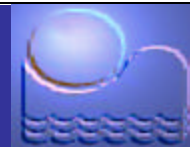


# Life of Jamaica Limited

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Interim Report to Stockholders  
for the period  
January to September 2007



## **Interim Report to our Stockholders for the period January to September 2007:**

On behalf of the Board of Directors, we are pleased to present the un-audited consolidated financial statements for Life of Jamaica Limited (LOJ) for the period January to September 2007.

The LOJ Group generated net profits attributable to Stockholders of \$2.265 billion for the period under review. This outcome was 27% higher than the \$1.778 billion for the same period in 2006. Basic earnings per share for the period was \$0.61 as compared to \$0.48 for 2006. The annualized return on Stockholders' equity was 21% as against 20% for the same period last year. The 2007 profits reflect significant realized gains from the trading of securities and the favorable experience in actuarial reserves as a consequence of Individual Life portfolio growth and containment of operating costs.

Revenues for 2007 were \$12.434 billion, up 14% on the 2006 amount of \$10.927 billion. The principal sources of revenue for the Group continue to show strong growth. Individual Life earned premiums rose 16%, up from \$3.156 billion to September 2006 to \$3.651 billion for the current year to-date. Employee Benefits earned premiums also improved from \$4.354 billion to \$4.696 billion, an increase of 8%. Influenced by significant securities trading gains earlier in the year, net investment income was \$6.025 billion, a 21% increase on the 2006 amount of \$5.0 billion. The main Non-Life subsidiary, Pan Caribbean Financial Services (PCFS), reported net profits for the period of \$905.4 million as compared to \$812.9 million in 2006, an 11% improvement. The PCFS basic earnings per share was \$1.67 in 2007 and \$1.51 in 2006.

The book value of Stockholders' Equity as at September 30, 2007 was \$15.253 billion compared to \$14.412 billion as at December 31, 2006, a 6% growth. Total assets of the Group reached \$85.821 billion, a 9% growth on the December 31, 2006 amount of \$79.058 billion. Total assets under management, including pension funds, were \$133.284 billion, up from \$120.883 billion at December 2006 (10% growth).

During September LOJ launched the new "The Protector Series" Individual Life range of policies and opened a new branch office "Garvey Insurance Centre" on Marcus Garvey Drive. These twinned strategies position LOJ to offer valuable services to a wider cross-section of the market. In October, LOJ increased its interest in Sagicor General Cayman Ltd from 51% to 75.2%. This investment is carried in the wholly-owned subsidiary, Sagicor Life of the Cayman Island Ltd.

The number of ordinary shares in issue grew from 3,730,244,258 at December 2006 to 3,745,179,793 at the end of September 2007, as a result of 14,935,535 shares being issued to staff as part of the staff share purchase plan and some share options being exercised. At September 30, 2007, LOJ's market capitalization was \$28.838 billion, down 12% from \$32.863 billion at December 2006. At September 30, 2007 the LOJ share price was \$7.70. This was up from the \$7.20 at June 2007 but below the price of \$7.74 at March 2007 and \$8.81 at December 31, 2006, a consequence of the retreating stock market. During April 2007, LOJ made a dividend payment to stockholders of \$0.15 per share or \$561.78 million. In October 2007, a final dividend was distributed in the same amount of \$0.15 per share or \$561.78 million.

Our efforts will remain keenly focused on operational efficiency and strategies to ensure our sales and earnings targets for the year are met.

On behalf of the Board of Directors:

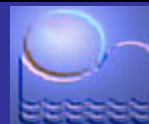


**Dodridge D. Miller**  
Chairman  
November 2, 2007



**Richard O. Byles**  
President & CEO

**Life of Jamaica Limited**  
**Consolidated Balance Sheet**  
**as at September 30, 2007**  
**(Expressed in thousands of Jamaican dollars)**



