Dyoll Group Limited 1996

Notes to the Financial Statements

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 are presented in Jamaican dollars.

   The principal activity of the company is providing management services to its subsidiaries and associated companies (see note 29).

2. Accounting basis

   A subsidiary has sustained substantial losses during the year ended December 31, 1996 and there is a mismatch of assets and liabilities which created and continues to create liquidity problems.

   The financial statements have been prepared on the going concern basis although the appropriateness of this basis is dependent on the ability of this subsidiary to obtain continued financing and ultimately, on future profitable operations (see note 32).

3. 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, 1996.

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 the equity 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. A provision for the diminution in value of the investments in two associated companies was made in 1996 based on management accounts for one and the latest audited financial statements for the other as at December 31, 1996. 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 premiums, 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-fourths 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 probable cost of incurred but not reported claims, ie. 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.

(d) General insurance:

(i) Underwriting results (cont'd):

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. Capitalized 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.

(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.

(k) Pensions:

The company and group operate pension schemes (see note 27) and the assets by the schemes are held separately from those of the company. Contributions to the schemes are charged to the Group Profit and Loss Account to fund past and future benefits.

4. Short-term deposits

These include certificates evidencing cash on deposit of $3,500,000 (1995: $3,970,000) equivalent to US$100,000 held by a subsidiary's commercial bank as required by the Superintendent of Insurance.

5. Accounts receivable and prepaid expanses

	Company 1996	Company 1995	Group 1996	Group 1995
Premiums due from policy holders, agents and brokers	-	-	113,359,332	119,305,966
Other accounts receivable and prepaid expenses	4,109,126	11,977,528	111,589,831	78,060,217
	$**4,109,126**	**11,977,528**	**224,949,163**	**197,366,183**

6. Bank overdraft

Bank overdraft is secured by Government of Jamaica securities (see note 7) of a face value of $1,600,000 (1995: $1,600,000) and the company's guarantee to cover up to $300,000 (1995: $300,000

7. Investments

	Company 1996	Company 1995	Group 1996	Group 1995
Quoted investments	-	-	51,461,278	142,266,171
Unquoted investments	-	-	41,730,323	72,509,851
Other investments:				
Life insurance	-	-	107,794	105,994
Mortgage and other secured loans	5,664,480	5,668,980	82,044,666	108,813,285
Real estate [see note 3(f)]	-	-	471,819,217	480,819,217
	$**5,664,480**	**5,668,980**	**647,163,278**	**804,514,518**
Market value of quoted investments	$ -	-	40,359,421	127,991,947

Quoted investments include Government of Jamaica securities with a face value of $1,600,000 (1995: $1,600,000) which are held as collateral for the group's overdraft facilities (see note 6). 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, 1996 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. All other investments are stated at cost.

8. Investments in associated companies

	Company		Group	
	1996	1995	1996	1995
Shares, at cost	80,969,983	58,769,983	114,215,582	67,015,582
Provision for diminution in value	(36,348,109)	-	(30,780,440)	-
Post-acquisition reserves at beginning of year	-	-	(2,785,085)	3,460,302
Share of profits less losses	-	-	15,493,533	1,852,184
Share of taxation of associated company	-	-	(22,477)	-
Dividends received	-	-	(3,404,000)	(8,097,571)
Carrying value at end of year	**$44,621,874**	**58,769,983**	**92,717,113**	**64,230,497**

A provision for diminution in value of the investments in the associated companies Carib National Group Limited and Dyoll Caribbean Financial Services Limited has been made based on the latest audited financial statements for the former and management accounts for the latter as at December 31,1996.

9. Long-term receivable

	Company		Group	
	1996	1995	1996	1995
National Housing Trust 2001/4	-	-	97,262	97,262
Secured loan (see note)	35,000,000	40,000,000	35,000,000	40,000,000
	35,000,000	40,000,000	35,097,262	40,097,262
Less current maturity	35,000,000	40,000,000	35,000,000	40,000,000
	$ -	-	97,262	97,262

Note:

The secured loan represents a US$1,000,000 12% (1995: 10%) loan secured by the ordinary shares of a related company and is receivable by March 31,1997.

