Artist's impression of the Caymanas Economic Zone

FACTORIES CORPORATION OF JAMAICA LIMITED

ANNUAL REPORT 2012 - 2013

Vision

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

Mission

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

FACTORIES CORPORATION OF JAMAICA LTD.
ANNUAL REPORT - *Year Ended March 31, 2013*

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CORPORATE DATA

FACTORIES CORPORATION OF JAMAICA LIMITED

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

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Email: factories@cwjamaica.com
Website: www.factoriesjamaica.com

REGISTERED OFFICE	17 Knutsford Boulevard Kingston 5 Jamaica,WI
AUDITORS	Deloitte & Touche 7 West Avenue Kingston 4 Jamaica,WI
BANKERS	The Bank of Nova Scotia Jamaica Scotia Centre Duke & Port Royal Streets Kingston Jamaica,WI National Commercial Bank 37 Duke Street Kingston Jamaica, WI

The Chairman's Report

A CHALLENGING BUT VERY SUCCESSFUL YEAR

As I write these notes we are heading towards the end of another year and the time to reflect. We remain active on many fronts and for a corporation with a relatively small employment base, I feel we've punched above our weight, although this does, at times, impose a strain on those who are active at the centre of our activities.

The year 2012-13 was the first full year of my incumbency as Chairman of the FCJ Board and I am happy to report that although the year was eventful and hectic, in the final analysis it was a good year for the Corporation.

We have seen a remarkable increase in Operating Profit after Tax of ninety six percent (96%) of the Corporation year over year for the first time, despite tight financial constraints. In our core business of providing commercial and industrial rental space, mainly to the manufacturing, warehousing, distribution and ICT sectors, we realized an incremental four per cent (4%) increase in occupancy levels from seventy three percent (73%) in 2011-12 to seventy seven percent (77%), despite a downturn in business activities for several of our clients.

On several occasions, we found it prudent to exhibit leniency to some of our tenants in distress, particularly in the manufacturing sector. This ensured that they were able to maintain and improve their businesses during a very challenging period. This approach proved all for the good, as our revenue grew by twenty two percent (22%) and our net income after tax by thirty eight (38`%).

Clive Fagan

Our plans to further develop the Naggo Head Informatics Park to meet a growing demand for office space, saw us re-positioning this project as a major part of the economic development programme being championed by the Ministry of Industry, Investment and Commerce.

The ICT space now being developed is up from 100,000 square feet to 750,000 square feet. This project is expected to further enhance Jamaica's competitiveness, as it will allow targeted multi-national corporations the option of establishing their BPO and logistics warehousing activities in a single country. The demand for this additional space is extremely high and has already attracted some major players in the international business process outsourcing industry.

CAYMANAS LOGISTICS CENTRE

The Corporation has been given several additional responsibilities by our portfolio Minister which has positioned the Corporation as a major player in the Government's focus on economic development. This includes spearheading the development of the Caymanas Logistics Centre (CLC) which has been expanded to become a part of the establishment of the Jamaica logistics hub initiative.

The establishment of this special economic zone is identified as one of the most important areas of the hub initiative as it is targeted to support various logistics clusters which will enhance the transhipment port.

With this expanded mandate, FCJ sought proposals from local and international partners for the phased development of the Caymanas Logistics Centre (North Mandela Park and South Mandela Park), the Naggo Head Informatics Park and Alternative Energy Generation, which is to focus on the reduction of the high cost of electricity. The energy generation component is intended to specifically support the special economic zones, to ensure that they are competitive and attractive to potential clients.

As a policy change, we sought potential investors who were willing to partner with the Corporation in a joint venture agreement that eliminated any increased debt to FCJ and the Government of Jamaica.

The Request for Proposals was issued in December 2012 and attracted a significant number of local and international equity partners. Each proposal was technically and financially evaluated, the principals of all companies were interviewed and recommendation made by a selection panel with expertise in various disciplines. The recommended proposal has since been submitted to Cabinet and we await their deliberations and approval to move on to the next stage of negotiations with the proposed investor.

We have also established a number of additional projects in preparation for the Jamaica Logistics Hub Initiative. This includes the re-development of the Garmex Free Zone which is currently home to a number of manufacturers and warehousing/distribution companies. The re-development includes modernization and improved landscaping of the area, increasing space availability by approximately 30% by refurbishing existing buildings, converting some into multi-storey structures and constructing new buildings.

It is proposed that the area become a special economic zone to play an integral role in the logistics hub initiative, as it is perfectly located in close proximity to the Kingston seaport as well as international and domestic airports.

The master-planning and artist impressions have already been completed with the next stage of planning to commence by the end of 2013.

Another area of our focus includes the proposed construction of an additional 63,000 square feet of space within the Montego Bay Free Zone for the BPO industry, as well as the conversion of existing warehouse space into modern re-positioned BPO office spaces. Discussions are underway and we intend to aggressively target these plans in the new financial period.

SCRAP METAL TRADE

Another important area that FCJ was mandated to handle was the re-opening of the controversial Scrap Metal Trade. This was completely outside of the corporation's core functions; but we took on the new challenge with clear objectives and an understanding of our responsibility to the Government and people of Jamaica.

FCJ prepared three (3) major sites, in record time to facilitate the resumption of scrap metal trading and developed logistics standards to support the efficient operation and security of the industry. We undertook the management of this now highly regulated operation, working closely with other major stakeholders such as Jamaica Customs, Jamaica Constabulary Force and the Trade Board, as the Government and particularly our portfolio Minister the Hon. Anthony Hylton were insistent that this trade be resumed under significantly tighter administrative control.

The trade in metal has over the past seven months contributed over US$ 9 million in foreign exchange earnings. It is in fact worth noting that the majority of Jamaica's current export earnings through the Kingston Container Terminal is coming from the trade in metal. The sector employs over two thousand (2,000) persons directly and indirectly, whilst positively impacting our environment and other sectors such as the MSME, Freight Forwarders, Customs Brokers, trucking companies, and acetylene supply companies.

While it has been challenging to structure a previously disorganized and haphazard sector, we are very pleased that we can report success in our management of the facilities and the trade, while working closely with the approved exporting companies in developing a structured industry. We view today's relative silence on the issue of scrap metal theft as evidence of our prudent management of this operation.

As we continue to focus strategically on projects that will have significant economic impact and to play our role in our portfolio ministry's economic development plans, FCJ is poised to provide innovative infrastructure that will provide major employment opportunities as well as increased business opportunities for the Micro, Small and Medium-sized Enterprises (MSMEs).

The Corporation strives to be a value-creating partner for its clients. In this role, innovation and partnership are critical. The ultimate goal is to shape the future, forge strategic partnerships, break new ground and make Jamaica the choice investment location to create a truly future-ready industrial landscape that assists in achieving the Jamaica 2013 vision statement: *"Jamaica, the place of choice to live, work, raise families and do business"*

As Jamaica positions itself in a dynamic global environment and prepares to become the premier ICT, Business and Logistic Centre, the FCJ will partner with its clients to understand their evolving needs and develop appropriate "future-ready" infrastructure solutions.

It would be remiss of me not to express gratitude to the Minister of Industry, Investment and Commerce for placing confidence in the FCJ Board to carry his mandate to fruition and for his continued guidance as we seek to contribute to national development. To the management and staff of FCJ, I say thank you for continuing to contribute to the success and growth of the organization.

Clive Fagan

Clive Fagan
Chairman

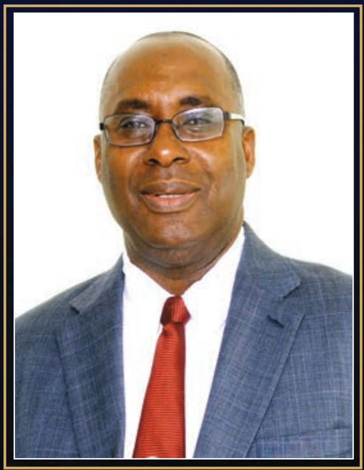
BOARD OF DIRECTORS

Mr. CLIVE FAGAN
Chairman

Mr. DEANALL BARNES
Director

Mr. BYRON CLARKE
Director

Ms. DIAN FENTON
Director

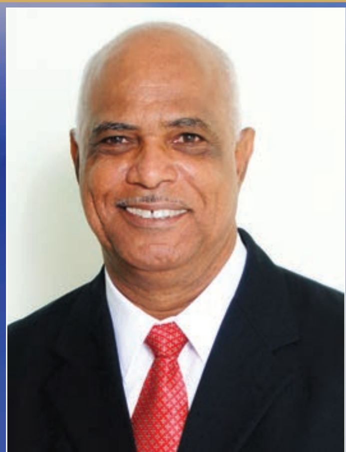


Mr. DENNIS GORDON
Director

Dr. NORMAN MARSHALL
Director

Mr. HOPETON McCATTY
Director

BOARD OF DIRECTORS



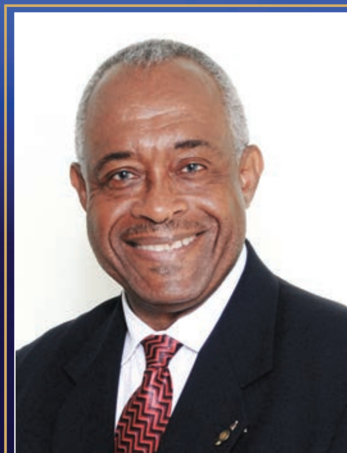
Rev. ROBERT Mc INTOSH
Director

Ms. LEANNE PHILIPS
Director

Mr. WILLIAM POTOPSINGH
Director

Mr. JUNIOR ROSE
Director

Mr. GARY SCOTT
Director



Mr. ANDRAL SHIRLEY
Director

Mr. JAMES THOMAS
Director

Mr. DERRICK WEBB
Director

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 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
Miss Dian Carlene Fenton
Mr. Dennis Gordon
Dr. Norman Marshall
Mr. Hopeton McCatty
Rev. Robert McIntosh
Miss Leanne Philips
Mr. William Potopsingh
Mr. Junior Rose
Mrs. Beverly Rose-Forbes
Mr. Gary Scott
Mr. Andral 'Jack' Shirley
Mr. James Thomas
Mr. Derrick Webb

BOARD COMMITTEES

The following Committees were in place during the period under review.

