DYOLL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

---

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 Jamaica dollars.

During the year the number of employees totalled 12 (2001: 11) for the company and ranged between 72-194 (2001: 70 to 181) for the group. The principal activity of the company is providing management services to its subsidiaries and associated companies (note 33).

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.

2 Basis of preparation and significant accounting policies

The financial statements have been prepared in accordance with the provisions of the Companies Act and Jamaican generally accepted accounting principles ('GAAP'). The significant accounting policies used in the preparation of the financial statements are summarised below and conform, in all material respects, to GAAP.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

Where necessary, prior year comparatives have been reclassified and restated to conform to 2002 presentation.

The significant accounting policies follow:

(a) Accounting convention:
The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets and investment properties at valuation.

(b) Basis of consolidation:
The consolidated financial statements include the financial statements of all subsidiaries made up to December 31, 2002.

All significant inter-company transactions are eliminated.

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

The equity method has been adopted for the Group's investments in the associated companies. 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 account and the tax attributable to its share of profits is included in the group's taxation charge.

Interest in associated companies (note 9) is accounted for on the equity basis.

(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%
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.

(d) Underwriting results:

Underwriting results of the general insurance subsidiary are determined after making provision for, *inter alia*, unearned premiums, outstanding claims, claims equalisation and unexpired risks.

(i) The unearned premiums represent 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 reinsurances. The calculation of unearned premiums on the marine cargo business is based on 50% of net premiums written for the last three months of the year.

(ii) Outstanding claims represent claims arising from incidents prior to the accounting date but not settled at that date. The provision is actuarially determined with reference to the following: See notes 3 and 28.

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

- An estimate, net of reinsurance, in respect of the probable cost of claims incurred but not reported, 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 and additional costs of claims already reported.

(iii) Unexpired risks represent the amounts set aside, in addition to unearned premiums, in respect of risks to be borne by the company under contracts of insurance entered into before the end of the financial year, and are actuarially determined. The actuary assessed this reserve at Nil (2001 : Nil)

(iv) Claims equalisation represented the amount set aside, to reduce exceptional fluctuations in the amounts charged to revenue in subsequent financial years, in respect of claims under insurance contracts. The charge to revenue was calculated on the basis of approximately 1% of the year's net premiums written. [See note 3(b)].

(e) Cash resources:

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 balance sheet date.

(f) Accounts receivable:
Accounts receivable is stated at cost, less any provisions considered necessary for losses on realisation.

(g) Investments:
Investment properties are stated at fair value.

Mortgage loans are stated at cost, less provision for losses as appropriate. Other investments, including quoted equities, are stated at cost less provision for any diminution in market value.

(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 amortised over a period of thirty-three years.

(i) Inventories:
Inventory of coffee beans is stated at the lower of cost and net realisable value, determined on an average cost basis.

(j) Foreign currencies:
The group's foreign assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. The foreign associate's net income is translated at an average rate of exchange. Other transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from translating income statement items are included in the profit and loss account. Unrealised portions of such gains are ultimately transferred to capital reserve. Exchange differences arising on translation of the opening equity in the foreign associate are reflected in capital reserves.

(k) Pensions:
The group operates a pension scheme (see note 31) and the assets of the scheme are held separately from those of the company and the group. Contributions to the scheme are charged to the group profit and loss account.

(l) Securities purchased under agreements to resell:
Securities purchased under agreements to resell or reverse repurchase agreements ('reverse repos'), are securities which the group purchases and simultaneously agrees to resell on a specified date at a specified price. Reverse repos are accounted for as short-term collateralised lending.

(m) Reinsurance ceded:

Premiums and outstanding claims are recorded net of amounts ceded to, and amounts recoverable from, reinsurers. Unearned premiums are reported net of business ceded to reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the claims liability associated with reinsured policies.

(n) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash resources, accounts receivable, loans and other receivables, related party receivables and investments. Similarly, financial liabilities include accounts payable, long term debt and related party payables.

3 Changes in accounting policies

In the prior year, in compliance with the requirements of the Insurance Act 2001, the insurance subsidiary adopted the policy of deferring both the commission income and commission expenses on a basis consistent with that used for deferring related premium income. (Note 28).

