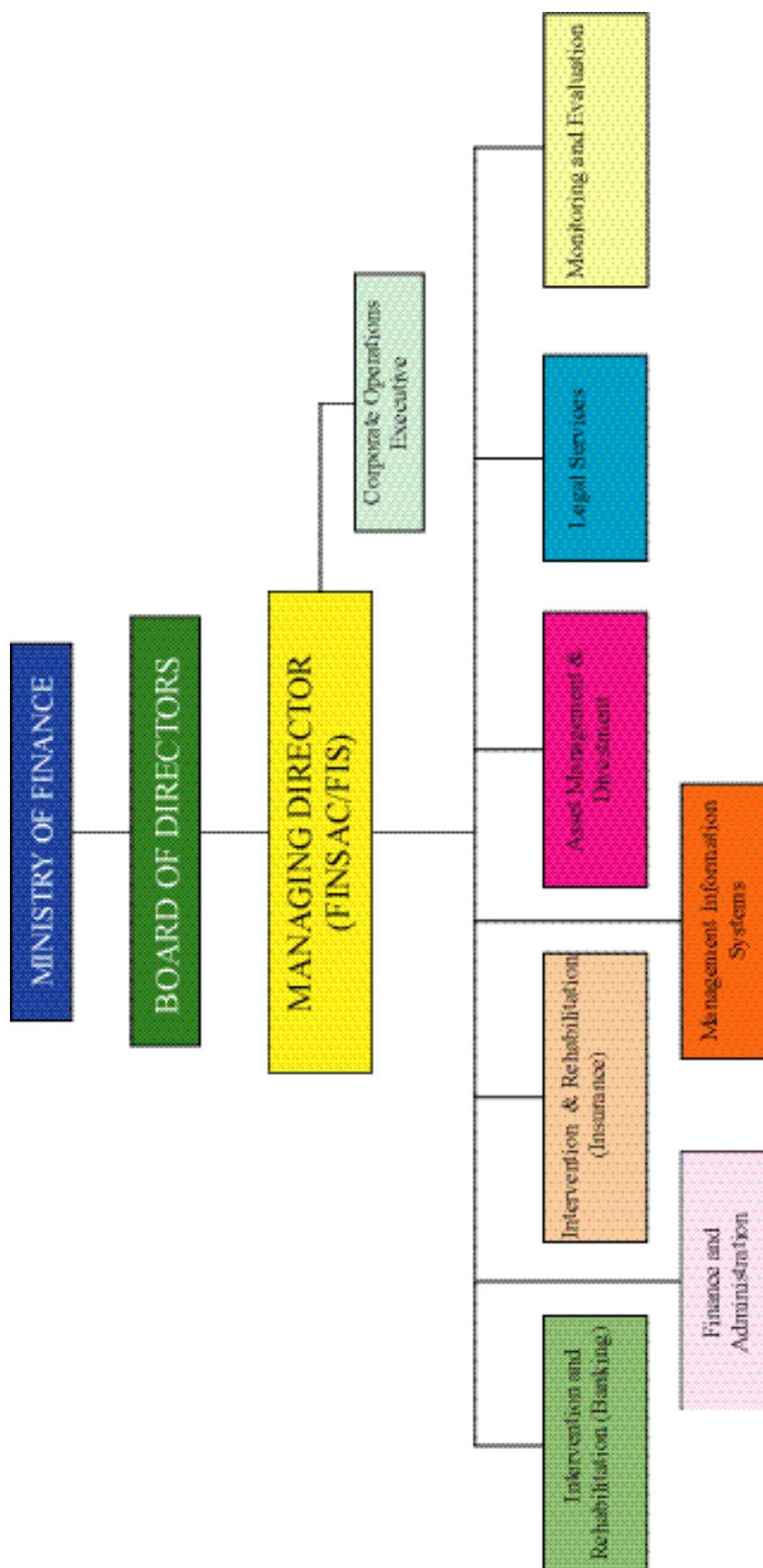


Organisation Chart



Assistance to Companies

Appendix III

April 1998 to March 1999

Company	Type of Financial Assistance	Date	Extent of Support	Summary
Buck Securities Merchant Bankers (BSMB)	<ul style="list-style-type: none"> Facilitate NCB's assumption of BSMB deposit liabilities by purchase of the Promissory Notes issued by BSMB to NCB 	Sept. 1998	\$38.7 Million	<p>BSMB agrees:</p> <p>That FINSAC will be a creditor entitled to prove in a liquidation/winding up of BSMB along with other creditors of BSMB to the extent of the value of the said Promissory Note purchased by FINSAC from NCB</p> <ul style="list-style-type: none"> Not to pay, prepay or repay any of its debts without the prior written consent of FINSAC. Not to purchase or otherwise acquire any assets without the prior written consent of FINSAC. Not to grant or enter into any agreement to grant new security to any creditor or enter into any other arrangements with its creditors without the prior written consent of FINSAC. Not to sell, transfer or otherwise dispose of its assets to or any part thereof to any connected party without FINSAC's prior written approval. Not to make or attempt to make any alteration in the provisions of its Memorandum or Articles of Association without the prior written consent of FINSAC.
Caribbean Trust and Merchant Bank Ltd (CTMB)	<ul style="list-style-type: none"> Facilitate NCB's assumption of CTMB deposit liabilities by purchase of the Promissory Notes issued by CTMB to NCB. 	Sept. 1998	\$23.9 Million	<p>CTMB agrees:</p> <p>FINSAC will be a creditor entitled to prove in a liquidation/winding up of CTMB along with other creditors of CTMB to the extent of the value of the said Promissory Note purchased by FINSAC from NCB.</p> <p>Not to pay, prepay or repay any of its debts without the prior written consent of FINSAC.</p> <ul style="list-style-type: none"> Not to purchase or otherwise acquire any assets without the prior written consent of FINSAC. Not to grant or enter into any agreement to grant new security to any creditor or enter into any other arrangements with its creditors without the prior written consent of FINSAC. Not to sell, transfer or otherwise dispose of its assets to or any part thereof to any connected party without FINSAC's prior written approval. Not to make or attempt to make any alteration in the provisions of its Memorandum or Articles of Association without the prior written consent of FINSAC.
Dyoll Life Insurance Company Limited	<ul style="list-style-type: none"> Loan to cover the company's policyholders liabilities and overdraft facilities. 	Dec. 1998	\$454 Million	<ul style="list-style-type: none"> Loan secured on certain real estate owned by Dyoll Group Limited. Interest on loan is charged at rate of 24.5% per annum. Debenture Note is interest free. Repayment of principal sums shall be determined by FINSAC.

