FACTORIES
CORPORATION OF
JAMAICA LTD.

ANNUAL REPORT 2015

Providing spaces for growth

FCJ
FACTORIES
CORPORATION OF
JAMAICA LTD.

2015

To satisfy customer needs and enhance national development by providing quality commercial space profitably.

This is achieved through the development, leasing and management of industrial properties island-wide.

Our MISSION

To be a financially strong and dominant provider of industrial, commercial and office space that is customer focused and efficiently managed by an empowered cadre of staff.

Our VISION

PROVIDING SPACES FOR GROWTH

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Corporate Data

Factories Corporation of Jamaica Limited

(An Agency of the Ministry of Industry, Investment & Commerce)

17 Knutsford Boulevard
Kingston 5

Telephone: (876) 968-4766

Fax: (876)960-4577

Website: www.factoriesjamaica.com

Registered Office

17 Knutsford Boulevard
Kingston 5

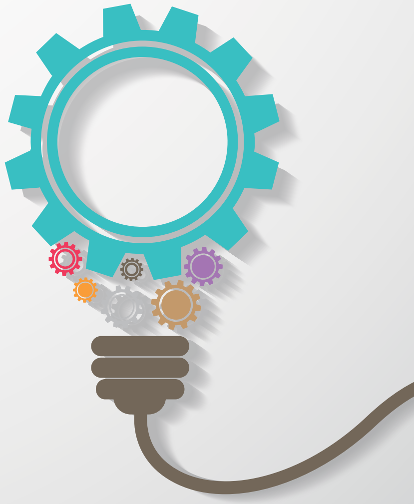
Auditors

Ernst & Young
Chartered Accountants
8 Olivier Road
Kingston 8

Bankers

The Bank of Nova Scotia Jamaica
Scotiabank Centre
Cnr. Duke & Port Royal Streets
Kingston

National Commercial Bank
37 Duke Street
Kingston



Chairman's Report

Mr Clive Fagan
Chairman

Over the past year, Factories Corporation of Jamaica continued its drive toward providing spaces for growth for Jamaica's companies. The period 2014/2015 represented a watershed year for FCJ with the emphasis on upgrading of existing facilities and the thrust to create new purpose-built space for the ICT/ BPO sector. This has seen project management, maintenance and increased occupancy in facilities owned by the corporation become the core activities for the period. FCJ continues to display resilience in its operations and as such has achieved historical record occupancy levels.

Financial Performance

In the 2014/2015 year, we achieved Total Comprehensive income of $627 million, a decrease of $564 million over Financial Year 2013/14. FCJ's total assets increased by $684 million to $9.4 billion in 2014/2015.

Infrastructural Works

During the year under review, we improved the status of the Garmex Free Zone by carrying out necessary infrastructural works on the complex, in addition to other routine maintenance projects related to FCJ's other properties across the island. The refurbishing and addition of space in the complex for the Micro, Small and Medium Enterprise sector is an area of active focus for the FCJ.

Job Creation

The Trade in Scrap Metal which is monitored by FCJ continues to make a major contribution to the Jamaican economy. The country exported 75,951 metric tons of metal, valued at US $21,529,181. The Scrap Metal sector provides direct employment for 600 persons and indirect employment for over 2,000.

As always, we thank the Customs Department, the Jamaica Constabulary Force and the Trade Board for their continued support in managing the regulatory framework which was established to manage the scrap metal trade for the past 2 years.

Marketing Efforts

Marketing efforts were increased during the year, interacting with potential tenants, buyers, the press and the general public by, inter alia, participating in the JMA/JEA expo, in April 2014. This effort also formed a part of our image building in order to reinforce our dominance in the area of the provision of factory space.

FCJ will continue to innovate to meet the changing needs of our customers. We have seen tangible results from our operational strategies and will continue our journey to becoming more efficient, building the capabilities necessary to serve customers better and grow the business. Our focus is on delivering the right space, for the right customer, at the right cost, at the right time to encourage growth for our country.

FCJ also focused on its employees, working to attract, retain, develop and motivate the best team possible. In this regard, employees continue to benefit from local and international courses in their areas of responsibility. The Company's social responsibility is demonstrated by participating in community based events and programmes that help to build our employees pride in, and commitment to the institution.

Development of Space for the MSME Sector

As a supplier of space to the MSME sector, we are deepening the relationship by the refurbishing of the old Jamaica Omnibus Service building to provide 15,000 square feet of space.

Last year, we announced our plan to develop the Naggo Head Project in 4 phases, providing 750,000 sq. ft. of ICT/BPO space. We have moved steadily towards this goal with significant work already done in this financial year. Having laid a solid foundation, FCJ is looking forward to an even more successful year with the launch of the Naggo Head Tech Park.

I wish to thank our Minister, the Honourable Anthony Hylton, for his support, devotion and dedication which ensured the continued success of the Corporation. Many thanks to the members of the Board of Directors who through the vigorous work of the sub-committees – Audit, Finance, ICT Infrastructure and Development, Human Resource and Property Development & Marketing – ensured the strong performance of the Corporation. Finally, to our dedicated, hardworking management team and staff, thank you.

Clive Fagan
Chairman

Board of Directors

Clive Fagan
Chairman

Clive Greyson
Managing Director

Deanall Barnes

Hopeton McCatty

Rev. Robert McIntosh

Leanne Philips

William Potopsingh

Byron Clarke

Dian Fenton

Dennis Gordon

Dr. Norman Marshall

Junior Rose

Gary Scott

Andral Shirley

James Thomas

Corporate Governance

Partially repaired Naggo Head subdivision road.

The Board of Directors of Factories Corporation of Jamaica Limited (FCJ) has responsibility for corporate governance matters and is the prime policy decision-maker of the Company. The Board is appointed by Cabinet on the recommendation of the Minister of Industry, Investment and Commerce. The broad objective of the Board is to ensure that the policy directives of the Ministry and the Government of Jamaica are fulfilled.

The Corporation complied with all the guidelines set by the Ministry of Finance, the Office of the Contractor General, the National Contracts Commission and our Portfolio Ministry, regarding prudent management of our financial affairs and accountability. In addition, our Internal Auditor continues to ensure that management complies with all financial and ministerial directives.

Board Committees

The Committees in place during the period April 1, 2014 - March 31, 2015 were the following:

Finance

Andral Shirley – Chairman
Deanall Barnes
Dian Fenton
Beverly Rose-Forbes
Dennis Gordon

ICT Infrastructure & Development

Clive Fagan – Chairman
Leanne Philips
Junior Rose
Gary Scott
James Thomas
Byron Clarke

Audit & Corporate Governance

Junior Rose – Chairman
Deanall Barnes
Dian Fenton
Beverly Rose-Forbes
Dr. Norman Marshall
Gary Scott
James Thomas

Human Resource & Administration

William Potopsingh – Chairman
Byron Clarke
Dennis Gordon
Hopeton McCatty
Rev. Robert McIntosh
Junior Rose
Andral Shirley

Property Development & Marketing

Leanne Philips – Chairman
Clive Fagan
Dr. Norman Marshall
Rev. Robert McIntosh
William Potopsingh

Management Team

Clive Greyson
Managing Director

Sacha Desulme
Information Systems Manager

Kenneth Rowe
Director of Finance

Desmond Sicard
Chief Strategic Officer

Sharon Phillips
Client Service/Marketing Manager

Junior Burnett
Property Manager

Enid Wells
Human Resource & Admin. Manager

Carol Peterkin
Corporate Officer

Providing spaces for growth...

Factories Corporation of Jamaica understands the changing needs of businesses and provides premises tailored to the requirements of new and growing companies across Jamaica. We actively adapt and manage our buildings to create an environment conducive to growth.

Cal's Manufacturing Company Limited

Expanding and growing, Cal's Manufacturing, (named for its founders Carlton, Annette and Lisa) was founded in 1999. The Company has grown from a backyard tank setup where the mixing took place for their number one product, Cal's syrup, to a 30,600 square feet operation at the Garmex Freezone Complex

Over the 16 years of operations, Cal's Manufacturing has expanded to become a major manufacturing facility, moving from selling to their immediate community and businesses nearby, to supplying customers all over the island. Their product line with fruit wine, vinegar, lime juice, ketchup and Real Vibes Street Wine can be found in all major wholesale and retail outlets.

Speaking of their new home at the Garmex Freezone Complex, which they moved to from the Norman Road Complex in March 2014, they are pleased with the central location close to the Kingston Harbour and the easy access to customers. The space they now occupy is an improvement over their last location, giving them an opportunity to organize and structure their operations so that everything is conducive to efficiency. As a result of the additional space, they are now able to sectionalize their production lines, adding two new lines. These outcomes are in keeping with FCJ's focus on facilitating the development of small business in Jamaica.

An all Jamaican company, with an enthusiastic team of over 100 employees, Cal's is constantly seeking new horizons to ensure expansion and is committed to upholding the quality of their products. "We focus on producing the best for our customers; quality from the bottom up and exceptional customer service", in the words of Production Manager, Richard Williams.

Spur Tree Jamaica

Spur Tree Jamaica began nearly ten years ago with a restauranteur combining fresh local spices and seasonings for his restaurant in Mandeville and shipping some of it to his cousin in New York. Since then, the Company has grown exponentially, offering a wide range of products such as seasonings, sauces, canned ackee, browning and the recently introduced single use sachets of seasoning for persons with low disposable income.

A major exporter, Spur Tree supplies products to North America, the UK, Barbados, Cayman as well as the local Jamaican Market, especially top hotels. The Company's exports now form 85% of their sales and they keep this market happy and vibrant by executing at least 5 tastings per week in the United States market.

With Jamaican flavours being presented in a professional way to show the culture of the West Indies, Spur Tree Jamaica believes that Caribbean cuisine will be the next major food trend in North America. Their unique "Marination/Hot Food" program to customers which includes on-site training of staff in marinating and cooking a range of Caribbean Hot Food using Spur Tree seasonings and point of sale designs is a major part of their growth strategy.

Jamaican small farmers supply most of this Company's fresh produce, not only making its flavours and recipes authentic, but making it a significant economic contributor to many rural communities. Spur Tree Spices has been the winner of many awards, including Jamaica Manufacturers' Association's Best MSME Exporter and Champion Small Exporter in 2009. In 2010, they received the MSME Manufacturer of the Year Awards and in 2011 the Jamaica Observer Food Awards, Best New Sauce.

The Company has seen even more growth since moving to the Garmex Free Zone in 2013. Production capacity has doubled and they have upgraded their rental space from 8,000 square feet to 15,000 square feet and staffing has doubled to 35 plus. They now focus on organic growth through market penetration and additional products. Director, Dennis Hawkins states that "This new location is convenient and we enjoy good security here. Plus, we are only 10 minutes away from the wharf and there is plenty of available labour in this area. We are committed to remaining here for a while".

