Relationships form the very core of our business






Touching lives...making a difference

Annual Report 2006

Life *of* Jamaica LIMITED

Wise financial advice for life

A member of the Sagicor Group

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PROXY	


In the formative years,
Life of Jamaica Limited operated as a company whose focus was life and health insurance.
36 years later,
from a solid financial base, our interest has extended beyond insurance to pension management, investments, mortgages, banking, retirement planning and real estate services.
One company touching the lives of thousands of clients every day, providing, "Wise Financial Advice for Life".
Life of Jamaica LIMITED
Wise financial advice for life
A member of the Sagicor Group
Financial Strength
A.M. BEST
A Excellent

CORPORATE PROFILE

Life of Jamaica Limited (LOJ) is a leading financial services company in Jamaica, which commenced its operations in 1970. It is the first life insurance company to be listed on the Jamaica Stock Exchange (JSE).

Since its inception, LOJ has gained a solid reputation as an innovative market leader in the Jamaican and Caribbean life insurance industry. The company has consistently been the market leader among life insurance companies in Jamaica; it is the leading life and health insurance provider.

In November 2001, Sagicor Financial Corporation acquired a controlling interest in Life of Jamaica and sought to grow and expand its operations through mergers and acquisitions.

In 2003, the operations of Island Life and LOJ were amalgamated through a regional group reorganization of the parent company.

In 2005, LOJ acquired the life insurance and employee benefits business of First Life Insurance Company Limited as well as controlling interest in Cayman General Insurance Ltd., now re-branded as Sagicor General Insurance (Cayman) Ltd. through its subsidiary, Sagicor Life of the Cayman Islands Ltd. LOJ also diversified its business by obtaining a controlling interest in the Banking Group, Pan Caribbean Financial Services Limited.

At the end of 2006 LOJ's consolidated equity stood at $14,412 Million and total assets under management including self-directed pension funds amounted to $120,883 Million.

Our Company at a Glance

The Company Markets:

- An extensive range of ordinary long term and equity linked insurance products;
- Group life, group health and critical illness plans;
- Group pension plans.

Some of The Company's Other Services Include:

- Residential and commercial mortgages;
- Real estate development and management;
- Annuities;
- Investments management;
- Lease financing.

The Subsidiaries of Life of Jamaica are:

- LOJ Property Management Limited – Property management
- Sagicor Life of the Cayman Islands Ltd. – Life Insurance & Annuities
  - Sagicor General Insurance (Cayman) Ltd. – Property, casualty and health insurance
- LOJ Pooled Investment Funds Limited – Pension funds management
- Employee Benefits Administrator Limited – Pension administration
- Sagicor Re Insurance Limited – Property and casualty insurance captive
- Pan Caribbean Financial Services Limited – Investment banking

As at December 2006, the LOJ Group had an administration staff complement of 874 persons and employed approximately 402 sales representatives. The LOJ staff and agents are strategically located in 10 branches island-wide. Approximately 200 of these agents are members of the life insurance industry's prestigious Million Dollar Round Table, an honour awarded to approximately 5% of all agents worldwide, in recognition of outstanding sales production and service to clients.

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. The LOJ Group is a majority owned subsidiary of the Sagicor Financial Corporation. The Sagicor Financial Group is a leading Caribbean financial services organisation with operations in over 22 countries including Latin America and the United States. It has received six consecutive ratings of "A" (Excellent) by A.M. Best based on its financial strength, strategic management and operating efficiency. A.M. Best is the leading rating agency for insurance companies worldwide.

"Thanks to the Life of Jamaica Mortgage Team, we are the proud owners of our home!"

- Mr. & Mrs. Steven Virgo

Sagicor Financial Corporation is listed on the Barbados, Trinidad and Tobago and London Stock Exchanges.

More information on LOJ can be viewed at http://www.lifeofja.com

Information about Sagicor can be found at http://www.sagicor.com

Dodridge D. Millller,
Chairman

It has been yet another milestone year of achievement for LOJ. We are proud to have piloted the return of the Company to the position of the leading life insurance carrier in Jamaica. LOJ is now a major financial institution in Jamaica. We continue to position LOJ as a premier financial services company, contributing to the social and economic development of Jamaica and the Caribbean. - Dodridge D. Miller, Chairman

CHAIRMAN'S REPORT

The year ended December 31, 2006 was another outstanding year for Life of Jamaica Limited (LOJ) with reported profits of $2,572 million, attributable to stockholders, exceeding the $2,449 million of the previous year.

We are particularly pleased with these results as they indicate success in the acquisition and integration of the First Life insurance portfolio, 53% of Pan Caribbean Financial Services Limited (PCFS) and 51% of Cayman General Insurance Company Ltd. (re-named Sagicor General Insurance (Cayman) Ltd).

Core business performance in our major profit centers, individual life and employee benefits was also excellent and LOJ continues to hold the leading market share in Jamaica in individual life, group health and life and pension asset management. Our sales representatives, group portfolio managers and the broker community are to be congratulated for meeting and exceeding all our new business and retention targets for another year. LOJ's performance was no doubt assisted by the stable economic environment during 2006, highlighted by the inflation rate at 5.8% the lowest in 20 years and a dramatic improvement over the 13% of 2005. As a consequence nominal interest rates trended downwards making real interest rates the lowest in two decades. The exchange rate adjusted by approximately 4% during the year and it is expected that GDP growth will range between 2.5% and 3.0%.

December 2006 marked five years since Sagicor acquired controlling interest in LOJ. It has been a very successful investment for us and we are proud to have piloted the return of the Company to the position of the leading life insurance carrier in Jamaica. From profits of $232 million in 2001 to $2,572 million in 2006, LOJ is now a major financial institution in Jamaica. All this was made possible by the remarkable commitment and energy of each member of staff and I thank them wholeheartedly on behalf of the Board of Directors and indeed all shareholders.

I also wish to commend the dedication and commitment of my fellow Directors and the management for their hard work during 2006. It has been yet another milestone year of achievement for LOJ.

In closing I wish to thank our customers and shareholders for their strong support as we continue to position LOJ as a premier financial services company, contributing to the social and economic development of Jamaica and the Caribbean.

Dodridge D. Miller
Chairman

February 27, 2007

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is comprised of twelve members. During the year, there were several meetings, nine (9) Board; ten (10) Audit Committee, six (6) Investment Committee, four (4) Conduct Review (Corporate Governance) and three (3) Human Resources and Compensation Committee Meetings.

The strong respect for Corporate Governance on the LOJ Board, as it continues to strive for international best practices, is reflected in its Board Charter and its Code of Business Conduct and Ethics, which are available on the company's website.

Directors	Audit/Risk	Investment	Conduct Review	HR & Compensation
Jeffrey Cobham	Chairman		•	
Marjorie Chevannes-Campbell	•		•	
J. Arthur Bethell	•	Chairman	•	Chairman
Paul Facey		•		
David Allan		•		
Dodridge Miller		•		•
R. D. Williams	•	•	Chairman	•
W.G. Bryan Ewen	•			
Richard Byles (by invitation)	•	•	•	•

Activities in 2006 promoting Corporate Governance.

The following activities, during the year, enhanced the company's adoption of the principles and practices of good corporate governance:

- The Code of Business Conduct and Ethics, which had been finalized by the company during the year, was approved by the Board, for the adoption by the Company.
- The annual Board Evaluation regarding the effectiveness and the function of the Board was conducted early in 2006.
- The annual evaluation of the President and CEO, was also conducted early in 2006.
- All Officers of the Company participated in Corporate Governance Training sessions in 2006.
- The Nomination and Evaluation Committee was incorporated into the Conduct Review Committee. The Nomination and Evaluation Committee's role is mainly to make recommendations to the Board regarding the appointment of the Directors, to ensure the balance and structure of the Board and to ensure that Board Evaluations are conducted.
- Succession Planning for senior executives, is currently being implemented.
- The company embraced the principles of Enterprise Risk Management, which has been established across the organization with a systematic approach to evaluating and monitoring risk. Responsibilities and accountabilities have also been assigned and a system of reporting established.

Changes to Board and Board Committees in 2006

During the year, Dr. Patricia Downes-Grant retired from the Board and was replaced by Professor Hilary Beckles, who is also a Director of Sagicor Financial Corporation.

Board of Directors

Directors' fees for the company and its subsidiaries were reviewed in 2006 and the following recommended changes were approved, effective January 1, 2007:-

Board:	Retainer Fees $ p.a.
Chairman	1,050,000
Directors	700,000
Audit & Investment Committees:	
Chairman	420,000
Directors	280,000
Conduct Review & Human Resources & Compensation Committees:	
Chairman	210,000
Directors	140,000

Note that the "per meeting fees" were eliminated.

The total remuneration paid to Directors and the Non-Director members of the Executive Committee during 2006 are set out in the following table, in three bands:-

Dollars (Millions)	No. of Executives
Under $8M	5
$8M - $10M	-
$10M and over	5

BOARD OF DIRECTORS

Mr. Dodridge D. Miller,
FCCA, MBA, LLM

Mr. Dodridge Miller is the President & CEO of Sagicor Financial Corporation (SFC) formerly the Mutual Group of Companies since July 1, 2002. He is the Chairman of Life of Jamaica Limited.

He joined the Mutual Group in 1989 and has held a number of positions within the Group including Treasurer, Vice President, Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. He spearheaded a number of strategic initiatives within the Group, such as the establishment of The Mutual Bank of the Caribbean and CariCard Services Inc. and led the Group's re-entry into Jamaica along with the development of Sagicor's international business portfolio.

He is a UK trained Chartered Certified Accountant who holds a MBA in Finance and a Masters in Law from the University of the West Indies. He has over 20 years' experience in the insurance and financial services industries, spanning auditing, accounting, banking, investments and insurance.

Mr. Miller was elected a Director of SFC in 2001 and is Chairman and Director of many subsidiaries within the Sagicor Group. He is also a Director of Cable & Wireless (Barbados) Limited and the University of the West Indies, Cave Hill Campus.

He is a cricket enthusiast having played in domestic competition in Barbados for many years.

Richard O. Byles, BSc, MSc

Mr. Richard Byles is President and CEO of Life of Jamaica Limited, a position he has held since March 2004. He is a former CEO of Pan Jamaican Investment Trust Ltd. where he chaired the trading, banking and insurance subsidiaries.

Under his leadership, the company pursued a strategy of mergers, acquisition and divestments that have profoundly transformed the Group during a difficult economic environment and have led to the creation of one of Jamaica's most profitable companies today.

Mr. Byles holds a Bachelors degree in economics from the University of the West Indies and a Masters in National development from the University of Bradford, England. He is chairman of a number of Boards including Pan Caribbean Financial Services Ltd, Red Stripe and National Water Commission. He is also a director of Pan Jamaican Investment Limited. A former Vice President of the Private Sector Organisation of Jamaica, he represents them on the country's development council.

Mr. J. Arthur Bethell

Mr. J. Arthur Bethell is the immediate past Chairman of Life of Jamaica Limited and the non-executive Chairman of Sagicor Financial Corporation as well as the former CEO of the Mutual Group.

Mr. Bethell joined The Mutual as a Sales Representative in 1965 and subsequently held management positions including Vice President Marketing and Chief Executive of Capital Life Insurance Company Limited (Bahamas). He was recognised among a group of distinguished individuals, as 'Caribbean Luminaries who have left their indelible mark on the Caribbean region and the world' by the American Friends of the University of the West Indies (AFUWI).

A sports enthusiast, Mr. Bethell represented Barbados as a cricketer and also served in advisory capacities that impacted the sport nationally and internationally. He is also an ardent golfer.

Dr. The Hon. R. D. Williams,
OJ, CD, Hon. LLD, JP

Dr. the Hon. R. Danvers (Danny) Williams has had a distinguished career in the life insurance industry spanning some 49 years which saw him achieving international recognition for management of North American Life's Jamaican operations. In 1970, he became the founding father, President & CEO of Life of Jamaica Limited, the first local Life Insurance Company to be listed on the Jamaica Stock Exchange.

He served the Government of Jamaica for three (3) years from 1977 to 1980 as Senator, Minister of State and Minister of Industry and Commerce, respectively.

He is well known for his considerable service to the wider Jamaican community and in 1993 was conferred with the Order of Jamaica (OJ) by the Government of Jamaica. In 2005 he

received an honorary Doctorate of Laws (LLD) from the University of the West Indies.

Dr. Williams is Chairman of the Board of Jamaica Broilers Group and Jamaica College. He currently serves on the Board of several other Jamaican companies, organizations and foundations.

Michael A. Fraser, CLU, JP

Mr. Michael Fraser is the Deputy CEO and Chief Marketing Officer of Life of Jamaica Limited as well as the President and CEO of Sagicor Life of the Cayman Islands Ltd., a subsidiary of LOJ. He was the President and Chief Executive Officer (CEO) of Island Life Insurance Company Limited at the time of the merger with LOJ having been appointed to this position in February 2000, and was appointed to the Board of Directors of Life of Jamaica at that time.

He is an experienced insurance professional who has been in management since 1966 having entered the Life Insurance business as a Sales Representative in 1962. He is a former President of the Life Underwriters Association of Jamaica (LUAJ).

Mr. Fraser is a Chartered Life Underwriter (CLU) and a 1987 graduate of the Western Executive Business Programme of the University of Western Ontario. Mr. Fraser is currently Vice-Chairman of the Jamaica Cancer Society and a Justice of the Peace.

Marjorie Chevannes-Campbell, B.Sc. M.Sc.

Mrs. Marjorie Chevannes-Campbell is President & CEO of the Urban Development Corporation (UDC).She is a Management Executive with over twenty (20) years experience including over fifteen (15) years in Finance and Accounting at the Executive Management level.

Mrs. Chevannes-Campbell is a graduate of the University of the West Indies with a B.Sc. and a M.Sc. in Accounting. She is a member of the Institute of Chartered Accountants of Jamaica and the International Association of Hospitality Financial and Technology professionals.

Mrs. Chevannes-Campbell is a director of several companies including: The Jamaica Pegasus Limited, Montego Freeport Limited, Runaway Bay Water Company Limited, Caymanas Development Limited, Portmore Commercial Development Company Limited and Sagicor Financial Corporation.

Professor Hilary McD. Beckles
B.A. (Hons.) PhD

Professor Hilary McD. Beckles earned his PhD. from Hull University, United Kingdom, in 1980, and received Honorary Doctorate of Letters from the same University in 2003.

He has served as the Head of the History Department and Dean of the Faculty of the Humanities, University of the West Indies. In 1998, he was appointed Pro Vice-Chancellor for Undergraduate Studies, and in 2002 the Principal of Cave Hill Campus.

Professor Beckles has published widely on Caribbean economic history, cricket history and culture and higher education and serves on the educational boards of several academic journals. He has lectured in Africa, Asia, Europe and the Americas. He is also a member of the Board of Directors of Sagicor Financial Corporation and Cable and Wireless (Barbados) Limited.

Mr. W.G. Bryan Ewen, FCA

Mr. Ewen is a Director of Pan-Jamaican Investment Trust where he worked since 1973, and was also the Finance Director until he retired in 2005.

Mr. Ewen is a founding director of both First Life Insurance Company Limited and Pan Caribbean Financial Services Limited, positions which he held until 2005. He is a Director of First Jamaica Investments Limited, Hardware & Lumber Limited and Jamaica Property Company Limited.

A Chartered Accountant by training, Mr. Ewen gained his qualifications in the United Kingdom. Mr. Ewen brings considerable knowledge in Financial Management, Corporate Finance, Accounting and Banking as a result of his broad experience. He is an avid golfer.

Stephen B. Facey   Donna M. Stephenson   David W. Allan   Paul A. B. Facey   Jeffrey C. Cobham

Mr. Stephen B. Facey,
B.A., M.Arch

Mr. Stephen Facey is the CEO of Pan Jamaican Investment Trust since 2004, a Director of Pan Jamaican Investment Trust Ltd., First Jamaica Investments Limited, Hardware & Lumber Limited, and the Kingston Restoration Company Ltd.

As President of the New Kingston Civic Association, he has spearheaded many initiatives that have enhanced the business atmosphere in New Kingston including the establishment of a Police Post in the area. He has substantial experience in real estate and became CEO of Jamaica Property Company Ltd., in 1990, one of the most successful property management companies today.

Mr. Facey is a graduate of Rice University and also holds a Master of Science in Architecture from the University of Pennsylvania. He is also a devoted sailor.

Miss Donna M. Stephenson,
LLB, FLMI

Ms. Donna Stephenson is an Attorney-at-Law for over 27 years with experience and expertise in matters of Corporate Governance and Directors' responsibilities and has been the Corporate Secretary for Life of Jamaica since 2003.

She is the former Assistant Vice-President, Corporate Secretary and Legal Counsel at Island Life Insurance Company Limited (Island Life) where she was integrally involved in the integration and merger process for Island Life and LOJ.

Miss Stephenson started in the insurance industry in the general insurance sector in 1991 but later moved to the life sector where she has been since 1993. Over the years, she has served on many committees which have influenced policies and programmes within the Insurance Industry.

She is a member of the Jamaican Bar Association, the Insurance Institute of Jamaica and a Director of the Board of the Edna Manley College of the Visual & Performing Arts. She holds a Company Director's Course Certificate and is a Fellow of the Life Management Institute (FLMI).

David W. Allan

Mr. David Allan is a former President and Chief Executive Officer of The Mutual now Sagicor Group, a position he held for 23 years.

He joined The Mutual Group in 1956 and was elected Director of The Mutual in 1986. He is a Director of Sagicor Financial Corporation and also serves as Director of Sagicor Group Subsidiaries and is a Director of Barbados registered Exempt Insurance Companies.

Mr. Allan is also a former West Indies Cricketer and he has represented Barbados in football, golf and swimming. One of his favourite pastimes is fishing.

Mr. Paul A.B. Facey, B.Sc., MBA

Mr. Facey was appointed Vice President Investments at Pan-Jamaican Investment Trust Ltd., in 2004. He has a wide range of experience in banking, investment, manufacturing, retail and distribution.

A former member of the Board of Directors for H&L True Value Limited and a Manager of the company's flagship store; he has also served as member of the Board of Directors of Scott's Preserves Limited and Busha Browne's Company Limited.

He holds a B.Sc. in Marketing and Management at the University of South Florida and an MBA in Finance from Florida International Business School.

Jeffrey C. Cobham, B.A., Dip. Mgmt.

Mr. Cobham, a former Managing Director of National Commercial Bank Jamaica Limited, and Vice President of the Jamaica Bankers' Association, currently sits on the Boards of Life of Jamaica Limited, Life of Jamaica Property Management Limited, Sagicor Life of the Cayman Islands Ltd., Sagicor General Insurance (Cayman) Ltd., Pan Caribbean Financial Services Limited, Caribbean Basin Investors Limited, Salada Foods Jamaica Ltd. and Pulse Investments Ltd. He Chairs the Audit Committees of Life of Jamaica, Salada and Pulse.

A lifelong supporter of the Arts, Mr. Cobham serves as Chairman of both the Edna Manley College for the Visual and Performing Arts and the National Dance Theatre Company of Jamaica. He is a council member of the Institute of Jamaica, and is a member of the Acquisitions and Collections Committee of the National Gallery of Jamaica.

A graduate of the University of the West Indies, he is currently a member of UWI's Mona Campus Council with duties on its Finance and General Purposes, and Audit Committees. An Anglican, Jeff is a member of the Financial Board of the Jamaica Diocese and is Deputy Chairman of the Consie Walters Cancer Hospice.

DIRECTORS' REPORT

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2006. The Financial Statements reflect the consolidated results of Life of Jamaica Limited and its subsidiaries.

Operating Results:

• Group Profit before tax	3,793,396
• Taxation	740,148
• Profit after Tax	3,053,248
• Attributable to:	
- Stockholders of the Company	2,572,216
- Minority interest	481,032

Retained Earnings:

• Retained Earnings brought forward	3,659,266
• Net Profit attributable to stockholders	2,572,216
• Transfers to reserves net	(65,740)
• Adjustment between regulatory loan provisioning and IFRS	18,894
• LOJ Dividends paid	(1,007,157)
• Retained Earnings carried forward	5,177,479

DIRECTORS

The Directors retiring at the Annual General Meeting by rotation, Messrs. Richard Byles, Paul Facey and Stephen Facey and being eligible, offer themselves for re-election.

Professor Hilary Beckles, having been appointed by the Directors to the Board since the last Annual General Meeting, retires and being eligible offers himself for re-election.

AUDITORS

The retiring auditors, PricewaterhouseCoopers, having expressed their willingness to continue in office, will do so in accordance with the provisions of Section 153 of the Companies Act. A resolution authorizing the Directors to fix the remuneration of the auditors will be presented at the Annual General Meeting.

On behalf of the Board of Directors

D. Miller

Dodridge D. Miller
CHAIRMAN
February 27, 2007

EXECUTIVE MANAGEMENT TEAM

Richard Byles, BSc, MSc.
President & Chief Executive Officer

Michael Fraser, CLU, JP.
Deputy CEO & Chief Marketing Officer
LOJ President & CEO, Sagicor Life of the Cayman Islands Ltd.

Mrs. Janet Sharp,
M.A.S., F.S.A., M.A.A.A.
Executive Vice President,
Resident Actuary

Mrs. Sharp joined LOJ on the merger with Island Life in February 2003. She has responsibilities for corporate actuarial functions.

She has over eighteen (18) years experience in the Life Insurance industry and has served in several actuarial positions where she developed wide experience and expertise in the areas of product development, pricing, valuation and other actuarial disciplines. A graduate of the Wharton School of Business, University of Pennsylvania, Mrs. Sharp is a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries.

Mrs. Bernita Locke, MBA
Vice President, Human Resources

Mrs. Locke joined LOJ in February 1995 and has responsibilities for the strategic management of the Human Resources as well as for Industrial Relations. She was appointed Vice President in January 2005.

She holds an MBA from the University of the West Indies Executive Management Programme of Studies with specialization in Strategic Human Resources Management. Mrs. Locke is a member of the Board of Directors of the Jamaica Employers Federation (JEF), the Insurance Employees Co-operative Credit Union and the Jamaica Business Council on HIV/AIDS.

Errol McKenzie, BSc, MBA, FLMI, JP
Executive Vice President,
Employee Benefits

Mr. McKenzie joined LOJ in July 1975, and has served the company in various capacities in Investment, Internal Audit, and Employee Benefits Divisions. He has direct responsibility for the management of Group Life and Health Insurance programs and Pension Services Business.

Mr. McKenzie holds a Bachelor of Science (B.Sc.) and a Masters of Business Administration (MBA) from the Howard University District of Columbia, Washington D.C. He is a certified member of the Health Insurance Association of America and a Justice of the Peace. He is a member of the Jamaica Golf Association management committee.

Mrs. Sharon Lake, B.A., FLMI
Senior Vice President
Insurance Operations

Mrs. Lake joined LOJ in February 2003 and has responsibilities for the New Business, Underwriting, Customer Service and Premium Accounting functions of the Individual Life Division and the Facilities Management function of the company.

Mrs. Lake attended McMaster University, Hamilton Ontario and Georgian Court College, New Jersey. She is a member of the Jamaica Computer Society, Women's Leadership Initiative and the Jamaica Environment Trust.

Mr. Rohan D. Miller,
MBA, B.Sc. (Hons),
Vice President Investments

Mr. Miller joined LOJ in May 1993 as the Chief Investment Manager. His responsibilities include managing the investment portfolio, maintaining relationships with pension clients, developing the company's investment strategy and real estate properties.

Mr. Miller holds a BSc. (Hons.) in Agriculture from the University of the West Indies and a MBA in Finance from Rutgers Graduate School of Management, New Jersey, USA. He is also a Director of Jamaica Developers Association and Saint Andrew Developers Limited.

Mr. Ivan B. O'B Carter,
MBA, FLMI,
Senior Vice President of Finance and Information Technology

Mr. Ivan Carter joined the company in July 2003 as Chief Financial Officer. He has responsibilities for the accounting, financial reporting, the strategic financial management function and the use of technology. He is also responsible for the company's general insurance interests. Prior to this appointment, he served in many senior positions with the Sagicor Group rising to the post of Vice President, Finance and Assistant Treasurer.

Mr. Carter holds a Masters in Business Administration degree from the University of the West Indies. He has completed numerous Accounting and Financial management training programs including the CPA. He is also a fellow of the Life Management Institute.

Donna Stephenson, LLB, FLMI
Vice President, Corporate Secretary

Janice Grant Taffe, LLB
Vice President, Legal Counsel

Mrs. Grant Taffe, is an Attorney at Law who joined LOJ in April 1989. She has responsibilities for the legal issues affecting the company.

Mrs. Grant Taffe holds a Bachelor of Laws from the University of the West Indies, Cave Hill, a Certificate of Legal Education from the Norman Manley Law School and is the holder of certificates in Foreign Investment Negotiations from the Georgetown University in Washington and Euro-Money Loan Documentation. She has served on several committees established to introduce legislation to promote commerce in Jamaica and is a member of the Jamaican Bar Association, the Soroptomist Club of Kingston and the Board of the Insurance Employees Co-operative Credit Union.

Anthony Roberts, B.Sc.
Vice President, Corporate Actuary

Mr. Anthony Roberts joined LOJ in February 2003, with primary responsibilities for product development, pricing and expense monitoring; having worked with Island Life Insurance Company Limited.

He holds a B.Sc. in Mathematics from Manchester University in England and has worked in senior management positions with several companies in the United Kingdom and Belgium. He is a Fellow of the Institute of Actuaries; a member of the Rotary Club of Kingston and is a Paul Harris Fellow. An experienced bridge player, he represented Jamaica in the Commonwealth Games Bridge Tournament in Manchester, England in 2002.

Richard O. Byles,
President & Chief Executive Officer

2006 was a successful year for LOJ and its subsidiaries and we are a stronger, more efficient company today. 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. LOJ's Agency force and brokers generated another record level of new sales for 2006. We strive to solidify LOJ as a premier financial institution in Jamaica and a preferred place of work for the hundreds of our staff. - Richard O. Byles, President & Chief Executive Officer

2006 was a year of consolidation for Life of Jamaica Limited (LOJ) as we sought to ensure that the three large investments we made in 2005 produced the expected results. We are pleased to report that the successful integration of these investments combined with improved operational efficiencies have resulted in another successful year for the LOJ group of companies.

For 2006, LOJ's net profit was $3,053 million, with $2,572 million attributable to shareholders, an improvement of 5% over the previous year. Profits for 2005, attributable to shareholders, 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.

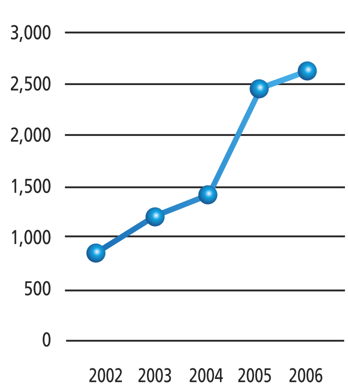
These positive results are due to our strategy of diversifying the sources of LOJ's profitability; maintaining the competitive advantages of market leadership, product innovation and cost efficiency; continuing to build a motivated workforce and constantly striving to improve our customer service standards.

All major profit centers of the Group contributed positively to these results.

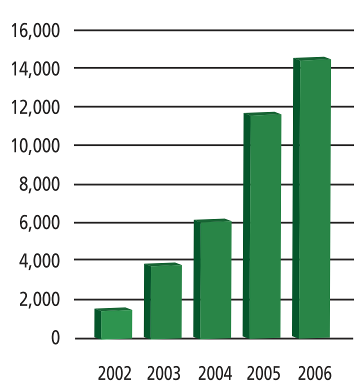
Business Segment	2006	2005	2004	2003
Individual Life Insurance	1,159	811	903	821
Employee Benefits Services	1,095	884	615	384
Investment Banking	890	802		
Other	-91	374	-84	4
Net Profit, before Minority Interest	**3,053**	**2,871**	**1,434**	**1,209**

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

Net Profit Attributed to Shareholders
($ MILLIONS)



Shareholders' Equity
($ MILLIONS)



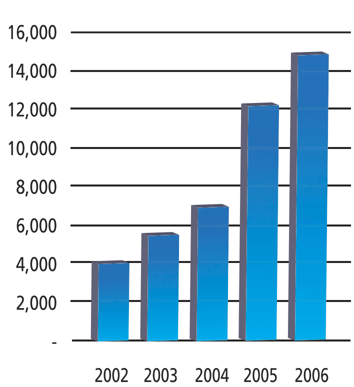
The book value of Shareholders' Equity as at December 31, 2006 was $14,412 million, compared to $11,652 million as at December 31, 2005. Total assets of the Group stood at $79,058 million compared to $70,911 million at December 31, 2005. Total assets under management which include pension fund assets managed on behalf of clients, amount to $120.9 billion compared to $106.9 billion in 2005.

Revenues

Revenues for the 2006 period were $14,769 million, up 22% on the 2005 amount of $12,123 million, which includes the unusual gain. Some of this increase is because 2005 results contained revenue for only nine months of the acquired First Life insurance business and one month from our subsidiary Sagicor General Insurance (Cayman) Ltd (formerly Cayman General Insurance Company Ltd (CGI)).

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%

Total Revenue
($ MILLIONS)



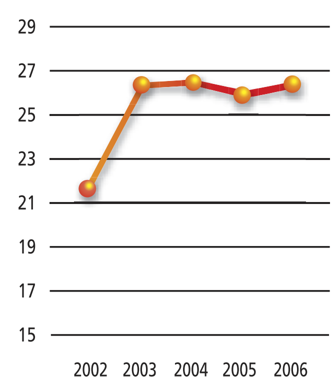
improvement over 2005. Net investment income also performed well rising by 17% to $3,594 million.

