DYOLL GROUP LIMITED

Notes to the Financial Statements

December 31,1995

1. The Company

The company is incorporated under the laws of Jamaica and its stock units are quoted on the Jamaica Stock Exchange.

These financial statements or presented in Jamaican dollars.

The principal activity of the company is providing management services to its subsidiaries and associated companies (see note 28).

2. Significant accounting policies

(a) Accounting convention:

The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets and investments in real estate at valuation.

(b) Basis of consolidation:

The consolidated financial statements include the financial statements of all subsidiaries made up to December 31,1995 with the exception of Buck Securities Partners Limited,the control of which is intended to be temporary. The equity method is used to account for the Group's share of its results.

All significant inter-company transactions are eliminated.

The company and its subsidiaries are collectively referred to as the "Group".

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

The equity method of accounting for the Group's investments in the associated companies has been adopted. Under this method, the Group's share of results of associated companies based on the latest audited financial statements available is included in the consolidated profit and loss accounts and the tax attributable to its share of profits is included in the group's taxation. In the consolidated balance sheet, investments are shown at the lower of cost and written down value plus the Group's share of associated companies reserves arising since acquisition.

(c) Depreciation

(i) Fixed assets, with the exception of freehold land on which no depreciation is provided, are depreciated on the straight line basis at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Freehold buildings	2 1/2%
Leasehold improvements	10%
Computers and accessories	10%,20%
Furniture, fixtures and equipment	10%,20%
Motor vehicles	20%

(ii) Leased equipment and motor vehicles are depreciated over the lease period to write off the cost, less anticipated proceeds on disposals.

(iii) No depreciation is charged on real estate held as investments.

(d) General insurance:

(i) Underwriting results:

The underwriting results of the general insurance subsidiary are determined after making provision for, inter alia, unearned preminums, outstanding claims, claims equalization and unexpired risks.

Unearned premium represents that portion of the premiums written in the period up to the accounting date which is attributable to subsequent periods and are calculated on the twenty-fourths basis on the total premiums written for motor, fire, accident and miscellaneous insurance, after taking account of reinsurance. The twenty-fourth basis is not used for the marine cargo business, the calculation of which is 50% of net premiums written for the last three months.

Outstanding claims represent claims arising from incidents prior to the accounting date but not settled at that date. Provision is made for such outstanding claims on the following bases:

- The estimated cost, net of reinsurance, of claims notified before the date on which the records for the year are closed based on the information available at that time.

- An estimate (based on prior experience), net of reinsurance, in respect of the portable cost of incurred but not reported claims; i.e. claims arising from incidents prior to the accounting date but not notified by the date on which the records for the year are closed.

Claims equalization represents the amount set aside to reduce exceptional fluctuations in the amount charged to revenue in subsequent financial years in respect of claims under insurance contracts. The charge to revenue is calculated on the basis of approximately 1% of the year's net premium income.

Unexpired risk represents the amount reserved, in addition to unearned premium, in respect of risks to be borne by the company under contracts of insurance entered into before the end of the financial year and is calculated on the basis of approximately 5% of the year's net premium written.

(ii) P.P.V. Pool

The general insurance subsidiary participates in the motor insurance pool for public hire vehicles administered by the Jamaica Claims Bureau, based on a flat rate of 5% plus an additional percentage computed on a market share basis in each year. Results are reported one year in arrears. The pool is being wound up.

(e) Life assurance fund:

The life assurance fund is determined after making provision for, inter alia, future benefit reserves, outstanding claims and claims equalization reserve, viz:

(i) The present value of future benefit reserves are determined by the company's actuaries in accordance with generally accepted standards of valuation.

(ii) Claims equalization represents the amount set aside to be used to prevent exceptional fluctuations in the amounts charged to revenue in subsequent financial years in respect of claims under insurance contracts and is calculated on the basis of approximately 25% of hospitalization, sickness and accident claims for the year.

(iii) Claims outstanding represent the estimated cost of claims notified before the date on which the records for the year are closed, based on the information available at the time.

