

FIRST LIFE INSURANCE COMPANY

and its subsidiaries

Unaudited Financial Results For the Three Months Ended March 31, 2005

The Directors are pleased to report that the profit before taxation and non-recurring gain rose from \$269.3 million for the first quarter of 2004 to \$364.7 million for the quarter ended 31 March 2005, an increase of over 35%. Contributing to this increase was a 30% improvement in the results of our Property Division compared with the corresponding quarter of 2004. There was also a marked increase in the Share of Results of Associated Companies before Taxation, which rose from \$43.3 million in the March quarter of 2004 to \$133.8 million. This reflected the change in status of Pan Caribbean Financial Services Limited (PCFS) from that of a subsidiary to an associated company, as a consequence of its merger with Manufacturers Investments Limited in February 2004. Thus, in the first quarter of 2004, PCFS operated as a subsidiary for two months and as an associated company for only one month, as opposed to three months in the March quarter 2005. This change largely explains the 42% reduction in Total Income in the March quarter 2005, which was more than offset by a 53% reduction in Operating Expenses.

In the third quarter of 2004, PCFS changed the method of accounting for this merger from the "Uniting of Interests" method to the "Acquisition" method. This change gave rise to a non-recurring gain of \$351.9 million on the dilution of our shareholding in the subsidiary. Accordingly, the results of the March quarter 2004 have been restated to reflect this non-recurring gain.

We are also pleased to report the signing of the final transfer document necessary to complete the acquisition by Life of Jamaica (LOJ) of First Life's insurance and pension management businesses as well as our 37% stake in PCFS, pursuant to our earlier agreements. With effect from

1 April 2005, our Group will own a 25% stake in the enlarged LOJ, which will therefore be an associated company of our Group. Our second quarter results will reflect this significant re-structuring of our Group.

Maurice W. Facey, OJ, JP
Chairman

Stephen B. Facey
Director

Unaudited Consolidated Statement of Operations

Three Months ended 31 March 2005

	March 2005 \$'000	March 2004 \$'000
Income		
Premium (net)	443,268	378,924
Investment (net)	70,003	629,199
Property	139,688	118,561
Other	14,255	24,872
	<u>667,214</u>	<u>1,151,556</u>
Operating Expenses		
Policyholders' benefits & reserves	301,637	300,107
Commissions	32,470	21,460
Management, property and other expenses	101,821	146,768
Interest expense	429	457,177
	<u>436,357</u>	<u>925,512</u>

Operating Profit	230,857	226,044
Share of results of associated companies before taxation	133,837	43,270
Profit before taxation and non-recurring item	364,694	269,314
Gain on dilution of shareholding in subsidiary	-	351,913
Profit before taxation	364,694	621,227
Taxation	(69,262)	(24,023)
Profit after taxation	295,432	597,204
Minority interest	-	(17,360)
Net Profit	295,432	579,844
	=====	=====
EARNINGS PER STOCK UNIT	\$0.97	\$1.93
FULLY DILUTED EARNINGS PER STOCK UNIT	\$0.97	\$1.92
EARNINGS PER STOCK UNIT EXCLUDING GAIN ON DILUTION OF STOCKHOLDING IN SUBSIDIARY	\$0.97	\$0.76

* The comparative numbers have been restated to reflect the change in the consolidation method of our associated company Pan Caribbean Financial Services and their reversal of deferred taxation utilized.

Unaudited Consolidated Balance Sheet

31 March 2005

	March 2005 \$'000	**Audited December 2004 \$'000	*Restated March 2004 \$'000
ASSETS			
Cash and Bank Balances	289,666	420,609	151,173
Investments			
Securities			
Available-for-sale	2,379,513	2,399,017	1,835,977
Securities purchased under agreements to resell	771,748	542,014	641,865
Short term deposits	4,771	4,542	-
Loan and lease receivables	166,519	155,750	190,621
Investment properties	1,864,295	1,831,024	1,665,107
Investment in associated companies	<u>2,337,983</u>	<u>2,117,919</u>	<u>1,664,027</u>
	7,524,829	7,050,266	5,997,597
Taxation Recoverable	116,838	105,432	97,528
Deferred Tax Assets	2,972	2,547	3,477
Other Assets	472,304	420,416	655,545
Property, Plant and Equipment	90,860	87,835	138,465
Intangible Assets	174,949	178,014	208,991
Retirement Benefit Assets	34,216	34,216	55,301
Segregated Funds' Assets	<u>93,623</u>	<u>88,300</u>	<u>73,764</u>
	8,800,257	8,387,635	7,381,841
LIABILITIES AND STOCKHOLDERS' FUNDS			
Stockholders' Funds			
Share capital	303,500	303,500	300,258
Share premium	52,348	52,348	49,917
Capital redemption reserve	3,000	3,000	3,000

