	Notes	2002 $'000	2001 $'000
ASSETS			
Non-current assets			
Fixed assets	3	37,580	77,501
Investment properties	4	987,778	1,417,759
Investments	5	4,148,200	7,275,271
Owed by related company		2,329,870	1,346,068
Loans to financial institutions	6	4,760,334	6,051,404
		12,263,762	16,168,003
Current assets			
Accounts receivable and prepayments	7	1,426,484	2,109,192
Fixed deposits	8	249,645	760,941
Cash and bank balances		60,619	196,395
		1,736,748	3,066,528
Total assets		14,000,510	19,234,531
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	9	1	1
Contributed capital	10	132,196,954	131,403,117
Profit and loss account – deficit		(121,534,415)	(125,151,246)
		10,662,540	6,251,872
Non-current liabilities			
Long-term liabilities	11	-	11,044,456
Current liabilities			
Accounts payable and accruals	12	3,337,970	1,938,203
Total liabilities and shareholders' equity		14,000,510	19,234,531

The Notes on Statement VI form an integral part of the Financial Statements.

Approved on behalf of the Board.

....)
....) Directors
....)

Profit And Loss Account

Year Ended March 31, 2002

Statement III

	Notes	2002 $'000	2001 $'000
INCOME			
Investment income		22,977	54,334
Rental income		134,240	73,623
Interest on loans		3,577,224	3,575,136
Interest on deposits		118,972	186,413
IDB funding		2,055	68,531
Foreign exchange gains		49,225	-
		3,904,693	3,958,037
OPERATING EXPENSES			
General and administrative		302,977	437,395
Interest on loans and advances		191,151	18,190,680
Provision for uncollectible interest receivable		3,115,873	3,730,935
Provision for receivables		142,917	-
Foreign exchange losses		-	396,351
Loss on disposal of assets		879	-
		3,753,797	22,755,361
Operating profit (loss)		150,896	(18,797,324)
RECOVERIES (OTHER CHARGES)			
Loans and deposits loss provisions		844,209	(3,982,104)
Provision for losses in subsidiaries and associated companies and diminution in value of investments		3,481,257	(7,544,585)
		4,325,466	(11,526,689)
NET PROFIT (LOSS) BEFORE EXCEPTIONAL ITEMS	13	4,476,362	(30,324,013)
Exceptional items	14	(859,531)	3,682,718
NET PROFIT (LOSS)		3,616,831	(26,641,295)

The Notes on Statement VI form an integral part of the Financial Statements.

Year Ended March 31, 2002

Statement IV

	Note	Share Capital $'000	Contributed Capital $'000	Accumulated Loss $'000	Total $'000
Balance at March 31, 2000		1	-	(98,509,951)	(98,509,950)
Net loss for the year		-	-	(26,641,295)	(26,641,295)
Contributed capital		-	131,403,117	-	131,403,117
Balance at March 31, 2001		1	131,403,117	(125,151,246)	6,251,872
Net profit for the year		-	-	3,616,831	3,616,831
Contributed capital	10	-	793,837	-	793,837
Balance at March 31, 2002		1	132,196,954	(121,534,415)	10,662,540

The Notes on Statement VI form an integral part of the Financial Statements.

Statement Of Cash Flows

Year Ended March 31, 2002

Statement V

	2002 $'000	2001 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss)	3,616,831	(26,641,295)
Non-cash items included in net profit (loss)		
Depreciation	39,396	36,137
Loss on disposal of assets	879	-
Deferred interest on long-term liabilities	414,770	19,853,559
Deferred interest on deposits with financial institutions	(208,825)	(173,756)
Provision on interest and other receivables	3,258,790	-
Exceptional items	859,531	(3,682,718)
Loans and deposits loss provisions	(844,209)	3,982,104
Provision for losses in subsidiaries and associated companies and diminution in value of investments	(3,481,257)	7,544,585
Exchange adjustment on conversion of foreign currency bonds	(18,301)	(37,038)
	3,637,605	881,578
Increase in operating assets		
Accounts receivable and prepayments	(2,626,554)	(1,476,183)
Increase (decrease) in operating liabilities		
Accounts payable and accruals	1,204,016	(1,803,532)
Cash provided by (used in) operating activities	2,215,067	(2,398,137)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(354)	(45,628)
Acquisition of investments	(168,858)	(157,555)
Repayments from financial institutions	88,117	837,483
Owed by related company	(983,802)	(923,302)
Temporary investments	511,296	(486,563)
Proceeds from sale of fixed assets	-	390
Proceeds from sale of investments	2,429,981	1,660,997
Cash provided by investing activities	1,876,380	885,822
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans advanced	2,651,036	-
Contributed capital	(703,678)	7,321,824
Advances from subsidiaries	1,553,675	1,656,088
Redemption of bonds	(7,728,256)	(7,321,824)
Cash (used in) provided by financing activities	(4,227,223)	1,656,088
NET (DECREASE) INCREASE IN CASH AND BANK BALANCES	(135,776)	143,773
OPENING CASH AND BANK BALANCES	196,395	52,622
CLOSING CASH AND BANK BALANCES	60,619	196,395

