DYOLL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

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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 14 (2002: 12) for the company and 201 (2002: 194) for the group. The principal activity of the company is providing management services to its subsidiaries and associated companies (note 32).

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. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee of the IASB, recommendations by the Institute of Chartered Accountants of Jamaica and the Companies Act.

The financial statements are prepared using MRS for the first time. Consequently, where necessary, prior year comparatives have been reclassified and restated to conform to IFRS. IFRS I - First time adoption of IFRS, has been adopted early, with the application of appropriate exemptions. The effects of adopting IFRS on stockholders' equity and net profit attributable to members, as previously reported, are detailed in note 3.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars ($), which is the measurement currency of the company.

The financial statements are prepared under the historical cost convention, modified for the inclusion of investment properties at fair value (note 3).

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the balance sheet date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

(c) Basis of consolidation:

A "subsidiary" is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The consolidated financial statements comprise the financial results of the company and its subsidiaries prepared to December 31, 2003. The principal operating subsidiary companies are listed in note 32. The company and its subsidiaries are collectively referred to as "the group".

Associated companies are those enterprises in which the group has significant influence, but not control, over their financial and operating policies. Interests in associated companies (as listed in notes 8 and 32) are accounted for on the equity basis, using the results disclosed in their latest available audited financial statements adjusted for significant events, if any, occurring between the last audited balance sheet date and December 31, 2003.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(d) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, and include short-term deposits and other monetary investments with maturities ranging between one and twelve months from balance sheet date.

Bank overdrafts, that are repayable on demand and form an integral part of the group's cash management activities, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(e) Accounts receivable:

Trade and other receivables are stated at cost less impairment losses.

(f) Biological asset:

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

(g) Inventories:

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

(h) Accounts payable:

Trade and other payables, are stated at cost.

(i) Provisions:

A provision is recognised in the balance sheet when the company and its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(j) Insurance funds:

Underwriting results, including gross written premiums of the general insurance subsidiary, are accounted for in compliance with the recommendations and practices of the Jamaican insurance industry, and comply with the provisions of the Insurance Act 2001.

In determining underwriting results, claims provisions are computed by a qualified independent actuary appointed by the insurance subsidiaries' management. The appointed actuary's reports outline the scope of the valuations, the actuary's opinion, and are utilised by the auditors in carrying out their work.

(k) Related parties:

Entities subject to the same ultimate control or significant influence as the company are referred to in the financial statements as 'related parties'.

(l) Employee benefits:

(i) The company and the group participated in a trusteed defined benefit pension scheme which was in operation for the company and its subsidiaries, the assets of which were held separately from those of the group. The scheme was wound up during the year (see note 3 1). The pension asset recorded is the actuarially determined refund due to the group.

(ii) Contributions to the defined contribution pension plan are recognised as an expense in the income statement as incurred (see note 31).

(m) Investments:

Where the company acquire securities at the date of issue, they are classified as originated loans and receivables, and are measured at amortised cost less impairment losses [see accounting policy (x)]. Where the company has the positive intent and ability to hold securities to maturity, they are classified as held-to-maturity and are measured at amortised cost less impairment losses. Other investments are classified as being available-for-sale and are stated at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any changes in fair value included in investment revaluation reserve.

The fair value of available-for-sale investments is based on their quoted market bid price at the balance sheet date without any deduction for transaction costs. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Available-for-sale investments are recognised or derecognised by the company on the date it commits to purchase or sell the investments. Other investments are recognised or derecognised on the day they are transferred to/by the company.

(n) Investment property:

Investment property is stated at fair value determined annually by an independent qualified valuer. Fair value is based on current prices for properties similar in location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement.

(o) Securities purchased under resale agreements ("reverse repo"):

Securities purchased under resale agreement ("reverse repo") are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred, unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending, classified as originated loans and receivables and measured at amortised cost, less impairment losses.

(p) Goodwill:

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable tangible assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses.

Goodwill is amortised on a straight-line basis over the estimated useful life of the intangible asset. The estimated useful life for goodwill is 5 years from the date of initial recognition.

(q) Income taxes:

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is computed using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, except to the extent that the company and its subsidiaries are able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Fixed assets:

(i) Owned assets:

Items of property, plant & equipment are stated at cost or deemed cost [see notes 3 and 14], less accumulated depreciation and impairment losses.

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

(iii) Depreciation:

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 and leased assets	Over the period of lease
Computers and accessories	10%, 20%
Furniture, fixtures and equipment	10%
Motor vehicles	20%

(s) 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.

