Dyoll Group Limited

Notes to the Financial Statements

Year ended December 31, 2001

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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 11 (2000: 8) for the company and ranged between 70 to 181 (2000: 65 to 209) for the group. The principal activity of the company is providing management services to its subsidiaries and associated companies.

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.

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, 2001.

All significant inter-company transactions are eliminated.

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

The equity method of accounting for the Group's investments in the associated companies has been adopted. Under the equity method, the Group's share of results of associated companies based on the latest audited financial statements available is included in the consolidated profit and loss account and the tax attributable to its share of profits is included in the group's taxation charge.

(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) General insurance:

(i) Underwriting results:

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

Unearned premium represents that portion of the premiums written in the period up to the accounting date which is attributable to subsequent periods and are calculated on the twenty-fourths basis on the total premiums written for motor, fire, accident and miscellaneous insurance, after taking account of reinsurances. The twenty-fourths basis is not used for the marine cargo business, the calculation of which is 50% of net premiums written for the last three months.

Outstanding claims represent claims arising from incidents prior to the accounting date but not settled at that date. Provision is made for such outstanding claims on the following bases:

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

- An estimate (based on prior experience), net of reinsurance, in respect of the probable cost of incurred but not reported claims, 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. Due to the level of judgement involved in arriving at this estimate, actual results may vary.

Claims equalisation represents the amount set aside to reduce exceptional fluctuations in the amount charged to revenue in subsequent financial years in respect of claims under insurance contracts. The charge to revenue is calculated on the basis of approximately 1% of the year's net premium income.

Unexpired risk represents the amount reserved, 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 is calculated on the basis of approximately 5% of the year's net premium written.

(ii) P.P.V Pool

The general insurance subsidiary participates in the motor insurance pool for public hire vehicles administered by the Jamaica Claims Bureau, based on a flat rate of 5% plus an additional percentage computed on a market share basis in each year. Results are reported one year in arrears. The pool is being wound up.

(e) receivable:
Accounts receivable is stated net of any provision considered necessary by management.

(f) 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.

(g) 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.

(h) Inventories

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

(i) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date.

Transactions in foreign currency are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account.

(j) Pensions:

The group operates a pension scheme (see note 33) 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.

(k) Securities purchased under agreements to resell:

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

(l) 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.

3 Change in accounting policy

The Insurance Act 2001 requires commission to be deferred. In 2001 the general insurance subsidiary has adopted the policy of deferring both commission income and commission expenses on a basis consistent with that used for deferring the related premium income (see note 29).

4 Short-term deposits

Short-term deposits include certificates evidencing cash on deposit amounting to $68,100,000 (2000: $57,184,061) equivalent to CI$1,400,000 (2000: CI$1,051,924) 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.

5 Short-term investments

Short-term investments comprise reverse repos. The securities which are the subject of the resale agreements are Government of Jamaica treasury bills and local registered stocks.

6 Accounts receivable and prepaid expenses

	Company		Group	
	2001	2000	2001	2000 Restated
Premiums due from policy holders, agents and brokers net of provision for doubtful debts of $24,455,231 (2000:$Nil)	-	-	159,408,418	131,603,375
Other accounts receivable and prepaid expenses	11,161,535	6,822,126	49,162,237	59,459,635
Prepaid commission	-	-	43,379,234	42,139,067
	$11,161,535	6,822,126	251,949,889	233,202,077

7 **Inventories**

This represents coffee beans held at Coffee Industry Board.