The Notes on Statement VI form an integral part of the Financial Statements.

1 IDENTIFICATION

The company was incorporated in Jamaica as a limited liability company on January 29, 1997, to address the liquidity and solvency problems being experienced within the financial sector namely banks and insurance companies.

Some of its main objectives are:

(a) to correct liquidity and solvency issues;

(b) to improve the efficiency of the sector in mobilising and allocating financial resources in the economy;

(c) to correct existing weaknesses in financial management; and

(d) to avoid and minimise the extent to which the public sector protection of depositors, policyholders and pension schemes is seen as relieving the managers of the need for prudence and depositors, of their responsibility for being selective in the placement of their funds.

These financial statements are expressed in Jamaican dollars.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention, principles and standards

These financial statements have been prepared on the basis of the continuation of the company as a going concern which contemplates the realisation of assets and the repayment of liabilities in the ordinary course of business, and under the historical cost convention, except for certain investments which are stated at valuations. The accounting principles followed by the company are those generally accepted in Jamaica, and these financial statements comply in all material respects with the requirements of applicable statements of standard accounting practice issued by the Institute of Chartered Accountants of Jamaica.

(b) Depreciation

Depreciation is calculated on the straight-line basis on cost or revalued amounts over the estimated lives of the assets. Annual depreciation rates are based on the following estimated useful lives:

Leasehold improvements	-	2 years
Furniture and fixtures	-	5 years
Office equipment	-	5 years
Computer equipment	-	3 years
Motor vehicles	-	5 years

(c) Foreign currencies

Transactions in foreign currencies have been converted to Jamaican dollars at the rates of exchange ruling at the dates of those transactions. Assets and liabilities denominated in foreign currencies are translated to Jamaican dollars at exchange rates prevailing at balance sheet date. All exchange gains and losses are credited to or charged against income of the year.

(d) Interest

Interest income is credited to revenue on the accrual basis, and where such interest is doubtful of recovery, provisions are made to reduce interest receivable to the estimated recoverable amount.

(e) Investments

(i) Investments, other than in subsidiary and associated companies, are stated at cost less any provision required for permanent diminution in value. A provision for loss is made where, in the opinion of the directors and management, there has been a permanent impairment in the value of an investment.

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Investments (Cont'd)

(ii) Subsidiary and associated companies

Investments in subsidiary and associated companies are accounted for primarily on the equity method. In the balance sheet these investments are included at cost plus or minus the company's share of profits and losses and reserves since acquisition. Loans and advances are reduced by a provision where in the opinion of management they are not likely to be recovered in full. Preference shares are included in other investments and stated at cost. A provision is made where, in the opinion of management, a permanent diminution in value has occurred.

The subsidiary and associated companies are as follows;

Name of Company	Percentage Holding	Financial Year End
Subsidiary companies		
Eagle Group of Companies	86	June 30
Refin Trust Limited	100	March 31
Recon Trust Limited	100	March 31
Union Bank Holdings Limited	100	December 31
Lamaka Limited	100	March 31
Doncaster Holdings Limited	100	December 31
Eagle Permanent Building Society	100	September 30
Citizens Finance and Insurance Agency Limited	100	December 31
Atrium X S Holdings Limited	100	September 30
Atrium Holdings Limited	100	September 30
Atrium Group Limited	100	September 30
Capital Assurance Brokers	100	December 31
Independent Life Limited	100	March 31
Associated companies		
Island Life Insurance Company Limited	26.0	December 31
Dyoll Group Limited	26.5	December 31
Lested Developments Limited	37.6	December 31
Epsom Holdings Limited	100	September 30

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Loans to, and deposits with, Financial Institutions

Loans to, and deposits with, financial institutions are stated as outstanding amounts less provisions determined by management to reduce the outstanding amounts to the estimated recoverable amounts.