In the current year the company has complied fully with the Act's requirements and the relevant balances in the financial statements for the year ended December 31, 2001 have been restated to reflect the following changes in accounting policies:

(a) Actuarial valuation of outstanding claims and unexpired risks reserves as at the balance sheet date. The reserves as at December 31, 2001 and 2000 have been actuarially valued to facilitate the restatement of the comparative balances. [(See notes 28 and 33 (c)].

(b) The directors' decision to cease providing for claims equalisation with effect from December 31, 2000.

4 Cash resources

These include certificates evidencing cash on deposit held by financial institutions in the Cayman Islands (CI) as required by the Cayman Islands Monetary Authority in order for the company to conduct business in the CI. These deposits amounted to $116,138,666 (2001: $68,100,000) equivalent to CI$1,928,573 (2001: CI$1,051,924). Also included are securities purchased under agreements to resell. The subject of these resale agreements are Government of Jamaica Treasury Bills and Local Registered Stocks.

5 Accounts receivable and prepaid expenses

	Company		Group	
	2002	**2001**	**2002**	**2001** (Restated)
Premiums due from policy holders, agents and brokers net of provision for doubtful debts of $18,165,304 (2001: $24,455,231)	-	-	130,923,349	159,408,418
Other accounts receivable and prepaid expenses	10,109,238	10,161,535	33,332,947	49,162,237
Prepaid commission	-	-	41,362,459	43,379,234
	$10,109,238	10,161,535	205,618,755	251,949,889

Premiums due from policyholders, agents and brokers includes an amount of $37,820,105 (2001:$17,972,354) are receivable from an associated company.

Other accounts receivable and prepaid expenses include $6,578,948 (2001: $6,578,948) due from Drax Hall Limited.

The company has obtained favourable judgement in litigation to recover the principal amount with interest accruing from July 1, 1999 to March 15, 2000 at approximately 33% per annum. No credit has been taken for accrued interest in these financial statements.

Under the judgement, the company obtained an order for sale of land owned by Drax Hall Holdings Limited and Drax Hall Limited, to recover the debt.

6 Inventories

This represents coffee beans held at Coffee Industry Board.

7 Accounts payable and accrued charges

	Company		Group	
	2002	2001	2002	2001
Facultative premium	-	-	5,643,137	7,866,311
Brokers commission	-	-	26,880,868	26,302,246
Treaty reinsurance, net	-	-	26,089,588	36,513,502
Advance treaty commission	-	-	33,856,835	38,828,868
Other	2,815,737	1,080,315	16,160,685	22,404,124
	$2,815,737	1,080,315	108,631,113	131,915,051

8 Investment in associated companies

	Group	
	2002	2001 (restated)
Shares, at cost	7,604,827	7,604,827
Post-acquisition reserves at beginning of year	33,766,212	8,646,685
Exchange adjustment	1,151,419	13,873,997
Share of profits	13,949,942	11,245,530
Dividends received	(40,316,061)	(21,502,431)
Carrying value at end of year	$ 16,156,339	19,868,608

9 Other Investments

	Group	
	2002	2001
Quoted investments, at market value	31,940,464	38,358,296
Unquoted investments	960,000	960,000
Other investment - loans and debentures	6,297,946	6,298,249
- investment properties [see (a) below]	34,700,000	33,400,000
Government of Jamaica securities:		
Investment debenture	8,500,000	17,000,000
United States dollar Indexed Bonds	17,052,120	9,604,943
Local Registered Stocks	124,534,625	40,052,149
United States Dollar Promissory note	5,983,200	-
Treasury bill	10,998,471	-
	240,966,926	145,673,637
Less: Provision for diminution in value	(6,682,685)	(5,722,685)
	$234,284,241	139,950,952

(a) This represents apartments in respect of which some titles are registered in the name of a former director, and others, which were acquired through a distribution arising from the company's withdrawal from the group pension scheme, which remain in the name of a subsidiary and the pension scheme's trustees. The beneficial owners have power of attorney in respect of the properties.

10 Advances due from associated company

The company provided liquidity support amounting to $47,752,084, to DCFS Limited, an associated company. The company in conjunction with this associated company and one of its subsidiaries has initiated litigation against parties involved in an aborted merger transaction to recover amounts advanced on these parties' behalf. The lawyers retained in the matter are of the opinion that this litigation is likely to succeed. The associated company's ability to repay these advances is dependent on a successful conclusion to the litigation.