8 **Accounts payable and accrued charges**

	Company		Group	
	2001	**2000**	**2001**	**2000**
				Restated
Facultative premium	-	-	7,866,311	14,437,007
Brokers commission	-	-	26,302,246	22,353,588
Facultative reinsurance, net	-	-	36,513,502	64,413,901
Advance treaty commission	-	-	38,828,868	34,033,709
Other	1,080,315	5,830,554	22,404,124	2,526,753
	$1,080,315	5,830,554	131,915,051	137,764,958
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9 **Investment in subsidiaries**

	Company	
	2001	**2000**
Shares, at cost	86,077,390	86,077,390
Investment written off	(72,637,946)	(72,637,946)
	$13,439,444	13,439,444
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10 **Investments**

	2001	**2000**
Quoted investments [see (a) over]	39,587,529	2,809,357
Unquoted investments	960,000	5,135,308
Other investment -mortgage and other loans	6,298,249	6,968,899
-investment properties fsee (b) over]	33,400,000	12,000,000
Government of Jamaica securities:		
Investment debenture	17,000,000	-
United States dollar Indexed Bonds	9,604,943	-
Local registered stock	40,052,149	450,000
Promissory notes - FINSAC Limited [see (c) over]	-	204,038,751
	146,902,870	231,402,315
Less provision for diminution in value	(6,951,918)	(2,695,464)
	$139,950,952	228,706,851
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(a) The market value of quoted investments is $38,358,297 (2000: $2,347,860).

(b) This represents apartments carried at market value. The titles to three of these apartments are vested in the name of a former director with the company having a power of attorney over these properties, The titles to the other apartments which were acquired during the year through distribution arising from the company's withdrawal from the Group pension scheme remains in the name of a fellow subsidiary and the pension scheme's trustees.

(c) Promissory notes amounting to $Nil (2000: $172,993,859) are held as security for an investment instrument with FINSAC Limited [see note 20].

11 Investment in associated companies

	Group	
	2001	**2000**
Shares, at cost	15,467,779	15,467,779
Diminution in value of investment	(7,862,952)	(7,862,952)
Post-acquisition reserves		
at beginning of year	8,646,685	646,922
Share of profits	11,245,530	7,999,763
Dividends received	(21,502,431)	(6,797,636)
Carrying value at end of year	$5,994,611	9,453,876

12 Advances due from associated company

The company provided liquidity support amounting to $47,752,084 to 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 [see note 35(b)]to recover amounts advanced on these parties' behalf. The associated company's ability to repay these advances is dependent on the successful outcome of the litigation.

The lawyers retained by the company, its associated company and subsidiary are of the opinion that this litigation has a good chance of success.

13 Long-term receivable

	Company		Group	
	2001	**2000**	**2001**	**2000**
National Housing Trust 2001/4	-	-	43,795	43,795
Secured loan (see below)	47,230,000	45,070,000	47,230,000	45,070,000
	$47,230,000	45,070,000	47,273,795	45,113,795
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The secured loan represents a US$1,000,000 12% (2000: 12%) loan which became due on March 31, 1998. The directors are of the opinion that this amount will not be received within the next twelve months. The loan is secured by the ordinary shares of a company which also acted as guarantors for this loan.

The company initiated litigation against the guarantors of the loan, to recover the amount, and judgement was made in the company's favour, during the period under review.

14 Fixed assets

Company:

	Buildings and leasehold improvements	**Furniture, fixtures, equipment, leased equipment and vehicles**	**Computers and accessories**	**Artwork**	**Totals**
At cost or valuation:					
December 31, 2000	4,005,611	90,724	4,317,324	-	8,413,659
Additions	-	2,004,004	1,432,907	-	3,436,911
Transfer from subsidiary	-	-	-	72,845	72,845
Asset written off	-	(32,711)	-	-	(32,711)
Revaluation adjustment	800,000	-	-	1,662,995	2,462,995
December 31, 2001	4,805,611	2,062,017	5,750,231	1,735,840	14,353,699
At cost	805,611	2,062,017	5,750,231	72,845	8,690,704
At valuation	4,000,000	-	-	1,662,995	5,662,995
	4,805,611	2,062,017	5,750,231	1,735,840	14,353,699
Depreciation:					
December 31, 2000	653,712	77,477	838,398	-	1,569,587
Charge for the year	153,894	91,110	1,135,348	-	1,380,352
Revaluation adjustment	(160,004)	-	-	-	(160,004)
Eliminated on write off	-	(32,711)	-	-	(32,711)
December 31, 2001	647,602	135,876	1,973,746	-	2,757,224
Net book values:					
December 31, 2001	$4,158,009	1,926,141	3,776,485	1,735,840	11,596,475
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December 31, 2000	$3,351,899	13,247	3,478,926	-	6,844,072
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Group:

