

Life of Jamaica Limited 2001

Interim report to shareholders

for the Second Quarter ended 30 th June 2001

The Directors of Life of Jamaica Limited are pleased to present the unaudited consolidated results for the first half of the year to June 30, 2001. For the first half of the year, the company recorded profits before exceptional item of \$176.7 million as compared with losses of \$23.0 million for the same period last year.

The net profit of \$86.4m compares with losses of \$23m for the same period last year. The results for the first half of 2001 reflect an exceptional item of \$90.3 million, which represents assumption of certain expenditures arising under contract with clients.

The performance of the company for the first half of the year reflects consolidated profits from operations of \$211.1 million, \$278.3 million higher than the losses from operations of \$67.3 million for the same period last year. The profit from operations for the period reflects net premiums of \$2.4 billion, some 11% higher than the previous year. The performance of the company also reflects investment income of \$954 million, \$202.3 million or 27% higher than the previous year largely as a result of the recapitalization exercise.

LOCAL OPERATIONS

Individual Line Insurance Division

Profits for the Individual Line are significantly higher than for the same period in 2000 as a result of higher levels of investment income, efficient management of administrative expenses and favourable claims experience.

Employee Benefits Division

Profits for this line for the first half of the year were ahead of expectations. The performance was characterised by growth in group insurance premiums and in fee based income related to our pension business. The Group business showed strong performance in respect of new sales and retention levels.

INTERNATIONAL OPERATIONS

Our overseas subsidiary Global Life continues to post strong results with profits attributable to LOJ for the first half of the year of US\$765,788, 28% above the same period last year of \$595,423.

CONCLUSION

There has been significant improvement in the company's operations following the injection of additional capital earlier this year. All lines of business are functioning profitably and employees are in an upbeat mood. Of major importance is the return of customer confidence which has impacted on retention of business and cash flows.

C. Dennis Morrison, QC
Chairman

Milverton Reynolds
President & CEO

UNAUDITED CONSOLIDATED FINANCIAL RESULTS

6 Months Ended June 30, 2001

| | JUNE 2001 \$'000 | JUNE 2000 \$'000 |
|---|------------------------|------------------------|
| Gross Income | 3,379,204 | 2,940,697 |
| Profits/(Losses) for the period | 86,436 | (23,042) |
| Profits/(Losses) Attributable to Sharehol | 86,436 | (23,042) |
| Earnings Per Share | 0.052 | (0.043) |
| Shareholders' Funds | 382,750 | 184,770 |
| Policyholders' Funds | 12,240,694 | 11,851,822 |
| Total Group Assets | 14,722,568 | 15,292,700 |
| Managed Pension Funds Not Included Above | 12,108,437 | 11,549,153 |

BALANCE SHEET AS AT JUNE 30, 2001 (UNAUDITED)

| | THOUSANDS OF DOLLARS | |
|---|----------------------|-------------------|
| | UNAUDITED | AUDITED |
| | JUN. 2001 | DECEMBER 2000 |
| SHAREHOLDERS' FUNDS | | |
| Share Capital | 1,222,309 | 1,110,765 |
| Share Premium | 128,985 | 128,985 |
| Capital Redemption Reserve Fund | 2,675 | 2,675 |
| Profit & Loss Account | (971,219) | (1,057,655) |
| | <u>382,750</u> | <u>184,770</u> |
| POLICYHOLDERS' FUNDS | | |
| Life Assurance Fund | 11,008,240 | 10,631,416 |
| Policy Dividends On Deposit | 876,168 | 860,112 |
| Superannuation Funds | 356,285 | 360,294 |
| | <u>12,240,694</u> | <u>11,851,822</u> |
| INVESTMENT RESERVES | 83,499 | 85,022 |
| MINORITY INTEREST | 407,692 | 405,041 |
| OTHER LIABILITIES | 1,607,933 | 2,766,045 |
| | <u>14,722,568</u> | <u>15,292,700</u> |
| Represented By: | | |
| INVESTMENTS | | |
| Leased Assets | 506 | |
| Real Estate | 720,900 | 734,042 |
| Hotel Investment | 297,888 | 285,461 |
| Quoted Securities | 1,092,581 | 1,025,255 |
| Govt of Jamaica & other Fixed Interest Securities | 6,148,213 | 6,803,830 |
| Unit Trust | 154,039 | 129,400 |
| Term Loans & Deposits | 1,677,731 | 1,470,364 |
| Mortgage Loans | 1,367,947 | 1,491,698 |
| Policy Loans | 1,586,003 | 1,613,592 |
| | <u>13,045,808</u> | <u>13,553,642</u> |