11 Subsidiary company balances

	2002	**2001**
Due from subsidiaries:		
Within twelve months:		
Dyoll Insurance Company Limited	$ -	1,000,000
	==========	==========
More than twelve months:		
Dyoll/Wataru Coffee Company Limited		
Advances for purchase of shares	1,710,113	14,159,791
US$244,592 4% debenture]i]	12,449,738	-
Cash advances	11,000,000	10,000,000
	25,159,851	24,159,791
Dyoll Life Limited (note 23)	-	3,742,362
	$25,159,851	27,902,153
Due to subsidiaries:	==========	==========
More than twelve months:		
Dyoll Insurance Company Limited [ii]	$20,392,225	35,392,225
	==========	==========

[i]The debenture has a moratorium on interest payment which ends on December 30, 2004, and is repayable on December 30 of any year after 2012 but not later than December 30, 2022

[ii]This balance is interest-free and has no fixed repayment terms.

12 **Long-term receivable**

	Company		Group	
	2002	**2001**	**2002**	**2001**
National Housing Trust 2001/4	-	-	-	43,795
Secured loan (see below)	43,880,000	47,230,000	43,880,000	47,230,000
	$43,880,000	47,230,000	43,880,000	47,273,795
	==========	==========	==========	==========

This represents a US$1,000,000 12% (2001:12%) loan to Drax Hall Holdings Limited less a provision of J$6,670,000 (2001:$nil), which became due on March 31, 1998.

The company has obtained favourable judgement in litigation to recover the principal amount with interest accruing from February 1997 to March 2002 at 10% per annum. No credit has been taken for accrued interest in these financial statements. Under the judgement the company obtained an order for sale of land owned by Drax Hall Holdings Limited, to recover the debt.

The directors are of the opinion that the amount will not be recovered within twelve months.

13 **Fixed assets**

Company:

	Buildings and leasehold improvements	**Furniture, fixtures equipment, leased equipment**	**Computers and accessories**	**Artwork**	**Totals**
At cost or valuation:					
December 31, 2001	4,805,611	2,062,017	5,750,231	1,735,840	14,353,694
Additions	-	6,007,934	5,293,032	-	11,300,966
Transfer to investment property	(4,000,000)	-	-	-	(4,000,000)
December 31, 2002	805,611	8,069,951	11,043,263	1,735,840	21,654,665
At cost	805,611	8,069,951	11,043,263	72,845	19,991,670
At valuation	-	-	-	1,662,995	1,662,995
	805,611	8,069,951	11,043,263	1,735,840	21,654,665
Depreciation:					

December 31, 2002	647,602	135,876	1,973,746	-	2,757,224
Charge for the year	158,000	325,748	1,795,069	-	2,278,817
December 31, 2002	805,602	461,624	3,768,815	-	5,036,041
Net book values:					
December 31, 2002	$ 9	7,608,327	7,274,448	1,735,840	16,618,624
December 31, 2001	$ 4,158,009	1,926,141	3,776,485	1,735,840	11,596,475

Group:	**Freehold Buildings and leasehold improvements**	**Furniture, fixtures, equipment, leased equipment and vehicles**	**Computers and accessories**	**Artwork**	**Totals**
At cost or valuation:					
December 31, 2001	6,918,703	11,353,849	43,192,091	2,169,851	63,634,494
Additions	2,248,185	7,898,070	5,293,032	-	15,439,287
Transfer	(4,000,000)	-	-	-	(4,000,000)
Disposals	-	(395,403)	-	-	(395,403)
December 31, 2002	5,166,888	18,856,516	48,485,123	2,169,851	74,678,378
At cost	5,166,888	18,856,516	48,485,123	434,001	72,942,528
At valuation	-	-	-	1,735,850	1,735,850
	5,166,888	18,856,516	48,485,123	2,169,851	74,678,378
Depreciation:					
December 31, 2001	1,480,983	7,484,733	30,021,878	434,001	39,421,595
Charge for the year	249,014	1,020,632	10,580,397	-	11,850,043
Eliminated on disposals	-	(342,667)	-	-	(342,667)
December 31, 2002	1,729,997	8,162,698	40,602,275	434,001	50,928,971
Net book values:					
December 31, 2002	3,436,891	10,693,818	7,882,848	1,735,850	23,749,407
December 31, 2001	$ 5,437,720	3,869,116	13,170,213	1,735,850	24,212,899

The company's buildings and artwork were revalued in December 2001 at an 'open market' valuation by Messrs. D.C. Tavares & Finson Company Limited, appraisers and valuators of Kingston, Jamaica. 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. Surpluses arising on revaluation, inclusive of depreciation no longer required, have been transferred to capital reserves.

