



A member of the Sagikor Group

Life of Jamaica Limited
Audited Consolidated Financial Statements
For the year ended December 31, 2006

On behalf of the Board of Directors, we are pleased to present the audited consolidated financial statements for Life of Jamaica Limited (LOJ) for the year ended December 31, 2006.

For 2006, LOJ's net profit attributable to shareholders was \$2,572 million, an improvement of 5% over the previous year. This modest improvement in profit over 2005 masks significant improvements in operational performance. Profits for 2005 would have been \$2,019 million with the exclusion of the one-time gain of \$430 million from the sale of shares to the ultimate parent. The 2006 performance is therefore a 27% improvement on the normal results for 2005 and represents an annualized return of 22% on opening shareholders equity.

Basic earnings per share for the current year were \$0.69 as compared to \$0.71 (\$0.59 before the unusual gain) for the previous year. The current earnings per share from normal operations is affected by the weighted average number of shares in issue during the current year being about 9% more than those outstanding during 2005. Shareholders will recall we acquired the financial services business of First Jamaica Investments Limited (formerly FirstLife Insurance Company Limited) for the issue of 1,156,020,795 LOJ shares in the second quarter of 2005.

The book value of Shareholders' Equity as at December 31, 2006 was \$14,412 million, compared to \$11,652 million as at December 31, 2005. Total assets of the Group stood at \$79,058 million compared to \$70,911 million at December 31, 2005.

The Jamaican Insurance Act and Regulations require Life Insurance companies to carry a Minimum Continuing Capital and Surplus Requirement (MCCSR) of at least 120% by the end of the 2006 financial year. The MCCSR measures the ratio of available capital to required capital. The policy within the Sagikor Group is that our MCCSR should not fall below 150% which is the internationally accepted standard for financially strong companies. At December 2006 LOJ's ratio was 185.8%.

In 2006 LOJ received a financial strength rating (FSR) of "A" (excellent) and an insurers credit rating (ICR) of "a" from the A.M. Best rating agency. In this accomplishment, LOJ joined its parent company, Sagikor Life Inc., who enjoyed similar ratings for six consecutive years. A.M. Best is the leading rating agency for insurance companies worldwide.

Consolidated revenues for the 2006 period were \$14,769 million, up 22% on the 2005 amount of \$12,123 million, which included the unusual gain of \$430 million. The Individual Life Division put in a strong performance both in terms of new business generated and actual earned premiums which closed the year at \$4,266 million, 19% ahead of last year. Despite the very competitive markets in Cayman and Jamaica, earned premiums from Employee Benefits services grew strongly recording a 35% improvement over 2005. Net investment income also performed well rising by 17% to \$3,594 million.

The critical performance ratios for LOJ including those which measure expenses, commissions, conservation, benefit payments and return on invested assets, all indicate the company's core business continues to be strong and is operating within expected parameters.

All the apartments at the Winchester Estate project were completed and sold in the year. Construction at the Winchester Business Centre is making satisfactory progress and is slated for completion in the second quarter of 2007.


LOJ's investment banking interest is constituted of its 53% owned subsidiary, Pan Caribbean Financial Services Limited, (PCFS). PCFS had another satisfactory year, reporting its sixth consecutive year of record profits. Net Income for 2006 was \$1,113 million, up 8% over 2005. LOJ's share of this profit (after amortization of intangibles of \$118 million) was \$472 million an increase of 13% over the \$417 million in 2005.


The LOJ Group's General Insurance interests is represented by a 51% stake in Sagicor General Insurance (Cayman) Ltd, (formerly Cayman General Insurance Company Ltd). We are pleased to report that Sagicor General (Cayman) earned profits of \$177.4 million, of which LOJ's share was \$40.2 million after the amortization of intangibles and finance costs. In 2006, Sagicor General's gross written premiums across all lines showed an increase of 10% over 2005.

In fulfilling its commitment to participate in initiatives that enhance the long-term quality of life of our staff and our communities, LOJ contributed financial support to scores of entities in the fields of education, health, sports and the arts. We augmented this wide array of programs with a Summer Mentorship Program where more than 50 young men and women were employed for the summer holidays and young children of our staff members participated in a summer camp. In respect of our staff we introduced an enhanced Staff Education Program and a two day motivational seminar.

2006 was a successful year for LOJ and its subsidiaries and we are a stronger, more efficient company today. We sincerely thank the management, administration staff, the sales force and the broker community for their commitment and support. Most importantly we thank the Jamaican community for placing their confidence in LOJ as our clients.