(g) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and any adjustments that may be necessary would be reflected in the year in which actual results are known.

(h) Financial instruments

Financial instruments include contracts that give rise to both financial assets and financial liabilities. Financial assets included on the balance sheet are cash and bank balances, investments, loans to financial institutions and other current assets except prepayments. Financial liabilities included are long-term liabilities and current liabilities except accruals.

Fixed assets, investment properties, prepayments and accruals are treated as non-financial instruments in these financial statements.

The fair value of the financial instruments are highlighted in Note 19.

3 FIXED ASSETS

	Leasehold Improvements $'000	Furniture and Fixtures $'000	Office Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Totals $'000
At cost						
April 1	5,643	2,196	2,827	115,944	5,612	132,222
Additions	-	-	-	354	-	354
Disposals	-	-	-	(879)	-	(879)
March 31	5,643	2,196	2,827	115,419	5,612	131,697
Depreciation						
April 1	5,473	1,985	1,212	43,061	2,990	54,721
Charge for year	170	153	560	37,391	1,122	39,396
March 31	5,643	2,138	1,772	80,452	4,112	94,117
Net book value						
March 31, 2002	-	58	1,055	34,967	1,500	37,580
March 31, 2001	170	211	1,615	72,883	2,622	77,501

4 INVESTMENT PROPERTIES

These are stated at cost and comprise:

	Balance 1/4/01 $'000	(Reclassification) $'000	Balance 31/3/02 $'000
Freehold land and buildings			
53 Knutsford Boulevard	364,178	-	364,178
Liguanea Club Lands	623,600	-	623,600
6 St. Lucia Avenue	429,981	(429,981)	-
	1,417,759	(429,981)	987,778

Arising from the sale of its entire shareholdings in Union Bank of Jamaica Limited, the company has committed to sell the property costing J$239.6 million for J$200 million.

5 **INVESTMENTS**

These comprise:

	2002 $'000	2001 $'000
Subsidiary companies		
Shares at cost		
Refin Trust Limited	1	1
Recon Trust Limited	- †	- †
Union Bank Holdings Limited	1	1
Larnaka Limited	- †	- †
Doncaster Holdings Limited	17,819	17,819
Eagle Permanent Building Society	133,900	133,900
Citizens Finance and Insurance Agency Limited	19,455	19,455
Life of Jamaica Limited (Note 5(q))	-	254,860
Atrium X S Holdings Limited	- †	- †
Atrium Holdings Limited	- †	- †
Atrium Group Limited	- †	- †
Capital Assurance Brokers	- †	- †
Independent Life Limited	- †	- †
	171,176	426,036
Long-term loans		
(i) Refin Trust Limited (Note 5(a))	11,668,026	11,714,775
(ii) Refin Trust Limited (Note 5(b))	1,747,706	1,747,706
(iii) Refin Trust Limited (Note 5(c))	2,027,340	3,459,427
(iv) Refin Trust Limited (Note 5(d))	817,422	817,422
(v) Refin Trust Limited (Note 5(e))	129,524	129,524
(vi) Refin Trust Limited (Note 5(f))	536,057	536,057
(vii) Refin Trust Limited (Note 5(b))	1,529,625	1,590,778
(viii) Crown Eagle Life Insurance Company Limited (Note 5(g))	12,959,992	13,229,588
(ix) Crown Eagle Life Insurance Company Limited (Note 5(g))	500,000	500,000
(x) Eagle Merchant Bank of Jamaica Limited (Note 5(g))	7,303	19,800
(xi) Crown Eagle Life Insurance Company Limited (Note 5(g))	-	7,700
(xii) Crown Eagle Life Insurance Company Limited (Note 5(h))	-	38,869
(xiii) Crown Eagle Life Insurance Company Limited (Note 5(i))	624,000	624,000
(xiv) Crown Eagle Life Insurance Company Limited (Note 5(j))	-	47,375
(xv) Crown Eagle Life Insurance Company Limited (Note 5(k))	-	914,144
(xvi) Capital Assurance Building Society (Note 5(m))	189,341	189,341
(xvii) Atrium Holdings Limited (Note 5(n))	2,900,245	5,268,449
(xviii) Atrium X S Holdings Limited (Note 5(n))	346,373	629,205
(xix) Atrium Group Limited (Note 5(o))	57,427	-
	36,040,281	41,464,160
c/f	36,211,557	41,890,196