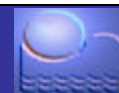
	Sept-07 Unaudited	Sept-06 Unaudited	Dec-06 Audited
<b>Assets:</b>			
Financial Assets at fair value through income	1,510,066	1,365,280	1,513,339
Available-for-sale securities	52,367,530	46,781,588	48,176,776
Loans and receivables	10,264,866	7,769,226	8,226,426
Securities purchased under resale agreements	898,835	2,781,787	1,327,702
Short term deposits	683,337	331,229	694,834
Investment properties	252,668	601,895	441,023
Investment in associated companies	2,725	2,725	2,725
	<b>65,980,027</b>	<b>59,633,730</b>	<b>60,382,825</b>
Cash resources	2,265,641	2,371,127	1,993,534
Property, plant and equipment	1,093,765	618,599	849,585
Intangible assets	5,137,792	5,438,490	5,363,681
Income tax assets	501,208	369,265	672,912
Reinsurance assets	1,444,042	1,095,336	1,188,925
Miscellaneous assets and receivables	3,400,319	4,259,804	2,977,478
Segregated funds' assets	5,998,467	5,199,036	5,629,274
	<b>19,841,234</b>	<b>19,351,657</b>	<b>18,675,389</b>
<b>Total Assets</b>	<b>85,821,261</b>	<b>78,985,387</b>	<b>79,058,214</b>
<b>Liabilities:</b>			
Insurance and annuity liabilities	5,957,669	5,427,634	5,270,647
Investment contracts liabilities	5,240,849	4,483,359	4,657,895
Other policy liabilities	2,783,558	2,314,569	2,484,231
	<b>13,982,076</b>	<b>12,225,562</b>	<b>12,412,773</b>
Securities sold under repurchase agreements	34,493,911	33,145,069	31,747,734
Customer Deposits	5,303,486	4,187,582	4,472,809
Due to Banks and other Financial Institutions	3,330,795	2,725,157	2,669,099
Provisions	94,188	-	82,500
Income tax liabilities	210,986	517,824	692,459
Accounts payable and accrued liabilities	2,447,260	2,951,778	2,353,398
Segregated funds' liabilities	5,998,467	5,199,036	5,629,274
	<b>51,879,093</b>	<b>48,726,446</b>	<b>47,647,273</b>
<b>Total liabilities</b>	<b>65,861,169</b>	<b>60,952,008</b>	<b>60,060,047</b>
<b>Equity:</b>			
<b>Capital and reserves attributable to the Company's stockholders</b>			
Share Capital	7,766,064	7,654,212	7,654,212
Investment and other reserves	605,363	970,256	1,580,096
Retained earnings	6,881,074	5,025,042	5,177,479
	<b>15,252,501</b>	<b>13,649,510</b>	<b>14,411,787</b>
<b>Minority interest in subsidiaries</b>	<b>4,707,591</b>	<b>4,383,869</b>	<b>4,586,380</b>
	<b>19,960,092</b>	<b>18,033,379</b>	<b>18,998,167</b>
<b>Total Liabilities and Equity</b>	<b>85,821,261</b>	<b>78,985,387</b>	<b>79,058,214</b>

On behalf of the board:

**Dodridge D. Miller**  
**Chairman**  
 November 2, 2007

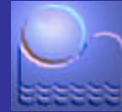
**Richard Byles**  
**President and CEO**

Life of Jamaica Limited  
Consolidated Statement of Operations  
for the period January to September, 2007  
(Expressed in thousands of Jamaican dollars)



