Jamaica Producers Group LIMITED 1998

Notes to the Financial Statements

December 31, 1998.

1. The company

The Company is incorporated under the Laws of Jamaica and these financial statements are presented in Jamaican dollars.

The main activities of the company and its subsidiaries, as listed elsewhere, are the cultivation, marketing and contribution of bananas and other fresh produce locally and overseas, juice manufacturing and distribution, shipping and the holding of investments

Two parties are considered to be related when:

(a) one party is able to exercise control or significant influence over the other party; or
(b) both parties are subject to common control or significant influence from the same source.

2. Significant accounting policies

(a) Accounting convention:

The financial statements are prepared under the historical cost convention, except for the inclusion of certain fixed assets at valuation.

(b) Basis of consolidation:

The consolidated financial statements include the financial statements of the company and all subsidiaries, made up to December 31, 1998.

Associated companies, as listed elsewhere, are reported on the equity basis (see note 4). An associated company is one in which the group is deemed to exert significant influence by virtue of its interest in 20% or more of the equity voting rights.

All significant inter-company transactions are eliminated.

Goodwill arising on the acquisition of the subsidiaries is written off directly to reserves in the year in which it arises.

The company, its subsidiary and associated companies are collectively referred to as "the Group".

(c) Determination of profit and loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery. Losses are taken in the year in which they are realised or predeterminable.

(d) Use of estimates:

Management made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with general accepted accounting principles. Actual results differ from those estimates.

(e) Depreciation:

Fixed assets, with the exception of freehold land on which no depreciation is provided, are depreciated on a straight line basis at annual rates, varying between 2% and 50%, estimated to write off the assets over their expected useful lives. Computer equipment is depreciated on a straight line basis at 33 1/3% and 100% per annum.

Assets acquired under finance leasing arrangements in the United Kingdom are included at cost, less accumulated depreciation calculated in accordance with the accounting policy set out above. After deducting interest attributable to future periods, the net amount payable is included in creditors.

(f) Inventories:

Inventories are valued at the lower of cost, determined principally on a first-in first-out basis, and net realizable value.

(g) Foreign currencies:

The group's foreign assets and liabilities are translated at £1 to J$59.64 (1997: J$58.34) and US$1 to J$36.95 (1997: J$36.09), being the buying rates of exchange ruling at the balance sheet date. Items in the foreign subsidiaries' profit and loss accounts are translated at an average rate of £1 to J$59.02 (1997: J$56.28) and US$ 1 to J$36.44 (1997: J$35.58) being the average rates of exchange ruling for the year.

Other transactions in foreign currencies are converted at the rates of exchange ruling at the date of those transactions.

Gains and losses arising from translating income statement items are included in the profit and loss account. Unrealised portions of such gains are ultimately transferred to capital reserve. Exchange differences arising on other changes to shareholders' interests are reflected in capital reserves (see note 9).

(h) Deferred taxation:

Deferred taxation is provided in respect of timing differences and revaluation surpluses only where there is a reasonable probability that a liability will become payable within the foreseeable future. Provision is made at the average rate of tax expected to prevail when the liabilities crystalise. Should a potential asset arise, the amount is not recorded in the accounts.

(i) Pension cost:

The company and some group companies operate pension schemes (see note 17) and the assets of the schemes are held separately from those of the companies, except as disclosed in note 17. Contributions to the schemes are charged to the group profit and loss account.

(j) Development expenses:

The costs of development of the banana plantations are capitalized up to maturity (see note 6); costs thereafter are expensed. Capitalized costs of the mature banana plantations are amortized over a period of twenty years.

3. Working capital

		Company		Group	
		1998	1997	1998	1997
		$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash and bank deposits		23,232	34,422	911,881	883,501
Short term investments		133,500	78,857	133,500	78,857
Accounts receivable	(a)	129,814	138,547	1,332,374	1,330,887
UK Tax reserve certificates		-	-	2,087	3,257
Recoverable taxation		51,841	43,727	55,551	46,416
Inventories	(b)	61,277	44,784	310,145	299,273
		399,664	340,337	2,745,538	2,642,191
CURRENT LIABILITIES					
Bank overdrafts and demand loans	(c)	107,737	12,149	146,197	42,079
Taxation		-	-	170,112	221,338
Accounts payable [see notes (d) and 17 (a)]		114,080	91,732	1,285,712	1,170,033
Unclaimed dividends		13,203	39,256	13,203	39,256
Current maturities of long term loans [See note 7]		-	-	41,808	31,940
Related companies		-	-	103,558	75,924
		235,020	143,137	1,760,590	1,580,570
WORKING CAPITAL		**164,644**	**197,200**	**984,948**	**1,061,621**

Notes:

(a) Accounts receivable includes $115,000 (1997: $47,000) for the company and the group in respect of advances made to directors of the company in the ordinary course of business.