Business Review

History & Development

The Factories Corporation of Jamaica Limited (FCJ) is a company incorporated under the Jamaica Companies Act and is fully owned by the Government of Jamaica. The Ministry of Industry, Investment & Commerce (MIIC) has portfolio responsibility for the Corporation, whose business is the leasing, managing and developing of industrial properties island-wide. FCJ was incorporated in 1987 and with the phasing out of the Jamaica Industrial Development Corporation (JIDC) in 1989, its role was expanded to include the management of the properties that were previously under JIDC's control.

The Vision of the Factories Corporation of Jamaica is to be a financially strong and dominant provider of industrial, commercial and office space and the Mission is to satisfy commercial/business needs and enhance national development by providing quality commercial space, profitably.

FCJ is the leading industrial infrastructure specialist, spearheading the planning and development of a dynamic and innovative industrial landscape. The Corporation presently controls some 169,157 square meters (1,820,128.92 square feet) of factory space, and in excess of 78.4 hectares (193.6 acres) of vacant lands, plus 200 acres at Caymanas Estate.

As Jamaica positions itself in a dynamic global environment and prepares to become the premier ICT, Business and Logistics Centre in the region, FCJ will partner with its customers to understand their evolving needs and develop appropriate "future-ready" infrastructural solutions in its quest to fulfill the Government of Jamaica's mandate for the Agency. With this being a part of its mission, FCJ will continue to be the Master Developer/Planner of new projects to give Jamaica a competitive advantage in the ICT, Business and Logistics sectors and will play an administrative and management role for all its projects.

Highlights

Redevelopment & Repositioning of Garmex Free Zone

The necessary infrastructure improvement works at the Zone continued during the 2014/2015 Financial Year and over this period, approximately $32.6M was spent for road improvement projects as well as for boundary wall redevelopment. The Corporation projects to spend approximately $103M in the 2015/16 Financial Year, in continuation of the redevelopment of the complex.

The redevelopment plan further includes:

- Continued rehabilitation of infrastructure to include roadways and parking areas, roof rehabilitation, aesthetic enhancement, storm water drains and boundary walls;
- Construction of a redesigned entrance at Marcus Garvey Drive;
- Feasibility studies and design works (pre-construction) costing $3M, were completed to facilitate the redesign/improvements to existing Jamaica Omnibus Service buildings at the Zone. Expenditure totalling approximately $70M will be spent in the 2015/16 Financial Year. The space is earmarked for use by players in the MSME Sector.

Scrap Metal Industry

The Factories Corporation of Jamaica continues to act on the mandate given by the Hon. Anthony Hylton, Minister of Industry, Investment and Commerce to manage, operate and monitor the three Approved Scrap Metal Multi-user Facilities that serve as the only means for the exportation of metal under the current regime for General Exporters.

The new regulatory framework is just over two years old and its robust and rigorous nature is evident in the lack of concern being expressed in the society for the loss of national infrastructure that was previously a feature of the trade. This would not be possible without the astute and responsive management of the FCJ, with the technological and mechanical monitoring, surveillance and great collaborative support from all stakeholders, including the Customs Department, the Jamaica Constabulary Force and the Trade Board.

The Trade in Metal continues to contribute to the Jamaican economy. The country exported approximately 75,951 metric tons of metal valued at approximately US$21,529,181 million for the Financial Year ended March 31, 2015.

While we continue to review and realign what was a previously disorganized and haphazard sector, we are pleased that we can report success in the management of the facilities and the trade, while working with the approved exporting companies in developing a structured industry.

1. Container being loaded at the Clarendon Park site.
2. Excavation grapple used to load material unto a container.

Occupancy

During the previous financial year the company achieved an occupancy level of 84% its highest in five years. For the 2014-15 financial year, this occupancy level was maintained, and based on the feedback we have been receiving from the market place, active consideration is being given to the construction of additional space at the zone.

Montego Bay

We are in the process of retrofitting another 22,000 sq. ft. of former factory space at the Montego Bay Free Zone for use by the ICT sector, which on completion will provide direct employment for approximately 400 persons.

Strategic Focus for Financial Year 2015/16

1. Construction of New Buildings Suitable for the ICT/ BPO Industry at Naggo Head in Portmore, St. Catherine

Following the mandate to develop a number of projects that were given ‘National Priority Status’, FCJ initiated the process by inviting Requests for Proposals for the construction of 120,000 sq. ft. of new buildings at Portmore Tech Park on 21 Acres located at Naggo Head, St Catherine. The deadline for the submission was March 23, 2015 and a team will be empaneled shortly to evaluate the proposals and make recommendations to the relevant authorities. Further plans are being developed to erect an additional 130,000 square feet of space over the next three years.

2. Upgrading existing buildings and sites through identified capital projects in the amount of approximately $120M, in furtherance of FCJ’s support for the MSME Sector. Approximately 15,000 sq. ft. of space is earmarked for completion in the 2015/16 Financial Year.

3. We continue our thrust to properly maintain our properties by developing and implementing a robust maintenance programme at all facilities.

Hon. Anthony Hylton, Minister of Industry, Investment and Commerce and prospective investors visiting the FCJ booth at the JMA/JEA Expo 2014.

Client Service/Marketing Department

During the period April 2014 - March 2015, the Client Service Department engaged in assisting customers (tenants), marketing of vacant space, site management and promotional activities.

The Company participated in the JMA/JEA Expo held at the National Arena during the period April 3 - 6, 2014. Participation afforded the opportunity to interact with business persons (potential tenants), ordinary Jamaicans, the press, overseas buyers and a delegation which visited the booth. Interest in the Corporation's space remains strong.

Occupancy

At the end of the financial year March 2015, occupancy stood at 81%. This was marginally below the previous year's rate of 84%. This decrease reflected the fluidity of occupancy at the Garmex Free Zone.

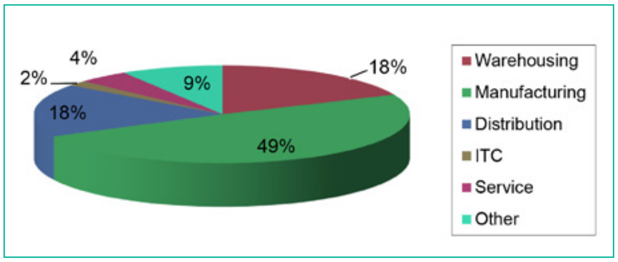
	Mar 2015	Mar 2014
Number of Companies	111	112
Total Available Space (m^2)	160,526.31	160,274.03
Vacant Space (m^2)	30,643.19	25,338.89
% Occupancy	81	84

Tenants

As part of the company's efforts to improve customer relations, a number of tenant meetings were held at Garmex Free Zone, White Marl, Duke Street and Marcus Garvey Drive SIC. The valuable feedback received from these meetings will guide our activities for the next year, which should result in greater customer satisfaction.

FCJ staff distributing promotional items to visitors at the FCJ booth.

The composition of tenants' activity remained more or less the same as per the Chart below:



Safety & Security

The safety and security of our customers is of great importance. As such the Client Service/Marketing Department, in collaboration with the Fire Prevention department and St. Johns ambulance, undertook the training of staff and tenants as Fire Wardens and in First Aid & CPR.

Financial Results

For an understanding of the significant factors that have influenced our performance during the past two years, the following discussion should be read in conjunction with the Financial Statements presented in this Annual Report.

Total Comprehensive Income

For the fiscal year ended March 31, 2015, Factories Corporation of Jamaica Limited (FCJ) reported total comprehensive income of $627 million, compared to total comprehensive income of $1.19 billion in the fiscal year ended March 31, 2014. The $409.87 million decline in increase in Fair Value of investment properties and Net Loss on disposal of investment properties of $167.02 million contributed significantly to this decline in total comprehensive income in 2014/15 in comparison to the previous period 2013/14. Rental income for the period increased by 14% over the previous year, to $577.11 million. This growth in our business was achieved through the continued execution of our strategy of expanding occupancy.

Gross Profit

Gross Profit for the period ending March 31, 2015 increased to $413.09 million from $407.95 million for the previous year ended March 31, 2014. This marginal increase in Gross Profit was influenced by 70% increase in direct cost. This was driven by an aggressive repairs and maintenance program on FCJ's investment properties.

Liquidity and Capital Resources

The company continues to maintain a healthy cash flow and liquidity position with a net increase in cash amounting to $211.50 million before the effect of changes in foreign exchange rate on foreign currency balances.

For the fiscal period ended March 2015, Net Cash generated from operations increased to $276.40 million compared to $269.29 million for the previous year ended March 2014. During the same period, Net Cash used in investing activities decreased from $24.85 million to $21.13 million. This decrease is due primarily to the increase in proceeds from disposal of investment properties of $30.19 million; however expenditure on investment properties increased by $19.45 million. The cash and bank balance as at March 31, 2015 is $986.40 million, an increase of $245.05 million over fiscal year ended March 31, 2014.

Asset Management

FCJ's asset base increased by $684.64 million to $9.42 billion at March 2015 compared to $8.74 billion in the previous year. This is derived mainly from the increase in Fair Value of investment property ($584.88 million) and increase in cash and bank balances over the period ended March 2014.

Estate Department

The major objective pursued by the department during the 2014 - 2015 financial year, was to complete the sale of eight properties with the prospect of securing approximately $230 million in net proceeds of sale. To this end, the department secured Cabinet Approval for the sale of three properties; Lot 14 Glendevon, Lot 3B Culloden and Lot 5 Kingston Pen. The department also secured Ministerial Approval for the sale of two properties, being Lot 11 Hague IE and Lot 2 Corletts Road. Accordingly, the sale to Heart Trust/NTA was completed during the financial year, netting proceeds of sale in the amount of $13.32 million. The sale of property at Yallahs Industrial Estate to Stanmark Processors Company Limited was also completed during the period under review yielding net proceeds of $16.79 million. The sales of properties to the National Health Fund, Ministry of Housing, National Road Operating & Construction Company and King Pepper Products Limited are now in advanced stages of completion. The sales of properties at Lot 4 Kingston Pen and Seville ITC are pending completion.

During the 2014/2015 financial year, the department continued its effort to ensure that the Corporation accounts for and holds proper ownership/authority in respect of all properties under its management and control. The department obtained, by transfer, registered titles for two properties; 36-38 Valdez Road, and Lot 3 Yallahs IE. We continued with the necessary follow-ups with FCJ's Portfolio Ministry in respect of requests for Cabinet Approval for the Transfer of ten properties under the Corporation's management and control, but currently registered with other Government entities, primarily, the Commissioner of Lands. At the same time, the department has continued the process to have another two properties, Salisbury Plain, and Rodons Pen, transferred to the Corporation. The department also secured two Splinter Titles for the property at Culloden, Westmoreland as well as one Splinter Title for the property at Boundbrook, Portland as part of a boundary rectification exercise.