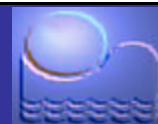
	Sept -07 Quarter Unaudited	Sept -07 Year-to-date Unaudited	Sept -06 Quarter Unaudited	Sept-06 Year-to-date Unaudited	Dec-06 Full year Audited	YTD Variance Sept '07 vs '06
<b>Revenues:</b>						
Gross premium revenue	3,547,017	10,101,531	3,089,056	8,744,322	11,877,893	16%
Reinsurance premiums ceded	(773,720)	(2,095,245)	(541,599)	(1,432,088)	(2,009,545)	-46%
Net premium revenue	2,773,297	8,006,286	2,547,457	7,312,234	9,868,348	9%
Net investment income	1,042,278	3,085,599	741,409	2,279,072	3,594,220	35%
Fees, commissions and other revenues	481,519	1,341,914	474,282	1,335,223	1,306,016	1%
<b>Total revenue</b>	<b>4,297,094</b>	<b>12,433,799</b>	<b>3,763,148</b>	<b>10,926,529</b>	<b>14,768,584</b>	<b>14%</b>
<b>Benefits and expenses:</b>						
Insurance benefits incurred	1,269,391	4,077,271	1,272,764	3,966,021	5,354,589	-3%
Insurance benefits reinsured	(45,945)	(171,762)	(108,437)	(306,611)	(402,940)	-44%
Net Insurance benefits incurred	1,223,446	3,905,509	1,164,327	3,659,410	4,951,649	-7%
Changes in insurance and annuity liabilities	76,653	637,096	289,947	519,589	272,390	-23%
Administration expenses	880,118	2,703,809	848,673	2,438,181	3,383,424	-11%
Commissions and related expenses	529,785	1,488,356	439,715	1,241,426	1,818,297	-20%
Depreciation	34,587	96,330	32,505	86,980	128,438	-11%
Amortization of intangible assets	96,313	287,409	115,953	304,163	398,004	6%
Finance cost	6,954	20,590	6,774	16,038	22,986	-28%
<b>Total benefits and expenses</b>	<b>2,847,856</b>	<b>9,139,099</b>	<b>2,897,894</b>	<b>8,265,787</b>	<b>10,975,188</b>	<b>-11%</b>
<b>Profit before taxation</b>	<b>1,449,238</b>	<b>3,294,700</b>	<b>897,678</b>	<b>2,660,742</b>	<b>3,793,396</b>	<b>24%</b>
Taxation	(237,773)	(636,192)	(175,688)	(525,357)	(740,148)	-21%
<b>Profit after taxation</b>	<b>1,211,465</b>	<b>2,658,508</b>	<b>721,990</b>	<b>2,135,385</b>	<b>3,053,248</b>	<b>24%</b>
<b>Net profit attributable to:</b>						
Shareholders of the company	1,052,006	2,265,372	602,773	1,777,550	2,572,216	27%
Minority interest	159,459	393,136	119,217	357,835	481,032	10%
<b>Net profit for period</b>	<b>1,211,465</b>	<b>2,658,508</b>	<b>721,990</b>	<b>2,135,385</b>	<b>3,053,248</b>	<b>24%</b>
<b>Earnings per share for profit attributable to stockholders:</b>						
- Basic	\$0.28	\$0.61	\$0.16	\$0.48	\$0.69	27%
- Fully diluted	\$0.27	\$0.58	\$0.15	\$0.46	\$0.68	26%

Life of Jamaica Limited  
**Consolidated Statement of Changes in Shareholders' Equity**  
for the period January to September 30, 2007  
*(Expressed in thousands of Jamaican dollars)*



	Share Capital	Investment & Fair Value Reserves	Currency Translation Reserve	Other Reserve	Retained Earnings	Minority Interest	Total
<b>Year ended December 31, 2006:</b>							
Balance as at January 1, 2006, as restated	7,547,679	(53,404)	389,839	108,668	3,659,266	4,074,905	15,726,953
Unrealised gains on revaluation of owner-occupied properties	-	23,554	-	-	-	-	23,554
Currency translation differences	-	(2,753)	71,284	-	-	21,893	90,424
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	-	-	-	26,610	(26,610)	-	-
Transfer to special investment reserve	-	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	106,533	-	-	-	-	51,681	158,214
Dividend paid to minorities	-	-	-	-	-	(173,808)	(173,808)
Dividends	-	-	-	-	(1,007,157)	-	(1,007,157)
<b>Balance as at December 31, 2006</b>	<b>7,654,212</b>	<b>987,213</b>	<b>461,123</b>	<b>131,760</b>	<b>5,177,479</b>	<b>4,586,380</b>	<b>18,998,167</b>
<b>Period ended September 30, 2007:</b>							
Balance as at January 1, 2007, as restated	7,654,212	987,213	461,123	131,760	5,177,479	4,586,380	18,998,167
Unrealised gains on revaluation of owner-occupied properties	-	57,343	-	-	-	-	57,343
Currency translation differences	-	2,873	79,645	-	-	29,934	112,452
Unrealised gains on available-for-sale securities	-	(770,658)	-	-	-	(1,235)	(771,893)
Gains recycled to revenue on disposal and maturity of available-for-sale securities	-	(359,017)	-	-	-	(157,725)	(516,742)
Net gains/(losses) not recognised in the statement of operations	-	(1,069,459)	79,645	-	-	(129,026)	(1,118,840)
Net profit	-	-	-	-	2,265,372	393,136	2,658,508
Total income/(expense) recognised for the period ended September 2007	-	(1,069,459)	79,645	-	2,265,372	264,110	1,539,668
Provision utilised	-	-	-	4,335	-	3,895	8,230
Employee share option scheme - value of services provided	-	-	-	15,073	-	3,435	18,508
Employee share options exercised	8,652	-	-	(4,326)	-	-	4,326
Issue of shares	103,200	-	-	-	-	-	103,200
Dividend paid to minorities	-	-	-	-	-	(150,230)	(150,230)
Dividends	-	-	-	-	(561,777)	-	(561,777)
<b>Balance as at September 30, 2007</b>	<b>7,766,064</b>	<b>(82,246)</b>	<b>540,768</b>	<b>146,842</b>	<b>6,881,074</b>	<b>4,707,590</b>	<b>19,960,092</b>