Assistance to Companies Appendix III (cont'd)

April 1998 to March 1999

Company	Type of Financial Assistance	Date	Extent of Support	Summary
Horizon Group Limited	<ul style="list-style-type: none"> Advances to facilitate repayment of deposit and other liabilities to customers. Purchase of non-performing and under-performing loans. Purchase of balances owing by the non-financial entities of the Horizon Group to the financial entities in the Group. Purchase of equity investments held by HFE's in Horizon Venture Capital Limited. 	June 1998	\$5.02 Billion	<ul style="list-style-type: none"> FINSAC acquires shares in and control of Horizon Group Limited. Citizens Bank Limited assumes the management and control of the financial entities (Horizon Financial Entities - HFE's) in the Group. Citizens Bank at the request of FINSAC assumes management and control of the HFE's. FINSAC's shares in the HFE's are transferred to Citizens Bank.
Intercontinental Merchant Bank (IMB)	<ul style="list-style-type: none"> Facilitate Citizens Bank's assumption of IMB deposit liabilities by purchase of the Promissory Notes issued by IMB to Citizens Bank. 	Nov. 1998	\$100.3 Million	<p>IMB agrees:</p> <ul style="list-style-type: none"> That FINSAC will be a creditor entitled to prove in a liquidation/winding up of IMB along with other creditors of IMB to the extent of the value of the said Promissory Note purchased by FINSAC from Citizens Bank Limited. Not to pay, prepay or repay any of its debts without the prior written consent of FINSAC. Not to purchase or otherwise acquire any assets without the prior written consent of FINSAC. Not to grant or enter into any agreement to grant new security to any creditor or enter into any other arrangements with its creditors without the prior written consent of FINSAC. Not to sell, transfer or otherwise dispose of its assets to or any part thereof to any connected party without FINSAC's prior written approval. Not to make or attempt to make any alteration in the provisions of its Memorandum or Articles of Association without the prior written consent of FINSAC.
Island Life Merchant Bank (ILMB)	<ul style="list-style-type: none"> Purchase of ILMB's loan portfolio. 	Dec. 1998	\$129.5 Million	<ul style="list-style-type: none"> The Company shall maintain all qualifications to transact business and remain in good standing in this jurisdiction and in any other jurisdictions in which it conducts business. The Company shall not incur any indebtedness, sell any debt securities or lend money to or guarantee the indebtedness of any person. The Company shall not sell, transfer, license, lease or otherwise dispose of, or suffer or cause the encumbrance by any lien upon any of its properties or assets, tangible or intangible, or any interest therein. Except for capital expenditures or commitments necessary to maintain its properties and assets in good condition and repair, the amount of which shall not exceed One Hundred Thousand Dollars (\$100,000) in the aggregate, the Company shall not purchase or enter into any contract to purchase any capital assets.

Assistance to Companies Appendix III (cont'd)