(f) Investments:

Real estate is stated at open market value, determined annually by external chartered appraisers/valuators. Unrealised appreciation on real estate is carried to the investment reserve of the life assurance subsidiary and to the capital reserve of the general insurance subsidiary which is included in the group's capital reserves. Transfers are made from the investment reserve to the life assurance fund of the life assurance subsidiary at the discretion of the directors, having regard to the advice of the actuaries.

Mortgage loans are stated at cost, less provision for losses as appropriate. All other investments are stated at cost.

(g) Deferred policy acquisition costs:

The cost of acquiring long duration new business (principally commissions and portfolio acquisition costs) and certain agency and marketing expenses, all of which vary with and are primarily related to the production of new business, have been deferred. These costs, adjusted for current assumptions as to persistency, are amortized over a period of five to seven years, commencing with the year following that in which they are incurred.

(h) Coffee plantations:

The costs of development are capitalised as deferred expenses up to maturity; thereafter they are expensed. Capitalised costs of mature coffee plantations are amortized over a period of thirty-three years.

(i) Deferred expenses:

Expenses relating to the installation of computer systems, promotional expenses, new product promotions and staff training are being written off over three to five years commencing with the year following that in which the expenses are incurred. In addition, these costs are reviewed annually to determine that the unamortized portion of such costs does not exceed amounts recoverable from related future income.

Expenses relating to the public issue of shares were written off over the three years ended September 1995.

(j) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date.

Transactions in foreign currency are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account.

3. Short-term deposits

These include certificates evidencing cash on deposit of $3,970,000 (1994: $3,350,000) equivalent to US$100,000 held by a subsidiary's commercial bank as required by the Superintendent of Insurance.

4. Accounts receivable and prepaid expenses

	Company		Group	
	1995	1994	1995	1994
Premiums due from policy holders, agents and brokers	-	-	119,305,966	99,181,792
Other accounts receivable and prepaid expenses	11,977,528	2,773,091	78,060,217	41,506,152
	$11,977,528	2,773,091	197,366,183	140,687,944

5. Bank overdraft

Bank overdraft is secured by Government of Jamaica securities (see note 6) of a face value of $1,600,000 (1994: $1,600,000) and the company's guarantee to cover up to $300,000 (1994: $300,000).

6. Investments

	Company		Group	
	1995	1994	1995	1994
Quoted investments	-	-	142,266,171	106,871,854
Unquoted investments	-	-	72,509,851	22,338,735
Other investments:				
Life insurance	-	-	105,994	104,112
Mortgage and other secured loans	5,668,980	5,516,980	108,813,285	65,992,676
Real estate (see note 2(f)	-	-	480,819,217	479,605,677
	$5,668,980	5,516,980	804,514,518	674,913,054
Market value of quoted investments	$ -	-	127,991,947	97,082,067

Quoted investments include Government of Jamaica securities with a face value of $1,600,000 (1994: $1,600,00) which are held as collateral for the group's overdraft facilities (see note 5). The carrying value of quoted investments is retained at cost as the decline in market value is considered temporary.

Real estate was valued by Messrs. D.C. Tavares & Finson Co. Limited, appraisers and valuators of Kingston, Jamaica as at December 31, 1994 on an open market basis. The surplus arising on revaluation as reduced by the directors' estimate of diminution in value has been transferred to capital reserves (see note 13). All other investments are stated at cost.

7. Investments in associated companies

	Company		Group	
	1995	1994	1995	1994
Shares, at cost	58,769,983	63,652,032	67,015,582	96,957,396
Post-acquisition reserves at beginning of year	-	-	3,460,302	8,218,099
	58,769,983	63,652,032	70,475,884	105,175,495
Share of profits less losses	-	-	1,852,184	(1,246,818)
Dividends received	-	-	(8,097,571)	(3,478,000)
Share of taxation of associated companies (see note 20)	-	-	-	(32,979)
Carrying value at end of year	58,769,983	63,652,032	64,230,497	100,417,698
Loan	-	1,000,000	-	1,000,000
	$58,769,983	**64,652,032**	**64,230,497**	**101,417,698**

The loan bears interest at varying rates. The rate charged in 1995 was Nil% (1994:Nil%). Repayment terms are still to be determined.

