

LIFE OF JAMAICA LTD.

THREE MONTHS ENDED MARCH 31, 2004

Interim Report to our stockholders for the period January to March 2004

Chairman's Statement

On behalf of The Board of Directors of Life of Jamaica Limited (LOJ), I am pleased to present the consolidated financial results of the LOJ Group for the first quarter of 2004.

For the year 2004 so far, the Jamaican economy has been characterized by declining interest rates, a buoyant stock market which grew by almost 50% during the first quarter, the currency exchange rate remaining stable and the inflation rate showing some improvement. These macro-economic factors have significantly influenced the performance of the LOJ Group.

The Group's overall performance for the first quarter was commendable.

Net profits, after taxes, were \$311 million. This achievement was in line with our expectations and about 21 % better than the profits for the corresponding period in 2003. Total revenue for the first quarter was \$1.6 billion, a 52% improvement over the similar 2003 period. You would recall that the LOJ Group of Companies grew substantially from 1 April 2003, with the acquisition of Island Life Insurance Company Limited.

LOJ's basic earnings per stock unit for the quarter was \$0.12 as against \$0.15 for the same period last year. On a fully diluted basis, the figures were \$0.11 for the first quarter of 2004 and \$0.13 for the first quarter of 2003. The ordinary shares in issue grew from 1,674,582,000 at March 2003 to 2,540,890,000 at March 2004. It should also be noted that as a consequence of the growth in the local stock market and reducing interest rates during the first quarter, there was substantial capital appreciation in LOJ's available-for-sale investment securities portfolios which remained in Fair Value reserves on the Balance Sheet and was not realised in earnings. It is expected that during the second quarter some of these gains will be realised.

At 31 March 2004, the LOJ share price was \$7.20, an 85% jump when compared with the price of \$3.90 at 31 December 2003. With 2,540,890,000 shares in issue at the end of March 2004, the market capitalisation was \$18.3 billion.

The generation of strong new business was an important driver of the results for the first quarter of 2004. Individual Life settled annualized premium income (API) for the period was \$190.3 million, exceeding the target by 23% and sales for the same period last year by 78%. This performance reflects the motivation of our sales team and the excitement

created by the launch of the new Triple Protector Policy in January. Impressive new business was also seen in the Employee Benefits area, where new API, including single premium annuities, was \$246.2 million. This activity was more than twice the business written for the same period last year and the target for 2004.

Excellent yields were generated by the segregated policy funds, the Diversified Investment Fund and the pension funds being managed under trust through the subsidiary, LOJ Pooled Investment Funds Limited (LOJ PIF). These yields ranged from 20% in the PIF Money Market Fund to 187% in the PIF Equity Fund.

Our asset base, including the Segregated Funds which are managed on behalf of policyholders, grew by 7%, from \$16.4 billion at the end of 2003 to \$17.5 billion by the end of March 2004. Total assets under management, including the LOJ Pooled Investment Funds and the Diversified Investment Funds at the end of March 2004 were \$41.0 billion, up from \$36.4 billion at December 2003.

Stockholders' equity increased to \$4.7 billion, up from \$3.8 billion at the end of 2003. In addition to net profits for the period of \$311 million, Stockholders' equity grew by \$460 million on account of unrealized capital appreciation on available-for-sale securities, which was taken directly to equity. The annualised return on average total assets was 10.1%, the return on invested assets was 13.2% and there was a 29.2% return on equity.

Consistent with the Sagacor Group's branding policy, Global Life Assurance Company Ltd. (Global Life), a wholly owned subsidiary of LOJ, was rebranded Sagacor Life of the Cayman Islands Ltd. with effect 2 February 2004.

From 1 March 2004, the LOJ Group operated under the leadership of Mr. Richard Byles. We welcome Mr. Byles as President and Chief Executive Officer of LOJ. Mr. Byles was also appointed a Director of LOJ and its subsidiary companies. Former President, Ms Maxine MacLure took up the position of President and Chief Executive Officer of the Sagacor Life Inc subsidiary, Capital International Management Services. We again thank Ms. MacLure for her sterling contribution to the LOJ Group and wish her every success.