† Denotes less than $1,000

5 **INVESTMENTS (Cont'd)**

	2002 $'000	2001 $'000
	36,211,557	41,890,196
Advances		
Eagle Merchant Bank of Jamaica Limited	17,822	5,329
Eagle Commercial Bank Limited	(2,649)	6,565
Larnaka Limited	26,328	30,020
Independent Life Limited	89,277	90,056
	130,778	131,970
	36,342,335	42,022,166
Provision for loss of investment, loans and advances	(23,635,749)	(26,876,244)
Share of losses of subsidiaries	(9,024,120)	(9,024,120)
	(32,659,869)	(35,900,364)
Total investment in subsidiary companies (net of provisions)	3,682,466	6,121,802
Associated companies		
Shares at cost		
Island Life Insurance Company Limited	168,818	168,818
Dyoll Group Limited	37,132	37,132
Reel Resorts Limited	81,433	-
Lested Developments Limited	4,056	4,056
Epsom Holdings Limited	30,000	-
	321,439	210,006
Provision for losses	(248,970)	(210,006)
Total investments in associated companies	72,469	-
c/f	3,754,935	6,121,802

5 INVESTMENTS (Cont'd)

	2002 $'000	2001 $'000
b/f	3,754,935	6,121,802
Other investments		
Preference shares:		
12.5% cumulative redeemable:		
Atrium Group Limited	1,000,000	1,000,000
Island Life Insurance Company Limited	249,080	249,080
Dyoll Group Limited	162,868	162,868
Life of Jamaica Limited	-	1,056,684
Eagle Merchant Bank of Jamaica Limited		
- 12.5% non-cumulative convertible 'B'	2,000,000	2,000,000
	3,411,948	4,468,632
Less: Provision for loss of investment	(3,411,948)	(3,691,674)
	-	776,958
Deferred shares		
Victoria Mutual Building Society		
(Note 5(r))	393,265	376,511
Total other investments	393,265	1,153,469
Total investments	4,148,200	7,275,271

5 INVESTMENTS (Cont'd)

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. Recon Trust Limited subsequently transferred these loans to Refin Trust Limited.

(b) The amount at items (ii) and (vii) 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.

The amounts at items (i) and (iii) are shown net of refunds from the subsidiaries.

(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 (x) at the rate of 12.5% per annum.

5 **INVESTMENTS (Cont'd)**

Long-term loans (Cont'd)

(h) Interest was charged on the loan at item (xii) at the rate of 10% per annum on the principal of US$850,000 (J$40,416,990).

(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 formed part of the Ministry of Finance-Contributed Capital (See Note 11).

(j) The amount at item (xiv) arose as a result of the company issuing bonds to Guardian Life Limited to settle the shortfall in the portfolio assumed from Crown Eagle Life Insurance Company Limited (CEL).

- The sum was set off against the company's liability to CEL.

(k) The amount at items (xv) arose as a result of the following transactions:

- 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.
- The company assumed these liabilities on behalf of CEL and UBJ from the Ministry of Finance.
- The sum was set off against the company's liability to CEL.

(l) The interest rate has not yet been determined for the loans at items (i), (ii), (iii), (iv), (v), (vi), (vii), (xiii), (xiv), (xv), (xvii) and (xviii).

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

(m) The amount at item (xvi) arose as a result of the company issuing bonds to UBJ on behalf of Capital Assurance Building Society (CABS) for the bank overdraft settled by UBJ.

(n) The original balance at (xvii) and (xviii) arose from the company financing the purchase of shares in National Commercial Bank Jamaica Limited (NCB).

By agreement for sale and purchase of shares dated the 11th day of January 2002 made between FINSAC Limited, Atrium Holdings Limited, Atrium XS Holdings Limited (the vendors) and AIC Limited (the purchaser), the shares in NCB were sold to the purchaser for consideration of J$6.034 billion. The deposit of $2.650 billion received in relation to the above transaction was used to offset the original loan to Atrium Holdings Limited and Atrium XS Holdings Limited.

