FCJ
FACTORIES CORPORATION OF JAMAICA LTD.

Annual Report
2013 - 2014




Factories Corporation of Jamaica (FCJ) is the leading industrial infrastructure specialist, spearheading the planning and development of a dynamic and innovative industrial landscape.




Our
MISSION

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

Our
VISION

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.

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Corporate DATA

FACTORIES CORPORATION OF JAMAICA LIMITED

(An Agency of the Ministry of Industry, Investment & Commerce)
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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 Limited
Scotiabank Centre
Cnr. Duke & Port Royal Streets
Kingston

National Commercial Bank
37 Duke Street
Kingston

Chairman's
REPORT

Clive FAGAN
Chairman

We are proud of the record performance for the year 2013/2014. The financials reflect a company that has attained unprecedented results despite a harsh economic environment; in Property Management we have improved occupancy to 84%.

Financial Performance

It is significant that FCJ was able to not only continue its unbroken record of profitability, but surpass the previous year by realizing a Total Comprehensive Profit of $1.19 billion, an increase of $770.28 million over Financial Year 2012/13 and a Net Profit from Operations of $201.31 million, a 34% increase over the previous year. FCJ's asset base increased by $1.2 billion to $8.74 billion a 16% rise over the Financial Year 2012/13.

Job Creation

The records show that through FCJ's activities, close to 4,000 new jobs have been created during this year. Twenty Thousand (20,000) square feet of former factory space in the Montego Bay Free Zone was retrofitted for use in the Information Communications Technology (ICT) / Business Process Outsourcing (BPO) Sector. The building is now leased to the Elephant Group, and has created employment for approximately 600 persons.

The Trade in Scrap Metal which has been added to FCJ's portfolio continues to make a major contribution to the Jamaican economy both in employment and exports. Employment in this sector is in the region of 600 jobs directly and approximately, 2000 indirectly. With the addition of 12 new tenants, the Company achieved an occupancy rate of 84% at the end of the period, the highest in five years; this indeed, made a significant contribution to the increase in job creation.

Development of Space for the ICT/BPO Sector

There is a great demand for ICT/BPO space and the country is facing challenges in providing it but FCJ has stepped up to the plate. In that regard, aside from continuing conversion of factory space in the Montego Bay Free Zone, significant effort was expended during the year on the planning for the implementation of the Caymanas Economic Zone (CEZ), and a 4-phase development at Naggo Head.

> It is significant that FCJ was able to not only continue its unbroken record of profitability, but surpass the previous year by realizing a Total Comprehensive Profit of $1.19 billion

Following on the successful conversion of 20,000 sq. ft. of space in the Financial Year 2013/14, another factory building in Montego Bay Free Zone will be retrofitted / converted for ICT/ BPO use. Preliminary work on this project is far advanced and will result in an additional 62,000 sq. ft. of space in the coming financial year.

- Naggo Head Project

Phases 1-3 of the development mentioned earlier will each provide 50,000 sq. ft. of ICT/BPO space. Each phase will be completed in a construction period of nine months, yielding a total of 150,000 sq. ft. on a 5-acre plot at Naggo Head. The end of Phase 4 will see the build-out of an additional 600,000 sq. ft. of ICT/BPO buildings utilizing a further 21 acres. At this point we expect to have a state of the art, future ready Tech Park, housing some of the most recognized names in the ICT/ BPO sector in the world.

The projected benefit to the country from the implementation of the ICT/BPO Naggo Head projects is significant. Twenty Four Hundred (2,400) new jobs are expected to be generated from each of Phases 1-3 and on completion of Phase 4 this 26 acre development will yield 750,000 sq. ft of space and provide for the creation of an estimated 36,000 jobs.

We wish to thank our Portfolio Minister, Honourable G. Anthony Hylton, for his unwavering 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.

C.N. Fagan

Clive Fagan

Chairman

Board of DIRECTORS

1 | Gary Scott
2 | James Thomas
3 | Dennis Gordon
4 | Hopeton McCatty
5 | Andral 'Jack' Shirley
6 | Robert McIntosh
7 | Deanall Barnes
8 | Byron Clarke

9 | Norman Marshall

10 | William Potopsingh

11 | Leanne Philips

12 | Clive Fagan – Chairman

13 | Dian Carlene Fenton

14 | Junior Rose

Corporate GOVERNANCE

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 OF DIRECTORS

Mr. Clive Fagan – Chairman

Mr. Deanall Barnes

Mr. Byron Clarke

Ms. Dian Carlene Fenton

Mr. Dennis Gordon

Dr. Norman Marshall

Mr. Hopeton McCatty

Rev. Robert McIntosh

Ms. Leanne Philips

Mr. William Potopsingh

Mr. Junior Rose

Ms. Beverly Rose-Forbes

Mr. Gary Scott

Mr. Andral 'Jack' Shirley

Mr. James Thomas

Board
COMMITTEES

The Committees in place during the period April 1, 2013 - March 31, 2014 were the following:

FINANCE

Mr. Andral Shirley – *Chairman*
Mr. Deanall Barnes
Ms. Dian Fenton
Mrs. Beverly Rose-Forbes
Mr. Dennis Gordon

AUDIT & CORPORATE GOVERNANCE

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

PROPERTY DEVELOPMENT & MARKETING

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

ICT INFRASTRUCTURE & DEVELOPMENT

Mr. Clive Fagan – *Chairman*
Ms. Leanne Philips
Mr. Junior Rose
Mr. Gary Scott
Mr. James Thomas

HUMAN RESOURCE & ADMINISTRATION

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

Management
TEAM

Mr. Desmond Sicard
Acting Managing Director

Mr. Kenneth Rowe
Director of Finance

Ms. Enid Wells
Human Resource &
Administration Manager

Mrs. Sharon Phillips
Client Service/Marketing Manager

Mr. Keith Hastings
Property Manager

Mrs. Carol Peterkin
Corporate Officer

Advancing Jamaica's
ICT/BPO AGENDA

Jamaica's goal is to develop a world-class, high capacity information communications technology (ICT) and business process outsourcing (BPO) infrastructure, with attendant services, across the island making available 1.2 million square feet of space by 2016. In keeping with this, Factories Corporation of Jamaica (FCJ), in another demonstration of its commitment to national priorities, will as part of its three year corporate and operational plan, develop a modern high-tech, smart city Information Development Design Park, as well as convert and expand existing facilities in the Montego Bay Free Zone. This initiative is not only to support Jamaica's 2030 Vision, but is in fact a response to the increasing demand for this kind of space from some of the foremost leaders in the ICT/BPO Industry.

Factories Corporation of Jamaica (FCJ), in another demonstration of its commitment to national priorities, will as part of its three year corporate and operational plan, develop a modern high-tech, smart city Information Development Design Park, as well as convert and expand existing facilities in the Montego Bay Free Zone.

More specifically, the Naggo Head Tech Park will support the Information Technology Enabled Service (ITES) consisting of ICT/BPO/KPO, contact centres and software research and development facilities in a comprehensive ecosystem. Strong interest has been expressed by the local private sector as well as international operators for these types of facilities.

GREAT LOCATION

The site to be developed by FCJ is part of the previously subdivided greater Naggo Head Industrial Park, owned by FCJ, totaling 26 acres. The project phasing will include a five acre plot in the first instance and the remaining 21 acres thereafter. The facility will be designed with all the required supporting services to equip the park to compete with other countries offering world class ICT/BPO facilities and also allow for maximum return on investment with the appropriate economies of scale and mixture of industry and services needed.

The Naggo Head Tech Park will benefit from excellent roads, utility and modern telecommunication infrastructure, situated as it is, within close proximity to a major public transportation centre and last mile fiber optic connectivity. The location is also served by the usual social amenities, multiple fast food restaurants, service stations and a variety of complementing industries. Additionally, the site is located within the Kingston Metropolitan Area (KMA) which includes the major Urban centres of Kingston, Spanish Town and Portmore. This central location places the park 45 minutes from the Norman Manley International Airport (NMIA). In addition, within a 15 minutes radius can be found the world's 7th largest natural harbor, one of the Caribbean's largest and most modern Ports, a small craft airport for domestic flights and recreational amenities to include golf, horse racing, polo and beaches.

The advantages highlighted above are complemented by the fibralink submarine cable network that provides enhanced broadband capabilities which facilitate quick and reliable dissemination of data globally. A population of over 300,000, many of whom are post secondary trained and certified, is an added advantage of this location.

PROJECT DEVELOPMENT

The 26 acre project will be executed in four phases, over a period of three to four years. The first phase will cover infrastructure for the 150,000 square feet on five acres of land and should be fully operational and leased by October 2015. During the first three phases, three buildings will be constructed over three nine month periods, each building totalling 50,000 square feet. Phase 4 covers the development of the infrastructure works for the remaining 21 acres as well as the construction of communal facilities for the provision of support services. This phase is in preparation for the build-out of the additional 600,000 square feet of ICT/BPO buildings. When the entire project of 26 acres is completed, the capacity for an estimated 36,000 jobs would have been created.

Roads, parking lots, sidewalks, landscaping, power and light, water, connection to existing lift station/sewage, drainage, perimeter fencing and last mile fibre optic cables etc.

First building of 50,000 sq. ft., nine month construction period.

50,000 sq. ft., nine month construction period.

50,000 sq. ft., nine month construction period.

Communal Facilities. The build-out of the additional 600,000 sq. ft. of ICT/BPO buildings.