	Freehold Buildings and leasehold improvements	Furniture, fixtures, equipment, leased equipment and vehicles	Computers and accessories	Artwork	Totals
At cost or valuation:					
December 31, 2000	6,118,703	11,760,728	43,894,528	506,856	62,280,815
Additions	-	2,004,004	1,432,907	-	3,436,911
Revaluation adjustment	800,000	-	-	1,662,995	2,462,995
Asset written off -	-	(32,711)	-	-	(32,711)
Disposals -	-	(2,378,172)	(2,135,344)	-	4,513,516)
December 31, 2001	6,918,703	11,353,849	43,192,091	2,169,851	63,634,494
At cost	2,918,703	11,353,849	43,192,091	434,001	57,898,644
At valuation	4,000,000	-	-	1,735,850	5,735,840
	6,918,703	11,353,849	43,192,091	2,169,851	63,634,494
Depreciation:					
December 31, 2000	1,400,729	7,818,564	21,833,365	434,001	31,486,659
Charge for the year	240,258	1,115,924	10,326,015	-	11,682,197
Revaluation adjustment	(160,004)	-	-	-	(160,004)
Eliminated on write-off	-	(32,711)	-	-	(32,711)
Eliminated on disposals	-	(1,417,944)	(2,137,502)	-	(3,554,546)
December 31, 2001	1,480,983	7,484,733	30,021,878	434,001	39,421,595
Net book values:					
December 31, 2001	5,437,720	3,869,116	13,170,213	1,735,850	24,212,899
December 31, 2000	4,717,974	3,942,164	22,061,163	72,855	30,794,156

The company's buildings and artwork were revalued in December 2001 at an 'open market' valuation by Messrs. D.C. Tavares a 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. Surplus arising on revaluation, inclusive of depreciation no longer required, has been transferred to capital reserves (see note 16).

15 Deferred expenses

	Group	
	2001	**2000**
Coffee plantations	41,605,860	42,947,985
Less amortisation	(1,342,123)	(1,342,125)
	40,263,737	41,605,860
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16 Shareholders' equity

Company:

	Share capital(a)	**Share premium**	**Accumulated deficit**	**Capital reserve**	**Total**
Balance at December 31, 1999	30,460,857	79,942,744	(124,025,210)	63,379,034	49,757,425
Loss for the year	-	-	(13,395,780)	-	(13,395,780)
Gain on exchange	-	-	(4,070,000)	4,070,000	-
Balance at December 31, 2000	30,460,857	79,942,744	(141,490,990)	67,449,034	36,361,645
Revaluation of fixed assets, being net gains not recognised in the profit and loss account	-	-	-	2,623,003	2,623,003
Net profit for the year	-	-	41,718,953	-	41,718,953
Gain on exchange	-	-	(2,160,000)	2,160,000	-
Balance at December 31, 2001	$30,460,857	79,942,744	(101,932,037)	72,232,037	80,703,601
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(a) Share capital

	Company	
	2001	2000
Authorised:		
66,144,254 ordinary shares of 50c each	$33,072,127	33,072,127
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Issued and fully paid:		
60,921,714 ordinary stock units of 50c each	$30,460,857	30,460,857
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Group:

	Share Capital(a)	Share Premium	Capital reserve	Capital redemption reserve	General reserve(b)	Accumulated deficit	Total
Balance at December 31, 1999:							
As previously reported	30,460,857	79,942,744	216,078,259	8,236,467	7,060,669	(292,926,915)	48,852,081
Prior year adjustment (note 29)	-	-	-	-		9,222,142	9,222,142
As restated	30,460,857	70,942,744	216,078,259	8,236,467	7,060,669	(283,704,773)	58,074,224
Eagle portfolio, being total loss not recognised in the income statement	-	-	-	-	(153,200)	-	(153,200)
Net profit for year	-	-	-	-	-	67,844,966	67,844,966
Transfer to capital redemption reserve (see note 20)	-	-	-	16,005,520	-	(16,005,520)	-
Gain on disposal of fixed assets	-	-	752,682	-	-	(752,682)	-
Gain on exchange	-	-	14,956,464	-	-	(14,956,464)	-
Balance at December 31, 2000	30,460,857	79,942,744	231,787,405	24,241,987	6,907,469	(247,574,473)	125,765,989
As previously reported	30,460,857	79,942,744	231,787,405	24,241,987	6,907,469	(255,679,831)	17,660,631
Prior year adjustment (note 29)	-	-	-	-	-	8,105,359	8,105,359
As restated	30,460,857	70,942,744	231,787,405	24,241,987	6,907,469	(247,574,473)	125,765,989
Net gains and losses not recognised in the income statement	-	-	7,606,222	-	(6,907,469)	-	698,753
Net profit for year	-	-	-	-	-	143,218,715	143,218,715
Transfer to capital redemption reserve (see note 20)	-	-	(29,529,394)	29,529,394	-	-	-
Loss on disposal of fixed assets and investments	-	-	(4,753,796)	-	-	4,753,796	-
Gain on exchange	-	-	10,057,435	-	-	(10,057,435)	-
Balance at December 31, 2001	$30,460,857	79,942,744	215,167,872	53,771,381	-	(109,659,397)	269,683,457

(b) This represents the reserve arising on the acquisition of the Eagle General Insurance Company Limited's insurance portfolio Movements on the insurance funds taken over are adjusted against the reserve. The reserve was written off during the year

17 Due to subsidiaries

These balances have no fixed repayment terms and are all interest-free.

18 Long-term loans

	Group	
	2001	**2000**
(i) 15% - 1994/2002	363,636	1,195,262
(ii) 13% - bank loan 2004	720,000	1,200,000
	1,083,636	2,395,262
Less: current maturities	(683,636)	(1,309,090)
	$400,000	1,086,172
	==========	===========

Loan (i) is secured by a fixed and floating charge over the assets of a subsidiary, with collateral bill of sale over stock stamped to cover $2,467,000, a crop lien over 200 acres of leasehold coffee plantations of the subsidiary and a guarantee from the company to cover $1,080,636 (note 38). The loan is repayable in quarterly instalments of $181,818 which commenced in September 1994.

Loan (ii) is repayable in quarterly instalments of $80,000 with a moratorium of six months commencing in December 2000. It is secured by a bill of sale over certain motor vehicles and guarantee of the company, (note 38).

19 Minority interests

Minority interests represents a 49% interest held by Wataru and Company Limited in Dyoll/Wataru Coffee Company Limited.

20 Investment instrument

(a) This represents a ten-year 12.5% convertible redeemable investment instrument issued by a subsidiary to FINSAC Limited. The instrument will mature December 15, 2008 and is secured by a variable rate promissory note issued by FINSAC Limited [see note 10(c)].

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 which will be established for that purpose (note 16). However, the subsidiary has commenced repayment before schedule. Principal repayments to December 31, 2001 total of $97,703,619 (2000: $16,869,981).

