

FINANCIAL STATEMENTS

Statement VI.9

5 INVESTMENTS (Cont'd)

	<u>2000</u>	<u>1999</u>
	\$'000	\$'000
b/f	11,990,508	11,883,580
Less: Provision for loss of investment	(<u>5,844,427</u>)	(<u>4,592,844</u>)
	6,146,081	7,290,736
<i>Deferred shares</i>		
Victoria Mutual Building Society		
(See Note below)	<u>347,633</u>	<u> -</u>
Total other investments	<u>6,493,714</u>	<u>7,290,736</u>
Total investments	<u>17,855,459</u>	<u>15,422,910</u>

Long-term loans

- (a) The amount at item (i) arose as a result of the company issuing bonds to National Commercial Bank Jamaica Limited (NCBJ) and NCB Trust and Merchant Bank Limited on behalf of its wholly-owned subsidiary, Recon Trust Limited, to purchase non-performing loans of those banks.
- (b) The amount at items (ii) and (vi) arose as a result of the company issuing bonds to Union Bank of Jamaica Limited (UBJ) on behalf of its wholly-owned subsidiary, Refin Trust Limited, to purchase non-performing loans of that bank.
- (c) The amount at item (iii) arose as a result of the company issuing bonds to UBJ on behalf of its wholly-owned subsidiary, Refin Trust Limited, to purchase non-performing and under-performing loans of the then Horizon Financial Entities.

5 INVESTMENTS (Cont'd)

Long-term loans (Cont'd)

- (d) The amount at item (iv) arose as a result of the company issuing bonds to Island Victoria Bank Limited on behalf of its wholly-owned subsidiary, Refin Trust Limited, to purchase non-performing loans of that bank.
- (e) The amount at item (v) arose as a result of the company issuing bonds to UBJ on behalf of its wholly-owned subsidiary, Refin Trust Limited, to purchase non-performing and under-performing loans of Island Life Merchant Bank Limited.
- (f) The amount at item (vi) arose as a result of the company issuing bonds to Victoria Mutual Investments Limited (VMIL) on behalf of its wholly owned subsidiary, Refin Trust Limited, to purchase non-performing loans of VMIL.
- (g) Interest is charged on the loans at items (viii) to (xi) at the rate of 12.5% per annum.
- (h) Interest is charged on the loan at item (xii) at the rate of 10% per annum on principal of US\$850,000 (J\$30,709,000).
- (i) The amount at item (xiii) arose as a result of the company taking over advances given by the National Investment Bank of Jamaica Limited (NIBJ). The liability under the debt is shown as a FINSAC bond to NIBJ.
- (j) Interest is charged on the loans at item (xiv) at the rate of 20% per annum.
- (k) The amount at items (xv) and (xviii) arose as a result of the following transactions:
- Crown Eagle Life Insurance Company (CEL) and Union Bank of Jamaica Limited (UBJ) were indebted to various financial institutions;
 - The Ministry of Finance issued Local Registered Stocks to these financial institutions in satisfaction of those liabilities; and
 - The company assumed these liabilities on behalf of CEL and UBJ from the Ministry of Finance.
- (l) The loan at item (xvi) arose out of a set-off arrangement between Workers Savings and Loan Bank (Workers), UBJ, Horizon Group (Horizon) and FINSAC whereby Horizon's debt with Workers was used to offset Workers liability to FINSAC. Part of the loan balance was used to offset some of FINSAC's liability to UBJ.

5 INVESTMENTS (Cont'd)

Long-term loans (Cont'd)

- (m) The amount at item (xvii) arose as a result of the company issuing bonds to BOJ on behalf of its wholly-owned subsidiary, Union Bank of Jamaica Limited, to settle an overdraft with the former. Interest is charged at 4.5% for the first six months of the loan and thereafter as agreed by the parties. FINSAC Bonds in the amount of \$4.6 billion are held as security against this loan (See Note 10(a)(iii)).
- (n) Interest rate has not yet been determined for the loans at items (i), (ii) (iii), (iv), (v), (vi), (vii), (xiii), (xv), (xvi) and (xviii).

