

Life of Jamaica Limited

**Report to Stockholders
for the year ended
31 December 2007**

Report to our Stockholders for the year ended 31 December 2007
– As extracted from the 2007 Annual Report:

On behalf of the Board of Directors, we are pleased to present the audited consolidated financial statements of Life of Jamaica Limited (LOJ) for the year ended 31 December 2007.

In 2007, the LOJ Group posted another year of strong results. Net profit attributable to stockholders was \$2,957 million, an improvement of 15% over the previous year. The basic earnings per share were 79 cents, up from 69 cents in 2006. The book value of Stockholders' Equity as at the 2007 year-end was \$15,507 million, compared to \$14,412 million as at 2006, an 8% growth. The return on opening Stockholders' Equity (ROE) was 20.5%. The corresponding return for 2006 was 22.1%. Total assets of the Group stood at \$87,070 million, showing a 10% growth over 2006.

Consolidated revenues showed good growth for the 2007 period being \$16,964 million, an increase of 15% over the 2006 level. The Individual Life Division, including the Cayman and Jamaica portfolios, put in a strong performance both in terms of new business generated and actual earned premiums which closed the year at \$5,009 million, 17% ahead of last year. Despite the very competitive markets in Cayman and Jamaica, earned premiums from Employee Benefits Services grew strongly to \$6,467 million recording a 10% improvement over 2006. Net investment income also performed well rising by 15% to \$4,134 million. Banking revenues from Pan Caribbean Financial Services Ltd (PCFS) grew to \$2,561 million, 13% over 2006. Property and casualty premiums, mainly from Sagicor General Insurance (Cayman) Ltd rose to \$2,282 million, a 32% growth on 2006 (partly due to a June 2006 portfolio acquisition). The other main source of revenue is fee income principally 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 \$1,021 million compared to \$789.8 million for 2006.

A total of \$5,461 million was paid and or accrued as benefits to policyholders and beneficiaries, an increase of 2% over 2006, reflecting a good mortality experience, acceptable morbidity levels and improved policy persistency. Death benefits at \$935.5 million were 3% above the prior year. Surrenders and withdrawals from Individual Life policy funds were \$586.7 million, only 2% more than in 2006. Annuity payments were \$477.4 million or 22% higher than in 2006, reflecting a significant increase in annuity insurance business during the year. Health claims were \$3,099 million, 10% higher than 2006. The change in actuarial liabilities included in the Statement of Operations was \$982.4 million compared to \$272.4 million in 2006. This is a consequence of the increased single premium annuity insurance business in 2007 which is fully reserved for in the first year. In addition, LOJ's Individual Life Insurance actuarial liabilities were negatively impacted by the higher inflation rate in 2007. Administration expenses and depreciation were \$3,828 million, up 9% from \$3,512 million in the prior year. The ratio of administration expenses and depreciation to revenue improved to 23% compared to 24% for 2006. Commissions and related sales expenses to net premium income remained at 18%.

During June, LOJ officially opened the Winchester Business Centre, a 96,000 square feet complex of light commercial and office space. All of the available 68 units were either sold or the sale process had commenced by the year end. The new "The Protector Series" Individual Life range of policies was launched and a new branch office "Garvey Insurance Centre" was opened on Marcus Garvey Drive, during September. These twinned strategies position LOJ to offer valuable services to a wider cross-section of the market. In October, the LOJ Group increased its interest in Sagicor General Insurance (Cayman) Ltd from 51% to 75.2%

The number of ordinary shares in issue grew from 3,730,244,258 at December 2006 to 3,748,110,163 at the end of December 2007, as a result of 17,865,905 shares being issued to staff as part of the staff share purchase plan and some share options being exercised. During 2007, LOJ made dividend payments to stockholders amounting to 30 cents (2006 – 27 cents) per share or \$1,124 Million.

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 2007 financial year. The MCCSR measures the ratio of available capital to required capital. The policy within the Sagicor Group provides for at least MCCR of 150%, which is the internationally accepted standard for financially strong companies. At December 2007 LOJ's ratio was 187.0% (2006 – 185.8%).