For the 2014 – 2015 financial year, the department commissioned and obtained Surveyor's Identification Reports in respect of five of the Corporation's properties; Lot 9 Cookson and Bushy Park Pen, White Marl SIC and Woodlands, St. Catherine and May Pen SIC and Denbigh IE., Clarendon. During the period, the department secured a Warrant of Possession Order from the Court in an effort to have three informal settlers, who should have vacated the property at Haughton Court, Hanover by June 30, 2014, forcibly removed. The Corporation also continued to have discussions with the Ministry of Transport, Works and Housing to facilitate the regularization of the informal settlement at the property at Old Harbour, St. Catherine.

Property Department

In the Financial Year 2014/2015, the Property Department sought to increase its momentum in regards to the delivery of projects. The major sites: Garmex, Naggo Head and 225 ½ Marcus Garvey Drive again dominated the activities in the Capital and Maintenance budgets.

Garmex Free Zone

One of the main thrusts of FCJ is to provide space of multiple sizes of 2,000 square feet for use by the Micro Small and Medium Enterprise (MSME) sector. The old Jamaica Omnibus Service (JOS) building at the Garmex Complex, has been targeted for refurbishing and repurposing in this regard. During the 2014/15 Financial Year, we managed to dewater the building site, as this was a prerequisite for construction. An artesian well, which was the source of the ground water was successfully capped.

Asphaltic overlay work was done on an internal roadway, at a cost of J$12.06 million. This has further improved transit on the Garmex Complex. In response to the Chikungunya outbreak, several areas in and adjacent to the Garmex Complex were improved to reduce the unkempt spaces and increase aesthetic appeal.

The Northern Boundary Wall was also rebuilt at a cost of approximately J$5.72 million.

1. Northern Boundary Wall
2. Road of the subdivision partially repaired
3. Boundary Wall at 225 ½ Marcus Garvey Drive
4. The artesian well recapped
5. Asphaltic Overlay on Satinwood

Naggo Head

Naggo Head includes an underdeveloped 26 acres of land as well as the E-Services building. The underdeveloped lot was cleared in parts on two occasions. The roads of the sub-division were also partially repaired, all costing some $12.0M.

The elevators for the E-Services buildings were procured to replace the existing ones at a cost of approximately $24.0M.

225 ½ Marcus Garvey Drive

The boundary wall at Marcus Garvey Drive was enhanced at a cost of $10.8 million. This was done to improve security and reduce the increase of electricity theft at the location. However, this project has not yet reaped its full benefits.

Maintenance Projects

Several sites benefited from cleanup due to the Chikungunya outbreak. The sites were located in areas such as Nanse Pen in Kingston and as far away as Culloden in Westmoreland. The cleanup exercise cost some $3.1m.

Routine maintenance projects from Charlemont in St Catherine to the Garmex Free Zone were done at a cost of $ 24.6m.

At the Garmex Complex, 14 Concrete skip bases were built to support the garbage skips. This has the effect of preventing corrosion of the metal skips and at the same time reducing the unsightly and unsanitary condition of garbage not being properly retained by those containers.

Trade in Metal

The Factories Corporation of Jamaica has continued to execute with significant command its responsibility to manage, operate and monitor the three Approved Scrap Metal Multi-User Facilities, which serve as the only means for the exportation of metal for General Exporters under the Trade (Scrap Metal) Regulations, 2013, in addition to the facilitation of those entities licensed as Industrial Exporters.

With the current regulatory framework surpassing the two year mark, one must commend the astute and responsive management of the FCJ, Jamaica Customs, Jamaica Constabulary Force, and the Trade Board for the gruelling and dedicated work

1. Excavation grapple used to load material onto a container.

2. Official opening of Spanish Town Road location.

done in facilitating and sustaining the operations of the trade in a way that is conducive to business whilst ensuring regulatory oversight. It must be established that although not an easy feat, with the aid of the supporting arms of the Jamaica Customs and Jamaica Constabulary Force that assist with the operations at all locations and FCJ's staff on the ground, we have been able to achieve and embody the notion of joined-up governance, which is an everyday reality in the trade.

The three Approved Scrap Metal Multi-User Processing Facilities are:

- 383 Spanish Town Road, Kingston 11
- 20 Portland Avenue, Kingston 11
- Lot 3E, Clarendon Park, Tollgate, Clarendon

The opening of the most recent facility at 383 Spanish Town Road, Kingston 11 has allowed for significant growth in the sector, stemming from increases in the volumes of metal being exported and the ability of the location to facilitate an increased number of exporters simultaneously.

There has been growth in the number of entities seeking to be licensed as Industrial Exporters, that is, those entities that generate waste in their manufacturing process or in possession of retired equipment from their business operations. This suggests a growing confidence in the operations of the trade and a growing interest in metal recycling.

Licensed Exporters for FY 2014/15

Category	Total
General Exporters	16
Industrial Exporters	7

The Trade in Metal continues to provide a major contribution to the Jamaican economy. The country for the financial year 2014/15 exported 75,951 metric tons of metal valued at approximately US $21,529,181. In a time of financial and economic hardships, the trade in metal has continued to provide significant impact on our communities, businesses and people. The employment generated by the industry is approximately 600 jobs directly and approximately 2,000 indirectly.

Scrap Metal Exports for FY 2014/15

Category	Total
Number of Containers	3,756
Total Tonnage (Metric Tons)	75,951
FOB (US $)	21,529,181

While we are cognizant that we are operating within a global environment that is not without its challenges, significant efforts have been made to mitigate and minimize external impacts. We are therefore able to report on the positive gains of the trade in metal and its contribution to national development, even in this time of financial austerity .

Human Resources

Human Resource is an integral part of any business or organization.

Factories Corporation of Jamaica (FCJ) recognizes and appreciates the immense contribution made through the dedication and hard work of its staff; resulting in the realization of the organization's achievement and objectives over the past year.

Training and Development

FCJ engages in the development of structured professional training programs, both at the tertiary level and through in-house seminars for all categories of staff. These in-house seminars are conducted by local instructors who are well qualified and equipped in their respective areas of expertise.

Summer Employment

Notwithstanding the financial and economic challenges, FCJ prides itself in offering summer employment to students both at the high school and tertiary levels.

Thirty students were accommodated and derived financial assistance which will go towards the achievement of their goals.

Naggo Head Artist's Impression

Senior Executive Compensation

Position of Senior Executive	Salary ($)	Gratuity or Performance Incentive ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Other Allowances ($)	Total ($)	Employer Statutory ($)	Total ($)
Managing Dir. I	5,025,674			54,768	5,080,442	527,121	5,607,562
Dir. of Finance I	4,346,745		975,720	77,305	5,399,770	293,611	5,693,380
HR Mngr. I	3,497,620	1,646,308	975,720	84,486	6,204,134	160,679	6,364,813
Estate Mngr./Chief Strategic Officer	4,247,961	610,927	975,720	84,543	5,919,152	547,022	6,466,173
Property Mngr. I	2,785,413		883,918	78,941	3,782,272	204,652	3,952,924
Client Service/ Marketing Mngr.	3,912,314	461,604	975,720	84,543	5,434,181	498,684	5,932,865
Chief Engineer	3,016,644	360,176	975,720	84,028	4,436,568	364,968	4,801,536
Information Systems Mngr.	3,016,644	219,964	975,720	75,695	4,288,022	386,695	4,674,681
Internal Auditor	2,258,463	117,086	343,248	59,028	2,777,824	267,472	3,045,297
Corporate Officer	3,209,892	309,180	332,760	59,021	3,910,853	370,446	4,281,299

There were no activities in connection with these items:

- Pension or Other Retirement Benefits
- Non-Cash Benefits

Directors' Compensation

Position of Director	Fees ($)	Total ($)	Total ($)
Board Chairman	147,000	147,000	147,000
Chairman of Finance Committee	97,000	97,000	97,000
Chairman Property Dev. & Marketing Committee	144,500	144,500	144,500
Chairman of Audit Committee	106,000	106,000	106,000
Chairman ICT Committee			
Chairman HR Committee	98,000	98,000	98,000
Other Directors:			
Director 1	78,000	78,000	78,000
Director 2	26,500	26,500	26,500
Director 3	81,500	81,500	81,500
Director 4	88,500	88,500	88,500
Director 5	63,000	63,000	63,000
Director 6	106,000	106,000	106,000
Director 7	46,000	46,000	46,000
Director 8	84,000	84,000	84,000
Director 9	8,000	8,000	8,000
Director 10	8,000	8,000	8,000
Director 11	11,500	11,500	11,500

There were no activities in connection with these items:

- Motor Vehicle Upkeep/Travelling or Value of Assignment Motor Vehicle
- Honoraria
- All Other Compensation Including Non-Cash Benefits
- Employer Statutory

Corporate Social Responsibility

The Corporation continued to play its part as a good corporate citizen through donations to several schools, service clubs, charities and churches.

1. Staff members pose at the Sigma Corporate Run. Staff members participated in several 5K events such as the Sigma Corporate Run, the Grace Education Run, the Guardian Night Run and the Jamaica Cancer Society run, all of which supports very worthy causes such as hospitals.

2. Staff members played their part in taking care of the environment by their participation in the International Coastal Cleanup Day.

3. At Christmas time, staff members shared in the spirit of the season by hosting a treat for the children and teachers of the Majesty Gardens Basic School.

Staff participate in the International Coastal Cleanup Day 2014.