COMMITTEES	APRIL 1, 2012 TO MARCH 31, 2013
FINANCE	Mr. Andral Shirley – Chairman Mrs. Beverly Rose-Forbes Mr. Deanall Barnes Mr. Dennis Gordon Ms. Dian Fenton
AUDIT & CORPORATE GOVERNANCE	Mr. Junior Rose - Chairman Ms. Dian Fenton Dr. Norman Marshall Mr. James Thomas Mr. Gary Scott Mr. Deanall Barnes Mrs. Beverly Rose-Forbes
PROPERTY DEVELOPMENT & MARKETING	Ms. Leanne Philips - Chairman Mr. William Potopsingh Dr. Norman Marshall Mr. Clive Fagan Rev. Robert McIntosh
ICT INFRASTRUCTURE & DEVELOPMENT	Mr. Clive Fagan – Chairman Mr. Derrick Webb Mr. Byron Clarke Mr. James Thomas Mr. Junior Rose Ms. Leanne Philips Mr. Gary Scott
HUMAN RESOURCE & ADMINISTRATION	Mr. William Potopsingh – Chairman Mr. Byron Clarke Mr. Junior Rose Mr. Andral Shirley Mr. Dennis Gordon Rev. Robert McIntosh Mr. Hopeton McCatty

MANAGEMENT TEAM

Miss Carol Crooks -*Director of Finance*
Mr. Desmond Sicard - *Chief Strategic Officer*
Mrs. Sharon Phillips - *Client Service/Marketing Manager*
Miss Enid Wells - *Human Resource & Administration* Manager
Mrs. Carol Peterkin - *Corporate Officer*
Mr. Keith Hastings - *Property Manager*

A NEW DAY DAWNS

A new day has dawned for the Factories Corporation of Jamaica. Incorporated in 1987, the corporation's traditional role has been to implement a national factory-building programme. Under this programme some 92,903 sq. m. (1million sq. ft.) of factory space was built. The first expansion of the Factories Corporation's role came with the phasing out of the Jamaica Industrial Development Corporation (JIDC) in 1989 and the management of properties that were under the JIDC's control was given to the FCJ.

At that time the garment industry was booming and approximately 75% of tenants were engaged in the industry. A downturn in garment manufacturing towards the end of the 1990's, resulted in a significant number of tenants shifting their focus to other areas of manufacturing and commercial activities.

This period also saw the Information & Communication Technology (ICT) industry coming to the fore, resulting in a very significant expansion of space to serve the growing area of information technology. FCJ currently owns approximately 174,953 sq. m. (1,879, 917.37 sq. ft). of rentable space of which 13,199 sq. m. (142,021 sq. ft.) is earmarked for use in the ICT Industry, with plans underway for the provision of additional space for use in this industry.

Today the occupancy mix of our properties is far more diverse and is represented as follows:

• Manufacturing	53%
• Warehousing	18%
• Distribution	15%
• Information & Communications Technology (ICT)	5%
• Service	2%
• Other	7%
Total	100 %

The Corporation's business is developing, leasing and managing industrial properties islandwide, but there is much greater diversification ahead, as the Corporation's portfolio Minister of Industry, Investment and Commerce Hon Anthony Hylton has announced the broadening of the FCJ's mandate from being a property management company to being a major player in the thrust toward the development of a number of strategic projects which will fuel the nation's sustained economic growth in the context of a globalized economy.

These projects which have been given "national priority status" under Jamaica's Vision 2030 Development Plans are:

1. Development of the Caymanas Logistics Centre – North Mandela Park with an expanded objective and portfolio. This project was formerly referred to as Caymanas Economic Zone (North).

A New Day Dawns *Continued from page 11*

2. Development of Caymanas Logistics Centre - South Mandela Park – an expansion of the Caymanas Logistics Centre.

3. Development of Information Communications Technology (ICT)/ Business Processing Outsourcing (BPO) Parks in Naggo Head, St. Catherine and the Montego Bay Freezone.

4. Restoration of the Scrap Metal Industry.

The Corporation engaged a number of potential local and international investors through its request for proposals for a joint venture partner to develop infrastructure for the Caymanas Economic Zone and Naggo Head information technology projects for which Government is offering inducements to potential investors, including new incentives.

The Caymanas and Naggo Head projects are a significant part of the Jamaica Logistics Initiative which is being championed by Ministry of Industry, Investment and Commerce as its contribution to the Government's growth strategy and is promoting them as components of a wider plan to position Jamaica as a global logistics hub.

Interest in Jamaica as a major global logistics hub is reportedly high and investors who have been targeted in the United States, Europe, China, Singapore, Brazil as well as locally are likely to benefit from a new omnibus incentive regime.

The FCJ's invitation for joint-venture partners covers projects inclusive of construction of infrastructure on 200 acres of lands reserved for phase one of the Caymanas Zone referred to as North Mandela Park; construction of infrastructure on another 1,500 acres of lands reserved for Phase Two of the project called South Mandela Park; the development of new office buildings at Naggo Head on lands owned by FCJ and reserved for an IT industrial park, which will create 750,000 square feet of new business office spaces to ease the demand for ICT/BPO/KPO industry and the development and supply of alternative energy which will provide power for developments in the Caymanas and Naggo Head areas with the objective of reducing energy cost; ultimately reducing the cost of doing business and therefore increasing the investment competitiveness of Jamaica.

The company strives to be a value-creating partner for its customers. In this role, innovation and partnership are critical. The ultimate goal is to shape the future, forge strategic partnership, break new ground and make Jamaica the choice investment location to create a truly future-ready industrial landscape that assists in achieving the Jamaica 2013 vision statement: "Jamaica, the place of choice to live, work, raise families and do business"

As Jamaica positions itself in a dynamic global environment and prepares to become the premier ICT, Business and Logistic Centre, FCJ will partner with its customers to understand their evolving needs and develop appropriate "future-ready" infrastructure solutions.

FCJ has grown up with Jamaica and helped shape the nation's industrial landscape. We will strive to do even more in the years to come.

The Corporation is passionate about its mission, and committed to achieving business and operational excellence in everything it does. The dedication to key mission and core values keeps the company close to its clients and ever ready to explore and initiate innovation. Moving ahead, FCJ is proud of its role as an industrial infrastructure innovator, creating value for its customers by developing 'future-ready' infrastructure solutions that they require.

FCJ continues to be the Master Developer/ Planner of these projects and play an active role in the management and administration of the parks.

The Corporation's role in the joint venture partnership will include but is not limited to providing land, investment opportunity, project planning and guidance, master planning, project management, expediting of statutory approvals, interface with end users and exit strategies arrangements.

Corporation takes Charge of Scrap Metal Sites

Part of the Corporation's expanded portfolio is the management of the three approved milti-user sites which have been established to bring a greater level of control to the controversial scrap-metal trade.

The trade was re-opened earlier this year after a ban imposed in July 2011 following a spiraling of theft of property of several major businesses with losses amounting to millions of dollars, significant disruption of public services and destruction of valuable infrastructure.

The FCJ worked to bring the three (3) sites up to the required standard in time for the reopening of the trade.

The selected locations are:

1. 21 Portland Road, Riverton City, Kingston 11 operated by David Scrap Metal Co. Ltd.

2. 1 Elspeth Avenue, Kingston 11 operated by C & M Recycling.

3. Lot 22 Clarendon Park, Toll Gate Clarendon operated by Kurbton Limited.

The Corporation is also working in close collaboration with the Jamaica Constabulary and the Customs Department to eliminate past malpractices and bring a higher level of control to an industry which brings in a significant amount of foreign exchange.

Despite calls from a wide cross section of the society to ban the trade, Industry, Investment and Commerce Minister Anthony Hylton in announcing the reopening of the trade, assured the public that all efforts have been made to ensure that the industry is guided by stringent regulations with appropriate penalties for non-compliance.

In re-opening the trade, the Minister outlined it's three objectives.

- Create employment
- Earn foreign exchange
- Clear derelict scrap from valuable space in order to clean the environment of unsightly scrap.

These three objectives must be achieved subject to the prevention of theft and destruction of functional metallic items and infrastructure.