In 2006, LOJ received its first financial strength rating (FSR) of "A" (excellent) and an insurers credit rating (ICR) of "a" from the A.M. Best rating agency. These ratings were reaffirmed in early 2008. LOJ's parent company, Sagicor Life Inc., has enjoyed similar ratings for seven consecutive years. A.M. Best is the leading rating agency for insurance companies worldwide. LOJ is also very proud to have recently received a rating of jmAAA on the Jamaica national scale, from Caribbean Information and Credit Rating Services Limited (CariCRIS).

2007 was a successful year for LOJ and its subsidiaries. We sincerely thank the management, administrative staff, the sales force and the broker community for their commitment and support. Most importantly we thank our clients for placing their confidence in LOJ.

On behalf of the Board of Directors:



Dodridge D. Miller
Chairman



Richard O. Byles
President & CEO

February 28, 2008

Life of Jamaica Limited
 Consolidated Balance Sheet
 as at 31 December 2007



(Expressed in thousands of Jamaican dollars)

	December 2007	December 2006
Assets:		
Financial Assets at fair value through income	1,503,840	1,513,339
Available-for-sale securities	54,293,848	48,176,776
Loans and receivables	9,697,918	8,226,426
Securities purchased under resale agreements	1,103,790	1,327,702
Short term deposits	681,721	694,834
Investment properties	264,084	441,023
Investment in associated companies	2,725	2,725
	67,547,926	60,382,825
Cash resources	2,006,509	1,993,534
Property, plant and equipment	1,230,028	849,585
Intangible assets	4,984,967	5,363,681
Deferred income taxes	46,422	21,217
Taxation recoverable	565,824	651,695
Reinsurance assets	1,341,326	1,188,925
Miscellaneous assets and receivables	3,085,032	2,977,478
Segregated funds' assets	6,261,696	5,629,274
	19,521,804	18,675,389
Total Assets	87,069,730	79,058,214
Liabilities:		
Insurance and annuity liabilities	6,291,051	5,270,647
Investment contracts liabilities	5,809,335	4,657,895
Other policy liabilities	2,530,477	2,484,231
	14,630,863	12,412,773
Securities sold under repurchase agreements	34,020,502	31,747,734
Customer Deposits	5,402,101	4,472,809
Due to Banks and other Financial Institutions	3,726,085	2,669,099
Provisions	81,181	82,500
Taxation payable	107,400	334,470
Deferred income taxes	216,139	357,989
Accounts payable and accrued liabilities	2,719,785	2,353,398
Segregated funds' liabilities	6,261,696	5,629,274
	52,534,889	47,647,273
Total liabilities	67,165,752	60,060,047
Equity:		
Capital and reserves attributable to the Company's stockholders:		
Share Capital	7,782,340	7,654,212
Investment and other reserves	725,034	1,580,096
Retained earnings	6,999,651	5,177,479
	15,507,025	14,411,787
Minority interest in subsidiaries	4,396,953	4,586,380
	19,903,978	18,998,167
Total Liabilities and Equity	87,069,730	79,058,214

On behalf of the board:

Dodridge D. Miller
 Chairman

February 28, 2008

Richard Byles
 President and CEO

Life of Jamaica Limited
Consolidated Statement of Operations
for the year ended 31 December, 2007
(Expressed in thousands of Jamaican dollars)



	December 2007	December 2006
Revenues:		
Gross premium revenue	13,757,897	11,877,893
Reinsurance premiums ceded	(2,669,850)	(2,009,545)
Net premium revenue	11,088,047	9,868,348
Net investment income	4,134,395	3,594,220
Fees, commissions and other revenues	1,741,499	1,306,016
Total revenue	16,963,941	14,768,584
Benefits and expenses:		
Insurance benefits incurred	5,460,589	5,354,589
Insurance benefits reinsured	(183,009)	(402,940)
Net Insurance benefits incurred	5,277,580	4,951,649
Changes in insurance and annuity liabilities	982,394	272,390
Administration expenses	3,696,478	3,383,424
Commissions and related expenses	2,031,833	1,818,297
Depreciation	131,374	128,438
Amortization of intangible assets	504,022	398,004
Finance cost	27,734	22,986
Total benefits and expenses	12,651,415	10,975,188
Profit before taxation	4,312,526	3,793,396
Taxation	(891,442)	(740,148)
Profit after taxation	3,421,084	3,053,248
Net profit attributable to:		
Stockholders of the company	2,956,775	2,572,216
Minority interest	464,309	481,032
Net profit for period	3,421,084	3,053,248
Earnings per share for profit attributable to stockholders:		
- Basic	\$0.79	\$0.69
- Fully diluted	\$0.79	\$0.69