Audited Financial Statements 2015

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Factories Corporation of Jamaica Limited

Report on the financial statements

We have audited the financial statements of Factories Corporation of Jamaica Limited (the Corporation), which comprise the statement of financial position as at March 31, 2015, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Statement of Financial Position at March 31, 2015

(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
ASSETS			
Non-current assets			
Property and equipment	5	25,452	15,739
Investment properties	6	8,313,738	7,914,440
Retirement benefit asset	7	-	3,100
		8,339,190	7,933,279
Current assets			
Withholding tax recoverable		23,777	23,757
Trade and other receivables	8	72,481	38,826
Cash and bank balances	9	986,401	741,347
		1,082,659	803,930
Total assets		9,421,849	8,737,209
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	10	545,022	545,022
Capital reserves	11	1,876,010	1,876,010
Revenue reserve		6,420,820	5,793,814
		8,841,852	8,214,846
Non-current liabilities			
Retirement benefit obligation	7	3,264	-
Borrowings	12	274,693	298,032
		277,957	298,032
Current liabilities			
Borrowings	12	71,674	67,599
Payables and accruals	13	230,366	156,732
		302,040	224,331
Total equity and liabilities		9,421,849	8,737,209

The accompanying notes form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on July 30, 2015 and are signed on its behalf by:

Director

Director

Statement of Profit or Loss and Other Comprehensive Income

Year Ended March 31, 2015

(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
Revenue	14	577,113	504,500
Direct costs	15	(164,020)	(96,552)
Gross profit		413,093	407,948
Increase in fair value of investment properties	6	584,889	994,767
Other income – scrap metal fees		106,680	100,937
Other income and other gains and losses	16	(155,880)	29,778
Administrative expenses	15	(231,485)	(252,697)
Other operating expenses	15	(61,380)	(58,686)
Finance costs	17	(24,489)	(25,966)
NET INCOME	18,19	631,428	1,196,081
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss not to be reclassified to income in subsequent periods:			
Re-measurement loss on defined benefit plan	7(e)	(4,422)	(5,570)
TOTAL COMPREHENSIVE INCOME		627,006	1,190,511

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

Year Ended March 31, 2015

(Expressed in Jamaican dollars)

	Share Capital (Note 10) $'000	Capital Reserves (Note 11) $'000	Revenue Reserve $'000	Total $'000
Balance at April 1, 2013	545,022	1,876,010	4,603,303	7,024,335
Net income for the year	-	-	1,196,081	1,196,081
Other comprehensive loss	-	-	(5,570)	(5,570)
Total comprehensive income	-	-	1,190,511	1,190,511
Balance at March 31, 2014	545,022	1,876,010	5,793,814	8,214,846
Net income for the year	-	-	631,428	631,428
Other comprehensive loss	-	-	(4,422)	(4,422)
Total comprehensive income	-	-	627,006	627,006
Balance at March 31, 2015	545,022	1,876,010	6,420,820	8,841,852

The accompanying notes form an integral part of the financial statements.

	Notes	2015 $'000	2014 $'000
OPERATING ACTIVITIES			
Net income		631,428	1,196,081
Adjustments for:			
Depreciation of property and equipment	5	7,079	5,425
Impairment loss recognised on trade receivables	8	5,565	6,000
Net loss on disposal of investment properties	16	167,022	-
Impairment of investment property	6	49,100	-
Write-off of work-in-progress	6	-	57,763
Increase in fair value of investment properties	6	(584,889)	(994,767)
Retirement benefit cost	7(d)	5,279	4,886
Foreign exchange gains	16	(33,642)	(56,339)
Interest income	16	(26,108)	(21,959)
Interest expense	17	24,489	25,966
Operating cash flows before movements in working capital		245,323	223,056
(Increase)/Decrease in receivables		(39,220)	21,685
Increase in payables and accruals		73,634	27,935
Retirement benefit contribution	7(c)	(3,337)	(3,380)
Cash generated by operations		276,400	269,296
Taxation paid		(20)	(6)
Net cash provided by operating activities		276,380	269,290
INVESTING ACTIVITIES			
Interest received		26,193	20,943
Proceeds from disposal of investment properties		30,186	-
Purchase of property and equipment	5	(16,792)	(4,532)
Expenditure on investment property	6	(60,717)	(41,264)
Net cash used in investing activities		(21,130)	(24,853)
FINANCING ACTIVITIES			
Interest paid		(24,489)	(25,966)
Repayment of borrowings		(19,264)	(17,788)
Net cash used in financing activities		(43,753)	(43,754)
NET INCREASE IN CASH AND CASH EQUIVALENTS		211,497	200,683
Effects of foreign exchange rate changes		33,642	56,339
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		738,960	481,938
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	984,099	738,960

The accompanying notes form an integral part of the financial statements.

1 **IDENTIFICATION**

Factories Corporation of Jamaica Limited (the Corporation) was incorporated 1987 as a private limited company under the Companies Act with an authorized share capital of $5,100,000. The corporation is wholly-owned by the Government of Jamaica and is incorporated and domiciled in Jamaica. Its main activities are the construction, management, rental of factories and the management of the scrap metal trade on behalf of the Government of Jamaica.

The registered office of the Corporation is 17 Knutsford Boulevard, Kingston 5, which is the principal place of business.

The Corporation is exempt from Income Tax under Section 12(b) of the Income Tax Act. The exemption was applied in the financial statements commencing April 1, 2012.

2 **STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

2.1 **Statement of compliance**

The Corporation's financial statements have been prepared in accordance, and comply with, International Financial Reporting Standards (IFRS) and the Jamaican Companies Act, 2004.

2.2 **Basis of preparation**

These financial statements have been prepared on the historical cost basis, as modified by the revaluation of investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in Jamaican dollars, the Corporation's functional currency.

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

3.1 Changes in accounting standards and interpretation

Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods)

There were no standards and interpretations that were applied in the year that affected the presentation and disclosures in these financial statements. The following additional new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

		Effective for annual periods beginning on or after
Amendments to Standards		
IAS 32	Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32	January 1, 2014
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets— Amendments to IAS 36	January 1, 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39	January 1, 2014
IFRS 10, 12 and IAS 27	IFRS 10, IFRS 12 and IAS 27 Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27	January 1, 2014
New and Revised Interpretations		
IFRIC 21	Levies	January 1, 2014

(Expressed in Jamaican dollars)

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.1 Changes in accounting standards and interpretation (Continued)

Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not effective or early adopted for the financial period being reported on:

		Effective for annual periods beginning on or after
New and Revised Standards		
IAS 1	Disclosure Initiative – Amendment to IAS 1	January 1, 2016
IAS 16, 24 and IFRS 2, 3, 8 and 13	Amendments arising from 2010 – 2012 Annual Improvements to IFRS	July 1, 2014
IAS 40 and IFRS 3 and 13	Amendments arising from 2011 – 2013 Annual Improvements to IFRS	July 1, 2014
IAS 19, 34, IFRS 5 and IFRS 7	Amendments arising from 2012 – 2014 Annual Improvements to IFRS	January 1, 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
IAS 16 and IAS 41	Agriculture: Bearer Plants	January 1, 2016
IAS 19	Defined Benefit Plans: Employee Contributions – Amendment to clarify the requirements that relate to how contributions from employees or third parties linked to service should be attributed to periods of service	July 1, 2014
IAS 27	Equity Method in Separate Financial Statements – Amendment to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	January 1, 2016
IFRS 9	Financial Instruments	January 1, 2018
IFRS 10, 12 and IAS 28	IFRS 10, IFRS 12 and IAS 28 Investment Entities - Applying the Consolidation Exemption - Amendments to IFRS 10, IFRS 12 and IAS 28	January 1, 2016
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations – Amendment to IFRS 11	January 1, 2016
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue for Contracts with Customers	January 1, 2017

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.1 Changes in accounting standards and interpretation (Continued)

Standards and interpretations in issue not yet effective (Continued)

New and Revised Standards and Interpretations in issue not yet effective that are relevant
The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the Corporation and are likely to impact amounts reported in the Corporation's financial statements:

- IFRS 9 *Financial Instruments*

  IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

  Key requirements of IFRS 9:

  ▪ All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  ▪ With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

  ▪ In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, instead of the incurred loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risks since initial recognition.

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.1 Changes in accounting standards and interpretation (Continued)

Standards and interpretations in issue not yet effective (Continued)

- IFRS 9 *Financial Instruments (Continued)*

  Key requirements of IFRS 9 (Continued):

  - The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available under IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  The directors and management anticipate that IFRS 9 will be adopted in the Corporation's financial statements for the annual period beginning April 1, 2018 and that the application of IFRS 9 may impact the amounts reported in respect of the Corporation's financial assets and liabilities. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

- IFRS 15 Revenue from Contracts with Customers

  This new standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps are:

  - Identify the contract with the customer,
  - Identify the performance obligations in the contract,
  - Determine the transaction price,
  - Allocate the transaction price to the performance obligations in the contracts,
  - Recognise revenue when (or as) the entity satisfies a performance obligation.

  There is new guidance on whether revenue should be recognised at a point in time or over time, which replaces the previous distinction between goods and services. Where revenue is variable, a new recognition threshold has been introduced by the standard. This threshold requires that variable amounts are only included in revenue if, and to the extent that, it is highly probable that a significant revenue reversal will not occur in the future as a result of re-estimation. However, a different approach is applied for sales and usage-based royalties from licences of intellectual property; for such royalties, revenue is recognised only when the underlying sale or usage occurs. The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalised. Costs that do not meet the criteria must be expensed when incurred.

  The standard provides detailed guidance on various issues such as identifying distinct performance obligations, accounting for contract modifications and accounting for the time value of money, sales with a right of return, customer options for additional goods or services, principal versus agent considerations, licensing, and bill-and hold arrangements.

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.1 Changes in accounting standards and interpretation (Continued)

Standards and interpretations in issue not yet effective (Continued)

- IFRS 15 Revenue from Contracts with Customers (Continued)

  The standard introduces new, increased requirements for disclosure of revenue in an IFRS reporter's financial statements.

  IFRS 15 must be applied in an entity's annual IFRS financial statements for periods beginning on or after January 1, 2017. Application of the Standard is mandatory and early adoption is permitted. The directors and management have not yet assessed the impact of the application of this standard on the Corporation's financial statements, which the Corporation will apply for the annual period beginning April 1, 2017.

- IAS 19 *Defined Benefit Plans*: Employee Contributions – Amendments to IAS 19

  IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. Management has not yet assessed the impact of this amendment on the financial statements on adoption at its effective date.

3.2 **Fair value measurement**

Fair values are disclosed in Note 22.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.2 **Fair value measurement (Continued)**

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.3 **Current versus non-current classification**

The Corporation presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trade ng
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Corporation classifies all other liabilities as non-current.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.4 **Foreign currency translation**

The financial statements of the Corporation are presented in the currency of the primary economic environment in which the entity operates, the Jamaican dollar (its functional currency).

In preparing the financial statements of the Corporation, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Other exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

3.5 **Property and equipment**

All property and equipment held for use in the provision or supply of goods and services, or for administrative purposes, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction), less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production or administrative purposes or for purposes not yet determined are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Corporation's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Repairs and renewals are charged to profit or loss when the expenditure is incurred.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.6 **Investment property**

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by professional valuer, applying an appropriate valuation model.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Corporation accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.7 **Impairment of tangible and intangible assets**

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Retirement benefit costs

The Corporation operates a defined benefit pension plan which is open to all permanent employees, the assets of which are held in a separate trustee-administered fund. The plan is funded by contributions from employees at the rate of 5% of pensionable salaries (with the option of contributing an additional 5%), and the employer contributes the balance of the cost as determined by actuaries. For the year ended March 31, 2015 the employer contribution was 5.5% (2014: 5.5%) of pensionable salaries.