The Minister of Finance, the Hon. Dr. Omar Davies delivered the national budget for the fiscal year 2004 on 12 April. We were heartened by the declaration of no new taxes and the removal of GCT on health insurance premiums effective 1 June, 2004. A stable economy is projected for 2004 with low interest rates and inflation targeted at 9%. Our outlook for the remainder of the year therefore remains positive but guarded. We will be focused controlling costs, maximizing returns on investments and retaining market leadership, while delivering the very highest level of service to our clients.

On behalf of the Board

J. Arthur Bethell
Chairman
21 April 2004

Consolidated Balance Sheet

	March-04	March-03	December-03
	Un-audited	Unaudited	Audited
Assets:			
Investments			
Available-for-sale	3,925,208	3,285,212	3,872,476
Originated loans	5,705,514	2,879,908	5,035,997
Investment properties	361,585	275,312	360,234
	<u>9,992,307</u>	<u>6,440,432</u>	<u>9,268,707</u>
Investment in associated companies	4,099	4,105	4,099
Cash resources	89,161	51,969	96,536
Property, plant and equipment	462,064	152,992	457,792
Goodwill	775,050	0	788,890
Other assets	1,422,662	830,599	1,367,198
Segregated funds' assets	4,761,159	3,894,408	4,380,130
	<u>7,510,096</u>	<u>4,929,968</u>	<u>7,090,546</u>
Total Assets	<u>17,506,502</u>	<u>11,374,505</u>	<u>16,363,352</u>
	=====	=====	=====

Stockholders' Equity and Liabilities:

Policyholders' Funds			
Provision for policyholders' liabilities	3,505,822	2,694,531	3,425,916
Amounts on deposit	1,348,721	966,223	1,286,995
Pension funds	1,447,944	567,718	1,441,379
	<u>6,302,487</u>	<u>4,228,472</u>	<u>6,154,290</u>
Other liabilities	1,763,193	1,408,135	1,988,784
Segregated funds' liabilities	4,761,159	3,894,408	4,380,130
Stockholders' Equity			
Share capital	254,089	197,325	252,089
Share premium	2,741,902	1,153,968	2,685,402
Capital reserves	2,675	2,675	2,675
Investment and fair value reserves	374,246	32,190	(86,144)
Currency translation reserves	303,710	269,078	294,030
Special investment reserves	64,496	0	64,496
Retained earnings/(Accumulated deficit)	938,545	188,254	627,600
	<u>4,679,663</u>	<u>1,843,490</u>	<u>3,840,148</u>
Total Liabilities and Equity	<u>17,506,502</u>	<u>11,374,505</u>	<u>16,363,352</u>
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On behalf of the Board

J. Arthur Bethell
Chairman

J. Richard O. Byles
Director

21 April, 2004

Consolidated Statement of Operations

	March 04 Year to date	March-03 Year-to-date	December-03 Year-to-date
Revenues:			
Net premium income	\$1,274,132	\$774,451	\$3,830,588
Net investment income	237,378	228,584	1,158,188
Net gain on disposal of subsidiaries	0	0	26,411
Co-insurance distributions	(47,264)	(18,280)	66,210
Fees and other revenues	138,431	67,312	522,098
Total revenues	<u>1,602,677</u>	<u>1,052,067</u>	<u>5,603,495</u>
Benefits and expenses:			
Policyholders' benefits	563,728	373,953	1,913,184
Changes in policyholders' liabilities	74,568	35,064	166,807
Commissions and expenses	615,023	345,262	2,163,642
Restructuring costs	0	17,745	21,874
Goodwill	13,840	0	41,520
Total benefits and expenses	<u>1,267,159</u>	<u>772,024</u>	<u>4,307,027</u>
Profit before taxation	335,518	280,043	1,296,468
Taxation	<u>(24,573)</u>	<u>(23,745)</u>	<u>(87,785)</u>
Net profit attributable to stockholders	<u>\$310,945</u>	<u>\$256,298</u>	<u>\$1,208,683</u>
	=====	=====	=====
Earnings per stock unit			
Basic	\$0.12	\$0.15	\$0.53
Fully diluted	\$0.11	\$0.13	\$0.52