FCJ's Chairman, Clive Fagan, says that the infrastructure, systems and technological support now in place, ensure the efficient operation of the trade. These requirements include:

✓ Exporters, dealers, and traders of scrap metal must be in possession of a valid license from the Trade Board.

✓ Exporters must have a police record

and an export license, and must post a $7-million bond with the FCJ.

✔ Non-nationals must be in possession of a work permit and a police record from their country of origin.

As the management and implementing agency, the Corporation's role includes:

- Site administration to ensure smooth operations and maintenance of the facilities.

- Providing clerical and management staffing at all locations.

- Providing financial hard and software to track financial and other activities.

- Log and record items entering the site.

- Schedule the loading and inspection of containers.

- Setting of standards and administrative guidelines for the facilities and its users including exporters and service providers.

- Set and collect site fees.

Preventive measures implemented to eliminate past malpractices include

- Registration of Scrap Metal Dealer Storage Sites

- Site Rules

- Payment of a $7 million Bond

- Eligibility Criteria

- Site Surveillance

- Code of Conduct

- Prohibited and Restricted Items

- Site Safety Measures.

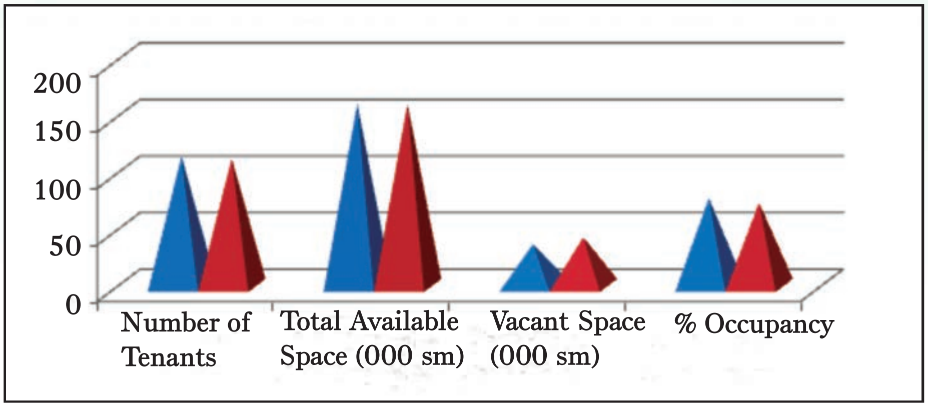
It is with keen interest that FCJ has established its role as Compliance Officers of the Scrap Metal Trade Regulations 2013 and managers of the three (3) export processing hubs.

FCJ has viewed its involvement as a first step towards becoming an innovator of value added services that will enhance the Corporation's position and future role in global logistics. Therefore, FCJ has established standard operating procedures and core values for the service and will position it as an integral player in the supply chain of scrap metal in the global commodities market.

DEPARTMENTAL REPORTS

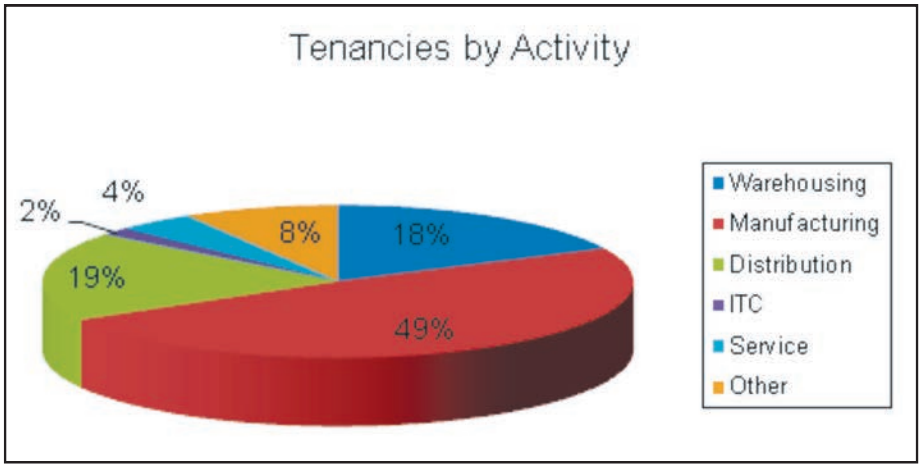
CLIENT SERVICE/MARKETING

Comparative Occupancy Rates 2013 vs 2012		
Year Ending	**March 2013**	**March 2012**
Number of Tenants	114	112
Total Available Space (000 sm)	160,274.03	160,258.15
Vacant Space (000 sm)	36,574.52	42,540.28
% Occupancy	77	73



Occupancy for the Financial Year ending March 31, 2013 was 77 %. This represents a 4% increase over the previous year and is attributable to the leasing of a section of our property at Hayes, Clarendon which had been vacant for the past eight (8) years. The Department is now turning its attention to leasing two (2) other large properties, Goodyear in St. Thoms and Hague, in Trelawny which have remained vacant for some time. This would contribute to the company reaching its target occupancy of 81 %. There has also been a renewed interest in the Company with a marked increase in the number of enquiries for space.

FCJ is in the process of contracting an independent company to establish a Consumer Statistical Index (CSI) for the period under review. It is hoped that this will result in a better indication of our tenant's needs and a programme of improvement can be devised to deal with any issues brought forward. There are also plans to reconstruct the Corporation website to reflect the new projects and direction of the Corporation.



A breakdown of the activities of tenants remains more or less the same with Manufacturing being the dominant activity, accounting for 49% of tenancies. This is followed by Warehousing and Distribution which accounts for 18% and 17% respectively. ICT and Services remain stable at 2% and 5% respectively.

The Client Service Department conducted its annual Customer Satisfaction Survey with the index being 75.07%. Maintenance issues continue to be the most challenging area and in response our Property Department has planned a number of projects for each location which should see an improvement in the index for the next financial year.

Corporate Citizenship

The Corporation continued to play its part as a good corporate citizen by supporting a number of worthy causes. Staff members participated in their first 5K run/walk in October 2012, in support of the Jamaica Cancer Society and followed up in February 2013 with the Sigma Corporate Run, which will benefit the Bustamante Hospital for Children, Jamaica National Children's Home and Best Care Lodge. Additionally, donations were made to a number of entities such as Kingston Parish and St Richard's Churches, The Jamaica Constabulary Force, Charles Chin Loy Early Childhood Centre, Rotary Club, Lion's Club and the Portmore Self Disability Organization.

Cooling down at Sigma Corporate Run 2013

Donation to the Ozanam Home for the Aged

Supporting the Jamaica Cancer Society 5K

ESTATE DEPARTMENT

During the 2012/2013 financial year, the department continued its effort to ensure that the Corporation accounts for and holds proper ownership/authority in respect of all properties under its management and control. In the period under review, the department successfully completed the transfer of four (4) properties; namely, Naggo Head Parent, Corletts Road, Kingston Pen and Lot 20 Nanse Pen, with Book Values of approximately $910M as at March 31, 2013, to the Corporation. The department also initiated the process to have another four (4) properties; Salisbury Plain, Rodons Pen, Valdez Road, and Lot 3 Yallahs IE, transferred to the Corporation. At the same time, the department continued with the necessary follow-up with our Portfolio Ministry in respect of requests for Cabinet Approval for the Transfer of ten (10) properties under the Corporation's management and control, but currently registered with other Government entities, primarily, the Commissioner of Lands.

Another major objective pursued by the department during the 2012 - 2013 financial year, was to complete the sale of ten (10) properties with the prospect of securing approximately $380M in net proceeds. Of the ten (10) pending sales: six were awaiting Cabinet approval to facilitate completion; one did not receive Cabinet Approval; one was awaiting subdivision approval to facilitate completion; finalizing the sale of Seville ITC to the Urban Development Corporation (UDC) was delayed. The completion of the sale of Lot 2 Yallahs Industrial Estate was also delayed as the purchaser requested additional time for completion of the transaction.

During the period under review, the department was also seeking to complete negotiations for the sale of seven (7) properties amounting to approximately $334M. The department successfully completed negotiations in respect of two (2) of these properties with consideration amounting to $57M; these sales are now awaiting execution of the Agreements for Sale, thereafter, Cabinet approval will be sought to facilitate completion. Of the other five (5) properties, negotiations have continued in respect of two (2) of these properties, however, negotiations fell through in respect of the remaining three.

For the 2012 – 2013 financial year, the department completed the regularization of two (2) properties, informally occupied by Heart Trust NTA, through the establishment of a five (5) year Lease Agreement for the Garmex property with rental income of approximately US$450,000. Whilst securing a purchase offer of $15M from the Trust for the property at Lot 3B Culloden, along with outstanding lease payment of approximately $2.8M for the period April 1, 2010 to March 31, 2013, plus lease payment of approximately $87,000 per month, pending the completion of the sale. The department also completed the regularization of the property at 78 Marcus Garvey Drive, informally occupied by the Health Corporation (National Health Fund) by securing a purchase offer of $42M from the NHF for the property, along with outstanding lease payment of $6M plus lease payment of $178,500 per month, pending the completion of the sale.