14 Deferred expenses

	Group 2002	Group 2001
Coffee plantations	40,263,737	41,605,860
Less amortisation	(1,342,125)	(1,342,123)
	$38,921,612	40,263,737

15 Share capital and reserves

(a) Share capital

	2002	2001
Authorised:		
66,144,254 ordinary shares of 50c each	$33,072,127	33,072,127
Issued and fully paid:		
60,921,714 ordinary stock units of 50c each	$30,460,857	30,460,857

(b) Capital redemption reserve

	2002	2001
At beginning of the year	53,771,381	24,241,987
Transfer from capital reserve	-	29,529,394
Transfer to retained earnings	(30,171,380)	-
At end of the year	$ 23,600,001	53,771,381

The balance includes $22,000,000 relating to the investment instrument (See note 18).

16 Long-term debt

		Group 2002	Group 2001
(a) Bank Loan			
13% - bank loan 2004	(i)	400,000	720,000
15% - 1994/2002		-	363,636
		400,000	1,083,636
Less: current maturities		(320,000)	(683,636)
		80,000	400,000
(b) Other long term debt			
Wataru & Co., Limited	(ii)	12,612,217	14,164,433
4% debentures (US$216,214)	(iii)	11,000,729	-
		23,612,946	14,164,433
Total long term debt		$23,692,946	14,564,433

(i) The 13% bank loan is repayable in instalments of $80,000 to the Development Bank of Jamaica Limited, through National Commercial Bank Jamaica Limited. It is secured by a Bill of Sale over a motor vehicle and a guarantee of the company.

(ii) These advances are interest-free and have no fixed repayment terms. Advances will be repaid by sale of coffee beans.

(iii) The debentures are secured by a floating charge over the assets of the company, with the interests of both debenture-holders ranking *pari passu*. Interest is payable in United States dollars or its equivalent, after a two-year moratorium, which ends on December 30, 2004

The balances are repayable on December 30 of any year after 2012 but not later than December 30, 2022.

17 Minority interests

Minority interest represents a 49% interest held by Wataru & Co., Limited in Dyoll/Wataru Coffee Company Limited.

18 Investment instrument

(a) This represents a ten-year 12.5% convertible redeemable investment instrument issued by a subsidiary to FINSAC Limited. The investment will mature on December 15, 2008. Both interest and principal will accumulate until maturity at which time the total sum payable will be converted at market value, into ordinary shares of the subsidiary. However, the subsidiary has the option to redeem a part or all of this instrument plus interest due at any time after year 5 and up to 90 days after the maturity date provided that there is adequate surplus in a capital redemption reserve account [note 15 (b)].

The subsidiary, with the approval of FINSAC Limited reduced the capital redemption reserve by $30,171,381 (2001: $29,529,394) to a balance equal to the amount outstanding on the investment instrument [note 15(b)]

The subsidiary has commenced repayment ahead of schedule. Principal repayments to December 31, 2002 total $128,458,213 (2001: $97,703,619).

(b) Interest charged on this investment instrument for the year amounted to $5,334,050 (2001: $14,034,852).

19 Insurance funds

	Group	
	2002	**2001**
		(restated)
Unearned premiums reserve	227,668,418	246,222,076
Outstanding claims, net (a)	442,426,852	449,832,000
	670,095,270	696,054,076

(a) Net claims outstanding include an estimate of $91,344,000 (2001: $97,759,000) in respect of the probable cost of claims incurred but not reported.

20 Gross operating revenue

Gross operating revenue represents gross premiums written and income from the sale of coffee beans.