(b) Interest charged on this instrument during the year amounted to $14,034,852 (2000: $19,873,597

21 Insurance funds

	Group 2001	Group 2000
Unearned premiums reserve	246,222,076	204,109,577
Unexpired risk reserve	24,957,077	21,708,235
Claims equalisation reserve	30,003,514	26,267,176
	301,182,667	252,084,988
Provision for outstanding claims	376,275,290	386,566,661
	$677,457,957	638,651,649

(a) Unearned premiums and unexpired risks are analysed by the following classes of Business

Line of Business	Unearned premium reserve 2001	Unearned premium reserve 2000	Unexpired risk reserve 2001	Unexpired risk reserve 2000
Accident	6,534,112	7,467,361	688,020	780,321
Liability	13,648,546	13,514,366	1,330,776	967,779
Marine, aviation, transportation	512,828	493,918	19,849	3,763
Motor vehicle	214,740,975	180,284,405	21,899,848	19,568,818
Pecuniary loss	485,140	580,596	54,961	44,722
Property insurance	10,300,475	1,768,931	963,623	342,832
	$246,222,076	204,109,577	24,957,077	21,708,235

(b) Outstanding claims comprise:

	2001	2000
Gross claims	623,007,172	572,049,279
Less: Reinsurance recoverable	246,731,882	185,482,618
Net claims outstanding	$376,275,290	386,566,661

Net claims outstanding includes an estimate of $24,199,715 (2000: $31,684,597) in respect of the probable cost of claims incurred but not yet reported.

22 Gross operating revenue

Gross operating revenue represents gross premiums written, income from rental and investments and sale of coffee beans.

23 Net earned premiums

	Group	
	2001	**2000**
Gross premiums written	819,125,884	718,794,158
Less: reinsurance premiums	(369,317,452)	(300,890,058)
Net premiums written	449,808,432	417,904,100
(Increase)/decrease in unearned premium reserve	(42,112,499)	(4,565,006)
Increase in technical reserve	(6,985,180)	4,983,134
	$400,710,753	418,322,228

24 Disclosure of (income)/expenses

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

			2001	2000
			$	$
Staff costs			89,589,651	96,557,989
Depreciation			11,682,210	9,823,466
Directors' emoluments	-	fees	603,000	585,000
	-	management	15,112,035	8,008,924
Auditors' remuneration	-	current year	2,795,000	2,600,000
	-	prior year	(75,000)	-

25 Exceptional items

	2001	2000
	$	$
Write-off of advances to associated company	(7,689,913)	(15,379,825)
Provision for diminution in value of investment	(4,256,454)	(2,695,464)
Gain on exchange, net	10,057,435	14,956,464
Redundancy costs	(31,998,240)	(4,096,459)
GCT assessment including interest and penalties	-	(7,766,879)
Business process review charges	(3,592,000)	(8,262,710)
Investments written off	(7,484,601)	(3,742,301)
	(44,963,773)	(26,987,174)

26 Extraordinary item

This represents refunds of pension contributions, net of amounts paid to employees, arising from the company's withdrawal from the group's pension scheme. The amount is shown net of attributable taxation of $47,333,675.

27 Taxation

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

	Group	
	2001	2000
Income tax at 33 1/3%	37,392,483	38,138,495
Transfer tax at 7 1/2%	2,850,000	-
Previous year (over)/under-provision	(655,706)	8,319,936
	$39,586,777	46,458,431

(b) Taxation losses subject to agreement by the Commissioner of Income Tax, available indefinitely, for relief against future taxable profits amount to approximately $11,190,000 (2000: $1,200,000) for the group and $Nil (2000: $ Nil) for the company.

28 Profit for the year attributable to the group

	2001	2000
Dealt with in the financial statements of:		
The company	41,718,953	(13,395,780)
Subsidiaries, net	98,040,497	80,038,619
Associated companies, net	3,459,265	1,202,127
	$143,218,715	67,844,966

29 Prior year adjustment

This represents the net adjustment required to defer commission income and commission expense to comply with the change in accounting policy (see note 3).

30 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.

31 Accumulated deficit

	2001	2000
Retained in the financial statements of:		
The company	(101,932,037)	(141,490,990)
Subsidiaries, net	60,596,636	(34,300,222)
Associated companies, net	(68,323,996)	(71,783,261)
	$(109,659,397)	(247,574,473)

32 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 company. 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.