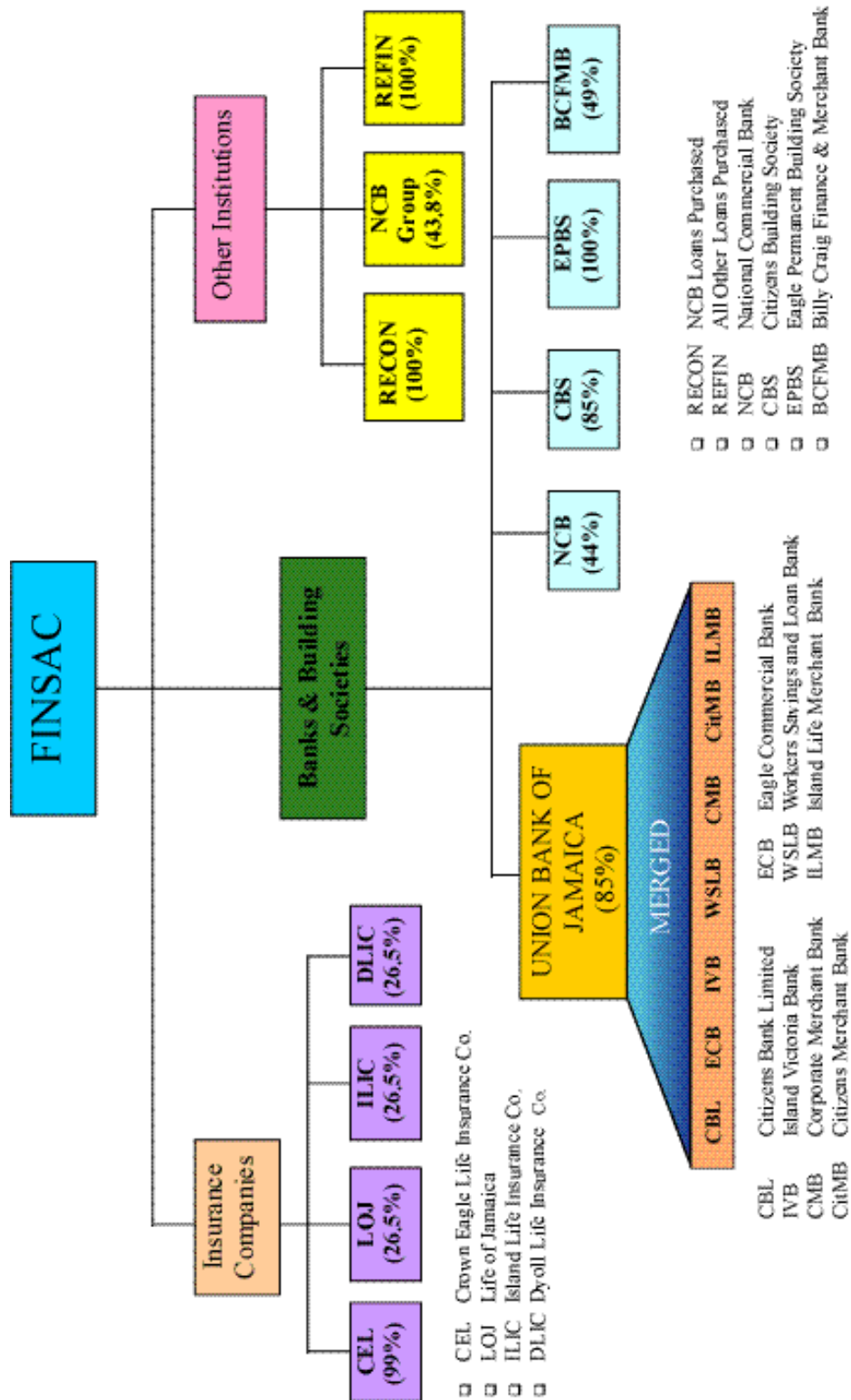
April 1998 to March 1999

Company	Type of Financial Assistance	Date	Extent of Support	Summary
Island Victoria Bank Limited (IVB)	<ul style="list-style-type: none"> Re-capitalization through the purchase of non-performing loans with bonds bearing interest at a rate of 27.8% per annum. FINSAC acquires all rights, title and interest in and to the company's shares. 	Sept. 1998	\$817.4 Million	<ul style="list-style-type: none"> The Company shall maintain all qualifications to transact business and remain in good standing in this jurisdiction and in any other jurisdictions in which it conducts business. The Company shall not sell any debt securities or lend money to or guarantee the indebtedness of any person or incur any indebtedness other than the taking of deposits on competitive terms and in respect of purchases and contracting of services reasonably required. The Company shall comply promptly with all requirements that applicable law may impose upon it and its operations and with respect to the transactions contemplated by this Agreement, and shall co-operate promptly with, any such requirements imposed upon it by FINSAC or upon any of its affiliates, in connection therewith. The Company shall not sell, transfer, license, lease or otherwise dispose of, or suffer or cause the encumbrance by any lien upon any of its properties or assets, tangible or intangible, or any interest therein. Except for capital expenditures or commitments necessary to maintain its properties and assets in good condition and repair, the amount of which shall not exceed One Hundred Thousand Dollars (\$100,000) in the aggregate, the Company shall not purchase or enter into any contract to purchase any capital assets.
Jamaica Mutual Life Assurance Society	<ul style="list-style-type: none"> Deposit for liquidity support. 	March 1999	\$149 Million	<ul style="list-style-type: none"> Deposit for 90 days at interest rate of 18% per annum.
Victoria Mutual Building Society (VMBS)	<ul style="list-style-type: none"> Sale and purchase of 53 Knutsford Boulevard from Victoria Mutual Investments Limited at the direction of VMBS for value of US\$9.6 Million to be settled by the issue of Series of 7 Years Promissory Notes in US currency at 7% per annum. Lease of premises at 53 Knutsford Boulevard for a term of 7 years at an annual rent of US\$0.55 Million per annum. Purchase of non-performing loans with aggregate principal and interest at December 31, 1997 of J\$595.6 Million. Sale and purchase of all the shares in Tisane Limited, Renovation Limited, and Summerhill Limited, beneficially held by Victoria, Mutual Property services for consideration of J\$1 	Feb. 1999	US\$10.15 Million J\$595.6 Million	<ul style="list-style-type: none"> FINSAC shall have the right to nominate and to remove and replace not more than two persons as members of the board of directors of the Society, and to nominate a member of the Society's board to sit on the Standing Committee and on the Audit Committee. The Society is required to provide financial and operating reports in a manner and with the frequency as may be required by FINSAC to facilitate monitoring and compliance with the agreement. Society shall comply with the requirements of and its obligations under the Building Societies Act and all other Acts, Regulations, Statutory Instruments and Ministerial directives in respect of solvency, liquidity and other matters falling within the regulatory jurisdiction and functions of the Bank of Jamaica. Society will take all appropriate steps to ensure that all relevant Resolutions are passed in accordance with its Rules and thereby ensure that all obligations under agreement are met.

Completed Sales

Appendix IV

Asset Sales Completed to June 30, 1999	US\$ Amount Received	JS Amount Received
Motor Vehicles		9,789,913.00
Art Work		15,093,240.50
Furniture and Equipment		6,728,435.69
Sale of Properties		892,803,480.00
Hotels		1,023,700,000.00
Resorts		14,100,000.00
Shares		667,835,890.00
Book of Assets	4,000,000.00	2,000,000.00
Totals	\$4,000,000.00	\$2,632,050,959.19



Auditors' Report and Financial Statements

Year ended March 31, 1999

	Statement
Auditors' Report - to the members	I
Financial Statements	
Balance Sheet	II
Profit and Loss Account	III
Statement of Cash Flow	IV
Notes to the Financial Statements	V

Auditors' Report

**Deloitte &
Touche**



Chartered Accountants

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Auditors' Report

Statement I.1

To the members of

FINSAC LIMITED

(March 31, 1999)

We have audited the financial statements set out on Statements II to V. These financial statements are the responsibility of the directors and management. The directors and management are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent, follow applicable accounting standards and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business. The directors and management are responsible for keeping proper accounting records, for safeguarding the assets of the company, and for the prevention and detection of fraud and other irregularities. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards on auditing generally accepted in Jamaica. Those standards require that we plan and perform the audit to obtain all the information and explanations which we considered necessary to provide us with reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by directors and management, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

**Deloitte Touche
Tohmatsu**

Donald S. Reynolds, T. Sydney Fernando, Carey O. Metz

Associate: Audley L. Gordon
Consultants: Philmore H. Ogle, Carl M. Findlay

Auditors' Report (cont'd)

Deloitte & Touche

Statement I.2

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, present fairly in all material respects the state of the company's affairs as at March 31, 1999 and of its net loss and cash flows for the year then ended, and have been prepared in accordance with accounting standards generally accepted in Jamaica and comply with the provisions of the Companies Act.

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the repayment of liabilities in the ordinary course of business. However, the company incurred a net loss of \$22.084 billion during the year, and at March 31, 1999, the company's financial statements show a significant deficiency in assets (see Note 15). The company's ability to continue as a going concern is dependent on the matters as set forth in Note 15. The financial statements do not include any adjustments that would result if it were unable to do so. Our opinion is not qualified in this respect.



Chartered Accountants

Kingston, Jamaica,
August 12, 1999

Balance Sheet

at March 31, 1999

Statement II

	<u>Notes</u>	<u>1999</u> \$'000	<u>1998</u> \$'000
ASSETS			
Cash and bank balances		53,204	10,880
Accounts receivable and prepayments	3	289,900	8,787
Deposits with financial institutions	4	623,054	857,002
Loans to financial institutions	5	2,998,388	3,500,000
Investments	6	15,291,585	15,853,144
Fixed assets	7	<u>11,279</u>	<u>9,578</u>
		<u>19,267,410</u>	<u>20,239,391</u>
LIABILITIES AND DEFICIENCY IN ASSETS			
Current liabilities			
Accounts payable and accruals	8	8,720,486	3,788,296
Long-term liabilities			
	9	<u>78,217,607</u>	<u>62,037,559</u>
Total liabilities		<u>86,938,093</u>	<u>65,825,855</u>
Deficiency in assets			
Share capital	10	1	1
Profit and loss account - (deficit)		<u>(67,670,684)</u>	<u>(45,586,465)</u>
		<u>(67,670,683)</u>	<u>(45,586,464)</u>
		<u>19,267,410</u>	<u>20,239,391</u>

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

Approved on behalf of the Board.



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Profit and Loss Account

Year ended March 31, 1999

		Statement III	
	<u>Note</u>	<u>1999</u> \$'000	<u>1998</u> \$'000
INCOME			
Investment income		109,829	13,059
Interest on loans		3,223,980	1,855,971
Interest on deposits		204,334	563,354
IDB funding		<u>20,136</u>	<u>-</u>
		<u>3,558,279</u>	<u>2,432,384</u>
OPERATING EXPENSES			
General and administrative		376,951	310,463
Interest on loans and advances		16,590,183	4,334,874
Provision for uncollectible interest receivable		<u>2,972,234</u>	<u>1,895,443</u>
		<u>19,939,368</u>	<u>6,540,780</u>
Operating losses		<u>(16,381,089)</u>	<u>(4,108,396)</u>
OTHER CHARGES			
Loans and deposits loss provisions		<u>(3,234,444)</u>	<u>(11,866,141)</u>
Provision for losses in subsidiaries and associated companies and diminution in value of investments		<u>(2,468,686)</u>	<u>(29,611,928)</u>
		<u>(5,703,130)</u>	<u>(41,478,069)</u>
NET LOSS	11	<u>(22,084,219)</u>	<u>(45,586,465)</u>
Deficit, April 1		<u>(45,586,465)</u>	<u>-</u>
DEFICIT, MARCH 31		<u>(67,670,684)</u>	<u>(45,586,465)</u>