The other main source of revenue is fee income from the provision of administration and investment services to Group Insurance, Pension, and Banking clients. These fees are included in other revenue and amounted to $1,306 million compared to $1,122 for 2005.

Expenditures

Administration Expenses before amortization of intangibles were $3,512 million, up 25% from $2,820 million and reflects the consolidation of Sagicor General (Cayman) in the accounts for a full year; increased staff related costs and other operating expenses. The ratio of administration expenses to revenue remained at about 26%. Commissions and related sales expenses to net premium income rose marginally to 18% compared to 17% in 2005.

Administration Expenses vs. Revenue
(% PERCENTAGE)



In 2006, taxation expense amounted to $740 million up from $709 million in 2005. The effective tax rate for the group in 2006 was 19.5% compared to 19.8% in 2005 and reflects the zero tax rate on the newly acquired Cayman company Sagicor General (Cayman). The change in actuarial liabilities included in the Statement of Operations was $272 million compared to $375 million in 2005 and was positively impacted by the lower inflation rate in 2006 and the significant new business written in the individual life division.

Expenditures also include an amortization charge of $398 million on intangibles acquired through the acquisitions done during 2005. These intangibles included the fair value of customer relationships, trade names and technology which carry useful lives ranging from two (2) years to twenty (20) years.

A total of $5,355 million was incurred as benefits to policyholders and beneficiaries, an increase of 41% over 2005. Health claims were $2,823 million, 42% higher than 2005 primarily because of the acquisition of Sagicor General (Cayman) which has a substantial group health portfolio. Death benefits at $908.7 million were lower than the prior year, but surrenders and annuity payments combined at $969.3 million were up 23% on 2005.

Financial Strength and Solvency

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 Sagicor 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%.

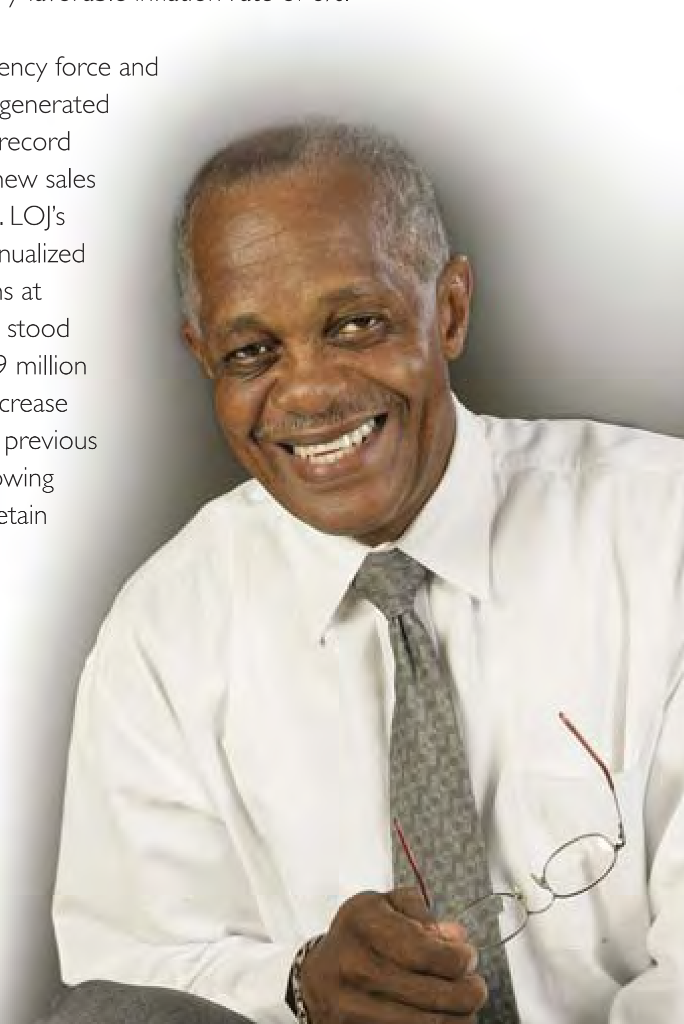
In 2006 LOJ received a financial strength rating (FSR) of "A" (excellent) and an insurers credit rating (ICR) of "A" from the A.M. Best rating agency. In this accomplishment, LOJ joined its parent company, Sagicor Life Inc., who enjoyed similar ratings for six consecutive years. A.M. Best is the leading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

Divisional and Subsidiary Performance

Individual Life Division

The Individual Life Division made a much improved contribution to profit of $1,159 million compared to $811 million in 2005. This performance was driven by excellent new business written, good cost efficiencies and a very favorable inflation rate of 6%.

LOJ's Agency force and brokers, generated another record level of new sales for 2006. LOJ's New Annualized Premiums at year end stood at $1,299 million a 21% increase over the previous year, allowing LOJ to retain

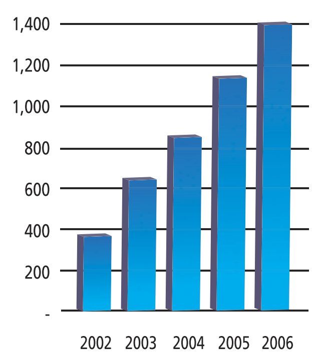


"Thanks to my LOJ Agents who encouraged me to purchase the Universal Lifeline and Cancer Plans. When I was diagnosed with cancer and had to do surgery; LOJ settled my claim in time to meet my medical expenses. Thank you LOJ!"

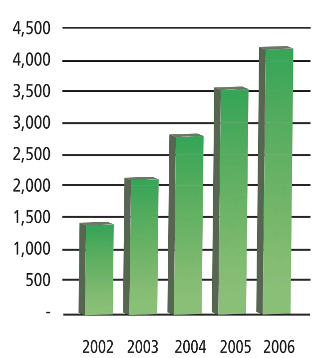
- Mr. Fenton Gregory

its market leadership position for the Industry with a 41.2% market share. The Broker channel continues to make strong contributions to the level of New Business generated. New Premiums from this channel was $120 million representing a 45% increase over the previous year. Sagicor Life (Cayman) generated new Annualized Premiums of $101.5 million, up 63% on the 2005 amount of $62.3 million.

Individual Life
New Annualized Premiums
($ MILLIONS)



Individual Life
Earned Premiums
($ MILLIONS)



New cases written in LOJ totaled 41,290 representing a 19% increase over the previous year. LOJ led the Industry with 50% of all new cases settled. LOJ's total policy count stood at 301,105 a 4% increase over 2005. This production came with a conservation rate of 89.2%.

The Division generated gross earned premium income of $4,274 million, a 19% increase over 2005. This represents a market share of 32% an increase of 1% over 2005. Again, LOJ leads the industry in this area. This outstanding revenue performance was underpinned by continued expense control with expenses remaining well within product pricing and planned budgeted expense parameters.

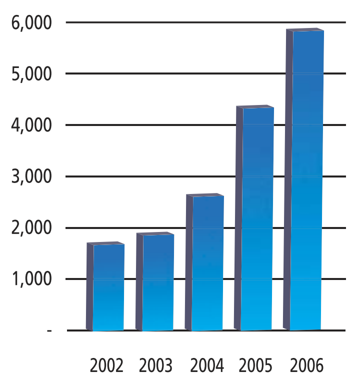
To fulfill our value proposition of delivering "wise financial advice for life", our agents are among the best trained and most productive within the Industry. One Hundred & Eighty five (185) Agents qualified for the prestigious Million Dollar Round Table representing 66% of the total Sales Force, including 14 at the Court of the Table level and two (2) at the Top of the Table. These achievements represent the highest number of such qualifications achieved by any company in Jamaica and the Caribbean.

Employee Benefits Division

The contribution to profit of the Employee Benefits Division was $1,095 million (before minority interest) up from $884 in 2005, an impovement of 24%. The group health portfolio of Sagicor General (Cayman) contributed to this performance. The year under review turned out to be a demanding year for the Division's Jamaican operations, characterized by intense competition. Notwithstanding, the Group Insurance business substantially maintained its market share and leadership position in each product line. The demand from Corporate Clients is to provide employee benefit products that meet their specific needs and contain costs, both in respect to the efficiency with which actual health benefits are purchased as well as administrative and other expenses.

Group Insurance premium income was $5,238 million moving 38% from $3,789 million in 2005 (2005 had two months of Sagicor General (Cayman) and nine months of the First Life portfolio). Annuity contributions also increased by 33% to $649 million. In Jamaica the Division wrote $834.4 million of new business across all product lines and ended the year with a conservation rate of 93%.

Employee Benefits Earned Premiums
($ MILLIONS)



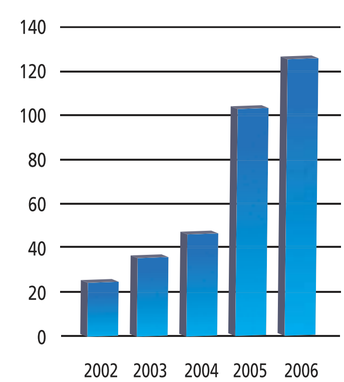
2006 was a landmark year for the pensions industry. With the passing of Regulations in March, one year after the Pension Act was enacted; we have entered a new, more complex environment. LOJ will play a significant role in assisting our clients during this transition. Indeed, we are pleased to celebrate our first milestone in this regard, when on September 29, 2006, on behalf of our clients; we initiated and coordinated the registration process for all our Plans and Trustees.

As we enter 2007, we will be separating our pension administration and pension investment management services in order to focus on developing and maintaining the appropriate level of expertise, and the knowledge base in both areas. This will be required to ensure greater value for our clients and to guarantee successful operations in the new environment. Our pension administration service, which will include pension actuarial services, will be offered through our specialized administration services subsidiary company, Employee Benefits Administrator Limited (EBA) and our investment management service will continue to be provided through LOJ.

Investments

LOJ manages funds on behalf of its Shareholders, Pension Clients and Policyholders with combined total assets under management of $120.9 billion as at December 2006, reflecting an increase of 13% over 2005 and a return on invested assets of 15%.

Total Assets Under Management
($ BILLIONS)



With such a large portfolio of assets, most of which are Jamaican based, the performance of the Jamaican economy has a profound impact on the opportunities and the performance of our investment portfolios.

Life of Jamaica LIMITED
Wise financial advice for life
A member of the Sagicor Group

Make LOJ your financial partner for life

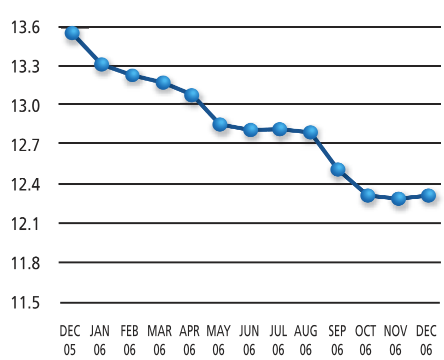
The economy recorded growth between 2.5% and 3.0% for the calendar year 2006. All sectors recorded improvement, except Manufacturing and Construction due to ongoing retooling and the unavailability of cement respectively.

Agriculture recovered sharply from setbacks due to hurricanes in 2004 and 2005. Total bauxite production recorded its highest level since 1974. Over 3 million tourists visited the island, a first in any single year.

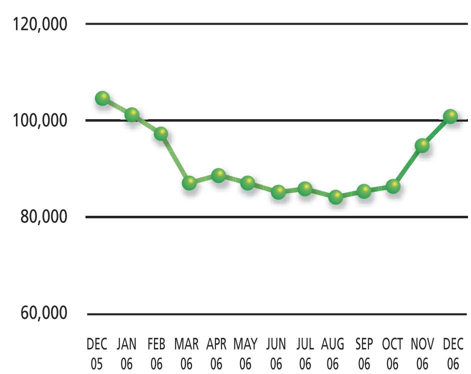
The momentum for economic growth, which was building during 2006, is expected to continue in 2007 with growth projected to reach 3.5%. Investment in Mining and increases in the stock of hotel rooms are expected to impact growth during 2007.

180 Day Tbill Rate Movements

(% Percentage)



JSE Main Index Movements



The inflation rate at 5.8% in 2006 was the lowest in 20 years. Real interest rates were also at their lowest level in two decades. The exchange rate adjusted by about 4% during the year, partly reflecting the Monetary Authorities ability to use the US$2.3 billion in reserves to achieve stability. The fiscal deficit, up to the end of December 2006, was within the targeted range.

Foreign direct investment continues to be strong in Jamaica. These investments have flowed into telecommunications, roads, the financial sector and tourism in the recent past.

Whatever your stage in life, Life of Jamaica has a plan for you

The unemployment rate in 2006 fell to its lowest level since the 1970s at 11.3%, reflecting growth in economic activities as well as changes in the labour force.

Shareholders' Funds

During 2006 the declining trend in interest rates had an adverse affect on interest income on new securities, but a positive impact on our existing portfolio of long term bonds. The overall impact was positive for our investment income during 2006 given our stated strategy of diversifying our revenue sources in light of current economic variables and the long-term outlook for the economy.

Shareholders' funds increased by $2,760 million during 2006, closing the year at $14,412 million, representing a 24% increase over 2005. The asset mix of shareholders' funds is still heavily weighted in sovereign debt of varying maturities but has shifted slightly from 75% in 2005 to 69% in 2006. This modest shift from GOJ fixed income holdings into other asset classes as interest rates declined, shows our continued drive towards asset diversification and profit maximization for shareholders.

LOJ's return to the real estate business as a property developer took a step forward in 2006 with the completion of construction of the 60

A plan for your every need

INSURANCE
- *Ultra Life*
- *Term for Life*
- *Live In Peace*
- *Purple Shield*
- *Triple Protector Plus*
- *Universal Lifeline*
- *Cancer Plan Plus*
- *Personal Accident*
- *Shape*
- *HMO*
- *Shore*

INVESTMENT
- *Platinum Investor*
- *Solid Investor*

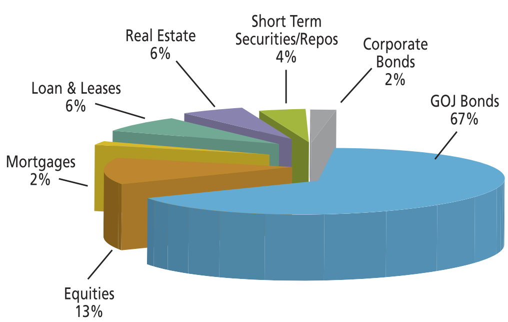
MORTGAGES
- *Residential*
- *Commercial*

PENSION ADMINISTRATION

REAL ESTATE SERVICES

apartment Winchester Estates. By year-end all apartments were sold. Construction of the commercial units, Winchester Business Centre, continues satisfactorily and is expected to be ready for delivery in the second quarter of 2007.

Consolidated Invested Asset Allocation



Segregated Policy Investment Funds

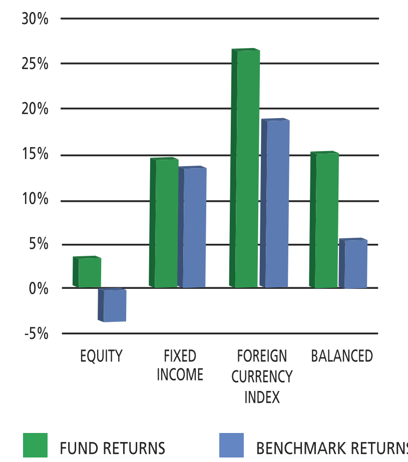
LOJ's Segregated Policyholders' Funds is a diverse group of investment portfolios with total assets of $5,629 million at December 2006.

The funds provide excellent diversification across the asset classes, ranging from Equity and Real Estate Funds to Fixed Income and US and Cayman dollar denominated funds all of which out performed their respective benchmarks. These Investment Funds have been a solid investment product for our policyholders over the past 26 years and the individual funds have all shown positive returns during 2006.

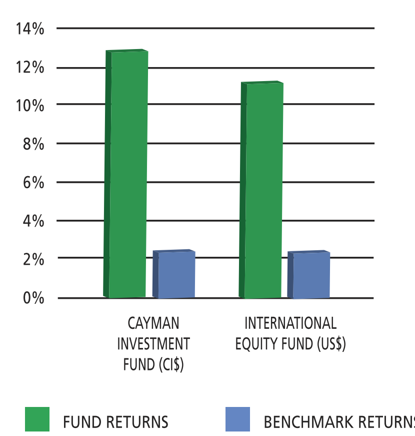
The late-year stock market rally was the platform for a significant recovery in both the balanced and equity funds to post strong twelve month performances of 14.9% and 3.3% respectively.

The balanced and real estate funds were also positively affected by a vibrant real estate market.

FUND	ANNUAL RETURNS
EQUITY	3.3%
FIXED INCOME	14.5%
FOREIGN CURRENCY INDEXED	26.9%
BALANCED	14.9%



FUND	ANNUAL RETURNS
CAYMAN INVESTMENT (CI$)	13.0%
INTERNATIONAL EQUITY (US$)	11.3%



Pension Funds

Total Pension Funds under management, consisting of seven pooled funds and eight self directed funds, increased from $36 billion as at December 2005 to $42 billion as at December 2006. The number of pooled funds contracted from nine (9) to seven (7) with the merger of the First Life and the PIF Funds, along with the creation of the PIF Venture Fund.

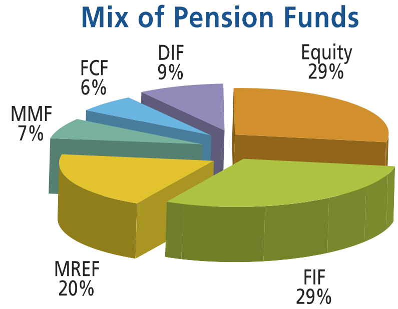
The PIF Venture Fund invests in commodity and technology backed Exchange Traded Funds. This fund has been developed to allow pension clients to invest in international equities in approved jurisdictions, within the guidelines of the Pensions Regulations.

The Pooled Pension Funds outperformed all benchmarks for the year 2006. The Pooled Equity Fund returned 13.2% for the year, compared to the -4% performance of the Main JSE Index.

The Real Estate market has shown strong performance as evidenced by an overall increase in demand for commercial and residential properties. This has positively influenced property valuations, and the overall performance of the Mortgage and Real Estate fund for 2006 was 21%.

Interest rate reductions have had a negative impact on the reinvestment yield on fixed income securities, but continues to boost the valuations of the existing bonds held in J$ and foreign currency denominated Fixed Income portfolios.

Mix of Pension Funds



POOLED PENSION FUNDS PERFORMANCE

Fund	NAV ($b)	2006
PIF EQUITY	10.04	13.2%
PIF FIXED INCOME	10.16	17.5%
PIF MREF	6.85	21.0%
PIF MONEY MARKET	2.50	14.4%
PIF FOREIGN CURRENCY	1.98	21.3%
DIVERSIFIED INVESTMENT	3.25	17.3%
PIF VENTURE	0.14	

Investment Banking

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.

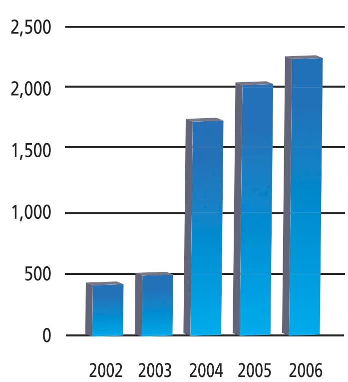
PCFS' Balance Sheet rose 12% to $44,834 million with growth driven by strong expansion in the Securities portfolio. Record dividends of $368 million were paid in 2006. Nonetheless Shareholders' Equity increased to $7,204 million, reflecting one of the strongest capitalization ratios in the industry. Investment Reserves, another sign of capital health, were $536 million at year-end.

Net Interest Income climbed from $1,303 million to $1,470 million, fuelled by growth in Investments and Loans. Non-Interest Income was $802 million, compared to $751 million in 2005 up by 7%. Asset

Management fees as well as Trading Income contributed primarily to this improvement. Non-Interest Expense rose from $691 million to $780 million, up 13%. Items affecting higher expenditure were personnel expenses rising from $400 million to $442 million as well as marketing, technology and its related charges.

PCFS-Revenues

($ MILLIONS)



PCFS ratios measure up very favorably when reviewing four key ratios that measure financial health. In comparing them to industry ratios, as recently reported by the Bank of Jamaica for the local financial sector, the following applies:

	PCFS	Industry
Tangible Equity to Total Assets	14.5%	11.9%
Non-performing Loans to Assets Ratio	0.4%	0.9%
Credit Provisioning Ratio	125.2%	99.3%
Return on Average Assets	2.6%	2.8%

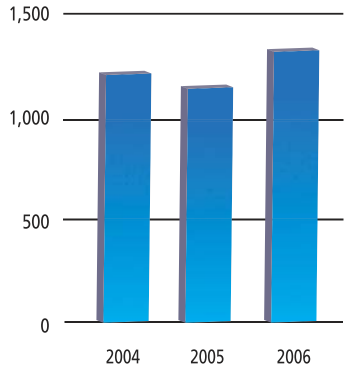
In 2006, Sigma Optima and Sigma Solution were for the third consecutive year, the respective top performing unit trust equity and fixed income funds. Sigma commands 41% of the unit trust market. We believe this bodes well for our asset management activities with the expectation of market liberalization in 2007. In just its second year of operation, the stock broking arm was ranked second, while foreign exchange retained its position as the fourth largest foreign exchange dealer in the country .

Our objective of continuously seeking to better serve our clients now and in the future has been further enhanced with regulatory approval to establish a commercial banking operation. This will allow us to deepen and expand our financial services products. These activities are projected to commence in the latter half of 2007.

General Insurance

The LOJ Group's General Insurance interest is represented by a 51% stake in Sagicor General Insurance (Cayman) Ltd., (formerly Cayman General Insurance Company Ltd). The Company enjoys an approximate 25% share of the Property and Casualty (P&C) market and 15% of the Group Health market in Cayman. This interest was purchased in November 2005 in pursuance of our strategy to diversify earnings. LOJ also has a wholly-owned P&C captive, Sagicor Re which reinsures LOJ's P&C risks in Jamaica.

Sagicor General (Cayman) Revenues
($ MILLIONS)



We are pleased to report that Sagicor General (Cayman) earned profits of $177.4 million, predminantly from the employee benefits line, 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. The property and miscellaneous (mainly contractors all risks, public liability and workers compensation) classes feared well during 2006 as did the Health insurance portfolio; however the motor line continues to be of concern.

During 2006 the profile of the company was significantly lifted by aligning with our parent brand "Sagicor". From September 1 2006, the company was renamed Sagicor General Insurance (Cayman) Ltd.

Given the experience of Hurricane Ivan in 2004, the Board of Directors of Sagicor General (Cayman) has paid special attention to the reinsurance programmes in place and is comfortable with them. In the short-term, we will continue to prudently grow the business while effecting available synergies between the Sagicor Group's Cayman and Jamaican operations. The construction boom in Cayman also offers good prospects for new business.

Corporate Citizenship

In 2006, LOJ continued its tradition of supporting initiatives that impact the lives of Jamaicans. Our contributions and sponsorships totaled over $14.2 million in the following categories:

Education: An investment in education pays the best interest and so we continue to provide the Children's Own newspaper to thousands of students in over fifty schools across the island. In addition we provide cash, equipment,

"I am happy that Life of Jamaica has been my Group Life and Health Partner for 20 years. Thank you LOJ!"

- Ms. Karlene Sutherland, Group HR Administrator, Jamaica Broilers Group supplies and fixtures to many Primary and High schools. Our subsidiary company PCFS contributed $2.3 million in educational scholarships for 23 tertiary students primarily at the University of the West Indies and University of Technology.

Health: Wellness is the platform on which the quality of life is built. In this regard LOJ participated in various health fairs and Wellfest 2006. We partnered with: Jamaica Cancer Society, Jamaica Association for Mental Retardation, Addiction Alert Organization, Mona Rehabilitation Centre, National Chest Hospital and Jamaica Medical Foundation. PCFS was also a very active corporate citizen. In 2006, over 3,800 runners participated in the Sigma Corporate Run breaking its previous record and making it the largest road race in the Caribbean. However the biggest winner was the University Hospital's Labour Ward which received over $2.9 Million through the welcome support of seventy one (71) corporate partners.

Sports: Sporting activities unite a people and so we were delighted to have brought the FIFA World Cup to the Country. At the 50th Hoerman Cup Championships we were pleased to be the uniform sponsor of the Jamaican Golf Team. Our support continued with the Jamaica Independent School's Association Relay and the Under16 National Netball team who regained the Caribbean Championships.

Outreach: Community activities engender positive team sprit and through our outdoor promotions LOJ was visible at several events throughout the country. We assisted: Boys' Town, August Town Mutual Relief, Salvation Army, Jamaica Environment Trust, Teen Challenge Jamaica, Mustard Seed Communities and the Mutual Gallery and Art Centre. A special scholarship for academic excellence was awarded to Ladonia Walsh, daughter of a slain police officer, while two (2) classrooms were handed over to the Jamaica Police Academy at Twickenham Park.




Top Left: LOJ provides scholarship to Ladonia Walsh, daughter of slain policeman.

Top Right: LOJ presents two classrooms at the Jamaica Police Academy, Twickenham Park to Minister of National Security, Peter Phillips.

Centre: LOJ donates warehouse space to the International Olympic Council.

Bottom Right: LOJ sponsors the Police Federation Conference

Human Resource Management

As at December 31, 2006, Life of Jamaica Group of Companies employed 874 administrative staff and 402 sales representatives and independent agents.

Company	Administrative Staff	Sales Reps & Independent Agents	Total
Life of Jamaica Limited	583	374	957
Pan Caribbean Financial Services Limited	219	0	219
LOJ Property Management Limited	32	9	41
Sagicor Life of the Cayman Islands Ltd.	5	19	24
Sagicor General Insurance (Cayman) Ltd.	35	0	0
Total	**874**	**402**	**1,276**

Effective management of our human resources is central to the achievement of our Corporate Strategy. Our objective is to attract and retain a talented and high performing workforce, which is engaged and aligned to our business targets.

Our annual Employee Opinion Survey, administered by LOMA and benchmarked against thirty five (35) insurance companies worldwide, gave us an indication of the areas requiring improvements.

The result of this survey helped us to focus on: open communication and frequent dialogue with all staff groupings; the introduction of a reward and recognition programme; education assistance to employees pursuing Tertiary and Industry related programmes to facilitate learning and growth.

We believe that balance and quality of work life are essential drivers of productivity and so we invest heavily on social programmes such as wellness, exercise, self-defense and anniversary medicals. During the year we staged a highly successful two day staff motivational seminar under the theme "Engage, Embrace and Empower".

Other staff initiatives included;

- The Employee of the Month, Quarter and Year Awards re-launched in September 2006. A total of 41 employees were recognized and rewarded.
- Recognition of 100 employees for service ranging from 5 to 35 years.
- Allocation of 7 million shares under the Employee Share purchase scheme, where staff purchased LOJ shares at 25% below the previous year end bid price.
- Negotiation of toll group rates for 52 employees who use the Portmore to Kingston route daily.
- Graduation of seventeen (17) Senior Agents from the Master Financial Advisor (MFA) programme, making a total of 63 qualified MFA's.
- Sponsorship of employees from all job categories to attend local and international conventions, ensuring that they maintain continuing education credit in their respective professional practice areas.
- Completion of the Succession Planning and associated Leadership Development Programmes.

Today, LOJ is firmly established as an Industry Leader.
Leading Life insurance company;
Leading provider of group life & health insurance;
Largest pension funds manager;
The single largest property management portfolio;
LOJ…Touching lives, making a difference.

We recognized that workers with family responsibilities must be given special attention if they are to remain productive. Consequently, not only did we continue to provide an enriched After School facility for children of our employees but we introduced a Summer Programme which provided a safe place for learning, social development and cultural enhancement during the holidays. In addition 54 children of employees at the Primary and Secondary levels were awarded scholarships.

The total investment in Staff Development and Social programmes was J$19 million.

Conclusion and Outlook

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

Looking to the future, LOJ has set itself four main goals:

- To remain the most cost efficient provider of services in all the business segments in which it participates;
- To build customer loyalty;
- To grow the market by offering new products;
- To provide shareholders with an attractive risk-adjusted rate of return on equity.

In striving to achieve these goals we will solidify LOJ as a premier financial institution in Jamaica and a preferred place of work for our staff.

Richard O. Byles
President & Chief Executive Officer
February 27, 2007

Left to Right: Patrick Sinclair, Phillip Sanderson, Trevor Barnes, Mavis Ferguson, Michael Lawe.

LIST OF BRANCH OFFICES & MANAGERS

Montego Bay Branch
42b Union Street, Montego Bay, St. James
Tel: 952-4700
Fax: 952-7578

Branch Manager:	Mr. Patrick Sinclair
Unit Manager:	Mr. Sylvestor Holt

New Kingston Branch
35 Trafalgar Road, Kingston 5
Tel: 926-1470
Fax: 968-4369

Branch Manager:	Mr. Phillip Sanderson
Agency Manager:	Mr. Mark Lindsay

Spanish Town Branch
16 Burke Road, Spanish Town
Tel: 984-3027; 984-5047
Fax: 984-8474

Branch Manager:	Mr. Trevor Barnes
Agency Manager:	Mr. Aaron Greaves
Agency Manager:	Mr. David Reid
Unit Manager:	Mr. Courtney Golding

Ocho Rios Branch
2 Newlin Street, Ocho Rios, St. Ann
Tel: 974-2389; 974-5381
Fax: 974-1818

Branch Manager:	Mrs. Mavis Ferguson
Asst. Branch Manager:	Mr. Ramoth Watson

Liguanea Branch
35 Trafalgar Road, Kingston 5
Tel: 926-6820-9
Fax: 968-4369

Snr. Branch Manager:	Mr. Michael Lawe
Agency Manager:	Mr. H. Jimmy Reid
Unit Manager:	Ms. Colleen Flynn

Left to Right: Randolph McLean, Dale Greaves-Smith, Marston Thomas, Roaan Brown, Pete Forrest.

