Dyoll Group Limited 1998

Notes to the Financial Statements

December 31, 1998

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.

   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. Accounting basis

   The financial statements have been prepared on the going concern basis although the appropriateness of this basis is dependent on the ability of the company and the group to obtain continued financing and, ultimately, on future profitable operations.

3. Significant accounting policies

   (a) Accounting convention:

   The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets and investments in real estate 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, 1998.

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. A provision for the diminution in value of the investments in two associated companies was made in 1997. In the consolidated balance sheet, investment in associated companies is shown at the lower of cost and written down value plus the group's share of associated companies' reserves arising since acquisition.

(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.

(iii) No depreciation is charged on real estate held as investments.

(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 equalization 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 equalization 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 premium, 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) Life assurance fund:

The life assurance fund is determined after making provision for, inter alia, future benefit reserves, outstanding claims and claims equalization reserve, viz:

(i) The present value of future benefit reserves is determined by the company's actuaries in accordance with generally accepted standards of valuation.

(ii) Claims outstanding represent the estimated cost of claims notified before the date on which the records for the year are closed, based on the information available at the time.

(f) Investments:

Real estate is stated at open market value, determined by external chartered appraisers/valuators and modified by the directors' estimate of diminution in value. Unrealised appreciation on real estate is carried to capital reserve.

Investment properties are stated at current market values as estimated by the directors.

Mortgage loans are stated at cost, less provision for losses as appropriate.

All other investments are stated at cost.

(g) Deferred policy acquisition costs:

The cost of acquiring long duration new business (principally commissions and portfolio acquisition costs) and certain agency and marketing expenses, all of which vary with and are primarily related to the production of new business, have been deferred. These costs, adjusted for current assumptions as to persistency, are amortized over a period of five to seven years, commencing with the year following that in which they are incurred.

(h) Coffee plantations:

The costs of development are capitalized as deferred expenses up to maturity; thereafter they are expensed. Capitalized costs of mature coffee plantations are amortized over a period of thirty-three years.

(i) Deferred expenses:

Expenses relating to promotional expenses, new product promotions and staff training are being written off over three to four years commencing with the year following that in which the expenses are incurred. In addition, these costs are reviewed annually to determine that the unamortized portion of such costs does not exceed amounts recoverable from related future income streams.

(j) 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.

(k) Pensions:

The company and the group operate pension schemes (see note 29) and the assets of the schemes are held separately from those of the company and the group. Contributions to the schemes are charged to the group profit and loss account to fund past and future benefits.

4. Short-term deposits

These include certificates evidencing cash on deposit of $15,361,506 (1997: $3,600,000) equivalent to US$406,373 (1997: US$100,000) held by a subsidiary's commercial bank as required by the Superintendent of Insurance.

5. Accounts receivable and prepaid expenses

	Company		Group	
	1998	1997	1998	1997
Premiums due from policy holders, agents and brokers	-	-	123,350,065	114,466,948
Other accounts receivable and prepaid expenses	2,758,708	2,966,286	47,293,173	87,882,906
	$2,758,708	**2,966,286**	**170,643,238**	**202,349,854**

6. Bank overdraft

Bank overdraft is secured by Government of Jamaica securities (see note 7) of a face value of $1,200,000 (1997: $1,600,000) and the company's guarantee to cover up to $300,000 (1997: $300,000).

7. Investments

	Company		Group	
	1998	1997	1998	1997
Quoted investments	-	-	5,033,657	30,656,960
Unquoted investments	1,621,880	1,510,080	3,407,140	43,215,235
Other investments:				
Life insurance	-	-	-	109,594
Mortgage and other secured loans	4,580,757	6,177,971	44,881,014	62,834,547
Real estate	-	-	3,119,835	471,819,217
Investment properties	-	-	-	22,645,993
Securities purchased under agreement to resell	-	-	223,995,257	42,000,000
Managed funds	821,323	1,820,500	821,323	1,820,500
Promissory notes	-	-	162,500,000	-
	$7,023,960	9,508,551	443,758,226	675,102,046
Market value of quoted investments	-	-	3,828,686	40,359,421

(a) Quoted investments include Government of Jamaica securities with a face value of $1,200,000 (1997: $1,600,000) which are held as collateral for the group's overdraft facilities (see note 6)

(b) Certain real estate was valued by Messrs. D.C. Tavares & Finson Co. Limited, and C. D. Alexander Co. Realty Limited, appraisers and valuators of Kingston, Jamaica during 1992, 1994, 1995, and 1997 on an open market basis. The surpIus arising on revaluation as reduced by the directors' estimate of diminution in value, has been transferred to capital reserves.