Pension obligations
The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. Assets are only recognised to the extent that the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan exceeds the fair value of the plan assets less the present value of the defined benefit obligations. Defined benefits obligations for the plan are calculated annually by external actuaries. The cost of providing benefits is determined using the Projected Unit Credit Method.

The Corporation recognises actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period which they occur, in other comprehensive income.

Current service costs and any past service cost, together with the unwinding of interest on the plan assets and liabilities at the discount rate are included within operating costs through profit or loss for the period.

3.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability to or equity to another entity.

An equity instrument is any contract that evidences a residual interest in the assets of the Corporation after deducting all of its liabilities.

The Corporation recognises financial assets or financial liabilities on its statement of financial position only when the Corporation becomes a party to the contractual provisions of the instruments.

3.10 Financial assets

Financial assets are recognised and derecognised using a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the asset within the timeframe established by market concerned and are initially measured at fair values plus transaction cost, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (where transaction costs are recognised immediately in profit or loss).

The financial assets of the Corporation include cash and cash equivalents and loans and receivables.

The Corporation's financial assets are classified as loans and receivables.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.10 **Financial assets (Continued)**

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These (which include cash and bank balances and trade and other receivables) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate except for short term receivables, when the recognition of interest would be immaterial.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction cost and all other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount of the financial asset on initial recognition.

b) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flow has been impacted.

For financial assets, objective evidence of impairment would include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables would include the Corporation's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period of 30 days.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.10 **Financial assets (Continued)**

b) *Impairment of financial assets (Continued)*

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

c) *Derecognition of financial assets*

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Corporation retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Corporation retains control), the Corporation allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.11 **Financial liabilities and equity instruments issued by the Corporation**

a) *Financial liabilities*

Financial liabilities are classified as other liabilities and include borrowings and trade and other payables.

b) *Other financial liabilities*

Other financial liabilities are measured at fair value, net of transaction cost at initial recognition, and are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis except when recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial liability on initial recognition.

c) *Derecognition of financial liabilities*

The Corporation derecognises financial liabilities when the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

d) *Equity instruments*

Equity instruments issued by the Corporation are recorded at the proceeds received net of direct issue costs.

3.12 **Dividends**

Dividends are recorded in the financial statements in the period in which they are approved by the Board of Directors.

3.13 **Provisions**

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the time value of money is material).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Provisions (Continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.14 Related party

A party is related to the Corporation if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Corporation;
- has an interest in the entity that gives it significant influence over the Corporation; or
- has joint control over the Corporation;

(ii) the party is an associate of the Corporation;
(iii) the party is a joint venture in which the Corporation is a venturer;
(iv) the party is a member of the key management personnel of the Corporation or its parent;
(v) the party is a close family member of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Corporation, or of any entity that is a related party of the Corporation.

Related party transactions are recorded in accordance with normal policies of the Corporation at transaction dates. Interest is not charged since settlement is anticipated in the near future.

3.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and other sales related taxes.

Interest income
Interest revenue is recognised in profit or loss for all interest-bearing instruments and is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Rental income
The Corporation's policy for recognition of revenues from operating leases is described under "leases" below.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.16 **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Corporation as a lessor
Rental income from operating leases is recognised in income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

As lessee
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

In the event lease incentives are received to enter into an operating lease such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.17 **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Corporation's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

Management believes it did not apply any critical judgement in the process of applying the Corporation's accounting policies, apart from those involving estimation below, that has a significant effect on the amounts recognised in the financial statements.

4 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and or other key sources of estimation uncertainty at the end of the reporting period that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Included in the statement of financial position is an amount of approximately $8.31 billion (2014: approximately $7.91 billion) representing the fair value of investment properties.

In determining the fair values of land and buildings, management makes assumptions including the current rental values, current rental values for similar properties and the yield (years purchase in perpetuity) of each property. Of the total investment properties at the end of the reporting period, approximately $3 billion (36%) (2014: $4.60 billion (59%)) were assigned the best yields.

These are deemed by management as the best estimate of what prevails in the market at the end of the reporting period after considering values determined by external valuers on a sample of properties.

A 1% increase in the estimated yields on these properties would result in the carrying value of the assets and net income decreasing by approximately $65.15 million (2014: $61.25 million). A 1% decrease in the estimated yields on these properties would result in the carrying value of the assets and net income increasing by approximately $66.46 million (2014: $62.49 million).

The fair value of certain properties amounting to $410 million (2014: $479 million) is based upon valuations carried out in a previous year adjusted appropriately for any impairment. Management believes that the value of these properties at year end is not significantly different from the value derived from the previous valuations or to be realized on pending sales.

Provision for impairment losses on receivables

Provisions totaling approximately $55.11 million (2014: $48.84 million) have been made for impairment losses on trade receivables.

In determining amounts recorded for impairment losses on trade and other receivables, management makes judgments regarding indicators of impairment and estimates the amount and timing of future cash flows. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances for impairment losses. Historical loss experience is applied where indicators of impairment are not observable.

Employees' benefits

As disclosed in Note 7, the Corporation operates a defined benefit pension plan. The amounts shown in the statement of financial position is a liability of $3.26 million (2014: an asset of $3.10 million) in respect of the defined benefits plan is subject to estimates in respect of periodic costs which costs would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate.

The Corporation on the advice of actuaries estimates the appropriate discount rate annually which rate is used to determine the present value of estimated cash outflows expected to be required to settle the pension obligation.

4 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

Key sources of estimation uncertainty (Continued)

Employees' benefits (Continued)

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rates on government bonds that have maturities approximating the related pension liabilities were considered.

Note 7(f) highlights the remeasurement gains and loss arising on the plan assets and liabilities in the estimation process. Note 7(j) highlights sensitivity analyses to changes in the assumptions in the discount rate and the rate of salary increase.

5 **PROPERTY AND EQUIPMENT**

	Leasehold Improvements $'000	Furniture, Fixtures and Equipment $'000	Computer Software and Equipment $'000	Motor Vehicles $'000	Total $'000
At Cost					
April 1, 2013	265	25,638	13,708	8,778	48,389
Additions	-	3,668	864	-	4,532
March 31, 2014	265	29,306	14,572	8,778	52,921
Additions	-	2,293	4,070	10,429	16,792
March 31, 2015	265	31,599	18,642	19,207	69,713
Accumulated Depreciation					
April 1, 2013	265	15,187	11,192	5,113	31,757
Charge for the year	-	2,877	1,105	1,443	5,425
March 31, 2014	265	18,064	12,297	6,556	37,182
Charge for the year	-	2,969	1,465	2,645	7,079
March 31, 2015	265	21,033	13,762	9,201	44,261
Carrying amount					
March 31, 2015	-	10,566	4,880	10,006	25,452
March 31, 2014	-	11,242	2,275	2,222	15,739

5 **PROPERTY AND EQUIPMENT (CONTINUED)**

Annual depreciation rates are based on the following estimated useful lives:

Leasehold improvements	-	10 years
Furniture, fixtures and equipment	-	7 years
Computer software	-	3 years
Computer equipment	-	4 years
Motor vehicles	-	5 – 10 years

6 **INVESTMENT PROPERTIES**

(a) These comprise:

Land and buildings at fair values:

	W.I.P. $'000	Completed $'000	Total $'000
Balance, April 1, 2013	210,885	6,725,287	6,936,172
Additions	19,454	21,810	41,264
Transfers	(15,629)	15,629	-
Work-in-progress write-off (Note 6 (g))	(57,763)	-	(57,763)
Increase in fair value	-	994,767	994,767
Balance, March 31, 2014	156,947	7,757,493	7,914,440
Additions	13,449	47,268	60,717
Impairment (Note 6(c)(ii))	-	(49,100)	(49,100)
Disposals	-	(197,208)	(197,208)
Increase in fair value	-	584,889	584,889
Balance, March 31, 2015	170,396	8,143,342	8,313,738

(b) Investment properties comprise land held for capital appreciation and commercial buildings held for long-term rental (which are not occupied by the Corporation) as well as investment properties under construction.

(c) Fair value

The fair value of the completed investment properties at March 31, 2015 has been arrived at as follows:

(i) $3.53 billion (2014: $2.73 billion) has been arrived at on the basis of valuations carried out by qualified internal valuators. The valuations were arrived at by reference to market evidence of transaction prices for similar properties or by the application of a 7.14% to 11.1% (2014: 7.14% to 12.5%) income capitalisation rate.

(ii) $410 million (2014: $479 million) is based upon prior year valuations adjusted for any impairment. These properties are the subject of executed sales agreements and advanced sales negotiations and two properties are pledged to the National Insurance Fund (NIF) for transfers. An impairment loss of $49 million was recognised during the year to equate carrying amounts to final proceeds expected from sale of these properties.

6 **INVESTMENT PROPERTIES (CONTINUED)**

(c) Fair value (Continued)

(iii) The fair value of the remaining investment properties at March 31, 2015 amounting to $4.2 billion (2014: $4.6 billion) has been arrived at on the basis of valuations carried out by external valuators, Langford and Brown ($0.478 billion), LA Maison Property Services Limited ($0.671 billion), C.D. Alexander and Company ($2.646 billion) and Clinton Cunningham and Associate ($0.441 billion). The valuations were arrived at by reference to market evidence of transaction prices for similar properties or by the application of a 8.33% to 12.5% (2014: 7.14% to 11.11%) income capitalisation rate.

Additional fair value disclosures are provided in Note 22.

(d) The property rental income earned and operating expense incurred by the Corporation from its investment properties, which are leased under operating leases are as follows:

	2015 $'000	**2014 $'000**
Rental income derived from investment properties	577,113	504,500
Direct operating expenses from investment properties generating rental income	(135,875)	(78,199)
Direct operating expenses from investment properties that did not generate rental income	(28,145)	(18,353)
Profit arising from rental of investment properties carried at fair value	404,157	407,948

(e) At the end of the reporting period, investment properties with fair value of approximately $1.5 billion (2014: $1.4 billion) were not yet registered in the Corporation's name.

(f) Certain investment properties with a value of $635 million (2014: $602 million) are pledged as security for a loan. (See Note 12).

(g) This represented the balance of $16.9 million of the cost of a sewage plant constructed in 2012 which was impaired and written off and $40.8 million written off in respect of work-in-progress for projects that were no longer viable as they were being re-scoped.

(h) Included in investment properties is a property with a carrying value of $140 million, which is in the process of sale. The Corporation is awaiting payment of the balance of $120 million from the attorneys to finalise the sale.