10. Fixed assets

Company:

	Freehold buildings and leasehold improvements	Furniture, fixtures, equipment, vehicles and leased equipment and vehicles	Computers and accessories	Totals
At cost or valuation				
December 31,1995	15,630,583	6,110,073	22,065,556	43,806,212
Additions	236,033	-	367,287	603,320
Disposals	(9,306,762)	(515,765)	(25,833)	(9,848,360)
December 31, 1996	6,559,854	5,594,308	22,407,010	34,561,172
At cost	4,959,854	5,594,308	22,407,010	32,961,172
At valuation	1,600,000	-	-	1,600,000
	6,559,854	5,594,308	22,407,010	34,561,172
Depreciation				
December 31, 1995	1,395,081	2,291,750	6,046,583	9,733,414
Charge for the year	345,352	850,747	4,073,335	5,269,434
Eliminated on disposals	(953,864)	(219,822)	(23,967)	(1,197,653)
December 31, 1996	786,569	2,922,675	10,095,951	13,805,195
Net book values:				
December 31, 1996	$ **5,773,285**	**2,671,633**	**12,318,059**	**20,755,977**
December 31, 1995	$**14,235,502**	**3,818,323**	**16,018,973**	**34,072,798**

Group:

At cost or valuation:				
December 31, 1995	85,505,238	47,711,394	39,029,974	172,246,606
Additions	5,955,412	6,304,907	11,143,866	23,404,185
Disposals	(13,986,217)	(8,085,134)	(25,833)	(22,097,184)
December 31, 1996	77,474,433	45,931,167	50,148,007	173,553,607
At cost	11,874,433	45,931,167	50,148,007	107,953,607
At valuation	65,600,000	-	-	65,600,000
	77,474,433	45,931,167	50,148,007	173,553,607
Depreciation:				
December 31, 1995	9,351,058	17,036,852	11,384,405	37,772,315
Charge for the year	2,523,573	7,866,545	6,843,648	17,233,766
Eliminated on disposals	(2,165,206)	(4,197,888)	(23,967)	(6,387,061)
December 31, 1996	9,709,425	20,705,509	18,204,086	48,619,020
Net book values:				
December 31, 1996	**$67,765,008**	**25,225,658**	**31,943,921**	**124,934,587**
December 31, 1995	**$76,154,180**	**30,674,543**	**27,645,568**	**134,474,291**

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 reserves (see note 14).

Freehold land and buildings include land at a valuation of $20,000 (1995: $20,000) for the group.

11. Deferred policy acquisition costs

	Group	
	1996	1995
At beginning of year	29,774,018	19,458,436
Acquisition costs deferred:		
Commissions	13,542,845	13,222,080
Marketing expenses	2,573,140	2,512,195
	16,115,985	15,734,275
Amortization:		
Portfolio acquisition costs	709,351	709,351
Commissions	6,361,963	3,905,893
Marketing expenses	1,256,996	803,449
	8,328,310	5,418,693
At end of year	**$37,561,693**	**29,774,018**

12. Deferred expenses

	Company		Group	
	1996	1995	1996	1995
Coffee plantations	-	-	32,509,901	24,568,985
Other	1,254,398	965,893	3,610,311	4,342,924
	$**1,254,398**	**965,893**	**36,120,212**	**28,911,909**

13. Share capital

	1996	1995
Authorised:		
50,000,000 ordinary shares of 50¢ each	**$25,000,000**	**25,000,000**
Issued and fully paid:		
44,777,460 ordinary stock units of 50¢ each	**$22,388,730**	**22,388,730**