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

Statement of Cash Flows

Year ended March 31, 1999

	Statement IV	
	<u>1999</u>	<u>1998</u>
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(22,084,219)	(45,586,465)
Non-cash items included in net loss		
Depreciation	4,166	948
Deferred interest on long-term liabilities	8,932,604	563,018
Deferred interest on deposits with financial institutions	(198,977)	-
Gain on sale of investments	(97,304)	-
Loans and deposits loss provisions	3,234,444	11,866,141
Provision for losses in subsidiaries and associated companies and diminution in value of investments	<u>2,468,686</u>	<u>29,611,928</u>
	(7,740,600)	(3,544,430)
Increase in operating assets		
Accounts receivable and prepayments	(283,576)	(8,787)
Increase in operating liabilities		
Accounts payable and accruals	<u>6,361,196</u>	<u>3,788,296</u>
Cash (used in) provided by operating activities	(<u>1,662,980</u>)	<u>235,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits with financial institutions	171,725	(1,300,702)
Loans to financial institutions	(640,000)	(2,000,000)
Acquisition of investments	(140,760)	(3,252,656)
Acquisition of fixed assets	<u>(5,867)</u>	<u>(10,526)</u>
Cash used in investing activities	(<u>614,902</u>)	(<u>6,563,884</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of investments	283,275	-
Proceeds from loans received	2,150,000	6,339,684
Proceeds from issue of shares	-	1
Advances from subsidiaries	944,431	-
Repayment of long-term liabilities	<u>(1,057,500)</u>	<u>-</u>
Cash provided by financing activities	<u>2,320,206</u>	<u>6,339,685</u>
NET INCREASE IN CASH AND BANK BALANCES	42,324	10,880
OPENING CASH AND BANK BALANCES	<u>10,880</u>	<u>-</u>
CLOSING CASH AND BANK BALANCES	<u><u>53,204</u></u>	<u><u>10,880</u></u>

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

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.1

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 include:

- (a) To correct liquidity and solvency issues.
- (b) To improve the efficiency of the sector in mobilizing and allocating financial resources in the economy.
- (c) To correct existing weaknesses in financial management.
- (d) To avoid and minimize 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 (J\$).

2 SIGNIFICANT ACCOUNTING POLICIES

- (a) Accounting convention and principles

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.

- (b) 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.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.2

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) 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.

(d) 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.

(ii) Subsidiary and associated companies

Investment 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:

<u>Name of Company</u>	<u>Percentage Holding</u>	<u>Financial Year End</u>
<i>Subsidiary companies</i>		
Eagle Group of Companies	86	June 30
Citizens Bank Limited	84	December 31
Refin Trust Limited	100	March 31
Recon Trust Limited	100	March 31
Union Bank Holdings Limited	100	December 31

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.3

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Investments (Cont'd)

(ii) Subsidiary and associated companies (Cont'd)

<u>Name of Company</u>	<u>Percentage Holding</u>	<u>Financial Year End</u>
<i>Associated companies</i>		
National Commercial Bank Jamaica Limited	40.0	September 30
N.C.B. Group Limited	43.8	September 30
Island Life Insurance Company Limited	26.5	December 31
Dyoll Group Limited	26.5	December 31
Life of Jamaica Limited	26.5	December 31
Billy Craig Finance & Merchant Bank Limited	49.0	December 31

As the financial year end of the first two associated companies listed above, differs significantly from that of FINSAC, the share of profits (losses) for the year is based on an apportionment of profits as reflected in the audited financial statements for the year ended September 30, 1998 and the unaudited results for six months ended March 31, 1999.

(e) 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.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.4

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) 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

(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.

3 ACCOUNTS RECEIVABLE AND PREPAYMENTS

		<u>1999</u>	<u>1998</u>
	\$'000	\$'000	\$'000
Interest receivable	5,121,826		1,897,911
Less: Provision for doubtful debt	<u>(4,879,239)</u>		<u>(1,895,443)</u>
		242,587	<u>2,468</u>
Other receivables and prepayments	80,181		17,882
Less: Provision for doubtful debt	<u>(32,868)</u>		<u>(11,563)</u>
		<u>47,313</u>	<u>6,319</u>
		289,900	<u>8,787</u>

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.5

4 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>1999</u> \$'000	<u>1998</u> \$'000
Eagle Permanent Building Society (Note 4(a))	140,000	140,000
Eagle Commercial Bank Limited (Note 4(a))	150,659	553,303
Jamaica Mutual Life Assurance Society (Note 4(b))	756,482	607,399
Caldon Finance Merchant Bank Limited (Note 4(c))	100,245	-
Fidelity Finance Merchant Bank (Note 4(c))	77,807	-
CIBC Trust and Merchant Bank Jamaica Limited (Note 4(d))	<u>283,275</u>	<u>-</u>
	1,508,468	1,300,702
Less: Provision for losses	<u>(885,414)</u>	<u>(443,700)</u>
	<u>623,054</u>	<u>857,002</u>

- (a) The deposits at Eagle Permanent Building Society and Eagle Commercial Bank Limited are repayable on demand at an interest rate of 12.5% per annum.
- (b) The deposit at Jamaica Mutual Life Assurance Society is for 90 days beginning March 31, 1999, at an interest rate of 18% per annum.
- (c) The deposits at Caldor Finance Merchant Bank Limited and Fidelity Finance Merchant Bank are repayable on demand at an interest rate of 26% per annum.
- (d) The deposit at CIBC Trust and Merchant Bank Jamaica Limited is for 33 days beginning March 4, 1999, at an interest rate of 21.8% per annum.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.6

5 LOANS TO FINANCIAL INSTITUTIONS

These comprise:

	<u>1999</u> \$' 000	<u>1998</u> \$' 000
Jamaica Mutual Life Assurance Society (Note 5(b))	9,000,000	7,000,000
Workers Savings and Loan Bank (Note 5(c))	7,465,171	7,922,441
Dyoll Life Insurance Company Limited (Note 5(d))	454,000	-
Intercontinental Merchant Bank Limited (Note 5(e))	100,384	-
Citizens Bank Limited (Note 5(f))	131,325	-
Caribbean Trust Merchant Bank Limited (Note 5(g))	23,917	-
Buck Securities Merchant Bankers Limited (Note 5(g))	<u>38,762</u>	<u>-</u>
	17,213,559	14,922,441
Less: Provision for losses	<u>(14,215,171)</u>	<u>(11,422,441)</u>
	<u>2,998,388</u>	<u>3,500,000</u>

- (a) The above loans arose as a result of financial arrangements made by the company to correct solvency problems experienced by these financial institutions and comprise the following:
- (i) The company issued bonds for \$7 billion to Jamaica Mutual Life Assurance Society and endorsed these to National Commercial Bank Jamaica Limited to settle the former's overdraft with the latter. A further issue of \$2 billion was made to settle the Society's intercompany balances.
 - (ii) The loan to Workers Savings and Loan Bank arose partly as a result of the company taking over the advances of \$5.922 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 9(a)).
 - (iii) 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.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.7

5 LOANS TO FINANCIAL INSTITUTIONS (Cont'd)

(a) (Cont'd)

- (iv) The loan to Intercontinental Merchant Bank Limited (IMB) arose as a result of the company purchasing a Promissory Note issued by IMB to Citizens Bank Limited (CBL) in consideration of CBL assuming IMB's deposit liabilities. The company is to issue Bonds of an equivalent amount to CBL. The liability under the Bond is reflected as a long-term liability to CBL (see Note 9(c)(ii)).
- (v) The loan to CBL arose out of a set-off arrangement between Workers Savings and Loan Bank (Workers), CBL, 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 CBL. This will be effected by redeeming Bonds issued to CBL of equivalent amount.
- (vi) 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 is to issue Bonds of an equivalent amount to NCBJ. The liability under the Bond is reflected as a long-term liability to NCBJ (see Note 9(c)(i)).