Consolidated Statement of Changes in Shareholder's Equity

	Share capital	Share premium	Capital & reserves	Investment & fair value reserves	Currency translation reserve	Special investment reserves	(Accumulated deficit)/ retained earnings	Total
Year ended 31 December 2003:								
Balance as at 31 December 2002	\$1,222,308	\$128,985	\$2,675	(\$67,251)	\$186,116	\$16,724	(\$129,968)	\$1,359,589
Currency translation differences	0	0	0	0	107,914	0	0	107,914
Unrealised losses on available-for-sale Securities	0	0	0	(39,727)	0	0	0	(39,727)
Gains recycled to revenue on disposal and maturity of available-for-sale securities	0	0	0	8,834	0	0	0	8,834
Unrealised gains on revaluation of owner- occupied properties	0	0	0	12,000	0	0	0	12,000
Net profit	0	0	0	0	0	0	1,208,683	1,208,683
Dividends	0	0	0	0	0	0	(403,343)	(403,343)
Transfer to special investment reserve	0	0	0	0	0	47,772	(47,772)	
Conversion of zero coupon non-cumulative preference shares	(1,056,684)	0	0	0	0	0	0	(1,056,684)
Issue of shares	86,465	2,556,417	0	0	0	0	0	2,642,882
Balance at 31 December, 2003	\$252,089	\$2,685,402	\$2,675	(\$86,144)	\$294,030	\$64,496	\$627,600	\$3,840,148
Period January to March 2004:								
Balance as at 31 December 2003	\$252,089	\$2,685,402	\$2,675	(\$86,144)	\$294,030	\$64,496	\$627,600	\$3,840,148
Currency translation differences	0	0	0	0	9,680	0	0	9,680
Unrealised losses on available-for-sale securities	0	0	0	460,390	0	0	0	460,390
Gains recycled to revenue on disposal and maturity of available-for-sale securities	0	0	0	0	0	0	0	0
Unrealised gains on revaluation of owner-occupied properties	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	0	0	310,945	310,945
Dividends	0	0	0	0	0	0	0	0
Transfer to special investment reserve	0	0	0	0	0	0	0	0
Issue of shares	2,000	56,500	0	0	0	0	0	58,500
Balance at 31 March 2004	\$254,089	\$2,741,902	\$2,675	\$374,246	\$303,710	\$64,496	\$938,545	\$4,679,663

Consolidated Statement of Cash Flow

	March-04 Year-to-date Unaudited	December-03 Year-to-date Audited
Cash flows from operating activities:		
Net profit	\$310,945	\$1,208,683
Items not affecting cash	213,606	2,098,755
Changes in other assets and liabilities excluding cash:		
Other assets, net	(55,464)	(466,449)
Other liabilities, net	(73,429)	566,547
Cash generated from operations	<u>395,658</u>	<u>3,407,536</u>
Cash from investing activities:		
Proceeds from sale of property, plant and equipment	85	5,258
Purchase of property, plant and equipment	(22,627)	(203,863)
Net purchase of investments	(358,810)	(3,058,304)
Insurance company acquired - net of cash	0	1,523
Cash used in investing activities	<u>(381,352)</u>	<u>(3,255,386)</u>
Cash flows from financing activities:		
Dividends	(151,253)	(403,343)
Associated companies	0	6
Ordinary shares issued	0	46,219
Cash used in financing activities	<u>(151,253)</u>	<u>(357,118)</u>
 (Decrease)/in crease in net cash and cash equivalents	 <u>(\$136,947)</u>	 <u>(\$204,968)</u>
Cash and cash equivalents:		
Cash and cash equivalents, at beginning of year	177,153	324,421
Currency translation adjustments	303	57,700
Decrease/(increase) in net cash and cash equivalents	<u>(136,947)</u>	<u>(204,968)</u>
Net cash and cash equivalents, at end of year	<u>\$40,509</u>	<u>\$177,153</u>

Consolidated Segment Financial Information

The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats, The Group is organised into three primary business segments:

- a) Individual Life Services - Includes the provision of life insurance services to individuals.
- b) Group Services - Includes group insurance; creditor life; personal accident; group annuities; pension funds investment and administration services and the administration of trust accounts.
- c) Other operations - Includes property management and general insurance.