14. Reserves

	Company		Group	
	1996	1995	1996	1995
Capital:				
Share premium:	50,883,086	50,883,086	50,883,086	50,883,086
Capital redemption reserve	-	-	1,600,000	1,600,000
Other:				
At the beginning of the year	39,951,997	22,330,257	336,692,948	416,431,387
Surplus on revaluation of real estate	-	-	-	1,200,000
Transfer from/(to) profit and loss account				
Gain on disposal of fixed assets and investment	3,518,220	9,272,132	4,289,721	11,826,473
Exceptional item - (loss)/ gain on exchange (see note 20)	-	-	(23,257,125)	28,398,370
Capital distribution received	-	11,655,000	28,683	14,742,110
Capital distribution paid, net	-	(3,305,392)	-	(15,905,392)
Life assurance fund	-	-	-	(120,000,000)
At the end of the year	43,470,217	39,951,997	317,754,227	336,692,948
Total capital	94,353,303	90,835,083	370,237,313	389,176,034
Revenue:				
(Accumulated deficit)/retained earnings at end of year	(36,987,557)	4,368,339	(63,719,562)	128,680,900
	$57,365,746	**95,203,422**	**306,517,751**	**517,856,934**

15 Insurance funds

	Group	
	1996	1995
Unearned premiums reserve	182,746,999	189,288,494
Actuarially determined future benefits reserve	241,298,178	198,436,067
Unexpired risk reserve	18,766,375	18,199,541
Claims equalization reserve	16,226,270	12,472,713
Insurance fund	50,871	50,871
	459,088,693	418,447,686
Provision for outstanding claims	282,904,842	235,954,362
	$**741,993,535**	**654,402,048**

16. Due to subsidiaries

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

17. Long-term loans

	Company		Group	
	1996	1995	1996	1995
(i) 12% - 1979/2004	-	-	616,187	664,721
(ii) 14% - 1992/1998	-	-	511,004	766,516
(iii) 15% - 1994/2002	-	-	4,000,003	4,727,275
(iv) 10% - 1996	11,020,205	40,000,000	11,020,205	40,000,000
(v) 12 1/2% - 2000	-	-	5,833,520	8,571,520
(vi) 34% - 1998	12,481,839	-	12,481,839	16,146,859
(vii) 46% - 1998	-	-	-	897,006
	23,502,044	40,000,000	34,462,758	71,773,897
Less: current maturities	(19,785,245)	(40,000,000)	(22,875,483)	(42,926,310)
	$ 3,716,799	-	11,587,275	28,847,587

Loan (i) is secured on a subsidiary'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 the outstanding principal on a US$1,000,000 loan which was negotiated in 1996. The outstanding principal amount of US$315,000 is to be repaid by semi-annual instalments in June and December 1997.

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

Loan (vi) is secured by promissory notes. The loan is repayable in 36 monthly instalments of $730,420, which commenced in January 1996.

Loan (vii) represented a loan of $974,954 which was secured by a bill of sale over a motor truck. The loan was repayable in monthly instalments of principal and interest amounting to $53,004, which commenced in July 1995. It was repaid in 1996.

18. Gross revenue

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

19. Disclosure of (income)/expenses

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

		1996 $	1995 $
Depreciation		17,233,766	13,895,999
Directors' emoluments	- fees	204,000	216,000
	- management	3,758,176	3,129,376
Auditors' remuneration	- current year	3,545,000	2,955,000
	- prior year	-	47,000
Amortization of deferred expenses/policy acquisition costs		9,349,428	5,835,525
Mortgage and loan interest paid		61,647,724	51,000,322
Other interest paid		4,510,348	617,223
Investment income		(103,640,774)	(105,922,052)
Interest from associated company		(11,692,977)	(831,718)
Loss/(profit) on sale of investments		1,392,495	(2,692,466)
Lease income		-	(958,148)
Gain on disposal of fixed assets		(5,682,216)	(589,289)
(Gain)/loss on exchange, net		**(1,246,572)**	**803,649**

20. Exceptional items

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 14) and redundancy costs.

