

DYOLL GROUP LIMITED

For the second quarter ended June 30, 2004

ACTING CHAIRMAN'S REPORT - JUNE 2004

On behalf of the Board, we are pleased to present the half year's results for Dyoll Group Limited. The gross revenue of the Group to June 2004 was \$804.787 million, an increase of 36.1% over the same period in 2003. The cost of operating revenue amounted to \$727.865 million an increase of 35.9% over the \$535.426 million reported for the half year in 2003. Gross operating profit achieved was \$76.9 million, a 34.6% increase over the same period in 2003.

Despite the reduction in interest rates, the Group earned \$74.67 million in investment revenue, a 3.5% increase over the \$5.5 million investment revenue for the first six months in 2003. Other income increased to \$29.3 million due in large part to the sale of selected accounts in our equity portfolio. Administrative expenses of \$131.2 million increased at a slower rate than revenue being 25.6% above the \$104.4 million to June 2003. Dyoll Group's share of profits of associated companies increased by 101% to \$7.6 million.

Profit attributable to the Group amounted to \$38.78 million or \$0.64 cents per stock unit down from the \$64.29 million or \$1.05 cents per stock unit reported for the period ended June 2003. The \$78 million in exchange gains realized in the period to June 2003 were not repeated in the half year to June 2004.

The Board of Directors and management continue its drive to seek additional business opportunities for the group to secure long term revenue and profit growth.

Peter Lawson
Acting Chairman

Group Balance Sheet

| | Unaudited <u>30-Jun-04</u> | Unaudited <u>30-Jun-03</u> | <u>31-Dec-03</u> |
|--|---|---|-------------------------|
| CURRENT ASSETS | | | |
| Cash resources | 836,692,083 | 707,367,472 | 795,639,573 |
| Accounts receivable and prepaid expenses | 354,831,622 | 368,602,693 | 336,359,025 |
| Inventories | 5,342,132 | 3,589,828 | 13,730,278 |
| Taxation recoverable | 19,013,204 | 13,678,976 | 3,216,206 |
| | <u>1,215,879,041</u> | <u>1,093,238,969</u> | <u>1,148,945,082</u> |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued charge | 272,153,028 | 180,185,575 | 218,846,643 |
| Current maturities of long-term debt | - | 240,000 | 80,000 |
| Current maturities of finance lease obligation | 286,900 | - | 286,900 |
| Taxation payable | 10,346,400 | 427,573 | 8,925,250 |
| | <u>282,786,328</u> | <u>180,853,148</u> | <u>228,138,793</u> |
| NET CURRENT ASSETS | | | |
| | 933,092,713 | 912,385,821 | 920,806,289 |
| INVESTMENT IN ASSOCIATED COMPANY | 17,959,940 | 18,691,777 | 15,058,344 |
| PENSION ASSET | 12,701,480 | 14,650,000 | 14,658,000 |
| OTHER INVESTMENTS | 168,386,920 | 157,007,809 | 186,092,601 |
| ADVANCES DUE FROM DYOLL PENSION SCHME | - | 8,940,597 | 2,170,367 |
| LONG-TERM RECEIVABLE | 126,015,983 | 38,880,000 | 60,415,300 |
| INVESTMENT PROPERTIES | 39,500,000 | 30,200,000 | 39,500,000 |
| FDCED ASSETS | 28,045,182 | 24,318,371 | 28,075,442 |
| BIOLOGICAL ASSETS | 36,908,420 | 38,250,545 | 37,579,482 |
| | <u>1,362,610,638</u> | <u>1,243,324,920</u> | <u>1,304,355,825</u> |
| | ===== | ===== | ===== |

Financed by:

| | | | |
|--------------------------|----------------------|----------------------|----------------------|
| NET SHARE HOLDERS'EQUITY | 640,015,866 | 441,288,831 | 591,476,264 |
| LONG-TERM DEBT | 41,575,162 | 22,922,991 | 54,507,813 |
| FINANCE LEASE OBLIGATION | 406,442 | - | 406,442 |
| INVESTMENT INSTRUMENT | - | 17,000,001 | - |
| DEFERRED TAX LIABILITY | 23,512,415 | 4,036,472 | 23,144,384 |
| INSURANCE FUNDS | <u>657,100,753</u> | <u>758,076,625</u> | <u>634,820,922</u> |
| | <u>1,362,610,638</u> | <u>1,243,324,920</u> | <u>1,304,355,825</u> |
| | ===== | ===== | ===== |

Peter A. Lawson
Director

Stephen G. Thwaites
Director

Group Profit and Loss Account (Unaudited)

| | 3 months to 30-Jun-04 | 6 months to 30-Jun-04 | 3 months to 30-Jun-03 | 6 months to 30-Jun-03 |
|-------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Gross operating revenue | 533,117,689 | 804,787,277 | 356,407,508 | 591,057,801 |
| Operating expenses | <u>(508,152,087)</u> | <u>(727,865,789)</u> | <u>(309,011,825)</u> | <u>(535,426,635)</u> |
| Gross operating profit | 24,965,602 | 76,921,488 | 47,395,683 | 55,631,166 |
| Other income/(expenses) | | | | |
| Interest and dividends | 37,199,774 | 74,678,201 | 29,663,247 | 55,294,675 |
| Gain on exchange | (1,676,936) | 240,482 | 50,298,829 | 77,995,881 |
| Other income | 1,286,339 | 29,345,529 | 2,611,999 | 3,539,818 |
| Other expenses | <u>(67,036,172)</u> | <u>(131,227,809)</u> | <u>(57,789,085)</u> | <u>(104,428,955)</u> |
| | <u>5,261,393</u> | <u>49,957,891</u> | <u>72,180,673</u> | <u>88,032,585</u> |