Knutsford Branch
35 Trafalgar Road, Kingston 5
Tel: 926-1479
Fax: 968-4369

Branch Manager:	Mr. Randolph McLean
Unit manager:	Mr. Donovan Brown

Mandeville Branch
59 Main Street, Mandeville
Tel: 962-2166; 962-2182
Fax: 962-3788

Branch Manager:	Mrs. Dale Greaves-Smith
Unit Manager:	Ms. Pauline Channer
Unit Manager:	Mr. James Gordon

Half Way Tree Branch
35 Trafalgar Road, Kingston 5
Tel: 929-6820-9
Fax: 968-3342

Branch Manager:	Mr. Marston Thomas
Agency Manager:	Mr. Marvin Walters

Belmont Dukes Branch
35 Trafalgar Road, Kingston 5
Tel: 926-1479
Fax: 968-4369

Branch Manager:	Mr. Roaan Brown
Agency Manager:	Mr. Donovan McCalla

Corporate Circle Branch
35 Trafalgar Road, Kingston 5
Tel: 754-0131-9
Fax: 929-2812

Snr. Branch Manager:	Mr. Pete Forrest
Agency Manager:	Mrs. Jasneith Harvey

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTY SIXTH ANNUAL GENERAL MEETING of the Company will be held at the LOJ Auditorium, 28-48 Barbados Avenue Kingston 5, on Wednesday, 9th day of May 2007 at 3:00 p.m. for the following purposes:

1. To receive the Report of the Directors and the Audited Accounts for the year ended December 31, 2006.

RESOLUTION:

"THAT the Report of the Directors and the Audited Accounts for the year ended December 31, 2006 now submitted to this meeting be and are hereby received."

2. To elect Directors

In accordance with Article 98 of the Company's Articles of Association, Messrs. Dodridge Miller, Michael Fraser and Mrs. Marjorie Chevannes-Campbell will retire by rotation and being eligible, offer themselves for re-election.

To consider and if thought fit pass the following resolutions:

(i) "That MR. DODRIDGE MILLER who retires by rotation and being eligible be and is hereby re-elected a Director of the Company".

(ii) "That MR. MICHAEL FRASER who retires by rotation and being eligible be and is hereby re-elected a Director of the Company".

(iii) "That MRS. MARJORIE CHEVANNES-CAMPBELL who retires by rotation and being eligible be and is hereby re-elected a Director of the Company".

3. To fix the remuneration of the Directors.

RESOLUTION

"THAT the amount of Thirteen Million, Two Hundred and Twenty-Five Thousand Dollars ($13,225,000.00) included in the Audited Accounts of the Company for the year ended December 31, 2006 as remuneration of the Directors for their services as Directors be and is hereby approved".

4. To authorize the Directors to fix the remuneration of the Auditors.

RESOLUTION

"THAT the Directors be and are hereby authorized to fix the remuneration of the Auditors, PricewaterhouseCoopers who have signified their willingness to continue in office, at a figure to be agreed with them".

5. SPECIAL BUSINESS

As Special Business to consider and (if thought fit) pass the following Special Resolutions:

5.1 Mr. Hilary Beckles having been appointed by the Directors to the Board since the last Annual General Meeting retires and being eligible, offers himself for re-election.

"That retiring Director Hilary Beckles be and is hereby re- elected a Director of the company".

5.2 RESOLUTION:

"That the Memorandum of Association of the Company be and is hereby deleted in its entirety."

5.3 RESOLUTION:

"That the Articles of Association of the Company be amended in the manner set out below and that the Articles so amended be adopted and hereafter be referred to as Articles of Incorporation in lieu of the Memorandum of Association and the Articles of Association of the Company."

Subject to the following amendments:

i) That Article 4 be amended to read as follows:

"Subject to the provisions of Sections 56 and 57 of the Act, the Company may issue shares which by the terms of the issue will be redeemed or at the option of the Company, may be redeemed.

ii) That Article 28(a) be amended by inserting the following at the beginning of that Article:

"Such fees as may be regulated by the Jamaica Stock Exchange or such other exchange on which the shares may be listed are..."

iii) That Article 31 be amended by inserting the following at the end of the Article:

"but nothing herein shall release the estate of a deceased joint holder from any liability in respect of a share which had been jointly held by him with other persons."

iv) That Article 48 be amended by inserting the following at the beginning of the Article:

"Subject to Section 71 of the Act..."

v) That the existing Article 49 be deleted and the subsequent Articles be renumbered accordingly.

vi) That the existing Article 51 (now Article 50) be amended to read as follows:

"The Directors may whenever they think fit convene an Extraordinary General Meeting. If at any time there are not within the Island sufficient Directors capable of acting to form a quorum, any Director or any two members of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors."

vii) That the following be inserted as new Article 68, and the subsequent Articles be renumbered accordingly:

"In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose, seniority shall be determined by the order in which the names stand in the register of members"

viii) That the following be inserted as new Article 83, and the subsequent Articles be renumbered accordingly:

"A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as a shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise direct."

ix) That the existing Article 84 (now 85) be amended to read as follows:

"The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

Provided that the amount for the time being remaining undischarged of moneys borrowed or secured by the Directors as aforesaid (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not at any time, without the previous sanction of the Company in General Meeting, exceed the amount of the share capital of the Company for the time being issued, but nevertheless no lender or other person dealing with the Company shall be concerned to see or inquire whether this limit is observed. No debt incurred or security given in excess of such limit shall be invalid or ineffectual except in the case of express notice to the lender or the recipient of the security at the time when the debt was incurred or security given that the limit hereby imposed had been or was thereby exceeded.

x) That the existing Article 89(1) (now Article 90(1)) be amended to read as follows:

"A Director who is, in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall disclose in writing to the Company or request to have entered in the minutes of meetings of Directors, the nature and extent of his interest, in accordance with Section 193 of the Act, and shall not be present at any proceedings of the Directors to discuss approval of the transaction in which he has an interest."

and the existing 89(2) be amended to begin as follows:

"The prohibition in Subsection (1) of this Article shall not apply to a Director's right to be present and vote at proceedings concerning:…"

xi) That the existing Article 97(e) (now Article 98(e)) be amended to read as follows:

"ceases to be or becomes prohibited from being a Director by reason of any provision in or any order made under Sections 180 and 182 of the Act"

xii) That the following be inserted as new Article 110, and the subsequent Articles be renumbered accordingly:

"Directors participating in a meeting of Directors by electronic means shall count to constitute a quorum."

xiii) That the existing Article 131 (now Article 133) be amended to begin as follows:

"The books of account shall be kept at the registered office of the Company, or subject to subsections (3) and (4) of Section 144…"

xiv) That the existing Article 134 (now Article 136) be amended to begin as follows:

"The Company in general meeting may, upon the recommendation of the Directors resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or…"

xv) That the existing Article 139 (now Article 141) be amended to begin as follows:

"Any notice, if sent by post, shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected at the expiration of forty-eight hours after the same shall have been posted…"

xvi) That the existing Article 143 (now Article 146) be amended to begin as follows:

"Subject to section 201 of the Act…"

xvii) That the following be inserted as new Article 147, and the subsequent Articles be renumbered accordingly:

Insurance

"Subject to section 204 of the Act, the Company may purchase and maintain insurance for the benefit of any present or former Director, auditor or officer of the Company, against liability incurred by these persons in their capacity as Director, auditor or officer of the Company, other than liability for fraud."

xviii) That references in the existing Articles of Association to Sections 52, 61(i)(d),188, 143, 145,153 and 156 be amended to read Sections 53,65(i)(d), 193,145,147,154 and 157 respectively of the Articles of Incorporation .

xix) That any reference in the existing Articles to the Regulations under Table A of the First Schedule of the Companies Act 1965 or reference to the Companies Act 1965 shall be amended to refer to Regulations under Table A of the First Schedule of the Companies Act 2004 or to the Companies Act 2004 respectively.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member, Proxy forms must be lodged at the Company's Registered Office, 28-48 Barbados Avenue, Kingston 5, not less than 48 hours before the time of the meeting.

A Form of Proxy is enclosed for your convenience.

By Order of the Board

Donna M. Stephenson
Secretary
March 28, 2007

28-48 Barbados Avenue
Kingston 5, Jamaica

YEAR IN REVIEW

Left: LOJ Corporate Awards, Richard Byles presents the Chairman's Trophy to Albert Lyon - #1 Agent, HWT Branch.

Below: LOJ Corporate Awards, Champion Branch Corporate Circle, Richard Byles presents trophy to Jasnieth Harvey - Agency Manager and Pete Forrest - Snr. Branch Manager

Above: A staff member has her blood sugar level checked during Staff Appreciation and Achievement Week (SAAW) activities.

Left: Employee of the Year, Marie Henry, Finance Division, proudly shows off her trophies. She also capped the prestigious Sagicorian Award for the Most Outstanding Employee in the Sagicor Group of companies.

Left: Nadje Leslie plays the violin at the Long Service Awards and Christmas Party.

Management and staff take to the floor at the Annual Christmas Party.

Life of Jamaica LIMITED

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CORPORATE DATA

Executive Management

Richard Byles
President & CEO

Michael Fraser
Deputy CEO & Chief Marketing Officer

Errol McKenzie
Executive Vice President, Employee Benefits

Janet Sharp
Executive Vice President & Resident Actuary

Ivan Carter
Senior Vice President, Finance & IT Divisions

Sharon Lake
Senior Vice President, Insurance Operations

Bernita Locke
Vice President, Human Resources

Janice A.M. Grant Taffe
Vice President, Legal Counsel

Anthony Roberts
Vice President, Corporate Actuarial

Rohan Miller
Vice President, Investments

Corporate Secretary

Donna Stephenson
Vice President, Corporate Secretarial

Appointed Actuary

Janet Sharp
Executive Vice President & Resident Actuary

Medical Director

Dr. Edward Chung, DM, FACP, FCCP

Auditors

PricewaterhouseCoopers

Bankers

Bank Of Nova Scotia (Jamaica) Limited
National Commercial Bank (Jamaica) Limited

Attorneys

Myers, Fletcher & Gordon
Patterson Mair Hamilton
Hart Muirhead Fatta
Livingston Alexander & Levy
Nunes Scholefield Deleon & Company

Registered Office

28-48 Barbados Avenue, Kingston 5,
Jamaica, W.I.

Telephone	(876) 929-8920-9
Toll Free	1888 991-2288
Fax No.	(876) 929-4730
Email	info@lifeofja.com
Cable Code	'LOJAM'

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31 December 2006

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APPOINTED ACTUARY'S REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

I have valued the policy actuarial liabilities of Life of Jamaica Limited for the consolidated balance sheet, at December 31, 2006, and the change in the consolidated statement of operations, for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of the Life of Jamaica business was conducted using the Policy Premium Method assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Actuarial Regulations, 2001. The valuation has been carried out in accordance with the International Financial Reporting Standard 4, Insurance Contracts and the results satisfy the liability adequacy tests as required by this standard. I did not perform the valuation for the liabilities of Sagicor Re Insurance Limited, a fully-owned property and casualty insurance subsidiary of Life of Jamaica. I have performed the valuation of Sagicor Life of the Cayman Islands Ltd., a fully-owned subsidiary of Life of Jamaica and I have relied on the work performed by Eckler Ltd. Consultants and Actuaries, Toronto, Canada for the valuation of the policy liabilities for Sagicor General Insurance (Cayman) Ltd. (formerly Cayman General Insurance Co Ltd), the 51% owned subsidiary of Sagicor Life of the Cayman Islands Ltd.

In my opinion, the amount of policy actuarial liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly represent the results of the valuation.

JANET SHARP, FSA, MAAA
APPOINTED ACTUARY FOR LIFE OF JAMAICA

FEBRUARY 27, 2007

Life of Jamaica Limited
28-48 Barbados Avenue,
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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston Jamaica
Telephone (876) 922 6230
Facsimile (876) 922 7581

To the Members of
Life of Jamaica Limited

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Life of Jamaica Limited and its subsidiaries, and the accompanying financial statements of Life of Jamaica Limited standing alone set out on pages 40 to 154, which comprise the consolidated and company balance sheets as of 31 December 2006 and the consolidated and company statements of operations, statements of changes in stockholders' equity, and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 December 2006, and of the financial performance and cash flows of the group and company for the year then ended, so far as concern the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants

February 27, 2007
Kingston, Jamaica

GROUP BALANCE SHEET
31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
ASSETS			
Cash Resources	6		
Cash and bank		775,410	365,058
Amounts due from other financial institution		1,158,852	1,060,774
		1,934,262	1,425,832
Investments			
Short term deposits	6	694,834	777,316
Financial assets at fair value through profit or loss	7	1,513,339	717,697
Available-for-sale securities	8	48,176,776	41,325,217
Loans and receivables	8	2,681,638	2,425,477
Securities purchased under resale agreements	9	1,327,702	2,000,132
Investment properties	10	441,023	556,382
Associated company	11	2,725	2,725
		54,838,037	47,804,946
Loans, after Allowance for Impairment Losses	13	5,474,798	5,004,388
Lease Receivables	14	69,990	39,947
Taxation Recoverable		651,695	713,554
Due from Related Companies	15	547,783	878,401
Cash Reserve at Bank of Jamaica	16	59,272	56,587
Reinsurance Assets	17	1,188,925	1,172,698
Other Assets	18	2,415,741	1,966,592
Property, Plant and Equipment	19	849,585	682,515
Deferred Income Taxes	20	21,217	21,729
Intangible Assets	21	5,363,681	5,678,071
Retirement Benefit Assets	22	13,954	16,705
Segregated Funds' Assets	23	5,629,274	5,448,888
		79,058,214	70,910,853

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

GROUP BALANCE SHEET (Continued)
31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	24	372,977	371,644
Share premium	24	7,278,560	7,173,360
Capital reserve	25	2,675	2,675
Stock options reserve	26	32,686	16,638
Investment and fair value reserves	27	987,213	(53,404)
Currency translation reserve	28	461,123	389,839
Other reserves	29	99,074	92,030
Retained earnings		5,177,479	3,659,266
		14,411,787	11,652,048
Minority Interest		4,586,380	4,074,905
		18,998,167	15,726,953
Liabilities			
Securities Sold under Repurchase Agreements		31,747,734	29,228,380
Customer Deposits	31	4,472,809	4,203,475
Other Liabilities	32	1,613,076	1,352,221
Due to Ultimate Parent Company	15	528,797	286,049
Due to Banks and other Financial Institutions	34	2,669,099	1,889,641
Taxation Payable		334,470	361,815
Deferred Income Taxes	20	357,989	217,271
Retirement Benefit Obligations	22	294,026	287,698
Policyholders' Funds			
Segregated funds' liabilities	23	5,629,274	5,448,888
Insurance contracts liabilities	35	5,270,647	4,941,686
Investment contracts	36	4,657,895	4,692,828
Other policy liabilities	37	2,484,231	2,273,948
		18,042,047	17,357,350
		79,058,214	70,910,853

Approved for issue by the Board of Directors on 27 February 2007 and signed on its behalf by:

Dodridge D. Miller	Chairman	Richard O. Byles	Director

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

Life of Jamaica LIMITED
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GROUP STATEMENT OF OPERATIONS

Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
Revenues			
Gross premium revenue	38	11,877,893	8,031,557
Insurance premium ceded to reinsurers	38	(2,009,545)	(556,041)
Net premium revenue		9,868,348	7,475,516
Investment income	39	7,275,631	6,640,317
Interest expense	40	(3,681,411)	(3,564,600)
Net interest income		3,594,220	3,075,717
Gains on sale of shares to ultimate parent company		-	429,940
Fee income -			
Administration	41	643,036	629,332
Other	41	146,793	167,140
		789,829	796,472
Co-insurance distribution	42	-	19,906
Other operating income		516,187	325,884
Total revenues		14,768,584	12,123,435
Benefits			
Insurance benefits incurred	43	5,354,589	3,801,184
Insurance benefits reinsured		(402,940)	(81,664)
Net insurance benefits		4,951,649	3,719,520
Net movement in actuarial liabilities	35	272,390	374,981
Expenses			
Impairment losses on loans	13	(1,457)	(3,282)
Finance costs	45	22,986	31,941
Administration expenses	46	1,392,798	1,184,167
Commission and sales expenses	47	1,818,297	1,288,361
Salaries, pension contributions and other staff benefits	47	1,992,083	1,549,933
Depreciation	19	128,438	89,422
Amortisation and impairment of intangible assets	21	398,004	308,863
Total expenses		5,751,149	4,449,405
		10,975,188	8,543,906
Profit before Taxation		3,793,396	3,579,529
Taxation	48	(740,148)	(708,686)
NET PROFIT		3,053,248	2,870,843
Attributable to:			
Stockholders' of the company		2,572,216	2,449,261
Minority interest		481,032	421,582
		3,053,248	2,870,843
Earnings per stock unit for profit attributable to the stockholders of the company during the year			
Basic	49	$0.69	$0.71
Fully diluted	49	$0.68	$0.70

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share Capital	Share Premium	Capital Reserve	Stock Option Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
		\------------Attributable to Stockholders' of the Group							------------\		
Balance at 1 January 2005, as restated		254,369	2,749,812	2,675	-	742,006	317,078	106,888	1,978,599	-	6,151,427
Unrealised gains on revaluation of owner-occupied properties		-	-	-	-	27,809	-	-	-	-	27,809
Currency translation differences		-	-	-	-	-	72,761	-	-	-	72,761
Reversal of unrealised fair value gains on acquired subsidiary		-	-	-	-	(861,222)	-	-	-	-	(861,222)
Unrealised gains on available-for-sale securities		-	-	-	-	365,986	-	-	-	(174,072)	191,914
Gains recycled to revenue on disposal and maturity of available-for- sale securities		-	-	-	-	(372,148)	-	-	-	-	(372,148)
Net gains/(losses) not recognised in the statement of operations		-	-	-	-	(839,575)	72,761	-	-	(174,072)	(940,886)
Net profit		-	-	-	-	-	-	-	2,449,261	421,582	2,870,843
Total income/(expense) recognised for 2005		-	-	-	-	(839,575)	72,761	-	2,449,261	247,510	1,929,957
Transfer to special investment reserve	29(a)	-	-	-	-	-	-	5,483	(5,483)	-	-
Transfer to retained earnings	2(u)	-	-	-	-	44,165	-	-	(44,165)	-	-
Adjustment between regulatory loan provisioning and IFRS		-	-	-	-	-	-	(20,341)	20,341	(17,863)	(17,863)
Employee share option scheme – value of services provided		-	-	-	16,638	-	-	-	-	9,563	26,201
Minority interest net assets of acquired subsidiaries		-	-	-	-	-	-	-	-	4,153,563	4,153,563
Net movement in reserves for minority interest		-	-	-	-	-	-	-	-	(209,979)	(209,979)
Issue of shares		117,275	4,423,548	-	-	-	-	-	-	-	4,540,823
Dividend paid to minorities		-	-	-	-	-	-	-	-	(107,889)	(107,889)
Dividends	30	-	-	-	-	-	-	-	(739,287)	-	(739,287)
Balance at 31 December 2005		371,644	7,173,360	2,675	16,638	(53,404)	389,839	92,030	3,659,266	4,074,905	15,726,953

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

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GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

		Attributable to Stockholders' of the Group									
	Note	Share Capital	Share Premium	Capital Reserve	Stock Option Reserve	Investment and Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
Balance as at 1 January 2006, as restated	58	371,644	7,173,360	2,675	16,638	(53,404)	389,839	92,030	3,659,266	4,074,905	15,726,953
Unrealised gains on revaluation of owner-occupied properties		-	-	-	-	23,554	-	-	-	-	23,554
Currency translation differences		-	-	-	-	(2,753)	71,284	-	-	21,893	90,424
Reversal of unrealised fair value gains on acquired subsidiary		-	-	-	-	-	-	-	-	-	-
Unrealised gains on available-for-sale securities		-	-	-	-	1,274,582	-	-	-	241,543	1,516,125
Gains recycled to revenue on disposal and maturity of available-for- sale securities		-	-	-	-	(293,896)	-	-	-	(115,896)	(409,792)
Net gains/(losses) not recognised in the statement of operations		-	-		-	1,001,487	71,284	-	-	147,540	1,220,311
Net profit		-	-	-	-	-	-	-	2,572,216	481,032	3,053,248
Total income/(expense) recognised for 2006		-	-	-	-	1,001,487	71,284	-	2,572,216	628,572	4,273,559
Transfer to retained earnings	2(u)	-	-	-	-	-	-	26,610	(26,610)	-	-
Transfer to special investment reserve	29(a)	-	-	-	-	39,130	-	-	(39,130)	-	-
Adjustment between regulatory loan provisioning and IFRS		-	-	-	-	-	-	(18,894)	18,894	-	-
Provision utilised		-	-	-	-	-	-	(672)	-	(604)	(1,276)
Employee share option scheme – value of services provided		-	-	-	16,048	-	-	-	-	5,634	21,682
Issue of shares	24	1,333	105,200	-	-	-	-	-	-	51,681	158,214
Dividend paid to minorities		-	-	-	-	-	-	-	-	(173,808)	(173,808)
Dividends	30	-	-	-	-	-	-	-	(1,007,157)	-	(1,007,157)
Balance at 31 December 2006		372,977	7,278,560	2,675	32,686	987,213	461,123	99,074	5,177,479	4,586,380	18,998,167

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Other Reserves		
		Special Investment Reserve	Loan Loss Reserve	Total
Balance at 1 January 2005		106,888	-	106,888
Transfer from retained earnings	2(u)	5,483	-	5,483
Adjustment between regulatory loan provisioning and IFRS		-	(20,341)	(20,341)
Balance at 31 December 2005		112,371	(20,341)	92,030
Transfer from retained earnings		26,610	-	26,610
Provision utilised		-	(672)	(672)
Adjustment between regulatory loan provisioning and IFRS	29(b)	-	(18,894)	(18,894)
Balance at 31 December 2006		138,981	(39,907)	99,074

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

GROUP STATEMENT OF CASH FLOWS
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
Cash Flows from Operating Activities			
Net profit		3,053,248	2,870,843
Adjustments for:			
Depreciation	19	128,438	89,422
Interest income	39	(6,313,953)	(5,814,279)
Interest expense	40	3,681,411	3,564,600
Income tax expense	48	740,148	708,686
Gain on disposal of investments		(224,605)	(216,989)
Gain on disposal of shares to ultimate parent company		-	(429,940)
Impairment charge on investments, loans and other assets		19,310	(151,037)
Gain on revaluation of investment properties	10	(55,964)	(22,531)
Gain on sale of investment properties		-	(739)
Gain/(loss) on disposal of property, plant and equipment		(1,926)	715
Amortisation of intangible assets	21	377,237	308,863
Increase in policyholders' funds		231,921	155,153
Changes in policyholders' funds	35	272,390	374,981
Retirement benefit obligations		9,079	17,987
Effect of exchange gain on foreign balances		(650,891)	(529,129)
		1,265,843	926,606
Changes in operating assets and liabilities:			
Statutory reserves at Bank of Jamaica		(2,685)	29,155
Securities sold under repurchase agreements		2,519,354	209,770
Proceeds on sale of investment securities		4,299,748	4,861,887
Purchase of investment properties	10	(34,125)	(108,978)
Proceeds on sale of investment properties		82,169	1,952
Purchase of investment securities		(8,526,235)	(2,724,176)
Loans		(461,783)	(1,217,151)
Lease receivables		(28,556)	(983)
Due from/(to) related parties		573,366	23,775
Other assets, net		(403,517)	629,550
Customer deposits		269,334	780,498
Other liabilities, net		265,303	(93,768)
		(181,784)	3,318,137
Interest received		6,506,786	4,822,317
Interest paid		(3,675,160)	(3,551,793)
Income tax paid		(626,263)	(736,742)
Net cash provided by operating activities		2,023,579	3,851,919

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

GROUP STATEMENT OF CASH FLOWS (Continued)
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
Cash Flows from Operating Activities (Page 46)		2,023,579	3,851,919
Cash Flows from Investing Activities			
Acquisitions, net of cash acquired		-	(3,110,009)
Purchase of property, plant and equipment	19	(146,082)	(118,847)
Proceeds from sale of property, plant and equipment		3,153	4,205
Purchase of intangible assets		(55,244)	(111,341)
Net cash used in investing activities		(198,173)	(3,335,992)
Cash Flows from Financing Activities			
Dividends paid to stockholders		(1,011,605)	(724,221)
Dividends paid to minority interest		(173,808)	(107,889)
Loan from Sagicor Inc.		-	3,481,604
Loans from banks and other financial institutions		1,071,721	830,367
Repayments of loan to financial institutions		(475,319)	(672,567)
Issue of ordinary shares		106,533	147,944
Net cash (used in)/provided by financing activities		(482,478)	2,955,238
Effect of exchange rate on cash and cash equivalent		103,434	285,645
Net increase in net cash and cash equivalents		1,446,362	3,756,810
Cash and bank overdraft at beginning of year		4,034,586	277,776
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	5,480,948	4,034,586

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

COMPANY BALANCE SHEET
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
ASSETS			
Cash and Bank	6	569,722	267,644
Investments			
Short term deposits	6	26,058	22,281
Available-for-sale	8	10,387,204	9,022,388
Loans and receivables	8	2,295,410	2,063,117
Securities purchased under resale agreements	9	656,358	359,259
Investment properties	10	441,023	324,934
Subsidiaries	12	5,041,506	5,041,462
Associated company	11	2,725	2,725
		18,850,284	16,836,166
Lease Receivables	14	17,508	25,176
Taxation Recoverable		131,811	273,043
Due from Related Companies	15	774,495	1,152,274
Reinsurance Assets	17	70,805	137,558
Other Assets	18	1,601,709	1,257,499
Property, Plant and Equipment	19	463,209	506,933
Deferred Income Taxes	20	-	13,019
Intangible Assets	21	2,420,537	2,488,946
Segregated Funds' Assets	23	5,376,741	5,269,989
		30,276,821	28,228,247

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

COMPANY BALANCE SHEET (Continued)
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	24	372,977	371,644
Share premium	24	7,278,560	7,173,360
Capital reserve	25	2,675	2,675
Share option reserve	26	15,463	5,781
Investment and fair value reserves	27	896,591	115,882
Special investment reserve	29	138,981	112,371
Retained earnings		4,046,956	3,064,334
		12,752,203	10,846,047
Liabilities			
Securities Sold under Repurchase Agreements		-	502,360
Other Liabilities	32	951,106	915,439
Due to Related Companies	15	528,797	611,571
Due to Banks and other Financial Institutions	34	896,655	505,386
Taxation Payable		114,396	334,629
Deferred Income Taxes	20	7,945	-
Retirement Benefit Obligations	22	279,063	276,572
Policy Liabilities			
Segregated funds' liabilities	23	5,376,741	5,269,989
Insurance contracts liabilities	35	4,283,121	3,900,953
Investment contracts liabilities	36	4,226,455	4,207,237
Other policy liabilities	37	860,339	858,064
		14,746,656	14,236,243
		30,276,821	28,228,247

Approved for issue by the Board of Directors on 27 February 2007 and signed on its behalf by:

D. Miller

Dodridge D. Miller Chairman

Richard O. Byles Director

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

Life of Jamaica LIMITED
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COMPANY STATEMENT OF OPERATIONS
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
Revenues			
Gross premium revenue	38	8,701,284	7,286,319
Insurance premium ceded to reinsurers	38	(287,985)	(296,399)
Net premium revenue		8,413,299	6,989,920
Investment income	39	2,033,140	1,637,280
Interest expense	40	(463,293)	(403,454)
		1,569,847	1,233,826
Gain on sale of shares to ultimate parent company		-	429,940
Fee income -			
Administration	41	539,807	497,177
Other	41	47,178	43,055
		586,985	540,232
Co-insurance distribution	42	-	19,906
Other operating income		80,075	163,406
Total revenues		10,650,206	9,377,230
Benefits			
Insurance benefits incurred	43	4,055,423	3,523,572
Insurance benefits reinsured	43	(29,247)	(58,893)
Net insurance benefits	43	4,026,176	3,464,679
Net movement in actuarial liabilities	35	382,168	337,080
Expenses			
Finance costs	45	3,355	31,941
Administration expenses	46	847,740	699,050
Commission and sales expenses	47	1,571,170	1,220,932
Salaries, pension contributions and other staff benefits	47	1,229,611	1,095,611
Depreciation	19	76,280	61,971
Amortisation	21	97,512	64,978
Total expenses		3,825,669	3,174,483
		8,234,012	6,976,242
Profit before Taxation		2,416,194	2,400,988
Taxation	48	(360,675)	(349,770)
NET PROFIT		2,055,519	2,051,218