The above loans are unsecured and the repayment dates shall be determined by FINSAC.

Deferred shares

The deferred shares bear interest at the rate of 10% per annum or four percentage points below the Society's prevailing lending rate whichever is lower. During the year interest was paid at the rate of 10% per annum.

The Society shall be obliged to redeem the deferred shares by December 30, 2005.

6 LOANS TO FINANCIAL INSTITUTIONS

These comprise:

	<u>2000</u>	<u>1999</u>
	\$'000	\$'000
Jamaica Mutual Life Assurance Society (Note 6(a))	15,848,376	9,756,482
Workers Savings and Loan Bank (Note 6(b))	9,085,536	7,465,171
Dyoll Life Insurance Company Limited (Note 6(c))	765,863	454,000
Intercontinental Merchant Bank Limited (Note 6(d))	100,384	100,384
Caribbean Trust Merchant Bank Limited (Note 6(e))	23,917	23,917
Buck Securities Merchant Bankers Limited (Note 6(e))	38,762	38,762
Eagle Permanent Building Society (Note 6(f))	140,000	140,000
Fidelity Finance Merchant Bank (Note 6(g))	89,142	77,807*
Caldon Finance Merchant Bank Limited (Note 6(g))	121,739	100,245*
Corporate Insurance Brokers Limited (Note 6(h))	30,431	-
Corporate Merchant Bank Limited (Note 6(i))	<u>924,368</u>	<u>-</u>
	27,168,518	18,156,768
Less: Provision for losses	<u>(23,208,364)</u>	<u>(15,100,585)</u>
	<u>3,960,154</u>	<u>3,056,183*</u>

* Restated

6 LOANS TO FINANCIAL INSTITUTIONS (Cont'd)

The above loans arose as a result of financial arrangements made by the company to correct solvency problems experienced by these financial institutions as follows:

- (a) (i) The loan to Mutual Life comprises:
- Bonds issued in the amount of \$7 billion endorsed to National Commercial Bank Jamaica Limited to settle the Society's overdraft with the bank;
 - Bonds issued in the amount of \$2 billion used to settle the Society's intercompany balances;
 - Bonds in the amount of \$348 million issued to bond holders for whom CIBC Trust and Merchant Bank Jamaica Limited are Trustees;
 - The company assumed the responsibility of the Society's debt to the Ministry of Finance which issued LRS in the amount of \$5.50 billion to a financial institution on behalf of the Society;
 - Cash advances of \$600 million;
 - The balance of \$405 million represents interest capitalised on the cash advances.
- (ii) The loan of \$9 billion is subject to a moratorium on principal and interest payments up to the fifth anniversary of the date of the first disbursement, and is subordinated to all other creditors of the Society

It shall be repaid thereafter in forty equal quarterly instalments consisting of principal and interest.

It bears simple interest at the rate of 4.5% per annum during the first five years which shall be capitalised on the fifth anniversary of the date of the first disbursement. Interest shall be compounded annually at 4.5% thereafter.

- (b) The loan to Workers Savings and Loan Bank comprises:
- The company taking over advances of \$6.522 billion given by the Bank of Jamaica (BOJ). The company issued Bonds of an equivalent value to BOJ. The liability under the Bonds is reflected as a long-term liability to BOJ. (See Note 10(a)).

6 LOANS TO FINANCIAL INSTITUTIONS (Cont'd)

(b) (Cont'd)

- The company assumes an additional \$2 billion overdraft which the Ministry of Finance had settled on behalf of Workers. In addition, an overdraft of \$1.06 billion due to Workers by another institution and for which the company assumed the debt, was set-off against this \$2 billion resulting in a net balance of \$940 million.
- Bonds to be issued by the company in the amount of \$1.62 billion to Union Bank of Jamaica Limited (UBJ) to cover the deficiency in assets UBJ assumed on its purchase of the net assets in Workers Savings and Loan Bank

Interest is charged on the loan in the amount of \$7.465 billion at the rate of 12.5% per annum. Interest rate for the balance of \$1.620 billion has not yet been determined. The repayment dates shall be determined by FINSAC.