The project will total a minimum of 750,000 square feet, hosting such buildings as:

- ICT/BPO office space
- Training Facility
- Conference rooms
- Software and Content Development office (R & D)
- Shared Services Office
- Child Care Facility
- Medical Centre
- Alternative energy power generation - Private dedicated power supply [IPP]
- 100% Power Backup Support
- Last mile connectivity
- Telecommunications/Fiber-Optic - High Speed Networks

Amenities

- Security - Access Control and Electronic Surveillance
- Transportation services
- Multi-Cuisine Food Courts, Banks and ATMs, Retail Outlets, Business Centre etc.
- Ample parking space
- Beautifully landscaped area- manicured lawns and gardens

A GREAT VALUE PROPOSITION FOR INVESTORS

The Naggo Head Tech Park represents a great value proposition for investors. The park will be designated a Special Economic Zone (SEZ) and will provide facilities such as custom buildings, large scale facility leases and corporate design fit-outs.

ECONOMIC GROWTH

ICT/BPO is regarded as a key enabler for the development of all sectors of the society and a significant driver of economic growth. The development of that sector is a lynch pin in the quest to create a knowledge-based society. It already plays a critical role in the Jamaican economy as an employment creator of over 14,000 jobs. It is anticipated that the expansion and development of ICT Parks will facilitate the growth of small and medium enterprises (SMEs) which continue to play an increasingly pivotal role in technological innovation, employment generation, structural change and economic growth, around the world. This type of development also attracts investment from national and multi-national corporations as well as foster networks between the tenants and the services support ecosystem through backward and forward linkages – local, national and international.

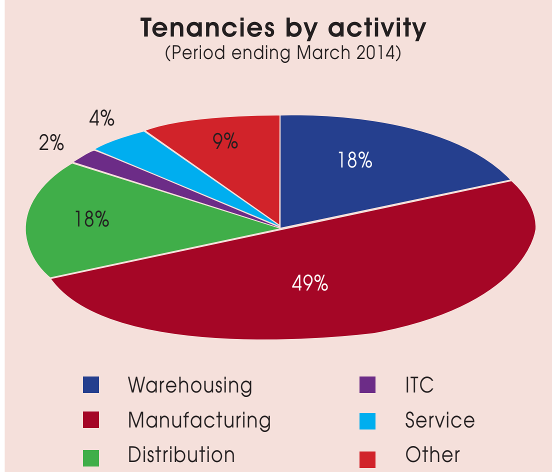
With this strategy, we are confident that Jamaica will achieve sustained global competitiveness, increased overall efficiency and productivity and contribute to the growth agenda of the Government of Jamaica.

Business REVIEW

HISTORY AND DEVELOPMENT

FCJ's initial mandate was to build approximately 92,936 square metres (1,000,000 square feet) of factory space. Presently, the Corporation manages some 169,157 square metres (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 of Caymanas Estate.

When the Company commenced operation in 1987, 75% of its tenants were engaged in the garment industry. Today the occupancy mix is far more diverse, as indicated below:



FCJ's mandate has been broadened to that of being a catalyst for job creation, development and sustainable economic growth. Accordingly, as Jamaica positions itself in a dynamic global environment and prepares to become the premier Information and Communication Technology (ICT), Business and Logistics Centre, FCJ will partner with its customers to understand their evolving needs and develop appropriate "future-ready" infrastructural solutions in order to fulfill the Minister's mandate.

FCJ's mandate has been broadened to that of being a catalyst for job creation, development and sustainable economic growth.

As part of its mission, FCJ will continue to be the Master Developer/Planner of new projects to give Jamaica a competitive advantage in the ITC, Business and Logistics sectors and will play an administrative and management role for all its projects.

HIGHLIGHTS OF ACHIEVEMENTS 2013/2014

Montego Bay Information and Communication Technology/Business Process Outsourcing Office Development

Due to the increased demand for Information Communications Technology (ICT)/ Business Process Outsourcing (BPO) space in the Montego Bay Free Zone (MBFZ), during the Financial Year, 20,000 sq. ft. of former factory space was retrofitted for use in the ICT/BPO Sector. The building is now leased to the Elephant Group, and has created employment for approximately 600 persons.

Redevelopment of Garmex Free Zone

The necessary infrastructure improvement works commenced during the 2013/2014 Financial Year and over this period approximately $35M was expended or committed for road improvement projects as well as for boundary wall redevelopment. The Corporation projects to spend approximately $120M in the 2014/15 Financial Year in continuation of the redevelopment of the complex.

Restoration of Scrap Metal Industry

The Factories Corporation of Jamaica has executed with the utmost professionalism and priority the mandate given by the Hon. G. Anthony Hylton, Minister of Industry, Investment and Commerce to manage, operate and monitor 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 trade in scrap metal continues to make a major contribution to the Jamaican economy, both in employment and exports, having resumed operations on January 28, 2013. Although just over one year old and therefore new in dimensions and structure, the trade is very robust and rigorous. This success story would not have been possible without the astute and responsive management of FCJ, Customs, the Police, and the Trade Board.

We have been able to use tight technological and mechanical monitoring, surveillance and collaborative support from all stakeholders to successfully facilitate trade. We view today's relative silence on theft as evidence of the prudent management of this operation.

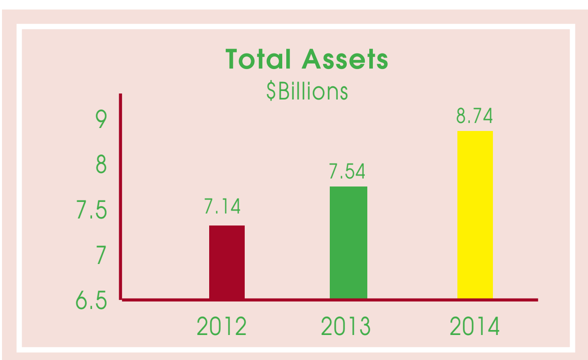
Improved Financial Performance

Despite the tight economic conditions, FCJ has been able to achieve significant surpluses as against that which was budgeted and projected over the corresponding periods. This was achieved through cost containment and innovative management of our assets.

At the end of March, we recorded a net profit on operations of $201.31M, a 34% increase over last year.

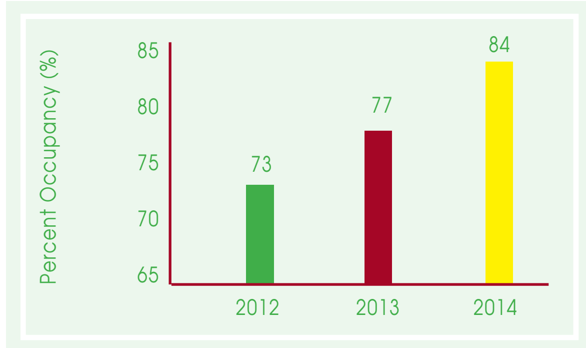
Total Assets

Assets grew from $7.54 billion as at March 31, 2013 to $8.74 billion as at March 31, 2014, an increase of 16%.



Occupancy

During the period under review occupancy moved from 77% to 84% with the addition of 12 new tenants employing approximately 850 persons. The new tenants include Elephant Group, Pan-Caribbean Sugar, Cal's Manufacturing Ltd., Mil & Mac Creative Producers Ltd., and Moc Manufacturing Co. Limited.



Records Management

The preliminary stages of the Records Management project were completed July-August 2013. With the exception of the Property Department, all were completed. The inventory of the Property Department was completed in April 2014. A disposition schedule is currently in progress.

Improved Management and Accountability System

Internal Audits were conducted on a quarterly basis by a contracted audit firm, while the Annual Audit of our financials is undertaken by an external audit firm. All required monthly and quarterly performance and contract reports were submitted to the Office of the Contractor General, Ministry of Finance & the Public Service and our Portfolio Ministry.

STRATEGIC FOCUS - 2014/2015

For the Financial Year 2014/2015, FCJ will implement the following:

- Construct new buildings suitable for the ICT/ BPO Industry at Naggo Head, Portmore

Following the mandate to develop a number of projects that were given 'National Priority Status', FCJ initiated the process by inviting proposals for the

(i) Construction of 150,000 sq. ft. of new buildings at Portmore Tech Park (Naggo Head)

(ii) Development of Tech Park Naggo Head on 21 Acres

(iii) Development of Caymanas Economic Zone 200 acres – Mandela North

(iv) Alternative Energy Supply

A submission was subsequently made and Cabinet approved the appointment of an Enterprise Team to guide the process. Because of the heightened interest in ICT/BPO space, FCJ is moving swiftly to commence the implementation of the Naggo Head project in the 2014/15 Financial Year. We will utilize a five acre plot of land which is owned by FCJ, to erect, on a phased basis, 150,000 square feet of space.

- Montego Bay ICT/BPO Development

A factory building in Montego Bay Free Zone will be retrofitted/converted for ICT/BPO use. Preliminary work on this project is far advanced and will result in an additional 62,000 sq. ft. of space in the coming financial year.

- Redevelopment of Garmex Free Zone

The further redevelopment plan includes:

- Continued rehabilitation of infrastructure to include roadways and parking areas, storm water drains and Boundary Walls
- Construction of redesigned entrance at Marcus Garvey Drive
- Redesign/Improvements to existing Jamaica Omnibus Service buildings in the Zone for use by players in the MSME Sector. Approximately 15,000 sq. ft. of space is earmarked for improvement in the 2014/15 Financial Year

- Infrastructure Development of Naggo Head Industrial Estate

- Upgrading existing buildings and sites through identified capital projects in the amount of approximately $350M in furtherance of FCJ's support for the MSME Sector

- Implementation of maintenance programmes at all facilities

- Rebranding/Restructuring

  Complementary to the refreshing of the Vision and Mission Statements and rebranding, the company will undertake a restructuring exercise

- Records Management

  The second and third phases of the Records Management project will be undertaken.