(t) Long-term liabilities:

(i) Interest-bearing borrowings:

Interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

(ii) Finance leases:

Arrangements by which all the risks and rewards incident to ownership have been transferred to the subsidiaries are treated as finance leases. The fair value of the asset is capitalised at the inception of the lease and the corresponding obligation is recorded. The interest portion of lease instalments is charged against income as and when the instalments fall due for payment.

(u) Foreign currencies:

(i) Foreign currency transactions:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are stated at fair value and are translated to Jamaica dollars at foreign exchange rates ruling at the dates the values were determined.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in the income statement are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

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.

(v) Revenue recognition:

Revenue from the sale of goods and services is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

Dividends are recognised in the period in which they are declared.

(w) Expenses:

Operating lease payments:

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(x) Impairment:

The carrying amounts of the company's and its subsidiaries' assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the company's and its subsidiaries' receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is deterimed for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event. For all other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(y) Segment reporting:

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The activities of the group are organised into the following primary segments:

(i) General insurance

This comprises the underwriting of motor, property, casualty and other general insurance risks.

(ii) Corporate and other

This includes management operations of the company and the coffee cultivation of a subsidiary.

The business segments are classified geographically as "Jamaica" and "Cayman".

(z) 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 and cash equivalents, accounts receivable, loans and other receivables, related party receivables and investments. Similarly, financial liabilities include accounts payable, short and long-term borrowings, excluding obligations under finance leases, and related party payables.

(aa) Fair value disclosures:

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. 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.

3. Effects of first time adoption of International Financial Reporting Standards

As stated in note 2(a), these are the company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended December 31, 2003, the comparative information presented for the year ended December 31, 2002 and in the preparation of an opening IFRS balance sheet at January 1, 2002 (the company's date of transition to IFRS).

In preparing its opening IFRS balance sheet, the company has adjusted amounts previously reported in financial statements prepared in accordance with previous Jamaica generally accepted accounting principles (GAAP). An explanation of how the transition from previous Jamaica GAAP to IFRS has affected the company's financial position, financial performance and cash flows is set out below.

(a) January 1, 2002 (transition date): Reconciliation of shareholders' equity:

	Capital reserve	**Investment revaluation reserve**	**Unappropriated profits**	**Total**
IAS 12 - Income taxes (i)	-	-	(31,004,862)	(31,004,862)
IAS 19 - Employee benefits (ii)	-	-	17,273,000	17,273,000
IAS 40 - Investment property (iii)	(5,943,008)	-	5,943,008	-
IAS 36 - Impairment (iv)		-	48,141,530	48,141,530
IAS 37 - Provision (v)	-		-	-
IAS 22 - Business combination (vi)	-		(1,844,634)	(1,844,634)
IAS 39 - Financial instruments (vii)	-	1,741,698	464,833	(1,276,865)
	($5,943,008)	(1,741,698)	38,972,875	31,288,169

(b) Year ended December 31, 2002: Reconciliation of net profit for the year attributable to members:

	Net profit
As previously reported	87,412,125
IAS 12 - Income taxes (i)	16,298,042
IAS 19 - Employee benefits (ii)	(2,203,000)
IAS 22 - Business combination (vi)	(105,097)
1AS 40 - Investment property (iii)	1,600,000
IAS 36 - Impairment (iv)	6,807,948
IAS 37 - Provision (v)	6,670,000
IAS 39 - Financial instruments (vii)	702,686
Aggregate effect of first-time adoption of IFRS	29,770,579
As restated	$117,182,704

(i) No provision for deferred tax was recognised under previous Jamaican GAAP as applied by the company. Under IFRS, full provision is made for deferred tax on all temporary differences using the balance sheet liability method.

(ii) Assets arising under defined benefit pension plans are recognised under IAS 19 based on actuarial valuations using the projected unit credit method. The transition adjustment represent the recognition of pension assets for defined benefit pension schemes for which the company is the guaranteeing employer.

(iii) Investment property was revalued by independent professional valuers. Revaluation surplus previously reported in capital reserve has been included in income.

(iv) This represents accrual of interest income arising from assessment of impairment on the balance receivable from Drax Hall Holdings Limited.

(v) This represents the reversal of general provisions not permitted under IFRS.

(vi) This represents the amortisation of goodwill and restatement of minority interest arising from first-time adoption of IFRS

(vii) Under previous Jamaican GAAP, the group measured all investments at lower of cost and market value. Under IFRS, held to maturity investments are measured at amortised cost and available for sale investments are measured at fair value.

