

Life of Jamaica Limited

Chairman's Statement

The Directors of Life of Jamaica Limited (LOJ) are pleased to present the unaudited consolidated financial statements of the LOJ Group for the quarter and nine months period ended September 30, 2003.

The LOJ Group continued to deliver strong financial results against the backdrop of a challenging macro economic environment. Net profits, after taxes, for the nine months period were \$724.8 million as against \$400.1 million for the comparative period in 2002, an increase of 81%. Profitability for the third quarter was \$206.2 million, 55% higher than \$133.1 million earned in the same period last year.

Basic earnings per share were \$0.3038 to September 30, 2003 and \$0.2416 to September 30, 2002.

All lines of business and segments performed well. The principal drivers of the operating results for the nine months period were:

- The generation of excellent Individual Life new sales;
- Realisation of administration synergies from the merged operations of LOJ and Island Life;
- Portfolio growth from the acquisition of Island Life Insurance Company Limited (Island Life) effective March 31, 2003; and
- Very positive performance of the investments portfolio, influenced by foreign exchange gains on assets denominated in United States dollars.

The Individual Life new sales performance of the LOJ Group was particularly impressive in recent months. We wrote record levels of new business in August and September 2003. In the past few months, we led the industry in new business production settling approximately 35% of the Individual Life new business in the industry. Total new sales of the LOJ Group for the nine months period for both Individual Life and Group insurance were \$641.9 million. This performance is well ahead of our targets.

Earlier in the year we merged the operations and sales teams of LOJ and Island Life. By the end of March 2003, we acquired all of the issued shares of Island Life, leading to a substantial growth in the LOJ Balance Sheet. At the end of September 2003 total assets of the Group were \$11.4 billion, up from \$6.8 billion at December 2002. The book value of shareholders' equity was \$3.6 billion a 135% growth over the position at the end of December 2002. The annualised return on average equity for the nine months period was 37.6%. The share price at September 30, 2003 was \$3.24 and the market capitalisation was \$8.2 billion. Total assets under management, including segregated policy funds and pension funds, at the end of September 2003 were \$33.9 billion, up from \$25.0 billion at December 2002. The Company's strong performance has been

achieved despite the impact of a number of expenditure items during the period under review, which related to the prior year.

On September 26, 2003, the Board of Directors approved an interim dividend of \$0.10 per share on the common stock of the company, payable on October 24, 2003 to shareholders on record as of close of business on October 6, 2003.

As we go into the last quarter, a period of increased business activity, we expect continued earnings growth and high new sales.

On behalf of the Board

Chairman

November 6, 2003

Consolidated Balance Sheet

	30-Sep-03	31-Dec-02 (Audited)
Assets:		
Investments		
Available-for-sale	4,708,339	5,425,303
Originated loans	4,249,270	-
Investment property	503,973	249,112
	<u>9,461,582</u>	<u>5,674,415</u>
Investment in associated company	4,105	4,105
Cash resources	32,551	206,625
Property, plant and equipmer	260,681	129,173
Goodwill	616,826	-
Other assets	1,006,072	786,205
	<u>1,916,130</u>	<u>1,122,003</u>
Total assets	<u>11,381,817</u>	<u>6,800,523</u>
	=====	=====
Liabilities:		
Insurance and annuity reserves	3,527,365	2,576,226
Pension funds	1,344,162	546,036
Amounts on deposit	366,071	223,790
Other policyholders funds	880,260	677,851
Employees benefits	132,148	132,148
Dividends payable	252,089	-
Other liabilities	1,278,709	1,110,505
	<u>7,780,804</u>	<u>5,266,556</u>
	=====	=====
Shareholders equity and reserves:		
Share capital	252,089	1,222,308
Share premium	2,685,402	128,985
Capital reserves	2,675	2,675
Investment reserves	(99,090)	14,509
Currency translation reserves	309,540	233,534
Retained earnings/(deficit)	450,397	(68,044)
	<u>3,601,013</u>	<u>1,533,967</u>
	=====	=====
Total liabilities and equity	<u>11,381,817</u>	<u>6,800,523</u>
	=====	=====

On behalf of the Board

Chairman

President & CEO

November 6, 2003

Consolidated Statement of Operations

	30-Sep-03 (Year-to-date)	30-Sep-03 (Current quarter)	30-Sep-02 (Year-to-date)	30-Sep-02 (Current quarter)
Revenues:				
Net premium income	2,506,769	931,680	1,975,881	675,453
Annuities and pension contributions	204,636	87,519	140,899	42,839
Net investment income	1,034,490	409,347	436,992	107,083
Fees and other revenues	<u>317,241</u>	<u>54,809</u>	<u>268,288</u>	<u>141,359</u>
Total revenue	<u>4,063,136</u>	<u>1,483,355</u>	<u>2,822,060</u>	<u>966,734</u>
Disposition of revenues:				
Policyholders benefits	1,552,793	591,963	1,165,381	417,631
Change in insurance reserves and funds	177,779	22,573	149,953	51,108
Commissions and expenses	1,481,737	617,999	1,148,373	434,389
Amortization of goodwill	<u>21,270</u>	<u>10,978</u>	<u>-</u>	<u>-</u>