(c) Securities purchased under agreement to resell are amounts invested in treasury bills and Government of Jamaica local registered stocks by brokers on behalf of the company. Under the agreements, the securities will be repurchased from the company by the brokers on specified dates, at specified amounts.

(d) Promissory notes amounting to J$135,000,000 are held as security for an investment instrument with FINSAC Limited (see note 17).

8. Investments in associated companies

	Company		Group	
	1998	1997	1998	1997
Shares, at cost	-	-	15,467,779	15,467,779
Diminution in value of investment	-	-	(7,222,180)	-
Post-acquisition reserves at beginning of year	-	-	(4,743,503)	9,281,971
Share of profits less, (losses)	-	-	6,176,861	(5,932,162)
Share of profits less, (losses) of associated company disposed of	-	-	-	(1,625,989)
Share of taxation of associated company	-	-	-	22,477
Dividends received	-	-	(3,581,600)	(6,489,800)
Carrying value at end of year	-	-	6,097,357	10,724,276

9. Investment in subsidiaries

	Company	
	1998	1997
	$	$
Shares, at cost	86,077,390	89,077,390
Loans	4,203,600	1,203,600
Investment written off	(72,637,946)	-
	$17,643,044	90,280,990

10. Advances due from associated company

During the year, the company provided liquidity support 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 31(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. No provision has been made in the financial statements for the effects of any adjustments which might be deemed necessary to account for the 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.

11. Long-term receivable

	Company		Group	
	1998	1997	1998	1997
National Housing Trust 2001/4	-	-	43,795	97,262
Secured loan (see below)	37,500,000	36,000,000	37,500,000	36,000,000
	$37,500,000	36,000,000	37,543,795	36,097,262

The secured loan represents a US$1,000,000 12% (1997: 12%) loan which became due on March 31, 1997. 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 related company and a mortgage over real estate property.

12. Fixed assets

Company:

	Freehold buildings and leased improvements	Furniture, fixtures, equipment, vehicles and leased equipment, and vehicles	Computers and accessories	Totals
At cost or valuation:				
December 31, 1997	6,559,854	3,424,429	22,177,835	32,162,118
Additions	-	2,740	765,672	768,412
Disposals	(4,154,243)	2,368,380	(43,211)	(6,565,834)
December 31, 1998	2,405,611	1,058,789	22,900,296	26,364,696
At cost	805,611	1,058,789	22,900,296	24,764,696
At valuation	1,600,000	-	-	1,600,000
	2,405,611	1,058,789	22,900,296	26,364,696
Depreciation:				
December 31, 1997	1,010,993	1,846,417	13,232,283	16,089,693
Charge for the year	207,114	305,563	3,203,124	3,715,801
Eliminated on disposals	(552,214)	(1,245,537)	(41,762)	(1,839,513)
December 31, 1998	665,893	906,443	16,393,645	17,965,981
Net book values:				
December 31, 1998	**$1,739,718**	**152,346**	**6,506,651**	**8,398,715**
December 31, 1997	**$5,548,861**	**1,578,012**	**8,945,552**	**16,072,425**

Group:

	Freehold buildings and leased improvements	Furniture, fixtures, equipment, vehicles and leased equipment, and vehicles	Computers and accessories	Totals
At cost or valuation:				
December 31, 1997	77,753,907	39,859,463	57,556,026	175,169,396
Additions	197,780	1,023,087	3,444,925	4,665,792
Disposals	(73,636,930)	(15,794,125)	(8,426,573)	(97,857,628)
December 31, 1998	4,314,757	25,088,425	52,574,378	81,977,560
At cost	2,714,757	25,088,425	52,574,378	80,377,560
At valuation	1,600,000	-	-	1,600,000
	4,314,757	25,088,425	52,574,378	81,977,560

Depreciation:				
December 31, 1997	12,159,140	21,134,485	24,076,134	57,369,759
Charge for the year	695,036	4,070,448	4,543,595	9,309,079
Eliminated on disposals	(10,819,198)	(8,246,179)	(5,271,573)	(24,336,950)
December 31, 1998	2,034,978	16,958,754	23,348,156	42,341,888
Net book values:				
December 31, 1998	**$ 2,279,779**	**8,129,671**	**29,226,222**	**39,635,672**
December 31, 1997	**$65,594,767**	**18,724,978**	**33,479,892**	**117,799,637**

Freehold land and buildings were revalued by D.C. Tavares and Finson Co. Ltd., real estate appraisers of Kingston, Jamaica at an open market valuation as at June 25, 1992 of $1,600,000 for the company and $1,600,000 for the group. 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).