(b) Inventories

	Company		Group	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Produce, processed goods and packing material	15,326	18,194	218,922	225,501
Merchandise	45,227	26,144	45,227	26,144
Bunker oil	-	-	6,191	15,234
Spare parts and others	724	446	39,805	32,394
	61,277	**44,784**	**310,145**	**299,273**

(c) The overdraft facility of a UK subsidiary is secured on that company's freehold property and by a fixed and floating charge over its assets. Interest is charged at between 1 1/2% and 2% above base rate.

(d) Accounts payable for the company and the group includes $99,000 (1997: $103,000) due to directors of the company, and for the group includes $4,115,000 (1997: $Nil) which is secured against certain items of plant and motor vehicles of a subsidiary.

4. Interests in subsidiary and associated companies

	Company		Group	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Subsidiary companies:				
Shares, at cost, less amounts written off	515,054	515,054	-	-
Loan accounts	(355,144)	(322,066)	-	-
Current accounts	174,754	119,838	-	-
	334,664	312,826	-	-
Associated companies:				
Shares, at cost, less amounts written off	1	1	5,422	5,422
Group's share of reserves	-	-	31,246	30,071
Loan accounts	63,754	32,311	63,754	32,311
Current accounts	53	26,742	7,925	31,408
	63,808	59,054	108,347	99,212
	398,472	371,880	108,347	99,212

An associated company, Balmoral Banana Company Limited, has its year end at October 31 each year, while another, Belvedere Limited has its year end at June 30 each year. The consolidated profit and loss account includes the group's share of profit/loss of these companies, Jamaica Producers Marketing (USA) Inc. and Aqualapia Limited, based on the management accounts for the year ended December 31, 1998. The results of these companies are insignificant in relation to the group. JP Services Limited and JP Limited were removed from the companies register during 1997.

5. Investments

	Company		Group	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
At cost, less provision for diminution in value:				
Quoted - long term	242,999	237,742	243,098	237,800
Unquoted - trade	5	5	5	5
- long term	46,461	46,461	58,208	57,982
Government Securities	50,000	50,000	181,291	122,216
Long term receivables:				
Mortgage loans for staff housing	-	-	1,952	-
National Housing Trust recoverable in the years 2001/4	39	39	114	114
General Consumption Tax	458	18	458	458
Loan to Employee Share Ownership Plan (ESOP)	111,847	120,311	111,847	120,311
Banana Resuscitation Loans	-	1,896	-	1,896
	451,809	456,472	596,973	540,342
Estimated market value of quoted investments	416,497	350,236	416,899	350,646

Market values of quoted investments are computed based on quotations received from stockbrokers. It is the opinion of the directors that the value of all other investments exceeds cost.

The number of stock units held by the ESOP at December 31,1998 was 16,091,607 (1997: 12,873,286) for the company and group and 132,836 (1997: 107,654) stock units held by employees of the company and 896,894 (1997: 728,912) by employees of the group (see note 8).

6. Fixed assets

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Furniture, equipment and vehicles $'000	Work in progress $'000	Total $'000
(a) Company					
At cost:					
December 31, 1997	47,190	29,414	64,079	-	140,683
Additions	892	855	19,708	395	21,850
Disposals	-	-	(2,481)	-	(2,481)
December 31, 1998	48,082	30,269	81,306	395	160,052

Depreciation:					
December 31, 1997	4,333	5,008	22,790	-	32,131
Charge for the years	1,096	1,769	8,033	-	10,898
Eliminated on disposal	-	-	1,788	-	(1,788)
December 31, 1998	5,429	6,777	29,035	-	41,241
Net book values:					
December 31, 1998	**42,653**	**23,492**	**52,271**	**395**	**118,811**
December 31, 1997	**42,857**	**24,406**	**41,289**	**-**	**108,552**