(o) The amount at (xix) arose out of the NCB Scheme of arrangement, whereby the company financed the acquisition of properties from National Commercial Bank Investments Limited (NCBI) by Atrium Group Limited. The balance is net of a loan payable by NCBI but assumed by Atrium Group Limited through Finsac Limited.

(p) Disposal of investments in UBJ

The sale price of J$1.61 billion was agreed to be paid as follows:

(i) the United States dollar equivalent of J$1 billion payable on completion. At year end, this amount was settled.

(ii) the balance is payable in United States dollars on or before March 15, 2003 together with interest at the rate of 6% per annum from the completion date to the date of payment of the balance. The balance payable is subject to adjustments based on certain conditions specified in the share sale agreement. At year end the balance remained unpaid and the relevant interest has been accrued. (see Note 7)

(q) Disposal of investments in LOJ

During the year the company disposed of all its ordinary shareholdings and all its 0% non-cumulative preference shares in LOJ to the Accountant General of Jamaica for a consideration of $2 billion. The gain arising from this transaction has been treated as an exceptional gain (see Note 14).

5 **INVESTMENTS (Cont'd)**

(r) 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 was originally obliged to redeem the deferred shares by December 30, 2005 but this date has been brought forward to 2002 given the winding up of Finsac. Please see Note 21.

6 **LOANS TO FINANCIAL INSTITUTIONS**

These comprise:

	2002 $'000	2001 $'000
Jamaica Mutual Life Assurance Society (Note 6(a))	15,694,825	17,498,375
Workers Savings and Loan Bank (Note 6(b))	8,884,739	8,890,536
Dyoll Life Insurance Company Limited (Note 6(c))	518,214	796,430
Intercontinental Merchant Bank Limited (Note 6(d))	100,384	100,384
Caribbean Trust Merchant Bank Limited (Note 6(e))	15,546	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	89,142
Caldon Finance Merchant Bank Limited (Note 6(g))	82,381	121,739
Corporate Insurance Brokers Limited (Note 6(h))	38,377	38,363
Corporate Merchant Bank Limited (Note 6(i))	904,225	904,225
Union Bank of Jamaica Limited (Note 6(j))	4,600,000	4,600,000
	31,106,595	33,241,873
Less: Provision for losses	(26,346,261)	(27,190,469)
	4,760,334	6,051,404

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

(a) (i) The loan to Mutual Life comprises:

- bonds issued in the amount of $1.033 billion to settle the shortfall in the assets transferred to Guardian Life;
- bonds issued in the amount of $7.76 billion endorsed to National Commercial Bank Jamaica Limited to settle the Society's debt to the bank;
- bonds issued in the amount of $2 billion used to settle the Society's inter-company balances;

(b) (Cont'd)

- bonds 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;
- a set off of $195 million for property transferred to Guardian Life to bridge the shortfall in the portfolio purchased from FINSAC;
- the sum of $5.797 million was set off against the company's liability to Workers 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 $1.419 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 Board approved a set-off of $197 million of this balance against its long-term liability. The net loan balance being $122 million;

  (The loan is secured on certain real estate owned by Dyoll Group Limited.)
- a debenture note originally for $135 million but now reduced to $53.78 million;
- additional bonds for $95 million and cash advances of $17 million;
- the company assumes the responsibility of the debt to the Ministry of Finance who issued LRS in the amount of $199 million to financial institutions on behalf of Dyoll Life;
- bonds issued in the amount of $30.56 million to Guardian Life to bridge the shortfall in the portfolio purchased from FINSAC.

(ii) Interest is charged on the loan of $122 million at the rate of 24.5% per annum. The balance on the debenture loan of $52.67 million attracts interest at a rate of 12.5% per annum. Interest on this loan is capitalised on December 31.

The Interest rate for the balance of $342.43 million has not yet been determined. Repayment of the principal sums shall be determined by FINSAC.

(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.

6 **LOANS TO FINANCIAL INSTITUTIONS (Cont'd)**

(d) (Cont'd)

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 banks' 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 (11)).

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 the loan owed to UBJ. The balance represents further cash advances to CIB.

The 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 $17.363 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.

(j) Loan to Union Bank of Jamaica Limited (UBJ)

The loan to UBJ arose as a result of the company issuing bonds to BOJ on behalf of UBJ, to settle an overdraft with the former.

Arising from the sale of the shares held in UBJ (See Note 5(p)), the company agreed to waive all interest due for a period of six months commencing from the completion date.

