

Life of Jamaica Limited

Interim report to shareholders

for the six months ended 30th June 2004.

On behalf of The Board of Directors of Life of Jamaica Limited (LOJ), we are pleased to present the consolidated financial results of the LOJ Group for the quarter and six months period ended 30 June 2004.

Jamaica's economic fundamentals showed improvement during the first half of 2004. Interest rates declined significantly with short-term rates settling in the vicinity of 15%; while the main index of the local Stock Exchange grew by as much as 60% up to April and retreated somewhat during May to finish June with a year-to-date growth of 40%. The rate of inflation remained low and appears to be headed towards a single digit outcome for the full year. The Jamaican dollar was relatively stable, showing a depreciation of less than 1% against the US dollar.

The LOJ Group performed well during the period and earnings were in line with expectations.

Total revenues for the half year were \$3.5 billion, a 40% growth relative to the corresponding period in 2003. Pre-tax earnings to June, were \$781.6 million and after-tax earnings \$634.2 million. These profits compare to \$561.6 million and \$518.6 million respectively in 2003. The diluted earnings per share were \$0.23 as against \$0.21 for the same period in 2003, an improvement of 10%.

In 2003, LOJ benefited from the acquisition of Island Life Insurance Company Limited at the beginning of April and substantial foreign exchange gains. In 2004, the results are heavily influenced by very strong new business and capital gains realized from trading part of our local equities portfolio.

LOJ's Individual Life settled new business annualized premium income (API) for the half year was \$378.7 million, exceeding target by 24%. The settled new business (API) for the corresponding period in 2003 was \$205.63 million. LOJ wrote about 33% of the industry-wide new business (API) and about 44% of the policies sold. This performance manifests the motivation of the sales team and the excitement created by the launch of the new Triple Protector policy in January. The Cayman Islands subsidiary, Sagicor Life of the Cayman Islands Ltd. (Sagicor Cayman), also recorded very good sales during the period.

Impressive new business was also seen in the Employee Benefits area, where new API, including single premium annuities, was \$395.1 million. This performance was more than twice the business written for the same period last year and 75.6% better than the target for 2004.

Excellent yields were generated for our customers by the segregated policy funds, the Diversified Investment Fund and the pension funds being managed under trust through the subsidiary, LOJ Pooled Investment Funds Limited (LOJ PIF). These yields ranged from 19.80% in the PIF Money Market Fund to 128.20% in the PIF Equity Fund.

Our asset base, including the Segregated Funds which are managed on behalf of policyholders, grew by 14.6%, from \$16.4 billion at the end of 2003 to \$18.8 billion by the end of June 2004. Total assets under management, including the LOJ Pooled Investment Funds and the Diversified Investment Funds at the end of June 2004 were \$42.5 billion, up from \$36.4 billion at December 2003.

Stockholders' equity increased to \$4.9 billion, up from \$3.8 billion at the end of 2003. We enjoyed an annualized return on equity (ROE) of 29.1% and an annualized return on average total assets (ROA) of 9.8%. The annualized return on invested assets (ROI) stood at 15.5%.

With 2,543,690,130 shares in issue and a share price of \$6.85, market capitalization at the end of June was \$17.4 billion.

During the half year, we supported the communities in which we operate by making donations to a variety of worthy causes in the areas of arts, culture, education, entertainment, health and sports.

We anticipate a continued favorable economic environment with strong investor confidence as we go into the second half of the year. Internally, we will maintain efforts to raise the efficiency of our operations while controlling unit costs. During our customer appreciation week, July 5th to 9th, we launched a new universal Life product, "Ultra Life". This attractive product provides whole of life insurance coverage along with a flexible savings facility. We expect this new policy to further boost the generation of new business over the next few months.

On July 29th 2004, LOJ and First Life Insurance Company Limited signed and exchanged Definitive Agreements with respect to the transfer of First Life's Life Insurance business, Pensions business and interest in Pan Caribbean Financial Services (PCFS) to LOJ for a 25% equity interest in LOJ. These transactions are subject to regulatory approval. When completed, LOJ's market share in Jamaica will be further expanded and we will have a substantial holding in the PCFS Group.

We therefore have a positive outlook for the remainder of the year.

On behalf of the Board of Directors, we offer appreciation to the management, staff, sales representatives and our valued clients and shareholders.