Transactions between the business segments are on a normal commercial terms and conditions.

	Individual Life Services	Group Services	Other Eliminations		March-04 Group
Total revenues	788,527	751,091	68,525	(5,466)	\$1,602,677
Net Profit	147,237	163,919	(211)	0	\$310,945
Assets	15,067,631	4,025,622	101,953	(2,467,853)	\$16,727,353
Investment in Associates					\$4,099
Goodwill					\$775,050
					\$17,506,502
Liabilities	8,780,292	3,701,269	106,327	(66,188)	\$12,521,700
Retirement benefit obligations					\$305,140
					\$12,826,840

	Individual Life Services	Group Services	Other	Elimination	Dec-03 Group
Total Revenue	3,165,350	2,450,372	73,079	(85,306)	5,603,495
Net Profit	821,134	383,641	3,908	0	1,208,683
Assets	12,556,695	3,839,111	177,330	(1,002,772)	15,570,364
Investment in associates					4,099
Goodwill					788,890
					16,363,353
Liabilities	8,563,684	3,606,892	118,207	(70,718)	12,218,065
Retirement benefit obligations					305,140
					12,523,205

The Group's secondary format for
segment information is geographic

	Jamaica	Grand Cayman	March-04 Group
Total Revenues	1,498,286	104,391	\$1,602,677
Assets	15,017,036	2,489,466	\$17,506,502

	Jamaica	Grand Cayman	Dec-03 Group
Total Revenues	5,257,612	345,883	\$5,603,495
Assets	13,999,807	2,363,546	\$16,363,353

Explanatory 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 available-for-sale investment securities, investment property and certain fixed assets.

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

(b) Basis of consolidation

Subsidiaries are consolidated on a line-by-line basis from the date on which control is transferred to the Group and are no longer consolidated from the date on which control ceases. Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognized in the statement of operations and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the company's interest in the associate; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Investments

Investments are classified as available-for-sale or originated loans, as determined by management at the time of purchase.

Available-for-sale securities are initially recognized at cost and are subsequently re-measured at their fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are deferred to Investments and Fair Value Reserves.

When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in reserves are transferred to the statement of operations.

Originated debt securities are initially recognised at cost and subsequently measured at amortized cost using the effective interest rate method.

Investment properties are carried at fair value. Changes in fair value are recorded in the statement of operations.

Securities purchased under agreements to resell (repurchase agreements) are treated as collateralized financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(d) 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 overdraft balances.

2. Segregated Funds

The Group manages various unitized funds on behalf of life insurance policyholders. The policyholders share all rewards and risks of the performance of the funds. Consequently, the assets and liabilities of these funds are recorded on the Consolidated Balance Sheet separately from the general funds of the Group. All income and expenditure are recorded directly to the Balance Sheet as an adjustment to "Segregated Funds' Liabilities". Income earned by the Group from investment fees is included in "Fees and Other Revenues" in the Consolidated Statement of Operations.

3. Pension Funds Under Management

These funds are held in trust through the subsidiary company, LOJ Pooled Investment Funds Limited (LOJ PIF) and the Diversified Investment Funds (DIF). All investment returns accrue directly to the funds with the Group assuming no risks. The assets, liabilities and operations of these funds are not included in these Consolidated Financial Statement. At 31 March 2004 the total funds under management were \$23.5 million (December 2003: \$20.0 million). Administration and investment fees earned by the Group are included in "Fees and Other Revenues" in the Consolidated Statement of Operations.

4. Earnings Per Stock Unit

Basic earnings per stock unit are calculated by dividing the net profit attributable to shareholders by the weighted-average number of ordinary shares in issue during the period.

The diluted earnings per stock unit is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The adjustments for the first quarter of 2004 and 2003 related to convertible preference shares, un-issued shares for the Employee Share Ownership Plan and un-issued share for the Executive Stock Option Plan.

5. Goodwill

This represents the excess of the cost of acquisition over the fair value of the net assets acquired of Island Life Insurance Company Limited. Goodwill is amortized over a period of fifteen (15) years, which is estimated to be the economic useful life.