- FCJ intends to improve its profitability by achieving the following targets:

  (i) Minimum of 20% net profit

  (ii) Improving occupancy of rental space to 85%

  (iii) Ensuring Trade Receivables below 33 days

  (iv) Return on investment of 4.6%

CLIENT SERVICE/MARKETING

Occupancy

The year ended March 31, 2014 was a successful one as an occupancy rate of 84% was achieved, the highest in five years. This was a 7% increase over the previous year's rate of 77%. This increase resulted from the leasing of a retrofitted building in the Montego Bay Free Zone for the ICT sector, the leasing of the second building at the Hayes Free Zone and the leasing of Lot 7, Naggo Head and Haughton Court, Hanover, both of which were vacant for some time.

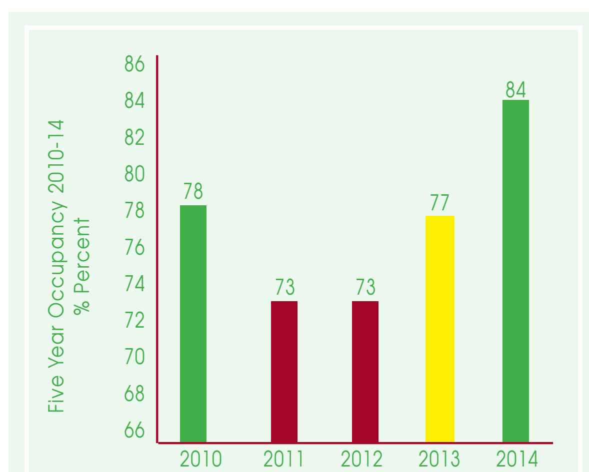
At our largest property, Garmex Free Zone and Commercial Complex, we lost one of our largest and longstanding tenants. However, they were replaced and a new tenant; Cal's Manufacturing which employs approximately 100 persons on a 24-hour basis was welcomed. Interest in the Corporation's space remains strong.

During the year, FCJ engaged the services of Market Research Services Ltd. to conduct the annual customer service survey. The resulting index was 73%. An aggressive programme of maintenance was undertaken in an effort to improve our clients' satisfaction levels.

From the chart below it is clear that there were improvements in both the number of companies occupying space as well as the amount of space occupied.

	March 2014	March 2013
Number of Companies	116	112
Total Available Space (sm)	160,274.03	160,258.15
Vacant Space (sm)	36,574.52	42,540.28
% Occupancy	84	77

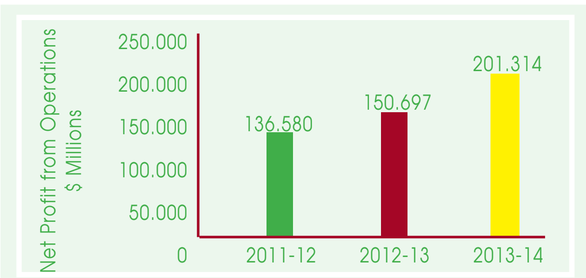
An aggressive programme of maintenance was undertaken in an effort to improve our clients' satisfaction levels.



FINANCIAL RESULTS

OPERATING PROFIT

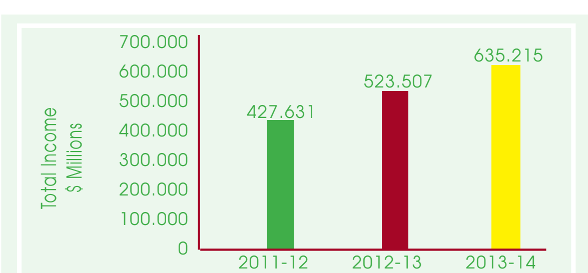
During the 2013/14 financial year, Factories Corporation of Jamaica Limited (FCJ) realized a total comprehensive profit of $1.19 billion, an increase of $770.28 million above the total comprehensive profit of $420.23 million for 2012/13. The increase in fair value of investment properties $994.76 million accounts for $723.52 million of this variance.



Net Profit from operations was $201.31 million, a 34% increase over the $150.69 million reported for the year 2012/13. Increase in rental rates, increased occupancy and a 12% increase in exchange rate are some of the factors attributable to the increase in net profit in 2013/14 over the previous year. The 2013/14 net profit increased by $64.73 million (47%) more than the $136.58 million net profit for 2011/12.

INCOME

Factories Corporation of Jamaica earns revenues mainly from the lease of factory and BPO space. The gross income for the year was $635.21 million. This represents an increase of 21% over the 2012/13 financial year. The leasing of factory and BPO spaces accounts for 79% of the total income ($504.5) million; this is an 8.73% increase over last period; whilst fees of $100.94 million received from the Scrap Metal trade and other income of



Three Year Financial Results

	2011-12 $M	2012-13 $M	2013-14 $M
INCOME			
Rental Income	380,451	463,980	504,500
Other Income - Scrap Metal	-	6,656	100,937
Other Income & Other Gains & Losses	47,180	52,871	29,778
Total Income	**427,631**	**523,507**	**635,215**
EXPENSES			
Direct Operating Expenses	109,677	105,267	96,552
Administrative Expenses	98,916	160,684	252,697
Other Expenses	54,543	79,353	58,686
Finance Costs	27,915	27,506	25,966
Total Operating Expenses	**291,051**	**372,810**	**433,901**
NET PROFIT FROM OPERATIONS	**136,580**	**150,697**	**201,314**
OTHER ADJUSTMENTS			
Increase in Fair Value of Investment Properties	240,842	271,249	994,767
Re-measurement Loss on Defined Benefit Plan	-	(1,719)	(5,570)
Total Comprehensive Income	**377,422**	**420,227**	**1,190,511**

$29.78 million (including foreign exchange gains) accounts for 16% and 5% of total income for the financial year respectively. The total income for financial year 2013/14 has increased 46% over 2011/12 total income of $427.63 million.

EXPENSES

Total operating expenses for the year of $433.9 million was $61.1 million or 16% above the previous year ended March 31, 2013. Included in this increase is $99.97 million of expenses relating to the scrap metal trade.

Administrative expenses totaled $252.69 million which was an increase of $92 million over last year. This negative variance was influenced by scrap metal expenditure of $99.97 million of which $56.65 million relates to salaries for scrap metal employees.

ASSET MANAGEMENT

FCJ's asset base increased by $1.2 billion (16%) to $8.74 billion in 2013/14 compared to $7.54 billion in the previous year.

The company continues to maintain a healthy cash flow and liquidity position with net increase in cash amounting to $200.68 million before the effect of foreign rate changes on foreign currency balances.

ESTATE DEPARTMENT

During the 2013/2014 financial year, the department continued its efforts to ensure that the Corporation accounted for and held proper ownership/authority in respect of all properties under its management and control. In the period under review, the department obtained sub-division approval in respect of two properties; namely, Marcus Garvey Drive (Garmex Free Zone) and Yallahs Industrial Estate (I.E.). Consequent on the grant of the sub-division approval, the department initiated the process to secure Splinter Titles for the said properties and successfully secured six Splinter Titles for the Marcus Garvey Drive property and five Splinter Titles for Yallahs I.E property. Four of the Splinter Titles obtained are required to facilitate the completion of pending sales, totalling $277M.

The department also secured a Splinter Title for the property occupied by JUTC at Naggo Head I.E. in order to facilitate the exchange of the said property for lands at Industrial Terrace, occupied by the Corporation, but owned by the now defunct Jamaica Omnibus Service (JOS). In the meantime, the department has continued with the necessary follow-ups with our 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 also continued to monitor the process to have another four properties; Salisbury Plain, Rodons Pen, Valdez Road, and Lot 3 Yallahs I.E., transferred to the Corporation.

In the review period, the department initiated and completed negotiations with Double Deuce Jamaica Limited for the sale of Lot 6 Yallahs I.E. for $40M and in the process obtained executed Agreement for Sale along with the requisite deposit. The sale is now awaiting Cabinet approval for completion. The department also obtained

...successfully secured six Splinter Titles for the Marcus Garvey Drive property and five Splinter Titles for Yallahs I.E property. Four of the Splinter Titles obtained are required to facilitate the completion of pending sales totalling $277M.

executed Agreements for Sale along with the requisite deposits from Heart Trust NTA and the National Health Fund for the sale of the properties at Lot 3B Culloden I.E. and Lot 5 Garmex for sale price of $15M and $42M, respectively. These sales are now awaiting Cabinet approval for completion. Expressions of interest were received from two existing tenants for the purchase of Lot 3 and Lots 10 &10A Yallahs I.E., St. Thomas. Negotiations are in train and are expected to be completed within the 2014 – 2015 financial year.

For the 2013–2014 financial year, we commissioned and obtained Surveyor's Identification Reports in respect of six of the Corporation's properties, namely; Springfield (Goodyear), St. Thomas; Lyssons, St. Thomas; East Albion, St. Thomas; Eleven Miles, Bull Bay, Twickenham Park, St. Catherine and Christiana, Manchester. The necessary corrective actions to breaches observed are now being investigated with a view to regularizing those identified within the shortest possible time. During the period, the department secured Court Orders for three informal settlers to vacate the property at Haughton Court, Hanover by June 30, 2014 and for the remaining two to vacate the said property by April 30, 2015. The Corporation is now in discussion with the Ministry of Transport, Works and Housing in order to facilitate the regularization of the informal settlement at the property in Old Harbour, St. Catherine.

PROPERTY DEPARTMENT

During the 2013/2014 financial year, the department continued its efforts of maintaining and upgrading the Corporation's assets through identified capital projects. In the period under review, Phase 1 of the Slope Protection Project at White Marl was completed at a cost of $15 M.

This project was carried out in order to stabilize the riverbank to the rear of the White Marl Complex in St Catherine. The Riverbank stabilization is an important plank for the preservation of the structural integrity of the factory buildings, as the foundation was exposed due to erosion being experienced in that area.