Life of Jamaica Limited
Consolidated Statement of Changes in Stockholders' Equity
for the year ended 31 December 2007
(Expressed in thousands of Jamaican dollars)



	Share Capital	Investment & Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
Year ended 31 December 2006:							
Balance as at 1 January 2006	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)
Balance as at 31 December 2006	7,654,212	987,213	461,123	131,760	5,177,479	4,586,380	18,998,167
Year ended 31 December 2007:							
Balance as at 1 January 2007	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	-	173,267	-	-	-	-	173,267
Currency translation differences	-	2,987	73,546	-	-	31,303	107,836
Unrealised gains on available-for-sale securities	-	(750,574)	-	-	-	(52,443)	(803,017)
Gains recycled to revenue on disposal and maturity of available-for-sale securities	-	(376,501)	-	-	-	(160,286)	(536,787)
Net gains/(losses) not recognised in the statement of operations	-	(950,821)	73,546	-	-	(181,426)	(1,058,701)
Net profit	-	-	-	-	2,956,775	464,309	3,421,084
Total (expense)/income recognised for 2007	-	(950,821)	73,546	-	2,956,775	282,883	2,362,383
Transfer to retained earnings	-	(38,684)	-	-	38,684	-	-
Transfer to special investment reserve	-	-	-	39,468	(39,468)	-	-
Adjustment between regulatory loan provisioning and IFRS	-	-	-	10,237	(10,237)	-	-
Transfer to retained earning reserves	-	-	-	(91)	-	91	-
Employee share option scheme - value of services provided	-	-	-	23,746	-	4,627	28,373
Disposal of equity interest	-	-	-	-	-	(256,498)	(256,498)
Employee share options exercised	24,928	-	-	(12,463)	-	-	12,465
Issue of shares	103,200	-	-	-	-	49,423	152,623
Dividend paid to minorities	-	-	-	-	-	(269,953)	(269,953)
Dividends	-	-	-	-	(1,123,582)	-	(1,123,582)
Balance as at 31 December 2007	7,782,340	(2,292)	534,669	192,657	6,999,651	4,396,953	19,903,978

Life of Jamaica Limited
Consolidated Statement of Cash Flows
for the year ended 31 December 2007
(Expressed in thousands of Jamaican dollars)



	December 2007	December 2006
Cash Flows from operating activities:		
Net profit	3,421,084	3,053,248
Items not affecting cash	828,077	(1,787,405)
Changes in operating assets and liabilities	(6,110,044)	(3,856,101)
Interest received	7,044,207	6,506,786
Interest paid	(4,159,805)	(3,675,160)
Income taxes paid	(930,390)	(626,263)
Cash generated from/(used in) operating activities	93,129	(384,895)
Cash Flows from investing activities:		
Acquisitions, net of cash acquired	(277,094)	-
Property, plant and equipment, net	(150,697)	(142,929)
Intangible assets, net	(61,396)	(55,244)
Cash used in investing activities	(489,187)	(198,173)
Cash Flows from financing activities:		
Dividends paid to stockholders	(1,116,543)	(1,011,605)
Dividend paid to minority interest	(269,953)	(173,808)
Ordinary shares issued	128,128	106,533
Proceeds from loans, net	(348,434)	1,712,925
Cash (used in)/provided by financing activities	(1,606,802)	634,045
Effects of exchange rate changes	73,315	103,434
Cash and cash equivalents:		
Cash and cash equivalents, at beginning of year	4,188,997	4,034,586
(Decrease) / increase in net cash and cash equivalents	(1,929,545)	154,411
Net cash and cash equivalents, at end of year	2,259,452	4,188,997

Life of Jamaica Limited
Consolidated Segmental Financial Information
For the year ended 31 December 2007
(Expressed in thousands of Jamaica 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.