6 INVESTMENT PROPERTIES (CONTINUED)

Reconciliation of fair value:

	W.I.P.	Properties	Lands	Buildings	Total
	$'000	$'000	$'000	$'000	
As at 1 April 2013	210,885	5,110,819	1,388,870	225,598	6,936,172
Remeasurement recognised in profit or loss	-	734,823	182,360	77,584	994,767
Purchases	19,454	21,810	-	-	41,264
Sales	-	-	-	-	-
Transfers	(15,629)	15,629	-	-	-
Impairment	(57,763)	-	-	-	(57,763)
As at 31 March 2014	156,947	5,883,081	1,571,230	303,182	7,914,440
Remeasurement recognised in profit or loss	-	335,230	226,880	22,779	584,889
Purchases	13,449	47,268	-	-	60,717
Sales	-	(11,778)	(185,430)	-	(197,208)
Impairment	-	(47,400)	(1,700)	-	(49,100)
As at 31 March 2015	**170,396**	**6,206,401**	**1,610,980**	**325,961**	**8,313,738**

Description of valuation techniques used and key inputs to valuation on investment properties

The Corporation carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Corporation engaged professional valuators to assess fair values as at March 31, 2015 for some investment properties. Properties are externally valued in rotation with the intention of subjecting each property to external valuation at least once every 3 financial years. Properties not valued in a year are subject to internal valuation by qualified staff of the Corporation. The methodologies used are:

Income approach

This is the method whereby the estimated or actual future cash benefits or income stream is calculated in perpetuity and discounted to present worth or value. The method applies the use of valuation tables that were formulated for professional valuation purposes. This approach is considered the most reliable for income generating properties of the Corporation as it reflects the outlook of investors and takes into consideration factors such as market conditions, rates of return and cash flows.

Sales comparable or comparison approach/ Open market Value approach

Actual sales are examined for sales of similar properties in the area or similar areas to where the subject property is located. Where necessary, adjustments have to be made to compensate for differences in the properties. The approach is also traditionally used for valuing unimproved vacant property

6 INVESTMENT PROPERTIES (CONTINUED)

Cost Approach

The estimated full replacement cost of buildings on the property is depreciated for age and condition, together with the market value of land (as if vacant) and site improvements. This approach is considered where the other two approaches are not applicable.

Internally valued properties

The approach taken takes into consideration the external valuations of properties in the previous and current financial years.

Average approach

The average percentage change in the gross value of buildings or lands respectively, between the current and previous year is applied to the current rental values to arrive at the internal valuation. The percentage movement is determined by the difference between the value of all properties that were internally valued in the prior year and the value of these properties externally valued in the current year. Other input factors in the formula used in arriving at the valuation amount for a specific property would be unchanged from the prior year. The change is applied to all properties for which a comparable approach (as described below) is not applied.

Comparable Approach

The comparable approach is similar to the above approach, however the valuator uses the percentage change in value of a specific property between that valued externally in the current year and the value determined in the previous year to project the change in value of similar properties, for example properties in adjacent locations or for similar use. As with the average approach the current rental value is adjusted in the formulas in arriving at the estimated fair value while yields are not adjusted as yields are considered fairly consistent from year to year for the same property.

Detailed below are the key assumptions used to determine the fair value of investment properties.

Property type	Key valuation technique	Significant Unobservable inputs	Yields 2015	Yields 2014
Rental earning properties – externally valued	Income approach	- Annual net rental - Years purchase in perpetuity (Yield)	8.33% - 12.5%	7.14% - 11.11%
Vacant lands – externally valued	Sales comparison	- Insufficient recent comparable market transactions	N/A	N/A

6 INVESTMENT PROPERTIES (CONTINUED)

Property type	Key valuation technique	Significant Unobservable inputs	Yields 2015	Yields 2014
Rental earning properties – internally valued	Average approach Comparable approach	- Annual net rental - Years purchase in perpetuity (Yield) - Growth average - Insufficient recent comparable market transactions - Growth average	7.14% - 11.11%	7.14% - 10%
Vacant lands – internally valued	Average approach Comparable approach	- Insufficient recent comparable market transactions -Growth average	N/A	N/A

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market- derived discount rate is applied to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate.

7 RETIREMENT BENEFIT (OBLIGATION)/ASSET

The Corporation operates a defined benefit pension plan for qualifying employees. The plan is funded by contributions from employees at a rate of 5% of pensionable salaries. The employer contributes to the plan at rates determined periodically by external actuaries. The plan is governed by the Pensions (Superannuation Funds and Retirement Schemes) Act of 2006. The Act requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. However, based on experience, the working party of actuaries and auditors agreed on a rate of 0.25% of payroll per annum as the minimum.

The plan's activities are controlled by a Board of Trustees, which consists of a number of employer and employee representatives. The Board of Trustees is responsible to ensure benefits are funded and paid and assets are invested to maximize returns subject to acceptable investment risk while considering the liability profile. Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds. The economic benefit of the plan is based on the present value of the sponsor's future contribution reduction subject to the minimum funding rate of 0.25%.

7 RETIREMENT BENEFIT (OBLIGATION)/ASSET (CONTINUED)

Under the plan, retirement benefits are determined on a prescribed benefits basis and are payable at a rate of 2% of final three year average salary times the employee's number of years membership in the plan, the maximum being 33⅓ years.

If the employee's service is terminated before retirement age, the employee may leave contributions to accumulate with credited interest thereon to provide a deferred pension commencing at normal retirement date or elect a cash return of contributions together with credited interest to the date of termination.

The most recent valuation of plan assets and the present value of the defined benefit obligation as at March 31, 2015 was carried out by Ravi Rambarran, Fellow of the Institute of Actuaries (Rambarran & Associates Limited). The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The actuarial valuation showed that the market value of plan assets was $194.9 million (2014: $172.2 million) and that the actuarial valuation of these assets represented 98.35% of the present value of the obligations. (2014: 101.8% of the present value of the obligation).

No other post retirement benefits are provided.

(a) Key actuarial assumptions were as follows:

	Valuation at	
	2015	**2014**
	%	**%**
Gross discount rate	9.5	9.5
Expected rate of salary increases	5.5	5.5
Future pension increases	6.0	5.5
Inflation	6.0	5.5
Administrative fees	1.0	1.0
Minimum funding rate	0.25	0.25

Demographic assumptions include assumed retirement age of 65 for all employees (which is the normal retirement age). Assumptions regarding future mortality are based on American 1994 Group Annuitant Mortality (GAM94) table with a 5 year mortality improvement. No assumption was made for termination and death prior to retirement.

The weighted average duration of the defined benefit obligation as at 31 March 2015 is 33 years (2014: 33 years).

The Corporation expects to make a contribution of $3.6 million (2014: $3.2 million) to the Plan during the next financial year. Total contributions inclusive of employees contribution is expected to be $8.9 million (2014 $8.2 million).

(b) Amounts included in the statement of financial position in respect of the plan are as follows:

	2015	**2014**
	$'000	**$'000**
Present value of funded obligation	(198,110)	(169,097)
Fair value of plan assets	194,846	172,197
Net (obligation) asset recognised in the statement of financial position	(3,264)	3,100

7 RETIREMENT BENEFIT (OBLIGATION)/ASSET (CONTINUED)

(c) Movements in the net (obligation) asset in the year were as follows:

	2015 $'000	2014 $'000
Balance, beginning of the period	3,100	10,176
Remeasurements recognised in other comprehensive income (Note 7(e))	(4,422)	(5,570)
Amounts charged to income (Note 7(d))	(5,279)	(4,886)
Employer contributions	3,337	3,380
Balance, end of the period	(3,264)	3,100

(d) Amounts recognised in income in respect of the plan are as follows:

	2015 $'000	2014 $'000
Current service cost	5,964	5,805
Net Interest cost:		
Interest cost on defined benefit obligation	15,798	9,681
Interest income on plan assets	(16,483)	(10,600)
	(685)	(919)
Net expense recognised in staff cost	5,279	4,886

The charge for the year has been included in administration expenses.

(e) Amounts recognised in other comprehensive income in respect of the plan are as follows:

	2015 $'000	2014 $'000
Remeasurement gain (loss)		
Actuarial changes arising from changes in demographic assumptions	-	(15,436)
Actuarial changes arising from changes in financial assumptions	-	(9,899)
Experience adjustments	(4,422)	19,765
Net loss recognised in other comprehensive income	(4,422)	(5,570)

7 RETIREMENT BENEFIT (OBLIGATION)/ASSET (CONTINUED)

(f) The remeasurement loss in other comprehensive income is further analysed as follows:

	Demographic Assumptions $'000	Financial assumptions $'000	Experience Adjustments $'000	Net $'000
2015				
Defined benefit obligation	-	-	(7,904)	(7,904)
Fair value plan assets	-	-	3,482	3,482
Recognised in other comprehensive income (Note 7(e))	-	-	(4,422)	(4,422)
2014				
Defined benefit obligation	(16,928)	(10,167)	14,663	(12,432)
Fair value plan assets	1,492	268	5,102	6,862
Recognised in other comprehensive income (Note 7(e))	(15,436)	(9,899)	19,765	(5,570)

(g) Changes in the present value of the defined benefit obligation are as follows:

	2015 $'000	2014 $'000
Opening defined benefit obligation	169,097	138,051
Service cost	5,964	5,805
Interest cost	15,798	9,681
Members' contributions	5,075	5,234
Benefits paid	(12,495)	(4,534)
Value of purchased annuities	6,767	2,428
Remeasurement loss on obligations for other comprehensive income (Note 7(f))	7,904	12,432
Closing defined benefit obligation	198,110	169,097

7 RETIREMENT BENEFIT (OBLIGATION)/ASSET (CONTINUED)

(h) Changes in the fair value of plan assets are as follows:

	2015 $'000	2014 $'000
Opening fair value of plan assets	172,197	148,227
Members' contribution	5,075	5,234
Employer's contribution	3,337	3,380
Interest income on plan assets	16,483	10,600
Benefits and expenses paid	(12,495)	(4,534)
Value of purchased annuities	6,767	2,428
Remeasurement gain on assets for other comprehensive income (Note 7(f))	3,482	6,862
Closing fair value of plan assets	194,846	172,197

(i) The percentage distribution of the major categories of plan assets, and the fair value of the plan assets at the end of the reporting period for each category is as follows:

	Percentage distribution		Fair value of plan asset	
	2015 %	2014 %	2015 $'000	2014 $'000
Equity fund	21	15	40,877	26,516
Mortgage and real estate	22	11	42,504	19,162
Fixed income fund	11	32	22,048	54,980
Foreign currency fund	18	17	34,618	29,275
Money market fund	4	4	7,178	6,658
CPI indexed fund	15	14	29,579	24,314
Value of purchased annuities (net of adjustments)	9	7	18,042	11,292
	100	100	194,846	172,197

The plan assets are invested in the Sagicor Pooled Pension Investment Fund.

The plan assets do not include any of the Corporation's financial instruments, nor any property occupied by or other assets used by the Corporation.