On behalf of the Board of Directors:


Dodridge D. Miller
Chairman
February 27, 2006


Richard O. Byles
President & CEO

Life of Jamaica Limited
Consolidated Balance Sheet
as at December 31, 2006
(Expressed in thousands of Jamaican dollars)

	December 2006	Restated December 2005
Assets:		
Financial assets at fair value through income	1,513,339	717,697
Available-for-sale securities	48,176,776	41,325,217
Loans and leases	8,226,426	7,469,812
Securities purchased under resale agreements	1,327,702	2,000,132
Short term deposits	694,834	777,316
Investment properties	441,023	556,382
Investment in associated companies	2,725	2,725
	<u>60,382,825</u>	<u>52,849,281</u>
Cash resources	1,993,534	1,482,419
Property, plant and equipment	849,585	682,515
Intangible assets	5,363,681	5,678,071
Reinsurance assets	1,188,925	1,172,698
Income tax assets	672,912	735,283
Miscellaneous assets and receivables	2,977,478	2,861,698
Segregated funds' assets	5,629,274	5,448,888
	<u>18,675,389</u>	<u>18,061,572</u>
Total Assets	<u>79,058,214</u>	<u>70,910,853</u>
Liabilities:		
Insurance and annuity liabilities	5,270,647	4,941,686
Investment contracts liabilities	4,657,895	4,692,828
Other policy liabilities	2,484,231	2,273,948
	<u>12,412,773</u>	<u>11,908,462</u>
Securities sold under repurchase agreement	31,747,734	29,228,380
Customer Deposits	4,472,809	4,203,475
Due to Banks and other Financial Institutions	2,669,099	1,889,641
Provisions	82,500	0
Income tax liabilities	692,459	579,086
Accounts payable and accrued liabilities	2,353,399	1,925,968
Segregated funds' liabilities	5,629,274	5,448,888
	<u>47,647,274</u>	<u>43,275,438</u>
Total liabilities	<u>60,060,047</u>	<u>55,183,900</u>
Equity:		
Capital and reserves attributable to the Company's Shareholders		
Share Capital and share premium	7,654,212	7,547,679
Investment and other reserves	1,580,096	445,103
Retained earnings	5,177,479	3,659,266
	<u>14,411,787</u>	<u>11,652,048</u>
Minority interest in subsidiaries	<u>4,586,380</u>	<u>4,074,905</u>
	<u>18,998,167</u>	<u>15,726,953</u>
Total Liabilities and Equity	<u>79,058,214</u>	<u>70,910,853</u>

On behalf of the Board of Directors;



Dodridge D. Miller
Chairman
February 27, 2007

Life of Jamaica Limited
Consolidated Statement of Operations
for the year ended December 31, 2006
(Expressed in thousands of Jamaican dollars)

	December 2006	Restated December 2005
Revenues:		
Gross premium revenue	11,877,893	8,031,557
Reinsurance premium ceded	(2,009,545)	(556,041)
Net premium revenue	9,868,348	7,475,516
Net investment income	3,594,220	3,075,717
Gain on sale of shares to ultimate parent company	0	429,940
Fees, commissions and other revenues	1,306,016	1,142,262
Total revenues	14,768,584	12,123,435
Benefits and expenses:		
Insurance benefits incurred	5,354,589	3,801,184
Insurance benefits reinsured	(402,940)	(81,664)
Net Insurance benefits incurred	4,951,649	3,719,520
Changes in insurance and annuity liabilities	272,390	374,981
Administration expenses	3,383,425	2,730,818
Commissions and related expenses	1,818,297	1,288,361
Depreciation and amortization	526,441	398,285
Finance cost	22,986	31,941
Total benefits and expenses	10,975,188	8,543,906
Profit before taxation	3,793,396	3,579,529
Taxation	(740,148)	(708,686)
Profit after taxation	3,053,248	2,870,843
Net profit attributable to:		
Shareholders of the company	2,572,216	2,449,261
Minority interest	481,032	421,582
Net profit for period	3,053,248	2,870,843
Earnings per share for profit attributable to shareholders:		
- Basic	\$0.69	\$0.71
- Fully diluted	\$0.68	\$0.70

Life of Jamaica Limited
Consolidated Statement of Changes in Shareholders' Equity
for the year ended December 31, 2006
(Expressed in thousands of Jamaican dollars)