Nine months ended							
30/09/03:							
Balance at 31/12/02	1,222,308	128,985	2,675	248,043	-	(68,044)	1,533,967
Net profit for the period	-	-	-	-	-	724,817	724,817
Reclassification of currency translation reserve	-	-	-	(233,534)	233,534	-	-
Currency translation differences	-	-	-	-	76,006	-	76,006
Revaluation surplus on adoption of							
- IFRS 39	-	-	-	31,571	-	-	31,571
- IFRS 40	-	-	-	(36,098)	-	45,713	9,615
Fair value gains/ (losses)	-	-	-	(109,072)	-	-	(109,072)
Share capital issued	(970,219)	2,556,417	-	-	-	-	1,586,198
Dividends	-	-	-	-	-	(252,089)	(252,089)
Balance at 30/06/03	252,089	2,685,402	2,675	(99,090)	309,540	450,397	3,601,013
=====							

Consolidated Statement of Cash Flows

	30-Sep-03 (Year-to-date)	31-Dec-02 Audited
Cash flows from operating activities:		
Net profit	724,817	829,752
Items not affecting cash	650,015	501,442
(Increase) / decrease in other assets	(14,630)	427,436
Increase / (decrease) in other liabilities	58,552	(68,288)
Cash generated from operations	<u>1,418,754</u>	<u>1,690,342</u>

Cash from Investing activities:		
Proceeds from sale of fixed assets	5,476	5,181
Purchase of fixed assets	(139,020)	(26,866)
Net purchase of investments	(1,460,807)	(1,450,640)
Insurance company acquired - net of cash	<u>1,523</u>	<u>-</u>
	<u>(1,592,828)</u>	<u>(1,472,325)</u>
Cash flows from financing activities:		
Common shares issued	<u>-</u>	<u>-</u>
Net cash from financing activities	<u>-</u>	<u>-</u>
Net (decrease) / Increase In cash and cash equivalents	<u>(174,074)</u>	<u>218,017</u>
Cash and cash equivalents:		
Cash and cash equivalents at the beginning of the year	206,625	(11,392)
Currency translation reserves	-	-
Net (decrease) / increase in cash and cash equivalents	<u>(174,074)</u>	<u>218,017</u>
Cash and cash equivalents, at end of period	<u>32,551</u>	<u>206,625</u>
	=====	=====

Segmented Financial Information

	INDIVIDUAL LIFE	EMPLOYEE BENEFITS	TOTAL
Nine months to September 30, 2003:			
Total Revenue	2,380,843	1,682,293	<u>4,063,136</u>
Profit before Tax & Exceptional Items	603,593	225,964	829,557
Exceptional Items			(39,693)
Taxation			<u>(65,047)</u>
Net Profit attributable to Shareholders			724,817 =====
Nine months to September 30, 2002:			
Total Revenue	1,232,016	1,590,044	<u>2,822,060</u>
Profit before Tax & Exceptional Items	235,693	122,660	358,353
Exceptional Items			31,484
Taxation			<u>10,288</u>
Net Profit attributable to Shareholders			400,125 =====

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 1, 2003. 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 Investments 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 Investments 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 investments.

Originated investments are initially recognised at cost and then are carried at amortized cost subject to a test of impairment.

Held for trading investments are actively traded to benefit from fluctuations in fair value. Realised and unrealised gains and losses arising from changes in fair value are recognised in the Profit and Loss account in the period in which they arise.

In accordance with IFRS 40, investment properties are carried at fair value. Changes in fair value are recorded in the Profit and Loss account.

(c) Cash and Cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the Cash Flow Statement, Cash and Cash equivalents comprise cash in hand, deposits held with banks with a maturity date of three months or less from the date of acquisition and bank overdrafts.

(d) Employee pensions and other post retirement benefits

The Group maintains a number of pension plans for eligible employees and agents. The pension plans are primarily contributory defined benefit plans which provide pension benefits based on length of service and final average earnings. The cost of pension benefits is recognised using the projected

benefit method pro-rated on services. The assets which support the plans are held in trust and carried at fair value. Experience gains and losses are amortised to income over the estimated average lives of plan members. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate equivalent to the coupon rate for long term government bonds.

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

(e) Segment reporting

The Group is organised 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 investment products and life insurance to individual clients; and.
- Employee benefits - provision of life, health, annuities, pensions and retirement products to group clients.

2. Share Capital

During the period under review, Life of Jamaica Limited issued 524,030,390 ordinary shares to the shareholders of Island Life Insurance Company Limited 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 a ratio of 3 ordinary shares for every 10 preference shares.

Life of Jamaica also issued 23,605,684 shares to employees under the Employee Share Purchase Plan.

As a result of these transactions the Share Capital of the company was decreased to \$252,089,000 from \$1,222,308,000 as at December 2002 and the Share Premium account increased to \$2,685,402,000 from \$128,985,000 as at December 2002.

3. Earnings per stock unit

Earnings per stock unit is based on the Group net profit for the period divided by the weighted-average number of common shares outstanding during the period.

4. 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 \$128,241,000 and have been included in these consolidated financial statements.

5. Shareholders Dividends

At the September 2003 Board meeting, the Board of Directors of Life of Jamaica Limited declared an interim dividend of \$0.10 per share to eligible shareholders. The amount of dividends payable is accrued in these accounts and was paid subsequent to the period-end.
