

FINANCIAL INSTITUTIONS SERVICES LIMITED
ANNUAL REPORT FOR YEAR ENDED MACRH 31, 2015

1.0 INTRODUCTION

- 1.1 The matter for tabling in the Houses of Parliament is the Annual Report for the Financial Institutions Services Limited (FIS) for the financial year ended March 31, 2015.
- 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 prescribed liabilities:
- i. Blaise Financial Institutions (BFI) comprises Blaise Trust Company and Merchant Bank Limited, Blaise Building Society and Consolidation Holdings 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 The Auditors (KPMG) conducted the audit of FIS's financial statements for 2014/15 in accordance with the International Auditing Standards. Their report states that proper accounting records have been maintained and the financial statements give a true and fair view of the financial position in keeping with the International Financial Reporting Standards and the Jamaican Companies Act.
- 2.1.2 Without qualifying their report KPMG emphasized that the continuation of the Company as a going concern is uncertain and that the preparation of the financial statements on such a basis may not be appropriate, given that FIS continued to record net deficit and net current liabilities of \$297.29 million each. The Auditors also indicated that no provision was made for the effect, if any, the resolution of this uncertainty might have on the carrying values of the Company's assets and liabilities.

2.2 Compensation of Senior Executives and Directors

- 2.2.1 The executive management functions for the Company are undertaken by the three (3) senior executives of the Financial Sector Adjustment Company Limited (FINSAC). Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability Act, details of the compensation packages for senior executives of FIS are enclosed. This amounted to \$0.96 million and was allocated to three (3) senior managers

for the financial year ended March 31, 2015. The reduction in the compensation for the senior managers of FIS was due mainly to a change in the allocation for this expense between FIS and FINSAC moving to a ratio of 5:95 from 25:75 respectively. The Board of FIS is comprised of the same persons as those for FINSAC but the related fees were assumed by the latter.

3.0 OPERATIONAL HIGHLIGHT

- 3.1 In December 2011, a subsidiary whose shares were surrendered¹ to FIS, sold its 33% shareholding in another company for a consideration of US\$400,000. The transfer of the subsidiary's shares was not effected and hence, the proceeds (J\$36.5 million) from the sale of the company's shares were invested in government securities pending the transfer. During the year the shares were transferred to the Accountant General and funds (\$39 million – proceeds and interest) were credited to FIS's bank account, pending transfer to the shareholder.
- 3.2 During 2013, legal services were retained to continue activities towards reducing the judgement (2005) debt in relation to the CFE. Court Orders were sought in January 2013 and approval obtained to sell various assets. Valuations were obtained in 2013/14 as a prelude to sale by public auction and following several discussions held in 2014/15, FIS will proceed with the matter.
- 3.3 With respect to a pension plan being wound up by FIS, the Company was not able to commence the distribution of the surplus on the plan in the period as previously anticipated, since FIS sought to ensure that all beneficiaries were identified. Payments began subsequent to the end of the review period.

4.0 FINANCIAL HIGHLIGHTS

Table 1 Extract of Financial Statements at March 31, 2015 (J\$ m)

Particulars	2014/15 (a)	2013/14 (b)	Variance	Variance %
Interest Income	2.67	3.25	-0.58	-18
Bad debt recovered	39.72	123.50	-83.78	-68
Costs of Operations/Administration	-5.78	-14.95	9.17	61
Loss on foreign exchange	-10.95	-10.56	-0.39	-4
Loss on disposal of property , plant & equipment	-	-0.21	0.21	-100
Other Income	1.76	0.41	1.35	329
Profit for the year	27.42	101.44	-74.02	-73
Unrealised gain (loss) available for sale investment	3.74	0.39	3.35	859
Total Comprehensive income	31.16	101.83	-70.67	-69

¹ Based on an out of court settlement, the Chairman of the Blaise Financial Institutions surrendered ownership of the shares.

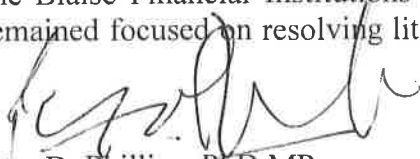
- 4.1 The main source of income for FIS was bad debt recovered of \$39.72 million (2013/14: \$123.50 million) due mainly to the finalisation of the transfer of shares of a subsidiary of FIS to the Accountant General. The reduction of \$83.78 million in revenue from that source, resulted as loans, for which provisions were already made, were sold to the Jamaica Redevelopment Foundation in 2013/14, thus enhancing income for that financial year. As a result of the reduced income, the net surplus was \$27.42 million (2013/14: \$101.44 million) before unrealized gain of \$3.74 million (2013/14: \$0.39 million) on investments available for sale.
- 4.1.2 The Company's operating costs decreased by \$9.17 million to \$5.78 million (2013/14: \$14.95 million) below the \$14.95 million in 2013/14. The reduction was due primarily to lower legal cost as major issues were settled in prior years and the cost sharing ratio for wages and salaries between FIS and FINSAC was reduced to 5:95 respectively.

5.0 BALANCE SHEET

- 5.1 FIS remained insolvent and recorded net liabilities of \$297.28 million at March 31, 2015. However, this was an improvement (by \$31.17 million) in the shareholders position, which was \$328.45 million at March 31, 2014. Further, the Company's net working capital deficit improved by \$42.31 million on the \$203.14 million recorded at March 31, 2014. The improvement was due mainly to amounts recovered (\$39.72 million in bad debt) which in turn contributed to increased investments and payment of obligations to FINSAC.

6.0 CONCLUSION

- 6.1 During the period, FIS continued to pursue activities in respect of its mandate to rent and sell assets taken over from the Blaise Financial Institutions and the Century Financial Entities. The Company also remained focused on resolving litigious and pensions related matters.


Peter D. Phillips, PhD MP
Minister of Finance and Planning
October 23, 2015