J. Arthur Bethell
Chairman

Richard O. Byles
President & CEO

4 August 2004

Consolidated Balance Sheet

as at 30 June, 2004

(Expressed in thousands of Jamaican dollars)

	June -04 Un-audited \$	June -03 Un-audited \$	December-03 Audited \$
Assets:			
Investments			
Available-for-sale	4,327,947	3,930,307	3,872,476
Originated loans	6,005,836	4,509,181	5,035,997
Investment properties	423,264	508,261	360,234
	<u>10,757,047</u>	<u>8,947,749</u>	<u>9,268,707</u>
Investment in associated companies	4,099	4,105	4,099
Cash resources	144,861	129,924	96,536
Properly, plant and equipment	475,072	226,753	457,792
Goodwill	1,084,311	607,249	788,890
Other assets	1,512,300	989,944	1,367,198
Segregated funds' assets	4,850,218	4,029,107	4,380,130
	<u>8,066,762</u>	<u>5,982,977</u>	<u>7,090,546</u>
Total Assets	18,827,908	14,934,831	16,363,352
	=====	=====	=====
Stockholders' Equity and Liabilities:			
Policyholders' Funds			
Insurance and annuity liabilities	3,923,275	3,394,463	3,425,916
Deposit administration funds	1,465,739	1,354,998	1,441,379
Policy funds on deposit	1,420,032	1,172,032	1,286,995
Policy benefits payable	709,437	680,704	622,369
	<u>7,518,483</u>	<u>6,602,197</u>	<u>6,776,659</u>

Other liabilities	1,584,194	868,173	1,366,416
Segregated funds' liabilities	4,850,218	4,029,107	4,380,130
Stockholders' Equity			
Share capital	254,369	249,728	252,089
Share premium	2,749,812	2,641,544	2,685,402
Capital reserves	2,675	2,675	2,675
Investment and fair value reserves	234,992	(284,189)	(86,144)
Currency translation reserves	306,917	314,560	294,030
Special investment reserves	64,496	60,446	64,496
Retained earnings/(Accumulated deficit)	<u>1,261,752</u>	<u>450,590</u>	<u>627,600</u>
	<u>4,875,013</u>	<u>3,435,354</u>	<u>3,840,148</u>
Total Liabilities and Equity	18,827,908	14,934,831	16,363,352
	=====	=====	=====

On behalf of the Board

J. Arthur Bethell
Chairman
4 August 2004

Richard O. Byles
President & CEO

Consolidated Statement of Operations

for the period January to June 2004

(Expressed in thousands of Jamaican dollars)

	June -04 Current quarter Un-audited \$	June -04 Year-to-date Un-audited \$	June -03 Current quarter Un-audited \$	June -03 Year-to-date Un-audited \$
Revenues:				
Net premium income	1,318,078	2,592,210	956,786	1,731,237
Net investment income	384,371	621,749	339,478	568,062
Co-insurance distributions	21,251	(26,013)	(20,030)	(38,310)
Fees and other revenues	166,434	304,865	153,929	221,241
Total revenues	<u>1,890,134</u>	<u>3,492,811</u>	<u>1,430,163</u>	<u>2,482,230</u>
Benefits and expenses:				
Policyholders' benefits	601,059	1,164,787	475,901	849,854
Changes in insurance and annuity liabilities	95,720	170,288	120,158	155,222
Commissions and expenses	722,451	1,337,474	538,173	883,435
Restructuring costs	0	0	4,129	21,874
Goodwill	24,869	38,709	10,292	10,292
Total benefits and expenses	<u>1,444,099</u>	<u>2,711,258</u>	<u>1,148,653</u>	<u>1,920,677</u>
Profit before taxation	446,035	781,553	281,510	561,553
Taxation	(122,828)	(147,401)	(19,174)	(42,919)
Net profit attributable to stockholders	<u>326,207</u>	<u>634,152</u>	<u>262,336</u>	<u>518,634</u>
Earnings per stock unit				
Basic		\$0.25		\$0.27
Fully diluted		\$0.23		\$0.21

Consolidated Statement of Changes in Stockholders' Equity
for the period January to June 2004

(Expressed in thousands of Jamaican dollars)