21. Taxation

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

	1996	1995
Premium tax	2,164,296	2,562,799
Income tax at 33 1/3%	-	6,018,497
Taxation on share of losses in subsidiary not consolidated	-	312,058
Transfer tax at 7 1/2%	-	945,000
Taxation on share of profits of associated company	22,477	-
	2,186,773	9,838,354
Prior year under provision	19,504	613,157
	$**2,206,277**	**10,451,511**

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 indefinitely, for relief against future taxable profits amounted to approximately $126,964,000 (1995: $13,174,000) for the group and $1,425,306 (1995: $Nil) for the company.

22. Extraordinary item less taxation

The extraordinary item represents a provision for the diminution in value of investments in two associated companies. There is no taxation attributable to this provision.
In the prior year the extraordinary item represented a gain on sale of a subsidiary and two associated companies.

23. (Loss)/profit attributable to the group

Dealt with in the financial statements of:

	1996	1995
The company	(37,837,676)	35,680,367*
Subsidiaries, net	(167,630,784)	41,264,599*
Associated companies, net	(5,870,723)	6,245,387
	$(211,339,183)	**70,699,579**

24. Distributions

	1996	1995
First interim capital distribution of Nil¢ (1995: 8 cents) per stock unit, net	-	3,305,392
Interim dividend of Nil¢ (1995: 2 ¢) per stock unit, gross	-	893,349
Final proposed dividend of Nil¢ (1995: 13¢) per stock unit	-	5,821,070
	-	10,019,811

* Restated

25. (Accumulated deficit)/retained earnings

Retained in the financial statements of:		
The company	(36,987,557)	43,683,339
Subsidiaries, net	(5,233,536)	127,097,646*
Associated companies, net	(21,498,469)	(2,785,085)
	$(63,719,562)	**128,690,900**

* Restated

26. (Loss)/earnings per stock unit

The calculation of (loss)/earnings per stock unit is based on the (loss)/profit attributable to stockholders before and after extraordinary item and on the 44,777,460 ordinary stock units in issue.

27. 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, 1994 disclosed a surplus of $1,034,000.

The next actuarial valuation is due as at December 31,1997.

Contributions for the year amounted to $2,480,455 (1995: $2,269,929) for the company and $7,714,353 (1995: $8,790,938) for the group.

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

28. Stock option plan

On January 1, 1994, 10% of the company's authorised share capital, comprising 5,000,000 stock units was 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, 1996, 777,500 (1995: 777,500) stock units had been issued under the scheme.

29. Subsidiaries and associated companies

Subsidiaries	Equity holding 1996	1995	Activities
Dyoll Insurance Company Ltd.	100%	100%	General insurance underwriting
Dyoll Life Limited	100%	100%	Life assurance, general health and accident insurance
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
Dyoll Caribbean Financial Services Limited	49%	-	Merchant banking, stock exchange brokers and investment analyst
Seville Development Corporation Limited	20%	20%	Property investment

Associated companies	Equity holding 1996	1995	Activities
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 finaninmg
Interoceanica de Seguros, S.A. (Incorporated in Panama)	30%	30%	General and life insurance underwriting

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

30. Commitments

At December 31, 1996, there were commitments:

(a) by subsidiary under non-cancellable operating leases expiring between 1996 and 2009 amounting to $648,826 (1995: $513,587). The amounts payable in the next twelve months aggregate $ 388,688 (1995: $254,439);

(b) in respect of the purchase of computer software amounting to $20,479,485 (1995: $28,732,163) by the group.

31. Contingent liabilities

(a) The company has guaranteed loans amounting to $5,000,000 (1995:$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, 1996 this liability amounted to $46,773,000 (1995:$36,035,846).

(c) The company has 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 (1995: $15,200,000). At December 31, 1996 this liability amounted to $10,344,227 (1995: $14,065,311).

32. Subsequent event

Dyoll Group Limited 1996

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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 premiums, 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-fourths 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 probable cost of incurred but not reported claims, ie. 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.