6 LOANS TO FINANCIAL INSTITUTIONS (Cont'd)

(d) (Cont'd)

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 banks' 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 (11)).

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 the loan owed to UBJ. The balance represents further cash advances to CIB.

The 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 $17.363 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.

(j) Loan to Union Bank of Jamaica Limited (UBJ)

The loan to UBJ arose as a result of the company issuing bonds to BOJ on behalf of UBJ, to settle an overdraft with the former.

Arising from the sale of the shares held in UBJ (See Note 5(p)), the company agreed to waive all interest due for a period of six months commencing from the completion date.

6 **LOANS TO FINANCIAL INSTITUTIONS (Cont'd)**

(j) (Cont'd)

The principal balance was repayable on the acquisition date January 3, 2002 as follows:

(i) the transfer of LRS having a face value of $2.6 billion; and
(ii) conversion of the balance of $2 billion into 6% cumulative redeemable convertible unsecured loan stock to mature two years from the acquisition date.

Interest on the balance will be paid annually.

At year end the loan remained unpaid and relevant interest accrued at13.79% per annum on the $2.6 billion and 6% per annum on the balance of $2 billion.

7 **ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	$'000	2002 $'000	2001 $'000
Proceeds on sale of investments (see Note 5(p))	1,115,062		1,623,000
Less: Provision for uncollectible proceeds	333,980		-
		781,082	1,623,000
Interest receivable	14,839,746		11,526,815
Less: Provision for uncollectible interest	14,402,278		11,286,405
		437,468	240,410
Deposit on real estate	-		9,562
Other receivables and prepayments	281,154		500,503
	281,154		510,065
Less: Provision for doubtful debt	73,220		264,283
		207,934	245,782
		1,426,484	2,109,192

8 **FIXED DEPOSITS**

These represent short-term deposits with financial institutions as follows:

	2002 $'000	2001 $'000
Union Bank of Jamaica Limited	209,588	730,124
National Commercial Bank Jamaica Limited	20,384	30,817
Edward Gayle & Co.	19,673	-
	249,645	760,941

8 **FIXED DEPOSITS (Cont'd)**

Deposits at Union Bank of Jamaica are at interest rates ranging from 16.5% to 18.75%. Deposits at National Commercial Bank Jamaica Limited are at interest rates ranging from 16.35% to 17.9%. The deposit held at Edward Gayle & Co. in United States dollars (US$) is at the interest rate of 4.5%.

The above deposits have a maturity date of within three months.

9 **SHARE CAPITAL**

	2002 $	2001 $
Authorised:		
200 ordinary shares of $1 each	200	200
Issued and fully paid:		
150 ordinary shares of $1 each	150	150

10 **CONTRIBUTED CAPITAL**

	2002 $'000	2001 $'000
The balance represents:		
(a) Advances from the Government of Jamaica (GOJ).	19,084,577	19,084,577
(b) Redemption of Finsac bonds by the issue of LRS to the bondholders by GOJ.	105,048,368	104,996,716
(c) Redemption of Finsac bonds with advances from the GOJ net of remittances to the GOJ.	8,064,009	7,321,824
	132,196,954	131,403,117

All the above Finsac debts were forgiven by the GOJ and, therefore, the amounts have been classified as Contributed Capital.

11 **LONG-TERM LIABILITIES**

FINSAC bonds

	2002 $'000	2001 $'000
N.C.B. Group Limited and Subsidiaries	-	2,144,570
Union Bank of Jamaica Limited	-	1,363,687
Eagle Merchant Bank of Jamaica Limited	-	738,823
Jamaica Mutual Life Assurance Society	-	2,784,346
Life of Jamaica Limited	-	552,480
Dyoll Life Insurance Company Limited	-	366,500
Crown Eagle Life Insurance Company Limited	-	129,518
DB&G Merchant Bank Limited	-	148,017
National Investment Bank of Jamaica Limited	-	11,335
	-	8,239,276
Interest capitalised net of redemption	-	2,805,180
	-	11,044,456

FINSAC bonds were guaranteed by the Government of Jamaica and were payable at a fixed future date. These bonds were transferable.

Interest was charged at various fixed rates for each loan for a defined period and thereafter the aggregate of the weighted average yield rate applicable to the latest six month treasury bill tender expressed as a percentage plus one percent.