Life of Jamaica Limited  
 Consolidated Statement of Cash Flows  
 for the period January to September 30, 2007  
 (Expressed in thousands of Jamaican dollars)



	Sept -07 Year-to-date Unaudited	Sept-06 Year-to-date Unaudited	Dec-06 Full year Audited
<b>Cash Flows from operating activities:</b>			
Net profit	2,658,508	2,135,385	3,053,248
Items not affecting cash	(727,370)	(803,509)	(1,787,405)
Changes in operating assets and liabilities	(4,161,444)	(1,845,962)	(2,744,423)
Interest received	5,157,434	4,626,235	6,506,786
Interest paid	(2,983,261)	(2,812,131)	(3,675,160)
Income taxes paid	(280,397)	(475,295)	(626,263)
<b>Cash generated from operating activities</b>	<b>(336,530)</b>	<b>824,723</b>	<b>726,783</b>
<b>Cash Flows from investing activities:</b>			
Property, plant and equipment, net	(94,820)	(77,293)	(142,929)
Intangible assets, net	(19,982)	(33,993)	(55,244)
<b>Cash used in investing activities</b>	<b>(114,802)</b>	<b>(111,286)</b>	<b>(198,173)</b>
<b>Cash Flows from financing activities:</b>			
Dividends paid to stockholders	(559,340)	(414,770)	(1,011,605)
Dividend paid to minority interest	(113,171)	(45,327)	(173,808)
Ordinary shares issued	111,852	106,533	106,533
Proceeds from loans, net	(367,069)	580,547	596,402
<b>Cash provided by/(used in) financing activities</b>	<b>(927,728)</b>	<b>226,983</b>	<b>(482,478)</b>
<b>Net (decrease) / increase in net cash and cash equivalents</b>	<b>(1,379,060)</b>	<b>940,420</b>	<b>46,132</b>
<b>Cash and cash equivalents:</b>			
Cash and cash equivalents, at beginning of year	4,863,664	4,714,098	4,714,098
Effects of exchange rate changes	44,664	32,644	103,434
(Decrease) / increase in net cash and cash equivalents	(1,379,060)	940,420	46,132
<b>Net cash and cash equivalents, at end of year</b>	<b>3,529,268</b>	<b>5,687,162</b>	<b>4,863,664</b>

**Life of Jamaica Limited**  
**Consolidated Segmental Financial Information**  
**for the period January to September 30, 2007**  
**(Expressed in thousands of Jamaican dollars)**