21 Net earned premiums

	Group	
	2002	**2001**
Gross premiums written	871,051,223	819,125,884
Less: reinsurance premiums	(472,380,680)	(369,317,452)
Net premiums written	398,670,543	449,808,432
Decrease/(increase) in unearned premium	18,553,658	(42,112,499)
	$ 417,224,201	407,695,933
	=============	=============

22 Disclosure of (income)/expenses

Operating profit is stated after charging/(crediting):

		2002	**2001**
		$	**$**
Staff costs		101,419,273	89,589,651
Depreciation		11,850,043	11,682,210
Directors' emoluments	- fees	494,000	603,000
	- management	17,505,007	15,112,035
Auditors' remuneration	- current year	3,105,000	2,795,000
	- prior year	430,517	(75,000)
		==========	===========

23 Exceptional items

	2002 $	2001 $
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)	(7,484,601)
Provision for long term receivable - Drax Hall Holdings Limited	(6,670,000)	
Provision for diminution in value of investments	(960,000)	(4,256,454)
Gain on exchange, net*	10,783,549	10,057,435
Redundancy costs	-	(31,998,240)
Business process review charges	-	(3,592,000)
	$(8,278,664)	(44,963,773)

*Includes $751,117 (2001: $Nil) for gain on earnings of foreign associate [note 2f)].

24 Taxation

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

	Group 2002	2001
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	(289,789)	(655,706)
	$32,539,288	39,586,777

(b) 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.

25 Extraordinary item

This 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).

26 Profit for the year attributable to the group

	2002	2001
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	4,863,688	3,459,265
	$87,412,125	121,853,523

27 Earnings per stock unit

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.

28 Prior year adjustments

These 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:

	2002	2001
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)
	(21,365,191)	(10,874,431)
Foreign exchange gains (in capital reserve)	13,873,997	-
	$ (7,491,194)	(10,874,431)

29 Accumulated deficit

	2002	2001
Retained in the financial statements of:		
The company	(92,659,617)	(101,932,037)
Subsidiaries, net	134,664,365	42,000,517
Associated companies, net	(63,460,308)	(68,323,996)
	$(21,455,560)	(128,255,516)

30 Underwriting policy and reinsurance ceded

In the normal course of business the insurance subsidiary seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers.

Reinsurance ceded does not discharge its liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the subsidiary. Consequently, a contingent liability exists should an assuming reinsurer be unable to meet its obligations.

The subsidiary mitigates this risk by evaluating the financial condition of its reinsurers on a continuing basis.

The insurance subsidiary's 2002 reinsurance treaties limit its liability to a basic maximum amount of $2m (2001:$0.466m) on any property and $7m (200:$3m) on any single liability claim, including motor. The reinsurance, which has an upper limit of J$12.75m and US$2.81 m limits the subsidiary's liability to US$0.250m and US$0.062m for Jamaica and Cayman territories respectively, for property catastrophe losses in respect of any series of losses arising out of a single catastrophe event.

31 Pension scheme

There are two contributory pension schemes for all employees who have satisfied certain minimum service requirements.

The scheme administered by First Life Insurance Company was in operation for the company and its subsidiaries, however, the company and its insurance subsidiary withdrew with effect from June 30, 2001 leaving one subsidiary contributing thereto (see note 25). The scheme administered by First Life was actuarially updated at December 31, 2002 and a surplus of $14.1 million disclosed.

The scheme administered by Guardian Life Assurance Company Limited is in operation for employees of the company and the insurance subsidiary. This scheme was started in June 2002 and is a defined contribution scheme.

Contributions for the year amounted to $Nil (2001: $35,908) for the company and $524,921 (2001: $1,146,013) for the group.

32 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, 2002, 777,500 (2001: 777,500) stock units had been issued under the scheme.

33 Subsidiaries and associated companies

Subsidiaries	**Equity holding**		
	2002	**2001**	**Activities**
Dyoll Insurance Company Ltd.	100%	100%	General insurance underwriting
Dyoll Life Limited	100%	100%	Not operational
Dyoll /Wataru Coffee Company Limited	51%	51%	Coffee cultivation

Associated companies	**Equity holding**		
	2002	**2001**	**Activities**
Cayman Insurance Centre Limited (Incorporated in the Cayman Islands)	35.24%	35.24%	General, health and life insurance broking and insurance premium financing
DCFS Limited (formerly Dyoll Caribbean Financial Services Limited)	50%	50%	Not operational
Seville Development Corporation Limited	20%	20%	Property investment

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

(a) On December 11, 1998, FINSAC Limited assumed control of the insurance operations of Dyoll Life Limited.