MAJOR ROAD DESIGN AND REHABILITATION WORKS AT GARMEX FREE ZONE

The Garmex property is the flagship location of FCJ and there is a drive to improve its physical infrastructure as well as its function. The 2013/14 budget year saw us completing several road upgrading projects which serve to improve aesthetic appeal as well as the traffic movement. Poui Parkway, Mahogany Drive and Poinciana Place were all rehabilitated by overlaying them with asphaltic concrete, putting in kerb walls and improving the drainage at a cost of $33 M.

MAINTENANCE PROJECTS

The maintenance expenditure for the 2013/14 period was in excess of $14 million. Garmex because of its size utilized most of the spending, but majority of the other sites enjoyed proportional outlays. The main maintenance areas were roof repairs, guttering, termite treatment, bushing and painting.


White Marl Slope Protection Project in progress

Mahogany Drive – Work in progress


Mahogany Drive – Completed Road

TRADE IN METAL

The Scrap Metal Trade resumed operations in Jamaica in January 2013, with Factories Corporation of Jamaica being charged with the responsibility to manage, operate and monitor the three designated Approved Scrap Metal Multi User Facilities:

- 2 Elspeth Avenue, Kingston 10 *(formerly operated by CM Recycling)*
- 20 Portland Avenue, Kingston 11, *(formerly operated by David's Scrap)*
- Lot 3E, Clarendon Park, Tollgate, Clarendon *(Formerly operated by Kurbriton)*

These three facilities, at the time, were the only means by which general exporters could export metal.

The opening of the most recent facility at 383 Spanish Town Road, Kingston 11 has replaced the smaller Elspeth Avenue property that existed up until late November last year. This location is significantly larger than the one previously occupied and is properly laid out as a significant multi-user site, which has removed the crunch that previously existed due to space constraints. It has been fully approved by various agencies of government as a multi-user site. The location is fully secured and allows for the operation of approximately seven users at any given time, with each independently occupying a designated space of approximately 10,000 square feet. This has no doubt allowed for a significant increase in the volumes of metal being exported and the ability to facilitate a larger number of exporters at any given time. This facility represents a significant logistic operation, with a true integration of different agencies, and its location proximate to the port of

This facility represents a significant logistic operation, with a true integration of different agencies, and its location proximate to the port of Kingston positions it as a significant player in the soon to be established Global Logistics Hub.

FCJ's most recent facility, 383 Spanish Town Road.

Kingston positions it as a significant player in the Logistics Centred Economy.

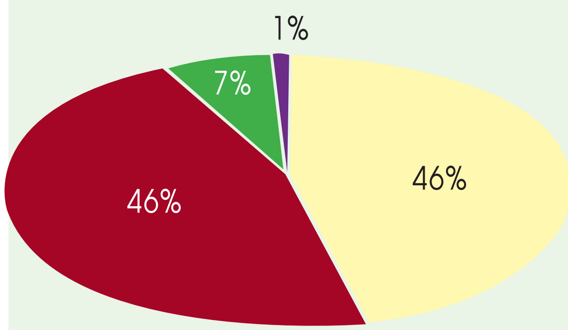
The Trade in Metal continues to make a major contribution to the Jamaican economy. The country has exported 76,837 metric tons of metal valued at approximately US$22 million as at April 23, 2014. The trade in metal has proven beneficial to a wide cross-section of the society; from financial institutions, shipping lines, trucking, logistics, operations, to the man in the street. It must be noted that the majority of the export volumes going through the Kingston Container Terminal (KCT) is via the trade in metal.

The Employment in this sector is about 600 jobs directly and approximately 2000 indirectly.

Scrap Metal Exports as at 23 April 2014

CATEGORY	TOTAL
Number of Containers	3,657
Total Tonnage (Metric Tons)	76,837
FOB (US $)	21,880,762

Classification of Persons directly engaged in the Scrap Metal Trade



	Number
Carriers	123
Dealers	125
General Exporters	19
Industrial Exporters	3

The trade in metal has proven beneficial to a wide cross-section of the society; from financial institutions, shipping lines, trucking, logistics, operations, to the man in the street.

We have been able to facilitate the trade, with tight technological and mechanical monitoring, surveillance and great collaborative support from all stakeholders.

While it has been challenging to structure a previously disorganized and haphazard sector, we are very 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. We view today's relative silence on theft as evidence of the prudent management of this operation.

HUMAN RESOURCES

Factories Corporation of Jamaica (FCJ) continues to pay special attention to our human resource requirements and development.

Recruitment

As a result of the assumption of responsibility of the scrap metal trade, we had to augment our human resource capability to manage that additional responsibility.

Summer Employment

Continuing our thrust as good corporate citizens, the Corporation has embraced the holiday summer employment programme through which 24 students benefitted.

Training

Staff development/training continues to hold pride of place in the organization as we remained committed to supporting our employees in their quest to achieve tertiary education, including MSc and BSc degrees, as well as short term educational development courses. We are confident that these opportunities will convert into greater efficiency and professionalism for both our organization and staff.

Christmas Luncheon and Long Service Awards

FCJ hosted its Annual Christmas Dinner on December 13, 2013, when the staff was feted and entertained. One of the highlights of the event was the honouring of employees for 10 - 13 years of stellar service by the presentation of long service awards. Here are some pictorial highlights:

Director Rev. Robert McIntosh, presented long service awards to Miss Nadine Parkinson, Miss Melorice Green, and Miss Jennifer Smith

Ambassador Stewart Stephenson, former Managing Director, presented long service awards to Ms. Ann Williams, Miss Gertrude Spence and Mrs. Georgette Cruickshank

Director Ms. Leanne Philips, presented long service awards to Messrs. Nathaniel Landells and Donald Thompson

Directors' COMPENSATION

FOR PERIOD ENDED MARCH 2014

Position of Director	Fees ($)	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)	Employer Statutory ($)	Total ($)
Board Chairman	179,000.00		1,348,967.67	1,527,967.67	137,193.60	1,665,161.2
Chairman of Finance Committee	200,000.00		14,583.33	214,583.33	437.50	215,020.83
Chairman Property Dev. & Marketing Committee	184,500.00			184,500.00		184,500.00
Chairman of Audit Committee	190,500.00			190,500.00		190,500.00
Chairman ICT Committee						
Chairman HR Committee	90,000.00	487,860.00	2,528,806.67	3,106,666.67	258,330.41	3,364,997.08
Other Directors:						
Director 1	112,500.00			112,500.00		112,500.00
Director 2	87,500.00			87,500.00		87,500.00
Director 3	119,500.00			119,500.00		119,500.00
Director 4	156,500.00			156,500.00		156,500.00
Director 5	96,000.00			96,000.00		96,000.00
Director 6	69,000.00		3,016,666.67	3,085,666.67	304,677.11	3,390,343.78
Director 7	87,500.00			87,500.00		87,500.00
Director 8	138,000.00			138,000.00		138,000.00
Director 9	40,000.00			40,000.00		40,000.00
Director 10			10,416.67	10,416.67	1,240.89	11,657.56

Senior Executive COMPENSATION

FOR PERIOD ENDED MARCH 2014

Position of Senior Executive	Salary	Gratuity or Performance Incentive ($)	Travelling Allowance Or Value of Assignment Of Motor Vehicle ($)	Other Allowances (S)	Total	Employer Statutory ($)	Total
Managing Director I	239,508.35			1,030.40	240,538.75	26,067.84	266,606.59
Managing Director II*	66,516.02			287.66	66,803.68	8,016.44	74,820.12
Director of Finance I	3,469,387.16	529,503.50	666,742.00	48,967.19	4,714,599.85	404,340.55	5,118,940.40
Director of Finance II*	28,713.79			106.64	28,820.43	3,433.23	32,253.66
Director of Finance III*	905,527.72		207,209.35	12,618.31	1,125,355.38	96,270.75	1,221,626.13
HR Manager I	3,447,354.04	328,711.70	975,720.00	59,028.00	4,810,813.74	115,052.81	4,925,866.55
HR Manager II*	86,018.00			529.04	86,547.04	10,309.92	96,856.96
HR Manager III*	64,513.50			386.38	64,899.88	1,947.00	66,846.88
Estate Manager/Chief Strategic Officer	4,839,179.65	470,337.25	975,720.00	60,058.40	6,345,295.30	521,610.56	6,866,905.86
Property Manager I	18,750.00	295,488.84			314,238.84	33,445.18	347,684.02
Property Manager II*	3,864,806.46		1,136,372.70	63,069.63	5,064,248.79	409,335.73	5,473,584.52
Property Manager III*	86,018.00			558.14	86,576.14	10,313.38	96,889.52
Client Service/ Marketing Mngr.	3,886,325.64	369,282.80	975,720.00	60,058.40	5,291,386.84	432,661.29	5,724,048.13
Legal Officer	18,750.00	282,812.25			301,562.25	32,116.38	333,678.63
Chief Engineer	2,888,138.58	166,250.00	975,720.00	59,028.00	4,089,136.58	331,962.01	4,421,098.59
Information Systems Manager	1,988,242.64		639,988.39	14,757.00	2,642,988.03	214,409.97	2,857,398.00

*Items resulted from retroactive payments to former holders of the positions.

There were no activities in connection with these items:

- Pension or Other Retirement Benefits ($)
- Non-Cash Benefits ($)

CORPORATE CITIZENSHIP

The corporation, with its limited budget, continued to play its role as a good corporate citizen through its support of charities, schools, service clubs, churches and community organizations.

FCJ continues to support numerous worthy causes through our participation in 5K events such as the Sigma Corporate, Grace Education and the Jamaica Cancer Runs.

In keeping with our policy of giving back to the communities in which we operate, a Christmas treat was held for children in the Majesty Gardens Community.

Garmex client & FCJ staff members make a donation to the Charles Chin Loy School in Tivoli Gardens

Christmas Treat in Majesty Gardens

Staff members at Grace Education Run

Staff members celebrating the completion of the Cancer Run

FACTORIES CORPORATION OF JAMAICA LTD.