8. Fixed assets

Company :

	Freehold buildings and leasehold improvements	Furniture fixtures, equipment and vehicles	Computers and accessories	Totals
At cost or valuation				
December 31, 1994	15,630,583	6,043,057	9,397,090	31,070,730
Additions	-	70,340	15,589,315	15,659,655
Disposals	-	3,324	(2,920,849)	(2,924,173)
December 31,1995	15,630,583	6,110,073	22,065,556	43,806,212
At cost	4,780,583	6,110,073	22,065,556	32,956,212
At valuation	10,850,000	-	-	10,850,000
	15,630,583	6,110,073	22,065,556	43,806,212

Depreciation				
December 31, 1994	957,341	1,418,079	5,785,738	8,161,158
Charge for the year	437,740	875,610	1,835,660	3,149,010
Eliminated on disposals	-	(1,939)	(1,574,815)	1,576,754
December 31, 1995	1,395,081	2,291,750	6,046.583	9,733,414
Net book values:				
December 31, 1995	$14,235,502	3,818,323	16,018,973	34,072,798
December 31, 1994	**$14,673,242**	**4,624,978**	**3,611,352**	**22,909,572**

Group:

	Freehold land, buildings and leasehold improvements	Furniture, fixtures, equipment and vehicles	Computers and accessories	Leased equipment and motor vehicles	Totals
At cost or valuation					
December 31, 1994	85,482,062	38,625,539	18,535,217	2,376,425	145,019,243
Additions	85,367	10,246,460	23,428,007	-	34,525,834
Disposals	(828,191)	(2,158,782)	(2,933,250)	(1,378,248)	(7,298,471)
December 31, 1995	85,505,238	46,713,217	39,029,974	998,177	172,246,606
At cost	10,655,238	46,713,217	39,029,974	998,177	97,396,604
At valuation	74,850,000	-	-	-	74,850,000
	85,505,238	46,713,217	39,029,974	998,177	172,246,606
Depreciation:					
December 31, 1994	7,099,372	10,631,716	9,009,559	1,602,627	28,343,274
Charge for the year	2,386,155	7,022,466	3,957,987	529,391	13,895,999
Eliminated on					

disposals	(13,469)	(1,407,555)	(1,583,140)	(1,341,794)	(4,466,958)
December 31, 1995	(9,351,469)	(16,246,627	11,384,406	790,224	37.772.315
Net book values:					
December 31, 1995	$76,154,180	30,466,590	27,645,568	207,953	134,474,291
December 31, 1994	$78,382,690	27,993,823	9,525,658	773,798	116,675,969

Freehold land and buildings were revalued by D.C. Tavares and Finson Co. Ltd., real estate appraisers of Kingston, Jamaica at an open market valuation as at June 25, 1992 of $14,050,000 for the company and $78,050,000 for the group. Certain fixtures owned by the company and the group are included at independent 1989 and 1991 open market valuations respectively, with additions after valuation dates at cost. Surplus arising on revaluation, inclusive of depreciation no longer required, have been transferred to capital reserve (see note 13).

Freehold land and buildings include land at cost of $20,000 (1994: $320,000) for the group.

9. Long-term receivable

	Company		Group	
	1995	1994	1995	1994
National Housing Trust 2001/4	-	-	97,262	97,262
Secured loan 1996	-	33,350,000	-	33,350,000
	$ -	33,350,000	97,262	33,447,262

The secured loan 1996, represents a US$1,000,000 10% loan secured by the ordinary shares of a related company (see note 15).