The department also successfully completed the Procurement of general insurance in a timely manner and in the process, secured a 40% or approximately US$315,000 reduction in insurance premiums for the period April 2013 to April 2014.

HUMAN RESOURCE DEPARTMENT

Notwithstanding the human resource challenges and changes during the first half of the Financial Year, the year's performance ended positively. Employees continued to enjoy benefits in education grants, and loans as well as motor vehicle and other miscellaneous loans.

Training

The Corporation has always invested in its human resource by improving staff capabilities through the pursuit of knowledge at the tertiary / professional level, thereby enhancing not only productivity but also personal development.

Working Environment

FCJ as a matter of priority engaged in the comfort and improvement of its work force, by ensuring that morale and motivation are kept high; thus resulting in the development of the total personality of workers and the environment and culminating in a happy and satisfied workforce.

FINANCIAL RESULTS

FCJ's financial results for the year ended March 31, 2013 are shown in the Audited Financial Statements.

Highlights of the Year

	2012-2013 $M
Rental Income	463,980
Operating Expenses	(105,267)
Gross Profit	358,713
Administrative Expenses	(159,356)
Other Operating Expenses	(79,343)
Profit from Operation	**119,994**
Finance Cost	(27,506)
Other Gains & Losses	59,527
Increase in Fair Value of Investment Properties	271,249
Income before Taxation	**423,264**
Taxation	25,754
Net Income / Total Comprehensive Income for the Year	**449,018**

The management of the Corporation's finances continues to be sound with the company realizing Gross Operation Profit of $120 million and Rental Income of $463,980 million. Total assets stood at $$6.96 billion while shareholder's equity amounted to approximately $5.5 billion.

Trade Receivables

With the focus placed on timely collection of payments, Trade Receivables was thirty-six (36) days, nine (9) days above the target of twenty-seven (27) days.

The Corporation complied with all the guidelines set by the Ministry of Finance, 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.

DIRECTORS COMPENSATION
FOR PERIOD ENDED MARCH 2013

Position of Director	Fees ($)	Motor Vehicle Upkeep/Travelling Or Value of Assignment of Motor Vehicle ($)	Honoraria ($)	All Other Compensation Including Non-Cash Benefits as applicable ($)	Total ($)	Employer Statutory ($)	Total ($)
Board Chairman	241,500.00			1,130,412.43*	1,371,912.43	109,133.38	1,481,045.81
Chairman of Finance Committee	107,500.00			3,413,043.48**	3,520,543.48	103,396.30	3,623,939.78
Chairman Property Dev. & Marketing Committee	226,500.00				226,500.00	1,440.00	227,940.00
Chairman of Audit Committee	212,500.00				212,500.00	1,755.00	214,255.00
Chairman ICT Committee							
Chairman HR Committee	90,000.00	634,742.58		3,276,704.35**	4,001,446.93	314,465.47	4,315,912.40
Other Directors:							
Director 1	88,500.00				88,500.00	1,440.00	89,940.00
Director 2	132,500.00				132,500.00	1,350.00	133,850.00
Director 3	57,500.00				57,500.00		57,500.00
Director 4	140,500.00				140,500.00	1,350.00	141,850.00
Director 5	138,000.00				138,000.00	1,440.00	139,440.00
Director 6	94,000.00	121,340.00			215,340.00		215,340.00
Director 7	69,500.00			3,913,043.48**	3,982,543.48	369,085.15	4,351,628.63
Director 8	91,000.00	60,326.77		3,935,456.57*	4,086,783.34	371,936.89	4,458,720.23
Director 9	101,500.00				101,500.00	2,070.00	103,570.00
Director 10	102,500.00				102,500.00	2,070.00	104,570.00
Director 11	40,000.00				40,000.00	720.00	40,720.00

* These amounts were paid to directors who acted in the capacity of Managing Director.

** An emergency management oversight team was selected from members of the Board to redirect the organization towards achieving a number of goals.

SENIOR EXECUTIVE COMPENSATION
FOR PERIOD ENDED MARCH 2013

Position of Senior Executive	Year 2012/ 2013	Salary	Gratuity or Performance Incentive ($)	Travelling Allowance Or Value of Assignment Of Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances ($)	Non-Cash Benefits ($)	Total	Employer Statutory ($)	Total
Managing Director I		2,004,567.02	1,592,302.52			1,574,661.15		5,171,530.69	480,350.07	5,651,880.76
Managing Director II		66,516.02	279,069.34			62,662.66		408,248.02	38,763.24	447,011.26
Director of Finance I		1,327,205.14	1,899,273.81	325,240.00		1,601,688.07		5,153,407.02	424,954.71	5,578,361.73
Director of Finance II		9,736,663.73	157,755.39	2,037,720.00		-2,226,461.51		9,705,677.61	1,383,605.39	11,089,283.00
HR Manager I		3,287,117.04	286,908.24	975,720.00		59,028.00		4,608,773.28	108,991.60	4,717,764.88
HR Manager II		86,018.00				99,949.76		185,967.76	18,757.92	204,725.68
HR Manager III		64,513.20	320,769.41			-206,567.42		178,715.19	5,361.46	184,076.65
Estate Manager/ Chief Strategic Officer		3,931,195.64	342,996.68	975,720.00		60,058.40		5,309,970.72	621,786.07	5,931,756.79
Property Manager I		2,409,590.18	1,275,584.57	742,281.61		1,148,312.80		5,575,769.16	434,278.85	6,010,048.01
Property Manager II		1,765,760.87		600,644.84		36,571.69		2,402,977.40	7,791.84	2,410,769.24
Client Service/ Marketing Mngr		4,019,102.14	342,996.68	975,720.00		60,058.40		5,397,877.22	634,268.71	6,032,145.93
Legal Officer		2,306,202.48	1,237,707.29	742,281.61		1,112,053.61		5,398,244.99	418,301.60	5,816,546.59

25th Anniversary CELEBRATIONS

One of the highlights of the year was the Corporation's 25th anniversary celebrations. It began on Sunday, October 21, 2012 with a Service of Praise and Thanksgiving at the Webster Memorial United Church attended by portfolio Minister Hon. Anthony Hylton, former Board Chairmen and Managing Directors, clients, representatives of major private sector organizations, employees and their families. The well-attended service was followed by a Celebratory Breakfast at the Knutsford Court Hotel.

Industry, Investment and Commerce Minister Hon. Anthony Hylton was the guest speaker at the Banquet.

A Supplement was published in the Daily Gleaner on Tuesday, October 23, 2012 the actual anniversary date, included congratulatory messages from Governor General Sir Patrick Allen, Prime Minister , Most Hon. Portia Simpson-Miller, Opposition leader Mr. Andrew Holness and Hon. Anthony Hylton, Minister of Industry, Investment and Commerce.

Messages from Chairman, Mr. Clive Fagan and acting Managing Director, Mr. Derrick Webb charted the Corporation's impressive record over the years in enhancing the development of Jamaica's productive sector including the important ICT industry through the provision of well-needed factory space. They also noted the major challenges ahead as a result of the expansion of the Corporation's operational portfolio.

The threat of Hurricane Sandy forced the postponement of the highlight event, the 25th anniversary banquet which was scheduled for October 26, but the glittering event took place on Friday, December 6 ,2012 and not only honoured those who "founded it, caused it to grow, and worked hard to make its achievements possible", but also placed the spotlight on long-serving employees who have rendered yeoman service over the years.

Here are some pictorial highlights.

Ambassador Stewart Stephenson, Managing Director from 2006 to 2009, received his award from Minister Hylton

Former Prime Minister, Most Hon. Edward Seaga receives his award as "innovator and founder" of the Factories Corporation of Jamaica from Minister Hylton.

Minister Hylton also presented former Acting Managing Director Mr. Cedric Taylor with his award.

Mr. York Seaton accepts the award on behalf of his father, Mr. Newlyn Seaton, a former Chairman of the Board of Directors.

Board Chairman Mr. Clive Fagan presented long service awards to Ms.Kay Henry and Messrs Dexter Hunter, Kenneth Williams, Linton Stewart and Tam Carter.

Mr. Dexter Hunter - 24 years

Ms. Kay Henry - 21 years

Mr. Kenneth Williams - 20 years

Mr. Linton Stewart - 23 years

Mr. Tam Carter - 24 years

CONTENTS

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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) set out on pages 2 to 41, which comprise the statement of financial position as at March 31, 2013, the statement of 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 notes.

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 Companies Act, 2004 of Jamaica 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.

Deloitte.

Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as at March 31, 2013, and of its financial performance, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act, 2004 of Jamaica

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 by the Companies Act, 2004 of Jamaica.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica,
July 25, 2013

FACTORIES CORPORATION OF JAMAICA LIMITED

STATEMENT OF FINANCIAL POSITION AT MARCH 31, 2013

	Notes	March 31, 2013 $'000	March 31, 2012 $'000	April 1, 2011 $'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	16,632	15,463	18,235
Investment properties	6	6,936,172	6,656,190	6,205,320
Retirement benefit asset	7	10,176	9,439	-
		6,962,980	6,681,092	6,223,555
Current assets				
Income tax recoverable		23,751	23,145	20,473
Trade and other receivables	8	66,511	41,522	110,022
Cash and bank balances	9	483,309	393,738	411,428
		573,571	458,405	541,923
Total assets		7,536,551	7,139,497	6,765,478
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	23	4,481,363	4,032,345	3,700,829
		6,902,395	6,453,377	6,121,861
Non-current liabilities				
Borrowings	12	314,820	332,430	349,056
Deferred tax liability	13,23	121,940	147,694	101,788
		436,760	480,124	450,844
Current liabilities				
Trade and other payables	14	128,797	138,760	115,163
Borrowings	12,23	68,599	67,236	72,597
Bank overdrafts		-	-	5,013
		197,396	205,996	192,773
Total equity and liabilities		7,536,551	7,139,497	6,765,478

The Notes on Pages 6 to 41 form an integral part of the Financial Statements.