(viii) The company's buildings were revalued in December 2001 at open market values by professional valuers. The revalued amounts have been deemed to be the assets cost upon first-time adoption of the IFRS. The previously reported surplus arising on revaluation is included in capital reserve.

4. Cash and cash equivalents

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 C1. These deposits amounted to $149,677,306 (2002: $116,138,666) equivalent to CI$1,940,422 (2002: CI$1,928,573). These also include $4.5 million (2002: $Nil) hypothecated as security for long-term debt [(note 17(b)(ii)].

5. Accounts receivable and prepaid expenses

	Company		Group	
	2003	**2002**	**2003**	**2002**
Premiums due from policyholders, agents and brokers net of provision for doubtful debts of $4,762,988 (2002: $18,165,304)	-	-	155,616,585	130,923,349
Other accounts receivable and prepaid expenses	69,748,808	65,058,714	118,389,096	88,282,423
Prepaid commission	-	-	62,353,344	41,362,459
	69,748,808	65,058,714	336,359,025	260,568,231

Premiums due from policyholders, agents and brokers include an amount of $33,488,230 (2002: $37,820,105) receivable from an associated company.

Other accounts receivable and prepaid expenses include $62,199,312 (2002: $61,528,424) due from Drax Hall Limited. The company has obtained favourable judgement in litigation to recover the principal amount with interest accruing from February 1997 at approximately 12% per annum. 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 the Coffee Industry Board.

7. Accounts payable and accrued charges

	Company		Group	
	2003	**2002**	**2003**	**2002**
Facultative premiums	-	-	2,655,307	5,643,137
Brokers' commission	-	-	26,597,944	26,880,868
Treaty reinsurance, net	-	-	58,490,205	26,089,588
Advance treaty commission	-	-	66,174,878	33,856,835
Motor quota share premiums	-	-	40,758,556	-
Other	7,949,820	2,815,737	24,169,753	16,160,685
	7,949,820	2,815,737	218,846,643	108,631,113

8. Investment in associated companies

	Group	
	2003	2002
Shares, at cost	4,781,706	7,604,827
Post-acquisition reserves at beginning of year	47,716,154	33,766,212
Exchange adjustment	3,743,733	1,151,419
Share of profits	9,870,006	13,949,942
Dividends received	(51,053,255)	(40,316,061)
Carrying value at end of year	$15,058,344	16,156,339

9. Other investments

	Group	
	2003	**2002**
Held to maturity		
Government of Jamaica securities maturing between 1 and 5 years:		
Bonds	56,674,800	17,052,120
Local Registered Stocks	50,877,915	36,707,954
Treasury bills	-	10,998,471
Investment debentures	5,500,000	8,500,000
Promissory notes	6,055,000	5,983,200
	119,107,715	79,241,745
Originated loans and receivables		
Mortgage and other loans	6,297,946	6,297,946
Less provision for impairment	(5,722,686)	(5,722,686)
	575,260	575,260
Available for sale		
Quoted equities	66,409,626	31,940,564
Unquoted equities	960,000	960,000
Less provision for impairment	(960,000)	(960,000)
	66,409,626	31,940,564
	$186,092,601	111,757,569

Investments include foreign currency investments aggregating US$1,036,000 (2002:US$451,939), and certificates evidencing deposits totalling J$45,300,000 (2002: J$45,300,000) held to the order of the Financial Services Commission as required by the Insurance Act 2001.

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.

The company has provided for an accumulated amount of $47,752,084 (2002: $47,752,084) in respect of this balance.

11. Subsidiary company balances

	2003	2002
Dyoll/Wataru Coffee Company Limited		
Advances for purchase of shares	1,710,113	1,710,113
US$244,592 4% debenture (i)	14,810,052	12,449,738
Cash advances (iii)	14,400,000	11,000,000
	30,920,165	25,159,851
Dyoll Insurance Company Limited		
Promissory note (ii)	17,000,000	-
	47,920,165	25,159,851
Due to subsidiary:		
More than twelve months:		
Dyoll Insurance Company Limited (iii)	-	20,392,225

(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) The promissory note bears interest at 24% per annum and is payable on December 31, 2008,

(iii) These balances are interest-free and have no fixed repayment terms.

12. Loan receivable

This represents a US$1,000,000 12% loan to Drax Hall Holdings Limited which fell due on March 31, 1998.