Freehold land and buildings include land at a valuation of $20,000 (1997: $20,000) for the group.

13. Deferred policy acquisition costs

In the prior year this represented the acquisition costs deferred in respect of commissions and marketing expenses for a subsidiary.

14. Deferred expenses

	Company		Group	
	1998	1997	1998	1997
Coffee plantations	-	-	44,290,110	38,430,768
Other	1,254,398	1,567,632	1,254,398	3,022,763
	$1,254,398	**1,567,632**	**45,544,508**	**41,453,531**

15. Share capital

	1998	1997
Authorised:	**$33,072,127**	**$33,072,127**
66,144,254 ordinary shares of 50¢ each		
Issued and fully paid:		
60,921,714 ordinary stock units of 50¢ each	**$30,460,857**	**30,460,857**

At an extraordinary meeting of the company on June 19, 1997, the authorised share capital was increased from $25,000,000 to $33,072,127 by the creation of 16,144,254 ordinary shares of $0.50¢ each. These ordinary shares rank pari passu in all respects with the existing ordinary shares of the company.

On June 19, 1997, 16,144,254 stock units of 50¢ each were issued as fully paid up at a premium of $1.80 each (see note 16).

16. Reserves

	Company		Group	
	1998	1997	1998	1997
Capital:				
Share premium				
At beginning of year	79,942,744	50,883,086	79,942,744	50,883,086
Arising during the year [see note 15(b)]	-	29,059,658	-	29,059,658
At end of year	79,942,744	79,942,744	79,942,744	79,942,744
Capital redemption reserve	-	-	1,600,000	1,600,000
Other				
At the beginning of the year	55,001,230	43,470,217	325,900,299	317,754,227
Transfer from/(to) profit and loss account				
Gain on disposal of fixed assets and investment	405,932	11,531,013	29,674,301	5,659,374
Exceptional item - gain on exchange	-	-	5,451,005	4,094,422
Adjustment in respect of non-consolidated subsidiary			(161,166,197)	-
Capital distribution received	-	-	-	172,651
Minority interest	-	-	-	(1,780,375)
At the end of the year	55,407,162	55,001,230	199,859,408	325,900,299

Total capital	135,349,906	134,943,974	281,402,152	407,443,043
General reserve	-	-	32,406,834	-
Accumulated deficit at end of year (see below)	$(128,941,682)	(54,696,782)	(318,613,554)	(330,658,329)
	$6,408,224	80,247,192	(4,804,568)	76,784,714

	Company
Accumulated deficit at beginning of year:	
As previously reported	(67,177,339)
Prior year adjustment	12,480,557
As restated	**$54,696,782**

This represents reimbursement to the company for a redundancy payment made to a Director on behalf of a subsidiary in the year ended December 31, 1997. No provision had been made for this expense in the company's prior year's accounts. Accordingly, the related balances have been restated.

17. Investment instrument

This represents a ten year 12.5% convertible redeemable investment instrument issued by a subsidiary to the FINSAC Limited. The instrument will mature December 15, 2008 and is secured by a variable rate promissory note issued by FINSAC Limited [see note 7(d)]. Both interest and principal will accumulate until maturity, at which time the total sum payable will be converted at market value into ordinary stock 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.

18. Minority interests

Minority interests in the prior year included 162,868,216 12.5% cumulative redeemable preference shares of $1 each, acquired by FINSAC Limited in the capital of the life insurance subsidiary of the company [note 31(a)].

19. Insurance funds

	Group 1998	1997
Unearned premiums reserve	205,028,944	169,139,612
Actuarially determined future benefits reserve	-	222,633,639
Unexpired risk reserve	20,885,037	16,682,870
Claims equalization reserve	31,233,544	19,493,606
Insurance fund	153,444	153,444
	257,300,969	428,103,171
Provision for outstanding claims	410,397,340	325,892,401
	$667,698,309	**753,995,572**

20. Due to subsidiaries

	Company 1998	1997
(A) Current liabilities		
(i) 17.5% loan	4,710,851	3,877,309
(ii) 25% loan	911,851	4,700,000
(iii) interest-free, unsecured loan	14,694,083	-
	20,316,785	8,577,309
Other liabilities	299,777	27,776,883
	20,616,562	36,354,192
Past due and current maturities of long-term loans (see below)	94,150,114	37,805,732
	$**114,766,676**	**74,159,924**

(B) Long-term liabilities Unsecured interest free loans	1998	1997
(a) Dyoll Insurance Company Limited	92,069,612	29,186,007
(b) Dyoll Life Limited	2,080,502	8,619,725
	94,150,144	37,805,732
Less past-due and current maturities (see A above)	(94,150,144)	(37,805,732)
	-	-

(i) This represents two loans repayable in December 1997 and November 1998 respectively.