- (b) The loan to Jamaica Mutual Life Assurance Society 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 capitalized on the fifth anniversary of the date of the first disbursement. Interest shall be compounded annually at 4.5% thereafter.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.8

5 LOANS TO FINANCIAL INSTITUTIONS (Cont'd)

- (c) Interest is charged on the loan to Workers at the rate of 12.5% per annum. The repayment dates shall be determined by FINSAC.
- (d) Interest is charged on the loan of \$319 million to Dyoll Life Insurance Company Limited at the rate of 24.5%. The loan of \$135 million is interest free. Repayment of the principal sums shall be determined by FINSAC.
- (e) Interest is charged on the loan to IMB at the rate of 12.5% per annum. Repayment of the principal sum shall be determined by FINSAC.
- (f) Loans to CBL are interest-free. Repayment of the principal sum shall be determined by FINSAC.
- (g) Loans to Caribbean Trust Merchant Bank Limited and Buck Securities Merchant Bankers Limited are interest free. The principal sum is to be repaid upon demand by FINSAC.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.9

6 INVESTMENTS

These comprise:

<u>Name of Company</u>	<u>Percentage Holdings</u>	<u>1999</u> \$'000	<u>1998</u> \$'000
<i>Subsidiary companies</i>			
Eagle Group of Companies	86	-	- *
Citizens Bank Limited	84	258,681	257,972
Refin Trust Limited	100	1	1
Recon Trust Limited	100	-	- *
Union Bank Holdings Limited	100	1	-
		<u>258,683</u>	<u>257,973</u>
<i>Long-term loans</i>			
(i) Recon Trust Limited (Note 6(a))		12,740,906	13,150,000
(ii) Refin Trust Limited (Note 6(b))		1,562,369	1,700,000
(iii) Refin Trust Limited (Note 6(c))		3,683,477	3,622,477
(iv) Refin Trust Limited (Note 6(d))		817,422	-
(v) Refin Trust Limited (Note 6(e))		129,524	-
(vi) Crown Eagle Life Insurance Company Limited (Note 6(f))		13,229,588	13,229,588
(vii) Crown Eagle Life Insurance Company Limited (Note 6(f))		500,000	500,000
(viii) Eagle Merchant Bank of Jamaica Limited (Note 6(f))		19,800	2,000,000
(ix) Crown Eagle Life Insurance Company Limited (Note 6(f))		7,700	-
(x) Crown Eagle Life Insurance Company Limited (Note 6(g))		30,709	30,709
(xi) Crown Eagle Life Insurance Company Limited (Note 6(h))		624,000	624,000
(xii) Crown Eagle Life Insurance Company Limited (Note 6(i))		100,000	-
		<u>33,445,495</u>	<u>34,856,774</u>
<i>Advances</i>			
Eagle Commercial Bank Limited		6,403	-
Union Bank Holdings Limited		33,647	-
		<u>40,050</u>	<u>-</u>
		<u>33,485,545</u>	<u>34,856,774</u>
Provision for loss of investment and loans		(17,946,515)	(28,238,003)
Share of losses of subsidiaries		(8,918,157)	-
		<u>(26,864,672)</u>	<u>(28,238,003)</u>
Total investment in subsidiary companies		<u>6,879,556</u>	<u>6,876,744</u>

* Denotes less than \$1,000

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.10

6 INVESTMENTS (Cont'd)

<u>Name of Company</u>	<u>Percentage Holdings</u>	<u>1999</u> \$'000	<u>1998</u> \$'000
<i>Associated companies</i>			
CIBC National Commercial Bank		-	519,832
Jamaica Limited	40.0	167,333	167,000
NCB Group Limited	43.8	947,802	947,802
Life of Jamaica Limited	26.5	143,316	143,316
Island Life Insurance Company Limited	26.5	77,878	77,878
Dyolf Group Limited	26.5	37,132	37,132
Billy Craig Finance & Merchant Bank Limited	49.0	<u>37,070</u>	<u>29,400</u>
		1,410,531	1,922,360
Add: Excess of the percentage of the net assets over the cost of investments		<u>572,334</u>	<u>232,751</u>
		1,982,865	2,155,111
Share of losses		(861,572)	(413,833)
Total investments in associated companies		<u>1,121,293</u>	<u>1,741,278</u>

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.11

6 INVESTMENTS (Cont'd)

<u>Name of Company</u>	<u>Percentage Holdings</u>	<u>1999</u> \$'000	<u>1998</u> \$'000
Other investments			
Preference shares:			
12.5% cumulative redeemable:			
National Commercial Bank Jamaica Limited		3,670,000	3,670,000
NCB Group Limited		1,000,000	1,000,000
Life of Jamaica Limited		1,056,684	1,056,684
Island Life Insurance Company Limited		222,122	222,122
Dyoll Group Limited		162,868	162,868
National Commercial Bank Jamaica Limited			
- 0% redeemable		1,162,667	1,163,000
Citizens Bank Limited			
- 9.5% US\$ convertible cumulative redeemable		98,291	98,291
- 12.5% non-cumulative redeemable		1,000,000	1,000,000
Billy Craig Finance & Merchant Bank Limited			
- 12.5% convertible cumulative redeemable		110,948	55,000
Eagle Merchant Bank of Jamaica Limited			
- 12.5% non-cumulative convertible 'B'		2,000,000	-
Horizon Financial Entities			
- 0% redeemable		<u>1,400,000</u>	<u>-</u>
		11,883,580	8,427,965
Less: Provision for loss of investment		<u>(4,592,844)</u>	<u>(1,192,843)</u>
		<u>7,290,736</u>	<u>7,235,122</u>
Total investments		<u>15,291,585</u>	<u>15,853,144</u>

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.12

6 INVESTMENTS (Cont'd)

Long-term loans

- (a) The amount at item (i) arose as a result of the company issuing bonds to 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 item (ii) arose as a result of the company issuing bonds to CBL 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 CBL on behalf of its wholly-owned subsidiary, Refin Trust Limited, to purchase non-performing and under-performing loans of the Horizon Financial Entities.
- (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 CBL 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) Interest is charged on the loans at items (vi) to (ix) at the rate of 12.5% per annum.

The loan of \$2 billion made in prior year to Eagle Merchant Bank of Jamaica Limited was converted to \$2 billion non-cumulative preference shares in that bank during the year.
- (g) Interest is charged on the loan at item (x) at the rate of 10% per annum on principal of US\$850,000 (J\$30,709,000).
- (h) The amount at item (xi) 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.
- (i) Interest is charged on the loans at item (xii) at the rate of 20% per annum.
- (j) Interest rate has not yet been determined for the loans at items (i), (ii) (iii), (iv), (v), and (xi).