	Share capital and share premium	Investment & fair value reserves	Currency translation reserve	Other reserves	Retained Earnings	Minority interest	Total
Year ended December 31, 2005:							
Balance as at January 1, 2005, as restated	3,006,856	742,006	317,078	106,888	1,978,599	0	6,151,427
Unrealised gains on revaluation of owner-occupied properties	0	27,809	0	0	0	0	27,809
Currency translation differences	0	0	72,761	0	0	0	72,761
Reversal of unrealized fair value gains on Acquired subsidiary	0	(861,222)	0	0	0	0	(861,222)
Unrealised gains on available-for-sale securities	0	365,986	0	0	0	(174,072)	191,914
Gains recycled to revenue on disposal and Maturity of available-for-sale securities	0	(372,148)	0	0	0	0	(372,148)
Net gains/(loses) not recognized in the statement of operations	0	(839,575)	72,761	0	0	(174,072)	(940,886)
Net Profit	0	0	0	0	2,449,261	421,582	2,870,843
Total income/(expense) recognized for 2005	0	(839,575)	72,761	0	2,449,261	247,510	1,929,957
Transfer to special investment reserve	0	0	0	5,483	(5,483)	0	0
Total income/(expense) recognized for 2005	0	44,165	0	0	(44,165)	0	0
Transfer to retained earnings	0	0	0	0	0	0	0
Adjustment between regulatory loan provisioning and IFRS	0	0	0	(20,341)	20,341	(17,863)	(17,863)
Employee share option scheme – value of services provided	0	0	0	16,638	0	9,563	26,201
Minority interest net assets of acquired subsidiaries	0	0	0	0	0	4,153,563	4,153,563
Net movement in equity for minority Interest	0	0	0	0	0	(209,979)	(209,979)
Issue of shares	4,540,823	0	0	0	0	0	4,540,823
Dividend paid to minorities	0	0	0	0	0	(107,889)	(107,889)
Dividends	0	0	0	0	(739,287)	0	(739,287)
Balance as at December 31, 2005	7,547,679	(53,404)	389,839	108,668	3,659,266	4,074,905	15,726,953
Period ended December 31, 2006:							
Balance as at January 1, 2006, as restated	7,547,679	(53,404)	389,839	108,668	3,659,266	4,074,905	15,726,953
Unrealised gains on revaluation of owner-occupied properties	0	23,554	0	0	0	0	23,554
Currency translation differences	0	(2,753)	71,284	0	0	21,893	90,424
Unrealised gains on available-for-sale securities	0	1,274,582	0	0	0	241,543	1,516,125
Gains recycled to revenue on disposal and Maturity of available-for-sale securities	0	(293,896)	0	0	0	(115,896)	(409,792)
Net gains/(loses) not recognized in the statement of operations	0	1,001,487	71,284	0	0	147,540	1,220,311
Net profit	0	0	0	0	2,572,216	481,032	3,053,248
Total income/(expense) recognized for 2006	0	1,001,487	71,284	0	2,572,216	628,572	4,273,559
Provision utilized	0	0	0	(672)	0	(604)	(1,276)
Transfer to retained earnings	0	39,130	0	0	(39,130)	0	0
Adjustment between regulatory loan provisioning and IFRS	0	0	0	(18,894)	18,894	0	0
Transfer to special investment reserve	0	0	0	26,610	(26,610)	0	0
Employee share option scheme – value of services provided	0	0	0	16,048	0	5,634	21,682
Issue of shares	106,533	0	0	0	0	51,681	158,214
Dividend paid to minorities	0	0	0	0	0	(173,808)	(173,808)
Dividends	0	0	0	0	(1,007,157)	0	(1,007,157)
Balance as at December 31, 2006	7,654,212	987,213	461,123	131,760	5,177,479	4,586,380	18,998,167

Life of Jamaica Limited
Consolidated Statement of Cash Flows
for the year ended December 31, 2006
(Expressed in thousands of Jamaican dollars)

	December 2006	Restated December 2005
Cash Flows from operating activities:		
Net profit	3,053,248	2,870,842
Items not affecting cash	(1,787,405)	(1,867,011)
Changes in operating assets and liabilities	(1,447,627)	2,314,306
Interest received	6,506,786	4,822,317
Interest paid	(3,675,160)	(3,551,793)
Income taxes paid	(626,263)	(736,742)
Cash generated from operating activities	2,023,579	3,851,919
Cash Flows from investing activities:		
Property, plant and equipment, net	(142,929)	(114,642)
Intangible assets, net	(55,244)	(111,341)
Acquisition of subsidiaries, net of cash acquired	0	(3,110,009)
Cash used in investing activities	(198,173)	(3,335,992)
Cash Flows from financing activities:		
Dividends paid to shareholders	(1,011,605)	(724,221)
Dividend paid to minority interest	(173,808)	(107,889)
Ordinary shares issued	106,533	147,944
Proceeds from loans, net	596,402	3,639,404
Cash (used in) / provided by financing activities	(482,478)	2,955,238
Increase in net cash and cash equivalents	1,342,928	3,471,165
Cash and cash equivalents:		
Cash and cash equivalents, at beginning of period	4,034,586	277,776
Effects of exchange rate changes	103,434	285,645
Increase in net cash and cash equivalents	1,342,928	3,471,165
Net cash and cash equivalents, at end of period	5,480,948	4,034,586