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share Capital	Share Premium	Capital Reserve	Share options reserve	Investment and Fair Value	Special Investment Reserve	Retained Earnings	Total
Balance as at 1 January 2005, as restated		254,369	2,749,812	2,675	-	668,945	106,888	1,802,051	5,584,740
Unrealised gains on revaluation of owner-occupied properties		-	-	-	-	27,809	-	-	27,809
Unrealised gains on available-for-sale securities		-	-	-	-	357,099	-	-	357,099
Reversal of unrealised fair value gains on acquired subsidiary		-	-	-	-	(861,222)	-	-	(861,222)
Gains recycled to revenue on disposal and maturity of available-for- sale securities		-	-	-	-	(120,914)	-	-	(120,914)
Net gains/(losses) not recognised in the statement of operations		-	-	-	-	(597,228)	-	-	(597,228)
Net profit, as restated	58	-	-	-	-	-	-	2,051,218	2,051,218
Total recognised income for 2005, as restated	58	-	-	-	-	(597,228)	-	2,051,218	1,453,990
Transfer to retained earnings	2(u)	-	-	-	-	44,165	-	(44,165)	-
Transfer to special investment reserve	29(a)	-	-	-	-	-	5,483	(5,483)	-
Issue of shares		117,275	4,423,548	-	-	-	-	-	4,540,823
Employee share option scheme – value of services provided	26	-	-	-	5,781	-	-	-	5,781
Dividends	30	-	-	-	-	-	-	(739,287)	(739,287)
Balance at 31 December 2005, as restated	58	371,644	7,173,360	2,675	5,781	115,882	112,371	3,064,334	10,846,047
Unrealised gains on revaluation of owner-occupied properties		-	-	-	-	23,553	-	-	23,553
Unrealised gains on available-for-sale securities		-	-	-	-	837,427	-	-	837,427
Reversal of unrealised fair value gains on acquired subsidiary		-	-	-	-	-	-	-	-
Gains recycled to revenue on disposal and maturity of available-for- sale securities		-	-	-	-	(119,401)	-	-	(119,401)
Net gains/(losses) not recognised in the statement of operations		-	-	-	-	741,579	-	-	741,579
Net profit		-	-	-	-	-	-	2,055,519	2,055,519
Total recognised income for 2006		-	-	-	-	741,579	-	2,055,519	2,797,098
Transfer to retained earnings	2(u)	-	-	-	-	-	26,610	(26,610)	-
Transfer to special investment reserve	29(a)	-	-	-	-	39,130	-	(39,130)	-
Employee share option scheme – value of services provided	26	-	-	-	9,682	-	-	-	9,682
Issue of shares	24	1,333	105,200	-	-	-	-	-	106,533
Dividends	30	-	-	-	-	-	-	(1,007,157)	(1,007,157)
Balance at 31 December 2006		372,977	7,278,560	2,675	15,463	896,591	138,981	4,046,956	12,752,203

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

Life of Jamaica Limited
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COMPANY STATEMENT OF CASH FLOWS
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
Cash Flows from Operating Activities			
Net profit		2,055,519	2,051,218
Adjustments for:			
Depreciation	19	76,280	61,971
Interest income	39	(1,510,951)	(1,267,687)
Interest expense	40	463,293	403,454
Income tax expense	48	360,675	349,770
Gain on disposal of investments		(146,179)	(174,715)
Gain on disposal of shares to ultimate parent company		-	(429,940)
Impairment charge on loans and other assets	39	-	24,798
Gain on revaluation of investment properties	10	(55,964)	(17,969)
Gain on sale of investment property		-	(739)
Loss/(gain) on disposal of property, plant and equipment		(1,235)	1,271
Amortisation of intangible assets		97,512	64,978
Increase in policyholders' funds		21,493	159,933
Changes in policyholders' funds	35	382,168	337,080
Retirement benefit obligations		2,491	16,103
Effect of exchange gain on foreign balances		(83,387)	(113,418)
		1,661,715	1,466,108
Changes in operating assets and liabilities:			
Purchase of investment properties	10	(34,125)	(108,978)
Securities sold under resale agreement		(502,360)	-
Purchase of investment securities		(2,403,319)	(982,616)
Proceeds from the sale of investment securities		1,695,238	836,620
Proceeds on sale of investment property		40,000	1,952
Lease receivables		8,796	(22,514)
Due from/(to) related companies		295,005	(110,412)
Reinsurance contracts		66,753	(51,175)
Other assets, net		(202,978)	(930,519)
Other liabilities, net		42,645	399,562
		667,370	498,028
Interest received		1,493,318	1,190,293
Interest paid		(389,429)	(423,306)
Income tax paid		(559,944)	(244,248)
Net cash provided by/(used in) operating activities		1,211,315	1,020,767

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS (Continued)
Year ended 31 December 2006

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2006	Restated 2005
Cash Flows from Operating Activities (Page 52)		1,211,315	1,020,767
Cash Flows from Investing Activities			
Acquisitions, net of cash acquired		-	(1,098,583)
Purchase of property, plant and equipment	19	(75,913)	(78,656)
Proceeds from sale of property, plant and equipment		3,013	3,220
Purchase of intangible assets	21	(29,103)	(68,214)
Net cash used in investing activities		(102,003)	(1,242,233)
Cash Flows from Financing Activities			
Dividends paid to stockholders		(1,011,605)	(724,221)
Loan from fellow subsidiary		-	327,791
Repayment of loans to financial institutions		(280,000)	-
Loan from financial institutions		469,926	502,360
Investment in subsidiaries		(44)	-
Issue of ordinary shares		106,533	147,944
Net cash (used in)/provided by financing activities		(715,190)	253,874
Effect of exchange rate on cash and bank overdraft		7,489	2,806
Net increase in net cash and bank overdraft		401,611	35,214
Cash and bank overdraft at beginning of year		163,907	128,693
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	565,518	163,907

The accompanying notes on pages 54 - 154 form an integral part of these financial statements.

(expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification and Activities

(a) Life of Jamaica Limited (LOJ, the company) is incorporated and domiciled in Jamaica. It is 42.2% (2005 – 42.4%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. The ultimate parent company is Sagicor Financial Corporation (Sagicor), which is incorporated and domiciled in Barbados. Sagicor has an overall interest of 59.69% (2005 - 59.9%) in Life of Jamaica Limited.

The main activities of the company include the provision of life and health insurance, pension administration, investment services, pension and retirement products and savings and investment products. The registered office of the company is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

The company is registered to conduct business under the Insurance Act, 2001.

The company is listed on the Jamaica Stock Exchange.

(b) The company, its subsidiaries and associate all have co-terminus year ends. The company's subsidiaries and associate, which together with the company are referred to as "the Group", are as follows:

Subsidiaries	Principal Activities	Incorporated In	LOJ Group's Holding
Sagicor Life of the Cayman Islands Ltd. and its subsidiaries –	Life insurance	Grand Cayman	100%
Sagicor General Insurance (Cayman) Ltd. (formerly Cayman General Insurance Co. Ltd.)	Property and casualty and Health Insurance marketing and administration	Grand Cayman	51%
Sagicor Insurance Managers Limited	Property and casualty insurance	Grand Cayman	51%
Employee Benefits Administrator Limited	Pension administration services	Jamaica	100%
LOJ Property Management Limited	Property management	Jamaica	100%
LOJ Pooled Investment Funds Limited	Pension fund management (Note 1(c))	Jamaica	100%
Sagicor Re Insurance Limited	Property and casualty insurance (captive)	Grand Cayman	100%

(expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification and Activities (Continued)

(b) (Continued)

Subsidiaries	Principal Activities	Incorporated In	LOJ Group's Holding
Pan Caribbean Financial Services Limited and its subsidiaries :	Investment Banking	Jamaica	52.67%
Pan Caribbean Merchant Bank Limited	Merchant Banking	Jamaica	52.67%
Pan Caribbean Asset Management Limited	Unit trust management	Jamaica	52.67%
Manufacturers Investments Limited	Investment management services	Jamaica	52.67%
Pan Caribbean Investments Limited	Inactive	Jamaica	52.67%
Pan Caribbean Securities Limited	Inactive	Jamaica	52.67%

(c) LOJ Pooled Investment Funds Limited holds the assets of the Pooled Pension Investment Funds in trust, on behalf of pension funds. At 30 September 2006, the audited assets totalled approximately $29,778,200 (2005 - $25,328,752). At 31 December 2006, the unaudited assets totalled approximately $31,934,275 (2005 - $26,277,321).

(d) The company also operates a number of pension funds on behalf of client as follows:

(i) Life of Jamaica Limited Diversified Investment Fund holds assets in trust, on behalf of pension funds. At 31 December 2006, the unaudited assets totalled approximately $3,295,593 (2005 - $2,038,358).

(ii) Various self-directed funds. At 31 December 2006, the unaudited assets totalled approximately $6,918,301 (2005 - $5,778,114).

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) which include International Accounting Standards (IAS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment property, certain property, plant and equipment, and financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All amounts in these financial statements are shown in thousands of Jamaica dollars, rounded to the nearest thousand, unless otherwise stated.

Amendments to published standards effective 1 January 2006 that are relevant to the Group's operations.

- IAS 19 Amendments – Actuarial Gains and Losses, Group Plans and Disclosures
  IAS 19 Amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosure presented in the financial statements.

- IAS 39 Amendment – The Fair Value Option. Prior to the amendment, the Group applied the unrestricted version of the fair value option in IAS 39. The Group meets the new criteria in the amendment and therefore continues to designate certain financial assets and financial liabilities at fair value through profit or loss.

- IFRIC 4, Determining whether an Arrangement contains a Lease. IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. IFRIC 4 has no material effect on the Group's policies.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at balance sheet date, and which the Group did not early adopt. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- **IFRS 7, Financial instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures** (effective 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32. The Group will apply IFRS 7 from 1 January 2007.

- **IFRIC 8, Scope of IFRS 2** (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issues – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements.

- **IFRIC 10, Interim Financial Reporting and Impairment** (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of operations.

2. **Summary of Significant Accounting Policies (Continued)**

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's investment in associates may include intangible assets (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associate's post-acquisition profits or losses is recognised 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 carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').The financial statements are presented in Jamaican dollars, which is the Group's and the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of operations.

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances (continued)
Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value and investment reserves in stockholders' equity.

(iii) Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of operations are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to stockholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of operations as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Cash and cash equivalents
For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances, deposits held on call with banks, bank overdraft balances and certain short term investments which mature within ninety days from the dates of acquisition.

2. Summary of Significant Accounting Policies (Continued)

(f) Investments

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss; loans and receivables and available-for-sale financial assets. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) Financial assets at fair value through profit or loss
This category includes financial assets held for trading. A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated at fair value through profit or loss or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(iii) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any other category.

Purchases and sales of financial assets held for trading and available-for-sale are recognised at the trade date – the date on which the Group commits the purchase or sells the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets carried at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the statement of operations in the period in which they arise. Realised and unrealised gains and losses arising from changes in the fair value of non-monetary available-for-sale financial assets are recognised directly in stockholders' equity, until the financial assets are derecognised or impaired, at which time the cumulative gains or losses previously recognised in equity are transferred to the statements of operations. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of operations as net realised gains/losses on financial assets.

All purchases and sales of investment securities are recognised on the trade date.

The fair values of quoted investments are based on current bid prices. Unquoted securities are recorded initially at cost. They are subsequently measured at fair value. Where fair value cannot be measured reliably they are recognised at cost less impairment.

Investments in subsidiaries are stated in the company's financial statements at cost.

2. Summary of Significant Accounting Policies (Continued)

(g) Investment property

Property held for long-term rental yields that is not occupied by the companies within the Group is classified as investment property.

Investment property comprises freehold land and building and is carried at fair value, representing open market value determined annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the statement of operations.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes the cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of operations. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the statement of operations.

(h) Securities purchased/sold under agreements to resell/repurchase

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability is included in amounts due to banks and other financial institutions, customer deposits, or securities sold under agreements to repurchase.

(i) Loans and allowance for impairment losses

Loans are stated net of unearned income and allowance for impairment losses.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(i) Loans and allowance for impairment losses (continued)

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Interest income on impaired loans has not been recognised, as it is not considered material.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of profits.

(j) Leases

(i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the statement of operations over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

(k) Acceptances and guarantees

The Group's potential liability under acceptances and guarantees is reported as commitments off the balance sheet.

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of assets

(i) Financial assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of issuers or debtors in the group or national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for loan loss account and the amount of the loss is recognised in the statement of operations. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedience, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's credit process that considers asset type, industry, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

2. Summary of Significant Accounting Policies (Continued)

(l) Impairment of assets (continued)

(i) Financial assets carried at amortised cost (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed by adjusting the provision for loss account. The amount of the reversal is recognised in the statement of operations.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Statutory and other regulatory loan loss reserve requirements that are different from these amounts are dealt with in a non-distributable loan loss reserve as an adjustment to retained earnings.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries, in part or in full, of amounts previously written-off are credited to the statement of operations.

(ii) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investment classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the statement of operations – is removed from equity and recognised in the statement of operations. Impairment losses recognised in the statement of operations on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of operations, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

(iii) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(m) Offsetting financial instruments

A number of reinsurance financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(n) Property, plant and equipment

Freehold land and buildings owned and used by the Group are treated as owner-occupied properties. These properties are stated at their fair values based on valuations by external valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are included in the investment and fair value reserves. Decreases that offset previous increases of the same asset are charged against the investment and fair value reserves. All other reductions are taken directly to the statement of operations.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings	2.5%
Leasehold improvements	Period of lease, not to exceed ten years
Computer equipment	20 - 33⅓%
Furniture	10%
Other equipment	15%
Motor vehicles	20%
Leased assets	Shorter of period of lease or useful life of asset

Land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the statement of operations when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(o) Real estate developed for sale

Construction in progress for resale are classified as real estate held for resale and are valued at the lower of cost and net realisable value. Gains and losses realized on the sale of real estate are included in revenue at the time of sale.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill arising on the acquisition of subsidiaries and insurance portfolios is calculated as the amount by which the consideration paid and other related expenses exceed the fair value of the net identifiable assets acquired.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

An excess of the identifiable net assets acquired over the acquisition cost is treated as negative goodwill. Negative goodwill related to expected post-acquisition losses is taken to income during the period the future losses are recognised. Negative goodwill which does not relate to expected future losses and expenses is recognised as income immediately.

(ii) Contractual customer relationships – rights to receive investment management fees

Incremental costs directly attributable to securing rights to receive fees for asset management services sold with investment contracts are recognised as an intangible asset where they can be identified separately and measured reliably and it is probable that they will be recovered.

The asset represents the Group's contractual right to benefit from providing asset management services and is amortised on a straight line basis over the period in which the Group expects to recognise the related revenue. The costs of securing the right to provide asset management services do not include transaction costs relating to the origination of the investment contract.

(iii) Contractual customer relationships acquired as part of a business combination

The accounting policy in respect of intangible assets arising from insurance contracts acquired in a business combination and portfolio transfer is also described in Note (2 (x)).

2. Summary of Significant Accounting Policies (Continued)

(p) Intangible assets (continued)

(iv) Trademarks and licences

Trademarks and licences are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

(v) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(q) Employee benefits

(i) Pension obligations

The company and its subsidiaries operate a number of defined benefit and defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of qualified actuaries.

The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the statement of operations so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every year in accordance with IAS 19. The pension obligation is measured as the present value of the estimated future cash outflows using estimated discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the statement of operations if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are recognised in the statement of operations over the average remaining service lives of the participating employees.

Contributions to defined contribution plans are charged to the statement of operations in the period to which they relate.

2. Summary of Significant Accounting Policies (Continued)

(q) Employee benefits (continued)

(ii) Other post-retirement obligations

The Group also provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified actuaries.

(iii) Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(iv) Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target) Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of operations, and a corresponding adjustment to equity over the remaining vesting period.

Employees, agents and sales managers of the company are eligible to purchase shares in the company under a share purchase plan. In addition share options are granted to management as part of a performance incentive scheme.

Under the performance incentive scheme, options are granted at a 25% discount of the last sale price on the trading day prior to the grant date and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of five years. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(v) Profit sharing and bonus plan

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's stockholders. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary separation. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

2. Summary of Significant Accounting Policies (Continued)

(r) Segregated funds

The Group manages a number of segregated funds on behalf of policyholders. The investment returns on these unitised funds accrue directly to the policyholders, with the Group assuming no risk. Consequently, these funds are segregated and presented separately from the general fund of the Group. Income earned from fund management fees is included in other income in the consolidated statement of operations. Investments held in segregated funds are carried at their fair values. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date.

(s) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved.

(t) Special investment reserve

Unrealised gains on investment properties are recorded in the statement of operations under IFRS. Regulatory reserve requirements are met through the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the special investment reserve to retained earnings at 10%.

(ii) Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 90%.

(u) Transfers to retained earnings

Unrealised gain on quoted equities is recorded in the investment and fair value reserves under IFRS. Regulatory reserve requirements are met by transferring the following:

(i) Net unrealised gains brought forward at the beginning of each year are transferred from the investment and fair value reserves to retained earnings at 25%.

(ii) Net unrealised gains earned during the year are transferred from the investment and fair value reserves to the retained earnings at 25%.

(v) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of operations over the period of the borrowings using the effective interest method. Borrowings undertaken for the purposes of providing funds for on-lending, leasing or to acquire portfolio investments are included in Due to Banks and other Financial Institutions (note 34). The associated costs are included in Interest expense.

2. Summary of Significant Accounting Policies (Continued)

(w) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective yield method.

(x) Insurance and investment contracts

(i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk as defined above.

(ii) Recognition and measurement

Insurance contracts and investment contracts issued by the Group are summarised below:

(1.1) Short-term insurance contracts

These contracts are casualty, property and short-duration life and health insurance contracts.

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damages suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short duration life and health insurance contracts protect the Group's customers from the consequences of events (such as sickness, death and disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For most of these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.1) Short-term insurance contract (continued)

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using statistical analyses for the claims incurred but not reported.

(1.2) Long-term traditional insurance contracts -

These contracts are traditional participating and non-participating policies. The Group's participating policies do not have a discretionary participation feature (1.3) as the amount of additional benefits is not paid at the discretion of the Group.

The policy reserves have been calculated using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies and expected earned investment income. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, persistency rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates.

An actuarial valuation is prepared at least annually. Changes in the policyholders' liabilities are recorded in the statement of operations.

Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.3) Long-term insurance contracts without fixed terms and with discretionary participation features (DPF) -

A DPF is a contractual right to receive, as a supplement to the guaranteed benefit, additional benefits:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based on:
    - The performance of a specified pool of contracts or specified type of contract; and
    - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
    - The profit or loss of the company, fund or other entity that issues the contract.

These contracts include interest-sensitive and unit-linked universal life type policies which are classified as insurance liabilities.

A unit-linked insurance contract is an insurance contract with embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims in excess of the account balances incurred during the period are charged as expenses in the statement of operations.

(1.4) Investment contracts without discretionary participatory feature (DPF) -

The Group issues investment contracts without fixed terms and DPFs because these contracts do not satisfy the requirements that the amount or timing of additional benefits is contractually at the discretion of the Group.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at fair value through the profit or loss.

Valuation techniques are used to establish the fair value at inception and each reporting date.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.4) Investment contracts without discretionary participatory feature (DPF) – (continued)

The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the Group's unitised investments funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the balance sheet date.

If the investment contract is subject to a put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.

(iii) Amounts on deposit and deposit administration funds
These funds are managed by the company but are not legally separated from the general operations. The assets and liabilities of these funds are included in these financial statements. The company earns administration and investment fees on the management of these funds.

(iv) Derivatives embedded in insurance contracts and investment contracts
The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of a derivative. Embedded derivatives that are separated from the host contract are fair valued through income.

(v) Liability adequacy test
At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the statement of operations under benefits.

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(vi) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of operations. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Actuarial liabilities arising from reinsurance are included as an insurance contract liability.

2. Summary of Significant Accounting Policies (Continued)

(x) Insurance and investment contracts (continued)

(vii) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of operations. The Group gathers the objective evidence that the insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

(y) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(z) Revenue recognition

(i) Premium income

Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Revenue for universal life products and annuity contributions are recognised when received. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Property and casualty insurance premiums are recognised on a pro-rated basis over the period of the respective policies. Unearned premiums are the proportion of net premiums written in the current year which relate to cover provided in the following year.

Where collection of premium is considered doubtful, or payment is outstanding for more than 90 days, the insurance regulations stipulate that the outstanding premium should be provided for in full. IFRS requires that when premiums become doubtful of collection, they are written down to their recoverable amounts and thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

2. Summary of Significant Accounting Policies (Continued)

(z) Revenue recognition (continued)

(ii) Fee income

Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. Fee income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

The Group charges customers for asset management and other related services using the following approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.

- Regular fees charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

(iii) Interest income

Interest income is recognised in the statement of operations for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(aa) Interest expense

Interest expense is recognised in the statement of operations on an accrual basis using the effective yield method.

Amounts paid under contracts with principally financial risk are recorded directly to the balance sheet as an adjustment. The interest credited to these funds is recorded as an interest expense.

(bb) Commissions

Commissions are expensed in the year incurred. Should the policies lapse, the amounts are recovered from agents. Commissions recovered on lapsed policies are included in the statement of operations.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(cc) Taxation

Taxation expense in the statement of operations comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the statement of operations except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity.

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

(dd) Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the company or its subsidiaries act in a fiduciary capacity such as nominee, trustee or agent.

(ee) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, securities purchased under resale agreement, other assets, and other liabilities.

The fair values of the Group's and the company's financial instruments are discussed in Note 51.

(ff) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in the presentation in the current year. In particular, comparatives have been adjusted to take into account the adoption of the new and revised IFRS.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made no significant judgements on the amounts recognised in the financial statements

(b) Key sources of estimation uncertainty

(i) The ultimate liability arising from claims made under insurance contracts

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

(ii) Estimate of future payments and premiums arising from long-term insurance contracts and other intangible assets

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed for longevity risk.

Were the numbers of death in future years to increase per year by 3% for five years from management's estimate, the liability would increase by $502,553.

(expressed in thousands of Jamaican dollars unless otherwise stated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(iii) Estimate of future payments and premiums arising from long-term insurance contracts and other intangible assets (continued)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Where the average future investment returns decrease by 5% for ten years from management's estimates, the insurance liability would increase by $1,085,264.

For long term insurance contracts, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for adverse deviation is added to these assumptions.

Where the actual lapse experience differs by 200% or by 50% of expected lapse experience the liability would increase by $1,623,592.

(iv) Fair value of investment contracts

The Group issues investment contracts that are designated at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques include prospective discounting models as well as retrospective accumulation models. The value of the investment contracts at the balance sheet date is $10,287,169 (2005 -$10,141,716) for the Group and $9,603,196 (2005 – 9,477,226) for the company.

(expressed in thousands of Jamaican dollars unless otherwise stated)

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(v) Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The discount rate represents the interest rate that should be used to determine the present value of estimates future cash outflows required to meet the pension, life insurance and medical benefits as they fall due. The discount rate is based on yields on long term Government of Jamaica and CARICOM bonds. The expected rate of increase of medical costs is based on expected increases in utilisation and general increases in medical expenses above expected price inflation. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions.

If the expected return on plan assets were to change by 1% the net expense would change by $136,213 for the Group. If the discount rate changed by 1% then the expense would change by $157,410 for the Group and $123,447 for the company.

(vi) Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilisation of valuation techniques. These intangibles may be marketing related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilises independent professional advisers to assist management in determining the recognition and measurement of these assets.

(vii) Estimated impairment of intangible assets

Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and or the Group as a whole.

Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible asset's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible asset's value in use, estimates are required of future cash flows generated because of the assets.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(viii) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary whose responsibility is to carry out an annual valuation of the company's policy liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force.

The stockholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and the report on the policy liabilities.

5. Segmental 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 five primary business segments:

(a) Individual Life Services - This includes provision of life insurance services to individuals.

(b) Employee Benefits Services – This includes group and creditor life, personal accident, group annuities, pension funds investment and the administration of trust accounts.

(c) General Insurance Services – This includes property and casualty insurance.

(d) Banking and Asset Management – This includes development banking, merchant banking and asset management.

(e) Other Services – This comprises property management and stockholders cost.

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

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation, retirement benefit assets and obligations and borrowings.

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental Financial Information (Continued)

	The Group						
	2006						
	Individual Life Services	Employee Benefits Services	General Insurance Services	Banking and Asset Management Services	Other Services	Eliminations	Group
External revenues	4,871,012	6,729,131	448,905	2,192,353	527,183	-	14,768,584
Revenue from other segments	29,963	-	-	83,280	-	(113,243)	-
Total revenues	4,900,975	6,729,131	448,905	2,275,633	527,183	(113,243)	14,768,584
Benefits and expenses	(3,511,641)	(5,399,122)	(421,768)	(779,511)	(586,280)	88,089	(10,610,233)
Amortisation of purchased intangibles	-	(94,712)	(24,220)	(223,037)	-	-	(341,969)
Finance costs	-	(12,789)	(12,789)	-	(22,562)	25,154	(22,986)
Profit/(loss) before tax	1,389,334	1,222,508	(9,872)	1,273,085	(81,659)	-	3,793,396
Income tax expense	(230,150)	(127,105)	-	(383,452)	559	-	(740,148)
Net profit/(loss)	1,159,184	1,095,403	(9,872)	889,633	(81,100)	-	3,053,248
Segment assets -							
Intangible assets	1,271,699	1,462,029	381,632	2,248,289	32	-	5,363,681
Other assets	17,441,518	9,564,531	3,064,567	44,025,425	70,043	(509,447)	73,656,637
	18,713,217	11,026,560	3,446,199	46,273,714	70,075	(509,447	79,020,318
Unallocated assets -							
Investments in associates (Note 11)							2,725
Deferred income taxes (Note 20)							21,217
Retirement benefit assets (Note 22)							13,954
							79,058,214
Segment liabilities	13,559,524	6,896,058	2,091,694	37,272,040	98,163	(509,447)	59,408,032
Unallocated liabilities -							
Deferred income taxes (Note 20)							357,989
Retirement benefit obligations (Note 22)							294,026
Other segment items -							60,060,047
Depreciation (Note 19)							128,438
Capital expenditure (Note 19)							146,802

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental Financial Information (Continued)

	The Group 2005						
	Individual Life Services	Employee Benefits Services	General Insurance Services	Banking and Asset Management Services	Other Services	Eliminations	Group
External revenues	4,212,969	5,054,982	45,884	2,094,621	285,039	-	11,693,495
Revenue from other segments	16,703	-	-	12,000	-	(28,703)	-
Total revenues	4,229,672	5,054,982	45,884	2,106,621	285,039	(28,703)	11,693,495
Benefits and expenses	(3,247,486)	(3,938,468)	(24,982)	(691,212)	(343,723)	12,000	(8,233,871)
Amortisation of purchased intangibles	-	(53,963)	(1,094)	(223,037)	-	-	(278,094)
Finance costs	-	-	-	(27,000)	(21,644)	16,703	(31,941)
Profit/(loss) before tax	982,186	1,062,551	19,808	1,165,372	(80,328)	-	3,149,589
Gain on the sale of shares to ultimate parent company	-	-	-	-	-	-	429,940
Income tax expense	(171,017)	(178,762)	-	(363,777)	4,870	-	(708,686)
Net profit/(loss)	811,169	883,789	19,808	801,595	(75,458)	-	2,870,843
Segment assets -							
Intangible assets	1,259,886	1,529,864	415,670	2,472,610	41	-	5,678,071
Other assets	15,912,248	8,572,264	2,277,769	39,133,420	3,021	(707,099)	65,191,623
	17,172,134	10,102,128	2,693,439	41,606,030	3,062	(707,099)	70,869,694
Unallocated assets -							
Investments in associates (Note 11)							2,725
Deferred income taxes (Note 20)							21,729
Retirement benefit assets (Note 22)							16,705
							70,910,853
Segment liabilities	13,420,652	6,627,896	1,542,487	33,770,226	24,769	(707,099)	54,678,931
Unallocated liabilities -							
Deferred income taxes (Note 20)							217,271
Retirement benefit obligations (Note 22)							287,698
							55,183,900
Other segment items -							
Depreciation (Note 19)							89,422
Capital expenditure (Note 19)							118,847

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental Financial Information (Continued)

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

	Jamaica	Grand Cayman	Total
		2006	
Revenue	12,769,173	1,999,411	14,768,584
Total assets	71,104,829	7,953,385	79,058,214
		2005	
Revenue	11,469,383	654,052	12,123,435
Total assets	64,165,146	6,745,707	70,910,853

The company is managed on a matrix basis, reflecting line of businesses. The company is organised into three primary business segments:

(a) Individual Life Services - This includes provision of life insurance services to individuals.

(b) Employee Benefits Services – This includes group and creditor life, personal accident, group annuities, pension funds investment and the administration of trust accounts.

(c) Other - This comprise stockholders cost.