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

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

	Banking and Asset Management Services						Sept-07 Group
	Individual Life Services	Employee Benefits Services	General Ins. Services	Management Services	Other Services	Eliminations	
Total Revenue	3,916,821	5,573,886	364,900	1,922,799	769,507	(114,114)	12,433,799
Amortization of purchased intangibles	-	(63,632)	(10,763)	(164,033)	-	-	(238,428)
Benefits and expenses	(2,818,467)	(4,668,306)	(319,960)	(670,130)	(504,511)	101,293	(8,880,081)
Finance costs	-	(10,295)	-	-	(12,821)	12,821	(20,590)
Profit / (loss) before tax	1,098,354	831,653	23,882	1,088,636	252,175	-	3,294,700
Taxation	(157,355)	(93,287)	-	(347,273)	(38,277)	-	(636,192)
Profit / (loss) after taxation	940,999	738,366	23,882	741,363	213,898	-	2,658,508
<b>Segment Assets -</b>							
Intangible assets	1,265,166	1,409,160	364,240	2,099,018	208	-	5,137,792
Other assets	15,477,268	13,324,728	3,567,009	48,786,892	66,269	(566,224)	80,655,942
	16,742,434	14,733,888	3,931,249	50,885,910	66,477	(566,224)	85,793,734
<b>Unallocated Assets -</b>							
Investment in associates	-	-	-	-	-	-	2,725
Deferred tax assets	-	-	-	-	-	-	11,386
Retirement benefit assets	-	-	-	-	-	-	13,416
<b>Total Assets</b>							<b>85,821,261</b>
<b>Segment Liabilities</b>	11,716,216	9,785,828	2,500,854	41,908,686	76,693	(566,224)	65,422,053
<b>Unallocated Liabilities -</b>							
Deferred tax liabilities	-	-	-	-	-	-	147,139
Retirement benefit obligations	-	-	-	-	-	-	291,977
<b>Total Liabilities</b>							<b>65,861,169</b>

	Banking and Asset Management Services						Sept-06 Group
	Individual Life Services	Employee Benefits Services	General Ins. Services	Management Services	Other Services	Eliminations	
Total Revenue	3,709,092	4,930,923	323,846	1,692,318	347,239	(76,889)	10,926,529
Amortization of purchased intangibles	-	(73,869)	(21,000)	(167,278)	-	-	(262,147)
Benefits and expenses	(2,725,016)	(4,029,614)	(288,930)	(594,683)	(405,906)	56,547	(7,987,602)
Finance costs	-	-	-	-	(36,380)	20,342	(16,038)
Profit / (loss) before tax	984,076	827,440	13,916	930,357	(95,047)	-	2,660,742
Taxation	(147,324)	(93,303)	-	(284,730)	-	-	(625,357)
Profit / (loss) after taxation	836,752	734,137	13,916	645,627	(95,047)	-	2,135,385
<b>Segment Assets -</b>							
Intangible assets	1,276,917	1,476,995	385,541	2,299,004	33	-	5,438,490
Other assets	15,578,476	10,206,951	2,752,582	45,050,706	73,984	(156,961)	73,505,738
	16,855,393	11,683,946	3,138,123	47,349,710	74,017	(156,961)	78,944,228
<b>Unallocated Assets -</b>							
Investment in associates	-	-	-	-	-	-	2,725
Deferred tax assets	-	-	-	-	-	-	21,729
Retirement benefit assets	-	-	-	-	-	-	16,705
<b>Total Assets</b>							<b>78,985,387</b>
<b>Segment Liabilities</b>	13,197,704	6,471,505	1,829,646	39,017,600	87,548	(156,961)	60,447,042
<b>Unallocated Liabilities -</b>							
Deferred tax liabilities	-	-	-	-	-	-	217,271
Retirement benefit obligations	-	-	-	-	-	-	287,695
<b>Total Liabilities</b>							<b>60,952,008</b>

	Banking and Asset Management Services						Dec-06 Group
	Individual Life Services	Employee Benefits Services	General Ins. Services	Management Services	Other Services	Eliminations	
Total Revenue	4,900,975	6,729,131	448,905	2,275,633	527,183	(113,243)	14,768,584
Amortization of purchased intangibles	-	(94,712)	(24,220)	(223,037)	-	-	(341,969)
Benefits and expenses	(3,511,641)	(5,399,122)	(421,768)	(779,511)	(586,280)	88,089	(10,610,233)
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
Taxation	(230,150)	(127,105)	-	(383,452)	559	-	(740,148)
Profit / (loss) after taxation	1,159,184	1,095,403	(9,872)	889,633	(81,100)	-	3,053,248
<b>Segment Assets -</b>							
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
<b>Unallocated Assets -</b>							
Investment in associates	-	-	-	-	-	-	2,725
Deferred tax assets	-	-	-	-	-	-	21,217
Retirement benefit assets	-	-	-	-	-	-	13,954
<b>Total Assets</b>							<b>79,058,214</b>
<b>Segment Liabilities</b>	13,559,524	6,896,058	2,091,694	37,272,040	98,163	(509,447)	59,408,032
<b>Unallocated Liabilities -</b>							
Deferred tax liabilities	-	-	-	-	-	-	357,989
Retirement benefit obligations	-	-	-	-	-	-	294,026
<b>Total Liabilities</b>							<b>60,060,047</b>





