
<b>Total disposition of revenues</b>	<b>2,188,772</b>	<b>1,176,997</b>	<b>1,619,416</b>	<b>774,067</b>
<b>Operating net profit before taxes &amp; Exceptional items</b>	<b>606,504</b>	<b>360,974</b>	<b>304,450</b>	<b>207,890</b>
Exceptional Items	44,950	44,950		
Corporation and premium taxes	42,919	18,234	37,447	18,398
<b>Net profit after taxes &amp; Exceptional items</b>	<b>518,635</b>	<b>297,790</b>	<b>267,003</b>	<b>189,492</b>
<b>Net profit attributable to stockholders</b>	<b>518,635</b>	<b>297,790</b>	<b>267,003</b>	<b>189,492</b>
<b>Earnings per stock unit of J\$0.10</b>				
Basic	0.2191		0.1554	
Fully diluted	0.2137		0.1304	

## Consolidated Balance Sheet - Unaudited

	June 30, 2003	June 30, 2002 (Audited)
<b>Assets:</b>		
Investments		
Available-for-sale	3,930,307	5,425,303
Originated loans	4,509,181	0
Investment property	508,261	249,112
	<u>8,947,749</u>	<u>5,674,415</u>
Investment in associated company	4,105	4,105
Cash resources	129,924	206,625
Property, plant and equipment	226,753	129,173
Goodwill	607,249	0
Other assets	989,944	786,205
	<u>1,953,870</u>	<u>1,122,003</u>
<b>Total assets</b>	<u><b>10,905,724</b></u>	<u><b>6,800,523</b></u>
<b>Liabilities:</b>		
Insurance and annuity reserves	4,205,200	3,254,077
Pension funds	1,354,998	546,036
Amounts on deposit	361,295	223,790
Other liabilities	1,548,877	1,242,653
<b>Total liabilities</b>	<u><b>7,470,370</b></u>	<u><b>5,266,556</b></u>
<b>Shareholders equity and reserves:</b>		
Share capital	249,728	1,222,308
Share premium	2,641,544	128,985
Capital reserves	2,675	2,675
Investment & Currency translation reserves	30,371	248,043
Retained earnings/(deficit)	511,036	(68,044)
<b>Total equity and reserves</b>	<u><b>3,435,354</b></u>	<u><b>1,533,967</b></u>
<b>Total liabilities and equity</b>	<u><b>10,905,724</b></u>	<u><b>6,800,523</b></u>
<b>On behalf of the Board</b>		
<b>J.Arthur Bethell</b>	<b>Maxine MacLure</b>	
<b>Chairman</b>	<b>President &amp; CEO</b>	

## Consolidated Statement of Changes in Equity - Unaudited

Year ended 30/06/02:	Share capital	Share premium	Capital reserves	Investment and fair value reserves	Currency translation reserves	Retained deficit/ earnings	Total
<b>Balance at 30/12/01</b>	1,222,308	128,985	2,675	248,043		(897,796)	704,215
Net profit for the year						829,752	829,752
<b>Balance at 30/12/02</b>	<b>1,222,308</b>	<b>128,985</b>	<b>2,675</b>	<b>248,043</b>		<b>(68,044)</b>	<b>1,533,967</b>
=====							
<b>Six months ended 30/06/03</b>							
Balance at 30/06/02	1,222,308	28,985	2,675	248,043		(68,044)	1,533,967
Net profit for the year						518,634	518,634
Currency translation differences				(233,534)	314,560		81,026
Revaluation surplus on adoption of							
- IFRS 39				31,571			31,571
- IFRS 40				(36,098)	60,446		24,348
Fair value gains/(losses)				(294,171)			(294,171)
Share capital issued	(972,580)	2,512,559					1,539,979
<b>Balance at 30/06/03</b>	<b>249,728</b>	<b>2,641,544</b>	<b>2,675</b>	<b>(284,189)</b>	<b>314,560</b>	<b>511,036</b>	<b>3,435,354</b>
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## Consolidated Statement of Cash Flows - Unaudited