(b) Cayman Insurance Centre Limited has a May 31, year end. These financial statements include the results of this associate based on management accounts made up to December 31, 2002 (2001: December 31, 2001).

(c) Dyoll insurance Company Limited is deemed to be registered under the Insurance Act 2001

The actuary has been appointed by the Board of Directors pursuant to the Act. With respect to preparation of financial statements, the actuary is required to carry out an actuarial valuation of management's estimate of the company's policy liabilities and report thereon to the shareholders. Actuarially determined policy liabilities consist of the provisions for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation and provision for unexpired risks. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any direction that may be made by the regulatory authorities.

34 Financial instruments

(a) Financial instrument risk:

Exposure to various types of financial instrument risk arises in the ordinary course of the group's business.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The group generally does not require collateral in respect of non-cash financial assets. The group has credit policies and processes in place to minimise exposure to credit risk including the performance of credit evaluations on all customers requiring credit.

At the balance sheet date, there was significant credit risk in respect of balances with the Government of Jamaica. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The group seeks to contract long-term liabilities at fixed interest rates for the duration of the loans. Short-term loans and other fixed term loans are also subject to interest rates which are fixed in advance but which may be varied with appropriate notice by the lender.

At December 31, 2002, financial liabilities subject to interest aggregated $22 million (2001: $52 million).

Interest bearing financial assets mainly comprise a long-term loan, monetary instruments, bank deposits and other short-term investments, which have been contracted at fixed interest rates for the duration of their terms. At December 31, 2002, financial assets subject to interest aggregated $739 million (2001:$728 million).

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group incurs foreign currency risk primarily on reinsurance contracts and investments that are denominated in a currency other than the Jamaica dollar. The main foreign currency risks of the group are denominated in United States dollars (US$), however, there are other transactions denominated in Caymanian and Bahamian dollars.

The company manages foreign exchange exposure by maintaining adequate liquid resources in foreign currencies.

At December 31, 2002, net foreign currency assets were as follows:

	2002	**2001**
United States dollars	3,432,865	1,847,773
Caymanian dollars	3,600,419	2,292,388
Bahamian dollar	15,769	116,439
	=========	=========

Exchange rates, in terms of Jamaica dollars, were as follows:

	US	Bahamian	Caymanian
At December 31, 2001:	47.40	46.92	5746
At December 31, 2002:	50.97	50.29	61.57
At March 26, 2003:	55.95	55.37	67.80

In accordance with accounting policies applied consistently, exchange gains and losses are recognised in the profit and loss account when incurred [see note 2f)].

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The group's significant exposure to market risk relates to the holding of quoted investments which are reflected in the financial statements at fair value. These investments are monitored as part of the group's short and long term investment portfolio.

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The group manages liquidity risk by maintaining adequate amounts of liquid financial assets of appropriate terms, and by maintaining committed financing to meet all contractual obligations and other recurring payments.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The group manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(b) Fair value disclosures:

(i) Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

(ii) The fair values of amounts disclosed as cash resources, accounts receivable, short term borrowings, accounts payable and balances due to/from related parties are assumed to approximate to their carrying value, due to their short-term nature. Long-term assets and liabilities are carried at their contracted settlement value. The fair value of investments is reflected in note 8. Amounts due to/from subsidiaries are considered to approximate their carrying value, as they represent an ability to effect future set-offs in the amounts disclosed.

35 Commitments

(a) At December 31, 2002, there were commitments by the group under non-cancellable operating leases expiring between 2003 and 2009 amounting to $7,462,662 (2001: $18,382,820). The amounts payable within twelve months aggregate $6,369,204 (2001: $13,582,455).

(b) At December 31, 2002 the company was committed to donating $2,250,000 to The University Hospital of the West Indies, in equal annual instalments of $750,000, over the next three years.

35 Contingent liability

The company has guaranteed a subsidiary's long-term liability to Jamaica Development Bank Limited, formerly Agricultural Credit Bank of Jamaica Limited in respect of various loans which are fully repayable between 2002 and 2004 to a maximum of $1,200,000 (2001: $15,200,000). At December 31, 2002 this liability amounted to $400,000 (2001: $1,083,636).