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

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.13

7 FIXED ASSETS

	1999		1998	
	<u>Cost</u> \$'000	<u>Accumulated depreciation</u> \$'000	<u>Cost</u> \$'000	<u>Accumulated depreciation</u> \$'000
Leasehold improvements	3,869	1,709	3,344	-
Furniture and fixtures	1,958	839	1,358	260
Office equipment	1,191	253	694	44
Computer equipment	5,373	1,429	2,848	360
Motor vehicles	<u>4,002</u>	<u>884</u>	<u>2,282</u>	<u>284</u>
	<u>16,393</u>	<u>5,114</u>	<u>10,526</u>	<u>948</u>
Net Book Value		<u>11,279</u>		<u>9,578</u>

8 ACCOUNTS PAYABLE AND ACCRUALS

	<u>1999</u> \$'000	<u>1998</u> \$'000
Interest payable	8,538,118	3,771,856
Other payables and accruals	179,437	15,194
Payroll taxes	<u>2,931</u>	<u>1,246</u>
	<u>8,720,486</u>	<u>3,788,296</u>

9 LONG-TERM LIABILITIES

	<u>1999</u> \$'000	<u>1998</u> \$'000
Advances from Bank of Jamaica (Note 9(a))	20,454,847	17,715,047
Advances from Government of Jamaica (Note 9(b))	7,889,684	6,339,684
FINSAC bonds (Note 9(c))	<u>49,873,076</u>	<u>37,982,828</u>
	<u>78,217,607</u>	<u>62,037,559</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:

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.14

9 LONG-TERM LIABILITIES (Cont'd)

(a) Advances from Bank of Jamaica (BOJ) (Cont'd)

	<u>1999</u> \$'000	<u>1998</u> \$'000
Eagle Commercial Bank Limited (Note 9(a)(i))	11,229,588	11,229,588
Workers Savings and Loan Bank (Note 9(a)(ii))	<u>6,522,441</u>	<u>5,922,441</u>
	17,752,029	17,152,029
Interest capitalised (Note 9(a)(iii))	<u>2,702,818</u>	<u>563,018</u>
	<u>20,454,847</u>	<u>17,715,047</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 on the 7th day of April and the 7th day of October of each year.

(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 on the 26th day of February and the 26th day of August.

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 (0.5%). The effective weighted average yield rate for the period is 28%.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.15

9 LONG-TERM LIABILITIES (Cont'd)

(a) Advances from Bank of Jamaica (BOJ) (Cont'd)

(ii) (Cont'd)

Interest on the first \$1 billion is payable semi-annually on the 26th day of February and the 26th day of August.

Interest on the second \$1 billion is payable semi-annually as follows:

On \$200 million on the 11th day of March and the 11th day of September.

On \$200 million on the 25th day of March and the 25th day of September.

On \$100 million on the 1st day of October and the 1st day of April.

On \$100 million on the 6th day of October and the 6th day of April.

On \$100 million on the 16th day of October and the 16th day of April.

On \$100 million on the 1st day of December and the 1st day of June.

On \$100 million on the 3rd day of December and the 3rd day of June.

On \$100 million on the 1st day of January and the 1st day of July.

(iii) Interest capitalised

Interest on the principal sum in the amount of \$2.702 billion has been capitalised. Interest is payable semi-annually as follows:

<u>Amount</u> \$'000		<u>Payment Date</u>	<u>Rate</u> %
1,771,761	(2007 – 2008)	April 7 and October 7	10
452,245	(2008)	August 26 and February 26	10
309,585	(2003)	August 26 and February 26	23.12
60,762	(2003)	March 11 and 25 and September 11 and 25	22.35
68,982	(2003)	October 1, 6, and 16, April 1, 6, and 16, June 1 and December 1	to 24.31
13,092	(2003)	July 1 and January 1	24.02
26,391	(2003)	September 11 and March 11	22.35

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.16

9 LONG-TERM LIABILITIES (Cont'd)

(b) Advances from Government of Jamaica

These advances 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.

(c) FINSAC bonds

	<u>1999</u>	<u>1998</u>
	\$'000	\$'000
N.C.B. Group Limited and Subsidiaries (Note 9(c)(i))	23,017,544	19,150,000
National Commercial Bank Jamaica Limited (Note 9(c)(i))	62,679	-
Citizens Bank Limited (Note 9(c)(ii))	8,054,860	6,322,477
Eagle Merchant Bank of Jamaica Limited (Note 9(c)(iii))	2,518,575	2,000,000
Jamaica Mutual Life Assurance Society (Note 9(c)(iv))	11,181,000	7,000,000
Jamaica Mutual Life Assurance Society (Note 9(c)(iv))	600,011	947,802
Life of Jamaica Limited (Note 9(c)(v))	1,656,236	1,200,000
Island Life Insurance Company Limited (Note 9(c)(vi))	171,098	122,580
Dyoll Life Insurance Company Limited (Note 9(c)(vii))	490,190	31,569
Crown Eagle Life Insurance Company Limited (Note 9(c)(viii))	500,582	500,000
Billy Craig Finance & Merchant Bank Limited (Note 9(c)(ix))	178,879	84,400
National Investment Bank of Jamaica Limited (Note 9(c)(x))	624,000	624,000
Island Victoria Bank Limited (Note 9(c)(xi))	<u>817,422</u>	<u>-</u>
	<u>49,873,076</u>	<u>37,982,828</u>

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

Interest payments, may at the company's option, be satisfied in cash or the issue of bonds. The interest bonds have the same maturity date as the principal sum to which they relate.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.17

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(i) N.C.B. Group Limited and Subsidiaries

The bonds were issued as follows:

	<u>1999</u> \$'000	<u>1998</u> \$'000
• N.C.B. Group Limited		
12.5% Redeemable Preference Shares	1,000,000	1,000,000
• National Commercial Bank Jamaica Limited (NCBJ)		
(a) Purchase of non-performing loans of the Bank and transferred to Recon Trust Limited	13,050,000	12,700,000
(b) 12.5% Redeemable Preference Shares	3,670,000	3,670,000
(c) 0% Redeemable Preference Shares of NCBJ	1,162,667	1,162,667
(d) Ordinary shares equivalent to 40% of the issued share capital	167,333	167,333
• N.C.B. Trust & Merchant Bank Limited		
Purchase of non-performing loans of the Bank and transferred to Recon Trust Limited	<u>450,000</u>	<u>450,000</u>
	19,500,000	19,150,000
Interest capitalised	<u>3,517,544</u>	<u>-</u>
	<u>23,017,544</u>	<u>19,150,000</u>

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.18

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(i) N.C.B. Group Limited and Subsidiaries (Cont'd)

The principal sum relating to N.C.B. Group Limited and the sum at item (c)(i)(b) are due December 31, 2013. They bear interest at the rate of 23.64% per annum. Interest is payable semi-annually on April 1 and October 1.

The principal sum at item (c)(i)(a) and the sum relating to NCB Trust & Merchant Bank Limited are due December 31, 2005. They bear interest at the rate of 23.62% per annum. Interest is payable semi-annually on August 1 and February 1.