	Freehold land and buildings $'000	Leasehold land and buildings and farm development costs $'000	Furniture, equipment and vehicles $'000	Total $'000
(b) Group				
December 31, 1997	406,987	830,281	1,328,672	2,565,940
Additions	10,028	12,253	124,708	146,989
Disposals	(17,353)	-	(39,418)	(56,771)
Transfers	-	1,823	1,823	-
Exchange gains	5,335	8,347	21,348	35,030
December 31,1998	404,997	852,704	1,433,487	2,691,188
At cost	272,220	314,336	1,346,434	1,932,990
At valuation	132,777	538,368	87,053	758,198
	404,997	852,704	1,433,487	2,691,188
Depreciation:				
December 31, 1997	47,949	215,996	593,965	857,910
Charge for the year	10,213	32,718	177,969	220,900
Eliminated on disposals	(708)	-	(27,022)	(27,730)
Exchange losses (gains)	1,022	915	(4,297)	(2,360)
December 31,1998	**58,476**	**249,629**	**740,615**	**1,048,720**
Net book values:				
December 31,1998	346,521	603,075	692,872	1,642,468
Construction-in-progress	-	108,661	-	108,661
	346,521	**711,736**	**692,872**	**1,751,129**

December 31,1997	359,038	614,285	734,707	1,708,030
Construction-in-progress	-	70,495	-	70,495
	359,038	**684,780**	**734,707**	**1,778,525**

	Company		Group	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Freehold land and buildings include land as follows:				
At valuation	-	-	123,217	123,217
Director's allocation of cost	4,507	4,507	4,857	4,857
At cost	21,659	21,659	47,568	47,568
Total land	**26,166**	**26,166**	**175,642**	**175,642**
Leasehold land and buildings include:				
Infrastructure - at cost	-	-	79,646	83,576
- at directors 1992 valuation	-	-	124,475	124,475
Farm development costs	**-**	**-**	**77,144**	**69,564**
Furniture, equipment and vehicles, include:				
Assets purchased under finance leases (see note 7)	**-**	**-**	**115,393**	**111,581**

The freehold land and leasehold properties of two subsidiary companies are included at $486,789,000 (1997: $486,789,000) being December 31,1990 Open Market valuation and $7,146,000 being October 1990 valuation. The resultant surplus and accumulated depreciation have been taken to capital reserves (see note 9) and minority interests.

Fixed assets of two subsidiary companies are shown at 1989 and 1992 valuation of $264,263,000 (1997: $264,263,000).

7. Long term loans

	Company		Group	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
(a) Bank loan	-	-	53,677	67,089
(b) Mortgage loan	-	-	17,534	18,300
(c) Bank loan	-	-	32,163	33,820
(d) Rehabilitation loans	-	-	31,986	-

(e) Bank loan	-	-	28,041	-
(f) Finance lease obligations (see note 6)	-	-	27,674	43,077
	-	-	191,075	162,286
Less current maturities (see note 3)	-	-	(41,808)	(31,940)
	-	**-**	**149,267**	**130,346**

(a) The bank loan is in UK Sterling (£), is secured by a fixed charge over a subsidiary company's freehold land and buildings, is repayable at f50,000 per quarter over approximately seven years which commenced in 1996 and bears interest at 1 1/4% (1997: 1 1/4%) over the National Westminster Bank plc base lending rate.

(b) The mortgage loan is in UK Sterling (£), is secured on a subsidiary company's freehold land and buildings and is repayable at £22,000 per annum over 15 years from April 1994 at 2 1/4% above Lombard North Central plc base interest rate.

(c) The bank loan is in UK Sterling (£), is secured by a fixed charge over a subsidiary company's freehold land and buildings, is repayable at £42,000 per annum over approximately ten years which commenced in May 1997 and bears interest at 1.75% over Barclays Bank plc base lending rate.

(d) The rehabilitation loans received during 1998 are payable over three to five year periods by quarterly installments after a moratorium period of one year. The loans bear interest at 9% per annum. Interest accrued during the moratorium period will be capitalised at the end of the period. The loans are to be secured on the assets that were purchased from the proceeds.

(e) The bank loan is in UK Sterling (£), is secured over a subsidiary company's freehold land and building, and is repayable at £34,000 per annum over approximately ten years which commenced in January 1998 and bears interest at 1.75% over LIBOR.

8. Share capital

	Company & Group	
	1998	1997
	$'000	$'000
Authorised: 500,000,000 ordinary shares of 10c each	50,000	50,000
Issued and fully paid in stock units of 10c each (See Note 5)	18,702	14,962

At the Annual General Meeting held on May 28, 1998, a resolution was passed by the company to issue bonus shares of one (1) ordinary share for every four (4) ordinary stock units held by members of record on July 9, 1998. The company capitalised $3,740,185 of non agricultural retained profits to fund the bonus issue of 37,401,848 ordinary shares to the shareholders of record on July 9, 1998.