(d) General insurance:

(i) Underwriting results (cont'd):

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. Capitalized 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.

(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.

(k) Pensions:

The company and group operate pension schemes (see note 27) and the assets by the schemes are held separately from those of the company. Contributions to the schemes are charged to the Group Profit and Loss Account to fund past and future benefits.

4. Short-term deposits

These include certificates evidencing cash on deposit of $3,500,000 (1995: $3,970,000) equivalent to US$100,000 held by a subsidiary's commercial bank as required by the Superintendent of Insurance.

5. Accounts receivable and prepaid expanses

	Company		Group	
	1996	1995	1996	1995
Premiums due from policy holders, agents and brokers	-	-	113,359,332	119,305,966
Other accounts receivable and prepaid expenses	4,109,126	11,977,528	111,589,831	78,060,217
	$**4,109,126**	**11,977,528**	**224,949,163**	**197,366,183**

6. Bank overdraft

Bank overdraft is secured by Government of Jamaica securities (see note 7) of a face value of $1,600,000 (1995: $1,600,000) and the company's guarantee to cover up to $300,000 (1995: $300,000

7. Investments

	Company		Group	
	1996	1995	1996	1995
Quoted investments	-	-	51,461,278	142,266,171
Unquoted investments	-	-	41,730,323	72,509,851
Other investments:				
Life insurance	-	-	107,794	105,994
Mortgage and other secured loans	5,664,480	5,668,980	82,044,666	108,813,285
Real estate [see note 3(f)]	-	-	471,819,217	480,819,217
	$**5,664,480**	**5,668,980**	**647,163,278**	**804,514,518**
Market value of quoted investments	$ -	-	40,359,421	127,991,947

Quoted investments include Government of Jamaica securities with a face value of $1,600,000 (1995: $1,60O,000) which are held as collateral for the group's overdraft facilities (see note 6). 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, 1996 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. All other investments are stated at cost.

8. Investments in associated companies

	Company 1996	Company 1995	Group 1996	Group 1995
Shares, at cost	80,969,983	58,769,983	114,215,582	67,015,582
Provision for diminution in value	(36,348,109)	-	(30,780,440)	-
Post-acquisition reserves at beginning of year	-	-	(2,785,085)	3,460,302
Share of profits less losses	-	-	15,493,533	1,852,184
Share of taxation of associated company	-	-	(22,477)	-
Dividends received	-	-	(3,404,000)	(8,097,571)
Carrying value at end of year	**$44,621,874**	**58,769,983**	**92,717,113**	**64,230,497**

A provision for diminution in value of the investments in the associated companies Carib National Group Limited and Dyoll Caribbean Financial Services Limited has been made based on the latest audited financial statements for the former and management accounts for the latter as at December 31,1996.

9. Long-term receivable

	Company 1996	Company 1995	Group 1996	Group 1995
National Housing Trust 2001/4	-	-	97,262	97,262
Secured loan (see note)	35,000,000	40,000,000	35,000,000	40,000,000
	35,000,000	40,000,000	35,097,262	40,097,262
Less current maturity	35,000,000	40,000,000	35,000,000	40,000,000
	$ -	-	97,262	97,262

Note:

The secured loan represents a US$1,000,000 12% (1995: 10%) loan secured by the ordinary shares of a related company and is receivable by March 31,1997.

