



# FACTORIES CORPORATION OF JAMAICA LTD.

Profitably developing industrial and commercial space in the public sector

*Annual Report*  
2016



## *Our Mission*

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

## *Our Vision*

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





*Proposed Naggo Head Tech Park*

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## *Corporate Data*

### **Factories Corporation of Jamaica Limited**

(An Agency of the Ministry of Economic Growth & Job Creation)

17 Knutsford Boulevard

Kingston 5

Telephone (876) 968-4766/968-2484

Fax: (876) 960-4577/929-7453

Website: [www.factoriesjamaica.com](http://www.factoriesjamaica.com)

### **Registered Office**

17 Knutsford Boulevard

Kingston 5

### **Auditors**

Ernst & Young

Chartered Accountants

8 Olivier Road

Kingston 8

### **Bankers**

The Bank of Nova Scotia Jamaica

Scotia Centre

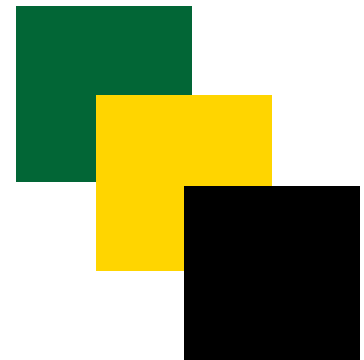
Duke & Port Royal Streets

Kingston

National Commercial Bank

37 Duke Street

Kingston



# Chairman's Report



**Mr. Clive FAGAN**  
Chairman

The Report for the Financial Year 2015/16 represents my last report as Chairman of the Board of Factories Corporation of Jamaica (FCJ); occasioned by a change of political administration. I would like to use this opportunity to thank my fellow Board Members and staff for the sterling service given during the period that has placed FCJ in the strongest position that it has been since inception. The growth seen by FCJ over the period has not only been phenomenal but it has played a catalytic role for the growth agenda for the country. It is my strong view that the foundation laid will allow FCJ to continue along that growth trajectory.

## Financial Performance

The financial results for the period were mixed. The Company achieved Total Comprehensive Profit of \$587.34 million, a decrease of 6.33% over 2014/2015. However, total Income increased by 3.35% over 2014/15 to \$596.45 million. Total Asset base increased as well by \$1.41 billion to \$10.83 billion, compared to \$9.42 billion in 2014/15.

## Infrastructure Work

The start of the Naggo Head Technology Park represents the high point of the year under review which places the company in a position to truly facilitate the growth of the critical Business Process Outsourcing Sector.

Under the "Plans and Priority Programmes", several key projects were identified for implementation during the year - the upgrade and re-development of the Small Industries Complexes, the continuation of Upgrade of the E- Services Building, Retrofitting Space at Montego Bay Free Zone (MBFZ) and the build-out of 300,000 square foot of new space at Naggo Head.

Work continues in all these areas and good progress is being made, except for the retrofitting of space at MBFZ, which has been delayed due to new specifications and technologies.

The construction of the New South Gate entrance is keeping pace with the widening and upgrade of the Marcus Garvey Drive corridor while the Naggo Head project is awaiting approval from the Portmore Municipal Council.

During the year, a general facelift of all FCJ properties island-wide was instituted, much to the satisfaction of tenants, customers, visitors, employees and others. Completion is anticipated in 2016/17.

## Trade In Metal

FCJ's mandate to provide oversight to the Scrap Metal Industry, at the export level, through the



three Approved Scrap Metal Multi-User Facilities: Clarendon Park, Riverton and Spanish Town Road was successfully executed during the year. These sites serve as the only means of export for General Exporters under the Trade (Scrap Metal) Regulations, 2013.

Despite the challenge of significant decrease in Metal prices globally, which has negatively impacted local exports, the trade continues to provide an avenue for commercial entities to rid themselves of derelict waste under the designation of Industrial Exporters. During the period, 11 general licensed exporters and 4 industrial exporters were in operation, resulting in exports of 30,076 metric tons of metal, valued at approximately US \$7,812,003, generating employment.

We use this opportunity to acknowledge the contribution of the Jamaica Customs, the Jamaica Constabulary Force and the Trade Board Limited to the success of the scrap metal industry in Jamaica.

