

DYOLL GROUP LIMITED

Audited Annual Report

For the period ended December 31, 2002

Group Balance Sheet

	<u>2002</u>	<u>2001</u> (restated)
CURRENT ASSETS		
Cash resources	594,053,594	678,201,112
Accounts receivable and prepaid expenses	205,618,755	251,949,889
Inventories	7,189,040	7,714,554
Taxation recoverable	<u>3,145,772</u>	<u>1,226,807</u>
	<u>810,007,161</u>	<u>939,092,362</u>
CURRENT LIABILITIES		
Accounts payable and accrued charges	108,631,113	131,915,051
Current maturities of long-term debt	320,000	683,636
Taxation payable	<u>2,788,356</u>	<u>36,569,082</u>
	<u>111,739,469</u>	<u>169,167,769</u>
NET CURRENT ASSETS	698,267,692	69,924,593
OTHER INVESTMENTS	234,284,241	139,950,952

INVESTMENT IN ASSOCIATED COMPANIES	16,156,339	19,868,608
ADVANCES DUE FROM ASSOCIATED COMPANY	-	7,689,912
DUE FROM DYOLL GROUP PENSION SCHEME	17,493,755	-
LONG-TERM RECEIVABLE	43,880,000	47,273,795
FIXED ASSETS	23,749,407	24,212,899
DEFERRED EXPENSES	38,921,612	40,263,737
GOODWILL ON CONSOLIDATION	1,844,634	1,844,634
	<u>\$1,074,597,680</u>	<u>1,051,029,130</u>
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Financed by:

NET SHAREHOLDERS' EQUITY	358,727,816	264,961,335
LONG-TERM DEBT	23,692,946	14,564,433
MINORITY INTEREST	81,648	23,277,902
INVESTMENT INSTRUMENT	22,000,000	52,171,384
INSURANCE FUNDS	670,095,270	696,054,076
	\$1,074,597,680	1,051,029,130

On behalf of the Board

Chairman
Christopher Bovell

Director
Stephen Thwaites

Group Profit and Loss Account

	2002	2001 (restated)
Gross operating revenue	\$888,633,224	832,496,443
Net earned premiums	417,224,201	407,695,933
Other operating income	6,923,804	13,370,557
Other underwriting expenses	(252,946,691)	(219,277,747)
Operating expenses	(202,786,795)	(208,327,005)
Gross operating (loss)/profit	(31,585,481)	(6,538,262)
Other income/(expenses):		
Interest and dividends, net	95,585,774	108,922,622
Gain/(loss) on sale of investments	15,244,810	(4,176,727)
Gain/(loss) on sale of fixed assets	61,141	(712,566)
Gain on exchange	5,625,858	1,323,075
Other income	6,651,081	11,716,650
Operating profit	91,583,183	110,534,792
Share of profits of associated companies	13,949,942	11,245,530
Finance costs	(5,432,337)	(14,276,346)
Profit before exceptional	100,100,788	107,503,976
Exceptional items	(8,278,664)	(44,963,773)
Profit before taxation	91,822,124	62,540,203
Taxation	(32,539,288)	(39,586,777)

Profit after taxation, before minority interest and extraordinary item	59,282,836	22,953,426
Minority interest	<u>16,466,785</u>	<u>4,232,746</u>
Profit before extraordinary item	75,749,621	27,186,172
Extraordinary item	11,662,504	94,667,351
Net profit for year attributable to the group	<u>\$87,412,125</u>	<u>121,853,523</u>
Earnings per stock unit:		
Before extraordinary item	124c	45c
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After extraordinary item	143c	200c
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Dealt with in the financial statements of:		
The company	12,592,420	41,718,953
Subsidiaries, net	69,956,017	76,675,305
Associated companies, net	<u>4,863,688</u>	<u>3,459,265</u>
	<u>87,412,125</u>	<u>121,853,523</u>
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Statement of Changes in Shareholders' Equity

Group:

	<u>Share Capital</u> (note 15a)	<u>Share premium</u>	<u>Capital redemption reserve</u>	<u>Other reserves</u> (note 14b)	<u>Accumulated deficit</u>	<u>Total</u>
Balance at December 31, 2000						
As previously reported	30,460,857	79,942,744	24,241,987	238,694,874	(255,679,831)	117,660,631
Prior year adjustment (note 28)	-	-	-	-	10,874,431	10,874,431
As restated	30,460,857	79,942,744	24,241,987	238,694,874	(244,805,400)	128,535,062
Prior year adjustment (note 28)	-	-	-	13,873,997	-	13,873,997
As restated	30,460,857	79,942,744	24,241,987	252,568,871	244,805,400	142,409,059
Net profit for the year as previously reported -	-	-	-	-	143,218,714	143,218,714
Prior year adjustment (note 28)	-	-	-	-	(21,365,191)	(21,365,191)
As restated					121,853,523	121,853,523*
Surplus on revaluation of investment property	-	-	-	7,606,222	-	7,606,222*
Net movement in Eagle portfolio	-	-	-	(6,907,469)	-	(6,907,469)*
Transfer to capital redemption reserve (see note 14)	-	-	29,529,394	(29,529,394)	-	-
Loss on disposal of fixed assets and investment	-	-	-	(4,753,796)	4,753,796	-
Gain on exchange	-	-	-	10,057,435	(10,057,435)	-
Balance at December 31, 2001	<u>30,460,857</u>	<u>79,942,744</u>	<u>53,771,381</u>	<u>229,041,869</u>	<u>(128,255,516)</u>	<u>264,961,335</u>
Net profit for year	-	-	-	-	87,412,125	87,412,125*

Surplus on revaluation of investment property	-	-	-	5,954,054	-	5,954,054*
Exchange gains on equity of foreign associate	-	-	-	400,302	-	400,302*
Transfer to capital redemption reserve (see note 14)	-	-(30,171,380)	-	-	30,171,380	-
Loss on disposal of fixed asset and investments	-	-	-	-	-	-
Gain on exchange	-	-	-	10,783,549	(10,783,549)	-
Balance at December 31, 2002	<u>30,460,857</u>	<u>79,942,744</u>	<u>23,600,001</u>	<u>246,179,774</u>	<u>(21,455,560)</u>	<u>358,727,816</u>
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*Total gains recognised for the year aggregated \$93,766,481 2001: \$122,552,276)

Group Statement of Cash Flows

	<u>2002</u>	<u>2001</u> (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year attributable to the group	87,412,125	121,853,523
Adjustments to reconcile net profit for the year to net cash provided by operating activities:		
Depreciation	11,850,043	11,682,197
(Decrease)/increase in insurance funds, net	(25,958,806)	60,171,500
Advances from associated company	7,689,912	7,689,913
(Gain)/loss on disposal of fixed assets	(61,141)	712,575
Provision for diminution in value of investment in associated companies	960,000	-
(Gain)/loss on sale of investment	(15,244,810)	4,176,727
Investments written off	-	11,741,055
Long term receivable	6,670,000	-
Eagle portfolio written off	-	(6,907,469)
Amortisation of deferred expenses	1,342,125	1,342,123
Share of profits of associated companies, net of dividends	4,863,688	3,459,265
Minority interest	(16,466,785)	(4,232,746)
Exchange gain on earnings of associated companies	(751,117)	-
Exchange gain on foreign currency receivable	<u>(3,320,000)</u>	<u>(2,160,000)</u>
	58,985,234	209,528,663
(Increase)/decrease in current assets		
Accounts receivable and prepaid expenses	46,331,134	(18,747,812)
Taxation recoverable	(1,918,965)	(112,533)
Inventories	525,514	5,187,200
Increase/(decrease) in current liabilities		
Accounts payable and accrued charges	(23,283,938)	(5,849,907)
Taxation payable	<u>(33,780,726)</u>	<u>10,224,647</u>
Net cash provided by operating activities	<u>46,858,253</u>	<u>200,230,258</u>