The company has obtained favourable judgement in litigation to recover the principal amount with interest accruing from February 1997. Under the judgement the company obtained an order for sale of land owned by Drax Hall Holdings Limited, to recover the debt.

13. Investment properties

	Company		**The Group**	
	2003	**2002**	**2003**	**2002**
Balance at January 1	4,500,000	4,000,000	34,700,000	33,100,000
Revaluation	1,100,000	500,000	4,800,000	1,600,000
Balance at December 31	5,600,000	4,500,000	39,500,000	34,700,000

(a) The carrying amount of investment property is the fair value as determined by qualified valuers.

(b) Titles for some of the properties are registered in the name of a former executive and others are registered in the name of a fellow subsidiary and the trustees of Dyoll Group Pension Scheme. The company has power of attorney in respect of these properties.

14. Fixed assets

Company:

	Buildings and leasehold improvements	Furniture, fixtures equipment leased equipment	Computers and accessories	Totals
At cost or deemed cost:				
December 31, 2002	805,611	9,805,791	11,043,263	21,654,665
Additions	357,335	5,732,135	2,186,193	8,275,663
December 31, 2003	1,162,946	15,537,926	13,229,456	29,930,328
Depreciation:				
December 31, 2002	805,602	461,624	3,768,815	5,036,041
Charge for the year	35,733	1,405,420	2,444,634	3,885,787
December 31, 2003	841,335	1,867,044	6,213,449	8,921,828
Net book values:				
December 31, 2003	$ 321,611	13,670,882	7,016,007	21,008,500
December 31, 2002	$9	9,344,167	7,274,448	16,618,624

Group:

	Freehold buildings and leasehold improvements	Fixture, furniture, equipment, leased equipment and vehicles	Computers and accessories	Totals
At cost or deemed cost:				
December 31, 2002	5,166,888	20,592,366	48,485,123	74,244,377
Additions	357,335	7,428,615	2,186,193	9,972,143
Disposals	-	(965,630)	-	(965,630)
December 31, 2003	5,524,223	27,055,351	50,671,316	83,250,890
Depreciation:				
December 31, 2002	1,729,997	8,162,698	40,602,275	50,494,970
Charge for the year	211,921	2,499,182	2,928,576	5,639,679
Eliminated on disposals	-	(959,201)	-	(959,201)
December 31, 2003	1,941,918	9,702,679	43,530,851	55,175,448
Net book values:				
December 31, 2003	$3,582,305	17,352,672	7,140,465	28,075,442
December 31, 2002	$3,436,891	12,429,668	7,882,848	23,749,407

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.

The revalued amounts have been deemed to be the assets' cost upon first-time adoption of IFRS. The previously reported surplus arising on revaluation is included in capital reserve.

15.Biological assets

	Group	
	2003	**2002**
Cost	44,290,110	44,290,110
Amortisation:		
At beginning of year	5,368,498	4,026,373
During the year	1,342,130	1,342,125
	6,710,628	5,368,498
	$37,579,482	38,921,612

16. Share capital and reserves

(a) Share capital

	2003	**2002**
Authorised:		
66,144,254 ordinary shares of 50 cent each	$33,072,127	33,072,127
Issued and fully paid:		
60,921,714 ordinary stock units of 50 cent each	30,460,857	30,460,857

(b) Capital redemption reserve

	2003	2002
At beginning of the year	23,600,001	53,771,381
Transfer to retained earnings	(22,000,001)	(30,171,380)
At end of the year	$1,600,000	23,600,001

The balance at December 31, 2003 include $Nil (2002: $22,000,001) relating to the investment instrument (See note 20).

17. Long-term debts

	Company 2003	Company 2002	Group 2003	Group 2002
(a) Bankloan				
13% - bank loan 2004 (1)	-	-	80,000	400,000
18% - bank loan (ii)	18,000,000		18,000,000	-
	18,000,000		18,080,000	400,000
Less: current maturities	-	-	(80,000)	(320,000)
	18,000,000	-	18,000,000	80,000
(b) Other long term debt				
Wataru & Co., Limited (iii)	-		23,421,484	12,612,217
4% debentures (US$216,214) (iv)		-	13,086,329	11,000,729
		-	36,507,813	23,612,946
	$18,000,000		54,507,813	23,692,946

(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) This loan is repayable on or before December 5, 2008. The loan is secured by a first legal mortgage over property at Turtle Towers, Ocho Rios, St. Ann and hypothecation of certificate of deposit aggregating $4.5 million (note 4).