### **Towards Fundamental Change & Development**

During the year, we undertook a range of initiatives targeting improved performance and focus and a more active management of our information systems. We significantly improved these systems, expanding our server resources to facilitate potential future growth while creating competitive advantages and cost containment in the long term.

We upgraded network availability and speed by incorporating fiber optic network infrastructure and Biometric Access Control systems. These improvements have reduced downtime to a minimum through reliable internet and broadband speeds and improved connectivity with critical branch locations. We were also able to increase security and employee accountability and efficiency.

During the year, we also began the process of reengineering our website and social media platforms, thus improving FCJ's image and timely communication with the public.

We focused on staff development and retention, revising our productivity incentive scheme, ensuring that employee rewards and remuneration were

commensurate with performance, using improved performance assessment as an important tool.

### **Occupancy**


In line with our active occupancy management, occupancy levels improved during the year, moving from 81% to 86% due to increases at the Garmex Free Zone and Marcus Garvey Drive SIC. However, the increases at these locations were offset by a decrease at the Montego Bay Free Zone. Space availability decreased by 28% as a property in Yallahs was sold to a tenant.

### **The Future**

I am of the view that with the platform that has been laid and with innovation and creativity the objective of making FCJ a principal agency of the growth agenda of the country will continue and be fully attained. The change of baton has been fairly smooth and I do hope that the new Board of Directors will drive relentlessly to the finish line.

I would like to especially thank Mrs. Carol Peterkin who has served the organization for 24 years and has given sterling service in support of the organization and specifically the Board of Directors.

Finally, to the hard working staff that has participated in the transformation of the organization on my watch, I wish them continued success and personal growth in all their endeavours.



**CLIVE FAGAN**

*Chairman*

## *Board of Directors*



**Mr. Clive FAGAN**  
Chairman



**Ms. Elaine Walters**



**Mr. James THOMAS**



**Mr. Gary SCOTT**



**Rev. Robert MCINTOSH**



**Ms. Leanne PHILIPS**



**Mr. Hopeton McCATTY**



**Ms. Kemilee McLymont**



## *Board of Directors*



**Mr. Byron CLARKE**



**Ms. Dian Carlene FENTON**



**Mr. William POTOPSINGH**  
Corporate Secretary



**Mr. Dennis GORDON**



**Dr. Norman MARSHALL**



**Mr. Junior ROSE**



**Mr. Andral 'Jack' SHIRLEY**

# 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 Ministry of Economic Growth and Job Creation. 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.

## *Board Committees*

The Committees in place during the period April 1, 2015 - March 31, 2016 were the following:

### **Finance**

Mr. Andral Shirley – Chairman  
Mr. Dennis Gordon  
Ms. Dian Fenton  
Dr. Norman Marshall  
Ms. Leanne Philips



### **ICT Infrastructure & Development**

Mr. Clive Fagan - Chairman  
Mr. James Thomas  
Mr. Byron Clarke  
Mr. Dennis Gordon  
Ms. Leanne Philips  
Mr. Gary Scott



### **Audit & Corporate Governance**

Mr. Junior Rose - Chairman  
Rev. Robert McIntosh  
Ms. Kemilee Mclymont  
Ms. Elaine Walters



### **Human Resource & Administration**

Mr. William Potopsingh - Chairman  
Mr. Byron Clarke  
Mr. Junior Rose  
Rev. Robert McIntosh  
Dr. Norman Marshall



### **Property Development & Marketing**

Ms. Leanne Philips – Chairman  
Mr. Clive Fagan  
Mr. William Potopsingh  
Mr. Byron Clarke  
Mr. Gary Scott  
Ms. Elaine Walters  
Mr. James Thomas



## *Management Team*



**Mr. Kenneth ROWE**  
Acting Managing Director/Director of  
Finance



**Ms. Sacha DESULME**  
Human Resource & Admin Manager/  
Information Systems Manager



**Mr. Desmond SICARD**  
Chief Strategic Officer



**Mr. Junior BURNETT**  
Property Manager



**Mrs. Sharon PHILLIPS**  
Client Service/Marketing Manager



**Mr. Osbert GREY**  
Chief Engineer

## Business Review



Valdez Road in St. Catherine



Denbigh I.E. in Clarendon



Good Year in St. Thomas



Naggo Head in St. Catherine

### Highlights of Achievements

#### Build-out of 300,000 square feet of new space at Naggo Head

All technical work was completed and the project taken to the Portmore Municipal Council for approval. In addition, the infrastructure work for 120,000 sq. ft. of space has commenced and is projected for completion by June 30, 2016.