	The Company			
	2006			
	Individual Life Services	Employee Benefit Services	Other Services	Total
Revenues	4,315,583	5,793,965	540,658	10,650,206
Benefits and expenses	(3,115,119)	(4,627,776)	(417,270)	(8,160,165)
Amortisation of purchased intangible	-	(70,492)	-	(70,492)
Finance cost	-	-	(3,355)	(3,355)
Profit before taxation	1,200,464	1,095,697	120,033	2,416,194
Income tax expense	(230,150)	(127,105)	(3,420)	(360,675)
Net profit	970,314	968,592	116,613	2,055,519
Segment assets -				
Intangible assets	958,507	1,462,030	-	2,420,537
Other assets	13,247,522	9,564,531	-	22,812,053
	14,206,029	11,026,561	-	25,232,590
Unallocated assets -				
Investments in associates (Note 11)				2,725
Investment in subsidiaries (Note 12)				5,041,506
				30,276,821
Segment liabilities	10,199,134	6,896,058	-	17,095,192
Unallocated liabilities -				
Deferred taxation (Note 20)				7,945
Retirement benefit obligations (Note 22)				279,063
				17,382,200
Depreciation (Note 19)				76,280
Capital expenditure (Note 19)				75,913

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental Financial Information (Continued)

	The Company			
	2005			
	Individual Life Services	Employee Benefit Services	Other	Total
Revenues	3,698,341	4,953,652	295,297	8,947,290
Benefits and expenses	(2,784,463)	(3,877,102)	(229,867)	(6,891,432)
Amortisation of purchased intangibles	-	(52,869)	-	(52,869)
Finance costs	-	-	(31,941)	(31,941)
Profit before taxation	913,878	1,023,681	33,489	1,971,048
Gain on sale of shares to ultimate parent company	-	-	-	429,940
Income tax expense	(171,008)	(178,762)	-	(349,770)
Net profit/(loss)	742,870	844,919	33,489	2,051,218
Segment assets				
Intangible assets	959,082	1,529,864	-	2,488,946
Other assets	12,109,831	8,572,264	-	20,682,095
	13,068,913	10,102,128	-	23,171,041
Unallocated assets -				
Deferred income taxes				13,019
Investments in associates (Note 11)				2,725
Investment in subsidiaries (Note 12)				5,041,462
				28,228,247
Segment liabilities	10,477,732	6,627,896	-	17,105,628
Unallocated liability -				
Retirement benefit obligations (Note 22)				276,572
				17,382,200
Depreciation (Note 19)				61,971
Capital expenditure (Note 19)				78,656

Segment assets consist primarily of investments that match insurance liabilities, intangible insurance assets such as, receivables and operating cash. They exclude deferred taxation for the Group.

Segment liabilities comprise financial liabilities arising mainly from insurance and investment contracts. They exclude items such as taxation for the Group.

(expressed in thousands of Jamaican dollars unless otherwise stated)

6. Cash and Cash Equivalents

	The Group		The Company	
	2006	2005	2006	2005
Balances with banks payable on demand	1,916,436	1,406,354	569,604	267,526
Cash in hand	17,826	19,478	118	118
	1,934,262	1,425,832	569,722	267,644
Short term deposits	694,834	777,316	26,058	22,281
Securities purchased under resale agreements (Note 9)	1,320,597	1,933,479	656,358	359,259
Financial assets at fair value through profit or loss	1,513,339	717,697	-	-
Investment securities (Note 8)	1,065,000	50,541	-	-
	6,528,032	4,904,865	1,252,138	649,184

Cash, short-term loans and bank overdrafts include the following for the purposes of the cash flow statement –

	The Group		The Company	
	2006	2005	2006	2005
Cash and cash equivalents	6,528,032	4,904,865	1,252,138	649,184
Short-term loans (Note 34)	(896,055)	(679,512)	(543,854)	(321,903)
Bank overdraft (Note 34)	(151,029)	(190,767)	(142,766)	(163,374)
	5,480,948	4,034,586	565,518	163,907

7. Financial Assets at Fair Value through Profit or Loss

These represent investments in Government of Jamaica securities. Financial assets at fair value through profit or loss were designated to the category at initial recognition.

(expressed in thousands of Jamaican dollars unless otherwise stated)

8. Investments – Available –for-Sale Securities and Loans and Receivables

	The Group					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value 2006	Carrying Value 2005
Available-for-sale -						
Government of Jamaica	2,896,140	3,264,742	16,447,763	18,755,815	41,364,460	36,674,051
Foreign governments	33,527	31,244	284,721	807,036	1,156,528	327,470
Corporate debentures	356	404,846	1,324,087	1,579,820	3,309,109	2,138,318
Interest receivable	928,874	134,738	-	-	1,063,612	1,241,474
	3,858,897	3,835,570	18,056,571	21,142,671	46,893,709	40,381,313
Quoted shares					737,504	446,805
Unit trusts					347,196	312,421
Unquoted shares					198,348	184,646
Other					19	32
					48,176,776	41,325,217
Loans and receivables -						
Corporate debentures	9,523	-	194	-	9,717	2,602
Mortgage loans	14,239	6,162	54,735	1,432,317	1,507,453	1,287,210
Promissory notes	406,132	10,000	8,000	-	424,132	417,994
Term deposits	-	-	40,890	-	40,890	-
Interest receivable	43,809	-	-	-	43,809	67,889
	473,703	16,162	103,819	1,432,317	2,026,001	1,775,695
Policy loans					655,637	649,782
					2,681,638	2,425,477

(expressed in thousands of Jamaican dollars unless otherwise stated)

8. Investments – Available –for-Sale Securities and Loans and Receivables (Continued)

	The Company					
	Remaining Term to Maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value 2006	Carrying Value 2005
Available-for-sale -						
Government of Jamaica	65,784	122,308	1,555,629	7,442,836	9,186,557	7,887,317
Corporate debentures	-	-	333,796	-	333,796	426,360
Interest receivables	101,480	89,584	-	-	191,064	187,234
	167,264	211,892	1,889,425	7,442,836	9,711,417	8,500,911
Quoted equities					328,572	209,024
Unit trusts					347,196	312,421
Other					19	32
					10,387,204	9,022,388
Loans and receivables -						
Corporate debentures	9,523	-	194	-	9,717	2,602
Mortgage loans	6,018	6,162	54,735	1,391,982	1,458,897	1,239,166
Promissory notes	406,132	10,000	8,000	-	424,132	417,994
Term deposits	-	-	4,260	-	4,260	4,260
Interest receivables	43,809	-	-	-	43,809	49,304
	465,482	16,162	67,189	1,391,982	1,940,815	1,713,326
Policy loans					354,595	349,791
					2,295,410	2,063,117

(expressed in thousands of Jamaican dollars unless otherwise stated)

8. Investments – Available –for-Sale Securities and Loans and Receivables (Continued)

(a) The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks with a face value of $60,500 (2005 - $62,000) for one of the company's subsidiaries, Pan Caribbean Financial Services Limited, against possible shortfalls in the operating account.

(b) Included in investments are Government of Jamaica Local Registered Stocks with a face value of $9,500 (2005 - $12,100) which have been pledged as security for overdraft facilities with the National Commercial Bank Jamaica Limited.

(c) Included in investments are Government of Jamaica Local Registered Stocks with a face value of $297,000 (2005 - $297,000) which have been pledged with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001.

(d) Included in investments are term deposits with a face value of US$750,000.00 (2005 -US$750,000.00) which have been pledged by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Limited with the regulators in the Cayman Island.

(e) Included in investments are Government of Jamaica 11.75% US$ denominated Bond with a face value of US$5,000,000.00 (2005 – US$45,000,000.00) which have been pledged as security for a loan facility taken out by Pan Caribbean Financial Services Limited with Citibank.

(f) Included in investments is Government of Jamaica Local Registered Stocks with a face value of J$320,000 and US$ Indexed Bond with a face value of US$1,349,000.00 which have been pledged as security for a US$5,000,000.00 loan facility with Dehring Bunting and Golding Limited.

(g) Included in investments are amounts of $219,000 investment bonds and US$ Denominated Bond with a face value of US$300,000.00 which have been pledged as security for Dehring Bunting and Golding US$3,000,000.00 loan facility

(h) Included in investments of one of the company's subsidiaries, Sagicor Life of the Cayman Islands are US$10,781,000.00 global bonds, which have been pledged as security with Credit Suisse NY to secure a US$8,058,731.00 loan facility.

(i) Included in investments of Sagicor Life of the Cayman Islands, are 2036 global bonds with a face value of US$6,000,000.00 pledged as security for US$2,216,147.00 loan with Bear Sterns.

(j) Included in investments of Sagicor Life of the Cayman Islands, are treasury bills with a face value US$13,000,000.00 pledged as security for loan of US$12,224,247.00.

(k) Assets pledged as security, by one of the company's subsidiaries, Pan Caribbean Financial Services Limited, include $12,648,748 (2005 - $12,705,719) which represents the total of those assets pledged for which the transferee has the right by contract or custom to see or repledge the collateral.

Included in investment securities are the following amounts which are regarded as cash equivalents for the purposes of the statement of cash flows:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Debt securities with an original maturity of less than 90 days (Note 6)	1,065,000	50,541	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

9. Securities Purchased under Resale Agreements

	The Group		The Company	
	2006	2005	2006	2005
Principal	1,320,597	1,993,479	656,358	359,259
Interest receivable	7,105	6,653	-	-
	1,327,702	2,000,132	656,358	359,259

The Group and the company entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligation.

As at 31 December 2006, the Group held $1,107,590 (2005 - $2,065,670) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

Included in securities purchased under agreement to resell are the following amounts, which are regarded as cash equivalents for purposes of the statement of cash flows:

	The Group		The Company	
	2006	2005	2006	2005
Securities purchased under agreement to resell with an original maturity of less than 90 days (Note 6)	1,320,597	1,993,479	656,358	359,259

10. Investment Properties

The properties were valued at current market value as at 31 December 2006 by Allison Pitter and Company Limited, Deloitte & Touche Property Management (Grand Cayman), Easton Douglas & Company Limited, D.C. Tavares Realty Limited and Clinton Cunningham & Associates, qualified property appraisers and valuers.

	The Group		The Company	
	2006	2005	2006	2005
At beginning of year	556,382	585,780	324,934	382,071
Acquired during the year	34,125	108,978	34,125	108,978
Transferred to real estate developed for resale (Note 18)	-	(182,871)	-	(182,871)
Transferred from property, plant and equipment (Note 19)	66,000	-	66,000	-
Transferred to property, plant and equipment (Note 19)	(189,279)	-	-	-
Disposed during the year	(82,169)	(1,213)	(40,000)	(1,213)
Exchange differences	-	23,177	-	-
Fair value gains	55,964	22,531	55,964	17,969
At end of year	441,023	556,382	441,023	324,934

Rental income and repairs and maintenance expenditure in relation to investment properties are as follows:

	The Group		The Company	
	2006	2005	2006	2005
Rental income	2,189	5,815	2,189	4,392
Repairs and maintenance	(13,907)	(1,494)	(12,428)	(672)

(expressed in thousands of Jamaican dollars unless otherwise stated)

11. Investment in Associated Company

(a)

Name of Company	Principal Activity	Equity Capital held by Company
St. Andrew Developers Limited	Real estate development (dormant)	33⅓%

The company is incorporated and resident in Jamaica and is unlisted.

(b) The investment in associated company is represented as follows:

	The Group and the Company	
	2006	2005
Shares, at cost	2	2
Share of post acquisition reserves	(2,501)	(2,501)
Loans and current accounts	5,224	5,224
	2,725	2,725

12. Investment in Subsidiaries

	The Company	
	2006	2005
Balance as at 1 January	5,041,462	890,348
Acquired during the year	44	4,151,114
Balance at 31 December	5,041,506	5,041,462

13. Loans, after Allowance of Impairment Losses

	The Group	
	2006	2005
Gross loans	5,511,653	5,049,870
Less: Allowance for impairment losses	(112,726)	(114,183)
	5,398,927	4,935,687
Loan interest receivable	75,871	68,701
	5,474,798	5,004,388

The movement in the allowance for impairment losses determined under the requirements of IFRS is as follows:

Total non-performing loans	157,145	162,286
Balance at beginning of year	114,183	117,465
Movement during the year -		
Charged against revenue during the year	25,675	6,721
Recoveries of bad debts	(27,132)	(10,003)
Charged in the statement of operations	(1,457)	(3,282)
At end of year	112,726	114,183
This comprises:		
Specific provisions	79,111	86,818
General provisions	33,615	27,365
	112,726	114,183

(expressed in thousands of Jamaican dollars unless otherwise stated)

14. Lease Receivables

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Gross investment in finance leases -				
Not later than one year	3,552	5,321	3,024	4,941
Later than one year and not later than five years	84,972	49,172	16,092	28,106
Less: Unearned income	(20,494)	(15,019)	(2,880)	(8,015)
Net investment in finance leases	68,030	39,474	16,236	25,032
Net investment in finance leases -				
Not later than one year	3,362	5,600	2,972	3,405
Later than one year and not later than five years	64,668	33,874	13,264	21,627
	68,030	39,474	16,236	25,032
Interest receivable	1,960	473	1,272	144
	69,990	39,947	17,508	25,176

15. Due from/to Related Companies – Balances and Transactions

The Group is controlled by The Sagicor Financial Corporation, a company incorporated and domiciled in Barbados, which owns 59.69% of the ordinary stock units and First Jamaica Investment Limited owns 24.64%. The remaining 15.67% of the stock units is widely held.

Related parties include the Pooled Investment Funds and the segregated funds managed by the Group.

Related companies include ultimate parent company, parent company and fellow subsidiaries.

(a) The balance sheet includes the following balances with related parties and companies:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Due from related companies –				
Ultimate parent company	228,414	19,231	207,636	2,948
Parent company	38,720	37,985	38,720	37,985
Associated company	100,409	252,892	100,409	252,892
Subsidiary companies	-	-	248,385	290,156
Segregated funds	27,713	326,204	26,037	326,204
Pooled Pension Investment Fund	132,210	221,623	132,210	221,623
Other managed funds	11,712	2,810	11,712	2,810
Other	8,605	17,656	9,386	17,656
	547,783	878,401	774,495	1,152,274

(expressed in thousands of Jamaican dollars unless otherwise stated)

15. Due from/to Related Companies – Balances and Transactions (Continued)

(a) The balance sheet includes the following balances with related parties and companies (continued):

	The Group		The Company	
	2006	2005	2006	2005
Due to related companies –				
Ultimate parent company	271,915	14,624	271,915	12,618
Associated company	212,977	197,589	212,977	197,589
Subsidiary companies	-	-	-	327,528
Segregated funds	13,246	29,100	13,246	29,100
Other managed funds	30,659	44,736	30,659	44,736
	528,797	286,049	528,797	611,571
Directors and key management personnel -				
Loans	6,318	18,744	-	-
Customer deposits	7,353	-	-	-
Securities sold under repurchase agreements	49,999	-	-	-
Securities purchased under resale agreements	-	9,780	-	-
Investment securities	-	63,952	-	-

(b) The statement of operations includes the following transactions with related parties and companies:

	The Group		The Company	
	2006	2005	2006	2005
Parent company -				
Investment income	12,969	-	12,969	-
Shared services fees	29,292	54,558	29,292	54,558
Fellow subsidiaries -				
Administration fee income	-	-	7,401	4,307
Management fee income	-	-	63,710	9,440
Premium income	-	-	8,503	6,934
Shared services fees	-	-	74,508	13,500
Segregated funds -				
Administration fees income	12,466	23,215	12,466	23,215
Management fee income	92,534	88,743	88,170	88,743

(expressed in thousands of Jamaican dollars unless otherwise stated)

15. Due from/to Related Companies – Balances and Transactions (Continued)

(b) The statement of operations includes the following transactions with related parties and companies (continued):

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Pooled Investment Fund -				
Lease rental expense	164,636	117,560	164,636	117,560
Management fee income	237,626	189,506	237,626	189,506
Administration fee income	88,488	76,542	88,488	76,542
Directors and key management personnel -				
Interest expense	5,193	9,780	-	-
Other related parties -				
Interest and other income earned	996	8,036	38,735	-
Interest and other expenses paid	-	37,573	24,389	-
Key management compensation -				
Salaries and other short term benefits	307,802	257,807	235,964	137,972
Share based payments	17,888	9,862	5,888	5,781
Post-employment benefits	13,633	6,142	11,783	3,899
	339,323	273,811	253,635	147,652
Directors' emoluments -				
Fees	21,314	8,801	10,793	4,914
Other expenses	2,432	4,935	2,432	4,935
Management remuneration (included above)	65,359	44,237	65,359	44,237
	89,105	57,973	78,584	54,086

16. Cash Reserve at Bank of Jamaica

A prescribed minimum of 23% of deposit liabilities is required to be maintained by one of the company's subsidiaries, Pan Caribbean Merchant Bank Limited, in liquid assets, which must be maintained as cash reserves with the Bank of Jamaica. They are not available for investment, lending or other use by the Group.

Effective 1 May 2006, the Merchant Bank is required by the Bank of Jamaica (BOJ) under (Special Deposits) (Rate of Interest) Order, 2003 to maintain with the BOJ, a special deposit wholly in the form of cash, representing 1% (31 December 2005 – 1%) of the prescribed liabilities. This special deposit earns interest at a rate of 6% per annum.

(expressed in thousands of Jamaican dollars unless otherwise stated)

17. Reinsurance Assets

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Claims recoverable from reinsurers	533,687	697,156	70,805	137,558
Unearned premiums ceded to reinsurers	638,926	475,542	-	-
Reinsurer's share of actuarial liabilities	16,312	-	-	-
	1,188,925	1,172,698	70,805	137,558

The reinsurer's share of actuarial liabilities represents balances which are short-term and expected to be settled within one year.

18. Other Assets

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Broker receivables	62,230	30,987	37,026	1,758
Due from agents	452,821	269,679	332,230	237,466
Real estate developed for resale (a) -				
Opening balance	348,239	-	348,239	-
Transferred from investment properties (Note 10)	-	182,871	-	182,871
Cost of sales - 2006	(313,301)	-	(313,301)	-
Additions during the year	556,729	165,368	556,729	165,368
	591,667	348,239	591,667	348,239
Premiums due and unpaid	918,367	771,840	486,203	399,994
Other receivables	390,656	545,847	154,583	270,042
	2,415,741	1,966,592	1,601,709	1,257,499

Real estate developed for sale relates to the construction of residential and small commercial offices.

(expressed in thousands of Jamaican dollars unless otherwise stated)

19. Property, Plant and Equipment

		The Group				
	Note	Leasehold Buildings & Improvements	Freehold Land & Buildings	Furniture & Equipment	Motor Vehicles	Total
Cost or Valuation -						
At 1 January 2005		33,173	224,500	289,019	39,238	585,930
Acquired assets		43,519	-	245,318	14,295	303,132
Revaluation adjustments		-	27,809	-	-	27,809
Additions		42,189	3,150	70,865	2,643	118,847
Disposals		(375)	-	(8,189)	(5,821)	(14,385)
Translation adjustment		-	-	319	-	319
At 31 December 2005		118,506	255,459	597,332	50,355	1,021,652
Revaluation adjustments		-	10,867	-	-	10,867
Additions		23,859	15,484	106,236	503	146,082
Transferred to investment properties	10	-	(66,000)	-	-	(66,000)
Transferred from investment properties	10	-	189,279	-	-	189,279
Disposals		-	-	(103)	(5,877)	(5,980)
Translation adjustment		-	-	5,480	133	5,613
At 31 December 2006		142,365	405,089	708,945	45,114	1,301,513
Accumulated Depreciation -						
At 1 January 2005		3,472	4,374	93,767	16,691	118,304
Charge for the year		5,548	9,068	64,587	10,219	89,422
Accumulated depreciation on acquired assets		10,869	-	120,015	6,376	137,260
Relieved on disposals		(79)	-	(2,681)	(3,147)	(5,907)
Translation adjustment		-	-	58	-	58
At 31 December 2005		19,810	13,442	275,746	30,139	339,137
Charge for the year		16,824	5,544	97,401	8,669	128,438
Relieved on revalued assets		-	(12,686)	-	-	(12,686)
Relieved on disposals		-	(868)	(46)	(3,839)	(4,753)
Translation adjustment		-	-	1,792	-	1,792
At 31 December 2006		36,634	5,432	374,893	34,969	451,928
Net Book Value -						
31 December 2005		98,696	242,017	321,586	20,216	682,515
31 December 2006		105,731	399,657	334,052	10,145	849,585

(expressed in thousands of Jamaican dollars unless otherwise stated)

19. Property, Plant and Equipment (Continued)

		The Company				
	Note	Leasehold Buildings & Improvements	Freehold Land & Buildings	Furniture & Equipment	Motor Vehicles	Total
Cost or Valuation-						
At 1 January 2005 -		32,192	224,500	275,858	34,207	566,757
Acquired on acquisition		-	-	5,187	-	5,187
Revaluation adjustments		-	27,809	-	-	27,809
Additions		28,846	3,150	46,660	-	78,656
Disposals		-	-	(4,938)	(3,980)	(8,918)
At 31 December 2005		61,038	255,459	322,767	30,227	669,491
Revaluation adjustments		-	10,867	-	-	10,867
Additions		16,112	4,674	55,127	-	75,913
Transferred to investment properties	10	-	(66,000)	-	-	(66,000)
Disposals		-	-	(61)	(3,629)	(3,690)
At 31 December 2006		77,150	205,000	377,833	26,598	686,581
Accumulated Depreciation -						
At 1 January 2005 -		3,063	4,375	83,365	14,212	105,015
Charge for the year		5,472	4,584	45,539	6,376	61,971
Relieved on disposals		-	-	(2,072)	(2,356)	(4,428)
At 31 December 2005		8,535	8,959	126,832	18,232	162,558
Charge for the year		7,089	4,956	58,686	5,549	76,280
Relieved on revalued assets		-	(12,686)	-	-	(12,686)
Relieved on transfers to investments properties		-	(868)	-	-	(868)
Relieved on disposals		-	-	(4)	(1,908)	(1,912)
At 31 December 2006		15,624	361	185,514	21,873	223,372
Net Book Value -						
31 December 2005		52,503	246,500	195,935	11,995	506,933
31 December 2006		61,526	204,639	192,319	4,725	463,209

(expressed in thousands of Jamaican dollars unless otherwise stated)

19. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, certain owner-occupied properties were independently revalued during 2006 by professional real estate valuers. The excess of the revaluation over the carrying value of these property, plant and equipment on such date, amounting to $23,553 (2005 - $27,839), has been credited to investment and fair value reserves (Note 27).

If revalued assets were stated on a historical cost basis, the amounts would be as follows:

	The Group	
	2006	**2005**
Cost	80,645	175,145
Accumulated depreciation	(31,565)	(20,828)
Net book value	49,080	154,317
Carrying value of revalued assets	204,639	259,396

20. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of:

(a) 15% for the company; and
(b) 33⅓% for Pan Caribbean Financial Services Limited and LOJ Property Management Limited.

The subsidiaries incorporated in Grand Cayman operate under a zero tax regime.

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Deferred income tax assets	(21,217)	(21,729)	-	(13,019)
Deferred income tax liabilities	357,989	217,271	7,945	-
	336,772	195,542	7,945	(13,019)

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Balance as at 1 January	195,542	(47,576)	(13,019)	(44,631)
Acquisition of subsidiaries	-	240,413	-	-
Transferred on disposal	-	60	-	-
Charged/(credited) to statement of operations (Note 48)	16,991	225,424	20,964	31,612
Charged to stockholders' equity	124,239	(222,779)	-	-
Balance as at 31 December	336,772	195,542	7,945	(13,019)

(expressed in thousands of Jamaican dollars unless otherwise stated)

20. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2006	2005	2006	2005
Deferred income tax assets -				
Property, plant and equipment	(5,019)	(117)	-	-
Pensions and other post-retirement benefits	(46,847)	(42,567)	(41,859)	(41,486)
Interest payable	(15,674)	(5,943)	(15,674)	(5,943)
Tax losses unused	(9,765)	(24,006)	-	-
Other	(4,020)	(4,616)	(2,544)	(1,856)
	(81,325)	(77,249)	(60,077)	(49,285)
Deferred income tax liabilities -				
Property, plant and equipment	37,248	7,399	25,175	785
Trading securities	21,782	19,263	-	
Available-for-sale investments	294,384	170,147	-	-
Impairment losses on loans	16,780	31,253	-	-
Interest receivable	38,532	35,490	38,126	35,481
Pensions and other post-retirement benefits	4,651	2,701	-	-
Other	4,720	6,538	4,721	-
	418,097	272,791	68,022	36,266
Deferred income liability/(asset)	336,772	195,542	7,945	(13,019)

These balances include the following:

	The Group		The Company	
	2006	2005	2006	2005
Deferred tax assets to be settled after more than 12 months	59,685	50,647	43,141	41,486
Deferred tax liabilities to be recovered after more than 12 months	353,064	161,315	25,175	645

Deferred income taxes liabilities have not been provided for withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totaled $921,561 (2005- $1,024,338).

(expressed in thousands of Jamaican dollars unless otherwise stated)

21. Intangible Assets

	The Group				
	Goodwill	Contractual Customer Relationships	Trade Names	Technology	Total
Cost -					
At 1 January 2005	1,020,641	-	-	58,599	1,079,240
Acquired on acquisition	-	-	-	85,723	85,723
Intangible assets identified on acquisition -					
Pan Caribbean Financial Services Limited	186,066	1,985,524	473,433	-	2,645,023
First Jamaica Investment Company Limited employee benefits portfolio	527,469	1,051,973	-	3,291	1,582,733
First Jamaica Investment Company Limited individual life portfolio	120,000	-	-	-	120,000
Cayman General Insurance	114,780	251,708	20,430	20,518	407,436
Additions	-	-	-	111,341	111,341
Exchange adjustment	13,393	(656)	(54)	(121)	12,562
At 31 December 2005	1,982,349	3,288,549	493,809	279,351	6,044,058
Additions	-	-	-	48,221	48,221
Intangible assets identified on acquisition -					
First Jamaica Investment Company Limited employee benefits portfolio	2,657	-	-	-	2,657
First Jamaica Investment Company Limited individual life portfolio	1,662	-	-	-	1,662
Cayman General Insurance	2,704	-	-	-	2,704
Exchange adjustment	17,103	10,339	839	1,919	30,200
At 31 December 2006	2,006,475	3,298,888	494,648	329,491	6,129,502
Amortisation -					
At 1 January 2005	-	-	-	8,913	8,913
Assumed on acquisition	-	-	-	48,173	48,173
Amortisation charge	-	154,696	118,358	35,809	308,863
Exchange adjustment	-	70	-	(32)	38
At 31 December 2005	-	154,766	118,358	92,863	365,987
Amortisation charge	-	195,700	118,358	63,179	377,237
Impairment charge	-	-	20,767	-	20,767
Exchange adjustment	-	638	448	744	1,830
At 31 December 2006	-	351,104	257,931	156,786	765,821
Net Book Amount -					
31 December 2006	2,006,475	2,947,784	236,717	172,705	5,363,681
31 December 2005:					
- As previously stated	1,495,136	3,242,158	884,113	224,216	5,845,623
- Adjustment for valuation of intangibles	487,213	(108,375)	(508,662)	(37,728)	(167,552)
Restated balance	1,982,349	3,133,783	375,451	186,488	5,678,071

(expressed in thousands of Jamaican dollars unless otherwise stated)

21. Intangible Assets (Continued)

	The Company			
	Goodwill	Contractual Customer Relationships	Technology	Total
At 1 January 2005	733,529	-	57,398	790,927
Intangible assets identified on acquisition -				
First Jamaica Investment Company Limited employee benefits portfolio	527,469	1,051,973	3,291	1,582,733
First Jamaica Investment Company Limited individual life portfolio	120,000	-	-	120,000
Additions	-	-	68,214	68,214
At 31 December 2005	1,380,998	1,051,973	128,903	2,561,874
Additions	-	-	24,784	24,784
Intangible assets identified on acquisition -				
First Jamaica Investment Company Limited employee benefits portfolio	2,657	-	-	2,657
First Jamaica Investment Company Limited individual life portfolio	1,662	-	-	1,662
At 31 December 2006	1,385,317	1,051,973	153,687	2,590,977
Amortisation -				
At 1 January 2005	-	-	7,950	7,950
Amortisation charge	-	52,321	12,657	64,978
At 31 December 2005	-	52,321	20,607	72,928
Amortisation charge	-	69,761	27,751	97,512
At 31 December 2006	-	122,082	48,358	170,440
Net Book Amount -				
31 December 2006	1,385,317	929,891	105,329	2,420,537
31December 2005:				
- As previously stated	1,148,453	1,243,038	108,151	2,499,642
- Adjustment for revaluation	232,545	(243,386)	145	(10,696)
Restated balance	1,380,998	999,652	108,296	2,488,946

Amortisation charges of $377,237 (2005 - $308,863) and $97,512 (2005 - $64,978) have been included in administration expenses for the Group and the company respectively. Customer relationships are amortised over 4 - 20 years and computer software are being amortised over 2-10 years.

The trade name of PCFS is being amortised over 4 years. During the year, the trade name of Cayman General Insurance was impaired, as the company was rebranded to Sagicor General Insurance (Cayman) Limited. The amounts of $20,767 was therefore charged to the statement of operations.

(expressed in thousands of Jamaican dollars unless otherwise stated)

22. Retirement Benefits

The Group operates the following pension plans:

(a) Life of Jamaica Limited operates a defined contributory plans for eligible sales agents. There is also a contributory defined benefit plan for eligible administrative staff. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the staff are based on service and salary, where as the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2003) was 98%. The company is paying contributions at the level recommended in the latest actuarial valuation so that a solvency level of 100% can be attained over three years.

The plan is valued annually in line with IAS 19 by a qualified actuary and reviewed by an independent actuary. The latest actuarial valuation was done as at 31 December 2006.

(b) Sagicor Life of the Cayman Islands Limited participates in the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately. The company contributes at a fixed rate of 7% of pensionable earnings.

(c) Pan Caribbean Financial Services Group has established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. Defined benefit plans are valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuations were carried out as at 31 December 2006.