Life of Jamaica Limited
Consolidated Segmental Financial Information
for the year ended December 31, 2006
(Expressed in thousands of Jamaican dollars)

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 organized into five primary business segments, these are:

- Individual Life Services - Includes the provision of life insurance services to individuals.
- Employee Benefits Services - Includes group insurance; creditor life; personal accident; group annuities; pension funds investment and administration services and the administration of trust accounts.
- Banking and Asset Management Service – Includes development banking; merchant banking and asset management.
- General Insurance Services - Includes property and casualty insurance.
- Other Services – Includes captives management, property management and shareholders funds.

	Individual Life Services	Employee Benefits Services	Other Services	General Insurance Services	Banking and Asset Management Services	Eliminations	Total Group December 2006
Total Revenue	4,900,975	6,729,131	527,183	448,905	2,275,633	(113,243)	14,768,584
Amortization of purchased intangibles	0	(94,712)	0	(24,220)	(223,037)	0	(341,969)
Benefits and expenses	(3,511,641)	(5,399,122)	(586,280)	(421,768)	(779,511)	25,154	(10,610,233)
Finance costs	0	(12,789)	(22,562)	(12,789)	0	88,089	(22,986)
Profit / (loss) before tax	1,389,334	1,222,508	(81,659)	(9,872)	1,273,085	0	3,793,396
Taxation	(230,150)	(127,105)	559	0	(383,452)	0	(740,148)
Profit / (loss) after taxation	1,159,184	1,095,403	(81,100)	(9,872)	889,633	0	3,053,248
Segment Assets -							
Intangible assets	1,271,699	1,462,029	32	381,632	2,248,289	0	5,363,681
Other assets	17,441,518	9,564,531	70,043	3,064,567	44,025,425	(509,447)	73,656,637
	18,713,217	11,026,560	70,075	3,446,199	46,273,714	(509,447)	79,020,318
Unallocated Assets -							
Investment in associates							2,725
Deferred tax assets							21,217
Retirement benefit asset							13,954
Total Assets							79,058,214
Segment Liabilities	13,559,524	6,896,058	98,163	2,091,694	37,272,040	(509,447)	59,408,032
Unallocated Liabilities -							
Deferred tax liabilities							357,989
Retirement benefit liabilities							294,026
Total Liabilities							60,060,047
Other Segment Items:							
Depreciation							128,438
Capital expenditure							146,802

	Individual Life Services	Employee Benefits Services	Other Services	General Insurance Services	Banking and Asset Management Services	Eliminations	Total Group December 2005
Total Revenue	4,229,672	5,054,982	285,039	45,884	2,106,621	(28,703)	11,693,495
Amortization of purchased intangibles		(53,963)		(1,094)	(223,037)	0	(278,094)
Benefits and expenses	(3,247,486)	(3,938,468)	(343,723)	(24,982)	(691,212)	12,000	(8,233,871)
Finance costs			(21,644)		(27,000)	16,703	(31,941)
Profit / (loss) before tax	982,186	1,062,551	(80,328)	19,808	1,165,372	0	3,149,589
Gain on sale of shares to parent company							429,940
Taxation	(171,017)	(178,762)	4,870	0	(363,777)	0	(708,686)
Profit / (loss) after taxation	811,169	883,789	(75,458)	19,808	801,595	0	2,870,843
Segment Assets -							
Intangible assets	1,259,886	1,529,864	40	415,670	2,472,610	0	5,678,070
Other assets	15,912,248	8,572,264	3,022	2,277,769	39,133,420	(707,099)	65,191,624
	17,172,134	10,102,128	3,062	2,693,439	41,606,030	(707,099)	70,869,694
Unallocated Assets -							
Investment in associates							2,725
Deferred tax assets							21,729
Retirement benefit assets							16,705
Total Assets							70,910,853
Segment Liabilities	13,420,652	6,627,896	24,769	1,542,487	33,770,226	(707,099)	54,678,931
Unallocated Liabilities -							
Deferred tax liabilities							217,271
Retirement benefit liabilities							287,698
Total Liabilities							55,183,900
Depreciation							89,422
Capital expenditure							118,847

The Group's secondary format for segment information is geographic:

	Jamaica	Grand Cayman	Total Group December 2006
Total Revenue	12,769,173	1,999,411	14,768,584
Total Assets	71,104,829	7,953,385	79,058,214

	Jamaica	Grand Cayman	Total Group December 2005
Total Revenue	11,469,383	654,052	12,123,435
Total Assets	64,165,146	6,745,707	70,910,853