#### Redevelopment of Garmex Free Zone Complex

The demolition work at the old JOS building in order to create 15,000 sq. ft. of space for the MSME's has been completed. The replacement of 50,000 square feet of roof and drainage work have also been successfully completed. Additionally, the construction of the New South Gate entrance is in progress.

### Financial Performance

The Company achieved Total Comprehensive Profit of \$587.34 million, a decrease of 6.33% over 2014/2015. However, total Income increased by 3.35% over 2014/15 to \$596.45 million. Total Asset base increased as well by \$1.41 billion to \$10.83 billion, compared to \$9.42 billion in 2014/15.

### Occupancy

Occupancy levels improved during the year, moving from 81% to 86% due to increases at the Garmex Free Zone and Marcus Garvey Drive SIC.

### Improvement to Investment Properties

The e-Services building was the beneficiary of three (3) new elevators at a cost of approximately J\$22M. The building was also painted and the eaves gutters repaired.



Two of eight Small Industries Complexes, White Marl and Duke Street, were upgraded with significant work done in paving to the yard, roof works and painting. Work is set to continue on the remaining six complexes in 2016/17 period.

A general facelift was given to properties island-wide to improve their aesthetic appeal. The project is now approximately 70% complete and involves drainage improvements to sites, paving to compounds, paintings and other general repairs.

## Client Service/ Marketing Department

### Occupancy

At the end of the financial year March 2016, occupancy stood at 86%. This was an improvement over the previous year's rate of 81%. This increase was as a result of increases at the Garmex Free Zone and Marcus Garvey Drive SIC. However, the impact of these increases were reduced by a decrease at the Montego Bay Free Zone. The decrease in the overall available space was accounted for by the sale of property in Yallahs to a tenant.

**During the 2015/16 financial year, Factories Corporation of Jamaica Limited realized a total comprehensive profit of \$587.34 million**

	March 2016	March 2015
Number of Companies	113	112
<b>Total Available Space (m<sup>2</sup>)</b>	<b>157,738.21</b>	<b>160,526.31</b>
<b>Vacant Space (m<sup>2</sup>)</b>	<b>21,769.77</b>	<b>30,271.44</b>
% Occupancy	86	81

Throughout the year, the Client Service Department continued to be engaged in assisting customers (tenants), marketing vacant space and managing the various sites.

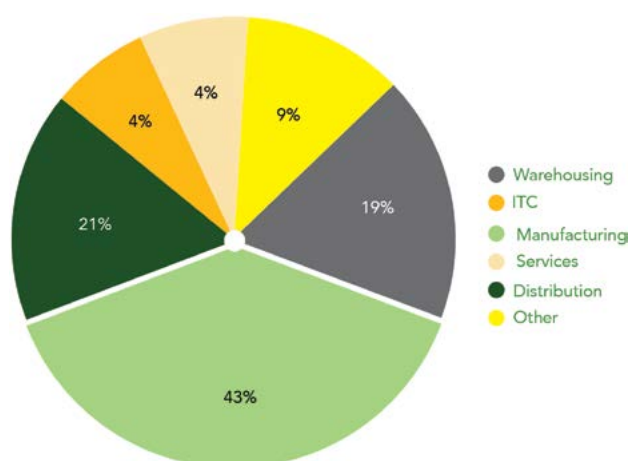
Interest in the Corporation's space, especially corporate area properties, remains strong.

### Tenants

The Department continued to engage our tenants by holding quarterly tenants' meetings from which valuable feedback is garnered. This feedback was incorporated in our capital works programme in an effort to make tenants more comfortable.

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

**Tenancies by Activity Period Ending March 31, 2016**



### Safety & Security

The safety and security of our customers is of great importance. As such the Client Service/Marketing Department in collaboration with the Fire Prevention department undertook inspections at several properties and performed security audits at two sites.



## Financial Results

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

### Total Comprehensive Income

During the 2015/16 financial year, Factories Corporation of Jamaica Limited (FCJ) realized a total comprehensive profit of \$587.34 million, a decrease of \$39.66 below the total comprehensive profit of \$627m for 2014/15.