	The Group		The Company	
	2006	2005	2006	2005
Retirement benefit assets -				
Pension schemes	13,954	16,705	-	-
Retirement benefit obligations -				
Pension schemes	39,263	85,301	38,804	85,301
Other post-employment benefits	254,763	202,397	240,259	191,271
	294,026	287,698	279,063	276,572

Pension schemes comprised the following -

	The Group		The Company	
	2006	2005	2006	2005
Retirement benefit assets	(13,954)	(16,705)	-	-
Retirement benefit obligations	39,263	85,301	38,804	85,301
	25,309	68,596	38,804	85,301

(expressed in thousands of Jamaican dollars unless otherwise stated)

22. Retirement Benefits (Continued)

(a) Pension schemes

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Company	
	2006	2005	2006	2005
Present value of funded obligations	3,060,802	2,296,102	2,913,319	2,176,045
Fair value of plan assets	(3,042,437)	(2,482,795)	(2,874,515)	(2,346,033)
	18,365	(186,693)	38,804	(169,988)
Unrecognised actuarial gains	(63,051)	249,860	(49,660)	255,289
Limitation of asset due to uncertainty of future benefits	69,995	5,429	49,660	-
Liability in the balance sheet	25,309	68,596	38,804	85,301

The Pooled Investment Fund Limited, which manages the Group's pension plan, has assets including property occupied by the Group, with a market value of approximately $1,125,000 (2005 - $1,050,000).

The amounts recognised in the statement of operations are as follows:

	The Group		The Company	
	2006	2005	2006	2005
Current service cost	105,938	100,671	96,474	91,146
Interest cost	270,000	226,821	256,196	215,534
Expected return on plan assets	(362,796)	(252,288)	(344,480)	(238,326)
Charge in unrecognised asset	61,000	-	49,660	-
Net actuarial losses/(gains) recognised in year	1,456	861	1,452	(990)
Total, included in staff costs (Note 47)	75,598	76,065	59,302	67,364

The actual return on plan assets was $432,971 (2005 - $177,661) and $417,460 (2005 - $175,854) for the Group and company, respectively.

(expressed in thousands of Jamaican dollars unless otherwise stated)

22. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Movement in the liability recognised in the balance sheet:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
At 1 January	68,596	105,520	85,301	107,016
Assumed on acquisition	-	(14,073)	-	-
Total expense – as above	75,598	76,065	59,302	67,364
Contributions paid	(118,885)	(98,916)	(105,799)	(89,079)
At 31 December	25,309	68,596	38,804	85,301

The principal actuarial assumptions used were as follows:

	The Group and The Company	
	2006	**2005**
Discount rate	12.00%	12.5%
Expected return on plan assets	14.00%	12.5%
Future salary increases	9.50%	10.0%
Future pension increases	3.50%	3.5%
Average expected remaining working lives (years)	14	14

(b) Other post-employment benefits

In addition to pension benefits, the company offers retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 11% (2005 – 10.5%) per year.

(expressed in thousands of Jamaican dollars unless otherwise stated)

22. Retirement Benefits (Continued)

(b) Other post-employment benefits (continued)

The amounts recognised in the balance sheet are as follows:

	The Group		The Company	
	2006	2005	2006	2005
Present value of unfunded obligations	482,730	293,466	458,905	280,992
Fair value of plan assets	(64,890)	-	(64,890)	-
Unrecognised actuarial losses	(163,077)	(91,069)	(153,756)	(89,721)
Liability in the balance sheet	254,763	202,397	240,259	191,271

The amounts recognised in the statement of operations are as follows:

	The Group		The Company	
	2006	2005	2006	2005
Current service cost	28,610	22,843	26,941	22,264
Expected return on plan assets	(7,210)	-	(7,210)	-
Interest cost	36,414	20,859	34,795	20,349
Net actuarial gains recognised in year	(188)	(18)	(277)	-
Total included in staff costs (Note 47)	57,626	43,684	54,249	42,613

Movements in the amounts recognised in the balance sheet:

	The Group		The Company	
	2006	2005	2006	2005
Liability at beginning of year	202,398	158,194	191,271	153,453
Assumed on acquisition	-	3,365	-	-
Total expense, as above	57,626	43,684	54,249	42,613
Contributions paid	(5,261)	(4,795)	(5,261)	(4,795)
Liability at end of year	254,763	200,398	240,259	191,271

(expressed in thousands of Jamaican dollars unless otherwise stated)

22. Retirement Benefits (Continued)

(b) Other post-employment benefits (continued)

The effects of a 1% increase/decrease in the medical inflation rate assumption would result as follows:

	The Company	
	2006	**2005**
	Decrease	Increase
Effect on the aggregate of current service cost	47,127	37,115
Effect on the aggregate of interest cost	59,838	50,983
Effect on the defined benefit obligation	498,654	424,857

Plan assets are comprised as follows:

	The Company			
	2006		**2005**	
		%		**%**
Equities	1,264,787	44	941,132	40
Mortgage and Real Estate	143,726	5	109,434	5
Money Market Fund	172,471	6	131,321	6
Fixed Income Fund	794,763	28	656,604	28
Foreign Exchange	488,688	17	350,188	15
	2,864,435	100	2,188,679	94
Late deposit	10,100	0	11,132	0
Transfer from First Jamaica Investment Limited	-	0	146,222	6
	2,874,535	100	2,346,033	100

Expected contributions to post-employment plan for the year ending 31 December 2007 are $128,941.

The expected return on plan assets is based on market expectation of inflation plus a margin for real returns on a balanced portfolio.

(expressed in thousands of Jamaican dollars unless otherwise stated)

22. Retirement Benefits (Continued)

(b) Other post-employment benefits (continued)

	The Company				
	Pension				
	2006	**2005**	**2004**	**2003**	**2002**
As at 31 December					
Present value of defined benefit obligation	2,913,319	2,176,045	1,819,166	987,370	997,384
Fair value of plan assets	(2,874,515)	(2,346,033)	(1,915,265)	(1,140,334)	(860,364)
Fund Status	38,804	(169,988)	(96,099)	(152,964)	137,020
Experience adjustments to plan liabilities	346,224	(2,291)	600,401	(149,223)	(34,824)
Experience adjustments to plan assets	39,823	50,873	(484,656)	(120,518)	(50,608)

	Health and Life				
	2006	**2005**	**2004**	**2003**	**2002**
As at 31 December					
Present value of defined benefit obligation	458,905	280,992	165,956	191,027	115,390
Fair value of plan assets	(64,890)	(57,680)	-	-	-
Fund Status	394,015	223,312	165,956	191,027	115,390
Experience adjustments to plan liabilities	121,438	77,218	(51,126)	55,326	14,857
Experience adjustments to plan assets	-	-	-	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

23. Segregated Funds

(a) The Group and the company manage accounts totalling approximately $5,629,274 (2005 - $5,448,888) and $5,376,741 (2005 - $5,269,989), respectively on behalf of certain life insurance policyholders under the Balanced Fund, LOJ Equity Fund, LOJ Fixed Income Fund, LOJ US Fund, Capital Growth Fund, Investor Growth Fund, LOJ Money Market Fund (formerly First Life Money Market Fund) and LOJ Real Estate Fund (formerly First Life Real Estate Fund). The assets are the property of the policyholders who share all rewards and risks of the performance of the Funds.

(b) Assets of the Segregated Funds

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Corporate debentures	30,444	18,602	30,444	-
Government securities	2,841,592	518,045	2,652,890	425,333
Government securities purchased under resale agreements and short-term loans	164,116	2,016,642	159,527	2,016,642
Investment properties	879,659	759,210	879,659	759,210
Quoted equities	1,205,572	1,143,397	1,154,088	1,114,296
Unit trusts	270,280	249,171	270,280	249,171
Other assets	237,611	743,821	229,853	705,337
	5,629,274	5,448,888	5,376,741	5,269,989

(c) Income by Type on Segregated Funds' Investments

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Corporate debentures	2,297	2,364	2,297	-
Government securities	470,245	128,149	445,579	101,992
Government securities purchased under resale agreements and short-term loans	29,009	340,046	28,941	340,046
Investment properties	144,799	(45,732)	144,799	(45,732)
Quoted equities	109,756	(13,964)	101,606	(14,543)
Unit trusts	48,070	(31,469)	48,069	(31,469)
	804,176	379,394	771,291	350,294

(expressed in thousands of Jamaican dollars unless otherwise stated)

24. Share Capital and Share Premium

	The Group and The Company	
	2006	**2005**
Authorised:		
13,598,340 (2005 – 13,598,340)		
Ordinary shares of $0.10 each	1,359,834	1,359,834
Issued and fully paid:		
3,730,244 (2005 – 3,716,,449)		
Ordinary shares of $0.10 each	372,977	371,644

Issued and fully paid:

	Share Capital		Share Premium
	No.		
At 31 December 2005	3,716,449	371,644	7,173,360
Employee Share Purchase Plan			
Proceeds from shares issued	13,795	1,333	105,200
At 31 December 2006	3,730,244	372,977	7,278,560

The company has elected under the Companies Act, 2004 to maintain par value status for its ordinary stock units.

25. Capital Reserve

This represents the capital redemption reserve fund arising on the redemption of preference shares.

26. Stock Option Reserve

Stock option plan
The company offers stock options to senior executives as part of its executive incentive programme. The company has set aside 150,000,000 of the authorised but un-issued shares of $0.10 each for the stock option plan.

The executives are entitled, but not obliged, to purchase the company stock at a pre-specified price at some future date. The options granted for each year vest over a period of four years. Options are excercisable beginning one year from the date of grant and have a contractual term of six years. The stock option rewards past performance but is also an incentive for future performance.

The stock price for the calculation of the number of shares to be granted for each year is the closing bid price on the last traded day of the calendar year of those years. This will be granted on December 31 of each year. The strike price and grant dates will be on the same dates.

For the period 2003 and going forward, the strike price and grant date will be the effective date of appointment to the position. The exercisable date will be December 31 of that year.

Upon resignation, retirement, disability or death, the executive or his/her estate will have the right to exercise the vested but unexercised options. On dismissal, the executive would forfeit his right to exercise his option over any vested but unexercised options.

(expressed in thousands of Jamaican dollars unless otherwise stated)

26. Stock Option Reserve (Continued)

Stock Option Plan (Continued)

Details of the share options outstanding are as follows:

	The Group			
	2006		2005	
	Options (thousands)	Average exercise price in $ per share	Options (thousands)	Average exercise price in $ per share
At beginning of year	19,045	6.14	14,959	5.13
Granted	4,047	8	4,086	9.86
Exercised	-	-	-	-
Lapsed	-	-	-	-
At end of year	23,092	8.81	19,045	6.14
Exercisable at the end of the period	9,682	7.39	3,739	9.86

The breakdown of the fair value of the options is as follows:

Fair value of options granted	
Expensed in 2005	9,575
Expensed in 2006	5,888
Amount to be expensed in future periods	23,092

Share options outstanding at the end of the year have the following expiry date and exercise price:

	2006	2005
2007	10,684	12,091
2008	8,175	5,932
2009	4,233	1,022
	23,092	19,045

For options outstanding at the end of the year, exercise prices range from $2.30 to $5.67 (2005 - $2.70 to $11.30). The weighted average remaining contractual term is three years (2005 – four years).

The weighted average share price at the date of exercise for options exercised during the year was $8.81.

The stock option reserve balance at the year end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options at the year end, determined using the Black-Scholes valuation model, was $15,463. The significant inputs into the model were weighted average share prices of $2.70 at the grant date, exercise price shown above, standard deviation of expected share price returns of 34%, option life disclosed above, and annual risk free interest rate of 13.7%. The expected volatility is based on statistical analysis of daily share prices over three years.

The Group and the company recognised cumulative expenses of $32,686 and $15,463 (2005 - $16,638 and $5,781) as share options expense of which $17,888 and $5,888 was recognised in the statement of operations of the Group and the company, respectively.

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Investment and Fair Value Reserves

This represents the unrealised surplus or deficit on the re-measurement of available-for-sale securities, the revaluation of property, plant and equipment and an adjustment for gains or losses on available-for-sale securities which have matured or have been disposed.

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Owner-occupied properties	123,994	100,441	123,994	100,441
Unrealised gains on available-for-sale securities	1,937,205	665,367	1,420,843	583,419
Gains recycled to revenue on disposal and maturity of available-for-sale securities	(943,311)	(649,407)	(517,512)	(398,173)
Transfer to retained earnings	(130,675)	(169,805)	(130,734)	(169,805)
	987,213	(53,404)	896,591	115,882

28. Currency Translation Reserve

This represents the unrealised foreign exchange gain or loss on the translation of the overseas subsidiaries, Sagicor Life of the Cayman Islands Limited and Sagicor Re Insurance Limited.

29. Other Reserves

(a) Special Investment Reserve

This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001 (Note 2(t)).

(b) Loan Loss Reserve

This is a non-distributable reserve representing the excess of the allowance for impairment losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.

30. Dividends Declared

	The Group and The Company	
	2006	**2005**
First interim dividend - 11 cents per share (2005 - 10 cents per share)	410,327	256,089
Second interim dividend - 16 cents per share (2005 - 6 cents per share)	596,830	483,198
	1,007,157	739,287

The dividends paid for 2006 and 2005 represented a dividend per share of $0.27 and $0.16 respectively.

(expressed in thousands of Jamaican dollars unless otherwise stated)

31. Customer Deposits

Deposits mainly represent balances on US dollar 366 day 'A' accounts.

32. Other Liabilities

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Accounts payable and accruals	442,410	483,169	357,416	465,722
Accrued vacation	22,060	22,247	17,026	21,374
Annuities payable	1,170	841	1,170	841
Construction costs	34,628	24,097	34,628	24,097
Dividends payable	10,618	15,066	10,618	15,066
Provision: (Note 33)	82,500	-	82,500	-
Bonus	93,076	77,167	93,076	77,167
Premiums not applied	243,079	104,580	197,162	73,484
Reinsurance payable	366,152	464,128	34,799	77,459
Miscellaneous	317,383	160,926	122,711	160,229
	1,613,076	1,352,221	951,106	915,439

33. Provisions

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
At beginning of year, as previously stated	77,167	78,991	77,167	78,991
Transferred to other liabilities (Note 32)	(77,167)	-	(77,167)	-
Provided during the year	82,500	77,167	82,500	77,167
Utilised during the year	-	(78,991)	-	(78,991)
	82,500	77,167	82,500	77,167
Transferred to other liabilities	-	(77,167)	-	(77,167)
At end of year	82,500	-	82,500	-
Comprising -				
Provision for 2006	82,500	-	82,500	-
	82,500	-	82,500	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

34. Due to Banks and Other Financial Institutions

	Currency	%	The Group 2006	The Group 2005	The Company 2006	The Company 2005
Long Term Loans -						
Development Bank of Jamaica Limited (DBJ) -						
Repayable over varying periods from 24 to 96 months	J$	various	26,836	52,199	-	-
Repayable over varying periods from 48 to 96 months	US$	various	126,373	145,539	-	-
Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG) -						
Repayable in one amount on 30 December 2009 (Loan #1)	J$	6	-	22,660	-	-
GOJ/World Bank Loan in association with Jamaica Exporters Association (JEA) -						
Draw-down commencing May 1996 to November 2000 Repayable within 5 years of the date of each draw-down	US$	Nil	-	10,450	-	-
European Investment Bank (EIB) -						
Repayable in 5 annual instalments commencing March 2011 and ending March 2015	J$	2	23,583	23,583	-	-
Repayable in 1 instalment on 31 December 2007	J$	2	24,854	24,854	-	-
Repayable in 1 instalment on 31 December 2007	J$	Nil	15,361	15,361	-	-
Repayable in 1 instalment on 31 December 2007	J$	Nil	24,640	24,640	-	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	J$	10.754	75,879	75,879	-	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	J$	10	23,556	23,556	-	-
Repayable in 1 instalment on 31 December 2007	J$	3.5	-		-	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	J$	10	150,097	150,097	-	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	J$	10.5	33,119	-	-	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	J$	11.16	113,268	-	-	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	J$	9.571	59,600	59,600	-	-
Repayable in 7 equal annual instalments commencing on 5 December 2008	US$	3.5	32,415	31,133	-	-
Repayable in 7 equal annual instalments commencing on 5 December 2014	US$	5.5	55,076	24,143	-	-
			784,657	683,694	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

34. Due to Banks and Other Financial Institutions (Continued)

			The Group		The Company	
	Currency	%	2006	2005	2006	2005
Long Term Loans (Continued) -						
Balance brought forward (Page 76)			784,657	683,694	-	-
National Housing Trust NHT -						
Repayable over varying period from clients commencing 1 January 2007	J$	7	31,357	20,109	31,357	20,109
Repayable in 29 quarterly instalments commencing 31 March 2007	J$	7.99	12,843	-	12,843	-
Repayable in 22 quarterly instalments commencing 31 March 2007	J$	8	1,349	-	1,349	-
Repayable in 27 quarterly instalments commencing 31 March 2007	J$	8	158	-	158	-
Repayable over 30 years commencing from 31 March 2007	J$	1.75-6	164,328	-	164,328	-
Credit Suisse -						
Repayable in one instalment on 21 February 2011	US$	6.955	388,788	-	-	-
Development Bank of Jamaica Limited (DBJ)						
Repayment over varying period from 24 to 48 months	J$	10	156,097	246,742	-	-
The National Export-import Bank of Jamaica Limited						
Repayment over varying period ending 31 December	J$	6.5 -10	61,571	52,500	-	-
First Jamaica Investments Company Limited						
Repayment over varying period from 24 to 48 months	J$	20	203	1,904	-	-
			1,601,351	1,004,949	210,035	20,109
Short Term Loans -						
Dehring, Bunting & Golding	US$	7.5	543,854	321,903	543,854	321,903
Citibank N.A.						
Repayable in one instalment on 20 December 2006	US$	7.5	-	128,761	-	-
Repayable in one instalment on 20 December 2006	US$	10.25	-	228,848	-	-
Repayable in one instalment on 20 January 2007	€	6.64	264,272	-	-	-
Repayable in one instalment on 20 January 2007	€	6.73	70,472	-	-	-
Credit Suisse -						
Repayable in one instalment on 21 February 2007	US$	6.955	2,854	-	-	-
British Caribbean Insurance Company Limited -						
Repayable in one instalment on 19 March 2007	US$	6.955	14,603	-	-	-
Bank Overdrafts			151,029	190,767	142,766	163,374
			2,648,435	1,875,228	896,655	505,386
Interest payable			20,664	14,413	-	-
			2,669,099	1,889,641	896,655	505,386

34. Due to Banks and Other Financial Institutions (Continued)

(a) Development Bank of Jamaica Limited (DBJ)

The agreement with the Development Bank of Jamaica Limited allows DBJ, at its absolute discretion, to approve J$ financing to the company for on-lending to farmers, other agricultural projects and development projects on such terms and conditions as DBJ may stipulate.

Funds disbursed to the company bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise varied by DBJ.

(b) Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG)

Under the terms of the DEG Loan Agreement, the loans totaling DM 14,500,000 are to be applied for the financing of medium and small-scale enterprises.

Loan #1 - DM 7,000,000 disbursed 1990.

This loan is repayable in Jamaican dollars to the Government of Jamaica at the rate of exchange that was in effect at the time DEG disbursed the loan funds. The interest rate of 6% consists of 3 portions, A-portion, B-portion and C-portion. The A-portion shall be 0.75% per annum and remitted in DM by the Ministry of Finance. The B-portion shall be 1.5% per annum and shall be remitted in J$ to the Ministry of Finance for exchange risk coverage. The C-portion shall be 3.75% per annum and payable in J$ out of the operating surplus of the company, paid to a special fund termed "The Trafalgar German Fund I". The loan was repaid during the year.

(c) Jamaica Exporters' Association (JEA)

The agreement with Government of Jamaica and the World Bank in association with the Jamaica Exporters' Association allows the company the facility to borrow up to US$4,400,000 for on-lending to private enterprises seeking funding for export development projects. The loans are repayable in foreign currency within 5 years of the date of each individual advance; the first instalment was due August 1998. The loan was repaid during the year.

(d) European Investment Bank (EIB)

The Group has three facilities with the EIB.

Facility # 1

The EIB has established in favour of the company, credit in the amount of €1,000,000 for the financing of projects through equity participation in small and medium sized enterprises (the beneficiary).

The company shall repay the loan in respect of amounts disbursed under each allocation. The amount repayable is the Euro equivalent of one half of the net amount of dividends received by the company in respect of the corresponding equity participation during the preceding calendar year.

34. Due to Banks and Other Financial Institutions (Continued)

(d) European Investment Bank (EIB) (continued)

The outstanding balance of the loan after the payments made to 31 March 2010 shall be discharged in full by the payment of the adjusted loan balance by five equal annual instalments beginning on 31st March 2011. Repayment may either be in Euro or one or more currencies of the member states of the European Economic Community and shall be calculated as the Euro equivalent of the Jamaican dollar liability using exchange rates between the Euro and the selected currencies prevailing on the thirtieth day before the date of payment. In the event of a liquidation of the beneficiary, the outstanding balance of the loan in respect of the equity participation shall be discharged by EIB.

Facility # 2

(a) A facility was established in the amount of €5,000,000. The loan was disbursed to the company in tranches. Interest, repayments and other charges payable in respect of each tranche will be remitted in the same currency as that in which the tranche was disbursed. To date total disbursement stands at approximately €2,106,000.

(b) In 1999, an additional facility was established in the amount of €3,000,000, for the financing of projects through equity participation in small and medium sized enterprises. The outstanding loan balance is repayable in one instalment on 31 December 2007. In the event of a solvent liquidation of the beneficiary, the company shall pay over to EIB only the net proceeds from the liquidation, or a portion thereof, after deduction of any amounts repaid in respect of the equity participation.

Facility # 3

A facility was established in the amount of €4,000,000 on 20 December 2002 for the provision of financing to small and medium sized projects in the productive and related service sectors in Jamaica. The loan is disbursed to the company in tranches. The draw downs may be done in US$ or J$. The loan is repayable in the Euro equivalent of the outstanding loan balance by 7 equal instalments commencing 5 December 2008.

(e) Dehring, Bunting and Golding

This loan attracts interest at 6.5% and is repayable January 2007. The loan is secured by Government of Jamaica securities totalling US$1,120,000.00 and J$606,800.

(f) Bank Overdraft

The bank overdraft balance represents mainly uncleared effects. The actual balance at the bank was positive at year end.

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Insurance Contract Liabilities

(a) Composition by line of business is as follows:

	The Group		The Company	
	2006	2005	2006	2005
Group annuities	2,841,407	2,448,412	2,762,453	2,382,099
Group insurance	1,241,365	1,139,730	1,128,897	1,050,927
Individual insurance	1,187,875	1,353,544	391,771	467,927
	5,270,647	4,941,686	4,283,121	3,900,953

(b) Movements in insurance liabilities:

	The Group				
	2006				
	Group Annuities	Individual Insurance	Group Insurance	General Insurance	Total
Balance at the beginning of the year as previously stated	2,482,305	1,353,543	1,046,635	-	4,882,483
Acquired reserves being transferred from other liabilities	-	-	93,095	-	93,095
Reclassified to Investment contracts	(33,892)	-	-	-	(33,892)
Balance as restated	2,448,412	1,353,544	1,139,730	-	4,941,686
Normal changes in policyholders' liabilities	390,051	(199,471)	81,810	-	272,390
Change in reinsurance recoverable	-	-	15,968	-	15,968
Changes as a result of revaluation	2,943	33,803	3,857	-	40,603
Balance at end of year	2,841,407	1,187,875	1,241,365	-	5,270,647

	2005				
	Group Annuities	Individual Insurance	Group Insurance	General Insurance	Total
Balance at the beginning of the year as previously stated	2,077,290	1,373,366	349,793	21,706	3,822,155
Transferred to Investment contracts on adoption of IFRS 4	(85,533)	(211,157)	-	(21,706)	(318,396)
Balance as restated	1,991,757	1,162,209	349,793	-	3,503,759
Assumed on acquisitions	140,757	159,680	719,864	-	1,020,301
Normal changes in policyholders' liabilities	313,305	(8,572)	70,248	-	374,981
Changes as a result of revaluation	2,593	40,227	(175)	-	42,645
Balance at end of year	2,448,412	1,353,544	1,139,730	-	4,941,686

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities (continued):

	The Company			
	2006			
	Group Annuities	Individual Insurance	Group Insurance	Total
Balance at beginning of year	2,382,099	467,927	1,050,927	3,900,953
Normal changes in policyholders' liabilities	380,354	(76,158)	77,972	382,168
	2,762,453	391,769	1,128,899	4,283,121

	2005			
	Group Annuities	Individual Insurance	Group Insurance	Total
Balance as previously stated	1,970,100	504,745	352,182	2,827,027
Transferred to investment contracts on acquisition of IFRS 4	(9,530)	(180,831)	-	(190,361)
Balance as restated	1,960,570	323,914	352,182	2,636,666
Life insurance portfolio assumed	140,757	159,680	626,770	927,207
Normal changes in policyholders' liabilities	280,772	(15,667)	71,975	337,080
	2,382,099	467,927	1,050,927	3,900,953

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities:

	The Group				
	2006				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
Quoted securities	-	-	-	1,283,067	1,283,067
Investment properties	-	-	-	441,023	441,023
Securities	4,278,580	4,461,093	30,590,111	11,618,349	50,948,132
Mortgages	882,054	625,399	-	-	1,507,454
Other assets	655,636	-	12,937,900	5,655,728	19,259,264
Segregated fund assets	5,629,274	-	-	-	5,629,274
	11,445,544	5,086,492	43,528,011	18,008,167	79,058,214

	2005				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
Quoted securities	-	-	-	759,226	759,226
Investment properties	-	-	-	556,382	556,382
Securities	4,055,595	4,745,751	-	30,341,095	39,142,441
Mortgages	247,372	87,418	-	952,420	1,287,210
Other assets	649,334	-	10,769,496	12,297,876	23,716,706
Segregated fund assets	5,448,888	-	-	-	5,448,888
	10,401,189	4,833,169	10,769,496	44,906,999	70,911,259

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities (continued):

	The Company				
	2006				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
Quoted securities	-	-	-	675,788	675,788
Investment properties	-	-	-	441,023	441,023
Securities	2,769,399	4,281,281	-	3,825,070	10,875,750
Mortgages	882,054	576,843	-	-	1,458,897
Other assets	343,354	-	3,283,802	7,821,466	11,448,622
Segregated fund assets	5,376,741	-	-	-	5,376,741
	9,371,548	4,858,124	3,283,802	12,763,347	30,276,821

	2005				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
Quoted securities	-	-	-	521,445	521,445
Investment properties	-	-	-	324,934	324,934
Securities	3,245,670	4,497,635	-	990,968	8,734,273
Mortgages	247,372	117,512	-	889,562	1,254,446
Other assets	349,791	-	4,139,576	7,633,793	12,123,160
Segregated fund assets	5,269,989	-	-	-	5,269,989
	9,112,822	4,615,147	4,139,576	10,360,702	28,228,247

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Insurance Contract Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions:

	The Group			
	2006			
	Group Annuities	Group Insurance	Individual Insurance	Total
Change in assumed investment yields and inflation rate	(182,525)	-	(28,621)	(211,146)
Foreign currency translation	2,943	3,857	33,803	40,603
Change due to the issuance of new policies and decrements on in-force policies	568,367	77,359	393,674	1,039,400
Change due to other actuarial assumptions	4,209	4,451	(564,524)	(555,864)
	392,994	85,667	(165,668)	312,993

	2005			
	Group Annuities	Group Insurance	Individual Insurance	Total
Change in assumed investment yields and inflation rate	(135,659)	-	(196,307)	(331,966)
Foreign currency translation	2,593	(175)	40,227	42,645
Change due to the issuance of new policies and the decrements on in-force policies	412,895	70,248	67,750	559,893
Change due to other actuarial assumptions	27,069	-	119,985	147,054
	315,898	70,073	31,655	417,626

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Insurance Contracts Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions (continued).

	The Company			
	2006			
	Group Annuities	**Group Insurance**	**Individual Insurance**	**Total**
Change in assumed investment yields and inflation rate	(184,075)	-	3,189	(180,886)
Change due to the issuance of new policies and decrements on inforce policies	560,205	73,521	430,294	1,064,020
Change due to other actuarial assumptions	4,224	4,451	(509,641)	(500,966)
	380,354	77,972	(76,158)	382,168
	2005			
	Group Annuities	**Group Insurance**	**Individual Insurance**	**Total**
Decrease in assumed investment yields and inflation rate	(137,492)	-	(191,980)	(329,472)
Change due to the issuance of new policies and the decrements on in-force policies	391,592	71,975	42,904	506,471
Change due to other actuarial assumptions	26,672	-	133,409	160,081
	280,772	71,975	(15,667)	337,080

35. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions

Insurance and investment contract liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions. These assumptions are reviewed each year to reflect the experience of the Group.

(i) Best estimate assumptions

Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

(ii) Mortality and morbidity

The assumptions are based on past group and industry experience. For individual life policies the group bases its assumption on the Canadian Institute of Actuaries 86-92 male and female aggregate mortality tables which are 15 year select and ultimate mortality tables. For accidental death and dismemberment benefits the group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 1983 Individual Annuitant male and female basic mortality tables with projection scale G for improvements in mortality.

(iii) Investment yields

The Group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the group's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses, investment income taxes and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 1.3% and 2.6%.

(iv) Lapses and persistency

Lapses relate to termination of policies due to non-payment of premiums. Surrender and withdrawals relate to voluntary termination of policies by policyholders. Policy termination assumptions are based on the group's own experience and vary by type of product. Lapse rates in the first year of a policy range between 12% and 25% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 5% and 8% of insurance amounts in force. Partial withdrawal rates average about 16% of fund values available from policies in force.