(c) (i) The loan to Dyoll Life Insurance Company Limited comprises:

- An amount of \$319 million primarily to cover policyholders' liabilities and overdraft facilities;

The loan is secured on certain real estate owned by Dyoll Group Limited;

- A debenture note for \$135 million;
- Additional bonds for \$95 million and cash advances of \$17 million;
- The company assumes the responsibility of debt to the Ministry of Finance which issued LRS in the amount of \$199 million to financial institutions on behalf of Dyoll Life.

(ii) Interest is charged on the loan of \$319 million at the rate of 24.5%. The loan of \$135 million is interest free. Interest rate for the balance of \$311.806 million has not yet been determined. Repayment of the principal sums shall be determined by FINSAC.

6 LOANS TO FINANCIAL INSTITUTIONS (Cont'd)

- (d) The loan to Intercontinental Merchant Bank Limited (IMB) arose as a result of the company purchasing a Promissory Note issued by IMB to Union Bank of Jamaica Limited (UBJ) in consideration of UBJ assuming IMB's deposit liabilities. The company issued Bonds of an equivalent amount to UBJ. The liability under the Bond is reflected as a long-term liability to UBJ (see Note 10(c)(ii)).

Interest is charged on the loan at the rate of 12.5% per annum. Repayment of the principal sum shall be determined by FINSAC.

- (e) The loans to both Buck Securities Merchant Bankers Limited and Caribbean Trust Merchant Bank Limited arose as a result of the company purchasing Promissory Notes issued by the two merchant banks to National Commercial Bank Jamaica Limited (NCBJ) in consideration of NCBJ assuming the bank's deposit liabilities.

The company issued Bonds of an equivalent amount to NCBJ. The liability under the Bond is reflected as a long-term liability to NCBJ (see Note 10(c)(i)).

The loans are interest free. The principal sum is to be repaid upon demand by FINSAC.

- (f) The loan to Eagle Permanent Building Society was converted from a deposit to a loan. The amount is repayable on demand at an interest rate of 12.5% per annum.
- (g) The loans to Caldon Finance Merchant Bank Limited and Fidelity Finance Merchant Bank were converted from deposits to loans. They are repayable on demand at an interest rate of 26% per annum.
- (h) The loan to Corporate Insurance Brokers Limited (CIB) resulted from a payment of \$21 million to UBJ on behalf of CIB to settle loan owed to UBJ. The balance represents further cash advances to CIB.

6 LOANS TO FINANCIAL INSTITUTIONS (Cont'd)

(h) (Cont'd)

Loan in the amount of \$21 million is at the rate of 1% per annum. Interest has not yet been determined for the balance of the loan in the amount of \$9.431 million. Repayment of the principal shall be determined by FINSAC.

(i) The loan to Corporate Merchant Bank Limited represents bonds to be issued by the company to Union Bank of Jamaica Limited (UBJ) to cover the deficiency in assets UBJ assumed on its purchase of the net assets in the Merchant Bank.

The rate of interest and repayment terms have not yet been determined.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	\$000	<u>2000</u> \$'000	<u>1999</u> \$'000
Interest receivable	8,223,545		5,121,826
Less: Provision for uncollectable interest	<u>(7,555,471)</u>		<u>(4,879,239)</u>
		668,074	<u>242,587</u>
Deposit in real estate	79,980		-
Other receivables and prepayments	<u>271,508</u>		<u>56,536</u>
	351,488		56,536
Less: Provision for doubtful debt	<u>(180,091)</u>		<u>(11,563)</u>
		<u>171,397</u>	<u>44,973</u>
		<u>839,471</u>	<u>287,560</u>

8 DEPOSITS WITH FINANCIAL INSTITUTIONS

These represent amounts deposited with the financial institutions. The deposits are evidenced by promissory notes issued by the institutions.