	30-Jun-03 (Year-to-date)	30-Dec-02 Audited
<b>Cash flows from operating activities:</b>		
Net profit	518,634	829,752
Items not affecting cash	435,643	501,442
Increase/decrease in other assets	(30,404)	427,436
Increase/decrease in other liabilities	203,249	(68,276)
<b>Cash generated from operations</b>	<b>1,127,122</b>	<b>1,690,354</b>
	=====	=====
<b>Cash from investing activities:</b>		
Proceeds from sale of fixed assets	3,116	5,181
Purchase of fixed assets	(56,388)	(26,866)
Net purchase of investments	(1,152,074)	(1,450,640)
Insurance company acquired - net of cash	1,523	0
<b>Net cash used in investing activities</b>	<b>(1,203,823)</b>	<b>(1,472,325)</b>
	=====	=====
<b>Cash flows from financing activities:</b>		
Common shares issued	0	0
<b>Net cash from financing activities</b>	<b>0</b>	<b>0</b>
	=====	=====
<b>Net increase I (decrease) in cash and Cash and cash equivalents:</b>	<b>(76,701)</b>	<b>218,029</b>
	=====	=====
<b>Cash and cash equivalents:</b>		
Cash and cash equivalents at the beginning of the year	206,625	(11,392)
Currency translation reserves	(76,701)	218,029
Net increase / (decrease) in cash and Cash and cash equivalents, at end of period	<b>129,924</b>	<b>206,637</b>
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**Segmented Financial Information - Unaudited**

	INDIVIDUAL LIFE	EMPLOYEE BENEFITS	TOTAL
<b>6 Months to 30 June 2003:</b>			
<b>Total Revenue</b>	1,734,152	1,061,124	<u><b>2,795,276</b></u>
<b>Profit before Tax &amp; Exceptional Items</b>	470,480	136,024	<b>606,504</b>
Exceptional Items			44,950
Taxation			42,919
<b>Net Profit attributable to Shareholders</b>			<b>518,635</b> =====
<b>6 Months to 30 June 2002:</b>			
<b>Total Revenue</b>	1,006,552	917,314	<b>1,923,866</b>
<b>Profit before Tax &amp; Exceptional Items</b>	242,422	62,028	304,450
Exceptional Items			0
Taxation			<b>37,447</b>
<b>Net Profit attributable to Shareholders</b>			<b>267,003</b> =====

## Notes:

### 1. Accounting Policies

#### (a) Basis of preparation

These consolidated financial statements have been prepared in accordance with, and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain items as disclosed in our accounting policies.

The computation of insurance and annuity reserves conforms with standards established under the Insurance Act 2001 as no specific guidance is provided by IFRS in this area.

Life of Jamaica adopted the financial requirements of IFRS as at January 12003. The Consolidated Statement of Changes in Equity shows the financial effect of these changes.

#### (b) Investments

In accordance with IFRS 39, investments are classified as available for sale, originated, or held for trading as determined by management at the time of purchase.

Available-for-sale investments are initially recognised at cost and are subsequently measured at their fair value. On adoption of IFRS, any difference between the book amount and the fair value of the investments was carried to Investment Reserves. Realised gains and losses are included in the profit and loss account in the period in which they arise. Unrealised gains and losses are deferred to Investment and Fair Value Reserves. Unrealised gains and losses which were included in the Investment and Fair Value Reserves on adoption of this standard are recycled to the Profit and Loss account on disposal of the investment.  
date of full entitlement



(e) Segment reporting

The group is organized into two business segments which are subject to risks and returns that are different from each other:

Individual life - provision of financial services such as mortgages, investment products and life insurance to individual clients; and

\* Employee benefits - provision of life, health, annuities, pension and retirement products to group clients

**2. Share Capital**

During the period, Life of Jamaica Limited issued 524,030,390 ordinary shares to the shareholders of Island Life Insurance Company in exchange for their Island Life shares. The LOJ shares carried a nominal value of \$0.10 per share but were exchanged at a value of \$2.95 per share. Life of Jamaica also converted the zero coupon preference shares to ordinary shares at the ratio of 3 ordinary shares for every 10 preference shares.

As a result of these transactions the share capital of the company was decreased to \$249,728,000 (\$1,222,308,000 at December 31, 2002), and the share premium account increased to \$2,641,544,000 (\$128,985,000 at December 31, 2002).

**3. Acquisition**

Effective March 31, 2003, Life of Jamaica Limited acquired all of the outstanding shares of Island Life Insurance Company Limited. The post acquisition net earnings of Island Life were \$46,406,000 and have been included in these consolidated financial statements.

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