(v) Policy expenses

Policy maintenance expenses are derived from the group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on calendar year inflation and declines over the life of the policies such that real returns after 30 years are between 1.3% and 3%.

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (Continued)

(vi) Provision for adverse deviation assumptions

To recognise the uncertainty in establishing best estimate assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin for adverse deviation in each assumption. The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries standards indicates that margins are to be between 5% and 20% of the best estimate assumptions. The Group uses margins for each assumption at the mid to conservative end of the range, taking into account the risk profiles of the business.

(vii) Changes in assumptions

Every financial year, the expectations of the Group with respect to the best estimate assumptions and the margins for adverse deviation described above are reviewed. All assumptions are updated as appropriate to reflect the circumstances of the Group.

(f) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. For liabilities under long term insurance contracts, changes in assumptions will cause a change to the amount of the liability. The table below indicates the liability adjustment required as a result of deterioration in the variable.

	The Group		
		2006	2005
Variable	**Change in Variable**	**Change in Liability**	**Change in Liability**
Worsening of mortality/morbidity	+3% for 5 yrs	502,553	363,494
Improvement in annuitant mortality	-3% for 5 yrs	59,755	58,233
Lowering of investment return	-½% for 10 yrs	1,085,264	1,368,088
Worsening of base renewal expense inflation rate	+5% for 5 yrs	863,274	736,335
Worsening of lapse rate	x2 or x0.5	1,623,592	1,195,767

	The Company		
		2006	2005
Variable	**Change in Variable**	**Change in Liability**	**Change in Liability**
Worsening of mortality/morbidity	+3% for 5 yrs	450,018	329,741
Improvement in annuitant mortality	-3% for 5 yrs	58,208	57,316
Lowering of investment return	-½% for 10 yrs	891,896	1,203,869
Worsening of base renewal expense inflation rate	+5% for 5 yrs	852,042	729,737
Worsening of lapse rate	x2 or x0.5	1,402,542	1,070,050

(expressed in thousands of Jamaican dollars unless otherwise stated)

36. Investment Contract Liabilities

	The Group		The Company	
	2006	2005	2006	2005
Amortised cost -				
Amounts on deposit	2,401,616	2,031,671	2,050,127	1,788,758
Deposit administration fund	2,135,694	2,351,237	2,095,670	2,233,747
Fair value -				
Other investment contracts	120,585	309,920	80,658	184,732
	4,657,895	4,692,828	4,226,455	4,207,237

The benefits offered under the Group's unit-linked investment contract are based on the return of the segregated funds assets. The Group communicates the performance of these contracts to its policyholders at their policy anniversaries.

All financial liabilities at fair value through profit or loss are designated by the Group to be in this measurement category.

The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

The fair value of financial liabilities at amortised cost is based on a discounted cash flow valuation technique. This discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

Movement of the Deposit Administration Funds:

	The Group		The Company	
	2006	2005	2006	2005
Balance at the beginning of the year	2,351,237	1,389,064	2,233,747	1,278,130
Pension funds assumed on acquisition	-	792,303	-	792,303
Deposits received	234,212	226,596	234,212	226,596
Interest earned	233,509	240,664	226,964	234,256
Service charges	(14,964)	(15,076)	(14,964)	(14,625)
Transfers to Pooled Investment Fund	(278,000)	(149,337)	(278,000)	(149,337)
Withdrawals	(395,206)	(138,615)	(306,289)	(133,576)
Revaluation adjustment	4,906	5,638	-	-
	2,135,694	2,351,237	2,095,670	2,233,747

These represent funds managed on behalf of pension plans administered by the Group and the company. Interest credited to the funds is paid at a fixed annual rate of return, with the rate being revised on an annual basis. At the end of the year, there were 191 (2005 - 216) clients. The average interest rate paid during the year was 11.5% (2005 – 11.5%).

(expressed in thousands of Jamaican dollars unless otherwise stated)

37. Other Policy Liabilities

	The Group		The Company	
	2006	2005	2006	2005
Insurance benefits payable	1,450,786	1,522,550	860,339	858,064
Provision for unearned premiums	912,241	668,150	-	-
Unearned reinsurance commissions	121,204	83,248	-	-
	2,484,231	2,273,948	860,339	858,064

38. Premium Income

(a) Gross premiums by line of business:

	The Group		The Company	
	2006	2005	2006	2005
Group insurance -				
Group creditor life	275,157	190,162	275,157	188,115
Group health	4,055,832	2,878,173	3,084,540	2,794,001
Group life	907,511	720,183	839,709	678,003
Other	-	38,730	-	38,730
	5,238,500	3,827,248	4,199,406	3,698,849
Individual life	4,265,550	3,580,336	3,853,346	3,078,231
Annuities and pensions	648,532	534,342	648,532	509,239
Property and casualty	1,725,311	89,631	-	-
	11,877,893	8,031,557	8,701,284	7,286,319

(b) Reinsurance premiums by line of business:

	The Group		The Company	
	2006	2005	2006	2005
Group insurance -				
Group creditor life	6,793	-	6,793	-
Group health	133,003	28,825	22,165	19,370
Group life	81,733	72,703	58,569	54,321
Other	6,889	21,255	6,889	21,255
	228,418	122,783	94,416	94,946
Individual life	276,018	259,393	193,569	201,453
Property and casualty	1,505,109	173,865	-	-
	2,009,545	556,041	287,985	296,399
Net Premiums	9,868,348	7,475,516	8,413,299	6,989,920

(expressed in thousands of Jamaican dollars unless otherwise stated)

38. Premium Income (Continued)

(c) Premiums by geography:

	The Group	
	2006	2005
Jamaica	8,413,299	6,989,920
Grand Cayman	1,455,049	485,596
	9,868,348	7,475,516

39. Investment Income

	The Group		The Company	
	2006	2005	2006	2005
Interest income -				
Bank deposits	26,210	4,899	3,407	1,848
Corporate debentures	99,898	54,792	99,898	52,677
Investment securities	5,177,045	5,029,610	1,147,015	985,226
Less: Impairment provision	-	(104,617)	-	(24,798)
	5,177,045	4,924,993	1,147,015	960,428
Loans	685,045	662,004	147,747	126,743
Policy loans	79,141	88,646	54,320	54,552
Securities purchased under resale agreements	235,507	57,115	36,322	54,564
Other	11,107	21,830	22,242	16,875
	6,313,953	5,814,279	1,510,951	1,267,687
Dividends – ordinary shares	18,892	29,855	206,176	135,609
Net foreign exchange income	174,790	121,437	37,102	37,162
Net gains on investment securities	578,061	640,508	136,380	174,715
Other investment income	189,935	34,238	142,531	22,107
	7,275,631	6,640,317	2,033,140	1,637,280

(expressed in thousands of Jamaican dollars unless otherwise stated)

40. Interest Expense

	The Group		The Company	
	2006	2005	2006	2005
Customer deposits and repurchase liabilities	3,071,436	3,046,044	23,789	2,178
Due to banks and other financial institutions	105,220	81,862	2,844	831
Investment contracts	464,762	423,813	431,987	394,713
Other	39,993	12,881	4,673	5,732
	3,681,411	3,564,600	463,293	403,454

41. Fee Income

	The Group		The Company	
	2006	2005	2006	2005
Administration fees	643,036	629,332	539,807	497,177
Other				
Surrender charges	27,956	35,739	26,056	35,739
Wholesale banking fees	15,894	8,196	-	-
Credit related fees, net	47,531	30,043	18,484	2,588
Stockbrokerage fees	17,589	48,240	-	-
Treasury fees	5,421	18,848	-	-
Trust fees	23,221	21,346	-	-
Miscellaneous fees	9,181	4,728	2,638	4,728
	146,793	167,140	47,178	43,055
	789,829	796,472	586,985	540,232

42. Co-Insurance Distribution

This represented the net distribution which arose from the co-insurance agreement with First Jamaica Investment Company Limited.

(expressed in thousands of Jamaican dollars unless otherwise stated)

43. Insurance Benefits and Claims

Insurance benefits

	The Group				The Company			
	Year ended 31 December 2006			2005	Year ended 31 December 2006			2005
	Gross Incurred	Reinsured	Net	Net Claims	Gross Incurred	Reinsured	Net	Net Claims
Death and disability	908,721	(29,136)	879,585	901,701	816,052	(15,076)	800,976	846,628
Maturities	13,938	-	13,938	63,414	1,077	-	1,077	41,549
Surrenders and withdrawals	577,111	-	577,111	430,021	426,170	-	426,170	341,294
Annuities and pensions	392,147	-	392,147	309,741	385,200	-	385,200	304,567
Policy dividends and bonuses	22,076	-	22,076	41,277	18,926	-	18,926	9,361
Health insurance	2,822,708	(27,337)	2,795,371	1,952,257	2,309,329	(4,309)	2,305,020	1,905,317
Property and casualty insurance	468,670	(331,881)	136,789	2,715	-	-	-	-
Other benefits	149,218	(14,586)	134,632	18,394	98,669	(9,862)	88,807	15,963
	5,354,589	(402,940)	4,951,649	3,719,520	4,055,423	(29,247)	4,026,176	3,464,679

44. Investment Contracts Benefits

Benefits from unit linked investment contracts for $1,323,176 (2005 - $1,338,771) are accrued to the account of the policyholder as the fair value of the net gains arising from the underlying linked assets. All these contracts are designated at fair value through profit or loss.

45. Finance Costs

Finance costs represent interest costs incurred on loans used for business development.

(expressed in thousands of Jamaican dollars unless otherwise stated)

46. Administration Expenses

	The Group		The Company	
	2006	2005	2006	2005
Actuarial fees	-	489	-	489
Auditors' remuneration -				
Current year	29,733	27,516	17,000	14,475
Prior year	2,076	-	2,076	-
Directors' emoluments -				
Fees and other expenses	23,746	13,736	13,225	9,849
Marketing and public relation expenses	226,638	199,716	159,600	151,815
Office supplies	76,583	103,935	58,989	64,463
Operating lease rentals	112,897	118,754	112,897	118,754
Rent	127,767	77,891	56,880	52,155
Repairs and maintenance expense	90,095	46,102	71,712	40,180
Postage, telephone and fax	103,104	84,090	62,686	61,719
Professional fees	60,330	67,917	36,086	52,265
Other expenses	539,829	444,510	256,589	132,886
	1,392,798	1,184,167	847,740	699,050

47. Salaries, Pension Contributions and Other Staff Benefits

(a) Employees

	The Group		The Company	
	2006	2005	2006	2005
Wages and salaries	1,568,979	1,150,942	933,062	817,605
Payroll taxes	130,963	111,769	88,041	76,653
Pension costs (Note 22)	75,598	76,065	59,302	67,364
Other post employment benefits (Note 22)	57,626	43,684	54,249	42,613
Stock option expense (Note 26)	23,575	29,995	10,000	10,000
Other	135,342	137,478	84,957	81,376
	1,992,083	1,549,933	1,229,611	1,095,611

(expressed in thousands of Jamaican dollars unless otherwise stated)

47. Salaries, Pension Contributions and Other Staff Benefits (Continued)

(a) Employees (Continued)

	The Group		The Company	
	2006	2005	2006	2005
	No.	No.	No.	No.
Number of employees at year end -				
Full – time administrative	774	677	483	489
Part – time administrative	100	107	94	90
	874	784	577	579

(b) Contractors – sales agents

	The Group		The Company	
	2006	2005	2006	2005
Commissions and bonuses	1,818,297	1,288,361	1,571,170	1,220,932
	No.	No.	No.	No.
Number of insurance sales agents at year end	402	383	374	370

48. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2006	2005	2006	2005
Current year taxation -				
Premium tax @ 3%	182,542	154,158	182,542	154,158
Investment income tax @ 15%	157,169	164,000	157,169	164,000
Income tax at 33 ⅓%	383,446	165,104	-	-
	723,157	483,262	339,711	318,158
Deferred income tax (Note 20) -				
Deferred tax charge relating to the origination and reversal of temporary differences	16,991	225,424	20,964	31,612
	740,148	708,686	360,675	349,770

(i) Premium tax charges for the Group include tax on deposits relating to the segregated funds totalling $1,124,450 (2005 - $1,060,633). The income from these funds is not included in the financial statements of the company. The company recovers these charges through premium income charged to the funds for the provision of life insurance coverage.

(ii) Income tax at 33⅓% is payable on income earned by LOJ Property Management Limited and Pan Caribbean Financial Services Limited.

(iii) Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of one of the company's subsidiaries, LOJ Property Management Limited, available for set off against future taxable profits amount to approximately $19,614 (2005 - $15,784).

(expressed in thousands of Jamaican dollars unless otherwise stated)

48. Taxation (Continued)

(b) Reconciliation of applicable tax charges to effective tax charge:

	The Group		The Company	
	2006	2005	2006	2005
Premium tax -				
Gross premium income	11,877,893	8,031,557	8,701,284	7,268,319
Tax at 3%	356,337	240,947	261,038	218,050
Adjusted for:				
Income not subject to tax	(207,892)	(128,138)	(112,519)	(105,241)
Premium income relating segregated funds	33,432	31,819	33,432	31,819
Reinsurance premium not deductible	665	9,530	591	9,530
	182,542	154,158	182,542	154,158
Investment income tax -				
Gross investment income	7,275,631	6,640,317	2,033,140	1,673,280
Tax at 15%	1,091,345	996,048	304,971	250,992
Adjusted for:				
Deductible expenses	(50,980)	(31,328)	(50,980)	(31,328)
Income not subject to tax	(102,988)	(121,005)	(102,988)	(66,971)
Net investment income not subject to investment tax	(786,370)	(691,022)	-	-
Premium income relating segregated funds	-	41,479	-	41,479
Expenses not deductible for tax purposes	10,001	975	10,001	975
Net effect of other charges and allowances	17,175	465	17,129	465
	178,183	195,612	178,133	195,612
Income tax -				
Profit before taxation	3,793,396	3,579,529	-	-
Tax at 33⅓%	1,264,565	1,193,176	-	-
Adjusted for:				
Premium and investment income not subject to income tax	(773,362)	(734,482)	-	-
Income not subject to tax	(112,583)	(106,878)	-	-
Expenses not deductible for tax	8,278	7,825	-	-
Adjustment for tax losses	(16,367)	(5,698)	-	-
Net effect of other charges and allowances	8,992	4,973	-	-
	379,423	358,916	-	-
Income tax expense	740,148	708,686	360,675	349,770

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Earnings Per Stock Unit

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

	2006	2005
Net profit attributable to stockholders	2,572,216	2,449,261
Weighted average number of ordinary stock units in issue	3,726,911	3,426,887
Basic earnings per share	$0.69	$0.71

The diluted earnings per stock unit are calculated adjusting the weighted average number of ordinary stock unit outstanding to assume conversion of all dilutive potential ordinary shares under the following schemes:

(a) The Group established an Employee Share Ownership Plan for which 2% of the company's authorised share capital has been allocated.

(b) Effective 1 May 2003, the Group instituted a share based plan for executives. Shares amounting to 150,000,000 or 5% of the authorised share capital of $0.10 each have been set aside for this plan.

	2006	2005
Net profit attributable to stock holders	2,572,216	2,449,261
Weighted average number of ordinary stock units in issue	3,726,911	3,426,887
Adjusted for -		
Share option and share based plans	559	36,855
Weighted average number of ordinary stock units for diluted earnings per stock unit	3,782,670	3,463,742
Fully diluted earnings per stock unit	$0.68	$0.70

(expressed in thousands of Jamaican dollars unless otherwise stated)

50. Reinsurance Ceded

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have well established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers. The retention programs used by insurers are summarized below:

Type of insurance contract	Retention by insurers
Property and casualty insurance	
Property risks	• maximum retention of CI$90,000 for single event; • maximum retention of CI$600,000 for catastrophic event.
Motor and liability risks	• maximum retention of CI$200,000 for single event; • treaty limits apply.
Miscellaneous accident risks	• maximum retention of CI$90,000 for a single event; • treaty limits apply.
Engineering business risks	• maximum retention of CI$75,000; • treaty limits apply for material damage and for liability claims.
Property, motor, liability and engineering risk	• catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits; • treaty limits apply to catastrophic excess of loss coverage.
Health insurance contracts with individuals	Retention per individual to a maximum of CI$166,667.
Health insurance contracts with groups	Retention per individual to a maximum of CI$166,667 and J$1,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J$5,000.
Life insurance contracts with groups	Retention per individual to a maximum of J$5,000.

51. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(a) Financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques; such as obtaining indicative bids from a range of investment traders and using the average of those bids;

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Fair Values of Financial Instruments (Continued)

(b) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(c) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date; and

(d) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

52. Financial Risk Management

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest risk, equity price risk, currency risk and credit risk.

These positions arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Group primarily faces due to the nature of its investments and liabilities is interest rate risk.

Management seeks to minimise potential adverse effects on the financial performance of the company by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(a) Insurance risk

The Group issues contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(a) Insurance risk (continued)

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Long term contracts

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity.

For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The table below represents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figured are shown gross and net of reinsurance.

Individual Life Benefits Assured per Life ('000)	**Total Benefits Insured**			
2006	**Before Reinsurance**	**%**	**After Reinsurance**	**%**
0 – 200	12,001,957	4%	13,912,581	5%
200 – 400	14,132,083	5%	19,145,555	8%
400 – 800	31,386,880	11%	32,352,993	13%
800 – 1000	32,993,561	11%	18,907,928	8%
More than 1,000	198,227,419	69%	162,134,132	66%
	288,741,900	100%	246,453,189	100%

Individual Life Benefits Assured per Life ('000)	**Total Benefits Insured**			
2005	**Before Reinsurance**	**%**	**After Reinsurance**	**%**
0 – 200	12,194,540	5%	12,433,895	6%
200 – 400	12,726,644	5%	12,360,338	6%
400 – 800	27,244,171	11%	30,030,872	15%
800 – 1000	28,852,630	12%	21,935,478	11%
More than 1,000	161,186,009	67%	125,228,534	62%
	242,203,994	100%	201,989,117	100%

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term contracts (continued)

(i) Frequency and severity of claims (continued)

The following tables for annuity insurance contract illustrates the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The Group does not hold any reinsurance contracts against the liabilities for these contracts.

Annuity payable per annum per annuitant	Total Benefits Insured	
2006		**%**
0 – 20	9,913	3%
20 – 40	16,307	4%
40 – 80	47,025	11%
80 – 100	21,812	5%
More than 100	314,325	77%
	409,382	100%

Annuity payable per annum per annuitant	Total Benefits Insured	
2005		**%**
0 – 20	10,374	3%
20 – 40	16,600	5%
40 – 80	47,688	14%
80 – 100	20,560	6%
More than 100	238,915	72%
	334,137	100%

For interest-sensitive and unit-linked contracts the Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk, delays in implementing increases in charges and market or regulatory restraints over the extent of any increases may reduce this mitigating effect.

The Group manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group reinsures the excess of the insured benefit over $5,000 for standard risks under an excess of loss reinsurance arrangement. Medical impaired lives are reinsured at lower levels. The Group does not place any reinsurance for contracts that insure survival risk.

52. Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term contracts (continued)

(i) Frequency and severity of claims (continued)

Insurance risk for contracts is also affected by the policyholders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholder behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be aggravated by such behaviour.

The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium payments

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in the policyholder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation as to the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

Short-duration life insurance contracts

(i) Frequency and severity of claims

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their pension fund and other employee benefit plans. This risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one life to $5,000.

(ii) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(b) Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers. The retention programs used by the Group are summarized in Note 50.

(c) Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The Group only bears financial risk in relation to the guaranteed benefits payable under these contracts. These benefits increase as supplemental benefits that are declared are distributed to policyholders.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimates of mortality and voluntary terminations.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(i) Long term traditional insurance contracts and some investment contracts

Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial components of these benefits may include a guaranteed fixed interest rate and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

(ii) Long term insurance contracts and investment contracts without fixed terms

For unit-linked contracts the Group matches all the assets on which the unit prices are based with assets in the portfolio. There is no price, currency, credit, or interest rate risk for these contracts.

The Group's primary exposure to financial risk for these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees by $79,353 per annum (2005 - $37,800).

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

(ii) Long term insurance contracts and investment contracts without fixed terms (continued)
Unit-linked and interest-sensitive universal life type contracts have embedded surrender options. These embedded derivatives vary in response to the change in a financial variable (such as equity prices and interest rates). At year end, all embedded derivatives within insurance liabilities were closely related to the host contract and did not require separation.

(iii) Short term contracts
For short term insurance contracts, the Group has matched the insurance liabilities with a portfolio of debt securities. The financial assets in this portfolio are characterised by interest rate risk.

Short term liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

The following tables summarise carrying amounts of balance sheet assets, liabilities and equity in order to arrive at the Group's and the company's interest rate gap based on the earlier of contractual repricing or maturity dates.

	The Group 2006						
	Immediately Rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
Assets							
Cash resources	1,916,436	-	-	-	-	17,826	1,934,262
Short term deposits	646,966	14,243	11,815	-	-	21,810	694,834
Financial assets at fair value through profit or loss	-	1,513,023	-	-	316	-	1,513,339
Available-for-sale securities	-	6,543,372	4,440,185	16,507,387	19,569,528	1,116,304	48,176,776
Loans and receivables securities	-	473,703	16,162	103,819	1,432,317	655,637	2,681,638
Securities purchased under resale agreements	-	1,327,702	-	-	-	-	1,327,702
Investment properties	-	-	-	-	-	441,023	441,023
Associated company	-	-	-	-	-	2,725	2,725
Loans	-	970,019	1,949,786	1,227,866	1,293,487	33,640	5,474,798
Lease receivables	-	2,115	3,496	64,379	-	-	69,990
Taxation recoverable	-	-	-	-	-	651,695	651,695
Due from related companies	-	100,409	-	-	-	447,374	547,783
Cash reserve at Bank of Jamaica	59,272	-	-	-	-	-	59,272
Reinsurance assets	-	-	-	-	-	1,188,925	1,188,925
Other assets	-	3,958	-	-	-	2,411,784	2,415,742
Property, plant & equipment	-	-	-	-	-	849,585	849,585
Deferred income taxes	-	-	-	-	-	21,217	21,217
Intangible assets	-	-	-	-	-	5,363,681	5,363,681
Retirement benefit asset	-	-	-	-	-	13,954	13,954
Segregated funds' assets	8,930	1,272,905	240,002	328,474	1,222,046	2,556,917	5,629,274
Total assets	2,631,601	12,221,449	6,661,446	18,231,925	23,517,694	15,794,096	79,058,214

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2006						
	Immediately Rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
Liabilities							
Securities sold under repurchase agreements	-	26,981,516	4,593,948	23,524	148,746	-	31,747,734
Customer deposits	-	1,417,069	1,852,916	556,643	646,181	-	4,472,809
Other liabilities	-	224,839	-	-	-	1,388,237	1,613,076
Due to related companies	-	212,977	-	-	-	315,820	528,797
Due to banks and other financial institutions	151,029	632,880	498,562	276,842	1,109,786	-	2,669,099
Taxation payable	-	-	-	-	-	334,470	334,470
Deferred income taxes	-	-	-	-	-	357,989	357,989
Retirement benefit obligations	-	-	-	-	-	294,026	294,026
Segregated funds' liabilities	-	60,573	198,203	432,087	4,938,411	-	5,629,274
Insurance contracts	-	103,518	311,464	2,807,000	2,047,334	1,331	5,270,647
Investment contracts	-	716,589	560,899	21,437	3,358,970	-	4,657,895
Other policy liabilities	-	-	-	-	-	2,484,231	2,484,231
Total liabilities	151,029	30,349,961	8,015,992	4,117,533	12,249,428	5,176,104	60,060,047
On balance sheet interest sensitivity gap	2,480,575	(18,128,512)	(1,354,546)	14,114,392	11,268,266	10,617,992	18,998,167
Cumulative interest sensitivity gap	2,480,575	(15,647,937)	(17,002,483)	(2,888,091)	8,380,175	18,998,167	
	2005						
Total assets	10,968,680	9,338,815	8,605,281	10,544,268	15,884,837	15,568,972	70,910,853
Total liabilities	18,085,088	8,115,135	7,535,658	1,878,290	13,436,791	6,132,938	55,183,900
On balance sheet interest sensitivity gap	(7,116,408)	1,223,680	1,069,623	8,665,978	2,448,046	9,436,034	15,726,953
Cumulative interest sensitivity gap	(7,116,408)	(5,892,728)	(4,823,105)	3,842,873	6,290,919	15,726,953	

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Company						
	2006						
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
Assets							
Cash and bank	569,604	-	-	-	-	118	569,722
Short term deposits	-	14,243	11,815	-	-	-	26,058
Available-for-sale securities	-	1,298,370	439,941	939,108	7,033,998	675,787	10,387,204
Loans and receivables	-	465,482	16,162	67,189	1,391,982	354,595	2,295,410
Government securities purchased under resale agreements	-	656,358	-	-	-	-	656,358
Investment properties	-	-	-	-	-	441,023	441,023
Investments in subsidiaries	-	-	-	-	-	5,041,506	5,041,506
Investment in associate	-	-	-	-	-	2,725	2,725
Lease receivables	-	1,272	2,972	13,264	-	-	17,508
Taxation recoverable	-	-	-	-	-	131,811	131,811
Due from related companies	-	100,409	-	-	-	674,086	774,495
Reinsurance assets	-	-	-	-	-	70,805	70,805
Other assets	-	-	-	-	-	1,601,709	1,601,709
Property, plant & equipment	-	-	-	-	-	463,209	463,209
Intangible assets	-	-	-	-	-	2,420,537	2,420,537
Segregated funds' assets	8,930	1,263,843	218,338	328,474	1,051,731	2,505,425	5,376,741
Total assets	578,534	3,799,977	689,228	1,348,035	9,477,711	14,383,336	30,276,821
Liabilities							
Other liabilities	-	-	-	-	-	951,106	951,106
Due to related companies	-	212,977	-	-	-	315,820	528,797
Due to banks and other financial institution	142,766	208,161	339,769	42,276	163,683	-	896,655
Taxation payable	-	-	-	-	-	114,396	114,396
Deferred income taxes	-	-	-	-	-	7,945	7,945
Retirement benefit obligations	-	-	-	-	-	279,063	279,063
Segregated funds' liabilities	-	60,573	198,203	432,087	4,685,878	-	5,376,741
Insurance contracts	-	98,897	294,839	1,496,784	1,263,703	1,128,898	4,283,121
Investment contracts	-	716,589	560,899	21,437	2,927,530	-	4,226,455
Other policy liabilities	-	-	-	-	-	860,339	860,339
Total liabilities	142,766	1,297,197	1,393,710	1,992,584	9,040,794	3,657,567	17,524,618
On balance sheet interest sensitivity gap	435,768	2,502,780	(704,482)	(644,549)	436,917	10,725,769	12,752,203
Cumulative interest sensitivity gap	435,768	2,938,548	2,234,066	1,589,517	2,026,434	12,752,203	
	2005						
Total assets	643,360	1,962,670	910,506	2,150,910	8,207,399	14,353,402	28,228,247
Total liabilities	987,637	436,940	1,252,096	550,211	10,221,422	3,933,894	17,382,200
On balance sheet interest sensitivity gap	(344,277)	1,525,730	(341,590)	1,600,699	(2,014,023)	10,419,508	10,846,047
Cumulative interest sensitivity gap	(344,277)	1,181,453	839,863	2,440,562	426,539	10,846,047	

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

The table summaries the average effective yields by the earlier of the contractual repricing or maturity dates:

	The Group and The Company					
	2006					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	3.00	-	-	-	-	3.00
Securities sold agreement	-	7.44	4.37	3.90	4.62	6.98
Investments (1)	-	11.65	13.11	12.04	12.80	12.39
Loans	-	14.08	13.31	14.39	11.68	13.30
Mortgages (2)	-	10.65	10.65	10.65	10.65	10.65
Policy loans	-	13.08	13.08	13.08	13.08	13.08
Investment contracts	-	11.22	11.22	11.22	11.22	11.22
Bank overdraft	23.65	-	-	-	-	23.65
Deposits	-	9.55	9.14	11.03	4.47	8.83
Amounts due to banks and other financial institution	-	10.26	7.90	7.97	7.64	8.39

	2005					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	3.00	-	-	-	-	3.00
Investments (1)	19.14	11.47	14.49	14.42	15.97	17.67
Mortgages (2)	-	11.49	11.49	11.49	11.49	11.49
Policy loans	-	15.65	15.65	15.65	15.65	15.65
Investment contracts	-	11.47	11.47	11.47	11.47	11.47
Bank overdraft	26.75	-	-	-	-	26.75
Deposits	6.01	6.34	7.01	8.45	8.98	7.30
Amounts due to banks and other financial institution	10.42	10.50	7.50	7.00	6.00	8.44

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts.

(2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

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(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Key areas where the Group is exposed to credit risk are:

(a) Reinsurers' share of insurance liabilities – see Note 52(b) for details of reinsurance risk.
(b) Amounts due from reinsurers in respect of claims already paid.