7 **RETIREMENT BENEFIT (OBLIGATION)/ASSET (CONTINUED)**

(j) Sensitivity analysis

	Discount rate		Rate of salary increase	
	1% Increase $'000	1% Decrease $'000	1% Increase $'000	1% Decrease $'000
2015				
Impact on the present value of the defined benefit obligation – increase/(decrease)	(25,107)	32,402	14,599	(12,534)
2014				
Impact on the present value of the defined benefit obligation – increase/(decrease)	(22,701)	29,718	13,408	(11,460)

Plan characteristics, environment and associated risks

Pension regulations requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. However, based on experience, management agreed on a rate of 0.25% of payroll per annum as the minimum. Trustees are appointed to ensure benefits funded are paid and that assets are invested to maximize return subject to acceptable investments risks while considering the liability profile. The sponsor and trustees have not assessed any significant and unusual risks at the entity or Plan levels. There are no periodic plan amendments, curtailments or settlements.

Pensions are secured through the purchase of annuities. The remaining assets are invested in the segregated pooled funds of Sagicor.

8 **TRADE AND OTHER RECEIVABLES**

The balance comprises:

	2015 $'000	2014 $'000
Trade receivables	117,225	70,228
Less: Provision for doubtful debts	(55,106)	(48,837)
	62,119	21,391
Deposits and prepayments	8,533	8,865
Other receivables (net of provision for doubtful debts of $Nil (2014: $1.7 million)	1,829	8,570
	72,481	38,826

Customers are invoiced one month in advance and are required to settle promptly. The average credit period is 30 days (2014: 30 days). No interest is charged on outstanding balances. The Corporation recognises an allowance for doubtful debts for amounts due from all former tenants and current tenants with balances outstanding over ninety (90) days.

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

Before accepting any new customer, the Corporation uses a credit bureau, Credit Information Services Limited, to assess the credit worthiness of each customer. The Corporation also requests bank and personal references as a part of the customer screening process. Tenants are accepted as suitable by the Property Development Committee based on the information gathered. The Corporation holds security deposits as a part of its rental policy. The amount held as tenants' deposits is $78.6M (2014: $72.8M) at the end of the reporting period. The Corporation recognises an allowance for doubtful debt for trade receivables 90 days past due in excess of tenant's deposit if there is doubt surrounding its collectability. Trade receivables that are neither past due nor impaired represents 14.7% (2014: 6.3%) of the total trade receivables.

Included in the Corporation's trade receivables balance are debtors with a carrying amount of $44.9 million (2014: $17.0 million) which is past due at the reporting date for which the Corporation has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired

	2015 $'000	2014 $'000
31-60 days	7,958	-
61-90 days	11,739	8,042
90+ days	25,248	8,937
	44,945	16,979

The average age of past due but not impaired trade receivables is over 85 days (2014: 78 days).

Movement in provision for doubtful debts

	Trade receivables		Other receivables	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of year	48,837	47,774	1,734	1,734
Impairment losses recognized/(write back) during the year	7,299	6,000	(1,734)	-
Amounts written off during the year as uncollectible	(1,030)	(4,937)	-	-
Balance at end of year	55,106	48,837	-	1,734

In determining the recoverability of a receivable, the Corporation considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The directors believe that, at the end of the reporting period, there is no further credit provision required in excess of the allowance for doubtful debts.

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of impaired trade and other receivables

	Trade receivables		Other receivables	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
0 – 30 days	598	-	-	-
31 – 60 days	488	-	-	-
61 – 90 days	1,399	-	-	-
90+ days	52,621	48,837	-	1,734
	55,106	48,837	-	1,734

9 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments and outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2015	2014
	$'000	$'000
Cash and bank	81,312	32,512
Short-term deposits	905,089	708,835
	986,401	741,347
Less: Interest receivable	(2,302)	(2,387)
	984,099	738,960

Short-term deposits include balances amounting to approximately J$898.2 million (US$7,845,555) bearing interest at rates ranging from 0.5% to 2.9% per annum (2014: J$687.7 million (US$6,310,000) bearing interest at rates ranging from 3.2% to 4.05% per annum).

The balance also includes Jamaican dollar deposits of approximately $4.67 million bearing interest rates ranging from 0.5% to 6% per annum (2014: approximately $18.7 million at rates of 8.75% per annum).

10 SHARE CAPITAL

	Number of units	
	2015	2014
	'000	'000
Authorised, issued and fully paid share capital:		
5,100,000 no par value ordinary shares at the beginning and end of the year	5,100	5,100
	$'000	$'000
Stated/Issued Capital – at the beginning and end of the year		
5,100,000 no par ordinary shares	545,022	545,022

The Corporation has one class of ordinary shares that carry no rights to fixed income.

11 CAPITAL RESERVES

These comprise revaluation gains on land and building and the value of properties transferred from Jamaica Industrial Development Corporation (JIDC).

	2015 $'000	2014 $'000
This comprises:		
Unrealised surplus on valuation of factory land and buildings	314,415	314,415
Net assets of the Jamaica Industrial Development Corporation taken over	1,561,595	1,561,595
	1,876,010	1,876,010

12 BORROWINGS

Interest Rate %	Repayable		2015 $'000	2014 $'000
8.0	2024	National Insurance Fund	346,367	365,631
		Less current portion	(71,674)	(67,599)
		Non-current	274,693	298,032

Principal features of the Corporation's borrowings are as follows:

By an agreement dated November 1, 2004, two loans and a portion of the interest accrued on these loans were consolidated. The consolidated loan bears interest at 8% per annum and is repayable by monthly installments over a period of 20 years. Repayment of the loan commenced in December 2004. Lots 11 and 12 Almond Way, Montego Freeport have been pledged as security for the consolidated loan. The fair value of these investment properties at the end of the reporting period is $635 million (2014: $602 million) (See Note 6).

At the end of the reporting period, the Corporation had outstanding interest payable of $50.8 million (included in the amounts above) which is to be settled through an asset swap between the two entities as agreed at the date of consolidation of the loan.

13 PAYABLES AND ACCRUALS

The amount comprises:

	2015 $'000	2014 $'000
Rental deposits	78,654	72,779
Retentions payable	4,756	2,638
Deposits received on properties being sold	58,053	1,402
Due to the Montego Bay Free Zone	14,639	-
Maintenance refund due	3,364	14,696
Other payables	70,900	65,217
	230,366	156,732

No interest is charged on trade payable balances. The Corporation has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

14 REVENUE

This comprises:

	2015 $'000	2014 $'000
Rental income	577,113	504,500

15 EXPENSE BY NATURE

	2015 $'000	2014 $'000
Direct Costs		
Management fees	59,404	50,183
Pre-occupancy expenses	9,868	2,482
Repairs and maintenance	87,497	36,908
Advertising and public relations	7,251	6,979
	164,020	96,552
Administrative Expenses		
Salaries and related costs	173,767	170,176
Statutory contributions	14,562	13,398
Pension	5,279	4,886
Directors' expenses	1,194	1,750
Miscellaneous	585	3,062
Commission (scrap metal operations)	-	24,074
Rates and taxes	6,633	3,764
Utilities	14,639	13,255
Travel , subsistence and accommodation	2,956	3,787
Printing, stationery and postage	3,256	3,664
Staff welfare and training	4,720	4,613
Directors' meetings	1,252	2,372
Entertainment	329	858
Office supplies	2,313	3,038
	231,485	252,697
Other Operating Expenses		
Rental of premises	11,752	12,525
Insurance	3,681	2,426
Audit fees	3,000	2,050
Professional fees	21,804	15,055
Motor vehicle expenses	2,425	2,570
Depreciation	7,079	5,425
Subscription and donations	896	625
Bad debts	5,565	7,774
Bank charges	219	691
Repairs and maintenance - other	4,959	9,545
	61,380	58,686

15 EXPENSE BY NATURE (CONTINUED)

Included in expenses are the following in relation to scrap metal operations:

	2015 $'000	2014 $'000
Salaries and related costs	65,680	56,655
Statutory contributions	3,994	3,875
Staff welfare and training	600	478
Office supplies	653	674
Rental of premises	3,332	4,606
Repairs and maintenance – other	2,812	429
Utilities	6,614	4,836
Commission	-	24,074
Other expenses	1,166	4,347
	84,851	99,974

16 OTHER INCOME AND OTHER GAINS AND LOSSES

	2015 $'000	2014 $'000
Net foreign exchange gains	33,642	56,841
Interest income- bank deposits at amortised cost	23,967	20,890
Interest – other	2,141	1,069
Net loss on disposal of investment properties	(167,022)	-
Impairment – investment properties	(49,100)	-
Other income	492	8,741
Work-in-progress write-off (Note 6)	-	(57,763)
	(155,880)	29,778

17 FINANCE COSTS

	2015 $'000	2014 $'000
Interest on loans	24,489	25,966

The weighted average rate on funds borrowed generally is 8% per annum (2014: 8% per annum).

Finance costs included above relate to borrowings in Note 12.

18 NET INCOME

Net Income is stated after taking account of the following items:

	2015 $'000	2014 $'000
Expenses		
Directors' emoluments		
Fees	1,194	1,750
Compensation	5,606	8,450
Audit fees	3,000	2,050
Depreciation	7,079	5,425

19 TAXATION

The Corporation is exempt from income tax under section 17(b) of the Income Tax Act and has obtained a certificate of income tax exemption effective for three years April 1, 2012 to March 31, 2015 which is renewable in perpetuity. Therefore, there is no current income tax or deferred tax charge recognised in the financial statements.

20 RELATED PARTY TRANSACTIONS AND BALANCES

Details of transactions during the year and balances at year end with related parties are disclosed below:

	Receivables		Payables		Net due (to)/from related parties	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Montego Bay Free Zone Company Limited	11,905	8,639	14,639	-	(2,734)	8,639

These balances are included in Other Receivables in Note 8 and Trade and Other Payables in Note 13.

Material transactions with related party during the year were as follows:

	2015 $'000	2014 $'000
Montego Bay Free Zone Company Limited		
Management fees	59,404	50,183
Key Management personnel:		
Directors		
Fees	1,194	1,750
Compensation	5,606	8,450

Included in other payables (Note 13) are balances due to directors amounting to $0.1 million (2014: $0.1 million) in relation to Board Meetings.

20 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2015 $'000	2014 $'000
Short-term benefits	50,821	46,034
Retirement benefit expense	852	824

21 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2015 $'000	2014 $'000
Financial assets (at amortised cost)		
Cash and bank deposits	986,401	741,347
Trade and other receivables	71,902	36,750
	1,058,303	778,097
Financial liabilities		
Borrowings	346,367	365,631
Payables	211,990	136,377
	558,357	502,008

Financial risk management

The Corporation's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, interest rates and liquidity risk. Management seeks to minimise potential adverse effects on the financial performance of the Corporation by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Directors.

