

FINANCIAL INSTITUTIONS SERVICES LIMITED**ANNUAL REPORT FOR YEAR ENDED MARCH 31, 2013 AND 2014****1.0 INTRODUCTION**

- 1.1 The matter for tabling in the House of Parliament is the Annual Report for the Financial Institutions Services Limited (FIS) for the financial years ended March 31, 2013 and 2014.
- 1.2 FIS was incorporated on September 29, 1995 in Jamaica and is owned by the Government of Jamaica (GOJ). The main activities of the Company include the rental and sale of assets taken over from the following entities in order to satisfy their respective prescribe liabilities:
- i. Blaise Financial Institutions (BFI) namely, Blaise Financial Institutions comprised of Blaise Trust Company and Merchant Bank limited, Blaise Building Society and Consolidation Holding Limited, in accordance with the Scheme of Arrangement approved by creditors and depositors on October 15, 1995.
 - ii. Century Financial Entity (CFE) namely, Century National Bank Limited, Century National Building Society and Century National Merchant Bank and Trust Company Limited, in accordance with the Scheme of Arrangement approved by the creditors and depositors on September 6, 1997.

2.0 DISCLOSURES**2.1 Auditors' Report**

- 2.1.1 KPMG conducted an audit of FIS's accounting records in accordance with the International Standards on Auditing. The Auditors indicated that proper accounting records have been maintained as required by the Companies Act. However, for both years, the Auditors qualified their opinion on the basis that:
- i. Shares which should have been transferred to FIS, in accordance with a Deed of Settlement (June 2006), have not been recognised in the financial statements as the value of these assets could not be determined. The shares belonged to the former principal directors/shareholders of the Blaise Financial Institutions.
 - ii. Collection of outstanding damages awarded against the former officers of the CFEs is uncertain. Therefore, no amount has been recognized in the financial statements. A judgement was handed down by the Privy Council in November 2005 upholding the decision of the Supreme Court in 1999, which awarded repayment to FIS of \$3 billion plus interest by the former principal/shareholders. In this regard, various real estate (estimated at \$250 million) owned by the former principal director were identified to be realised and applied against this judgement debt. Efforts continued to be made to identify other assets that may be sold.

- 2.1.3 In 2012/13, an additional factor for qualification was that FIS had not prepared consolidated financial statements to include those of its wholly-owned subsidiary, Jamaica Mutual Properties Limited (JMPL) in accordance with IAS 27- Consolidated and Separate Financial Statements. KPMG has indicated that they were unable to determine the consolidation adjustments deemed necessary to comply with IAS 27.
- 2.1.2 Notwithstanding that the financial statements have been prepared in conformity with International Financial Reporting Standards, KPMG emphasised that the continuation of the Company as a going concern is uncertain. This, as FIS continued to record considerable net deficit of \$328.45 million and net current liabilities of \$329.07 million (2012/13: \$431.16 million). The Auditors also indicated that no provision was made for the effect that the resolution of this uncertainty may have on the carrying values of the Company's assets and liabilities.

2.2 Compensation of Senior Executives and Directors

- 2.2.1 Pursuant to the Second Schedule (Part 1) of the Public Bodies Management Accountability (Amendment) Act 2011, details of the compensation packages for senior executives of FIS are enclosed. The executive management functions for the Company are undertaken by the three (3) senior executives of the Financial Sector Adjustment Company Limited (FINSAC). In this regard, \$3.96 million and \$4.11 million of their total emoluments were allocated to FIS' senior executives for financial years ended March 31, 2013 and 2014 respectively. The Board of FIS is comprised of the same persons as that for FINSAC but the related fees were fully accounted for by the latter.

3.0 OPERATIONAL HIGHLIGHT

- 3.1 In December 2011, Greenlight Car Rental and Transportation Limited - GCRTL (60% of whose shares were surrendered¹ to FIS), sold its 33% shareholding in United Motor Limited (UML) for consideration of US\$400,000. The transfer of the GCRTL shares was not effected and hence, the proceeds (J\$36.5 million) from the sale of the UML shares were invested in government securities pending the transfer. Legal advice to effect the transfer of the proceeds to the Accountant General was still awaited but the matter is expected to be finalised during 2015/16.
- 3.2 During 2013, legal services were retained to continue the matter related to reducing the judgement (2005) debt in relation to the former Chairman of CFE. Court Orders were sought in January 2014 and approval obtained to sell various assets. Valuations were subsequently obtained as a prelude to sale by public auction.

4.0 FINANCIAL HIGHLIGHTS

- 4.1 The main source of income for FIS was bad debt recovery of \$123.51 million (2012/13: \$20.99 million) on loans sold to the Jamaica Redevelopment Foundation that were previously provided for. As a result of the increased income, FIS in 2013/14, realised a net surplus of \$101.44 million (2012/13: \$6.15 million) before unrealized gain of \$0.39

¹ Based on an out of court settlement the Chairman of the BFIs surrendered ownership of the shares.

million (2012/13: loss of \$6.05 million) on investments available for sale. Given the unrealised losses in 2012/13 which resulted from the devaluation of the Jamaican dollar, FIS recorded net comprehensive income of \$0.09 million for that year (2013/14: \$101.83 million).

- 4.1.2 The Company's costs increased by \$5.49 million to \$14.95 million over the \$9.46 million in 2012/13. The major contributing factor was professional fees of \$5.12 million chiefly for the pursuit of matters regarding the CFE judgement debt and GCRTL.

Table 1 Extract of Financial Statements at March 31, 2013 to March 31, 2014 (J\$ m)

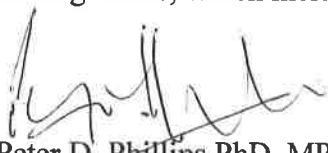
Particulars	2011/12 (a)	2012/13 (b)	Variance (a) & (b)	2013/14 (c)	Variance (b) & (c)
Interest Income	-	2.21	2.21	3.25	-1.04
Bad debt recovered	20.99	30.78	-9.79	123.51	113.72
Costs of Operations/Administration	-9.46	-11.94	2.48	-14.95	-17.43
Loss on foreign exchange	-8.27	-0.92	-7.35	-10.57	17.92
Other s	0.68	17.00	-16.32	0.19	16.51
Profit for the year	34.92	6.15	28.77	101.43	-72.66
Unrealised gain(loss) on AFS	-6.06	16.14	-22.20	0.39	-22.59
Total Comprehensive income	51.06	0.09	50.97	101.82	-50.85

5.0 BALANCE SHEET

- 5.1 FIS remained insolvent and recorded net liabilities of \$328.45 million at March 31, 2014. However, this was an improvement in the shareholders position, which was \$430.28 million at March 31, 2013. Further, the Company's net working capital deficit improved by \$102.09 million on the \$431.64 million recorded at March 31, 2013. Improvements over the 2-year period, were facilitated by amounts recovered (bad debt and taxes) which in turn contributed to increased investments and payment of obligations to FINSAC.

6.0 CONCLUSION

- 6.1 FIS pursued its mandate of rental and sale of assets taken over from the Blaise Financial Institutions and the Century Financial Entities during the period. The Company remained focused on divesting the remaining assets, which include real estate in relation to the CFE litigation.


 Peter D. Phillips PhD, MP
 Ministry of Finance and Planning
 June 30th 2015