(ii) This is repayable in November 1998.

21. Long-term loans

				Company		Group	
				1998	1997	1998	1997
(i)	12%	-	1979/2004	-	-	-	561,651
(ii)	14%	-	1992/1998	-	-	-	255,495
(iii)	15%	-	1994/2002	-	-	2,545,440	3,272,728
(iv)	2.50%	-	2000	-	-	2,679,000	4,286,016
(v)	35%	-	1998	-	7,306,904	-	7,306,904
(vi)	43%	-	demand loan	-	-	293,999	408,521
(vii)	52%	-	demand loan	-	-	-	279,578
				-	7,306,904	5,518,439	16,370,893
Less: current maturities				-	(7,306,904)	(2,671,582)	(10,463,614)
				-	**-**	**2,846,857**	**5,907,279**

Loan (i) was secured on a subsidiary's freehold buildings and was repayable by equal half-yearly instalments, inclusive of interest, of $63,444, the final instalment is due on November 30, 2004. This subsidiary was not consolidated this year [see note 31 (a)].

Loans (ii) and (iii) are 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 a subsidiary and a guarantee from the company to cover $8,466,960. Loan (ii) was repayable in quarterly instalments of $63,878, repayment of which commenced in December 1992. This loan related to a subsidiary which was not consolidated during the year [note 31 (a)]. Loan (iii) is repayable in quarterly instalments of $181,818, repayment of which commenced in September 1994.

Loan (iv) represents a loan of US$250,000 which is subject to a guarantee from a subsidiary and its minority shareholders of J$15.2 million. The loan is repayable in quarterly instalments of US$11,904, repayment of which commenced in May 1995.

Loan (v) represents a security free loan from an associated company which bears interest at 35%. The loan is repayable in 36 monthly instalments of $730,420, repayment of which commenced in January 1996, the final instalment was paid in December 1998.

Loans (vi) and (vii) are secured by promissory notes issued by a related company.

22. Gross revenue

Gross revenue represents gross premium written, income from leasing and investments, and sale of coffee berries.

23. Disclosure of (income)/expenses

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

			1998	1997
			$	$
Depreciation			9,309,079	14,619,574
Directors' emoluments	-	fees	288,000	211,000
	-	management	16,740,007	3,846,249
	-	redundancy	-	12,489,231
Auditors' remuneration	-	current year	3,306,750	3,878,250
	-	prior year	-	25,000
Amortization of deferred expenses/policy acquisition costs				
Mortgage and loan interest			-	11,768,376
Other interest			-	38,388,587
Investment income			5,111,513	4,215,176
Interest from associated company			(68,266,185)	(57,917,465)
Loss on sale of investments			-	(5,304,694)
Lease income			2,406,240	5,594,654
Gain on exchange, net			-	(1,301,239)
Loss/(gain) on disposal of fixed assets, net			(5,451,005)	(4,094,422)
			32,733,224	**(1,027,167)**

24. Taxation

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

	1998	1997
Premium tax	-	1,240,491
Taxation on share of profits of associated company	-	(22,477)
	-	1,218,014
Prior year under provision	-	2,572,863
	$ -	3,790,877

Premium tax of 1.5% is payable on net life assurance premiums written.

Taxation losses, subject to agreement by the Commissioner of Income Tax, available indefinitely for relief against future taxable profits, amounted to approximately $25,845,111 (1997: $126,964,000) for the group and $17,706,320 (1997: $1,425,306) for the company.

25. Extraordinarv items

	1998	1997
Expenses paid on behalf of associated companies	7,000,000	-
Investment in subsidiary and associated company written off (net)	37,222,180	16,727,636
Sale of investment in an associated company	-	11,503,250
Investment written off	5,000,000	-
Prior year under provision	**$49,222,180**	**28,230,886**

26. Loss attributable to the group

Dealt with in the financial statements of:

	1998	1997
The company	(73,838,968)	(18,658,769)
Subsidiaries, net	58,887,110	(187,595,919)
Associated companies, net	(2,138,242)	(50,507,632)
	($17,090,100)	(256,762,320)

27. Accumulated deficit

	1998	1997
Retained in the financial statements of:		
The company	(128,941,682)	(54,696,782)
Subsidiaries, net	(113,891,540)	(202,329,457)
Associated companies, net	(75,780,332)	(73,632,090)
	($318,613,554)	(330,658,329)

28. Earnings/(loss) per stock unit

The earnings/(loss) per ordinary stock unit was calculated by dividing the profit/(loss) for the year attributable to the group before and after extraordinary items respectively, by the total of 60,921,714 ordinary stock units in issue. The 1997 loss per ordinary stock unit for the year was calculated by dividing the loss for the year attributable to the group before and after extraordinary items respectively, by the total of 53,402,472 ordinary stock units being the weighted average number of units in issue during the year.