### Income

FCJ earns revenues mainly from the lease of factory/warehouse and BPO space. The income for the year is \$596.45 million. This represents an increase of 6.33% over the 2014/15 financial year. The leasing of factory/warehouse and BPO space accounts for 98.73% of total income (\$588.88) million. Fees of \$39.95m were realized from the Scrap Metal trade; a decrease of \$66.72 million from the \$106.68 million realized in 2014/15.

### Other Gains and Losses

Included in the other losses for 2015/16 is impairment of investment properties of \$105.05 million due to adjustments to Investment Properties for reduction in sale price of certain properties; however loss on disposal of investment properties of \$10.27 million is \$158.72 million less than the loss of \$161.76 million for the

previous financial year. This loss was influenced mainly by the transfer of property valued \$164 million to the South West St. Andrew Trust Limited.

### Three Year Financial Results

	2015/2016 \$'000	2014/2015 \$'000	2013/2014 \$'000
<b>INCOME</b>			
Rental Income	596,453	577,113	504,500
Other Income - Scrap Metal	39,958	106,680	100,937
Other Income and Other Gains & Losses	(32,316)	(155,880)	29,778
Total Income	604,095	527,913	635,215
<b>EXPENSES</b>			
Direct Operating Expenses	301,241	163,871	96,552
Administrative Expenses	148,389	118,646	152,723
Other Expenses	105,491	62,837	58,686
Scrap Metal Expenses	116,232	111,531	99,974
Finance Costs	22,890	24,489	25,966
Total Operating Expenses	694,243	481,374	433,901
Net Profit from Operations	(90,148)	46,539	201,314
<b>Other Adjustments</b>			
Increase in Fair value of Investment Properties	675,839	584,889	994,767
Re-measurement Loss on Defined Benefit Plan	1,649	(4,422)	(5,570)
Total Comprehensive Income	587,340	627,006	1,190,511

### Expenses

Total operating expenses for the year of \$694.24 million was \$212.87 million above the previous year ended March 31, 2015. Administrative expenses totaled \$148.39 million was an increase of \$29.74 million over last year. This variance is influenced by \$22.5 million in legal fees paid by the corporation for conveyance work not completed.

Direct Operating Expenses for the year ended 2015/16 is \$301.24 million; an increase of \$137.37 million over the previous year. This increase was driven by a campaign to facelift the properties by doing long overdue repairs and painting to the majority of the properties.

## Asset Management

FCJ's asset base increased by \$1.41 billion to \$10.83 billion at March 2016 compared to \$9.42 billion in the previous year. This is derived mainly from the increase in Fair Value of Investment Properties, increase in Work in Progress for Capital Works and increase in cash and bank balances over the period ended March 2015.

## Corporate Social Responsibility

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

Additionally, staff members participated in several 5K events all which support various worthy causes such as the Sigma Corporate Run, the Grace Education Run, the Guardian Night Run and the Jamaica Cancer Society.

Staff members played their part in taking care of the environment by their participation in the International Coastal Clean-Up Day.

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

## Property Department

The 2015/16 budget identified several key projects to be implemented under its "Plans and Priority Programmes". Chief



*Naggo Head elevator installation*

among them were the build-out of 300,000 square foot of new space at Naggo Head, the retrofitting of space at Montego Bay Free Zone for use in the E-services sector, the redevelopment of Garmex Free Zone and the upgrade and redevelopment of the Small Industries Complex (S.I.C.). The budget allocation of Naggo Head covered expenditure for the infrastructural works which will support the buildings when constructed. All designs works relating to water supply, drainage and sewage were completed and take to the Portmore Municipal Council (PMC) for approval.

The re-development of Garmex continued with the construction of an upgraded entrance at the South Gate. The project is still in progress and is kept in step with the widening of the Marcus Garvey Drive corridor. The approach road to the gate will benefit from new transition curve lanes from Marcus Garvey Drive to accommodate large container traffic entering the site.

The retrofitting of the Montego Bay Free Zone space was not carried out as planned.

The project was brought forward to 2016/17 due to new specifications and technologies



*Duke Street SIC, Kingston*

which will impact the project outcome.

Two of the eight SICs, White Marl and Duke St., were upgraded with significant work done in Paving to the Yard, Roof Work and Painting. Work is set to continue over the remaining six complexes in 2016/17 period.