9. Reserves

	Company		Group	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Capital:				
Share premium	135,087	135,087	135,087	135,087
Other:				
At beginning of year	942,663	648,069	1,470,343	1,651,109
Exchange (losses)/gains [see note 2 (g)]	-	-	36,350	31,470
Revaluation surplus of fixed assets in associated company	-	-	-	7,566
Transfer (to)/from profit and loss account:				
Realised exchange	-	-	(2,662)	4,839
Unclaimed dividends	38,124	12,645	38,124	12,645
Unrealised exchange (losses)/gains	(7,479)	5,715	3,833	-
Gain on liquidation of subsidiary company	-	276,234	-	-
Capital distribution (gross)	(35,909)	-	(35,909)	-
Goodwill	-	-	-	(237,286)
At end of year	937,399	942,663	1,510,079	1,470,343
Total capital	1,072,486	1,077,750	1,645,166	1,605,430
Revenue:				
Retained profits et end of year	42,548	41,392	1,002,233	1,039,303
	1,115,034	**1,119,142**	**2,647,399**	**2,644,733**

Retained profits at December 31, 1998 include:

(a) $10,296,000 (1997: $4,718,000) for the company and $10,297,000 (1997:$4,719,000) for the group of franked income available for distribution.

(b) incentive profits of $47,195,000 (1997: $92,081,000) for the company and $245,034,000 (1997:$355,989,000) for the group, which can be distributed to local stockholders without deduction of tax.

(c) $24,973,000 for the group which was reclassified in 1997 from associated companies to subsidiary companies on the acquisition of the remaining 52.5% of the shares of Sunjuice Limited.

10. Gross operating revenue

Gross operating revenue comprises investment income, the gross sales of goods and services of the group and commission earned by the group on consignment sales. This is shown after deducting returns, UK value added tax and Jamaica General Consumption Tax.

11. Disclosure of expenses/(income)

Profit before taxation and extraordinary items is stated after charging/(crediting)

	1998 $'000	1997 $'000
Depreciation	220,900	192,459
Directors' emoluments:		
Fees	726	817
Management	31,090	28,959
Auditors' remuneration	13,471	18,283
Interest - long term loans	13,866	6,822
- other	16,981	30,628
- income	(175,043)	(131,144)
Loss/(profit) on disposal of fixed assets	5,115	(708)
Exchange loss/(gains)	16,981	(47,214)
Dividends received - quoted (gross)	(7,609)	(29,606)
- capital distribution (gross)	(42)	-
Reduction in provision for diminution in value of quoted investments	(3,337)	(5,455)
Share of profit of associated companies	(1,276)	(2,470)

12. Taxation

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

	1998 $'000	1997 $'000
Income tax @ 33 1/3%	1	1
Transfer tax @ 7 1/2%	3	-
Taxation on share of profits of associated companies	418	525
United Kingdom Corporation tax @ 31% (1997: 33%)	203,337	227,629

Corporation tax (other than UK)	80	46
	203,839	228,201
Deferred taxation	1,610	3,062
	205,449	231,263
Adjustment in respect of previous years	5,594	6,448
	211,043	**237,711**

(a) The charge for Jamaica's income tax is 33 1/3% of the profit for the year, adjusted for tax purposes.

The effective tax rate for 1998 was 51.70% (1997: 40.00%) of $408,190,000 (1997: $594,294,000) pre-tax profits compared to a statutory tax rate of 33 1/3% (1997: 33 1/3%). The actual expense differed from the "expected" tax expense for those years as follows:

	1998 $'000	1997 $'000
Computed "expected" tax expense	136,063	198,098
Taxation difference between profit for financial statements and tax reporting purposes on -		
Overseas taxation	(14,529)	(27,239)
Tax losses	109,489	62,909
Government of Jamaica loan interest	(2,376)	(2,376)
Disallowed expenses, depreciation and other related capital adjustments	(17,604)	(6,319)
Actual tax expense	**211,043**	**237,711**

(b) Three subsidiary companies continue to operate under relief from taxation on agricultural income as follows:

Company	Income Tax Order	Effective dates From	To
Eastern Banana Estates Limited	Income Tax (Approved Farmer) (No. 3) Order 1993	1992	2001
Victoria Banana Company Limited	Income Tax (Approved Farmer) (Victoria Banana Company Limited) (No. 4) Order 1995	1996	2003
St. Mary Banana Estates Limited	Income Tax (Approved Farmer) (No. 3) Order 1993	1992	2001

(c) Tax losses available, subject to agreement of the Commissioner of Income Tax, for offset against future profits amounted to $328,000 (1997: $41,436,000) for the company and $603,767,000 (1997: $404,901,000) for the group.