Audited Financial Statements

Year Ended March 31, 2014

EY
Building a better working world
Chartered Accountants

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Jamaica, W.I.

Tel: +1 876 925 2501
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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, 2014, 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, 2004 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.

Building a better working world

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the members of Factories Corporation of Jamaica Limited (Continued)

Report on the financial statements (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as at March 31, 2014, and of its financial performance, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the company for the financial year ended March 31, 2013 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 25, 2013.

Report on additional requirements of the Jamaican Companies Act, 2004

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.

Ernst & Young

Chartered Accountants

Kingston, Jamaica,
September 29, 2014

Statement of Financial Position

at March 31, 2014

	Notes	2014 $'000	2013 $'000	2012 $'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	15,739	16,632	15,463
Investment properties	6	7,914,440	6,936,172	6,656,190
Retirement benefit asset	7,25	3,100	10,176	12,476
		7,933,279	6,962,980	6,684,129
Current assets				
Income tax recoverable		23,757	23,751	23,145
Trade and other receivables	8	38,826	66,511	41,522
Cash and bank balances	9	741,347	483,309	393,738
		803,930	573,571	458,405
Total assets		8,737,209	7,536,551	7,142,534
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	10	545,022	545,022	545,022
Capital reserves	11	1,876,010	1,876,010	1,876,010
Revenue reserve	25	5,793,814	4,603,303	4,183,076
		8,214,846	7,024,335	6,604,108
Non-current liabilities				
Borrowings	12	298,032	314,820	332,430
Current liabilities				
Trade and other payables	13	156,732	128,797	138,760
Borrowings	12	67,599	68,599	67,236
		224,331	197,396	205,996
Total equity and liabilities		8,737,209	7,536,551	7,142,534

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 September 29, 2014 and are signed on its behalf by:

Director

Director

Statement of Profit and Loss and other Comprehensive Income

Year ended March 31, 2014

	Notes	2014 $'000	Restated 2013 $'000
Revenue	14	504,500	463,980
Direct costs	15	(96,552)	(105,267)
Gross profit		407,948	358,713
Increase in fair value of investment properties	6	994,767	271,249
Other income – scrap metal fees		100,937	6,656
Other income and other gains and losses	16	29,778	52,871
Administrative expenses	15	(252,697)	(160,684)
Other operating expenses	15	(58,686)	(79,353)
Finance costs	17	(25,966)	(27,506)
NET INCOME	18,19,25	1,196,081	421,946
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to income in subsequent periods			
Re-measurement loss on defined benefit plan	7(e),25	(5,570)	(1,719)
TOTAL COMPREHENSIVE INCOME	25	1,190,511	420,227

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

Statement of Changes in Equity

Year ended March 31, 2014

	Share Capital $'000	Capital Reserves $'000	Revenue Reserve $'000	Total $'000
Balance at April 1, 2012 as previously reported	545,022	1,876,010	4,032,345	6,453,377
Prior year adjustment (Note 25)	-	-	150,731	150,731
Balance at April 1, 2012, as restated	545,022	1,876,010	4,183,076	6,604,108
Net income for the year as restated (Note 25)	-	-	421,946	421,946
Other comprehensive income for the year as restated (Note 25)	-	-	(1,719)	(1,719)
Total comprehensive income (Note 25)	-	-	420,227	420,227
Balance at March 31, 2013 as restated	545,022	1,876,010	4,603,303	7,024,335
Net income for the year	-	-	1,196,081	1,196,081
Other comprehensive income	-	-	(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

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

Statement of Cash Flows

Year ended March 31, 2014

	Notes	2014 $'000	Restated 2013 $'000
OPERATING ACTIVITIES			
Net income	5	1,196,081	421,946
Adjustments for:			
Depreciation of property, plant and equipment		5,425	4,615
Impairment loss recognised on trade receivables		6,000	23,100
Investment property write-off		-	74
Write-off of work-in-progress		57,763	8,463
Increase in fair value of investment properties		(994,767)	(271,249)
Retirement benefit cost	7(d)	4,886	4,304
Foreign exchange gains		(56,339)	(45,339)
Interest income		(20,890)	(14,475)
Interest expense		25,966	27,506
Operating cash flows before movements in working capital		224,125	158,945
Decrease (Increase) in receivables		21,685	(48,089)
Increase (Decrease) in payables		27,935	(9,963)
Retirement benefit contribution		(3,380)	(3,723)
Cash generated by operations		270,365	97,170
Tax paid		(6)	(606)
Net cash generated from operating activities		270,359	96,564
INVESTING ACTIVITIES			
Interest received		19,874	13,594
Short-term deposits		-	-
Purchase of property, plant and equipment	5	(4,532)	(5,784)
Expenditure on investment property		(41,264)	(17,270)
Net cash used in investing activities		(25,922)	(9,460)
FINANCING ACTIVITIES			
Interest paid		(25,966)	(27,506)
Repayment of borrowings		(17,788)	(16,247)
Net cash used in financing activities		(43,754)	(43,753)
NET INCREASE IN CASH AND CASH EQUIVALENTS		200,683	43,351
Effects of foreign exchange rate changes		56,339	45,339
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		481,938	393,248
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	738,960	481,938

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

1 **IDENTIFICATION**

Factories Corporation of Jamaica Limited (the Corporation) is incorporated in Jamaica and is wholly-owned by the Government of Jamaica. Its main activities are the construction, management and rental of factories.

The registered office of the Corporation is 17 Knutsford Boulevard, Kingston 5.

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 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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

In the current year, the Corporation has applied a number of new and revised IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period. These are listed below.

IFRS 13 *Fair Value Management*

IFRS 13 establishes a single source of guidance of fair value measurements and disclosures about fair value measurements. The Scope of IFRS is broad; the fair value measurement requirements of IFRS 13 apply to both financial instruments and non-financial instruments for which other IFRS require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair valued (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standards in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Corporation has not made any new disclosures required by IFRS 13 for the 2013 comparative period (Please see Notes 6 and 22 for the 2013/2014 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*
The amendments to IAS 1 introduce new terminology, whose use is not mandatory, for the statements of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The Corporation adopted the change in name. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified where required to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

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

Annual Improvements to IFRS 2009 – 2011 Cycle issued in May 2012

- **Amendments to IAS *Presentation of Financial Statements***
  The Annual Improvements to IFRS 2009 – 2011 have made a number of amendments to IFRS. The amendments that are relevant to the Corporation are listed below.

  The amendments to IAS 1 gives guidance on when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

  In the current year, the Corporation has applied new and revised IFRS and made a retrospective restatement, which has resulted in changes to the information presented in the statement of financial position as at April 1, 2012. In accordance with the amendments to IAS 1, the Corporation has presented a third statement of financial position as at April 1, 2012 without the related notes except for the disclosure requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as detailed below.

IAS 19 *Employee Benefits (as revised in 2011)*

In the current year, the Corporation has applied IAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of change in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on the plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. The amended standard requires retrospective application with certain limited exceptions. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. (See Notes 7 and 25 for disclosures of the effects of the changes).

The Corporation has applied the relevant transitional provisions.

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

2.2 ***Standards and Interpretations adopted with no effect on financial statements***

The following 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 1, 32, 34 and IFRS 1	Amendment arising from 2009 - 2011 Annual Improvements to IFRS	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures	January 1, 2013
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting financial assets and financial liabilities	January 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 10, 11, and 12	Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities - Transition guidance	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosures of Interests in Other Entities	January 1, 2013
IFRIC 20	Stripping costs in the Production Phase of a Surface Mine	January 1, 2013

2.3 ***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 were 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 16, 24, 38 and IFRS 2, 3, 8 and 13	Amendments arising from 2010 – 2012 Annual Improvements to IFRS	July 1, 2014
IAS 40 and IFRS 1, 3 and 13	Amendments arising from 2011 – 2013 Annual Improvements to IFRS	July 1, 2014
IAS 19	Employee Benefits – 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 32	Financial Instruments: - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to continue to apply hedge accounting requirements	When IFRS 9 is applied

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

2.3 ***Standards and interpretations in issue not yet effective (Continued)***

		Effective for annual periods beginning on or after
New and Revised Standards (Continued)		
IFRS 1	First-time Adoption of International Financial Reporting Standards	
	- Amendment for Government loan with a below-market rate of interest when transitioning to IFRS	July 1, 2013
IFRS 7	Financial Instruments: Disclosures	
	- Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2015 (or otherwise when IFRS 9 is first applied)
	- Additional hedge accounting disclosures (and consequential amendments)	When IFRS 9 is applied
IFRS 9	Financial Instruments: Classification and Measurement of financial assets	January 1, 2018
IFRS 10, 12 and IAS 27	Consolidated Financial Statements, Disclosure of Interests In Other Entities, and Separate Financial Statements	
	- Amendments for investment entities	January 1, 2014
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
New and Revised Interpretations		
IFRIC 21	Levies	January 1, 2014

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 amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

  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.

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

2.3 ***Standards and interpretations in issue not yet effective (Continued)***

- IFRS 9 *Financial Instruments (Continued)*

  Key requirements of IFRS 9: (Continued)

  ▪ 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.

The directors and management anticipate that the application of IFRS 9 may impact the amounts reported in respect of the Corporation's financial assets and liabilities. However, the directors and management have not yet completed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

- Annual Improvements to IFRS 2010 – 2012 Cycle issued in December 2013
- Annual Improvements to IFRS 2011 – 2013 Cycle issued in December 2013

The Annual Improvements to IFRS Cycles include a number of amendments to various IFRS. The amendments are effective for annual periods beginning on or after July 1, 2014. Amendments to IFRS include:

2010 – 2012 Cycle

▪ Amendments to IFRS 13: Fair Value Measurement; and
▪ Amendments to IAS 24 : Related Party Disclosures

Amendment to IFRS 13
The amendment clarifies that an entity is not required to discount short-term payables and receivables if the effect of the discounting is not material.