10. Deferred policy acquisition costs

	Group	
	1995	1994
At beginning of year	19,458,436	15,569,235
Acquisition costs deferred:		
Commissions	13,222,081	6,668,597
Marketing expenses	2,512,194	1,267,034
	15,734,275	7,935,631
Amortization:		
Portfolio acquisition costs	709,351	709,351
Commissions	3,905,893	2,669,663
Marketing expenses	803,449	667,416
	5,418,693	4,046,430
At end of year	$29,774,018	19,458,436

11. Deferred expenses

	Company		Group	
	1995	1994	1995	1994
Coffee plantations	-	-	24,568,985	18,072,388
Other	965,893	686,832	4,342,924	1,932,235
	$965,893	**686,832**	**28,911,909**	**20,004,623**

12. Share capital

	1995	1994
Authorised:		
50,000,000 ordinary shares of 50cents each	$25,000,000	25,000,000
Issued and fully paid:		
44,777,460 (1994: 44,667,460) ordinary stock units of 50c each	22,388,730	22,333,730

During the year 110,000 (1994: 67,500) stock units were issued under the stock option plan (see note 27).

13. Reserves

	Company	Group
Capital:		
Share premium:		
December 31, 1995	50,883,086	50,883,086
Capital redemption reserve	-	1,600,000
Other:		
December 31, 1994	22,330,257	416,431,387
Surplus on revaluation of real estate (see note 8)	-	1,200,000
Transfer from/(to) profit and loss account:		
Gain on disposal of fixed assets and investments	9,272,132	11,826,473
Exceptional item - gain on exchange (see note 19)	-	28,398,370
Capital distribution received	11,655,000	14,742,110
Capital distribution paid, net	(3,305,392)	(15,905,392)
Life assurance fund	-	(120,000,000)
December 31, 1995	39,951,997	336,692,948
Total capital	90,835,083	389,176,034
Revenue:		
Accumulated surplus	4,368,339	128,680,900
	$95,203,422	**517,856,934**

Capital distributions of $16,719,414 (1994: $8,369,806) can be made by the company from distributions received, net of transfer tax paid from a subsidiary company without any further deductions of transfer tax, subject to the approval of the Stamp Commissioner.

14. Insurance funds

	Group 1995	Group 1994
Unearned premiums reserve	189,288,494	165,072,281
Actuarially determined future benefits reserve	198,436,067	103,344,000
Unexpired risk reserve	18,199,541	15,952,374
Claims equalization reserve	12,472,713	8,994,412
Insurance fund	50,871	-
	418,447,686	293,363,067
Provision for outstanding claim	235,954,362	200,785,918
	$654,402,048	**494,148,985**

15. Long-term loans

	Company 1995	Company 1994	Group 1995	Group 1994
(i) 12% - 1979/2004	-	-	664,721	707,918
(ii) 14% - 1992/1998	-	-	766,516	1,022,001
(iii) 15% - 1994/2002	-	-	4,727,275	5,454,547
(iv) 10% - 1996	40,000,000	33,350,000	40,000,000	33,350,000
(v) 41% - 1995	-	-	-	142,351
(vi)12 1/2%- 2000	-	-	8,571,520	8,337,500
(vii) 34% - 1998	-	-	16,146,859	-
(viii) 46% - 1998	-	-	897,006	-
	40,000,000	33,350,000	71,773,897	49,014,317
Less: current maturities	(40,000,000)	-	(42,926,310)	(2,258,948)
	$ -	33,350,000	28,847,587	46,755,369

Loan (i) is secured on a subsidiary company's freehold buildings and is repayable by equal half-yearly instalments, inclusive of interest, of $63,444, the final instalment being due on November 30, 2004.

Loans (ii) and (iii) are secured by a fixed and floating charge over the fixed and floating assets of a subsidiary, with collateral bill of sale over stock stamped to cover $2,467,000, a crop lien over 200 acres of leasehold coffee plantations of a subsidiary and a guarantee from the company to cover $8,466,960. Loan (ii) is repayable in quarterly instalments of $63,878 which commenced in December 1992. Loan (iii) is repayable in quarterly instalments of $181,818 which commenced in September 1994.