The financial statements on Pages 2 to 41 were approved and authorised for issue by the Board of Directors on July 25, 2013 and are signed on its behalf by:

Director

Director

FACTORIES CORPORATION OF JAMAICA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2013

	Notes	2013 $'000	2012 $'000
Revenue	15	463,980	380,451
Direct costs		(105,267)	(109,677)
Gross profit		358,713	270,774
Increase in fair value of investment properties	6	271,249	240,842
Other gains and losses	16	59,527	47,180
Administrative expenses		(159,366)	(98,916)
Other operating expenses		(79,353)	(54,543)
Finance costs	17	(27,506)	(27,915)
INCOME BEFORE TAXATION	18	423,264	377,422
Taxation	19,23	25,754	(45,906)
NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		449,018	331,516

The Notes on Pages 6 to 41 form an integral part of the Financial Statements.

FACTORIES CORPORATION OF JAMAICA LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2013

	Share Capital $'000	Capital Reserves $'000	Revenue Reserve $'000	Total $'000
Balance at April 1, 2011 as previously reported	545,022	1,876,010	2,831,176	5,252,208
Adjustment - IAS 12 Amendment (Notes 2, 23)	-	-	869,653	869,653
Balance at April 1, 2011 as restated	545,022	1,876,010	3,700,829	6,121,861
Net income and total comprehensive income for the year as restated (Note 23)	-	-	331,516	331,516
Balance at March 31, 2012 as restated (Note 23)	545,022	1,876,010	4,032,345	6,453,377
Net income and total comprehensive income for the year	-	-	449,018	449,018
Balance at March 31, 2013	545,022	1,876,010	4,481,363	6,902,395

The Notes on Pages 6 to 41 form an integral part of the Financial Statements.

FACTORIES CORPORATION OF JAMAICA LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2013

	Note	2013 $'000	2012 $'000
OPERATING ACTIVITIES			
Net income		449,018	331,516
Adjustments for:			
Depreciation of property, plant and equipment		4,615	4,682
Impairment loss recognised on trade receivables		23,100	13,916
Investment property write-off		74	-
Write-off of work-in-progress		8,463	-
Increase in fair value of investment properties		(271,249)	(240,842)
Retirement benefit cost (recovery)		2,986	(6,387)
Foreign exchange gains		(45,339)	(5,016)
Taxation		(25,754)	45,906
Interest income		(14,475)	(13,542)
Interest expense		27,506	27,915
Operating cash flows before movements in working capital		158,945	158,148
(Increase) Decrease in receivables		(48,089)	54,584
(Decrease) Increase in payables		(9,963)	23,597
Retirement benefit contribution		(3,723)	(3,052)
Cash generated by operations		97,170	233,277
Tax paid		(606)	(2,672)
Net cash generated from operating activities		96,564	230,605
INVESTING ACTIVITIES			
Interest received		13,594	13,954
Short-term deposits		-	8,540
Purchase of property, plant and equipment		(5,784)	(1,910)
Expenditure on investment property		(17,270)	(210,028)
Net cash used in investing activities		(9,460)	(189,444)
FINANCING ACTIVITIES			
Interest paid		(27,506)	(27,915)
Repayment of borrowings		(16,247)	(21,988)
Net cash used in financing activities		(43,753)	(49,903)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		43,351	(8,742)
Effects of foreign exchange rate changes		45,339	5,016
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		393,248	396,974
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	481,938	393,248

The Notes on Pages 6 to 41 form an integral part of the Financial Statements.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

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 for a period of three years commencing April 1, 2012.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Interpretations affecting presentation and disclosures in the current period (and/or prior periods)

There were no Standards and Interpretations that were applied in the year that affected the presentation and disclosures in these financial statements.

Standards and Interpretations affecting the reported financial performance and/or financial position

Amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets

The Corporation has applied the amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

The Corporation measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors reviewed the Corporation's investment properties portfolios and concluded that none of the Corporation's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the presumption set out in the amendments to IAS 12 is not rebutted. The application of the amendments to IAS 12 has resulted in the Corporation not recognising any deferred taxes on changes in fair value of the investment properties as the Corporation is not subject to any income taxes on disposal of its investment properties. Previously, the Corporation recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use. The amendments to IAS 12 have been applied retrospectively, resulting in the Corporation's deferred tax liabilities being decreased by $869.653 million as at April 1, 2011 with the corresponding adjustment being recognised in retained earnings. Similarly, the deferred tax liabilities have been decreased by $48.094 million for the year ended March 31, 2012.

In the current year, no deferred taxes have been provided for changes in fair value of the Corporation's investment properties. The change in accounting policy has not resulted in any change to income tax expense for the current or prior year as fair value adjustments are not recognised in computing the Corporation current income tax liabilities. (See Note 23).

Standards and Interpretations applied with no effect on financial statements

The following new and revised Standards and Interpretations have been applied in these financial statements. Their application 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 27 and IFRS 3	Amendments arising from May 2010 Annual Improvements to IFRS	July 1, 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards	
	- Replacement of fixed dates for certain exceptions with the date of transition to IFRS	July 1, 2011
	- Additional exemption for entities ceasing to suffer from severe hyperinflation	July 1, 2011
IFRS 7	Financial Instruments: Disclosures	
	- Amendments enhancing disclosures about transfers of financial assets	July 1, 2011

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

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 1, 16, 32, 34 and IFRS 1	Amendment arising from 2009 - 2011 Annual Improvements to IFRS	January 1, 2013
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	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
IAS 32	Financial Instruments: - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
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 enhancing disclosures about offsetting financial assets and financial liabilities	January 1, 2013
	- Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9	Financial Instruments: Classification and Measurement of financial assets	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
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 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
IFRS 13	Fair Value Measurement	January 1, 2013
New and Revised Interpretations		
IFRIC 20	Stripping costs in the Production Phase of a Surface Mine	January 1, 2013
IFRIC 21	Levies	January 1, 2014

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Standards and interpretations in issue not yet effective (Cont'd)

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:

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

  The Annual Improvements to IFRS 2009 – 2011 Cycle include a number of amendments to various IFRS. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRS include:

  - amendments to IAS 16 *Property, Plant and Equipment*; and
  - amendments to IAS 32 *Financial Instruments: Presentation*

  Amendments to IAS 16

  The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Directors have not yet completed their assessment of the impact of this amendment on the Corporation's financial statements.

  Amendments to IAS 32

  The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Directors anticipate that the amendments to IAS 32 will have no effect on the Corporation's financial statements.

- 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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (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. Income tax on items of other comprehensive income is required to be allocated on the same basis.

  The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

- The amendments to IAS 19 change 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 changes in defined benefit obligations and in 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. The amendments require all actuarial gains and losses to be 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 plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined liability or asset.

  The amendments to IAS 19 are effective for annual periods beginning on or after January 1, 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Corporation's financial statements for the annual period beginning April 1, 2013 and that the application of the amendments to IAS 19 may have an impact on amounts reported in respect of the Corporation's defined benefit pension plan. However, the directors have not yet completed their analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Standards and interpretations in issue not yet effective (Cont'd)

New and Revised Standards and Interpretations in issue not yet effective that are relevant (Cont'd)

- *Amendment to IFRS 7 – Enhanced Derecognition Disclosure Requirements* – The IASB introduced enhanced disclosure requirements to IFRS 7 as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Disclosures are not required for comparative periods before the date of initial application of the amendments. The application of the amendment will result in enhanced disclosures in the financial statements to the extent applicable.

- Amendments to IFRS 7 and IAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

  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 IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

  The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required. The directors do not anticipate that the amendment will have a significant effect on 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.

  - 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.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Standards and interpretations in issue not yet effective (Cont'd)

New and Revised Standards and Interpretations in issue not yet effective that are relevant (Cont'd)

- IFRS 9 *Financial Instruments* (Cont'd)

  Key requirements of IFRS 9: (Cont'd)

  The directors and management anticipate that IFRS 9 will be adopted in the Corporation's financial statements for the annual period beginning April 1, 2015 and that the application of IFRS 9 may impact the amounts reported in respect of the Corporation's financial assets and liabilities. However, the directors have not yet completed their analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

- IFRS 11 *Joint Arrangements*: introduces new accounting requirements for joint arrangements. It removes the option to apply the proportional consolidation method when accounting for jointly-controlled entities and it also eliminates jointly-controlled assets to now only differentiate between joint operations and joint ventures. On adoption at its effective date, the standard is not expected to have any significant impact on the Corporation's financial results. The directors have not yet completed assessment of the impact of the application of this standard on the Corporation's financial statements.