Amendment to IAS 24
The amendment widens the definition of key management personnel to include entities, or entities that are part of the same group, that provide key management personnel services to the reporting entity.

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

  The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

  The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required. The directors do not anticipate that the amendments will have a significant effect on the company's financial statements.

IFRS 15 – Revenue from contracts with customer
IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

The directors have not yet assessed the impact of this IFRS on the financial statements on adoption at its effective date.

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

2.3 ***Standards and interpretations in issue not yet effective (Continued)***

IFRIC 21 – Levies
IFRIC 21 provides guidance on recognition of a liability on levies imposed by a government. It identifies the obligating event for the recognition of the liability. The impact of implementation is not considered significant to the Corporation financial statements.

3 **SIGNIFICANT ACCOUNTING POLICIES**

3.1 **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.

3.2 **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 principal accounting policies are set out below:

Functional and presentation currency

The financial statements are presented in Jamaican dollars, the Corporation's functional currency.

3.3 **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 company.

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.

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

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.3 **Fair value measurement (Continued)**

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.

3.4 **Current versus non-current classification**

The company 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 trading
- 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.

3.5 **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.

3.6 **Property, plant and equipment**

All property, plant 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.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.6 **Property, plant and equipment (Continued)**

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, plant 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, plant 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.

3.7 **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 the income statement 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, plant and equipment up to the date of change in use.

3.8 **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.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.8 **Impairment of tangible and intangible assets (Continued)**

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.

3.9 **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.

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.

3.10 **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.

3.11 **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).

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.11 **Financial assets (Continued)**

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

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

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.

<u>Effective interest method</u>
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)**

3.11 **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.

3.12 **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 and 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.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.12 **Financial liabilities and equity instruments issued by the Corporation (Continued)**

b) *Other financial liabilities*

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.

3.13 **Dividends**

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

3.14 **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).

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.

3.15 **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

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.15 **Related party (Continued)**

(vii) the party is a post-employment benefit plan for the benefit of employees of the Corporation, or of any enti that is a related party of the Corporation.

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

3.16 **Revenue recognition**

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

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

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

3.17 **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks 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 rele lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the car 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 o relevant lease except where another systematic basis is more representative of the time pattern in w 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 liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line b except where another systematic basis is more representative of the time pattern in which economic ber from the leased asset are consumed.

3.18 **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which assets that necessarily take a substantial period of time to get ready for their intended use or sale, are adde 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 expenditur 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 did not apply any critical judgement in the process of applying the Corporation's accounting policies, apart from those involving estimation below, that has the most significant effect on the amounts recognised in the financial statements.

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 $7.8 billion (2013: approximately $6.7 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 $4.60 billion (59%) (2013: $4.28 billion (62%) were assigned the best yields.

These are deemed by management's 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 $61.25 million (2013: $52.84 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 $62.49 million (2013: $53.90 million).

The fair value of certain properties amounting to $479 million (2013: $1.9 billion) is based upon valuations carried out in a previous year. Management believes that the value of these properties at year end is not significantly different from the value derived from the previous valuations.

Provision for impairment losses on receivables

Provisions totaling approximately $48.8 million (2013: $47.8 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.

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

Key sources of estimation uncertainty (Continued)

Employees' benefits

As disclosed in Note 7, the Corporation operates a defined benefit pension plan. The amounts shown in the statement of financial position of an asset of $3.1 million (2013: $10.1 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.

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 estimated process. Note 7(j) highlights sensitivity analyses to changes in the assumptions in the discount rate and the rate of salary increase.

5 **PROPERTY, PLANT AND EQUIPMENT**

	Leasehold Improvements $'000	Furniture, Fixtures and Equipment $'000	Computer Software and Equipment $'000	Motor Vehicles $'000	Total $'000
At Cost					
April 1, 2012	265	21,614	11,948	8,778	42,605
Additions	-	4,024	1,760	-	5,784
March 31, 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
Accumulated Depreciation					
April 1, 2012	265	13,035	10,459	3,383	27,142
Charge for the year	-	2,152	733	1,730	4,615
March 31, 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
Carrying amount					
March 31, 2014	-	11,242	2,275	2,222	15,739
March 31, 2013	-	10,451	2,516	3,665	16,632

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 years

6 INVESTMENT PROPERTIES

(a) These comprise:

Land and buildings at fair values:

	W.I.P. $'000	Completed $'000	Total $'000
Balance, April 1, 2012	218,907	6,437,283	6,656,190
Additions	7,020	10,250	17,270
Transfers	(6,505)	6,505	-
Write-off to income (Note 6(g))	(74)	-	(74)
Work-in-progress write-off (Note 6 (h))	(8,463)	-	(8,463)
Increase in fair value	-	271,249	271,249
Balance, March 31, 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 (h))	(57,763)	-	(57,763)
Increase in fair value	-	994,767	994,767
Balance, March 31, 2014	156,947	7,757,493	7,914,440

(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, 2014 has been arrived at as follows:

(i) $2.73 billion (2013: $1.8 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 12.5% (2013: 7.14% to 12.5%) income capitalisation rate.

(ii) $479 million (2013: $1.9 billion) is based upon prior year valuations. These properties are the subject of executed Sales Agreement and the two properties pledged to the NIF and the South West Andrew Trust Limited for transfers. With respect to 2013 management believed that the values of properties so carried were not significantly different from the values derived from previous valuations.

(iii) The fair value of the remaining investment properties at March 31, 2014 amounting to $4.6 billion (2013: $3.1 billion) has been arrived at on the basis of valuations carried out by external valuators, Allison Pitter & Company ($0.6 billion), LA Maison Property Services Limited ($1.1 billion), C.D. Alexander and Company ($0.5 billion) and David Thwaites and Associates ($2.4 billion). 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 11.11% (2013: 8.3% to 12.5%) income capitalisation rate.

Additional fair value disclosures are provided in Note 22.

(d) The property rental income earned by the Corporation from its investment properties, which are leased under operating leases, totalled $504.5 million (2013: $463.9 million). Direct operating expenses totalled $96.6 million (2013: $105.3 million).

(e) At the end of the reporting period, investment properties with fair value of approximately $1.4 billion (2013: $1.3 billion) were not registered in the Corporation's name.

(f) Certain investment properties with a value of $602 million (2013: $478 million) are pledged as security for a loan. (See Note 12).

(g) This represents write-off of amounts considered irrecoverable.

6 **INVESTMENT PROPERTIES (CONTINUED)**

(h)(i) Investment property work-in-progress (Note 6(a)) included an amount of $25.3 million incurred in previous years for the construction of a sewage plant to facilitate rental properties owned by the Corporation. Management intends to transfer the plant to an independent entity for continued operation of the plant. Beginning in the 2013 financial year, management decided to write-off the cost incurred over a period of three years that the Corporation expected to benefit from holding the plant for the purpose of facilitating the tenanted property. On further assessment the remaining balance of $16.9 million was written off during the year.

(ii) Additional amounts totaling $40.8 million were written off work-in-progress during the year as management has assessed that no further economic benefits will accrue to the Corporation as the projects to which they relate are being rescoped.

7 **RETIREMENT BENEFIT 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.

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, 2014 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 $172.2 million (2013: $148.2 million) and that the actuarial valuation of these assets represented 101.8% of the present value of the obligation. (2013: 107.4% of the present value of the obligation).

No other post retirement benefits are provided.

(a) Key actuarial assumptions were as follows:

	Valuation at	
	2014	**2013**
	%	**%**
Gross discount rate	9.5	10.0
Expected rate of salary increases	5.5	5.5
Future pension increases	5.5	4.5
Inflation	5.5	5.5
Administrative fees	1.0	1.0
Investment fees	0.0	1.5

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 2014 is 33 years (2013: 34 years).

The Corporation expects to make a contribution of $3.2 million (2013: $4.2 million) to the Plan during the next financial year. Total contributions inclusive of employees contribution is expected to be $8.2 million.

7 **RETIREMENT BENEFIT ASSET (CONTINUED)**

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

	2014 $'000	2013 $'000
Present value of funded obligation	(169,097)	(138,051)
Fair value of plan assets	172,197	148,227
Net asset recognised in the statement of financial position	3,100	10,176

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

	2014 $'000	2013 $'000
Balance, beginning of the period	10,176	12,476
Remeasurements recognised in other comprehensive income (Note 7(e)	(5,570)	(1,719)
Amounts charged to income	(4,886)	(4,304)
Employer contributions	3,380	3,723
Balance, end of the period	3,100	10,176

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

	2014 $'000	2013 $'000
Current service cost	5,805	5,364
Net Interest cost:		
Interest cost on defined benefit obligation	9,681	10,692
Interest income on plan assets	(10,600)	(11,752)
	(919)	(1,060)
Net expense recognised in staff cost	4,886	4,304

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:

	2014 $'000	2013 $'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	19,765	(1,719)
Net loss recognised in other comprehensive income	(5,570)	(1,719)

7 RETIREMENT BENEFIT ASSET (CONTINUED)

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

2014	**Demographic Assumptions** $'000	**Financial assumptions** $'000	**Experience Adjustments** $'000	**Net** $'000
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)

2013	**Demographic Assumptions** $'000	**Financial assumptions** $'000	**Experience Adjustments** $'000	**Net** $'000
Defined benefit obligation	-	-	4,110	4,110
Fair value plan assets	-	-	(5,829)	(5,829)
Recognised in other comprehensive income (Note 7(e))	-	-	(1,719)	(1,719)

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

	2014 $'000	**2013** $'000
Opening defined benefit obligation	138,051	121,911
Service cost	5,805	5,364
Interest cost	9,681	10,692
Members' contributions	5,234	5,879
Benefits paid	(4,534)	(1,685)
Value of purchased annuities	2,428	-
Remeasurement loss (gain) on obligations for other comprehensive income (Note 7(f))	12,432	(4,110)
Closing defined benefit obligation	169,097	138,051

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

	2014 $'000	**2013** $'000
Opening fair value of plan assets	148,227	134,387
Members' contribution	5,234	5,879
Employer's contribution	3,380	3,723
Interest income on plan assets	10,600	11,752
Benefits and expenses paid	(4,534)	(1,685)
Value of purchased annuities	2,428	-
Remeasurement gain (loss) on assets for other comprehensive income (Note 7(f))	6,862	(5,829)
Closing fair value of plan assets	172,197	148,227

7 **RETIREMENT BENEFIT ASSET (CONTINUED)**

(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	
	2014	2013	2014	2013
	%	%	$'000	$'000
Equity instruments	15	16	26,516	24,101
Mortgage and real estate	11	10	19,162	15,089
Fixed income	32	50	54,980	74,282
Foreign currency funds	17	15	29,275	21,688
Money market funds	4	4	6,658	5,473
CPI indexed fund	14	-	24,314	-
Value of purchased annuities (net of adjustments)	7	5	11,292	7,594
	100	100	172,197	148,227

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.