The Group requires collateral for mortgages and other loans. It does not generally require collateral in respect of other financial assets, mainly premiums receivable. There is a credit policy in place to minimise exposure to credit risk. At the balance sheet date the only significant concentration of credit risk related to the Group's investments in Government of Jamaica securities.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The following table summarises the credit exposure of the Group to businesses and government by sectors in respect of investments and cash:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
Government of Jamaica	41,364,460	36,674,051	9,186,557	7,887,317
Foreign government	1,156,528	327,470	-	-
Financial institutions	7,849,347	5,381,220	1,290,749	1,035,568
United States Dollar equities	360,830	191,871	59,990	90,347
Corporate equities	575,022	432,547	268,582	118,677
Mortgages	1,507,453	1,287,210	1,458,897	1,239,166
Policy loans	655,637	649,782	354,595	349,791
Promissory notes	424,132	417,994	424,132	417,994
Other	19	31	19	32
	53,893,428	45,362,176	13,043,521	11,138,892
Interest receivable	1,107,421	1,309,363	234,873	236,538
	55,000,849	46,671,539	13,278,394	11,375,430

(e) Liquidity risk

This is the risk that the Group will have difficulty raising funds to meet commitments. The Group is exposed to daily call on its available cash resources mainly from claims arising from short term insurance contracts. Certain of the Group's policies have features that allow them to be terminated at short notice creating a potential liquidity exposure. In the normal course of business, as far as is possible, the Group matches the maturity of invested assets to the maturity of policy liabilities as far as possible.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the group. It is unusual for insurance companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The following tables analyse assets and liabilities of the Group and the company into relevant maturity groupings based on the remaining period, at balance sheet date, to contractual maturity date.

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					
	2006					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
Assets						
Cash resources	1,934,262	-	-	-	-	1,934,262
Short term deposits	661,209	11,815	-	-	21,810	694,834
Financial assets at fair value through profit or loss	1,513,023	-	-	316	-	1,513,339
Available-for-sale securities	3,858,897	3,835,570	18,056,571	21,142,671	1,283,067	48,176,776
Loans and receivables securities	473,703	16,162	103,819	1,432,317	655,637	2,681,318
Government securities purchased under resale agreements	1,327,702	-	-	-	-	1,327,702
Investment properties	-	-	-	-	441,023	441,023
Associates company	-	-	-	-	2,725	2,725
Loans	999,783	1,950,466	1,231,052	1,293,497	-	5,474,798
Lease receivables	2,115	3,496	64,379	-	-	69,990
Taxation recoverable	651,695	-	-	-	-	651,695
Due from parent company	132,210	-	-	-	415,573	547,783
Cash reserves at Bank of Jamaica	59,272	-	-	-	-	59,272
Reinsurance assets	-	1,188,924	-	-	-	1,188,924
Other assets	1,221,034	691,779	-	-	502,929	2,415,742
Property, plant & equipment	-	-	-	-	849,585	849,585
Deferred income taxes	-	21,217	-	-	-	21,217
Intangible assets	-	-	-	5,363,681	-	5,363,681
Retirement benefit asset	-	-	-	13,954	-	13,954
Segregated funds' assets	348,904	619,138	624,157	1,681,064	2,356,011	5,629,274
Total assets	13,183,809	8,338,567	20,079,978	30,927,500	6,528,360	79,058,214

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					
	2006					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
Liabilities						
Securities sold under repurchase agreements	26,014,628	4,593,948	23,524	1,115,634	-	31,747,734
Customer deposits	1,414,615	1,835,326	576,687	646,181	-	4,472,809
Other liabilities	1,530,576	-	-	-	82,500	1,613,076
Due to related companies	212,977	-	-	-	315,820	528,797
Due to banks and other financial institutions	783,909	498,562	276,842	1,109,786	-	2,669,099
Taxation payable	334,470	-	-	-	-	334,470
Deferred income taxes	-	357,989	-	-	-	357,989
Retirement benefit obligations	-	-	-	294,026	-	294,026
Segregated funds' liabilities	60,573	198,203	365,983	66,104	4,938,411	5,629,274
Insurance contracts	103,518	311,464	791,593	775,374	3,288,698	5,270,647
Investment contracts	716,589	560,899	16,915	4,521	3,358,971	4,657,895
Other policy liabilities	-	2,484,231	-	-	-	2,484,231
Total liabilities	31,171,855	10,840,622	2,051,544	4,011,626	11,984,400	60,060,047
On balance sheet interest sensitivity gap	(17,988,046)	(2,502,055)	18,028,434	26,915,874	(5,456,040)	18,998,167
Cumulative interest sensitivity gap	(17,988,046)	(20,490,101)	(2,461,667)	24,454,207	18,998,167	

	2005					
Total assets	23,460,807	9,947,764	10,426,797	21,552,448	5,523,037	70,910,853
Total liabilities	28,492,660	9,560,503	1,892,345	14,820,281	418,111	55,183,900
On balance sheet interest sensitivity gap	(5,031,853)	387,261	8,534,452	6,732,167	5,104,926	15,726,953
Cumulative interest sensitivity gap	(5,031,853)	(4,644,592)	3,889,860	10,622,027	15,726,953	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	2006					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
Assets						
Cash and bank	569,722	-	-	-	-	569,722
Short term deposits	14,243	11,815	-	-	-	26,058
Available-for-sale securities	167,264	211,892	1,889,425	7,442,836	675,787	10,387,204
Loans and receivables	465,482	16,162	67,189	1,391,982	354,595	2,295,410
Securities purchased under resale agreements	656,358	-	-	-	-	656,358
Investment properties	-	-	-	-	441,023	441,023
Investments in subsidiaries	-	-	-	-	5,041,506	5,041,506
Investment in associate	-	-	-	-	2,725	2,725
Lease receivables	1,272	2,972	13,264	-	-	17,508
Taxation recoverable	131,811	-	-	-	-	131,811
Due from related companies	232,619	-	-	-	541,876	774,495
Reinsurance assets	-	70,805	-	-	-	70,805
Other assets	523,461	453,282	-	-	624,966	1,601,709
Property, plant and equipment	-	-	-	-	463,209	463,209
Deferred income taxes	-	-	-	-	-	-
Intangible assets	-	-	-	2,420,537	-	2,420,537
Segregated funds' assets	339,838	597,471	624,157	1,510,749	2,304,526	5,376,741
Total assets	3,102,070	1,364,399	2,594,035	12,766,104	10,450,213	30,276,821
Liabilities						
Other liabilities	868,606	-	-	-	82,500	951,106
Due to related companies	212,977	-	-	-	315,820	528,797
Due to banks and other financial institution	142,766	208,161	339,769	42,276	163,683	896,655
Taxation payable	114,396	-	-	-	-	114,396
Deferred income taxes	-	7,945	-	-	-	7,945
Retirement benefit obligations	-	-	-	279,063	-	279,063
Segregated funds' liabilities	60,573	198,203	365,983	66,104	4,685,878	5,376,741
Insurance contracts	98,897	294,839	762,215	734,570	2,392,600	4,283,121
Investment contracts	716,589	560,899	16,915	4,521	2,927,531	4,226,455
Other policy liabilities	-	860,339	-	-	-	860,339
Total liabilities	2,214,804	2,130,386	1,484,882	1,126,534	10,568,012	17,524,618
On balance sheet interest sensitivity gap	887,226	(765,987)	1,109,153	11,639,570	(117,799)	12,752,203
Cumulative interest sensitivity gap	887,226	121,279	1,230,432	12,870,002	12,752,203	
	2005					
Total assets	5,369,789	1,288,647	1,985,422	10,690,715	8,893,674	28,228,247
Total liabilities	3,044,693	2,218,366	550,211	11,221,393	347,537	17,382,200
On balance sheet interest sensitivity gap	2,325,096	(929,719)	1,435,211	(530,678)	8,546,137	10,846,047
Cumulative interest sensitivity gap	2,325,096	1,395,377	2,830,588	2,299,910	10,846,047	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(f) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company has significant exposure to market risk on its portfolio of investments which could fluctuate based on changes in market interest rates.

(g) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group operations in the Cayman Islands create two additional sources of currency risk:

(i) The operating results of the Group foreign subsidiaries in the Group financial statements are translated at the average exchange rate prevailing during the period.

(ii) The equity investment in the foreign subsidiaries is translated into Jamaican dollars using the closing exchange rate.

The following tables summarise the exposure of the Group and the company to foreign currency exchange rate risk. Included in the tables are the Group's and the company's assets and liabilities at carrying amounts categorised by currency.

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(g) Currency risk (continued)

	2006			
	The Group			
	Jamaican $	US$	Other	Total
Assets				
Cash resources	692,720	1,048,598	192,944	1,934,262
Short term deposits	694,834	-	-	694,834
Financial assets at fair value through profit or loss	316	1,513,023	-	1,513,339
Available-for-sale securities	28,121,399	19,584,166	471,211	48,176,776
Loans and receivables	2,038,858	642,780	-	2,681,638
Securities purchased under resale agreements	667,963	653,558	6,181	1,327,702
Investment properties	441,023	-	-	441,023
Investment in associated company	2,725	-	-	2,725
Loans, after allowance for impairment losses	1,271,909	4,202,889	-	5,474,798
Lease receivables	52,549	17,441	-	69,990
Taxation recoverable	651,695	-	-	651,695
Due from related companies	527,005	20,778	-	547,783
Cash reserve at Bank of Jamaica	34,442	22,100	2,730	59,272
Reinsurance assets	70,805	101,297	1,016,823	1,188,925
Other assets	1,437,004	889,095	89,642	2,415,741
Property, plant and equipment	574,010	206,255	69,320	849,585
Deferred income taxes	21,217	-	-	21,217
Intangible assets	4,668,857	694,824	-	5,363,681
Retirement benefit assets	13,954	-	-	13,954
Segregated funds' assets	5,088,114	524,224	16,936	5,629,274
Total assets	47,071,399	30,121,028	1,865,787	79,058,214
Liabilities				
Securities sold under repurchase agreements	15,932,113	15,719,702	95,919	31,747,734
Customer deposits	870,299	3,561,192	41,318	4,472,809
Other liabilities	1,141,982	110,126	360,968	1,613,076
Due to related companies	528,797	-	-	528,797
Due to banks and other financial institutions	1,020,066	1,313,645	335,394	2,669,099
Taxation payable	334,470	-	-	334,470
Deferred income taxes	357,989	-	-	357,989
Retirement benefit obligations	294,026	-	-	294,026
Segregated funds' liabilities	5,376,741	252,533	-	5,629,274
Insurance contracts	3,828,509	1,442,138	-	5,270,647
Investment contracts	3,962,707	695,188	-	4,657,895
Other policy liabilities	1,816,691	88,650	578,890	2,484,231
Total liabilities	35,464,384	23,183,174	1,412,489	60,060,047
Net position	11,607,015	6,937,854	453,298	18,998,167
	2005			
Total assets	43,592,674	26,820,932	497,247	70,910,853
Total liabilities	33,186,319	21,764,329	233,252	55,183,900
Net position	10,406,355	5,056,603	263,995	15,726,953

(expressed in thousands of Jamaican dollars unless otherwise stated)

52. Financial Risk Management (Continued)

(g) Currency risk (continued)

	2006			
	The Company			
	Jamaican $	US$	Other	Total
Assets				
Cash and bank	559,519	10,203	-	569,722
Short term deposits	26,058	-	-	26,058
Available-for-sale securities	8,909,959	1,416,359	60,886	10,387,204
Loans and receivables	2,043,118	252,292	-	2,295,410
Securities purchased under resale agreements	645,895	7,983	2,480	656,358
Investment properties	441,023	-	-	441,023
Investment in subsidiaries	4,136,783	904,723	-	5,041,506
Investments in associate	2,725	-	-	2,725
Lease receivables	17,508	-	-	17,508
Taxation recoverable	131,811	-	-	131,811
Due from related companies	774,495	-	-	774,495
Reinsurance assets	70,805	-	-	70,805
Other assets	1,563,302	38,407	-	1,601,709
Property, plant & equipment	463,209	-	-	463,209
Intangible assets	2,420,537	-	-	2,420,537
Segregated funds' assets	5,088,114	271,691	16,936	5,376,741
Total assets	27,294,861	2,901,658	80,302	30,276,821
Liabilities				
Other liabilities	951,106	-	-	951,106
Due to related companies	528,797	-	-	528,797
Due to banks and other financial institution	352,801	543,854	-	896,655
Taxation payable	114,396	-	-	114,396
Deferred income taxes	7,945	-	-	7,945
Retirement benefit obligations	279,063	-	-	279,063
Segregated funds' liabilities	5,376,741	-	-	5,376,741
Insurance contracts	3,828,509	454,612	-	4,283,121
Investment contracts	3,962,707	263,748	-	4,226,455
Other policy liabilities	860,195	144	-	860,339
Total liabilities	16,262,260	1,266,131	-	17,524,618
Net position	11,032,601	1,639,300	80,302	12,752,203
	2005			
Total assets	24,971,937	3,247,777	54,269	28,228,247
Total liabilities	16,163,788	1,218,412	-	17,382,200
Net position	8,763,413	2,028,365	54,269	10,846,047

(expressed in thousands of Jamaican dollars unless otherwise stated)

53. Commitments

Approval for commitments to be incurred over the next year for which no provision has been made in these financial statements is as follows:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
(a) Capital expenditure -				
Authorised and not contracted for	178,589	2,925	178,589	2,925
Authorised and contracted for	4,800	616,067	4,800	616,067
	183,389	618,992	183,389	618,992
(b) Commitments to extend credit -				
Originated term to maturity of more than one year	529,010	123,026	123,206	97,072
(c) Guarantees and Letters of Credit	307,374	217,322	-	-

There is an equal and offsetting claim against customers in the event of a call on the commitments for guarantees and letters of credit.

(d) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	The Group	
	2006	**2005**
Not later than one year	39,102	42,625
Later than one year and not later than five years	6,095	37,080
	45,197	79,705

54. Assets Under Administration

Certain subsidiaries in the Group provide custody, trustee, corporate administration, investment management or advisory services to third parties which involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets are not included in these financial statements. As at 31 December 2006, these subsidiaries had financial assets under administration of approximately $48,415,264 (2005: $42,188,838).

(expressed in thousands of Jamaican dollars unless otherwise stated)

55. Contingent Liabilities

(a) Universal life policies

The design of a Universal Life policy is such that on realistic assumptions, the fund value built-up from premiums paid and from investment earnings is required in later years to pay the administrative costs and mortality charges.

A review of the company's Universal Life policies portfolio revealed that approximately 17,000 policies were affected by fund values which were insufficient to cover these costs through the life of the policies.

Once the problem was recognised, the company initiated discussion with the Regulators, the Financial Services Commission (FSC), as a result of which the affected policyholders were given the opportunity to reduce their existing coverage under the policies or to increase the premiums at their expense. More than 90% of these policyholders have already agreed to adjustments to their policies.

The company estimated that less than 1% of the affected policyholders have filed complaints with the FSC, which carried out investigations and made a submission to the company. The FSC suggested a number of alternatives to remedy the problem.

The company is in discussions with the FSC on the matter. The cost, if any, of resolving this issue cannot be quantified at this time.

(b) Legal proceedings

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the group which, according to the principles outlined above has not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both financial position and results of operations.

(expressed in thousands of Jamaican dollars unless otherwise stated)

56. Pledged Assets

Assets are pledged as collateral under repurchase agreements with customers and financial institutions. Mandatory cash reserves and investment securities are also held with The Bank of Jamaica and the Financial Services Commission.

	The Group			
	Asset		Related Liability	
	2006	2005	2006	2005
Balances with regulators	407,774	401,872	-	-
Investment securities and securities sold under repurchase agreements	34,796,344	29,109,741	33,080,996	29,446,274
	35,204,118	29,511,613	33,080,996	29,446,274

	The Company			
	Asset		Related Liability	
	2006	2005	2006	2005
Balances with regulators	297,000	297,000	-	-
Investment securities (Note 8)	1,004,276	691,006	543,882	824,263
	1,301,276	988,006	543,882	824,263

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or repledge the collateral.

	The Group		The Company	
	2006	2005	2006	2005
Investment securities	12,648,748	12,705,719	-	-

57. Business Combinations

As allowed under IFRS 3, the accounting for the fair value of identifiable intangible assets acquired during 2005 from the PCFS, First Life and Sagicor General business combinations was done using provisional values. During 2006, the company received updated values for these identifiable intangible assets, the carrying values of purchased goodwill, intangible assets and the related amortisation charges have been adjusted from the acquisition dates.

(expressed in thousands of Jamaican dollars unless otherwise stated)

58. Restatements and Reclassifications

The adjustments to the value of certain intangibles (Note 57) were applied retroactively from the date of the acquisitions.

Reclassifications have also been made to various prior year numbers to conform to current year reporting. The effect of these changes on the prior year financial statements is summarised as follows:

	The Group			
December 2005	Previously Stated	Adjustments to Intangibles	Reclassifications	Restated
Balance Sheet -				
Total assets	70,669,887	(179,166)	420,132	70,910,853
Total liabilities	54,780,414	-	403,486	55,183,900
Retained earnings	3,634,334	24,932	-	3,659,266
Shareholders' equity	11,610,478	24,932	16,638	11,652,048
Minority interest	4,278,996	(204,098)	7	4,074,905
Statement of Operations -				
Total revenues	12,136,778	(45,284)	31,941	12,123,435
Administration expenses	1,718,242	-	(534,077)	1,184,167
Depreciation and amortization	-	(135,792)	534,077	398,285
Finance cost	-	-	31,941	31,941
Net profit attributable to:				
Shareholders	2,424,329	24,932	-	2,449,261
Minority interest	356,008	65,574	-	421,582

	The Company			
December 2005	Previously Stated	Adjustments to Intangibles	Reclassifications	Restated
Balance Sheet -				
Total assets	27,818,851	(11,141)	420,537	28,228,247
Total liabilities	16,967,444	-	414,756	17,382,200
Retained earnings	3,075,475	(11,141)	-	3,064,334
Shareholders' equity	10,851,407	(11,141)	5,781	10,846,047
Statement of Operations -				
Total revenues	9,345,289	-	31,941	9,377,230
Administration expenses	814,858	-	(115,808)	699,050
Depreciation and amortization	-	11,141	115,808	126,949
Finance cost	-	-	31,941	31,941
Net profit attributable to:				
Shareholders	2,062,359	(11,141)	-	2,051,218

FINANCIAL STATISTICS

Year ended December 31, 2006

		THE GROUP				
		2006	2005	2004	2003	2002
SALES:						
Insurance Amounts						
Individual Life - Sums Assured	$m	67,603	54,426	40,702	34,834	13,102
Group Life - Sums Assured	$m	1,427	1,793	6,675	867	1,224
Total New Insurance Amount	$m	**69,030**	**56,219**	**47,377**	**35,701**	**14,326**
New Annualised Premiums						
Individual Life	$m	1,401	1,131	853	637	357
Group Life and Health	$m	223	207	274	136	137
Annuities	$m	605	387	417	213	188
Group Pensions	$m	7	2	18	50	6
Total New Annualised Premiums	$m	**2,236**	**1,727**	**1,562**	**1,036**	**688**
IN FORCE:						
Insurance Amount						
Individual Life - Sums Assured	$m	378,018	321,222	260,354	166,357	125,509
Group Life - Sums Assured	$m	348,574	283,115	186,740	86,482	55,179
Property and Casualty	$m	73,413	62,388			
Total Insurance Amounts in Force	$m	**800,005**	**666,725**	**447,094**	**252,839**	**180,688**
Number of Individual Life policies in force		307,365	294,178	271,577	264,731	229,154
Number of New Individual Life policies		42,685	36,107	33,014	21,881	15,787
FINANCIAL POSITION & STRENGTH:						
Total assets (including Segregated Funds)	$m	79,058	70,911	20,274	16,363	10,867
Pension funds under management	$m	41,825	35,991	26,473	20,026	14,408
Total Assets Under Management	$m	**120,883**	**106,902**	**46,747**	**36,389**	**25,275**
Market capitalization	$m	32,863	36,649	28,744	9,831	4,472
Invested assets	$m	60,383	52,849	11,798	9,273	5,748
Policyholders' Funds (including Segregated Funds)	$m	18,042	17,357	11,763	10,534	7,904
Shareholders' equity	$m	14,412	11,652	6,151	3,840	1,360
OPERATING RESULTS:						
Total Revenue	$m	14,769	12,123	7,050	5,603	4,039
Total Policyholder Benefits	$m	5,224	4,095	2,385	1,913	1,447
Total Commissions, Expenses, and Taxes	$m	6,491	5,158	3,231	2,482	1,733
Net profit, attributable to Shareholders	$m	2,572	2,449	1,434	1,209	858
FINANCIAL RATIOS:						
Return on average assets	%	4	7	10	13	14
Return on average shareholders' equity	%	20	27	29	47	92
Share price	$	8.81	9.86	11.30	3.90	2.70
Basic earnings per share	$	0.69	0.71	0.57	0.53	0.52
Price earnings ratio		10.76	13.89	19.82	7.36	5.19
Dividends per share	$	0.27	0.20	0.10	0.16	-

FINANCIAL STATISTICS (Continued)

Year ended December 31, 2006

		THE COMPANY				
		2006	2005	2004	2003	2002
SALES:						
Insurance Amounts						
Individual Life - Sums Assured	$m	49,609	42,105	36,532	32,337	12,224
Group Life - Sums Assured	$m	1,427	1,793	6,675	867	1,186
Total New Insurance Amount	$m	**51,036**	**43,898**	**43,207**	**33,204**	**13,410**
New Annualised Premiums						
Individual Life	$m	1,299	1,067	825	621	341
Group Life and Health	$m	223	207	274	136	137
Annuities	$m	605	387	417	202	185
Group Pensions	$m	7	2	18	50	6
Total New Annualised Premiums	$m	**2,134**	**1,663**	**1,534**	**1,009**	**669**
IN FORCE:						
Insurance Amount						
Individual Life - Sums Assured	$m	288,742	242,204	205,456	134,181	98,655
Group Life - Sums Assured	$m	306,054	277,978	186,740	82,344	51,827
Total Insurance Amounts in Force	$m	**594,796**	**520,182**	**392,196**	**216,525**	**150,482**
Number of Individual Life policies in force		301,105	288,019	265,566	260,612	209,990
Number of New Individual Life policies		41,290	35,324	32,487	21,517	15,323
FINANCIAL POSITION & STRENGTH:						
Total assets (including Segregated Funds)	$m	30,277	28,228	17,938	15,162	9,656
Pension funds under management	$m	41,825	35,991	26,473	20,027	14,828
Total Assets Under Management	$m	**72,113**	**64,263**	**44,411**	**35,189**	**24,484**
Invested assets	$m	18,868	16,861	10,428	7,224	4,187
Policyholders' Funds (including Segregated Funds)	$m	14,747	14,236	10,318	9,478	6,930
Shareholders' equity	$m	12,752	10,846	5,585	3,840	1,360
OPERATING RESULTS:						
Total Revenue	$m	10,650	9,377	6,489	4,632	3,763
Total Policyholders' Benefits	$m	4,408	3,802	2,260	1,506	1,312
Total Commissions, Expenses, and Taxes	$m	4,186	3,524	2,971	1,917	1,593
Net profit	$m	2,056	2,051	1,257	1,209	858
FINANCIAL RATIOS:						
Return on average assets	%	9	11	11	14	16
Return on average shareholders' equity	%	17	25	27	47	92
Minimum continuing capital and surplus requirement	%	185.8	149.6	240.3	215.9	175.6

DISCLOSURE OF SHAREHOLDINGS
AS AT DECEMBER 31, 2006

SHAREHOLDINGS OF THE TEN LARGEST SHAREHOLDERS

	SHAREHOLDER	NO. OF SHARES
1.	Sagicor Financial Corporation (Sagicor Life Inc. - 650,663,398) (LOJ Holdings Limited – 1,575,754,056)	2,226,417,454
2.	First Jamaica Investments Ltd.	919,227,731
3.	National Insurance Fund	29,445,770
4.	Ideal Portfolio Services Company Limited	27,623,550
5.	NCB Capital Markets a/c 2231	23,983,411
6.	Grace Kennedy & Company - Pension Scheme	22,319,685
7.	DONWIS Limited (- 6,285,680) (J.C.S.D. Reg - 11,713,320) (Connected person: Donovan Lewis - 3,100,000)	21,099,000
8.	Trading a/c SJIM 3119 (Scotia)	16,899,107
9.	West Indies Trust Company Ltd. (a/c WT 109)	15,000,000
10.	Trading a/c Scotiabank Ja. Trust & Mer. (a/c 542)	13,476,088

SHAREHOLDINGS OF DIRECTORS

	DIRECTORS/CONNECTED PERSONS	NO. OF SHARES
1)	Mr. J. Arthur Bethell	25,000
2)	Mr. Dodridge Miller	25,089
3)	Mr. Richard Byles	1,724,419
	* Jacinth Byles (connected person)	
4)	Mr. Michael Fraser	1,346,500
	* Gwendolyn Fraser (connected person)	5,000
5)	The Hon. R.D. Williams	NIL
	* Ravers Limited (connected company)	12,332,825
6)	Mr. David Allan	25,000
7)	Mr. Jeffrey Cobham	25,000
8)	Mrs. Marjorie Chevannes-Campbell	25,000
9)	Mr. Bryan Ewen	NIL
10)	Mr. Paul Facey	NIL
11)	Mr. Stephen Facey	NIL
12)	Prof. Hilary McDonald Beckles	NIL

SHAREHOLDINGS OF MANAGEMENT TEAM

	EXECUTIVE MANAGEMENT/CONNECTED PERSONS	NO. OF SHARES
1)	Mr. Richard Byles	1,724,419
	*Jacinth Byles (connected person)	
2)	Mr. Errol McKenzie	979,930
	*Annette McKenzie (connected person)	
3)	Mr. Michael Fraser	1,346,500
	*Gwendolyn Fraser (connected person)	5,000
4)	Mrs. Sharon Lake	940,614
5)	Mrs. Janet Sharp	155,166
6)	Mr. Ivan Carter	300,000
7)	Mrs. Bernita Locke	347,295
	*Anthony Locke	
8)	Mrs. Janice A.M. Grant Taffe	529,000
	*Joseph Taffe	
9)	Mr. Anthony Roberts	172,906
	*Agnes Roberts	
10)	Miss Donna Stephenson	10,000
	*Liane Williams	

SUBSIDIARY COMPANIES

LOJ Property Management Limited

78a Hagley Park Road, Kingston 10, Jamaica
Telephone: (876) 936-7042, 929-9182-6
Facsimile: (876) 929-918
www.lojproperties.com

LOJ Pooled Investments Funds Limited

28 - 48 Barbados Avenue
Kingston 5, Jamaica
Tel: (876) 929-8920-9
Fax: (876) 929-4730
www.lojpif.com

Employee Benefits Administrator Limited

28-48 Barbados Avenue
Kingston 5, Jamaica
Tel: (876) 929-8920-9
Fax: (876) 929-4730

Pan Caribbean Financial Services Limited

60 Knutsford Boulevard
Kingston 5, Jamaica
Tel: (876) 929-5583
Fax: (876) 926-4385
www.gopancaribbean.com

Sagicor Life of the Cayman Islands Ltd.

North Church Street
P.O. Box 1087
George Town, Grand Cayman
Tel: (345) 949-8211
Fax: (345) 949-8262
(Incorporated in Grand Cayman)

Sagicor Re Insurance Limited

103 South Church Street
George Town
Grand Cayman, Cayman Islands
(Incorporated in Grand Cayman)

Sagicor General Insurance (Cayman) Ltd.

Harbour Place
103 South Church Street
George Town
Grand Cayman, Cayman Islands
Tel.: (345) 949-7028
Fax: (345) 949-7457
(Incorporated in Grand Cayman)

ASSOCIATED COMPANIES

Lested Developments Limited

28-48 Barbados Avenue
Kingston 5, Jamaica
Tel: (876) 929-8920-9
Fax: (876) 929-4730

St. Andrew Developers Limited

60 Knutsford Boulevard
Kingston 5, Jamaica
Tel: (876) 929-4510
General Manager: Dayton Wood

Life of Jamaica LIMITED
Wise financial advice for life
A member of the Sagicor Group

$100.00 stamp to be affixed

FORM OF PROXY

I………….. ……………………………………………. of ………………………………….being a member

of Life of Jamaica Limited hereby appoint………………..…………………………………………………….

of ……………………………………………….or failing him…………………………………………

of ………………………………………………………….. as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on the 9th day of May 2007 and at any adjournment thereof.

The Proxy will vote on the under mentioned resolutions as indicated:

Resolutions	For	Against
1. To receive the Directors' Report and accounts for the year ended December 31, 2006		
2. To elect Directors		
In accordance with Article 98		
Dodridge Miller	☐	☐
Michael Fraser	☐	☐
Marjorie Chevannes-Campbell	☐	☐
3. To fix the remuneration of Directors	☐	☐
4. To authorize the Directors to fix the remuneration of the Auditors	☐	☐
5. As Special Business to consider and (if thought fit) pass the following Resolutions:		
5.1 "That Director Hilary Beckles having been appointed by the Board to fill a vacancy on the Board since the last Annual General Meeting retires and being eligible offers himself for election".	☐	☐
"That retiring Director Hilary Beckles be and is hereby re-elected a Director of the company".		
5.2 "That the Memorandum of Association of the Company be and is hereby deleted in its entirety."	☐	☐
5.3 "That the Articles of Association of the company be amended as indicated in the Notice and be referred to as Articles of Incorporation".	☐	☐

NOTE: If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

As witness my hand this …………………………………day of ……………………...……………… 2007

Signature …………………………………………….

………………………………………………

NOTE: (I) If the appointer is a Corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized.

(2) To be valid, this proxy must be lodged with the Secretary of the Company, 28-48 Barbados Avenue, Kingston 5, not less than 48 hours before the time appointed for holding the meeting. A proxy need not be a member of the Company.

Life *of* Jamaica
LIMITED

Wise financial advice for life

A member of the Sagicor Group

28-48 Barbados Avenue, New Kingston

P.O. Box 439, Kingston 5, Jamaica W.I.

Website: www.lifeofja.com