| | | |
|----------------------|-------------------|-------------------|
| ASSOCIATED COMPANIES | 3,347 | 2,156 |
| FIXED ASSETS | 168,127 | 257,734 |
| OTHER ASSETS | <u>1,505,286</u> | <u>1,479,168</u> |
| | <u>14,722,568</u> | <u>15,292,700</u> |

CONSOLIDATED LIFE ASSURANCE FUND

6 Months ended June 30, 2001

(UNAUDITED)

NOTE 1

| | THOUSANDS OF DOLLARS | |
|------------------------------|----------------------|------------|
| | 2001 | 2000 |
| | JUNE | JUNE |
| Balance at Beginning of Year | 10,631,416 | 9,771,404 |
| Foreign Exchange Adjustment | 18,744 | 33,270 |
| Increase in Provision | 358,080 | 248,780 |
| Net Adjustment | 376,824 | 282,050 |
| Balance at June | 11,008,240 | 10,053,454 |

NOTE 2

PROFIT & LOSS ACCOUNT

6 Months ended June 30, 2001

(UNAUDITED)

| | THOUSANDS OF DOLLARS | |
|---------------------------------|----------------------|-------------|
| | 2001 | 2000 |
| | JUNE | JUNE |
| Balance at Beginning of Year | (1,057,655) | (3,200,397) |
| Net Profit(Loss) for the period | 86,436 | 1,916,775 |
| Balance at June 30 | (971,219) | (1,283,622) |

CONSOLIDATED STATEMENT OF OPERATIONS

6 Months ended June 30, 2001

(UNAUDITED)

| | THOUSANDS OF DOLLARS | |
|--|----------------------|------------------|
| | 2001 | 2000 |
| | JUNE | JUNE |
| INCOME | | |
| Net Premiums | 2,425,200 | 2,189,024 |
| Investment & Other Income | 954,004 | 751,673 |
| Share of Earnings of Assoc. Co., (net) | 0 | 0 |
| Losses of non-life Subsidiaries | 0 | 0 |
| | <u>3,379,204</u> | <u>2,940,697</u> |
| BENEFITS & EXPENSES | | |
| Policy Benefits | 1,676,768 | 1,694,900 |
| Interest | 96,337 | 104,553 |
| Increase/(Decrease) in Provision for Future Policy Benefits | 358,080 | 248,780 |
| Administrative Expenses | 698,637 | 645,659 |
| Commission & Sales Expenses | 336,951 | 312,112 |
| Stamp Duty on Policy contracts | 1,343 | 1,954 |
| | <u>3,168,117</u> | <u>3,007,958</u> |
| | 211,087 | (67,261) |
| Investment Reserve Transfers | 28,865 | 8,654 |
| Taxation | (74,094) | (61,011) |
| (Depreciation)/Appreciation on Unit Linked Policy Funds | <u>37,562</u> | <u>114,897</u> |
| | 203,419 | (4,720) |
| Minority Interest | (26,713) | (18,322) |

| | | |
|--|---------------|------------------|
| Profit/(Loss) Attributable to Group | 176,706 | (23,042) |
| Exceptional Item | (90,720) | |
| Profit /(Loss) for the period | <u>86,436</u> | <u>(23,042)</u> |
| Contribution to Surplus | | 1,939,817 |
| Preference Dividends | 0 | 0 |
| Transfer to Capital Redemption Reserve | 0 | 0 |
| Transfer to Statutory Banking Reserve | 0 | 0 |
| Total recognised Gains/(Losses) for the period | <u>86,436</u> | <u>1,916,775</u> |
| Earnings per share | <u>0.052</u> | <u>(0.043)</u> |