Insurance special reserves	68,479	69,820	81,241
Investment and other reserves	911,940	752,511	587,994
Retained earnings	4,116,968	3,867,498	3,024,025
	<u>5,456,235</u>	<u>5,048,677</u>	<u>4,046,435</u>
Policyholders' Funds			
Reserve for future policyholders' benefits	948,660	927,685	814,601
Approved deposit administration funds	792,647	771,097	710,802
Policyholders' funds on deposit	403,385	400,776	378,310
Policy dividends on deposit	19,811	1,961	19,995
	<u>2,164,503</u>	<u>2,119,175</u>	<u>1,923,708</u>
Bank overdraft	3,458	6,425	-
Taxation payable	40,151	110,014	388
Deferred tax liability	70,728	70,637	50,022
Other liabilities	779,642	602,412	1,100,854
Due (to)/from related parties	(726)	7,005	(103)
Long term loans	135,281	277,628	132,004
Retirement benefit liabilities	57,362	57,362	49,769
Segregated funds' liabilities	93,623	88,300	73,764
	<u>8,800,257</u>	<u>8,387,635</u>	<u>7,381,841</u>
	=====	=====	=====

**The prior year's accounts have been restated to reflect the change in IAS 39 which was effective January 1, 2005.

Unaudited Consolidated Statement of Cash Flows

Three Months ended 31 March 2005

	3-Months March 2005 \$'000	3-Months March 2004 \$'000
Net profit	295,432	579,844
Items not affecting cash	<u>(170,404)</u>	<u>(392,123)</u>
	125,028	187,721
Changes in non-cash working capital components	<u>(26,562)</u>	<u>(290,040)</u>
Cash flows from/(used in) operating activities	98,466	102,319
Cash flows from/(used in) investing activities	65,913	150,659
Cash flows (used in)/from financing activities	<u>(62,334)</u>	<u>3,873</u>
Net (decrease)/increase in cash and cash equivalents	102,045	52,213
Cash and cash equivalents at beginning of year	<u>960,681</u>	<u>740,825</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,062,726</u>	<u>793,038</u>
Comprising:		
Cash and bank balances	289,666	151,173
Short term investments	776,518	641,865
Bank overdraft	<u>(3,458)</u>	<u>-</u>
	<u>1,062,726</u>	<u>793,038</u>

Unaudited Segmental Financial Information

31 March 2005

	Insurance and other Financial Services	Property \$'000	Banking and other Financial Services \$'000	Eliminations \$'000	Group \$'000
External operating revenue	508,947	158,267	-	-	667,214
Revenue from other segments	29,037	947	-	(29,984)	-
Operating revenue	537,984	159,214	-	(29,984)	667,214
Segment result	172,399	87,551	-	(29,093)	230,857
Share of results of associated companies					133,837
Profit before taxation					364,694
Taxation					(69,262)
Net profit					295,432

31 March 2004

REVENUE

External operating revenue	452,960	132,206	566,390	-	1,151,556
Revenue from other segments	28,281	5,344	915	(34,540)	-
Operating revenue	481,241	137,550	567,305	(34,540)	1,151,556
Segment result	112,469	67,195	75,480	(29,100)	226,044
Share of results of associated companies					43,270
Profit before taxation and non-recurring item					269,314
Gain on dilution of stockholding in subsidiary					351,913
Profit before taxation					621,227
Taxation					(24,023)
Profit after taxation					597,204
Minority interest					(17,360)
Net profit					579,844

Unaudited Consolidated Statement of Change in Stockholders' Funds

	March 2005 \$'000	March 2004 \$'000
Equity at beginning of the period	5,048,677	3,453,192
Net profit for the period	295,432	579,844
Unrealised gains on investments	48,017	(24,647)
Change in reserves of associated compa	113,866	34,046
Realised loss on sale of investments transfer to statement of operation	321	-
Dividends paid	<u>(50,078)</u>	<u>-</u>
Equity at end of period	<u>5,456,235</u> =====	<u>4,046,435</u> =====