13. Extraordinary items, less taxation

	1998 $'000	1997 $'000
Redundancy cost	-	10,114
United Kingdom	107,292	24,823
Jamaica	107,292	34,937
	-	(3,135)
Less taxation	**107,292**	**31,802**

Redundancy costs were incurred in the group's restructuring and rationalization.

14. Profit for the year attributable to the group

Profit dealt with in the financial statements of the parent company - $542,303,000 (1997: $341,760,000).

15. Dividends

	1998 $'000	1997 $'000
Agricultural dividend		
First interim paid in respect of 1998 - Nil (1997 - 20c) per stock unit - gross	-	29,925
Second interim paid in respect of 1998 - 24c (1997 - 24c) per stock unit - gross	44,886	35,909
Capital distribution		
First interim paid in respect of 1998 - 24c (1997 - Nil) per stock unit - gross	35,909	-
	80,795	65,834
Unclaimed dividends written back	(38,124)	(12,645)
	42,671	**53,189**

16. Earnings per ordinary stock

The earnings per ordinary stock unit is calculated by dividing the profit for the year attributable to the group before and after extraordinary items of $120,019,000 (1997: $263,275,000) and $12,727,000 (1997: $231,473,000) respectively, by the total of 187,024,006 ordinary stock units of 10¢ each being the number of units in issue. The 1997 figures are restated to give effect to the bonus issue made in July 1998.

17. Pension schemes

(a) The company operates a 'benefits based' trusteed pension scheme covering certain salaried employees of the company and its Jamaican subsidiaries, who have satisfied minimum service requirements.

The scheme is subject to actuarial valuations every three years. The most recent actuarial study was done on the basis of the "aggregate cost allocation" method, with projections as at December 31,1996, when a net liability to be met by the employer of $16,200,000 for past services was indicated. The existing employer's contribution rate of 10% of total pensionable salaries was recommended. This will fund the long term benefits of the plan. The next actuarial valuation is due as at December 31, 1999.

Earlier pension contributions were usually passed on to the investment managers. However, the trustees have invested $39,229,000 (1997: $ 17,829,000) (including accrued interest) with the company (see note 3) at an interest rate of 28.75% per annum to protect the assets of the fund. The trustees are actively reviewing the management of the fund.

The contribution for the year, charged to the group profit and loss account, amounted to $5,786,000 (1997: $4,567,000) for the company and its Jamaican subsidiaries other than those covered by (c) and (d) below. This amount includes $5,635,000 (1997: $4,469,000) for the company.

(b) A UK subsidiary company operates a pension scheme for eligible employees, including directors in the United Kingdom, based principally on final pensionable earnings.

The assets of the scheme are held separately from those of the group being invested with the insurance company which manages the funds. Contributions to the scheme, determined by the insurance company's actuary on the basis of triennial valuations using the projected unit method, are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The most recent actuarial valuation was at January 1, 1997 and showed that the value of the scheme's assets was $520,499,000 representing 111% of the benefits that had accrued to members. In arriving at these valuations it was assumed that the investment returns would be 8% per annum and salary increases would average 6 1/4% per annum.

The contributions for the year, charged to the UK company's and the group profit and loss account, amounted to $27,554,000 (1997: $20,781,000).

(c) Effective July 1, 1996 a subsidiary company established a contributory pension scheme for employees who have satisfied certain minimum service requirements. The scheme is administered by Life of Jamaica (LOJ) and the deposits and withdrawals are in LOJ's Pooled Short Term Money Fund No. 1. Retirement benefits are determined by the actuaries.

The scheme is subject to actuarial valuations every three years.

Contributions by the subsidiary company during the year, charged to the group profit and loss account, amounted to $655,000 (1997: $806,000).

(d) A subsidiary company operates a defined contribution plan. The plan is funded by contributions from employees of 5% to a maximum of 10% of earnings. The employer contributes at the rate of 5%. Retirement and other benefits are based on the total contribution of the employer and employees.