Additionally, other major works were carried out. Notable among them were the repairs carried out on the properties island wide. The FCJ Board

mandated that properties should be given a general facelift to improve their aesthetic appeal. The project is on-going and involves paving, drainage improvement and painting. Secondly, the E-services building at Naggo Head was the beneficiary of three new elevators at a cost of approximately J\$22.0M. The building was also painted and the eave gutters repaired.

Capital and major works aside, the department faithfully carried out the other obligations of maintenance and attended to emergency situations throughout the year. The overall feedback from tenants, customers, visitors, employees and other stake holders was that the year was an improvement over the 2014/15 period.

## Estate Management



*Torrington S.I.C., Kingston*



*Naggo Head, St. Catherine*

The major objective pursued by the department during the 2015 - 2016 financial year was to complete the sale of seven (7) properties with the prospect of securing approximately \$240M in net proceeds of sale. To this end, the department secured Cabinet Approval for the sale of Lot 6 Yallahs IE, St. Thomas to Double Deuce Jamaica Limited and the said sale was completed during the financial year yielding net proceeds of \$34.73M. The sale of Lot 5 Kingston Pen to the National Health Fund was also completed during the period under review netting proceeds of sale in the amount of \$36.65M. The sales of Lot 14 Glendevon IE to the Minister of Housing and Lot 11 Hague IE to King Pepper Products Limited were also completed during the review period netting proceeds of sale in the amount of \$17.34 M. The sales of properties at Lot 4 Kingston Pen, Seville ITC and Lot 2 Corletts Road are pending completion.

In the review period, the department completed negotiations with Millennium Paving Stones Limited for the sale of Lots 10A & 10B Yallahs IE, St. Thomas for \$29M and in the process secured the executed Agreement for Sale along with the requisite deposit. The sale is now awaiting Ministerial Approval for completion. The department also initiated negotiations for the sale of Lot 3F Culloden IE, Westmoreland and expects to conclude those negotiations early in the 2015 - 2016 financial year. The department also received expressions

of interest from two existing tenants for the purchase of Lot 9 Glendevon IE, St. James and Lot 56 Naggo Head IE, St. Catherine. Negotiations are in train and are expected to be completed within the 2016 - 2017 financial year.

During the 2015/2016 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. Accordingly, the department continued with the necessary follow-ups 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. At the same time, the department also continued to monitor the process to have another two (2) properties; Salisbury Plain, and Rodons Pen, transferred to the Corporation.

For the 2015/2016 financial year, the department commissioned and obtained Surveyor's Identification Reports. The necessary corrective actions to breaches observed are now being investigated with a view to having the identified breaches regularized within the shortest possible time. During the period, the department continued to have discussions with the Ministry of Transport, Works and Housing with a view to facilitate the regularization of the informal settlement at the property at Old Harbour, St. Catherine.

In the review period, the department also successfully completed the Procurement for General Insurances in a timely manner and in the process, secured a 70% or approximately US\$372,000 reduction in insurance premiums for the period April 2016 to April 2017.

## Trade in Metal

The 2015/2016 financial year has not been one void of challenges, chief among them is the significant decrease in prices of metal in the global marketplace which has impacted local exports tremendously. Nevertheless, FCJ has remained resolute in its mandate to facilitate and provide oversight to the Trade in Metal at the export level, through the three Approved Scrap Metal Multi-User Facilities: Clarendon Park, Riverton and Spanish Town Road. These sites serve as the only means of export for General Exporters under the Trade (Scrap Metal) Regulations, 2013. Additionally, the trade continues to provide an avenue for commercial entities to rid themselves of derelict waste under the designation of Industrial Exporters.

**FCJ has remained resolute in its mandate to facilitate and provide oversight to the Trade in Metal at the export level**

