

DYOLL GROUP LIMITED

For period ended June 30, 2003

Chairman's Report

On behalf of the Board, we are pleased to present the half yearly results for Dyoll Group in compliance with the new International Financial Reporting Standards which became a reporting requirement on July 1, 2003. Our gross revenue to June 2003 was \$591 million, an increase of 40% over gross revenue of \$421 million for the same period in 2002. This revenue was derived 96% from insurance operations and 4% from coffee and corporate operations. The operating expenses for the half year also increased by 67% to \$535 million due as previously reported to significant transfers of revenue to premium reserves as a result of the volume of new business written in 2003 as compared to 2002. Our gross operating profit at June 2003 stood at \$55 million.

Dyoll Group also had significant other income with investment revenue of \$55 million and gain on foreign investment assets of \$77.9 million due to the devaluation of the Jamaican dollar. Administrative expenses increased 21% over the same period in 2002 to \$105 million. This increase was due to increased advertising, the costs incurred in the valuation of Dyoll, for our negotiations with Finsac, and the initial costs for the new Information systems survey. The Board continues to strive to improve the cost structures and service delivery and to achieve these aims we are reviewing our information systems in 2003 and this survey will help in the decision making process. This survey is being conducted by PricewaterhouseCoopers in conjunction with our Executive team and should be completed by the last quarter of 2003.

Profit before the provision of debt from Drax Hall Holdings was \$89 million, and profit attributable to shareholders at the end of this period was \$64 million, an increase of 45% over the June 2002 profit of \$44 million. The earnings per share also increased to \$1.05. Overall the Group has been able to seize some opportunities during the short period of instability which occurred in the economy. We are now moving to consolidate this progress to maintain our performance levels to meet our year end targets. We are also still actively in discussions with Finsac on the sale of their shares to existing shareholders and anticipate this long awaited decision will be announced shortly.

Group Profit and Loss Account (Unaudited)

	<u>3 Months to June 30, 2003</u>	<u>6 Months to June 30, 2003</u>	<u>3 Months to June 30, 2002</u>	<u>6 Months to June 30, 2002</u>
Gross operating revenue	356,407,508	591,057,801	256,656,202	421,394,026
Operating expenses	(309,011,825)	(535,426,635)	(208,401,479)	(320,944,628)
Gross operating profit	47,395,683	55,631,166	48,254,723	100,449,398
Other income/(expenses)				
Interest and dividends	29,663,247	55,294,675	25,078,261	56,154,758
Gain on exchange	50,298,829	77,995,881	9,591,198	4,280,154
Other income	2,611,999	3,539,818	928,266	973,014
Other expenses	(57,789,085)	(104,428,955)	(47,220,493)	(86,986,507)
	<u>72,180,673</u>	<u>88,032,585</u>	<u>36,631,955</u>	<u>74,870,817</u>
Share of profits of associated companies	2,732,817	3,792,645	6,430,961	5,771,191
Finance costs	(696,630)	(1,388,208)	(1,655,750)	(3,289,457)
Profit before exceptional items	<u>74,216,860</u>	<u>90,437,022</u>	<u>41,407,166</u>	<u>77,352,551</u>
Exceptional items, net	(5,008,902)	(14,920,117)	(3,823,528)	(7,567,857)
Profit for the year, before taxation	69,207,958	75,516,905	37,583,638	69,784,694
Taxation	<u>642,965</u>	(7,213,640)	(9,789,002)	(22,981,329)
Profit for the year, after taxation	69,850,923	68,303,265	27,794,636	46,803,365
Minority interest	(4,088,290)	(4,006,642)	(4,016,991)	(2,431,854)
Profit attributable to the group	\$ 65,762,633 =====	64,296,623 =====	23,777,645 =====	44,371,511 =====
Earnings per stock unit (note 4)	\$1.07 =====	1.05 =====	0.39 =====	0.73 =====

Group Balance Sheet (Unaudited)