CASH FLOWS FROM INVESTING ACTIVITIES		
Investments, net	(70,094,425)	77,821,340
Additions to fixed assets	(15,439,287)	(3,436,911)
Proceeds from sale of fixed assets	<u>113,877</u>	<u>246,395</u>
Net cash (used)/provided by investing activities	(85,419,835)	74,630,824
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment instrument	(30,171,384)	(82,833,635)
Due from Dyoll Group Pension Scheme	(17,493,755)	-
Long-term debt net	8,764,877	(819,790)
Long-term receivable	43,795	-
Minority interest	<u>(6,729,469)</u>	<u>-</u>
Net cash used by financing activities	(45,585,936)	(83,653,425)
(Decrease)/increase in cash resources	(84,147,518)	191,207,657
Cash resources at beginning of the year	<u>678,201,112</u>	<u>486,993,455</u>
CASH RESOURCES AT END OF YEAR	<u>594,053,594</u>	<u>678,201,112</u>
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Notes to the Abridged Financial Statements (Audited)

- 1 The company is incorporated under the Laws of Jamaica. The activities of the company and its subsidiaries (collectively "the Group") include insurance underwriting and coffee cultivation.
- 2 The financial statements are prepared in accordance with generally accepted accounting principles, which are substantially codified in standards and recommendations issued by the Institute of Chartered Accountants of Jamaica.
- 3 Prior year adjustments comprise adjustments necessary for the insurance subsidiary to comply with the requirement of the Insurance Act 2001 to defer commission income and expenditure and to account for outstanding claims and unexpired risks on the basis of actuarially determined estimates. It also includes adjustment for exchange gain on the investment in the foreign associate not previously accounted for. The adjustments are analysed as follows:

	<u>2002</u>	<u>2001</u>
Claims equalisation	3,736,338	26,267,176
Unexpired risks	3,248,841	21,708,235
Claims outstanding	(28,350,370)	(45,206,339)
Deferred commission expenses	-	42,139,068
Deferred commission income	-	(34,033,709)
	<u>(21,365,191)</u>	<u>(10,874,431)</u>
Foreign exchange gains (in capital reserve)	<u>13,873,997</u>	<u>-</u>
	<u>7,491,194</u>	<u>(10,874,431)</u>
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- 4 Exceptional items are as follows:

	<u>2002</u>	<u>2001</u>
	\$	\$
Write-off of advances to associated company - DCFS Limited	(7,689,912)	(7,689,913)

Write-off of interest in subsidiary - Dyoll Life Limited	(3,742,301)	-
Provision for long term receivables - Drax Hall Holdings Limited	(6,670,000)	-
Write off of investments	-	(11,741,055)
Provision for diminution in value of investments in associates	(960,000)	-
Gain on exchange, net*	10,783,549	10,057,435
Redundancy costs	-	(31,998,240)
Business process review charges	-	(3,592,000)
	<u>(8,278,664)</u>	<u>(44,963,773)</u>
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*Includes \$751,117 (2001: \$Nil) for gain on earnings of foreign associate.

- 5 Extraordinary item represents refunds of pension contributions, net of amounts paid to employees, arising from the insurance subsidiary's withdrawal from the group's pension scheme. The amount is shown net of attributable taxation of \$5,831,251 (2001:\$47,333,675).
- 6 Cash resources comprise cash and bank balances, and include short-term deposits and other monetary investments with maturities ranging between one and twelve months of the balance sheet date.
- 7 Gross operating revenue represents gross premiums written, income from rental and investments and sale of coffee beans.
- 8 Taxation is based on the profit for the year adjusted for tax purposes and is made up as follows:

	<u>2002</u>	<u>2001</u>
Income tax at 33 1/3%	31,612,861	37,392,483
Transfer tax at 7 1/2 %	1,216,216	2,850,000
Previous year over-provision	<u>(289,789)</u>	<u>(655,706)</u>
	<u>32,539,288</u>	<u>39,586,777</u>
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Taxation losses, subject to agreement by the Commissioner, Taxpayer Audit & Assessment, amount to approximately \$20,475,000 (2001: \$12,551,000) for the group. If unutilised these losses can be carried forward indefinitely.

- 9 The earnings per ordinary stock unit is calculated by dividing the net profit for the year, attributable to the group, before and after extraordinary items, by the total of 60,921,714 ordinary stock units in issue.