	Individual Life Services	Employee Benefits Services	General Ins. Services	Banking and Asset Management Services	Other Services	Eliminations	Dec-07 Group
Total Revenue	5,541,075	7,663,897	513,357	2,561,346	845,677	(161,411)	16,963,941
Amortization of intangibles	(4,142)	(95,698)	(17,387)	(369,262)	(17,533)	-	(504,022)
Benefits and expenses	(4,210,296)	(6,116,554)	(445,794)	(854,416)	(633,323)	140,724	(12,119,659)
Finance costs	-	(15,632)	(15,633)	-	(17,156)	20,687	(27,734)
Profit / (loss) before tax	1,326,637	1,436,013	34,543	1,337,668	177,665	-	4,312,526
Taxation	(216,501)	(133,485)	-	(461,742)	(79,714)	-	(891,442)
Profit / (loss) after taxation	1,110,136	1,302,528	34,543	875,926	97,951	-	3,421,084
Segment Assets -							
Intangible assets	1,184,168	1,393,492	404,184	1,930,260	72,863	-	4,984,967
Other assets	17,729,875	13,342,351	3,331,836	48,941,111	82,989	(1,442,090)	81,986,072
	18,914,043	14,735,843	3,736,020	50,871,371	155,852	(1,442,090)	86,971,039
Unallocated Assets -							
Investment in associates							2,725
Deferred tax assets							46,422
Retirement benefit assets							49,544
Total Assets							87,069,730
Segment Liabilities	13,396,502	9,785,828	2,245,184	42,142,173	102,508	(1,442,090)	66,230,105
Unallocated Liabilities -							
Deferred tax liabilities							216,139
Retirement benefit obligations							308,447
Business development loans							411,061
Total Liabilities							67,165,752

	Individual Life Services	Employee Benefits Services	General Ins. Services	Banking and Asset Management Services	Other Services	Eliminations	Dec-06 Group
Total Revenue	4,900,975	6,729,131	448,905	2,275,633	527,183	(113,243)	14,768,584
Amortization of intangibles	(3,836)	(104,831)	(26,408)	(247,759)	(15,170)	-	(398,004)
Benefits and expenses	(3,507,805)	(5,389,003)	(419,580)	(754,789)	(571,110)	88,089	(10,554,198)
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
Segment Assets -							
Intangible assets	1,168,383	1,464,836	381,632	2,248,289	100,541	-	5,363,681
Other assets	17,441,518	9,564,531	3,064,567	44,025,425	70,043	(509,447)	73,656,637
	18,609,901	11,029,367	3,446,199	46,273,714	170,584	(509,447)	79,020,318
Unallocated Assets -							
Investment in associates							2,725
Deferred tax assets							21,217
Retirement benefit assets							13,954
Total Assets							79,058,214
Segment Liabilities	12,624,030	6,896,058	2,091,694	37,272,040	98,163	(509,447)	58,472,538
Unallocated Liabilities -							
Deferred tax liabilities							357,989
Retirement benefit obligations							294,026
Business development loans							935,494
Total Liabilities							60,060,047

Life of Jamaica Limited
Consolidated Segmental Financial Information
For the year ended 31 December 2007
(Expressed in thousands of Jamaican dollars)



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

	Jamaica	Grand Cayman	Dec-07
Total Revenue	14,634,633	2,329,308	16,963,941
Total Assets	78,287,820	8,781,910	87,069,730

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

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 cash flow statement, cash and cash equivalents comprise cash balances, short term deposits, other liquid balances with maturities of three months or less from the acquisition date, bank overdrafts which are repayable on demand, other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash and cash equivalents exclude balances 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 31 December 2007 the total pension funds under management were \$50.705 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.