The principal sums at items (c)(i)(c) and (c)(i)(d) are due December 31, 2013. They bear interest at the rate of 23.62% per annum. Interest is payable semi-annually on August 1 and February 1.

Interest capitalised

Interest on the principal sum in the amount of \$3.517 billion has been capitalised. Interest is payable semi-annually as follows:

<u>Amount</u>		<u>Payment Date</u>	<u>Rate</u>
\$'000			%
3,134,042	(2005)	August 1 and February 1	23.62
383,502	(2013)	August 1 and February 1	23.62

Other NCBJ bonds

The bonds totalling \$62.679 million were issued to NCBJ as consideration for the bank assuming the deposit liabilities of Caribbean Trust Merchant Bank Limited and Buck Securities Merchant Bankers Limited.

The principal sum is due September 1, 2003. It bears interest at the rate of 23.72% per annum. Interest is payable semi-annually on September 1 and March 1.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.19

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(ii) Citizens Bank Limited

The bonds to Citizens Bank Limited (CBL) are in exchange for:

	<u>1999</u> \$'000	<u>1998</u> \$'000
(a) The purchase of non-performing loans of CBL which were transferred to Refin Trust Limited	1,334,226	1,700,000
(b) 12.5% Redeemable non-cumulative Preference Shares in CBL	1,000,000	1,000,000
(c) The purchase of non-performing loans, inter-company balances, and equity investments in the Horizon Financial Entities	3,385,672	3,622,477
(d) The purchase of non-performing loans of CBL which were transferred to Refin Trust Limited	47,706	-
(e) The assumption of the deposit liabilities of Caldon Finance Merchant Bank Limited and Fidelity Finance Merchant Bank	119,056	-
(f) The purchase of non-performing loans, inter-company balances, and equity investments in the Horizon Financial Entities	61,000	-
(g) The assumption of the deposit liabilities of Fidelity Finance Merchant Bank	58,996	-
(h) The assumption of the deposit liabilities of Intercontinental Merchant Bank Limited	<u>100,384</u>	<u>-</u>
Balance c/f	6,107,040	6,322,477

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.20

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(ii) Citizens Bank Limited (Cont'd)

	<u>1999</u> \$'000	<u>1998</u> \$'000
Balance b/f	6,107,040	6,322,477
(i) The purchase of non-performing and under-performing loans in Island Life Merchant Bank Limited	129,524	-
(j) Partly for 0% Redeemable Preference Shares in the Horizon Financial Entities	<u>474,055</u>	<u>-</u>
	6,710,619	6,322,477
Interest capitalised	<u>1,344,241</u>	<u>-</u>
	<u>8,054,860</u>	<u>6,322,477</u>

The principal sum at item (c)(ii)(a) is due September 30, 2004. It bears interest at the rate of 22.85% per annum. Interest is payable semi-annually on March 31 and September 30.

The principal sum at item (c)(ii)(b) is due September 30, 2004. It bears interest at the rate of 22.32% per annum. Interest is payable semi-annually on April 1 and October 1.

The principal sum at item (c)(ii)(c) is due March 6, 2005. It bears interest at the rate of 22.85% per annum. Interest is payable semi-annually on March 6 and September 6.

The principal sum at item (c)(ii)(d) is due November 10, 2005. It bears interest at the rate of 25.14% per annum. Interest is payable semi-annually on May 10 and November 10.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.21

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(ii) Citizens Bank Limited (Cont'd)

The principal sum at item (c)(ii)(e) is due January 6, 2004. It bears interest at the rate of 24.52% per annum. Interest is payable semi-annually on January 6 and July 6.

Repayment terms and rates of interest have not been finalised for the bonds at items (c)(ii)(f to j).

Interest capitalised

Interest on the principal sum in the amount of \$1.334 billion has been capitalised. Interest is payable semi-annually as follows:

<u>Amount</u>		<u>Payment Date</u>	<u>Rate</u>
\$'000			%
22,402	(2004)	July 6 and January 6	24.52
340,332	(2004)	July 6 and January 6	22.32
981,507	(2005)	September 6 and March 6	22.85

(iii) Eagle Merchant Bank of Jamaica Limited

The bonds originally issued to Eagle Merchant Bank of Jamaica Limited and transferred to Eagle Commercial Bank Limited are in exchange for:

	<u>1999</u>	<u>1998</u>
	\$'000	\$'000
12.5% non-cumulative convertible 'B' Preference Shares in Eagle Merchant Bank	2,000,000	2,000,000
Interest capitalised	<u>518,575</u>	<u>-</u>
	<u>2,518,575</u>	<u>2,000,000</u>

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.22

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(iii) Eagle Merchant Bank of Jamaica Limited (Cont'd)

The principal sum of \$2,519 billion is due October 31, 2004. It bears interest at the rate of 25.14% per annum. Interest is payable semi-annually on October 31 and April 30.

(iv) Jamaica Mutual Life Assurance Society (Mutual Life)

The bonds to Mutual Life are in exchange for:

	<u>1999</u> \$'000	<u>1998</u> \$'000
(a) Bonds to Mutual Life endorsed over to NCBJ to settle the overdraft with that Bank	7,000,000	7,000,000
(b) Purchase of shares in NCB Group Limited 43.8%	600,011	947,802
(c) Bonds to be issued to Mutual Life to settle certain of the Society's intercompany balances	<u>2,000,000</u>	<u>-</u>
	9,600,011	7,947,802
Interest capitalised	<u>2,181,000</u>	<u>-</u>
	<u>11,781,011</u>	<u>7,947,802</u>

The principal sum is due December 16, 2012. It bears interest at the rate of 24.84% (items (c)(iv)(a) and (b)) and 27.28% (item (c)(iv)(c)) per annum. Interest is payable semi-annually on June 16 and December 16.

The principal sum of \$2.181 billion relating to interest capitalised bears interest at the rate of 24.84% per annum payable semi-annually on June 15 and December 15.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.23

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(v) Life of Jamaica Limited

The bonds to Life of Jamaica Limited (LOJ) are in exchange for:

	<u>1999</u> \$'000	<u>1998</u> \$'000
• Ordinary shares of LOJ – equivalent to 26.5% of the issued shares	143,316	143,316
• 12.5% cumulative Redeemable Shares in LOJ	<u>1,056,684</u>	<u>1,056,684</u>
	1,200,000	1,200,000
Interest capitalised	<u>456,236</u>	<u>456,236</u>
	<u>1,656,236</u>	<u>1,656,236</u>

The principal sum of \$1.656 billion is due May 31, 2007. It bears interest at the rate of 25.14% per annum. Interest is payable semi-annually on May 31 and November 30.

(vi) Island Life Insurance Company Limited

The bonds originally issued to Island Life Insurance Company Limited are part of an arrangement to purchase:

	<u>1999</u> \$'000	<u>1998</u> \$'000
• Ordinary shares in Island Life - 26.5% of the issued shares	77,878	77,878
• 12.5% cumulative Redeemable Preference Shares	<u>222,122</u>	<u>222,122</u>
	300,000	300,000
Less: Paid in cash	<u>177,420</u>	<u>177,420</u>
	122,580	122,580
Interest capitalised	<u>48,518</u>	<u>-</u>
	<u>171,098</u>	<u>122,580</u>

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.24

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(vi) Island Life Insurance Company Limited (Cont'd)

The principal sum of \$171 million is due September 15, 2002. It bears interest at the rate of 24.84% per annum. Interest is payable semi-annually on June 15 and December 15.