10. Fixed assets

Company:

	Freehold buildings and leasehold improvements	Furniture, fixtures, equipment, vehicles and leased equipment and vehicles	Computers and accessories	Totals
At cost or valuation				
December 31,1995	15,630,583	6,110,073	22,065,556	43,806,212
Additions	236,033	-	367,287	603,320
Disposals	(9,306,762)	(515,765)	(25,833)	(9,848,360)
December 31, 1996	6,559,854	5,594,308	22,407,010	34,561,172
At cost	4,959,854	5,594,308	22,407,010	32,961,172
At valuation	1,600,000	-	-	1,600,000
	6,559,854	5,594,308	22,407,010	34,561,172
Depreciation				
December 31, 1995	1,395,081	2,291,750	6,046,583	9,733,414
Charge for the year	345,352	850,747	4,073,335	5,269,434
Eliminated on disposals	(953,864)	(219,822)	(23,967)	(1,197,653)
December 31, 1996	786,569	2,922,675	10,095,951	13,805,195
Net book values:				
December 31, 1996	$ **5,773,285**	**2,671,633**	**12,318,059**	**20,755,977**
December 31, 1995	$**14,235,502**	**3,818,323**	**16,018,973**	**34,072,798**

Group:

	Freehold buildings and leasehold improvements	Furniture, fixtures, equipment, vehicles and leased equipment and vehicles	Computers and accessories	Totals
At cost or valuation:				
December 31, 1995	85,505,238	47,711,394	39,029,974	172,246,606
Additions	5,955,412	6,304,907	11,143,866	23,404,185
Disposals	(13,986,217)	(8,085,134)	(25,833)	(22,097,184)
December 31, 1996	77,474,433	45,931,167	50,148,007	173,553,607
At cost	11,874,433	45,931,167	50,148,007	107,953,607
At valuation	65,600,000	-	-	65,600,000
	77,474,433	45,931,167	50,148,007	173,553,607

Depreciation:				
December 31, 1995	9,351,058	17,036,852	11,384,405	37,772,315
Charge for the year	2,523,573	7,866,545	6,843,648	17,233,766
Eliminated on disposals	(2,165,206)	(4,197,888)	(23,967)	(6,387,061)
December 31, 1996	9,709,425	20,705,509	18,204,086	48,619,020
Net book values:				
December 31, 1996	**$67,765,008**	**25,225,658**	**31,943,921**	**124,934,587**
December 31, 1995	**$76,154,180**	**30,674,543**	**27,645,568**	**134,474,291**

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 reserves (see note 14).

Freehold land and buildings include land at a valuation of $20,000 (1995: $20,000) for the group.

11. Deferred policy acquisition costs

	Group	
	1996	1995
At beginning of year	29,774,018	19,458,436
Acquisition costs deferred:		
Commissions	13,542,845	13,222,080
Marketing expenses	2,573,140	2,512,195
	16,115,985	15,734,275
Amortization:		
Portfolio acquisition costs	709,351	709,351
Commissions	6,361,963	3,905,893
Marketing expenses	1,256,996	803,449
	8,328,310	5,418,693
At end of year	**$37,561,693**	**29,774,018**

12. Deferred expenses

	Company 1996	Company 1995	Group 1996	Group 1995
Coffee plantations	-	-	32,509,901	24,568,985
Other	1,254,398	965,893	3,610,311	4,342,924
	$**1,254,398**	**965,893**	**36,120,212**	**28,911,909**

13. Share capital

	1996	1995
Authorised:		
50,000,000 ordinary shares of 50¢ each	**$25,000,000**	**25,000,000**
Issued and fully paid:		
44,777,460 ordinary stock units of 50¢ each	**$22,388,730**	**22,388,730**

14. Reserves

	Company 1996	Company 1995	Group 1996	Group 1995
Capital:				
Share premium:	50,883,086	50,883,086	50,883,086	50,883,086
Capital redemption reserve	-	-	1,600,000	1,600,000
Other:				
At the beginning of the year	39,951,997	22,330,257	336,692,948	416,431,387
Surplus on revaluation of real estate	-	-	-	1,200,000
Transfer from/(to) profit and loss account				
Gain on disposal of fixed assets and investment	3,518,220	9,272,132	4,289,721	11,826,473