Interest was payable semi-annually and could, at the company's option, be satisfied in cash or the issue of bonds. The interest on the bonds had the same maturity date as the principal sum to which they relate.

11 **LONG-TERM LIABILITIES (Cont'd)**

In the prior year, a significant proportion of Finsac bonds were transferred to the GOJ which agreed to issue Local Registered Stocks (LRS) to the bondholders. Accordingly, the amounts representing the LRS issued to the bondholders (principal and accrued interest) were transferred to Contributed Capital. (Note 10). During the year further redemptions were made through funds provided by the GOJ. These amounts have also been transferred to contributed capital.

In addition to the above, during the year long-term liabilities were settled as follows:

- The sum of $1.656 billion was set off against loans to financial institutions under the company's control.
- Cash redemption of $7.728 billion.

The balance of $1.659 billion which was not settled during the year has been transferred to accounts payable pending settlement as the company no longer has an obligation under the terms of the Bond.

12 **ACCOUNTS PAYABLE AND ACCRUALS**

	2002	2001
	$'000	$'000
Interest payable	414,770	965,697
Other payables and accruals	2,921,350	968,090
Payroll taxes	1,850	4,416
	3,337,970	1,938,203

13 NET PROFIT (LOSS) BEFORE EXCEPTIONAL ITEMS

The net profit (loss) is stated after taking account of the following items:

	2002 $'000	2001 $'000
Expenses		
Directors' emoluments		
Fees	478	568
Audit fees	1,356	1,300
Interest on - loans	191,151	14,866,496
- advances from the Bank of Jamaica/Government of Jamaica	-	3,441,346
Depreciation		
Furniture and fixtures	153	462
Office equipment	560	573
Computer equipment	37,391	32,748
Motor vehicles	1,122	1,242
Leasehold improvements	170	1,112

14 EXCEPTIONAL ITEMS

These comprise:

	2002 $'000	2001 $'000
Loss on loans purchased from related company	(1,497,515)	-
Net gain on sale of LOJ shares	637,984	2,458,858
Issue of promissory notes to Life of Jamaica Limited in consideration for $1	-	(1,939,817)
Amount written off investment property purchased	-	(133,800)
Accrued interest on the advances from the GOJ up to the date the GOJ forgave the debts as described in Note 10.	-	2,673,477
Other Finsac bonds forgiven by the GOJ	-	624,000
	(859,531)	3,682,718

15 TAXATION

Subject to the agreement of the Commissioner, Taxpayer Audit and Assessment, tax losses amounting to approximately $83.176 billion are available for set-off against future taxable profits.

16 COMMITMENTS AND CONTINGENCIES

(a) Contingencies

(i) Arising from a suit brought against two banks in which FINSAC has been alleged to be an assignee under an alleged loan agreement, the plaintiffs have sought damages but the amounts have not been particularised.

The company's attorneys have suggested that damages could include a sum equivalent to the profit of the business forgone as a result of an inability to access the loan and the cost of interim financing of J$5 million at 46% per annum.

A counter claim has been filed by the company and its joint defendants. The company's attorneys believe the counter claim has a good prospect of success and the plaintiff's claim, which is considered to be speculative, was probably filed as an offensive in respect of the debt currently owed. As a result, no provision has been made in the financial statements in respect of this matter.

(ii) A suit has been brought against the company for damages in excess of $110 million. The company's attorneys are of the opinion that the plaintiff's action is baseless and will be applying for it to be dismissed and do not recommend a provision.

As a result, no provision has been made in the financial statements in respect of this matter.

(b) Commitments

Long-term leases

Minimum lease rental commitments at March 31, 2002 on buildings are:

	$'000
2002/03	1,110

17 STATEMENT OF CASH FLOWS

The statement of cash flows does not include the following non-cash items:

- FINSAC bonds redeemed and disclosed as contributed capital in the amount of $7.728 billion.
- FINSAC bonds of $1.504 billion set off against loans to financial institutions.

18 OTHER DISCLOSURES

		2002	2001
(a)	Number of persons employed by the company at year end:	75	75
		$'000	$'000
(b)	Staff costs incurred during the year in respect of these employees were:		
	Salaries, wages and other staff benefits	81,174	88,054
	Statutory contributions	7,359	7,773
		88,533	95,827

19 FINANCIAL INSTRUMENTS

(a) Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. However, based on the nature of the company's operations (See Note 20) market prices are not available for a significant number of the financial assets and liabilities held and issued by the company.