At December 31, 2001, reinsurance receivables with a carrying value of $4,214,266 and prepaid reinsurance premiums of $119,694,999 were associated with the panel of reinsurers 2001

The insurance subsidiary's 2001 reinsurance treaties limit its liability to a basic maximum amount of $466,400 on any property and $7,000,000 on any single liability claim. The reinsurance, which has an upper limit of US$3,920,675, limits the its liability to US$300,000 (for property catastrophe losses) in respect of any series of losses arising out of a single catastrophe event.

33 Pension scheme

A group contributory pension scheme, providing for final salary-related benefits, is in operation for all employees of the group who have satisfied certain minimum service requirements. The scheme is administered by First Life Insurance Company Limited. The general insurance subsidiary withdrew from the scheme as at June 30, 2001 (see note 26).

The latest actuarial valuation as at June 30, 2001 disclosed a surplus in respect of past service liabilities of $131,405,000.

Contributions for the year amounted to $35,908 (2000: $ Nil) for the company and $1,146,013 (2000: $4,340,035) for the group.

34 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, 2001, 777,500 (2000: 777,500) stock units had been issued under the scheme.

35 Subsidiaries and associated companies

Subsidiaries	Equity holding		
	2000	1999	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
Buck Securities Partners Limited	98%	98%	In liquidation

Associated companies	Equity holding		
	2000	1999	Activities
Cayman Insurance Centre Limited (Incorporated in the Cayman Islands)	37%	37%	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) Effective July 1, 1996, pursuant to an agreement to merge Buck Securities Partners Limited (BSPL), Caribbean Trust and Merchant Bank Limited and Security Brokers Limited, the majority shareholders in BSPL, Dyoll Insurance Company Limited and Dyoll Group Limited stated their intention to transfer their shares to DCFS Limited.

On July 29, 1998, the majority shareholders of BSPL indicated their intention not to proceed with the merger. Consequently, the intention to transfer the shares was rescinded and the shares in BSPL are now vested in Dyoll Group Limited and Dyoll Insurance Company Limited.

(c) Cayman Insurance Centre Limited has a May 31, year end. These financial statements include the result of this associate based on management accounts made up to December 31, 2001 (2000: December 31, 2000).

(d) Dyoll Insurance Company Limited is registered under the Insurance Act 1971 which was repealed by the Insurance Act 2001. The current act provides that the registration issued under the repealed Act is deemed to have been issued under the new Act and continues in effect subject to the company meeting the new registration requirements within a time frame which has not yet been specified by the Financial Services Commission.

The Act requires the company to appoint an actuary and the Financial Services Commission has indicated that it requires the company to have its claims reserves actuarially valued at December 31, 2001.

The company has requested and obtained the FSC's permission to close its statutory accounts without this valuation, however it is required for incorporation in the annual returns to be filed with the FSC in respect of which an extension has also been obtained.
Unless otherwise stated the other applicable provisions of the Act have been met.

36 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise or a financial liability or equity instrument of another enterprise.

Exposure to credit risk, interest rate risk, currency risk, market risk and liquidity risk arises in the ordinary course of the company's business. Derivative financial instruments are not presently used to reduce exposure to fluctuations.

(a) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company 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. Due to the nature of the underlying businesses, the management of the company aims at maintaining flexibility in funding by having marketable financial instruments.

The maturity of all financial instruments is shown in the following tables.