(j) Sensitivity analysis

	Discount rate		Rate of salary increase	
	1%	1%	1%	1%
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
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:

	2014	2013
	$'000	$'000
Trade receivables	70,228	53,594
Less: Provision for doubtful debts	(48,837)	(47,774)
	21,391	5,820
Deposits and prepayments	8,865	47,275
Other receivables (net of provision for doubtful debts of $ 1.7 million (2013: $1.7 million)	8,570	13,416
	38,826	66,511

8 **TRADE AND OTHER RECEIVABLES (CONTINUED)**

Customers are invoiced one month in advance and are required to settle promptly. The average credit period is 30 days (2013: 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.

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 $72.8M (2013: $55.6M) 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. Trade receivables that are neither past due nor impaired represents 1% (2013: 0.5%) of the total trade receivables.

Of the trade receivables balance at the end of the year, 5 customers (2013: 3 customers) had combined balances of approximately 47% (2013: 44%) of the total balance of trade receivables. No other customer had an outstanding balance in excess of 5% of trade receivables.

Included in the Corporation's trade receivables balance are debtors with a carrying amount of $16.9 million (2013: $5.5 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

	2014 $'000	2013 $'000
31-60 days	-	-
61-90 days	8,042	-
90+ days	8,937	5,528
	16,979	5,528

The average age of past due but not impaired trade receivables is over 78 days (2013: 90 days).

Movement in provision for doubtful debts

	Trade receivables		Other receivables	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at beginning of year	47,774	25,409	1,734	1,734
Impairment losses recognised on receivables	6,000	23,100	-	-
Amounts written off during the year as uncollectible	(4,937)	(735)	- -	-
Amount recovered	-	-	-	-
Balance at end of year	48,837	47,774	1,734	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.

Ageing of impaired trade and other receivables

	Trade receivables		Other receivables	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
90 +days	48,837	47,774	1,734	1,734

9 CASH AND CASH EQUIVALENTS

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:

	2014 $'000	2013 $'000
Cash and bank balances	741,347	483,309
Less: Interest receivable	(2,387)	(1,371)
	738,960	481,938

Cash and bank balances include balances amounting to approximately J$687.7 million (US$6,310,000) bearing interest at rates ranging from 3.2% to 4.05% per annum (2013: J$456.0 million (US$4,656,000) bearing interest at rates ranging from 2.5% to 3.75% per annum).

The balance also includes Jamaican dollar deposits of approximately $18.7 million bearing interest rates at 8.75% per annum (2013: approximately $20.4 million at rates ranging from 5.1% to 6.7% per annum).

10 SHARE CAPITAL

	Number of units	
	2014 '000	2013 '000
Authorised Share capital:		
5,100,000 no par value ordinary shares at the beginning and end of the period	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).

	2014 $'000	2013 $'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		2014 $'000	2013 $'000
8.0	2024	National Insurance Fund	365,631	383,419
		Less current portion	(67,599)	(68,599)
		Non-current	298,032	314,820

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 $602 million (2013: $478 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 via an asset swap between the two entities as agreed at the date of consolidation of the loan.

13 TRADE AND OTHER PAYABLES

The amount comprises:

	2014 $'000	2013 $'000
Rental deposits	72,779	55,591
Retentions payable	2,638	5,332
Due to Montego Bay Free Zone	-	1,224
Accruals	20,944	24,966
Maintenance refund due	14,696	6,330
Other payables	45,675	35,354
	156,732	128,797

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:

	2014 $'000	2013 $'000
Rental income	504,500	463,980

Notes to the Financial Statements
Year ended March 31, 2014

15 **EXPENSE BY NATURE**

	2014 $'000	2013 $'000
Direct Costs		
Management fees	50,183	34,506
Pre-occupancy expenses	2,482	6,359
Repairs and maintenance	36,908	61,165
Advertising and public relations	6,979	3,237
	96,552	105,267
Administrative Expenses		
Salaries and related costs	170,176	110,449
Statutory contributions	13,398	9,543
Pension	4,886	4,304
Directors' expenses	1,750	1,934
Miscellaneous	3,062	1,027
Commission (scrap metal operations)	24,074	2,995
Rates and taxes	3,764	2,537
Utilities	13,255	8,299
Travel and subsistence	3,787	3,512
Printing, stationery and postage	3,664	2,879
Staff welfare and training	4,613	5,483
Directors' meetings	2,372	6,325
Entertainment	858	18
Office supplies	3,038	1,379
	252,697	160,684
Other Operating Expenses		
Rental of premises	12,525	7,727
Insurance	2,426	2,896
Audit and accounting fees	5,010	6,231
Professional fees	12,095	12,488
Motor vehicle expenses	2,570	1,974
Depreciation	5,425	4,615
Subscription and donations	625	449
Bad debts	7,774	23,117
Bank charges	691	621
Repairs and maintenance - other	9,545	19,235
	58,686	79,353

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

	$'000	$'000
Salaries and related costs	56,655	2,034
Statutory contributions	3,875	-
Staff welfare and training	478	-
Office supplies	674	-
Rental of premises	4,606	-
Repairs and maintenance – other	429	9,799
Utilities	4,836	1,192
Commission	24,074	2,995
Other expenses	4,347	-
	99,974	16,020

16 OTHER INCOME AND OTHER GAINS AND LOSSES

	2014 $'000	2013 $'000
Net foreign exchange gains	56,841	45,339
Interest income- bank deposits at amortised cost	20,890	14,475
Interest – other	1,069	129
Other income	8,741	1,391
Work-in-progress write-off (Note 6)	(57,763)	(8,463)
	29,778	52,871

17 FINANCE COSTS

	2014 $'000	2013 $'000
Interest on loans	25,966	27,506

The weighted average rate on funds borrowed generally is 8% per annum (2013: 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:

	2014 $'000	2013 $'000
Expenses		
Directors' emoluments		
Fees	1,750	1,935
Compensation	8,450	19,700
Audit fees	2,050	2,050
Depreciation	5,425	4,615

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 from related parties	
	2014	2013	2014	2013	2014	2013
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Montego Bay Free Zone Company Limited	8,639	6,313	-	1,224	8,639	5,089

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:

	2014	2013
	$'000	**$'000**
Montego Bay Free Zone Company Limited		
Management fees	50,183	34,506
Directors		
Fees	1,750	1,935
Compensation	8,450	19,700

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

Compensation of key management personnel

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

	2014	2013
	$'000	**$'000**
Short-term benefits	46,034	71,699
Retirement benefit expense	824	998

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:

	2014	2013
	$'000	**$'000**
Financial assets (at amortised cost)		
Cash and bank deposits	741,347	483,309
Trade and other receivables	36,750	26,054
	778,097	509,363
Financial liabilities		
Borrowings	365,631	383,419
Payables	136,377	98,026
	502,008	481,445

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

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.

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 $778.1 million (2013: $509.4 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 5 customers (2013: 3 customers) with individual balances over 5% of trade receivables that had combined balances of approximately 47% (2013: 44%) of the trade receivables balance. A doubtful debt allowance of $24.7 million has been made against these balances (2013: $18.9 million). The Corporation holds security deposits of $72.8 million (2013: $55.6 million) in this regard as tenants' deposits.

(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. Market information and additional analysis is also used to manage risk exposure and mitigate the limitations of sensitivity analysis.

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.

	2014		2013	
	US$'000	**J$'000**	**US$'000**	**J$'000**
Total assets/Exposure	6,331	690,064	4,656	456,023

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 15% devaluation or a 1% revaluation (2013: 10% devaluation or a 1% revaluation) change in United States dollar rates. The sensitivity analysis includes trade and other receivables, cash and cash equivalents and short-term loans. This represents management's assessment of the reasonably possible change in foreign exchange rates.

If the Jamaican dollar devalues by 15% or revalues by 1% (2013: devalues by 10% or revalues by 1%) against the United States currency, profit will increase (decrease) by:

	2014				2013			
	Devaluation		**Revaluation**		**Devaluation**		**Revaluation**	
	%	**J$'000**	**%**	**J$'000**	**%**	**J$'000**	**%**	**J$'000**
United States dollar	15	103,510	1	(6,901)	10	45,602	1	(4,560)

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.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the year.

(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% (2013: 8%) and 3.88% (2013: 3.35%) respectively.

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

Financial risk management *(Continued)*

(b) Market risk (Continued)

(ii) Interest rate risk (Continued)

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 deposits. The analysis is prepared assuming the amount of asset outstanding at the end of the reporting period was outstanding for the whole year. 250 basis point increase or 100 basis point decrease (2013: 200 basis points increase or 50 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.