- *IFRS 12 Disclosures of Interests in Other Entities* - is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate (1) the nature of, and risks associated with, its interests in other entities, and (2) the effects of those interests on its financial position, financial performance and cash flows. The directors have not yet completed their assessment of the impact of the application of this standard on the Corporation's financial statements.

- IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope. Management has not yet completed their assessment of the impact of this IFRS on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

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.

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.

Investment property

Investment property, which 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 property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets

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

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

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

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

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

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.

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the Corporation's defined benefit obligation and the fair value of plan assets as at the end of the prior year is amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

A financial asset is any asset that is:

(a) cash
(b) an equity instrument of another entity
(c) a contractual right

(i) to receive cash or another financial asset from another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Corporation; or

(d) a contract that will or may be settled in the Corporation's own equity instruments and is:

(i) a non-derivative for which the Corporation is or may be obliged to receive a variable number of the Corporation's own equity instruments; or

(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Corporation's own equity instruments. For this purpose the Corporation's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the Corporation's own equity instruments.

A financial liability is any liability that is:

(a) a contractual obligation:

(i) to deliver cash or another financial asset to another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Corporation; or

(b) a contract that will or may be settled in the Corporation's own equity instruments and is:

(i) a non-derivative for which the Corporation is or may be obliged to deliver a variable number of the Corporation's own equity instruments; or
(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Corporation's own equity instruments. For this purpose the Corporation's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the Corporation's own equity instruments.

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.

Financial assets

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

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

Financial assets are classified as loans and receivables.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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.

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.

Financial liabilities and equity instruments issued by the Corporation

Financial liabilities

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

Other financial liabilities

Other financial liabilities are measured at fair value, net of transaction cost and subsequently measured at amortized cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments issued by the Corporation (Cont'd)

Derecognition of financial liabilities

The Corporation derecognises financial liabilities when, and only 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.

Equity instruments

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

Dividends

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

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.

Related party

A party is related to the Corporation if:

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

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

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

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from income before taxation as reported in statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Corporation's investment property portfolio and concluded that none of the Corporation's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the `sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result the Corporation has not recognized any deferred taxes on changes in fair value of the investment properties as the Corporation is not subject to any income taxes on disposal of its investment properties.

Current and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue recognition

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

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

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

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

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

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

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

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

Borrowing costs

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

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

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgment in applying accounting policies

The following is the critical judgement made 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have concluded that the Corporation's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Corporation's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Corporation has not recognised any deferred taxes on changes in fair value of investment properties as the Corporation is not subject to any income taxes on disposal of its investment properties.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

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.

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 $10.1 million (2012: $9.4 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 in respect of the pension plan.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. 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(h) highlights experience adjustments to the plan assets and liabilities for the last five years.

Fair value of investment properties

Included in the statement of financial position is an amount of approximately $6.9 billion (2012: 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 $4.277 billion (62%) (2012: $4.096 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 income before taxation decreasing by approximately $387 million (2012: $366 million). A 1% decrease in the estimated yields on these properties would result in the carrying value of the assets and income before taxation increasing by approximately $471 million (2012: $446 million).

The fair value of certain properties amounting to $1.9 billion (2012: $1.6 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.

Income and deferred taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. A change of +/- 10% in the final tax outcome of these estimates (including deferred taxes) would have the effect of approximately $2.6 million increase/decrease in tax credit for the period (2012: charge of $4.6 million). (See Notes 13 and 19).

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Allowance for impairment losses on receivables

Provisions totaling approximately $47.8 million (2012: $25.4 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, that is, the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimated 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 on individual significant receivables with similar characteristics.

5 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture, Fixtures and Equipment	Computer Software and Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
At Cost					
April 1, 2011	265	20,214	11,438	8,778	40,695
Additions	-	1,400	510	-	1,910
March 31, 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
Accumulated Depreciation					
April 1, 2011	265	11,106	9,462	1,627	22,460
Charge for the year	-	1,929	997	1,756	4,682
March 31, 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
Carrying amount					
March 31, 2013	-	10,451	2,516	3,665	16,632
March 31, 2012	-	8,579	1,489	5,395	15,463

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.	Completed	Total
	$'000	$'000	$'000
Balance, April 1, 2011	49,789	6,155,531	6,205,320
Additions	169,118	40,910	210,028
Increase in fair value	-	240,842	240,842
Balance, March 31, 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	(74)	-	(74)
Work-in-progress write-off (Note 6 (g))	(8,463)	-	(8,463)
Increase in fair value	-	271,249	271,249
Balance, March 31, 2013	210,885	6,725,287	6,936,172

(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, 2013 has been arrived at as follows:

(i) $1.8 billion (2012: $1.9 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% (2012: 7.14% to 12.3%) income capitalisation rate.

(ii) $1.9 billion (2012: $1.6 billion) is based upon prior year valuations. Management believes that the values of these properties at year end are not significantly different from the values derived from the previous valuations.

(iii) The fair value of the remaining investment properties at March 31, 2013 amounting to $3.1 billion (2012: $2.9 billion) has been arrived at on the basis of valuations carried out by external valuators, Clinton Cunningham & Associates ($2.187 billion), LA Maison Property Services Limited ($521.7 million) and Breakenridge & Associates ($402.3 million). The valuations were arrived at by reference to market evidence of transaction prices for similar properties or by the application of a 8.3% to 12.5% (2012: 9.5% to 10.5%) income capitalisation rate.

(d) The property rental income earned by the Corporation from its investment properties, which are leased under operating leases, totalled $463.98 million (2012: $380.45 million). Direct operating expenses totalled $105.27 million (2012: $109.67 million).

(e) At the end of the reporting period, investment properties with fair value of approximately $1.3 billion (2012: $2.1 billion) were not registered in the Corporation's name.

(f) Certain investment properties with a value of $478 million (2012: $475.2 million) are pledged as security for a loan. (See Note 12).

6 INVESTMENT PROPERTIES (Cont'd)

(g) Investment property work-in-progress (Note 6(a)) includes 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. Management has therefore decided to write-off the cost incurred so far over the remaining period (three years) that the Corporation expects to benefit from holding the plant for the purpose of facilitating the tenanted property as it foresees no further economic benefit past the date of transfer.

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, 2013 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 $148.2 million (2012: $135.7 million) and that the actuarial valuation of these assets represented 107.4% of the present value of the obligation. (2012: 107.5% of the present value of the obligation).

No other post retirement benefits are provided.

(a) Key actuarial assumptions were as follows:

	Valuation at	
	2013	2012
	%	%
Gross discount rate	10.0	10.0
Expected rate of salary increases	5.5	5.5
Expected return on assets	8.5	6.5
Inflation	5.5	5.0
Administrative fees	1.0	1.0
Investment fees	1.5	1.5

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

7 RETIREMENT BENEFIT ASSET (Cont'd)

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

	2013 $'000	2012 $'000
Present value of funded obligation	(138,051)	(126,274)
Fair value of plan assets	148,227	135,713
Fund status	10,176	9,439
Unrecognised actuarial loss	(543)	(4,450)
Unrecognised asset	543	4,450
Net asset in the statement of financial position	10,176	9,439

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

	2013 $'000	2012 $'000
Balance, beginning of the period	9,439	-
Amounts (charged) credited to income	(2,986)	6,387
Contributions	3,723	3,052
Balance, end of the period	10,176	9,439

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

	2013 $'000	2012 $'000
Current service cost	5,364	9,975
Interest cost	10,692	12,533
Expected return on plan assets	(9,163)	(10,055)
Recognised actuarial loss	-	1,526
Change in unrecognised asset	(3,907)	(20,366)
Total included in staff cost	2,986	(6,387)
Actual return on plan assets	8,548	10,769

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

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

7 RETIREMENT BENEFIT ASSET (Cont'd)

(e) Changes in the present value of the defined benefit obligation in the current period were as follows:

	2013	2012
	$'000	$'000
Opening defined benefit obligation	126,274	140,456
Service cost	5,364	9,975
Interest cost	10,692	12,533
Members' contributions	5,879	4,471
Benefits paid	(1,685)	(4,344)
Value of purchased annuities	-	1,931
Actuarial loss	(8,473)	(38,748)
Closing defined benefit obligation	138,051	126,274

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

	2013	2012
	$'000	$'000
Opening fair value of plan assets	135,713	122,223
Members' contribution	5,879	4,471
Employer's contribution	3,723	3,052
Expected return on plan assets	9,163	10,055
Benefits and expenses paid	(1,685)	(4,344)
Value of purchased annuities	-	1,931
Actuarial gain	(4,566)	(1,675)
Closing fair value of plan assets	148,227	135,713

(g) 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	
	2013	2012	2013	2012
	%	%	$'000	$'000
Equity instruments	16	17	24,101	23,412
Mortgage and real estate	10	9	15,089	12,584
Fixed income	50	55	74,282	74,507
Foreign currency funds	15	9	21,688	12,494
Money market funds	4	3	5,473	3,230
Value of purchased annuities	5	7	7,594	9,486
	100	100	148,227	135,713

The overall expected rate of return is 8.5% (2012: 6.5%) and represents the weighted average of the expected returns of the various categories of plan assets held. The Board of Directors' and management's assessment of the expected return is based on historical return trends and analysts' prediction of the market for the asset in the next twelve months.