Loan (iv) represents a loan of US$1,000,000 which is secured by promissory notes and the proceeds have been on-lent to a third party (see note 9).

Loan (v) is secured by a first charge over a subsidiary company's freehold property and a promissory note, and is repayable by equal monthly instalments of $20,000 inclusive of interest.

Loan (vi) represents a loan of US$250,000 which is subject to a guarantee from the company of J$15.2m. The loan is repayable in quarterly instalments of US$11,904, which commenced in May 1995.

Loan (vii) represents a loan of $16,146,859 which is secured by promissory notes. The loan is repayable in monthly instalments of $721,310, commencing in January 1996.

Loan (viii) represents a loan of $974,954 which is secured by a bill of sale over a motor truck. The loan is repayable in monthly instalments of principal and interest amounting to $53,004, which commenced in July 1995.

16. Due to subsidiaries

This comprises both interest-free and variable rate interest-bearing loans, repayment terms for which have not been determined.

17. Gross revenue

Gross revenue represents gross premium written, income from leasing and investments and sale of coffee berries.

18. Disclosure of (income)/expenses

Group operating profit is stated after charging/(crediting):

	1995	1994
	$	$
Depreciation	13,895,999	12,794,965
Directors' emoluments - fees	216,000	84,000
- management	3,129,376	3,970,581
Auditors' remuneration - current year	2,955,000	2,285,500
- prior year	47,000	30,000
Amortization of deferred expenses/policy acquisition costs	5,418,693	4,046,430
Mortgage and loan interest paid	51,000,322	38,598,522

Other interest paid	617,223	284,362
Investments income	(105,922,052)	(146,804,335)
Interest from associated companies	(831,718)	(6,411,163)
Profit on sale of investments	(2,692,466)	(603,723)
Lease income	(958,148)	(2,271,630)
Gain on disposal of fixed assets	(589,289)	(2,549,606)
Loss/(gain) on exchange, net	803,649	91,009

19. Exceptional item - gain on exchange

This represents net exchange gains on translation of the results of the group's Cayman and Bahamas operations due to the devaluation of the Jamaican dollar (see note 13).

20. Taxation

Taxation is based on the profit for the year adjusted for tax purposes and is made up as follows:

	1995	1994
Premium tax	2,562,799	1,106,707
Income tax at 33 1/3%	6,018,497	22,204,088
Income tax at 7 1/2%	-	3,551,023
Taxation on share of losses in subsidiary not consolidated	312,058	-
Taxation on share of profits of associated companies (see note 7)	-	32,979
Transfer tax at 7 1/2%	945,000	1,050,000
	9,838,354	27,944,797
Prior year under provision	613,157	(24,699)
	10,451,511	$27,920,098

Premium tax at 1.5% is payable on net life assurance premiums written during the year.
Income tax at 7 1/2% is payable on the investment income of the life assurance subsidiary, adjusted for taxation purposes.

Taxation losses subject to agreement by the Commissioner of Income Tax available for relief against future taxable profits amounted to approximately $13,174,477 (1994: $12,607,038) for the group. These can be carried forward indefinitely.

21. Extraordinary item

The extraordinary item represents a gain on sale of a subsidiary and two associated companies. In the prior year the extraordinary item represented amounts waived on the sale of two subsidiaries to an associated company, on the reconstruction and recapitalization of the group.

22. Profit attributable to the group

Dealt with in the financial statements of:

	1995	1994
The company	21,680,367	(2,318,939)
Subsidiaries, net	47,167,028	71,465,329)
Associated companies, net	1,852,184	(1,213,839)
	70,699,579	**67,932,551**

23. Distributions

	1995	1994
First interim capital distribution of 7cents (1994: Nil cents) per stock unit, net	3,305,392	-
Final proposed capital distribution of Nil cents (1994: 19cents) per stock unit, gross	-	8,486,817
Interim dividend of 2cents (1994: 7cents) per stock unit, gross	893,349	3,126,722
Final proposed dividend of 13cents (1994: Nil cents) per stock unit	5,821,070	-
	$10,019,811	**11,613,539**