	<u>June 2003</u>	<u>June 2002</u> (Restated)	<u>December 2002</u> (Restated)
CURRENT ASSETS			
Cash resources	707,367,472	603,928,168	594,053,594
Accounts receivable and prepaid expenses	368,602,693	363,022,138	207,463,389
Inventories	3,589,828	4,162,294	7,189,040
Taxation recoverable	13,678,976	9,420,336	3,145,772
	<u>1,093,238,969</u>	<u>980,532,936</u>	<u>811,851,795</u>
CURRENT LIABILITIES			
Accounts payable and accrued charges	180,185,575	178,780,847	108,631,113
Current maturities of long-term debt	240,000	320,000	320,000
Taxation payable	427,573	16,080,090	2,788,356
	<u>180,853,148</u>	<u>195,180,937</u>	<u>111,739,469</u>
NET CURRENT ASSETS	912,385,821	785,351,999	700,112,326
INVESTMENT IN ASSOCIATED COMPANIES	18,691,777	25,639,799	16,156,339
OTHER INVESTMENTS	187,207,809	160,092,594	238,284,241
ADVANCES DUE FROM DYOLL PENSION SCHEME	8,940,597	-	17,493,755
ADVANCES FROM ASSOCIATED COMPANIES	-	3,844,957	-
LONG-TERM RECEIVABLE	38,880,000	47,880,000	43,880,000
FIXED ASSETS	24,318,371	17,241,320	19,749,407
DEFERRED COFFEE PLANTATION EXPENSES	38,250,545	39,592,670	38,921,612
PENSION FUND ASSET	14,650,000	14,000,000	14,000,000
DEFERRED TAX ASSET	-	-	1,058,635
	<u>\$1,243,324,920</u>	<u>1,093,643,339</u>	<u>1,089,656,315</u>
	=====	=====	=====
Financed by:			
NET SHARE HOLDERS EQUITY	441,288,831	314,328,391	373,786,451
LONG-TERM DEBT	18,834,702	240,000	23,692,946
SHAREHOLDER'S ADVANCE	-	4,819,066	-
MINORITY INTEREST	4,088,289	25,709,756	81,648
INVESTMENT INSTRUMENT	17,000,001	32,754,595	22,000,000
INSURANCE FUNDS	758,076,625	700,785,910	670,095,270
DEFERRED TAX LIABILITY	4,036,472	15,005,621	-
	<u>\$1,243,324,920</u>	<u>1,093,643,339</u>	<u>1,089,656,315</u>
	=====	=====	=====

Group Statement of Changes in Equity (Unaudited)

	Share Capital	Share Premium	Investments Revaluation Reserve	Other	Capital Redemption Reserve	Revenue Reserve	Total
Balance December 2001 As previously reported	30,460,857	79,942,744	-	215,167,872	53,771,381	(109,659,397)	269,683,457
Prior year adjustments:							
Relating to Insurance Act compliance	-	-	-	-	-	(18,596,119)	(18,596,119)
Relating to exchange gain on foreign associate	-	-	-	13,873,997	-	-	13,873,997
Effects of adoption of IFRS:							
IAS 40 Investment property revaluation gains	-	-	-	(4,983,000)	-	4,983,000	-
IAS 19 Pension fund asset	-	-	-	-	-	14,000,000	14,000,000
IAS 12 Taxation	-	-	-	-	-	(14,115,783)	(14,115,783)
Balance at December 31, 2001 as restated	30,460,857	79,942,744	-	224,058,869	53,771,381	(123,388,299)	264,845,552
Profit for the period	-	-	-	-	-	44,371,511	44,371,511
Gain on revaluation of equities	-	-	5,111,328	-	-	-	5,111,328
Balance at June 2002	\$30,460,857	79,942,744	5,111,328	224,058,869	53,771,381	(79,016,788)	314,328,391
Balance December 2002 As previously reported	30,460,857	79,942,744	-	246,179,774	23,600,001	(21,455,560)	358,727,816
Prior year adjustments:							
Effects of adoption of IFRS							
IAS 40 Investment property revaluation gains	-	-	-	(4,983,000)	-	4,983,000	-
IAS 39 Gain on revaluation of equities	-	-	-	-	-	-	-
IAS 19 Pension fund asset	-	-	-	-	-	14,000,000	14,000,000
IAS 12 Taxation	-	-	-	-	-	1,058,635	1,058,635
Balance at December 31, 2002 as restated	30,460,857	79,942,744	-	241,196,774	23,600,001	(1,413,925)	373,786,451
Exchange gain on equity of foreign associate	-	-	-	2,111,862	-	-	2,111,862
Loss on exchange	-	-	-	(4,920,020)	-	-	(4,920,020)
Transfers	-	-	4,354,054	(4,354,054)	(5,000,000)	5,000,000	-
Gain on revaluation of equities	-	-	6,013,915	-	-	-	6,013,915
Profit for the period	-	-	-	-	-	64,296,623	64,296,623
Balance at June 2003	\$30,460,857	79,942,744	10,367,969	234,034,562	18,600,001	67,882,698	441,288,831