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

7 RETIREMENT BENEFIT ASSET (Cont'd)

(h) The history of experience adjustments is as follows:

	Defined Benefit Pension Plan				
	2013	2012	2011	2010	2009
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(138,051)	(126,274)	(140,456)	(104,582)	(39,554)
Fair value of plan assets	148,227	135,713	122,223	92,738	70,001
Fund Surplus (Deficit)	10,176	9,439	(18,233)	(11,844)	30,447
Experience adjustment plan assets	(4,566)	1,675	(6,639)	(9,240)	8,753
Experience adjustment plan liabilities	(8,473)	(38,748)	6,083	57,207	(13,071)

The Corporation expects to make a contribution of $4.191 million (2012: $3.054 million) to the defined benefit plan during the next year.

8 TRADE AND OTHER RECEIVABLES

The balance comprises:

	2013	2012
	$'000	$'000
Trade receivables	53,594	41,469
Less: Allowance for doubtful debts	(47,774)	(25,409)
	5,820	16,060
Deposits and prepayments	47,275	6,504
Other receivables (net of provision for doubtful debts of $1.734 million (2012: $1.734 million))	13,416	18,958
	66,511	41,522

Customers are invoiced one month in advance and are required to settle promptly. The average credit period is 30 days (2012: 30 days). No interest is charged on outstanding balances. The Corporation recognised 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 $55.6M (2012: $51.8M) at the end of the reporting period. The Corporation recognises an allowance for doubtful debt for trade receivables 90 days past due in excess of tenant's deposit. Trade receivables that are neither past due or impaired represents 0.5% (2012: 16%) of the total trade receivables.

Of the trade receivables balance at the end of the year, 3 customers (2012: 4 customers) had combined balances of approximately 44% (2012: 46%) of the total balance of trade receivables. No other customer had an outstanding balance in excess of 5% of trade receivables.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

8 TRADE AND OTHER RECEIVABLES (Cont'd)

Included in the Corporation's trade receivables balance are debtors with a carrying amount of $5.528 million (2012: $9.407 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

	2013	2012
	$'000	$'000
31-60 days	-	4,368
61-90 days	-	2,701
90+ days	5,528	2,338
	5,528	9,407

The average age of past due but not impaired trade receivables is over 90 days (2012: 60 days).

Movement in allowance for doubtful debts

	Trade receivables		Other receivables	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	25,409	12,711	1,734	1,495
Impairment losses recognised on receivables	23,100	13,916	-	239
Amounts written off during the year as uncollectible	(735)	-	-	-
Amount recovered	-	(1,218)	-	-
Balance at end of year	47,774	25,409	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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
90 +days	47,774	25,409	1,734	1,734

FACTORIES CORPORATION OF JAMAICA LIMITED

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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:

	2013	2012
	$'000	$'000
Cash and bank balances	483,309	393,738
Less: Interest receivable	(1,371)	(490)
	481,938	393,248

Cash and bank balances include balances amounting to approximately J$456.02 million (US$4,656,000) bearing interest at rates ranging from 2.5% to 3.75% per annum (2012: J$353.08 million (US$4,062,000) bearing interest at rates ranging from 0.25% to 4.1% per annum).

The balance also includes Jamaican dollar deposits of approximately $20.405 million bearing interest at rates ranging from 5.1% to 6.7% per annum (2012: approximately $51.963 million at rates ranging from 0.25% to 6.2% per annum).

10 SHARE CAPITAL

	Number of units	
	2013	2012
	'000	'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).

	2013	2012
	$'000	$'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

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

12 BORROWINGS

Interest Rate %	Repayable		2013 $'000	2012 $'000
8.0	2024	National Insurance Fund (Note 11(a))	383,419	399,666
		Less current portion	(68,599)	(67,236)
		Non-current	314,820	332,430

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

By an agreement dated November 1, 2004, two loans and some 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 $478 million (2012: $475.2 million) (See Note 6).

At the end of the reporting period, the Corporation had outstanding interest payable of $50.812 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.

(b) The comparative amounts for the prior year was restated by $16.424 million in relation to the current portion of borrowing which was previously included as non-current.

13 DEFERRED TAXATION

(a) The following is the analysis of the deferred tax balances for financial reporting purposes.

	2013 $'000	2012 $'000
Deferred tax liabilities	121,940	153,077
Deferred tax assets	-	(5,383)
Net deferred tax liabilities	121,940	147,694

(b) The movement for the year and prior year reporting periods in the Corporation's net deferred tax position is as follows:

	2013 $'000	2012 $'000
Balance, beginning of the year	147,694	101,788
(Credited) Charged to income for the year (Note 19)	(25,754)	45,906
Balance, end of the year	121,940	147,694

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

13 DEFERRED TAXATION (Cont'd)

(c) The following are the main deferred tax liabilities and assets recognised by the Corporation and movements thereon, during the current period and prior reporting period:

(i) Deferred tax liabilities

	Capital Allowances in Excess of Depreciation $'000	Investment Properties $'000	Retirement Benefit $'000	Interest Receivable $'000	Total $'000
At April 1, 2011	3,642	137,183	-	360	141,185
(Credited) Charged to income for the year	(624)	9,566	3,146	(196)	11,892
At March 31, 2012	3,018	146,749	3,146	164	153,077
Credited to income for the year	(964)	(29,407)	(602)	(164)	(31,137)
At March 31, 2013	2,054	117,342	2,544	-	121,940

(ii) Deferred tax assets

	Interest Payable $'000	Accrued Vacation Leave $'000	Tax Losses $'000	Total $'000
At April 1, 2011	271	2,285	36,841	39,397
Credited (Charged) to income for the year	-	23	(34,037)	(34,014)
At March 31, 2012	271	2,308	2,804	5,383
Charged to income for the year	(271)	(2,308)	(2,804)	(5,383)
At March 31, 2013	-	-	-	-

14 TRADE AND OTHER PAYABLES

The amount comprises:

	2013 $'000	2012 $'000
Rental deposits	55,591	51,791
Retentions payable	5,332	6,631
Due to Montego Bay Free Zone	1,224	3,263
Accruals	24,966	26,562
Maintenance refund due	6,330	9,426
Other payables	35,354	41,087
	128,797	138,760

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.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

15 REVENUE

This comprises:

	2013 $'000	2012 $'000
Rental income	463,980	380,451

16 OTHER GAINS AND LOSSES

	2013 $'000	2012 $'000
Net foreign exchange gains	45,339	4,938
Interest income- bank deposits at amortised cost	14,475	13,542
Other income	8,176	28,700
Work-in-progress write-off (Note 6)	(8,463)	-
	59,527	47,180

17 FINANCE COSTS

	2013 $'000	2012 $'000
Interest on loans	27,506	27,915

The weighted average rate on funds borrowed generally is 8% per annum (2012: 8% per annum).

Finance costs included above relate to borrowings in Note 12.

18 INCOME BEFORE TAXATION

Income before taxation is stated after taking account of the following items:

	2013 $'000	2012 $'000
Expenses		
Directors' emoluments		
Fees	1,935	1,395
Compensation	19,700	9,140
Audit fees	2,050	1,950
Depreciation	4,615	4,682

19 TAXATION

By Jamaica Gazzette Supplement dated December 31, 2012, effective January 1, 2013, the corporate tax rate was reduced from 33⅓% to 25% for unregulated entities. Consequently, current and deferred tax have been calculated using the tax rate of 25% (2012: 33⅓%). However, the Corporation obtained a certificate of income tax exemption effective for three years April 1, 2012 to March 31, 2015. Therefore, there is no current income tax charge recognised in this financial year.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

19 TAXATION (Cont'd)

(a) Tax (credit) charge for the year comprises:

	2013 $'000	2012 $'000
Deferred tax adjustment (Note 13)	(25,754)	45,906

(b) At the end of the 2012 reporting period Corporation had tax losses of approximately $8.4 million was available for set-off against future taxable profits. A deferred tax asset was recognised in 2012 in respect of these losses.

(c) The tax (credit) charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2013 $'000	2012 $'000
Profit before taxation	423,264	377,422
Tax at domestic income tax rate of 25% (2012: 33⅓%)	105,816	125,807
Tax effect of expenses that are not deductible for tax purposes	2,137	84
Tax effect of non-taxable Income	(32)	(24)
Effect of change in income tax rate	(35,272)	-
Effect of non-taxable fair value gains on investment properties	(67,812)	(32,186)
Effect of restatement - Amendment to IAS 12		
Non-taxable fair value gains on investment properties - Buildings	-	(48,094)
Effect of tax exempt income	(30,627)	-
Other adjustments	36	319
Total tax (credit) charge for the year	(25,754)	45,906

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Montego Bay Free Zone Company Limited	6,313	8,206	1,224	3,263	5,089	4,943

These balances are included in Other Receivables in Note 8 and Trade and Other Payables in Note 14.