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

(iv) 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, 2002.

The balances are repayable on December 30 of any year after 2012 but not later than December 30, 2002.

18. Finance lease obligation

	2003	**2002**
Future lease payments due within:		
One year	353,461	-
Two to three years	500,736	-
Total future minimum lease payments	854,197	-
Less: Future finance charge	(160,855)	-
	$693,342	-
Comprised as follows:		
Current portion	286,900	-
Long-term portion	406,442	-
	$693,342	-
	========	===

19. Minority interest

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

20. Investment instrument

(a) This represented 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 16 (b)].

The subsidiary, with the approval of FINSAC Limited reduced the capital redemption reserve by $23,600,001 (2002: $30,171,380) [note 16(b)]. The investment instrument was redeemed during the year.

(b) Interest charged on this investment instrument for the year amounted to $2,289,325 (2002: $5,334,050).

21. Deferred tax liability

Deferred tax liability is attributable to the following:

	The Company		The Group	
	2003	**2002**	**2003**	**2002**
Fixed assets	2,168,561	753,552	1,705,984	483,572
Accounts receivable	6,196,198	-	17,077,828	5,358,684
Accounts payable	-	-	(370,322)	-
Tax value of losses carry-forward	(664,390)	-	(664,390)	
Finance leases	(239,083)	-	(239,083)	-
Employee benefits	-	5,023,333	-	5,023,333
Investment property	1,860,311	1,493,481	5,634,367	3,841,232
	$9,321,597	7,270,366	23,144,384	14,706,821

All movement in temporary differences are recognised in the income statement.

22. Insurance funds

	Group 2003	Group 2002
Unearned premiums reserve	264,183,441	227,668,418
Outstanding claims, net (a)	370,637,481	442,426,852
	$634,820,922	670,095,270

(a) Net claims outstanding include an estimate of $89,048,000 (2002: $91,344,000) in respect of the proable cost of claims incurred but not reDorted.

23. Gross operating revenue

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

24. Disclosure of (income)/expenses

Operating profit is stated after charging/(crediting):

			2003 $	2002 $
Staff costs			131,676,513	104,706,397
Depreciation			5,639,569	11,850,043
Directors' emoluments	-	fees	1,438,500	494,000
	-	management	13,699,761	17,505,007
Auditors' remuneration	-	current year	4,950,000	3,105,000
	-	prior year	-	430,517

25. Taxation

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

	Group	
	2003	**2002**
Current tax expense:		
Income tax at 33 1/3%	33,986,208	31,612,860
Transfer tax at 7 1/2%	2,625,000	1,216,216
Previous year's under/(over) provision	1,453,354	(289,789)
	38,064,562	32,539,287
Deferred taxation:		
Origination and reversal of temporary timing differences	8,437,563	(16,298,041)
	$46,502,125	16,241,246

(b) Reconciliation of effective tax rate:

	2003	**2002**
Computed "expected" tax expense @ 33 1/3%	70,193,507	35,133,253
Difference between profit for financial statements and tax reporting purposes on:		
Tax-free capital gain	(11,666,667)	(10,794,370)
Depreciation and capital allowances	1,591,235	232,053
Finance leases	(294,869)	-
Exchange gain	(25,775,910)	(1,106,667)
Disallowed expenses and other adjustments	12,454,829	(7,223,023)
Actual tax expense	$46,502,125	16,241,246

Taxation losses, subject to agreement by the Commissioner, Taxpayer Audit & Assessment, amount to approximately $2,268,000 (2002: Nil) for the company and $19.400,000 (2002: $20.475.000) for the group. If unutilised these losses can be carried forward indefinitely.

26. Extraordinary item

This represents refunds of pension contributions in 2002, 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.

27. Profit for the year attributable to the group

	2003	2002
Dealt with in the financial statements of:		
The company	58,003,204	28,586,842
Subsidiaries, net	96,391,930	74,645,920
Associated company	9,870,006	13,949,942
	$164,265,140	117,182,704

28. 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.

29. Retained earnings

	2003	2002
Retained in the financial statements of:		
The company	20,265,234	18,165,519
Subsidiaries, net	124,373,596	57,304,201
Associated company	7,674,617	8,151,212
	$152,313,447	47,289,894

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 the subsidiary's 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 2003 reinsurance treaties limit its liability to a basic maximum amount of $2 million (2002: $2 million) on any property, $7 million (2002: $7 million) on motor and $3 million (2002: $3 Million) on general liability including employer's liability. The reinsurance, which has an upper limit of US$12.75 million and US$2.81 million limits the subsidiary's liability to US$0.25 million and US$0.62 million 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 26). The subsidiary withdrew from the scheme during the year.