Exceptional item - (loss)/ gain on exchange (see note 20)	-	-	(23,257,125)	28,398,370
Capital distribution received	-	11,655,000	28,683	14,742,110
Capital distribution paid, net	-	(3,305,392)	-	(15,905,392)
Life assurance fund	-	-	-	(120,000,000)
At the end of the year	43,470,217	39,951,997	317,754,227	336,692,948
Total capital	94,353,303	90,835,083	370,237,313	389,176,034
Revenue:				
(Accumulated deficit)/retained earnings at end of year	(36,987,557)	4,368,339	(63,719,562)	128,680,900
	$57,365,746	**95,203,422**	**306,517,751**	**517,856,934**

15 Insurance funds

	Group	
	1996	1995
Unearned premiums reserve	182,746,999	189,288,494
Actuarially determined future benefits reserve	241,298,178	198,436,067
Unexpired risk reserve	18,766,375	18,199,541
Claims equalization reserve	16,226,270	12,472,713
Insurance fund	50,871	50,871
	459,088,693	418,447,686
Provision for outstanding claims	282,904,842	235,954,362
	$**741,993,535**	**654,402,048**

16. Due to subsidiaries

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

17. Long-term loans

	Company		Group	
	1996	1995	1996	1995
(i) 12% - 1979/2004	-	-	616,187	664,721
(ii) 14% - 1992/1998	-	-	511,004	766,516
(iii) 15% - 1994/2002	-	-	4,000,003	4,727,275
(iv) 10% - 1996	11,020,205	40,000,000	11,020,205	40,000,000

(v) 12 1/2% - 2000	-	-	5,833,520	8,571,520
(vi) 34% - 1998	12,481,839	-	12,481,839	16,146,859
(vii) 46% - 1998	-	-	-	897,006
	23,502,044	40,000,000	34,462,758	71,773,897
Less: current maturities	(19,785,245)	(40,000,000)	(22,875,483)	(42,926,310)
	$ 3,716,799	-	11,587,275	28,847,587

Loan (i) is secured on a subsidiary'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 the outstanding principal on a US$1,000,000 loan which was negotiated in 1996. The outstanding principal amount of US$315,000 is to be repaid by semi-annual instalments in June and December 1997.

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

Loan (vi) is secured by promissory notes. The loan is repayable in 36 monthly instalments of $730,420, which commenced in January 1996.

Loan (vii) represented a loan of $974,954 which was secured by a bill of sale over a motor truck. The loan was repayable in monthly instalments of principal and interest amounting to $53,004, which commenced in July 1995. It was repaid in 1996.

18. Gross revenue

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

19. Disclosure of (income)/expenses

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

		1996 $	1995 $
Depreciation		17,233,766	13,895,999
Directors' emoluments	- fees	204,000	216,000
	- management	3,758,176	3,129,376
Auditors' remuneration	- current year	3,545,000	2,955,000
	- prior year	-	47,000
Amortization of deferred expenses/policy acquisition costs		9,349,428	5,835,525
Mortgage and loan interest paid		61,647,724	51,000,322
Other interest paid		4,510,348	617,223
Investment income		(103,640,774)	(105,922,052)
Interest from associated company		(11,692,977)	(831,718)
Loss/(profit) on sale of investments		1,392,495	(2,692,466)
Lease income		-	(958,148)
Gain on disposal of fixed assets		(5,682,216)	(589,289)
(Gain)/loss on exchange, net		**(1,246,572)**	**803,649**

20. Exceptional items

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 14) and redundancy costs.

21. Taxation

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

	1996	1995
Premium tax	2,164,296	2,562,799
Income tax at 33 1/3%	-	6,018,497
Taxation on share of losses in subsidiary not consolidated	-	312,058
Transfer tax at 7 1/2%	-	945,000
Taxation on share of profits of associated company	22,477	-
	2,186,773	9,838,354
Prior year under provision	19,504	613,157
	$**2,206,277**	**10,451,511**

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 indefinitely, for relief against future taxable profits amounted to approximately $126,964,000 (1995: $13,174,000) for the group and $1,425,306 (1995: $Nil) for the company.