	2014	**2013**
	$'000	**$'000**
Effect on profit or loss		
Effect on net profit increase 250 (2013: 200) basis points (USD)	9,791	9,024
Effect on net profit decrease 100 (2013: 50) basis points (USD)	3,916	2,256

The Corporation's sensitivity to interest rates has not significantly changed during the current period as holding in US dollar deposits has remained consistent.

The fair value of NIF borrowings at the end of the reporting period is disclosed at Note 21(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.

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

Financial risk management *(Continued)*

(c) Liquidity risk

Management of liquidity risk (Continued)

Financial liabilities

	Weighted Average Effective Interest rate %	Within 1 year $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
March 31, 2014					
Non-interest bearing	Nil	136,377	-	-	136,377
Borrowings	8	43,753	175,012	295,310	514,075
		180,130	175,012	295,310	650,452
March 31, 2013					
Non-interest bearing	Nil	98,026	-	-	98,026
Borrowings	8	94,565	218,766	251,580	564,911
		192,591	218,766	251,580	662,937

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
March 31, 2014		
Non-interest bearing	Nil	61,537
Variable interest rate instruments	4.01	706,448
		767,985
March 31, 2013		
Non-interest bearing	Nil	36,070
Variable interest rate instruments	3.35	475,862
		511,932

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

Financial risk management *(Continued)*

(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.

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, 2014 was 4.43% (2013: 5.46%).

Gearing ratio

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

	2014 $'000	2013 $'000
Debt (i)	365,631	383,419
Equity (ii)	8,214,846	7,024,335
Debt to equity ratio	4.45%	5.46%

(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 ben 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 $365.6 million (2013: $383.4 million) and $256.8 million (2013: $288.8 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, 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	-	256,750	-	256,750
At March 31, 2013				
Assets measured at fair value:				
- Investment properties	-	6,936,172	-	6,936,172
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate concessionary borrowings	-	288,780	-	288,780

23 OTHER DISCLOSURES - EMPLOYEES

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

	2014 **$'000**	2013 **$'000**
Salaries and wages	170,176	110,449
Statutory contributions	13,398	9,543
Pension costs	4,886	4,304
	188,460	124,296

24 CAPITAL COMMITMENTS

Capital commitments as at March 31, 2014, authorised by the Board of Directors but not contracted for amounted to approximately $671.3 million (2013: $136.9 million) in respect of:

	2014 **$'000**	2013 **$'000**
Furniture, fixtures and equipment	4,049	2,015
Computer software and equipment	3,667	3,142
Motor vehicles	4,000	11,000
Investment properties	762,567	120,720
	774,283	136,877

25. **FINANCIAL EFFECT OF FINANCIAL STATEMENTS RESTATEMENTS AND RECLASSIFICATIONS**

During the year:

(i) IAS 19 Employee Benefits (as revised in 2011) and the related retrospective amendments were applied.

(ii) Deferred tax liabilities were reversed as the Corporation attained income tax exempt status in a prior year. No limit was put on the exemption and therefore no income tax or deferred tax would apply.

Below is the reconciliation of equity as at April 1, 2012 and March 31, 2013 and the Statement of Profit and Loss and Other Comprehensive Income for the year ended March 31, 2013.

a) Reconciliation of equity as at April 1, 2012

	As at 01/04/12 as previously reported $'000	IAS 19 Adjustments $'000	Reversal of deferred taxes $'000	Total Adjustment $'000	As at 01/04/12 (as restated) $'000
Retirement benefit asset	9,439	3,037	-	3,037	12,476
Other non-current assets	6,671,653	-	-	-	6,671,653
Current assets	458,405	-	-	-	458,405
Total assets	7,139,497	3,037	-	3,037	7,142,534
Borrowings	(332,430)	-	-	-	(332,430)
Deferred tax liability	(147,694)	-	147,694	147,694	-
Current liabilities	(205,996)	-	-	-	(205,996)
Total effect on net assets	6,453,377	3,037	147,694	150,731	6,604,108
Share capital	(545,022)	-	-	-	(545,022)
Capital reserves	(1,876,010)	-	-		(1,876,010)
Revenue reserves	(4,032,345)	(3,037)	(147,694)	(150,731)	(4,183,076)
Total effect on equity	(6,453,377)	(3,037)	(147,694)	(150,731)	(6,604,108)

b) Reconciliation of equity as at March 31, 2013

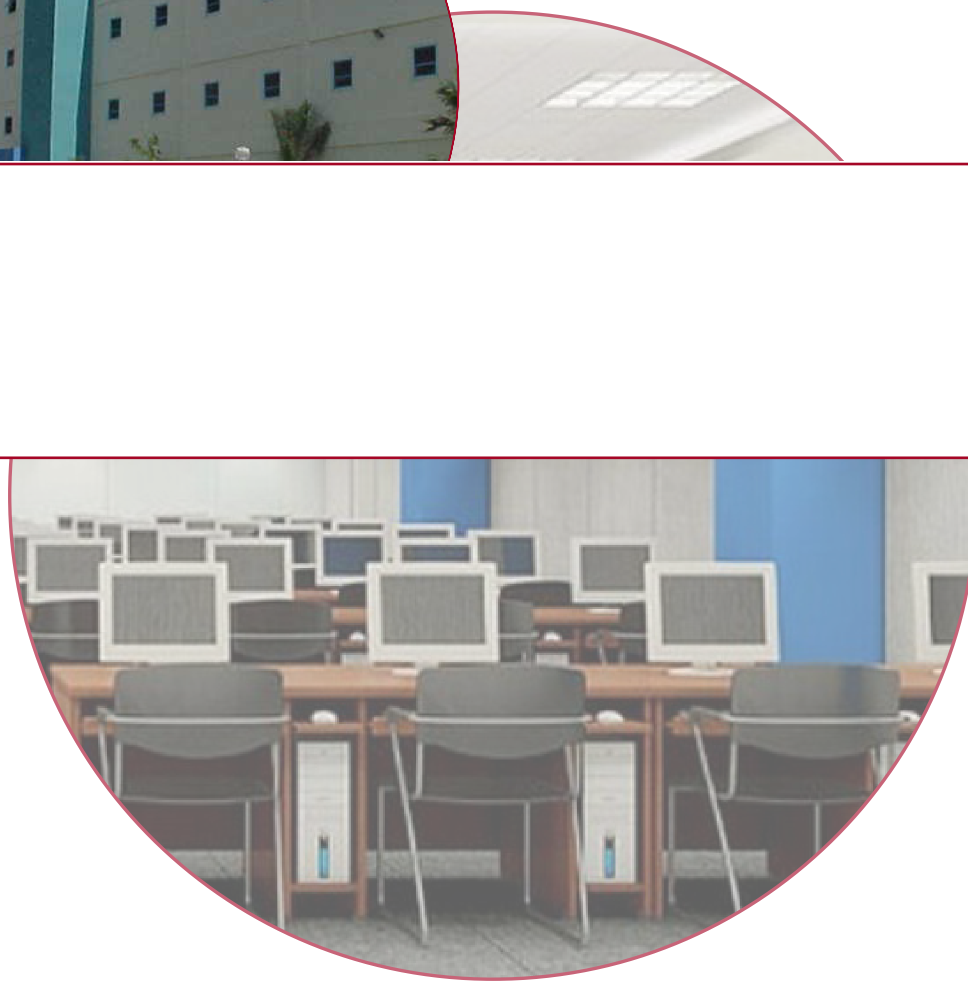
	As at 31/03/13 as previously reported $'000	IAS 19 Adjustments $'000	Reversal of deferred taxes $'000	Total Adjustment $'000	As at 31/03/13 (as restated) $'000
Retirement benefit asset	10,176	-	-	-	10,176
Other non-current assets	6,952,804	-	-	-	6,952,804
Current assets	573,571	-	-	-	573,571
Total assets	7,536,551	-	-	-	7,536,551
Borrowings	(314,820)	-	-	-	(314,820)
Deferred tax liability	(121,940)	-	121,940	121,940	-
Current liabilities	(197,396)	-	-	-	(197,396)
Total effect on net assets	6,902,395	-	121,940	121,940	7,024,335
Share capital	(545,022)			-	(545,022)
Capital reserves	(1,876,010)	-	-	-	(1,876,010)
Revenue reserves	(4,481,363)	-	(121,940)	(121,940)	(4,603,303)
Total effect on equity	(6,902,395)	-	(121,940)	(121,940)	(7,024,335)

25. **FINANCIAL EFFECT OF FINANCIAL STATEMENTS RESTATEMENTS AND RECLASSIFICATIONS (CONTINUED)**

c) Reconciliation of the Statement of Profit and Loss and Other Comprehensive Income

	As at 31/03/13 as previously reported $'000	**IAS 19 Adjustments $'000**	**Reversal of deferred taxes $'000**	**Adjustments $'000**	**As at 31/03/13 (as restated) $'000**
Revenue	463,980	-	-	-	463,980
Direct cost	(105,267)	-	-	-	(105,267)
Expenses					
Administration	(159,366)	(1,318)	-	(1,318)	(160,684)
Other operating expenses	(79,353)	-	-	-	(79,353)
Finance costs	(27,506)	-	-	-	(27,506)
Increase in value of investment properties	271,249	-	-	-	271,249
Other gains and losses	59,527			-	59,527
	423,264	(1,318)	-	(1,318)	421,946
Taxation	25,754	-	(25,754)	(25,754)	-
Net income	449,018	(1,318)	(25,754)	(27,072)	421,946
Other comprehensive income	-	(1,719)	-	(1,719)	(1,719)
TOTAL COMPREHENSIVE INCOME	449,018	(3,037)	(25,754)	(28,791)	420,227

Notes



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