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework.

21 **FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)**

Financial risk management (Continued)

The Corporation does not hold or issue derivative financial instruments. There has been no change to the Corporation's exposure to these financial risks or the manner in which it manages and measures the risk.

(a) Credit risk

Financial instruments contain an element of risk that the other obligators may be unable to meet the terms of agreements. Direct credit risk represents risk of loss resulting from the obligators' default in relation to assets on the statement of financial position. In respect of cash and short-term deposits, the Corporation minimises this risk by limiting its obligators to major banks.

Other financial instruments which potentially subject the Corporation to concentration of credit risk, primarily consist of trade receivables. Concentration of credit risk with respect to trade receivables is limited as exposure is spread over a number of customers in various industries.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables estimated by management based on prior experience and their assessment of the current economic environment.

The maximum exposure to credit risk is the amount of $1.1 billion (2014: $778.1 million) disclosed under "categories of financial instruments" above. The credit risk on liquid funds is limited as the counter parties are banks with high credit ratings and the Corporation monitors them on a regular basis. The financial status of tenants is also monitored on an ongoing basis. At the end of the reporting period, trade receivables balance includes four (4) customers (2014: five (5) customers) with individual balances over 5% of trade receivables that had combined balances of $59.2 million (2014: $33.2M) or approximately 51% (2014: 47%) of the trade receivables balance. A provision for doubtful debt of $33.9 million has been made against these balances (2014: $24.7 million). The Corporation holds bank guarantees of $14 million (2014: $14 million) in this regard as security from these tenants.

(b) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. Market risks result primarily from changes in interest rate, foreign currency rates and equity prices.

Management of market risk

The Corporation manages its risks by carrying out extensive research and monitors the movement in interest and foreign currency exchange rates. Sensitivity analysis is a widely used risk measurement tool that allows management to make judgments regarding the potential loss in future earnings, fair values or cash flows of market-risk-sensitive instruments resulting from one or more selected hypothetical changes in interest rates, foreign currency exchange rates, and other relevant market rates or prices over a selected period of time.

21 **FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)**

Financial risk management *(Continued)*

(b) Market risk (Continued)

The exposure to market risk includes foreign currency and interest rate risks that are managed as follows:

(i) Foreign currency risk

Foreign currency risk is the risk of loss arising from adverse movements in foreign exchange rates.

The Corporation is exposed to foreign currency risk as a result of transactions that are denominated in a currency other than the Jamaican dollar. The main currency giving rise to the exposure is the United States dollar. Exchange rate exposures are managed by matching assets with liabilities in US dollar and monitoring market trends.

The table below summarises the Corporation's exposure to foreign currency exchange rate risk at March 31, incurred in the normal course of business.

	2015		2014	
	US$'000	**J$'000**	**US$'000**	**J$'000**
Total assets/exposure	8,268	946,600	6,331	690,064

Foreign currency sensitivity

The table indicates the currency to which the Corporation had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10 % devaluation or a 1 % revaluation (2014: 15% devaluation or a 1% revaluation) of the Jamaican currency to the United Stated Dollar. The sensitivity analysis includes trade and other receivables and cash and bank balances. This represents management's assessment of the reasonably possible change in foreign exchange rates.

If the Jamaican dollar devalues by 10 % or revalues by 1 % (2014: devalues by 15% or revalues by 1%) against the United States currency, profit will increase (decrease) by:

	2015				2014			
	Devaluation		**Revaluation**		**Devaluation**		**Revaluation**	
	%	**J$'000**	**%**	**J$'000**	**%**	**J$'000**	**%**	**J$'000**
United States dollar	10	94,660	1	(9,466)	15	103,510	1	(6,901)

The Corporation's sensitivity to foreign currency has increased during the current year mainly due to larger holdings of foreign currency deposits at the end of the reporting period.

21 **FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)**

Financial risk management *(Continued)*

(b) Market risk (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow risk. The Corporation is exposed to the effects of fluctuations in the prevailing levels of market interest rate primarily on its borrowing obtained through NIF (fixed rate) and its short-term cash deposits (variable rate).

The average effective rates on these instruments are 8% (2014: 8%) and 3.82% (2014: 3.88%) respectively.

Management of interest rate risk
The Corporation manages interest rate risk through budgetary measures, ensuring as far as possible that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flow.

Any likely risk is managed by the consistent re-evaluation of the yield/cost on given financial instruments.

Interest rate sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to variable interest rate financial instruments at the end of the reporting period. The exposure is substantially on holdings of US dollar fixed deposits. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. 200 basis point increase or 50 basis point decrease (2014: 250 basis points increase or 100 points decrease) is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

The following table indicates sensitivity to a reasonable possible change in interest rate with all other variables held constant. The analysis is prepared assuming the amount of assets outstanding at the end of the reporting period were outstanding for the whole year.

	2015 $'000	**2014 $'000**
Effect on profit or loss		
Increase in net profit - increase 200 (2014: 250) basis points (USD)	17,964	9,791
Decrease in net profit - decrease 50 (2014: 100) basis points (USD)	4,491	3,916

21 **FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)**

Financial risk management *(Continued)*

(b) Market risk (Continued)

(ii) Interest rate risk (Continued)

The Corporation's sensitivity to interest rates has increased due to higher holdings of deposits over last year.

The fair value of NIF borrowings at the end of the reporting period is disclosed at Note 22(b).

(c) Liquidity risk

Management of liquidity risk
Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long-term funding and liquidity management requirements. The Corporation manages the risk by continuously monitoring future cash flows and liquidity.

The following tables detail the Corporation's remaining contractual undiscounted payments to maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Corporation can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Corporation may be required to pay.

Financial liabilities

	Weighted Average Effective Interest rate %	Within 1 year $'000	1 to 5 Years $'000	Over 5 Years $'000	Cash Flows Total $'000	Carrying Values Total $'000
March 31, 2015						
Payables	Nil	211,990	-	-	211,990	211,990
Borrowings	8	94,564	175,012	207,803	477,379	346,367
		306,554	175,012	207,803	689,369	558,357
March 31, 2014						
Payables	Nil	136,377	-	-	136,377	136,377
Borrowings	8	94,564	175,012	251,556	521,132	365,631
		230,941	175,012	251,556	657,509	502,008

21 **FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)**

Financial risk management *(Continued)*

(c) Liquidity risk

Management of liquidity risk (Continued)
The following table details the Corporation's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Corporation's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Financial assets

	Weighted Average Effective Interest Rate %	Within 1 Year $'000	Carrying Value $'000
March 31, 2015			
Trade and other receivables	Nil	71,902	71,902
Cash and bank deposits	3.82	989,423	986,401
		1,061,325	1,058,303
March 31, 2014			
Trade and other receivables	Nil	36,750	36,750
Cash and bank deposits	4.01	755,664	741,347
		792,414	778,097

(d) ***Capital risk management***

Management objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for the Corporation's shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the Corporation's approach to capital management during the year.

The Corporation is not subject to any externally imposed capital requirements.

The directors review the capital structure of the Corporation.

21 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management *(Continued)*

(d) ***Capital risk management (Continued)***

The capital structure of the Corporation consists of borrowings (as detailed in Note 12) and equity of the Corporation (comprising issued capital, reserves and retained earnings).

The Corporation's risk management committee reviews the capital structure of the Corporation on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio at March 31, 2015 was 3.92% (2014: 4.45%).

The Corporation met its objective for capital management as the gearing ratio reduced since last year and the Corporation continues to remain as a going concern.

Gearing ratio
The gearing ratio at the end of the reporting period was as follows:

	2015 $'000	2014 $'000
Debt (i)	346,367	365,631
Equity (ii)	8,841,852	8,214,846
Debt to equity ratio	3.92%	4.45%

(i) Debt is defined as long and short-term borrowings as described in Note 12.

(ii) Equity includes all capital and reserves of the Corporation that are managed as capital.

22 FAIR VALUES

a) 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. The fair values presented in these financial statements have been estimated using present value and other appropriate valuation methodologies and other estimation techniques based on market conditions existing at the end of the reporting period.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. The following methods and assumptions have been used:

(i) The carrying values of cash and bank balances, trade receivables, trade payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturity of these instruments.

(ii) Borrowings include a Government loan which is a concessionary loan and would not be available to other organisations. The fair value has been estimated by applying market rates of comparable commercial borrowing at year end to the expected future cash flows. The carrying value and fair value of the loan is $346.4 million (2014: $365.6 million) and $295.6 million (2014: $314.8 million) respectively.

There were no financial instruments that were measured subsequent to initial recognition at fair value.

22 FAIR VALUES (CONTINUED)

b) Fair value measurement

The following table provides the fair value measurement hierarchy of the Corporation's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy

	Quoted prices in Active Market Level 1 $'000	Significant observable input Level 2 $'000	Significant unobservable inputs Level 3 $'000	Total $'000
At March 31, 2015				
Assets measured at fair value:				
- Investment properties	-	-	8,313,738	8,313,738
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate concessionary borrowings	-	295,556	-	295,556
At March 31, 2014				
Assets measured at fair value:				
- Investment properties	-	-	7,914,440	7,959,240
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate concessionary borrowings	-	314,819	-	314,819

23 OTHER DISCLOSURES - EMPLOYEES

Staff costs incurred during the year in respect of employees were:

	2015 $'000	2014 $'000
Salaries and wages	173,767	170,176
Statutory contributions	14,562	13,398
Pension costs	5,279	4,886
	193,608	188,460

24 **CAPITAL COMMITMENTS**

a) Capital commitments as at March 31, 2015, authorised by the Board of Directors but not contracted for amounted to approximately $705 million (2014: $774 million) in respect of:

	2015 $'000	2014 $'000
Furniture, fixtures and equipment	3,150	4,049
Computer software and equipment	5,580	3,667
Motor vehicles	-	4,000
Investment properties	696,310	762,567
	705,040	774,283

b) Operating lease commitments – Corporation as lessee

The Corporation has entered into an operating lease, through the Ministry of Industry, Investment and Commerce for its administrative building, with a lease term of two (2) years.

Future minimum rentals payable under operating leases as at 31 March are as follows:

	2015 $'000	2014 $'000
Within one year	9,431	7,914
After one year but no more than two years	9,431	7,914
	18,862	15,828

c) Operating lease commitments – Corporation as lessor

The Corporation has entered into operating leases on its investment property portfolio consisting of factory spaces. These leases have terms between 1 and 5 years. All leases include a clause to enable upward revision at the rental charge on an annual basis according to prevailing market conditions.

Future minimum rental receivables under operating leases as at 31 March are as follows:

	2015 $'000	2014 $'000
Within one year	586,900	513,437
After one year but no more than five years	1,510,353	1,489,914
	2,097,253	2,003,351

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