	Share capital	Share premium	Capital reserves	Investment & fair value reserves	Currency translation reserve	Special Investment reserves	(Accumulated deficit)/ retained earnings	Total
Year ended 31 December 2003:								
Balance as at 31 December 2002	1,222,308	128,985	2,675	(67,251)	186,116	16,724	(129,968)	1,359,589
Currency translation differences	0	0	0	0	107,914	0	0	107,914
Unrealised losses on available-for-sale Securities	0	0	0	(39,727)	0	0	0	(39,727)
Gains recycled to revenue on disposal and maturity of available-for-sale securities	0	0	0	8,834	0	0	0	8,834
Unrealised gains on revaluation of owner- occupied properties	0	0	0	12,000	0	0	0	12,000
Net profit	0	0	0	0	0	0	1,208,683	1,208,683
Dividends	0	0	0	0	0	0	(403,343)	(403,343)
Transfer to special investment reserve	0	0	0	0	0	47,772	(47,772)	0
Conversion of zero coupon non-cumulative preference shares	(1,056,684)	0	0	0	0	0	0	(1,056,684)
Issue of shares	86,465	2,556,417	0	0	0	0	0	2,642,882
Balance as at 31 December, 2003	252,089	2,685,402	2,675	(86,144)	294,030	64,496	627,600	3,840,148
Period January to June 2004:								
Balance as at 31 December 2003	252,089	2,685,402	2,675	(86,144)	294,030	64,496	627,600	3,840,148

Currency translation differences	0	0	0	0	12,887	0	0	12,887
Unrealised losses on available-for-sale securities	0	0	0	321,136	0	0	0	321,136
Gains recycled to revenue on disposal and maturity of available-for-sale securities	0	0	0	0	0	0	0	0
Unrealised gains on revaluation of owner-occupied properties	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	0	0	634,152	634,152
Dividends	0	0	0	0	0	0	0	0
Transfer to special investment reserve	0	0	0	0	0	0	0	0
Issue of shares	2,280	64,410	0	0	0	0	0	66,690
Balance as at 30 June 2004	254,369	2,749,812	2,675	234,992	306,917	64,496	1,261,752	4,875,013

Consolidated Statement of Cash Flows
for the period January to June 2004

(Expressed in thousands of Jamaican dollars)

	June -04 Year-to-date Un-audited \$	June -03 Year-to-date Un-audited \$	December -03 Year-to-date Audited \$
Cash flows from operating activities:			
Net profit	634,152	518,634	1,208,683
Items not affecting cash	210,325	435,643	2,098,755
Changes in other assets and liabilities excluding cash:			
Other assets, net	(145,100)	(30,404)	(466,449)
Other liabilities, net	<u>(147,837)</u>	<u>203,249</u>	<u>566,547</u>

Cash generated from operations	<u>551,540</u>	<u>1,127,122</u>	<u>3,407,536</u>
Cash from investing activities:			
Proceeds from sale of property, plant and equipment	220	3,116	5,258
Purchase of property, plant and equipment	(58,805)	(56,388)	(203,863)
Net purchase of investments	(456,620)	(1,152,074)	(3,058,304)
Insurance portfolios aquired - net of cash	<u>0</u>	<u>1,523</u>	<u>1,523</u>
Cash used in investing activities	<u>(515,205)</u>	<u>(1,203,823)</u>	<u>(3,255,386)</u>
Cash flows from financing activities:			
Dividends	(151,253)	0	(403,343)
Associated companies	0	0	6
Ordinary shares issued	<u>0</u>	<u>0</u>	<u>46,219</u>
Cash used in financing activities	<u>(151,253)</u>	<u>0</u>	<u>(357,118)</u>
(Decrease)/increase in net cash and cash equivalents	<u>(114,918)</u>	<u>(76,701)</u>	<u>(204,968)</u>
Cash and cash equivalents:			
Cash and cash equivalents, at beginning of year	177,153	206,625	324,421
Currency translation adjustments	532	0	57,700
Decrease/(increase) in net cash and cash equivalents	<u>(114,918)</u>	<u>(76,701)</u>	<u>(204,968)</u>
Net cash and cash equivalents, at end of year	<u>62,767</u>	<u>129,924</u>	<u>177,153</u>

Consolidated Segmental Financial Information

for the period January to June 2004

(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 organised into three primary business segments, these are:

- a) Individual Life Services - Includes the provision of life insurance services to individuals.
- b) Group Services - Includes group insurance; creditor life; personal accident; group annuities; pension funds investment and administration services and the administration of trust accounts.
- c) Other operations - Includes property management and general insurance.