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

	Jamaica	Grand Cayman	Sept-07 Group
Total Revenue	10,721,981	1,711,818	12,433,799
Total Assets	77,041,888	8,779,373	85,821,261

	Jamaica	Grand Cayman	Sept-06 Group
Total Revenue	9,429,910	1,496,619	10,926,529
Total Assets	71,495,039	7,490,348	78,985,387

	Jamaica	Grand Cayman	Dec-06 Group
Total Revenue	12,769,173	1,999,411	14,768,584
Total Assets	71,104,829	7,953,385	79,058,214

## Explanatory notes

### 1. Significant Accounting Policies

#### *(a) Basis of preparation*

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) which includes 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 held at fair value through income.

#### *(b) Basis of consolidation*

Subsidiaries are consolidated on a line-by-line basis from the date on which control is transferred to the Group and are no longer consolidated from the date on which control ceases. The Group uses the purchase method of accounting for the acquisition of subsidiaries. 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, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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. Inter-company transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

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

#### *(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) Investments*

Investments are classified as financial assets at fair value through income, available-for-sale financial assets or loans and receivables, as determined by management at the time of purchase.

Financial assets at fair value through income consist of held-for-trading securities. A financial asset is classified into 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.

Available-for-sale securities are initially recognized at cost and are subsequently re-measured at their fair value based on quoted bid prices. If the market for a financial asset is not active the Group establishes fair values by using valuation techniques. Unrealized gains and losses arising from changes in fair value of securities classified as available-for-sale are deferred to Investments and Fair Value Reserves. When the securities are disposed of or impaired, the related accumulated unrealized gains or losses included in reserves are transferred to Investment Income.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

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

*(e) Investment Properties*

Investment properties are held for long term rental yields, and are not occupied by companies within the group. Investment properties are carried at fair value as determined by external valuers. Changes in fair value are taken to Investment Income.

*(f) Repurchase and reverse repurchase agreements*

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

*(g) Cash and Cash equivalents*

For the purposes of the Statement of Cash Flows, Cash and Cash equivalents comprise cash in hand and bank balances. Also, deposits held with banks, short-term loans and Repurchase Agreements with a maturity date of ninety days or less from the date of acquisition and bank overdraft balances. Cash and Cash equivalents do not include funds held to meet statutory requirements.

*(h) Insurance and Investment contracts*

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.

**2. Segregated Funds**

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

**3. Pension Funds Under Management**

These funds are held in trust through the subsidiary company, LOJ Pooled Investment Funds Limited (LOJ PIF Limited), the Diversified Investment Funds (DIF) and other managed funds. All investment returns accrue directly to the funds with the Group assuming no risks. The assets, liabilities and operations of these funds are not included in these consolidated Financial Statements. At September 30, 2007 the total pension funds under management were \$47.463 billion (December 2006: \$41.825 billion). Administration and investment fees earned by the Group are included in "Fees, Commissions and Other Revenues" in the consolidated Statement of Operations.

**4. Earnings Per Stock Unit**

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

The diluted earnings per stock unit is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The adjustments related to un-issued shares for the Staff Share Ownership Plan and un-issued shares for the Executive Stock Option Plan and Long-term Incentive Plan.

## **5. Intangible Assets**

The item Intangible Assets includes, Group controlled computer software, goodwill and other intangible assets.

### **Goodwill:**

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired at the acquisition date. Goodwill is initially measured at cost and is not amortized. After initial recognition goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

### **Other Intangible Assets:**

Other intangible assets include contractual customer relationships, trade names and computer software acquired through acquisitions. The fair values and estimates of useful life of these identifiable intangible assets are determined by independent appraisers at the point of acquisition. These assets are initially recorded at cost. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is not amortized but is tested annually for impairment.