Statement of Cash Flows (Unaudited)

	<u>2003</u>	<u>2002</u> Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year attributable to the group	64,296,623	44,371,511
Adjustments to reconcile net profit for the year to net cash provided by operating activities:	-	-
Depreciation	2,649,798	5,972,996
Increase/(decrease) in insurance funds (net)	87,981,355	4,731,834
Gain/Loss on sale of investments and fixed assets	(1,940,864)	(572,988)
Other items	<u>15,443,129</u>	<u>2,726,691</u>
	168,430,041	57,230,044
 (Increase)/decrease in current assets	(177,663,888)	(113,868,879)
 Increase/(decrease) in current liabilities	<u>69,193,679</u>	<u>26,376,804</u>
Net cash provided/(used) by operating activities	59,959,832	(30,262,031)
Net cash provided/(used) by investing activities	63,292,289	(14,725,116)
Net cash provided by financing activities	(9,938,243)	(29,285,792)
NET INCREASE/(DECREASE) IN CASH RESOURCES	113,313,878	(74,272,944)
CASH RESOURCES AT BEGINNING OF THE PERIOD	<u>594,053,594</u>	<u>678,201,112</u>
CASH RESOURCES AT END OF THE PERIOD	\$707,367,472 =====	603,928,168 =====

Notes to the unaudited Group Results

1. Group's Operations

There were no significant changes to the Group's operations for the period under review.

2. Basis of Presentation

These consolidated financial statements have been prepared in accordance with and comply with standards issued by the International Accounting Standards Board.

As at January 1, 2003 the Group adopted International Financial Reporting Standards (IFRS) as the basis for presentation of its financial statements. As a consequence, the financial statements for the six month period ended June 30, 2002 have been restated to conform with IFRS, and the balance sheet at December 31, 2002 has been derived from the audited financial statements previously prepared under Jamaican generally accepted accounting principles.

3. Gross Operating Revenue

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

4. Earnings per stock unit

Earnings per stock unit are calculated by dividing profit attributable to the group, by 60,921,714 stock units of 50 cents each.

5. Accounting Policies

The following new accounting policies have been reflected in these financial statements in compliance with IFRS:

a. Employee Benefits

Two companies in the group participate in a defined benefit pension plan. Pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the Group Profit and Loss Account. The net of the present value of the pension obligation and the fair value of the plan assets is reflected on the balance sheet.

b. Investments

The Group's investments are initially recognized at cost and classified at the time of purchase in accordance with IFRS. Held to maturity investments are measured at amortised cost. Available for sale investments are subsequently measured at fair value, and changes in the fair value are credited to the Investment Revaluation Reserve (see Group Statement of Changes in Equity). Originated loans and receivables are subsequently re-measured at amortized cost. Securities having a maturity date of less than one year are included in Current Assets.

c. Deferred Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts. A tax asset is reflected for unutilized tax losses only to the extent that reversal can reasonably be expected.

d. Segment Reporting

The Group is organized into two main business segments:

1. Insurance - This comprises the underwriting of general insurance business
2. Corporate and other - This comprises the cost of corporate functions that are not directly charged to business units, the holding of investments and interest in coffee cultivation.

e. Segment Results

Segment results are as follows:

	6 months ended <u>June 30, 2003</u> J\$'000	6 months ended <u>June 30, 2002</u> J\$'000 (Restated)
Revenue		
Insurance	568,757	405,932
Corporate and other	<u>22,301</u>	<u>15,462</u>
Total	<u>591,058</u>	<u>421,394</u>

Profit before tax and minority interest		
Insurance	50,258	51,733
Corporate and other	<u>25,258</u>	<u>18,052</u>
Total	<u>75,516</u> =====	<u>69,785</u> =====

On behalf of the Board

Christopher. Bovell

Chairman

Stephen Thwaites

Director