| | | | | |
|--|-------------|--------------|-------------|--------------|
| Share of profits of associated company | 5,809,447 | 7,623,287 | 2,732,817 | 3,792,645 |
| Finance costs | (1,222,939) | (2,449,068) | (696,630) | (1,388,208) |
| Profit before exceptional items | 674,885 | 55,132,110 | 74,216,860 | 90,437,022 |
| Exceptional items, net | - | - | (5,008,902) | (14,920,117) |
| Profit for the period, before taxation | (674,885) | 55,132,110 | 69,207,958 | 75,516,905 |
| Taxation | 4,742,689 | (16,348,832) | 642,965 | (7,213,640) |
| Profit after taxation, before minority interest | 4,067,804 | 38,783,278 | 69,850,923 | 68,303,265 |
| Minority interest | - | - | (4,088,290) | (4,006,642) |
| Profit/(loss) for the period attributable to the group | 4,067,804 | 38,783,278 | 65,762,633 | 64,296,623 |
| Earnings per stock unit | \$0.07 | \$0.64 | \$1.07 | \$1.05 |

Statement of Changes in shareholders' equity

| Unaudited | Share Capital | Share Premium | Capital redemption reserve | Investment revaluation reserve | Capital reserve | Retained earnings | Total |
|---|---------------|---------------|----------------------------|--------------------------------|-----------------|-------------------|--------------|
| Balance at December 31, 2003 | 30,460,857 | 79,942,744 | 1,600,000 | 15,127,069 | 312,032,151 | 152,313,442 | 591,476,263 |
| Foreign exchange gain on equity of associated company | - | - | - | - | 5,707 | - | 5,707 |
| Gain on revaluation of equities | - | - | - | 31,948,768 | - | - | 31,948,768 |
| Gain transferred to profit and loss account on sale of equities | - | - | - | (16,105,979) | - | - | (16,105,979) |
| Profit for the period | - | - | - | - | - | 38,783,278 | 38,783,278 |
| Dividends paid | - | - | - | - | - | (6,092,171) | (6,092,171) |
| Balance at June 30, 2004 | 30,460,857 | 79,942,744 | 1,600,000 | 30,969,858 | 312,037,858 | 185,004,549 | 640,015,866 |

Statement of Cash Flows (Unaudited)

| | <u>Jun-04</u> | <u>Jun-03</u> |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit for the year attributable to the group | 38,783,278 | 64,296,623 |
| Adjustments to reconcile net profit for the year to net cash provided by operating activities: | | |
| Depreciation | 2,803,328 | 2,649,798 |
| (Decrease)/Increase in insurance funds | 22,279,831 | 87,981,355 |
| Gain on sale of investments and fixed assets | (28,750,839) | (1,940,864) |
| Other items | <u>(1,856,796)</u> | <u>15,443,129</u> |
| | 33,258,802 | 168,430,041 |
| Increase in current assets | (91,482,132) | (177,663,888) |
| Increase in current liabilities | <u>54,727,535</u> | <u>69,193,679</u> |
| Net cash provided/(used) by operating activities | (3,495,795) | 59,959,832 |
| Net cash provided by investing activities | 48,683,956 | 63,292,289 |
| Net cash provided by financing activities | <u>(4,135,651)</u> | <u>(9,938,243)</u> |
| Net increase in cash resources | 41,052,510 | 113,313,878 |
| Cash resources at beginning of the period | <u>795,639,573</u> | <u>594,053,594</u> |
| Cash resources at end of the period | <u>836,692,083</u> | <u>707,367,472</u> |
| | ===== | ===== |

Notes to the unaudited Group Results

Six months ended June 30, 2004

1. Group Operations
There were no significant changes to the Group's operations for the period under review.
2. Gross Operating Revenue
Gross operating revenue comprises gross premiums written and income from the sale of coffee beans.
3. Earnings per stock unit
Earnings per stock unit are calculated by dividing the net profit attributable to the group by the total of 60,921,714 stock units in issue.
4. 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.
 - b. Revenue Recognition
Revenue from the sale of goods and services is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

Dividends are recognized in the period in which they are declared.
 - c. 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.

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

- i. General insurance
This comprises of 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".

d. Segment Results
Segment results are as follows:

| | 6 months ended June 30, 2004 | 6 months ended June 30, 2003 |
|---|---------------------------------|---------------------------------|
| | J\$'000 | J\$'000 |
| Revenue | | |
| Insurance | 786,455 | 568,757 |
| Corporate and other | <u>18,332</u> | <u>22,301</u> |
| Total | <u>804,787</u> | <u>591,058</u> |
| Profit before tax and minority interest | | |
| Insurance | 36,860 | 50,258 |
| Corporate and other | <u>18,272</u> | <u>25,258</u> |
| Total | <u>55,132</u> | <u>75,516</u> |
