

MINISTRY PAPER 16/03

**National Investment Bank of Jamaica Limited
Annual Report and Audited Financial Statements
for the year ended March 31, 2002.**

1.0 INTRODUCTION

1.1 The matter for tabling in the Houses of Parliament is the Annual Report and Audited Financial Statements of the National Investment Bank of Jamaica Limited (NIBJ) for the year ended March 31, 2002.

1.2 NIBJ is mandated to foster economic growth and balanced development through investments in strategic sectors of the economy and the privatisation of selected Government-owned assets. The Bank's privatisation programme is a fundamental part of the Government's strategy to achieve expansion of the economy and create a more competitive and market driven economy. It also seeks to ensure that ventures that are funded stimulate growth and contribute to the process of capital formation and expansion.

2.0 DISCLOSURES

2.1 Auditors' Report

2.2 For the year 2001/02, the auditors Mair, Russell and Partners gave their unqualified opinion that the financial statements prepared from the accounting records gave a true and fair view of the affairs of the Bank and complied with the provisions of the Companies Act.

2.3 Compensation to Senior Executives

2.4 As required by Ministry Paper No. 53 of 1999, details of the compensation packages for senior executives of the Bank form part of the Annual Report.

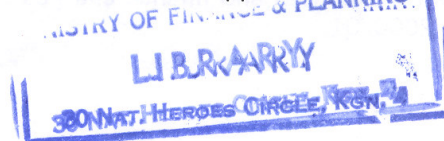
3.0 REVIEW OF ACTIVITIES

3.1 Highlights of information contained in the Annual Report are provided below.

Project Investment

3.2 Commitments by the Bank for new projects stood in the region of \$1.32 billion. Out of 33 project proposals received, 6 were approved. Compared to the previous year, the level of commitments was low, largely attributed to the disinclination of companies to access external equity financing in preference for attractively priced debt capital. Actual disbursements amounted to \$687 million. The tourism sector was the largest beneficiary of funds drawn-down, followed by the manufacturing and information technology sectors.

3.3 The Bank also engaged in activities to improve the image and general preparedness of the organisation to pursue new investment opportunities. A marketing



strategy was developed primarily targeting select interest groups to apprise them of the Bank's financing products.

3.4 The Bank was also involved in reviewing and upgrading its internal investment manual, as well as developing a draft of a revised manual to articulate policy changes and provide standards relating to documentation, risk assessment and other evaluation criteria.

Portfolio Management

3.5 NIBJ's investment (equity and loan) portfolio stood at approximately \$4 billion, an increase of 32.7% over the previous period and primarily attributable to both new and additional investments/commitments in projects such as Beaches Whitehouse, Runaway Bay Developments, Technological Solutions, Thermoplastic and Paymaster; and including disbursements through the Information Technology Revolving Loan Fund (INTEC) Programme.

3.6 Through an agency contract the Bank assumed responsibility for managing the INTEC Fund. In this regard the Bank is also involved in project appraisal and implementation including the disbursement of loans - activities undertaken through the Project Investment Unit.

3.7 Significant developments included the negotiation of profitable exits from Thermoplastics and Caribbean Casting from which sale proceeds of \$200 million was received. In addition, the redemption of shares in Canco, a food processing company, was successfully negotiated. Apart from the financial returns to the Bank, these have demonstrated successful transition to private sector ownership.

3.8 A receiver was also appointed for Netserv (a company financed under the INTEC Fund) in December 2001 and major progress has been made in verifying the Company's assets and assuming their control

Privatisation

3.9 The Bank was engaged in the divestment of 17 assets/entities, five of which were completed through sale and lease arrangements, realising nominal transaction values in the region of \$30.57 million, while gross collections (including transactions completed in previous years) totalled \$34.67 million. Included among the entities were the Kingston Dry Dock, Transglobal, Aquaculture and Solar Salt at Monymusk. Business Plans developed for the privatised assets project investment in the region of \$1.26 billion over the next 5 years.

6.0 OVERVIEW OF FINANCIAL PERFORMANCE

Profit and Loss Account

6.1 After-tax-profit of \$58.6 million was \$14 million or 19.3% below the \$72.6 million achieved in 2000/01, primarily attributed to a decline in management fees. Income of \$358.3 million was down 18% from \$436.6 million earned in the prior year, while total operating costs of \$292.4 million was \$24.7 million or 7.8% less than the previous year. Administrative expenses and finance charges amounted to \$305 million, an increase of 9.7% over 2000/01.

