

Chairman's Letter to Shareholders

During 2004, the DFL Caribbean Group further strengthened its financial position in terms of increased capital and reserves and asset quality. The Net Profit for the Group represents a return of 9.3% on average Shareholders' Funds compared with 5.5% in 2003. The ordinary dividend to be paid is \$ 10.00 per share compared with \$ 8.00 in 2003. The performance in 2004 and financial condition indicate that we have strengthened the Group while managing a relatively high level of risk concentrations in industrial, tourism and other business sectors. We will continue to carry our mission. The demands in the Caribbean have grown more urgent. The international environment is even more volatile and intensely competitive than when we agreed on that Mission some years ago.

The Directors believe that management must both diversify and expand the operations of the Group in the interests of protecting and enhancing shareholder value and in the wider interests of stakeholders. We have recommended to the shareholders that a new holding company be formed to be consistent with expected practice in a modern regulatory environment and to provide a better Group structure for our Regional Expansion Plan. The new company, DFL Caribbean Holdings Ltd, will not directly carry on business operations except to provide strategic and technical management services that can be provided most cost-effectively from a common base. The new Group structure will facilitate the involvement of investment partners with varied interests, both at the Group and subsidiary levels. Development Finance Ltd (DFL) will carry on the core lending business of the Group ranging from loans of US\$ 40,000 to very small companies to larger loan investments in manufacturing, agro-industry, hotels and other major business sectors, mainly in the Southern and Eastern Caribbean countries. The three other subsidiaries of the Group operate specialised businesses that require a narrower focus and separate resources. These companies, and the Group as a whole, remain dedicated to the growth and success of Small and Medium-sized Enterprises in the Caribbean. The Directors consider this consistent with the objectives of the Group's local, regional and international shareholders.

In view of the Group's progress and performance in 2004, expansion of its activities and expected improvements in the microfinance businesses, the Directors consider management's current plans and operating policies to be appropriate and likely to lead to further strengthening of the Group's overall performance in 2005. We congratulate management on its performance and for taking initiatives to expand the Group while strengthening its overall framework. We need to share these insights with the shareholders. Transparency requires that shareholders should be properly informed by way of analyses in documents that complement and supplement the financial statements. We believe that such documents must be comprehensive, readily understandable and comparable over time. It is in the long-term interest of all concerned for such analyses to be balanced and without bias. Above all, the standards or guidelines for Corporate Governance adopted by the Board must be specific to provide benchmark references. In this year's Annual Report, we have included with the audited financial statements, an Operational and Financial Review and a Corporate Governance disclosure statement.

I wish to thank my colleagues on the Board for their continued dedication and active participation in the development of the Group and in particular, the Audit Committee for carrying out its challenging mandate.

My colleagues join with me in thanking Mr Terrence Martins, who resigned as a director in October 2004, for his long and valuable service to the Group. Mr David O'Brien resigned from the Board due to his overseas commitments but has agreed to serve on the Board of Caribbean Development Capital Ltd. It is my pleasure to welcome to the Board of DFL Mr Suresh Sookoo, Chief Operating Officer of RBTT Financial Holdings Ltd and Ms Paula Rajkumarsingh, Group Financial Controller, Neal & Massy Holdings Ltd. I also take this opportunity to congratulate Mr Gregory Spicer on his appointment as General Manager, CDN Management Services Ltd and Ms Gillian Golah as General Manager, Caribbean Development Capital Ltd. They will form the executive management of the Group together with Prakash Dhanrajh, General Manager of Development Finance Ltd and Gerard Pemberton, Group Managing Director.