These deposits include:

	<u>2000</u> \$'000	<u>1999</u> \$'000
Union Bank of Jamaica Limited (See below)	274,378	150,659
CIBC Trust and Merchant Bank Jamaica Limited	<u>-</u>	<u>282,275</u>
	<u>274,378</u>	<u>433,934*</u>

Deposits at Union Bank of Jamaica in the amount of \$253.497 million are at the rate of 19%. The balance of \$20.881 million previously held in Eagle Commercial Bank of Jamaica Limited is at the rate of 12.5%.

9 SHARE CAPITAL

	<u>2000</u> \$	<u>1999</u> \$
Authorised:		
200 ordinary shares of \$1 each	<u>200</u>	<u>200</u>
Issued and fully paid:		
150 ordinary shares of \$1 each	<u>150</u>	<u>150</u>

* Restated.

10 LONG-TERM LIABILITIES

	<u>2000</u> \$'000	<u>1999</u> \$'000
Advances from Bank of Jamaica (Note 10(a))	27,472,807	20,454,847
Advances from Government of Jamaica (Note 10(b))	16,251,517	7,889,684
FINSAC bonds (Note 10(c))	<u>70,839,099</u>	<u>49,873,076</u>
	<u>114,563,423</u>	<u>78,217,607</u>

(a) Advances from Bank of Jamaica (BOJ)

These represent debenture notes issued by the company to BOJ and guaranteed by the Government of Jamaica. These notes are transferable and arose as a consequence of advances given by BOJ to the following institutions and taken over by the company:

	<u>2000</u> \$'000	<u>1999</u> \$'000
Eagle Commercial Bank Limited (Note 10(a)(i))	11,229,588	11,229,588
Workers Savings and Loan Bank (Note 10(a)(ii))	6,522,441	6,522,441
Union Bank of Jamaica Limited (Note 10(a)(iii))	<u>4,600,000</u>	<u>-</u>
	22,352,029	17,752,029
Interest capitalised (Note 10(a)(iv))	<u>5,120,778</u>	<u>2,702,818</u>
	<u>27,472,807</u>	<u>20,454,847</u>

These are repayable as follows:

- (i) The principal sum of \$11.2 billion is due April 7, 2007. Interest is charged at the rate of 10% per annum payable semi-annually.

10 **LONG-TERM LIABILITIES (Cont'd)**(a) **Advances from Bank of Jamaica (BOJ) (Cont'd)**(ii) **The principal sum of \$6.5 billion is due as follows:**

	\$'000
On February 26, 2008	4,522,441
On February 25, 2003	1,000,000
On March 11, 2003	<u>1,000,000</u>
	<u>6,522,441</u>

Interest is charged on \$4.522 billion at 10% per annum payable semi-annually.

Interest is charged on the balance of \$2 billion at a rate equivalent to the weighted average yield applicable to the six-month treasury bill tender held immediately prior to the start of the interest period plus one half percent (.5%). The effective weighted average yield rate for the period is 21%.

Interest is payable semi-annually.

(iii) **The principal sum of \$4.6 billion is due May 19, 2003.**

Interest is charged at the rate of 21.5% per annum.

At April 1, 2000, \$2.3 billion of bonds were redeemed in exchange for Local Registered Stocks issued by the Ministry of Finance to the BOJ in the equivalent amount. The liability was also transferred from BOJ to the Ministry of Finance.

(iv) **Interests capitalised**

Interests are payable semi-annually and have the same maturity date as the principal sum to which they relate.

(b) **Advances from Government of Jamaica**

Advances in the amount of \$9.139 billion are evidenced by promissory notes issued to the Government of Jamaica. They are payable at such time as it may be determined by the Government of Jamaica, and bear interest at the rate of 10% per annum.

Repayment terms have not yet been agreed for the balance.