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MINISTRY PAPER  
FINANCIAL INSTITUTIONS SERVICES LIMITED  
ANNUAL REPORTS FOR YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2019

## 1.0 INTRODUCTION

- 1.1 The matter for tabling in the Houses of Parliament is the Annual Reports for the Financial Institutions Services Limited (FIS) for the financial years ended March 31, 2018 and March 31, 2019.
- 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 Entities (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 the financial statements for 2017/18 and 2018/19 in accordance with International Auditing Standards and expressed an unqualified opinion. The Auditors also indicated that the evidence contained was sufficient and appropriate to provide a basis for their opinion and stated that the financial statements give a true and fair view of the financial positions in keeping with International Financial Reporting Standards and the Companies Act, Jamaica.
- 2.1.2 At the Annual General Meeting of FIS held on November 1, 2019, a decision was taken to reappoint the Auditors for another year. It is anticipated that the financial year ending March 31, 2020 may be the final audit of the Company, as following the sale of the two (2) remaining properties, FIS will pursue formal winding up or striking off from the Companies' Registry.

### 2.2 Compensation of Senior Executives and Directors

- 2.2.1 Pursuant to the Second Schedule (part 1) of the Public Management and Accountability Act (2011) details of the compensation packages for the senior executives are enclosed. The operations of FIS and the Financial Sector Adjustment Company Limited (FINSAC)

were scaled down at March 31, 2018. Accordingly, two (2) of the eight (8) staff members were retained to undertake records and financial management services to facilitate the disposal of assets and closure of outstanding legal matters. The cost sharing ratio between FIS and FINSAC for staff emoluments remained at 5:95 respectively. Therefore, compensation for FIS totalled \$0.90 million and \$1.28 million for financial years 2017/18 and 2018/19 respectively. The marginal increase in expenses was as a result of the payment of gratuity to staff separated from the Company at the end of the financial year.

- 2.2.2 FIS commenced the 2017/18 financial year with seven (7) members of the joint Board of FIS and FINSAC. During 2017/18, (1) of the seven (7) directors resigned and the remaining six (6) directors served for the entire year. During 2018/19, the complement of directors was further reduced to three (3) due to the scaled down operations. Directors' fees were \$0.99 million and \$0.39 million for 2017/18 and 2018/19 respectively, which were assumed by FINSAC.

### **3.0 OPERATIONAL HIGHLIGHTS**

#### **3.1 Litigation and Pension Matters**

- 3.1.1 The Privy Council's decision of 2005 in the Century litigation was in favour of FIS. Consequently, a number of properties owned by the former Chairman were identified and sold over the past twelve (12) years. At the beginning of the 2017/18 financial year there were seven (7) Century-related properties remaining to be sold. Of these, four (4) properties were sold in 2017/18 which resulted in the recovery of \$30 million. Sale of one (1) of the three (3) remaining Century-related properties commenced in 2018/19 and although the proceeds from the sale (\$11 million) were received during the financial year, the sale was not completed until June 2019.
- 3.1.2 FIS continued to manage the distribution to beneficiaries in the Jamaica Mutual Properties Limited's pension scheme. Approximately thirty (30) beneficiaries are still to be located and efforts continue in this regard.
- 3.1.3 The Company's primary focus for the 2020/21 financial year will be to intensify efforts to dispose of the two (2) remaining properties which are expected to yield \$8 million. These properties will be advertised through brokers to widen the avenues for possible sale. If the properties are not sold via this medium they will be transferred to the Commissioner of Lands. This as FIS intends to have the Company struck off the Companies Register before March 31, 2020.

#### **4.0 FINANCIAL HIGHLIGHTS**

- 4.1 For 2017/18, FIS recorded a surplus of \$13.24 million (2016/17:\$10 million), while a loss of \$3.32 million was realized for 2018/19. During 2017/18 and 2018/19 the main source of income for FIS was bad debt recovery from the sale of properties held in relation to CFE. For 2017/18, the income was \$8.35 million (2016/17:\$16.21 million) while for 2018/19 no revenue was generated. For financial years 2017/18 and 2018/19 operating expenses were \$4.03 million and \$3.32 million respectively. These expenses were \$1.54 million and \$0.71 million below the \$5.57 million in 2016/17. The reductions were mainly attributed to office and administrative expenses and legal fees.

**Table 1 Extract of Financial Statements at March 31, 2018 and 2019 (J\$ m)**

Particulars	2018/19	2017/18	2016/17	Variance	Variance	Variance	Variance
	\$M	\$M	\$M	\$M	%	\$M	%
				2018/19 - 2017/18	2018/19 - 2017/18	2017/18- 2016/17	2017/18- 2016/17
Bad debt Recovered	0.00	8.35	16.21	(8.35)	(100.00)	(7.86)	(48.49)
Costs of Operations/Administration	(3.32)	(4.03)	(5.57)	0.71	(17.62)	1.54	(21.65)
Gain on the Disposal of Investment			(0.74)			(0.74)	100.00
Other Income	0.00	8.92	0.10	(8.92)	(100.00)	8.82	8,820.00
<b>Profit for the year</b>	<b>(3.32)</b>	<b>13.24</b>	<b>10.00</b>	<b>(16.56)</b>	<b>(125.08)</b>	<b>3.24</b>	<b>32.40</b>
Taxation	0.00	0.60	0.00	(0.60)	(100.00)	0.60	-
<b>Total Comprehensive Income</b>	<b>(3.32)</b>	<b>12.64</b>	<b>10.00</b>	<b>(15.96)</b>	<b>(126.27)</b>	<b>2.64</b>	<b>26.40</b>

## 5.0 BALANCE SHEET

5.1 The management of the operations of BFI and CFE having been substantially completed and therefore the operations were scaled down. The remaining activities relate to the sale of residual assets in the CFE litigation. Therefore, the shareholders have expressed their intention to liquidate the Company. In this regard, the net liabilities (\$113.42 million) due to related party FINSAC, which has been undertaking the executive management function of FIS, will be settled prior to liquidation.

## 6.0 CONCLUSION

6.1 During the period, FIS continued to pursue activities in respect of the sale of the remaining assets taken over from Blaise and CFE. The Company's main focus will be to dispose of the two (2) remaining properties.

N. I. Clarke

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Minister of Finance and the Public Service

January 24, 2020