(vii) Dyoll Life Insurance Company Limited

The bonds originally issued to Dyoll Life Insurance Company Limited (Dyoll) are partly in exchange for:

	<u>1999</u> \$'000	<u>1998</u> \$'000
• Ordinary shares - 26.5% of the issued capital of Dyoll	37,132	37,132
• 12.5% cumulative Preference shares	<u>162,868</u>	<u>162,868</u>
	200,000	200,000
Less: Paid in cash	<u>168,431</u>	<u>168,431</u>
	<u>31,569</u>	<u>31,569</u>
• The purchase of policyholders' liabilities, etc.	454,000	-
Less: Paid in cash	<u>40,000</u>	<u>-</u>
	414,000	-
• The purchase of Eagle Insurance Company Limited policyholders' liabilities	<u>27,500</u>	<u>-</u>
	473,069	-
Interest capitalised	<u>17,121</u>	<u>-</u>
	<u>490,190</u>	<u>31,569</u>

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.25

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(vii) Dyoll Life Insurance Company Limited (Cont'd)

The principal sum of \$31.569 million is due September 15, 2002. It bears interest at the rate of 27.5% per annum. Interest is payable semi-annually on December 15 and June 15.

The principal sum of \$414 million is due December 28, 2005. It bears interest at the rate of 24.84% per annum. Interest is payable semi-annually on June 28 and December 28.

The principal sum of \$27.5 million is due July 15, 2003. It bears interest at the rate of 24.52% per annum. Interest is payable semi-annually on July 15 and January 15.

Interest capitalised

Interest on the principal sum in the amount of \$17.121 million has been capitalised, and is payable semi-annually as follows:

<u>Amount</u> \$'000		<u>Payment Date</u>	<u>Rate</u> %
3,394	(2003)	July 15 and January 15	24.52
13,727	(2002)	June 15 and September 15	24.84

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.26

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(viii) Crown Eagle Life Insurance Company Limited

The bonds to Crown Eagle Life Insurance Company Limited are for:

	<u>1999</u> \$'000	<u>1998</u> \$'000
Liquidity support	392,867	500,000
Interest capitalised	<u>107,715</u>	<u>-</u>
	<u>500,582</u>	<u>500,000</u>

The principal sum of \$500.6 million is due October 31, 2004. It bears interest at the rate of 25.14% per annum. Interest is payable semi-annually on April 30 and October 31.

(ix) Billy Craig Finance & Merchant Bank Limited

The bonds to Billy Craig Finance & Merchant Bank Limited (Billy Craig) are in exchange for:

	<u>1999</u> \$'000	<u>1998</u> \$'000
• Ordinary shares - 49% of issued shares in Billy Craig	37,069	29,400
• 12.5% convertible cumulative Redeemable Shares	<u>110,948</u>	<u>55,000</u>
Interest capitalised	<u>148,017</u> <u>30,862</u>	<u>84,400</u> <u>-</u>
	<u>178,879</u>	<u>84,400</u>

The principal sum is due January 1, 2005 – 2006. It bears interest at the rate of 24.52% per annum. Interest is payable semi-annually on June 30 and December 31.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.27

9 LONG-TERM LIABILITIES (Cont'd)

(c) FINSAC bonds (Cont'd)

(x) National Investment Bank of Jamaica Limited (NIBJ)

The bonds to NIBJ are in exchange for advances given to Crown Eagle Life Insurance Company Limited. The terms of repayment and rate of interest have not yet been determined.

(xi) Island Victoria Bank Limited

The bonds are in exchange for the purchase of non-performing loans of the Bank transferred to Refin Trust Limited.

The principal sum is due June 30, 2005. It bears interest at the rate of 27.82% per annum. Interest is payable semi-annually on June 30 and December 31.

10 SHARE CAPITAL

	<u>1999</u>	<u>1998</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>

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.28

11 NET LOSS

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

	<u>1999</u> \$'000	<u>1998</u> \$'000
Expenses		
Directors' emoluments		
Fees	847	824
Management	-	1,947
Audit fees	1,200	1,300
Interest on		
-loans	13,683,822	2,481,542
-advances from the Bank of Jamaica/Government of Jamaica	2,906,362	1,853,332
Depreciation		
Furniture and fixtures	579	260
Office equipment	208	44
Computer equipment	1,069	360
Motor vehicles	600	284
Leasehold improvements	1,710	-

12 TAXATION

Subject to the agreement of the Commissioner of Income Tax, tax losses amounting to approximately \$29.859 billion are available for set-off against future taxable profits.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.29

13 COMMITMENTS AND CONTINGENCIES

(a) Contingencies

Suits have been brought against customers by a bank in which FINSAC has intervened for the recovery of amounts outstanding. In two of these cases the customers have counter claimed for amounts of US\$440,000 and J\$105,000,000. The outcome of these cases are uncertain. Consequently, no provision has been made in these statements.

(b) Commitments

(i) Loan commitments

At March 31, 1999 the company has made the following loan commitments:

	\$'000
Victoria Mutual Building Society	623,000
Jamaica Mutual Life Assurance Society	927,299
Fidelity Finance Merchant Bank	11
Caldon Finance Merchant Bank Limited	21

(ii) Long-term leases

Minimum lease rental commitments at March 31, 1999 on buildings are:

	\$'000
1999/2000	3,883
2000/01	1,682

14 STATEMENT OF CASH FLOWS

The statement of cash flows does not include:

- FINSAC bonds in the amount of \$5.652 billion in exchange for various investments and assets purchased (see Note 9(c)).
- Interest capitalised on FINSAC bonds transferred from accounts payable in the amount of \$1.429 million.

Notes to the Financial Statements

Year ended March 31, 1999

Statement V.30

15 COMPANY'S OPERATIONS

For the year, the company incurred a significant operating loss and the financial statements show a significant deficiency in assets at March 31, 1999.

In addition, the company in rendering financial assistance to troubled financial institutions, engages in the following activities:

- (a) Purchases equity securities in the entities at a negotiated price (often at market value) and preference shares at varying rates of interest.
- (b) Loans funds to the institutions at concessionary rates usually between 4.5% and 12% while it borrows funds at rates usually between 25% and 29%.
- (c) Purchases non-performing loans, through two wholly-owned subsidiary companies, Refin Trust Limited and Recon Trust Limited, at book value. The expected rate of the recoverability of such loan is uncertain. It is however anticipated that it will be substantially less than the purchase price.
- (d) Makes significant deposits to such institutions to assist with liquidity requirements.

Activities (b) and (c) are expected to result in losses while activities (a) and (d) expose the company to risk of further losses as the recovery of the amounts loaned is ultimately dependent on the institutions' return to profitable operations.

The ability of the company to continue as a going concern is dependent ultimately on its ability to continue to obtain adequate financing, the financial support of the Government of Jamaica, the return of the institutions, in which it has intervened, to profitable operations and the successful disposal of the assets of discontinued entities.

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