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

	2013 $'000	2012 $'000
Montego Bay Free Zone Company Limited		
Management fees	34,506	37,236
Directors		
Fees	1,935	1,395
Compensation	19,700	9,140
Professional fees	-	22,500

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

20 RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

Compensation of key management personnel

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

	2013 $'000	2012 $'000
Short-term benefits	71,699	36,247

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:

	2013 $'000	2012 $'000
Financial assets (at amortised cost)		
Cash and bank deposits	483,309	393,738
Trade and other receivables	26,054	32,163
	509,363	425,901
Financial liabilities		
Borrowings	383,419	399,666
Payables	98,026	98,187
	481,445	497,853

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.

FACTORIES CORPORATION OF JAMAICA LIMITED

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YEAR ENDED MARCH 31, 2013

21 **FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Cont'd)**

Financial risk management *(Cont'd)*

(a) Credit risk (Cont'd)

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 $508.6 million (2012: $425.9 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 3 customers (2012: 4 customers) with individual balances over 5% of trade receivables that had combined balances of approximately 44% (2012: 46%) of the trade receivables balance. A doubtful debt allowance of $18.896 million has been made against these balances (2012: $11.310 million). The Corporation holds security deposits of $55.6M (2012: $51.8 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.

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.

	2013		2012	
	US$'000	J$'000	US$'000	J$'000
Total assets/Exposure	4,656	456,023	4,062	353,078

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

21 **FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Cont'd)**

Financial risk management *(Cont'd)*

(b) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign currency sensitivity

The following table details the Corporation's sensitivity to 1% devaluation or a 10% revaluation (2012: 1% devaluation or revaluation) in the Jamaican dollar against the United States dollar. This represents management's assessment of the reasonably possible change in foreign exchange rates.

The table indicates the currency to which the Corporation had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% devaluation or a 1% revaluation (2012: 1% devaluation or revaluation) change in United States dollar rates. The sensitivity analysis includes trade and other receivables, cash and cash equivalents and short-term loans.

If the Jamaican dollar devalues by 10% or revalues by 1% (2012: 1% respectively) against the United States currency, profit will increase (decrease) by:

	2013				2012	
	Devaluation		Revaluation		Devaluation/Revaluation	
	%	J$'000	%	J$'000	%	J$'000
United States dollar	10	45,602	1	(4,560)	1	3,531

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% (2012: 8%) and 3.35% (2012: 4.11%) respectively.

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

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

Interest rate sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to variable interest rate financial instruments at the end of the reporting period. The exposure is substantially on holdings of US dollar deposits. The analysis is prepared assuming the amount of asset outstanding at the end of the reporting period was outstanding for the whole year. 200 basis point increase or 50 basis point decrease (2012: 100 basis points increase or decrease) is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

21 **FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Cont'd)**

Financial risk management *(Cont'd)*

(b) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

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.

	2013	2012
	$'000	$'000
Effect on profit or loss		
Effect on net profit increase 200 (2012: 100) basis points (USD)	9,024	2,433
Effect on net profit decrease 50 (2012: 100) basis points (USD)	2,256	2,443

The Corporation's sensitivity to interest rates has increased during the current period mainly due to the greater holding in US dollar deposits.

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

(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 by continuously monitoring future cash flows and liquidity.

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

Financial liabilities

	Weighted Average Effective Interest rate	Within 1 year	1 to 5 Years	Over 5 Years	Total
	%	$'000	$'000	$'000	$'000
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
March 31, 2012					
Non-interest bearing	Nil	98,187	-	-	98,187
Borrowings	8	94,565	218,766	295,334	608,665
		192,752	218,766	295,334	706,852

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

21 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Cont'd)

Financial risk management *(Cont'd)*

(c) Liquidity risk

Management of liquidity risk (Cont'd)

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, 2013		
Non-interest bearing	Nil	36,070
Variable interest rate instruments	3.35	475,862
		511,932
March 31, 2012		
Non-interest bearing	Nil	96,457
Variable interest rate instruments	4.11	332,329
		428,786

(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 Corporation's risk management committee reviews 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).

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

21 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Cont'd)

Financial risk management *(Cont'd)*

(d) ***Capital risk management (Cont'd)***

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, 2013 was 5.55% (2012: 6.19%).

Gearing ratio

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

	2013 $'000	2012 $'000
Debt (i)	383,419	399,666
Equity (ii)	6,902,395	6,453,377
Debt to equity ratio	5.55%	6.19%

(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.

(e) **Fair values of financial assets and liabilities**

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 carrying value and fair value of the loan is $383.42 million (2012: $399.66 million) and $288.78 million (2012: $315.95 million) respectively.

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

22 OTHER DISCLOSURES - EMPLOYEES

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

	2013 $'000	2012 $'000
Salaries and wages	110,449	83,312
Statutory contributions	9,543	6,766
Pension cost (recovery)	2,986	(6,387)
	122,978	83,691

23 PRIOR YEAR RESTATEMENT

As detailed in Note 2, the Corporation applied the amendments to IAS12 *Deferred Tax: Recovery of Underlying Assets* in the current year. The impact of the restatement on prior years is illustrated below. Further, the current portion of borrowings that was included as non-current in the prior year has been reclassified to current liabilities.

23.1

		March 31, 2012		
	Notes	Previously Reported	Adjustments	Restated
		$'000	$'000	$'000
Statement of financial position				
ASSETS				
Non-current assets				
Property, plant and equipment		15,463	-	15,463
Investment properties		6,656,190	-	6,656,190
Retirement benefit asset		9,439	-	9,439
		6,681,092	-	6,681,092
Current assets				
Income tax recoverable		23,145	-	23,145
Trade and other receivables		41,522	-	41,522
Cash and bank balances		393,738	-	393,738
		458,405	-	458,405
Total assets		7,139,497	-	7,139,497
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital		545,022	-	545,022
Capital reserves		1,876,010	-	1,876,010
Revenue reserve	1	3,114,598	917,747	4,032,345
		5,535,630	917,747	6,453,377
Non-current liabilities				
Borrowings	2	348,854	(16,424)	332,430
Deferred tax liability	1	1,065,441	(917,747)	147,694
		1,414,295	(934,171)	480,124
Current liabilities				
Trade and other payables		138,760	-	138,760
Borrowings	2	50,812	16,424	67,236
		189,572	16,424	205,996
Total equity and liabilities		7,139,497	-	7,139,497

23 PRIOR YEAR RESTATEMENT (Cont'd)

23.1 (Cont'd)

	Notes	Year Ended March 31, 2012 Previously Reported $'000	Adjustments $'000	Restated $'000
Statement of comprehensive income				
Revenue		380,451	-	380,451
Direct costs		(109,677)	-	(109,677)
Gross profit		270,774	-	270,774
Increase in fair value of investment properties		240,842	-	240,842
Other gains and losses		47,180	-	47,180
Administrative expenses		(98,916)	-	(98,916)
Other operating expenses		(54,543)	-	(54,543)
Finance costs		(27,915)	-	(27,915)
INCOME BEFORE TAXATION		377,422	-	377,422
Taxation	1	(94,000)	48,094	(45,906)
NET INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		283,422	48,094	331,516

Notes

1. Effect of write back of deferred tax liability on revaluation of investment properties accumulated to March 31, 2012:

	$'000
Effect on revenue reserve brought forward - April 1, 2011	869,653
Effect on net income for year ended March 31, 2012	48,094
	917,747

2. Effect of reclassification of current portion of long-term borrowing.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

23 PRIOR YEAR RESTATEMENT (Cont'd)

23.2

	Note	April 1, 2011 Previously Reported $'000	Adjustments $'000	Restated $'000
Statement of financial position				
ASSETS				
Non-current assets				
Property, plant and equipment		18,235	-	18,235
Investment properties		6,205,320	-	6,205,320
Retirement benefit asset		-	-	-
Total non-current assets		6,223,555	-	6,223,555
Current assets				
Income tax recoverable		20,473	-	20,473
Trade and other receivables		110,022	-	110,022
Cash and bank balances		411,428	-	411,428
Total current assets		541,923	-	541,923
Total assets		6,765,478	-	6,765,478
EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital		545,022	-	545,022
Capital reserves		1,876,010	-	1,876,010
Revenue reserve	1	2,831,176	869,653	3,700,829
		5,252,208	869,653	6,121,861
Non-current liabilities				
Borrowings		349,056	-	349,056
Deferred tax liability	1	971,441	(869,653)	101,788
Total non-current liabilities		1,320,497	(869,653)	450,844
Current liabilities				
Trade and other payables		115,163	-	115,163
Borrowings		72,597	-	72,597
Bank overdrafts (secured)		5,013	-	5,013
Total current liabilities		192,773	-	192,773
Total equity and liabilities		6,765,478	-	6,765,478

Note

1. Effect of write back of deferred tax liability on revaluation of investment properties accumulated to March 31, 2011.

FACTORIES CORPORATION OF JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

24 CAPITAL COMMITMENTS

Capital commitments as at March 31, 2013, authorised by the Board of Directors but not contracted for amounted to approximately $136.88 million in respect of:

	$'000
Furniture, fixtures and equipment	2,015
Computer software and equipment	3,142
Motor vehicles	11,000
Investment properties	120,720
	136,877

NOTES

FACTORIES CORPORATION OF JAMAICA LTD.

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