29. Pension schemes

Contributory pension schemes, providing for final salary-related benefits, are in operation for all employees who have satisfied certain minimum service requirements.

The latest actuarial valuation as at December 31, 1997 disclosed a surplus of $79,970,132.

Contributions for the year amounted to $1,325,422 (1997: $1,689,727) for the company and $4,336,532 (1997: $6,914,482) for the group.

The schemes are administered by Dyoll Life Limited. Effective April 1, 1999, the administration of the schemes was taken over by First Life Insurance Company.

30. 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, 1998, 777,500 (1997: 777,500) stock units had been issued under the scheme.

31. Subsidiaries and associated companies

Subsidiaries	Equity holding 1998	1997	Activities
Dyoll Insurance Company Ltd.	100%	100%	General insurance underwriting
Dyoll Life Limited	100%	100%	Life assurance, general health and accident insurance
Dyoll/Wataru Coffee Company Limited	51%	51%	Coffee cultivation
Buck Securities Partners Limited	98%	0%	Stock exchange brokers and investment analysts.
Associated companies			
Cayman Insurance Centre Limited (Incorporated in the Cayman Islands)	37%	37%	General, health and life insurance broking and insurance premium financing
Dyoll Caribbean Financial Services Limited	50%	50%	Merchant banking, stock exchange brokers and investment analyst
Seville Development Corporation Limited	20%	20%	Property investment
Interoceanica de Seguros, S.A. (Incorporated in Panama)	-	30%	General and life insurance underwriting

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

(a) On December 11, 1998, the FINSAC Limited assumed control of the insurance operations of Dyoll Life Limited. The subsidiary will be liquidated within the near future. As a result, the subsidiary's financial statements have not been consolidated and the company's investment in it has been written off.

(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 Dyoll Caribbean Financial Services 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) A full provision for diminution in value of investments has been made for the investment in Dyoll Caribbean Financial Services Limited.

32. Commitments

At December 31, 1998, there were commitments:

(a) by the group under non-cancellable operating leases expiring between 2005 and 2009 amounting to $181,468 (1997: $237,834). The amounts payable in the next twelve months aggregate $21,624 (1997: $21,624).

(b) in respect of the purchase of computer software amounting to $Nil (1997: $14,200,650) by the group.

33. Contingent liabilities

(a) The company has guaranteed a subsidiary's long-term liability to Agricultural Credit Bank in respect of various loans which are fully repayable between 1994 and 2002 to a maximum of $15,200,000 (1997: $15,200,000). At December 31, 1998 this liability amounted to $5,224,439 (1997: $7,814,239).

(b) The company has guaranteed the overdraft facilities of a subsidiary up to $300,000 (1997: $300,000).

(c) A subsidiary has guaranteed overdraft facilities for the company to the extent of $1,200,000 (1997: $1,600,000) secured by deposits of Jamaica Government securities of this face value.

(d) The company has guaranteed loans amounting to $5,000,000 (1997: $5,000,000) of a corporate entity which was a related company (see note 35).

34. The Year 2000 issue

The millenium Year 2000 issue arises because many computerised systems used two digits rather than four to identify a year. Date-sensitive systems may recognise the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the company's ability to conduct normal business operations. The issue is being addressed by management, however it is not possible to be certain that all aspects of the Year 2000 issue affecting the company and the group including those related to the errors of customers, suppliers, or other third parties, will be fully resolved.

35. Subsequent event

On May 11, 1999, the guarantee [see note 33(d)] given by the company in respect of loans which amounted to $3,333,333 as at May 11, 1999, was enforced by the guarantee holder.

The guarantee holder has agreed to the following terms:

(i) The company will make payment of $2,707,898 in four equal instalments between June 1, 1999 and August 31, 1999.

(ii) Interest accruing monthly will be paid as it becomes due at a per diem rate of $2,922.37, until other arrangements suitable to the guarantee holder are put in place.