6.2 Net profit margin was 16.35%, a marginal decline of 0.29% below the prior year's 16.64% and resulting directly from the reduction in operating income. The return on total assets employed also reduced to 0.94%. This represented a decrease of 0.45% compared with 1.39% for 2000/01 the combined result of the reduction in income and an increase in the value of total assets at year-end.

6.3 Return on equity declined by 0.6% to 1.99% on account of the reduction in profitability. NIBJ's interest cover also trended downwards from 3.28 times to 2.61 times by the end of March 2002. Net contribution margin on the loans disbursed was \$162.51 million indicating a marginal increase of \$2.74 million over 2000/01. The interest spread of 4.04% declined marginally, directly related to the reduction in interest income earned on the loan portfolio.

Balance Sheet Highlights

6.4 Table I reflects the total asset base of \$6,206.88 million at the close of 2001/02, an improvement of \$984.16 million or 18.84% over the prior year. This movement resulted primarily from a \$987.14 million increase in the value of the loan portfolio, accounting for 59.1% of total assets (2000/01: 51.33%). Short-term investments in Local Registered Stock and other instruments totalled \$1,299.49 million, a decline of \$264.08 million below the previous year.

Balance Sheet

Table I

Particulars	2001/02 (\$m)	2000/01 (\$m)	Variance (\$m)
Property and Equipment	130.55	119.50	11.05
Shares in Subsidiaries	338.88	338.88	-
Other – shares and loans	3,668.10	2,680.96	987.14
Receivables and Prepayments	205.38	363.53	(158.15)
Short-term Investments	1,299.49	1,563.57	(264.08)
Cash and Cash Equivalents	390.44	25.79	364.65
Total Assets	6,206.88	5,222.72	984.16
Share Capital	1,435.78	1,435.78	-
Retained Profits	1,046.42	995.13	51.29
Long-term Liabilities	2,946.22	2,138.13	808.09
Total Equity and Liabilities	6,206.88	5,222.72	984.16

6.5 Long-term debt moved up by \$808.09 million to \$2,946.22 million as additional funding was accessed to finance the increased demand. The Bank's net worth also increased, moving by \$126.29 million up to \$2,947.92 million. This resulted from advances on shares for equity from the Capital Development Fund and the net profit generated over this period.

6.6 The long-term debt to total capitalisation ratio was 47.5%, safely within the accepted limit of 50% for development banks. This position was also borne out by the low debt to equity ratio of 1:11:1, which increased by 0:25:1 over the previous year. This was also within the general guideline of 2:1. The solvency ratio was 1.9 times compared to 2.18 times for the previous year. The decline did not however jeopardise the Bank's ability to liquidate its liabilities if the need had arisen.

7.0 CONCLUSION

7.1 The NIBJ was not insulated from the on-going economic challenges that continue to face the Jamaican economy. Nonetheless the Bank was able to achieve some level of success, evidenced by increases in the asset base and net worth. For the future, the Bank intends to continue providing financial support to local businesses and improving the delivery of its main services thereby contributing to the development of the national economy.

Omar Davies, M.P.
Minister of Finance and Planning

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National Investment Bank of Jamaica Limited
Compensation Packages for Senior Executives

At year ended 31st March 2002, the compensation packages for Senior Executives were as follows:

POSITION	# EXECUTIVES	SALARY PAID \$	ALLOWANCES PER ANNUM
President	1 (a) (b) (c)	5,150,000.00	-
* Snr Vice President	1 (a) (b)	3,355,179.00	-
**Vice President	2 (a) (b)	4,128,943.00	-
Snr Director	1 (b)	3,338,400.00	-

Notes:

- (a) These positions are contract officers and are entitled to gratuity of 25% of basic salary in lieu of pension.
- (b) Provided with a fully maintained motor vehicle.
- (c) Provided with fully furnished accommodation.
- * Represents nine months emoluments
- ** Represents emoluments for two VP's
 (one – full years' compensation and the other – three month's compensation).