The Company:

	2001	2000
Financial liabilities maturing:		
In one year or less or on demand	1,080,315	5,830,554
In more than two years but not more than five years	35,392,225	72,023,197
	$36,472,540	77,853,751

The Group:

	Investment instrument	Other financial liabilities	2001	2000
Financial liabilities maturing:				
In one year or less or on demand	-	320,736,322	320,736,332	276,022,771
In more than one year but not more than two years	-	202,702,078	202,702,078	244,919,774
In more than five years	52,171,384	-	52,171,384	135,005,019
	$52,171,384	523,438,410	575,609,794	655,947,564

The Company:

	Cash and bank balances	Other financial assets	2001	2000
Financial assets maturing:				
In one year or less or on demand	693,870	11,161,535	11,855,405	11,239,517
In more than two years but not more than five years	-	82,822,065	82,822,065	85,836,579
	$693,870	93,983,600	94,677,470	97,076,096

The Group:

	Cash and short term deposits	Investments	Other financial assets	2001	2000
Financial assets maturing:					
In one year or less or on demand	212,813,685	474,783,407	251,949,889	939,546,981	631,531,137
In more than one year but not more than two years	-	97,154,972	54,963,707	152,118,679	121,482,806
In more than five years	-	33,400,000	-	33,400,000	179,889,411
	$212,813,685	605,338,379	306,913,596	1,125,065,660	932,903,354

(b) 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 company materially contracts financial assets and liabilities at fixed interest rates for the duration of the term.

The following analysis sets out the interest rate risk profile of the financial liabilities.

	The Company		The Group	
	2001	2000	2001	2000
Fixed rate	-	-	53,255,020	137,400,281
Non interest bearing	36,472,540	77,853,751	522,354,774	518,547,283
	$36,472,540	77,853,751	575,609,794	655,947,564
Average effective interest rates on fixed rate instruments	-	-	2.9%	3.5%

The following analysis sets out the interest rate risk profile of the financial assets:

	The Company		The Group	
	2001	2000	2001	2000
Fixed rate	-	1,000,000	728,414,432	661,767,403
Non interest bearing	94,677,470	96,076,096	396,651,228	271,135,951
	$94,677,470	97,076,096	1,125,065,660	932,903,354
Average effective interest rates on fixed rate instruments	12%	12%	11.8%	21%

(c) 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 company incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The main currencies giving rise to this risk are primarily the United States dollar and the Cayman Islands dollar. The exposure to foreign exchange rate changes amounted to net assets as follows:

	The Company	The Group
United States dollars	1,000,000	1,847,773
Cayman Islands dollars	-	2,292,388
Bahamas dollars	-	116,439

The company ensures that the net exposure is kept to an acceptable level.

(d) 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 company manages this risk by applying the relevant hedging techniques and maintaining the appropriate gapping strategy. The company has also established limits for specific financial instruments with regards to liquidity and tenure.

(e) Credit risk:

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company does not require collateral in respect of financial assets, predominantly, trade receivables. Management has a credit policy in place to minimize exposure to credit risk.

The Company:

With the exception of amounts due from an associated company and long-term receivable, the company has no other significant concentration of credit risk.

The Group:

With the exception of investments in Government of Jamaica securities and repurchase agreements, the group has no other significant concentration of credit risk. The group's cash is invested in substantial financial institutions.

(f) Fair value

Fair value amounts represent estimates of the consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and are best evidenced by a quoted market price, if one exists. Some of the company's and its subsidiaries' financial instruments lack an available trading market. Therefore, these instruments have been valued using other valuation techniques and their values may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

For the company and the Group, the fair value of cash and bank balances, short-term deposits, short-term investments, accounts receivable, accounts payable, current maturities of long-term loans and outstanding claims are assumed to approximate their carrying values in view of their short-term to medium-term nature.

The fair value of investments is assumed to approximate their carrying value.

The fair values of advances due from associated company, long-term receivable and due to subsidiaries are assumed to be the amounts receivable less any provision considered necessary.

The fair value of the Investment instrument is assumed to approximate its carrying value.

37 Commitments

(a) At December 31, 2001, there were commitments by the group under non-cancellable operating leases expiring between 2003 and 2009 amounting to $18,382,820 (2000: $31,190,998). The amounts payable in the next twelve months aggregate $13,582,455 (2000: $12,301,637).

38 Contingent liabilities

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 $15,200,000 (2000: $15,200,000). At December 31, 2001 this liability amounted to $1,083,636 (2000: $2,395,262).