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

	Individual Life Services	Group Services	Other Operations	Eliminations	June -04 Group
External revenues	1,982,785	1,445,238	64,788	0	3,492,811
Inter-segment revenues	10,320	0	0	(10,320)	0
Total revenues	1,993,105	1,445,238	64,788	(10,320)	3,492,811
Net Profit	438,590	230,952	3,319	0	672,861
Goodwill amortization					(38,709)
					<u>634,152</u>
Assets	11,253,599	4,081,209	103,674	(2,549,202)	12,889,280
Segregated funds'assets	4,850,218				4,850,218
Investment in associates					4,099
Goodwill					1,084,311
					<u>18,827,908</u>
					=====

Liabilities	4,707,494	4,043,445	105,393	(58,787)	8,797,545
Segregated funds' liabilities	4,850,218				4,850,218
Retirement benefit obligations					<u>305,132</u>
					<u>13,952,895</u>
					=====

	Individual Life Services	Group Services	Other Operations	Eliminations	Dec-03 Group
External revenues	3,080,044	2,450,372	73,079	0	5,603,495
Inter-segment revenues	85,306	0	0	(85,306)	0
Total revenues	<u>3,165,350</u>	<u>2,450,372</u>	<u>73,079</u>	<u>(85,306)</u>	<u>5,603,495</u>
Net Profit	862,654	383,641	3,908	0	1,250,203
Goodwill amortization					<u>(41,520)</u>
					<u>1,208,683</u>
					=====
Assets	8,176,565	3,839,110	177,330	(1,002,772)	11,190,233
Segregated funds' assets	4,380,130				4,380,130
Investment in associates					4,099
Goodwill					<u>788,890</u>
					<u>16,363,352</u>
					=====
Liabilities	4,183,554	3,606,892	118,207	(70,718)	7,837,935
Segregated funds' liabilities	4,380,130				4,380,130
Retirement benefit obligations					305,140
					<u>12,523,205</u>
					=====

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

	Jamaica	Grand Cayman	June-04 Group
Total Revenues	3,212,786	280,025	3,492,811
Assets	15,424,726	3,403,182	18,827,908

	Jamaica	Grand Cayman	Dec-03 Group
Total Revenues	5,257,612	345,883	5,603,496
Assets	13,999,807	2,363,546	16,363,353

Explanatory Notes

1. Accounting Policies

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment property and certain fixed assets.

The computation of insurance and annuity reserves conform with standards established under the Insurance Regulation 2001, as no specific guidance is provided by IFRS in this area.

(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. Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Investments in associates are accounted for by the equity method of accounting. 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 recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the company's interest in the associate; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Investments

Investments are classified as available-for-sale or originated loans, as determined by management at the time of purchase.

Available-for-sale securities are initially recognized at cost and are subsequently re-measured at their fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are deferred to Investments and Fair Value Reserves.

When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in reserves are transferred to the statement of operations.

Originated debt securities are initially recognised at cost and subsequently measured at amortized cost using the effective interest rate method.

Investment properties are carried at fair value. Changes in fair value are recorded in the statement of operations.

Securities purchased under agreements to resell (repurchase agreements) are treated as collateralized financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(d) Cash and Cash equivalents

Cash and Cash equivalents are carried in the balance sheet at cost. For the purposes of the Cash Flow Statement, Cash and Cash equivalents comprise cash in hand, Deposits held with banks with a maturity date of three months or less from the date of acquisition and bank overdraft balances.

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 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) and the Diversified Investment Funds (DIF). 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 Statement. At 31 June 2004 the total funds under management were \$23.7 billion (December 2003: \$20.0 billion). Administration and investment fees earned by the Group are included in "Fees 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 shareholders 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 for the first half of 2004 and 2003 related to convertible preference shares, un-issued shares for the Employee Share Ownership Plan and un-issued shares for the Executive Stock Option Plan.

5. Goodwill

This represents the excess of the cost of acquisition over the fair value of the net assets acquired for Island Life Insurance Company Limited and Capital Life Insurance Company Limited portfolios. Goodwill is amortized over a period of fifteen (15) years, which is estimated to be the economic useful life.