(i) The fair value of cash and bank balances, accounts receivable, deposits with financial institutions, owed by related company and accounts payable approximatestheir carrying value due to their short-termnature.

(ii) The fair value of investments, which comprise investments in subsidiary and associated companies (see note 5) is equal to the value as stated after provision for losses.

(iii) The fair value of loans to financial institutions is assumed to approximate the carrying amount as the impact of credit risk is recognised by deducting the amount of the allowance for credit losses from book values.

(b) The fair value of government and non-government loans (see note 11) has not been estimated as the loans are at rates that may or may not be available to the company due to its special circumstances. Generally, the rates on fixed rate loans are below the current rates in the local market. Adequate information is not available to determine the fair value of such loans.

19 FINANCIAL INSTRUMENTS (Cont'd)

(c) Credit risk

Credit risk is the risk of loss from default by an obligator. The primary concentration of the company's credit is loans to financial institutions. This risk cannot be managed as the loans are made at fixed concessionary rates to financial institutions with significant liquidity problems. As a result the company is exposed to significant losses from these loans. Book value of these loans is stated after allowance for credit losses.

(d) Interest rate risk

The company is exposed to interest rate risk either through market value, fluctuations of balance sheet items, i.e., price risk or changes in the interest expenses or revenues, i.e., reinvestment risk. Interest rate risk mainly arises through interest bearing assets and liabilities. Interest on deposits with financial institutions are at market rates and these are constantly monitored by management.

The maturity of financial assets and liabilities are as follows:

	Rate sensitive		
	Within one year on demand $'000	One year To five years $'000	Total $'000
Investments	393,265	-	393,265
Loans to financial institutions	2,600,000	2,000,000	4,600,000
Deposits with financial institutions	249,645	-	249,645
Cash and bank balances	60,619	-	60,619
Long-term liabilities	1,659,616	-	1,659,616

19 FINANCIAL INSTRUMENTS (Cont'd)

(d) Interest rate risk (Cont'd)

The following analysis sets out the interest rate risk of the financial liabilities and assets:

	2002 $'000	2001 $'000
Liabilities		
Floating rate	-	8,769,312
Non-interest bearing	3,337,970	4,133,659
	3,337,970	12,902,971
Floating rate weighted average	14.35%	18.9%
Assets		
Floating rate	5,282,026	5,813,675
Fixed rate	4,939	1,174
Non-interest bearing	8,713,545	11,887,708
	14,000,510	17,702,557
Floating rate weighted average	5.2%	6%
Fixed rate weighted average	2%	3%

Preference shares are treated as non-interest bearing financial assets as payments of dividends are not anticipated in the near future and are not reflected in these financial statements.

(e) Foreign currency risk

The company incurs foreign currency risks on transactions that are denominated in currencies other than the Jamaican dollar. The company's foreign currency exposure as at year-end was as follows:

	2002 US$'000	2001 US$'000
- Assets		
Fixed deposits	2,763	-
Cash and bank balances	442	2,633
- Liabilities		
Loans – Finsac Paper	-	5,078

20 COMPANY'S OPERATIONS

For the year, the company operated at a profit but had accumulated significant losses in previous years. The company in rendering financial assistance to troubled financial institutions, engaged in the following activities:

(a) Purchased equity securities in the entities at a negotiated price (often at market value) and preference shares at varying rates of interest.

(b) Loaned funds to the institutions at concessionary rates usually between 4.5% and 12.5% while it borrowed funds at rates usually between 17.5% and 20.4%.

(c) Purchased non-performing loans, through two wholly-owned subsidiary companies, Refin Trust Limited and Recon Trust Limited, at book values. The rate of the recoverability of such loan was uncertain. It was, however, anticipated that it would be substantially less than the purchase price.

(d) Made significant deposits to such institutions to assist with liquidity problems.

Activities (b) and (c) were expected to result in losses while activities (a) and (d) exposed the company to risk of further losses as the recovery of the amounts loaned was ultimately dependent on the institutions' return to profitable operations. Provisions have been made in these statements for losses expected from the above activities.

There was no new intervention during the year.

21 SUBSEQUENT EVENT

Subsequent to the year-end, the Government gave notice of winding up the activities of FINSAC.

Redundancy and other staff costs associated with this winding up amounted to approximately $7.592 million.