The ongoing scheme, administered by Guardian Life Assurance Company Limited is in operation for employees of the company and its subsidiaries. This scheme was started in July 2002 and is a defined contribution scheme.

Contributions for the year amounted to $54,183 (2002: $Nil) for the company and $999,908 (2002: $524,921) for the group.

32. Subsidiaries and associated companies

Principal operating subsidiaries

Subsidiaries	**Equily holding**		
	2003	2002	Activities
Dyoll Insurance Company Ltd.	100%	100%	General insurance underwriting
Dyoll/Wataru Coffee Company Limited	51%	51%	Coffee cultivation

Associated companies	**Equity holding**		
	2003	2002	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 development

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

(a) Cayman Insurance Centre Limited has a May 3 1, year-end. These financial statements include the results of this associate based on management accounts made up to December 31, 2003 (2002: December 31, 2002).

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

33. Segment Reporting

	Insurance		Corporate and other		Elimination		Consolidation	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
	$	$	$	$	$	$	$	$
Revenue:								
Internal	-	-	96,869,712	75,000,000	(96,869,712)	(75,000,000)	-	-
External	1,353,417,233	871,051,223	22,723,582	17,582,001	-	-	1,376,140,815	888,633,224
Total revenue	1,353,417,233	871,051,223	119,593,294	92,582,001	(96,869,712)	(75,000,000)	1,376,140,815	888,633,224
Segment results	178,892,604	90,490,627	21,817,910	959,189			200,710,514	91,449,942
Share of profits of							9,870,006	13,949,942
associate	-	-	9,870,006	13,949,942			(46,502,125)	(16,241,246)
Tax							164,078,395	89,158,512
Profit after tax							186,745	16,361,688
Minority interest							-	11,662,504
Extraordinary item							164,265,140	117,182,704
Net profit for year								
Segment assets	1,293,855,074	1,055,941,470	220,364,994	186,129,209			1,514,220,068	1,242,070,679
Investment in associate	-	-	15,058,344	16,156,339			15,058,344	16,156,339
Unallocated assets							3,216,206	3,145,772
Total assets								
Segment liabilities	858,954,142	792,877,092	49,994,578	32,048,982			908,948,720	824,926,074
Unallocated liabilities							32,069,634	17,495,177
Total liabilities							941,018,354	842,421,251
Other segment information:								
Capital expenditure	-	-	9,972,143	15,439,289			9,972,143	15,439,287
Amortisation	-	-	1,342,130	1,342,125			1,342,130	1,342,125
Depreciation	639,367	9,051,815	5,000,202	2,798,228			5,639,569	11,850,043

	Jamaica		Cayman		Total	
	2003	2002	2003	2002	2003	2002
Revenue from external customers	1,064,960,012	642,777,632	311,180,803	245,855,592	1,376,140,815	888,633,224
Segment assets	1,345,771,108	1,107,414,079	186,723,510	153,958,711	1,532,494,618	1,261,372,790
Amortisation	1,342,130	1,342,125	-	-	1,342,130	1,342,125
Capital expenditure	9,972,143	15,439,Z87	-	-	9,972,143	15,439,287

34. Financial instruments

(a) Financial instrument risk:

Exposure to various types of financial instrument risks 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 exposure 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) 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 Canadian, Caymanian and Bahamian dollars.

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

At December 31, 2003, net foreign currency assets were as follows:

	2003	**2002**
Canadian dollars	495,216	-
United States dollars	3,173,853	3,432,865
Caymanian dollars	2,963,227	3,600,419
Bahamian dollar	16,026	15,769

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

	Canadian	**US**	**Bahamian**	**Caymanian**
At December 31, 2002:	32.09	$50.97	50.29	61.57
At December 31, 2003:	46.59	$60.62	60.62	72.74

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

(iii) 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 following table summarises the carrying amounts of balance sheet assets, liabilities and equity in order to arrive at the company's interest rate gap based on the earlier of contractual repricing and maturity dates.