An actuarial valuation at March 31, 1994, showed that the plan was adequately funded.

The contributions for the year, charged to the group profit and loss account, amounted to $1,678,000 (1997: $4,071,000).

(e) Another UK subsidiary company participates in a pension scheme for eligible employees, based on final pensionable earnings.

The assets of the scheme are held separately, being invested with the insurance company which manages the funds. Contributions to the scheme, determined by the insurance company's actuary on the basis of triennial valuations using the projected unit method, are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The most recent actuarial valuation was at January 1, 1998 and showed that the value of the scheme's assets was $25,348,000 representing 125% of the benefits that had accrued to members. In arriving at these valuations it was assumed that the investment returns would be 8% per annum and salary increases would average 6 1/4% per annum.

The contributions for the year charged to the group profit and loss account, amounted to $8,111,000 (1997: $5,120,000).

18. Contingent liabilities

(a) A subsidiary company had a contingent liability in respect of a claim against it for $8,712,000 (1997: $8,712,000) for damage allegedly suffered by the claimant as a result of flooding of the claimant's property during periods of heavy rainfall which occurred in 1997. It is the opinion of the subsidiary company's legal advisors that the claimant will be unable to prove that the flooding in question was caused by operations on the subsidiary company's land. No provision has been made for this claim.

(b) A subsidiary company had contingent liabilities in respect of pending claims against it for non-payment of debt, redundancy, unfair dismissal and breach of contract amounting to approximately $621,000 (1997: $621,000). It is the opinion of the subsidiary's legal advisors that the subsidiary's defences are strong in most of the claims. No provision has been made for these claims.

(c) There is a lawsuit against a subsidiary company by an employee to recover damages for injury to one eye. The plaintiff is being treated on an ongoing basis. Settlement negotiations are ongoing and the subsidiary's legal advisors do not expect the settlement figure to exceed $1,500,000. No provision has been made in the financial statements.

(d) A subsidiary company is a member of the Banana Group, a company limited by guarantee formed to increase the sales of bananas in the UK. In the event of that company becoming insolvent, this subsidiary company will be liable to pay up to a maximum of $1,193,000 (1997: $1,167,000).

(e) There are contingent liabilities at December 31, 1998 in respect of guarantees by subsidiary companies -

(i) covering amounts payable for UK customs and excise duty on bananas imported to the UK, in the absence of shipping documents and overdraft at the bank's option, amounting to $29,821,000 (1997: $23,336,000) for the group.

(ii) covering charges payable to the Intervention Board, in the event that available import licences are not fully utilised, amounting to $37,064,000 (1997: $38,505,000). This facility was done for the Banana Export Company, who has indemnified the subsidiary against any losses incurred.

(iii) covering the deferment of import duty payable to H.M. Customs and Excise, amounting to $59,641,000 (1997: $58,340,000).

(iv) covering amounts payable to H.M. Customs and Excise in respect of goods in transit within the European Union amounting to $Nil (1997: $1,575,000).

(v) covering rent payable in respect of a lease agreement to a third party of $3,054,000 (1997: $Nil).

(f) The 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 an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issues affecting an entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. Fair value of financial instruments

International Accounting Standard No. 32, "Financial Instruments" (IAS 32) requires all entities to disclose the fair value of financial instruments, both assets and liabilities that are recognised and not recognised in the balance sheet for which it is practicable to estimate fair value.

At December 31, 1998, the directors and management estimate that the carrying value of each class of financial instruments approximates to fair value.

20. Commitments

(a) Unexpired lease commitments at December 31, 1998 expire as follows:

	Company		Group	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Within one year	Nil	Nil	8,988	8,098
Subsequent years	Nil	Nil	110,444	122,656
	Nil	**Nil**	**119,432**	**130,754**

(b) The Board of Directors have authorised capital expenditure as follows:

	Company		Group	
	Authorised but not committed	Authorised and committed	Authorised but not committed	Authorised and committed
December 31,1998	**50,067**	**-**	**328,847**	**13,499**
December 31,1997	**18,988**	**-**	**256,507**	**16,335**

(c) (i) A UK subsidiary company has entered into forward currency purchase contracts totalling $ 17936000 (1997: $70,997,000) maturing on February 26, 1999 (1997: at various dates, the last in September 1998).

(ii) Another UK subsidiary company has entered into forward currency purchase contracts totalling $647,984,000 (1997: $Nil) on their own behalf, and $293,800,000 (1997: $Nil) on behalf of a major supplier.