22. Extraordinary item less taxation

The extraordinary item represents a provision for the diminution in value of investments in two associated companies. There is no taxation attributable to this provision. In the prior year the extraordinary item represented a gain on sale of a subsidiary and two associated companies.

23. (Loss)/profit attributable to the group

Dealt with in the financial statements of:

	1996	1995
The company	(37,837,676)	35,680,367*
Subsidiaries, net	(167,630,784)	41,264,599*
Associated companies, net	(5,870,723)	6,245,387

	$(211,339,183)	**70,699,579**

24. Distributions

	1996	1995
First interim capital distribution of Nil¢ (1995: 8 cents) per stock unit, net	-	3,305,392
Interim dividend of Nil¢ (1995: 2 ¢) per stock unit, gross	-	893,349
Final proposed dividend of Nil¢ (1995: 13¢) per stock unit	-	5,821,070
	-	10,019,811

* Restated

25. (Accumulated deficit)/retained earnings

Retained in the financial statements of:		
The company	(36,987,557)	43,683,339
Subsidiaries, net	(5,233,536)	127,097,646*
Associated companies, net	(21,498,469)	(2,785,085)
	$(63,719,562)	**128,690,900**

* Restated

26. (Loss)/earnings per stock unit

The calculation of (loss)/earnings per stock unit is based on the (loss)/profit attributable to stockholders before and after extraordinary item and on the 44,777,460 ordinary stock units in issue.

27. 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, 1994 disclosed a surplus of $1,034,000.

The next actuarial valuation is due as at December 31,1997.

Contributions for the year amounted to $2,480,455 (1995: $2,269,929) for the company and $7,714,353 (1995: $8,790,938) for the group.

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

28. Stock option plan

On January 1, 1994, 10% of the company's authorised share capital, comprising 5,000,000 stock units was 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, 1996, 777,500 (1995: 777,500) stock units had been issued under the scheme.

29. Subsidiaries and associated companies

Subsidiaries	Equity holding		
	1996	1995	Activities
Dyoll Insurance Company Ltd.	100%	100%	General insurance underwriting
Dyoll Life Limited	100%	100%	Life assurance, general health and accident insurance
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
Dyoll Caribbean Financial Services Limited	49%	-	Merchant banking, stock

			exchange brokers and investment analyst
Seville Development Corporation Limited	20%	20%	Property investment

Associated companies	Equity holding		
	1996	1995	Activities
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 finaninmg
Interoceanica de Seguros, S.A. (Incorporated in Panama)	30%	30%	General and life insurance underwriting

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

30. Commitments

At December 31, 1996, there were commitments:

(a) by subsidiary under non-cancellable operating leases expiring between 1996 and 2009 amounting to $648,826 (1995: $513,587). The amounts payable in the next twelve months aggregate $ 388,688 (1995: $254,439);

(b) in respect of the purchase of computer software amounting to $20,479,485 (1995: $28,732,163) by the group.

31. Contingent liabilities

(a) The company has guaranteed loans amounting to $5,000,000 (1995:$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, 1996 this liability amounted to $46,773,000 (1995:$36,035,846).

(c) The company has 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 (1995: $15,200,000). At December 31, 1996 this liability amounted to $10,344,227 (1995: $14,065,311).

32. Subsequent event

On May 28, 1997, the company entered into an agreement with Finsac Limited for the injection of $200,000,000 into the company and its subsidiary Dyoll Life Limited.

Finsac Limited will subscribe for 16,144,254 ordinary shares at $2.30 per share in the capital of the company which will result in their owning 26.5% of the issued share capital of the company. Finsac Limited will also acquire 162,868,216 12.5% cumulative redeemable prefernce shares of $1 each in Dyoll Life Limited. Dyoll Group Limited will then purchase 18,565,890 ordinary shares of $2.00 per share in Dyoll Life Limited.

Finsac Limited will also appoint two directors to the Boards of Directors of Dyoll Life Limited and Dyoll Group Limited.

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