The Group				**2003**	
	Within three months	**Three to twelve months**	**One to five years**	**Non-rate sensitive**	**Total**
Cash and cash equivalents	357,425,988	429,133,500	-	9,080,085	795,639,573
Investment properties	-	-	-	39,500,000	39,500,000
Due from Dyoll Group Pension Scheme	-	-	-	2,170,367	2,170,367
Pension asset	-	-	-	14,658,000	14,658,000
Accounts receivable and prepaid expenses	-	-	-	336,359,025	336,359,025
Long-term receivable	-	-	60,415,300	-	60,415,300
Inventories	-	-	-	13,730,278	13,730,278
Taxation recoverable	-	-	-	3,216,206	3,216,206
Other investments	-	-	119,107,715	66,984,886	186,092,601
Fixed assets	-	-	-	28,075,442	28,075,442
Biological assets	-	-		37,579,482	37,579,482
Investment in associated companies	-	-	-	15,058,344	15,058,344
Total assets	357,425,988	429,133,500	179,523,015	566,412,115	1,532,494,618
Current maturity of long-term loan	80,000	-	-	-	80,000
Current maturity of finance lease obligation	-	-	-	286,900	286,900
Finance lease obligation	-	-	-	406,442	406,442
Accounts payable and accrued charges	-	-	-	218,846,643	218,846,643
Long-term debt	-	-	31,086,329	23,421,484	54,507,813
Shareholders' equity	-	-	-	591,476,264	591,476,264
Insurance funds	-	-	-	634,820,922	634,820,922

Deferred tax liability	-	-	-	23,144,384	23,144,384
Taxation payable	-	-	-	8,925,250	8,925,250
Total liabilities and shareholders' equity	80,000	-	31,086,329	1,501,328,289	1,532,494,618
Total interest rate sensitivity gap*	357,345,988	429,133,500	148,436,686	(934,916,174)	-
Cumulative gap	357,345,988	786,479,488	934,916,174	-	-

*This gap is in relation to on balance sheet items. The group has no off-balance sheet financial instruments.

The average effective yields by the earlier of contractual repricing and maturity dates are as follows:

	2003		
	Within 3 months	**3 to 12 months**	**1 to 5 years**
	%	%	%
JS securities purchased under resale agreements	18.00	23.30	-
US$ securities purchased under resale agreements	4.55	1.26	9.00
Goverment of Jamaica securities	-	19.60	14.55
CI$ securities purchased under agreements to resell	2.5	-	-

The Group
2002

	Within three months $	Three to twelve months $	One to five years $	Non-rate sensitive $	Total $
Cash and cash equivalents	224,793,200	429,212,286	5,609,069	22,456,510	682,071,065
Investment properties	-	-	-	34,700,000	34,700,000
Due from Dyoll Group Pension scheme	-	-	-	15,070,000	15,070,000
Pension asset	-	-	-	17,493,755	17,493,755
Other accounts receivable	-	-	-	260,568,231	260,568,231
Long-term receivables	-	-	50,550,000		50,550,000
Inventory	-	-	-	7,189,040	7,189,040
Tax recoverable	-	-	-	3,145,772	3,145,772
Long-term investments	-	-	79,241,744	32,515,825	111,757,569
Fixed assets	-	-	-	23,749,407	23,749,407
Biological assets	-	-		38,921,612	38,921,612
Investment in associated companies			-	16,156,339	16,156,339
Total Assets	224,793,200	429,212,286	135,400,813	471,966,491	1,261,372,790
Current maturity of long-term loan	-	-	320,000	-	320,000
Minority interest	-	-		186,745	186,745
Investment instrument	-	-	22,000,000	-	22,000,000
Accounts payable and accrued charges	-	-	-	108,631,113	108,631,113
Long-term debt	-	-	23,692,946	-	23,692,946
Shareholders' equity	-	-	-	418,951,539	418,951,539
Insurance funds	-	-	-	670,095,270	670,095,270
Deferred tax liability	-	-	-	14,706,821	14,706,821
Taxation payable	-	-	-	2,788,356	2,788,356
Total liabilities and shareholders' equity	-	-	46,012,946	1,215,359,844	1,261,372,790
	-	-			
Total interest rate sensitivity gap*	224,793,200	429,212,286	89,387,867	(743,393,353)	-

Cumulative gap	224,793,200	654,005,486	743,393,353	-	-

*This gap is in relation to on balance sheet items. The group has no off-balance sheet financial instruments.