24. Accumulated surplus

	1995	1994
Retained in the financial statements of:		
The company	4,368,339	(3,670,477)
Subsidiaries, net	127,162,534	107,272,756
Associated companies, net	(2,849,973)	3,460,414
	$128,680,900	107,062,693

25. Earnings per stock unit

The calculation of earnings per stock unit is based on the profit attributable to stockholders before and after extraordinary item and on the 44,685,793 (1994: 44,667,460) weighted average ordinary stock units in issue. Fully diluted earnings per stock unit is not calculated as the outstanding options are variable and immaterial.

26. Pension schemes

Contributory pension schemes, providing for final salary-related benefits, are in operation for all employees who have satisfied certain minimum service requirements.

The latest actuarial valuation as at December 31, 1991 disclosed a surplus of $8,023,000.

The next actuarial valuation is due as at December 31, 1994.

Contributions for the year amounted to $2,269,929 (1994: $1,231,327) for the company and $8,790,939 (1994: 4,835,637) for the group.

The schemes are administered by Dyoll Life Limited, a subsidiary.

27. Stock option plan

Effective January 1, 1994, 10% of the company's authorised share capital, comprising 5,000,000 stock units are reserved for the purpose of granting stock options to eligible executives of the company and its subsidiaries under a stock option scheme approved by the shareholders.

The purchase price will be determined as the average price prevailing on the four trading days preceding the date on which an option is exercised.

As at December 31, 1995, 777,500 (1994; 667,500) stock units had been issued under the scheme (see note 12).

28. Subsidiaries and associated companies

Subsidiaries	Equity holding 1995	1994	Activities
Dyoll Insurance Company Ltd.	100%	100%	General insurance underwriting
Dyoll Life Limited	100%	100%	Life assurance, general health and accident insurance
db Motors Limited	-	51%	Motor vehicle repairs and servicing
Dyoll/Wataru Coffee Company Limited	51%	51%	Coffee cultivation
Buck Securities Partners Limited	98%	-	Stock exchange brokers and investment analysts
Associated companies			
Cayman Insurance Centre Limited (Incorporated in the Cayman Islands)	37%	37%	General, health and life insurance broking and insurance premium financing
DBP Insurance Brokers Limited	-	45%	Insurance brokerage
Buck Securities Partners Limited	-	49%	Stock exchange brokers and

			investments analysts
Seville Development Corporation Limited	20%	20%	Property investment
Carib National Group Limited (Incorporated in US Virgin Islands)	30%	30%	Provision of management services to subsidiaries which are involved in underwriting of general and life insurance business, operation of insurance agency and premium financing
Interoceanica de Seguros, S.A. (incorporated in Panama)	30%	30%	General and life insurance underwriting
Dyoll Pimento Resort Limited	-	40%	Property development

Except as indicated, the subsidiaries and associated companies are incorporated in Jamaica.

29. Commitments

At December 31, 1995, there were commitments:

(a) by subsidiary under non-cancellable operating leases expiring between 1995 and 2009 amounting to $513,897 (1994: $2,667,123). The amounts payable in the next twelve months aggregate $254,439 (1994: $1,067,115);

(b) in respect of the purchase of computer software amounting to $28,732,163 (1994: $Nil) by the group.

30. Contingent liabilities

(a) The company has guaranteed loans amounting to $5,000,000 (1994: $5,000,000) of a corporate entity which was a related company.

(b) The company has guaranteed the amount of $100,000,000 to secure an umbrella credit facility for a subsidiary. At December 31, 1995 this liability amounted to $36,035,846.

(c) The company had guaranteed a long term liability of a subsidiary to Agricultural Credit Bank on various loans fully repayable between 1994 and 2002 to a maximum of $15,200,000 (1994: $15,200,000). At December 31, 1995 this liability amounted to $14,065,311 (1994: $14,814,048).