The average effective yields by the earlier of contractual repricing and maturity dates are as follows:

	2002		
	Within 3 months	3 to 12 months	1 to 5 years
	%	%	%
JS securities purchased under resale agreements	15	16.75	-
US$ securities purchased under resale agreements	5.68	5.90	12.80
Government of Jamaica securities	-	17.20	13.70
CI$ securities purchased under agreements to resell	1.8	3.00	-

The company

	2003				
	Within three months	**Three to twelve months**	**One to five years**	**Non-rate sensitive**	**Total**
Cash and cash equivalents	11,200,000	4,500,000	-	737,816	16,437,816
Investment property	-	-	-	5,600,000	5,600,000
Accounts receivable					
And prepaid expenses	-	-		(69,748,808)	69,748,808
Long term receivable	-	-	60,415,300		60,415,300
Taxation recoverable	-	-		(1,862,890)	1,862,890
Pension asset	-	-	-	14,658,000	14,658,000
Investment in subsidiaries	-		-	(13,439,444)	13,439,444
Due from subsidiaries	-	-	17,000,000	30,920,165	47,920,165
Fixed assets		-	-	(21,008,500)	21,008,500
Total assets	11,200,000	4,500,000	77,415,300	157,975,623	251,090,923

Finance lease obligation	-	-	-	(406,442)	406,442
Current maturity of finance lease obligations	-	-		(286,900)	286,900
Accounts payable and accrued charges	-	-		(7,949,820)	7,949,820
Shareholders' equity	-	-	-	215,126,164	215,126,1264
Long-term debt	-	-	18,000,000	-	18,000,000
Deferred tax liability	-	-	-	9,321,597	9,321,597
Total liabilities and shareholders' equity	-	-	18,000,000	233,090,923	251,090,923
Total interest rate sensitivity gap*	11,200,000	4,500,000	59,415,300	(75,115,300)	-
Cumulative gap	11,200,000	15,700,000	75,115,300	-	-

*This gap is in relation to on balance sheet items. The company has no off-balance sheet financial instruments.

The average effective yields by the earlier of contractual repricing and maturity dates are as follows:

	2003		
	Within 3 months	**3 to 12 months**	**1 to 5 years**
	%	**%**	**%**
Long term loan	-	-	12.00
J$ securities purchased under resale agreements	14.50	22.00	-

The company

	2002				
	Within three months	**Three to twelve months**	**One to five years**	**Non-rate sensitive**	**Total**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	-	-	-	438,793	438,793
Investment property	-	-		4,500,000	4,500,000
Accounts receivable and prepaid expenses	-	-	-	65,058,714	65,058,714
Long-term receivable	-	-	50,550,000	-	50,550,000
Taxation recoverable	-	-	-	2,858,033	2,858,033
Investment in subsidiaries	-	-	-	13,439,444	13,439,444
Due from subsidiaries companies	-	-	25,159,851	-	25,159,851
Fixed assets	-	-	-	16,618,624	16,618,624
Pension assets	-	-	-	15,070,000	15,070,000
Total assets	-	-	75,709,851	117,983,608	193,693,459
Accounts payable and accrued charges	-	-	-	2,815,737	2,815,737
Shareholders' equity	-	-	-	163,215,131	163,215,131
Due to subsidiary	-	-	-	20,392,225	20,392,225
Deferred tax liability	-	-	-	7,270,366	7,270,366
Total liabilities and shareholders' equity	-	-	-	193,693,459	193,693,459
Total interest rate sensitivity gap*	-	-	75,709,851	(75,709,851)	-
Cumulative gap	-	-	75,709,851	-	-

*This gap is in relation to on balance sheet items. The company has no off-balance sheet financial instruments.

The average effective yields by the earlier of contractual repricing and maturity dates are as follows:

	2002		
	Within 3 months	**3 to 12 months**	**1 to 5 years**
	%	%	%
Long-term loan	-	-	12
	===	===	====

(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.

(a) 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. Investments and investment properties are carried at fair value. 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.

36. Commitments

(a) At December 31, 2003, there were commitments by the group under non-cancellable operating leases expiring between 2003 and 2013 amounting to $175,156,953 (2002: $7,462,662). The amounts payable within twelve months aggregate $15,660,122 (2002: $6,369,204

(b) At December 31, 2003 the company was committed to donating $1,500,000 to The University Hospital of the West Indies, in equal annual instalments of $750,000, over the next two years.

37. Contingent liability

The company has guaranteed a subsidiary's long-term liability to the Development Bank of Jamaica Limited in respect of various loans, which are fully repayable between 2002 and 2004 to a maximum of $1,200,000 (2002: $1,200,000). At December 31, 2003 this liability amounted to $80,000 (2002: $400,000).