### Licensed Exporters for FY 2015/16

Category	Total
General Exporters	11
Industrial Exporters	4

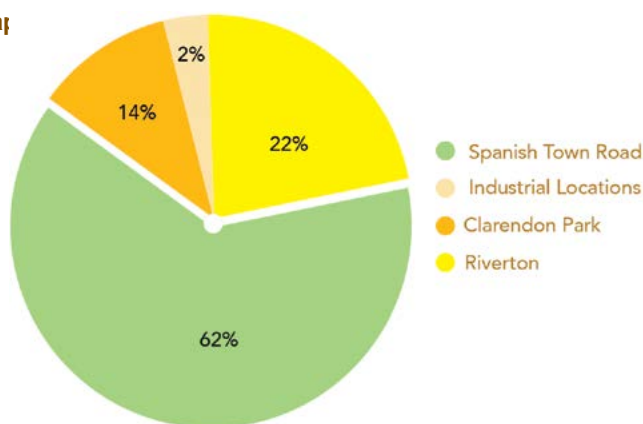
### Scrap Metal Exports for FY 2015/16

Category	Total
Number of Containers	1,410
Total Tonnage (Metric Tons)	30,076
FOB (US \$)	7,812,003

The Trade in Metal continues to provide substantial impact to the Jamaican economy. The country for the financial year 2015/16 exported 30,076 metric tons of metal valued at approximately US \$7.81 million.

In a time of financial and economic hardships, the trade in metal continues to provide significant impact on our communities, businesses and people, generating employment of up to 600 directly and 2,000 indirectly.

### Total Scrap



It must be acknowledged that the continuity and maturity of the trade could not be possible without the contribution of the Jamaica Customs and the Jamaica Constabulary Force who are fixtures at all operations island wide and the Trade Board limited facilitating the export approval process.

## Information Systems

Businesses today cannot survive without leveraging the efficiency of information technology. It doesn't matter if you own a multinational corporation or you have small business, the role of an IT department is essential.



Factories Corporation of Jamaica (FCJ) integrates its core processes around information technology thus maximizing returns through the efficiency of technology. It is through this integration that FCJ impacts and surpasses its objectives and achievements over the past year.

### **Upgraded Office IT infrastructure**

In keeping with the ever expanding and evolving roles of technology in today's operating standards of organizations. Factories Corporation of Jamaica has significantly improved by incorporating additional server resources to facilitate any potential growth for the future. This lend to competitive advantages and saves money in long term allowing FCJ to keep at the forefront of business efficiency.

### **Fiber optic network integration**

The IT department has upgraded network availability and speed by incorporating fiber network infrastructure thus allowing for minimum downtime, reliable internet and broadband speeds. Additionally, connectivity with the critical branch location at all times creates a reliable network environment within FCJ.

### **Biometric Access Control**

Information technology at Factories Corporation of Jamaica has expanded its role into a Biometric Access Control system to increase security and accountability. This system also allows for the increased control or access to facilities or resources. It also serves as a human resource measure in attendance which

lends itself to increase efficiency within FCJ.

### **Website and Social Media**

In FCJ, IT has a role in marketing and information availability to the public, this comes in the form of a Website and Social media outlets. The website is in the process of being revamped in keeping with today's standard in terms of information availability and functionality to allow FCJ stakeholders to gain various communication avenues and streamline information.

Social media for FCJ allows for publicity which shows the inner workings of FCJ and for the publishing of goals completed. The social media outlet not only provides an avenue for public awareness of information of services provided for FCJ but also allows for information awareness on business related issues.

### **Human Resources**

During the 2015/2016 Financial year Factories Corporation of Jamaica was able to attract and retain its staff and has continued to maintain its critical skills set. The staff complement has remained at seventy-one (71) employees.

The Human Resources Dept. has made great steps to modernize the Human Resources Management Functions and implement strategies to improve the responsiveness to Human Resources related matters with greater efficiency and effectiveness.

### **Records Management**

The company is on the path to establish a Records Management Unit so that the organization may function effectively as part of the governance framework for the management of records within the organization, which is critical for the effectiveness and efficient administration of the company's business activities. With this in mind, the Unit will allow the information to be created, captured and stored representing evidence of the business activities. This will allow the ease of records being more accessible to auditors, clients and for litigation purposes. The intention is to have a top of the line Electronic File Management System to support this.

### **Revised Productivity Incentive Scheme**

There was a concern from the Board of Directors that the original scheme did not encourage an optimal level of employee performance and the rewards were disproportionate to the overall performance of the company and its departments.

FCJ wanted to improve the Performance Management Culture to make it more authentic. It wanted to establish a more individual approach and have an ongoing performance monitoring system through coaching/feedback based on the targets and standards that are achieved. The focus would be on individual employees at all levels and they would be more accountable for their personal contribution to the success of the organization. Employees would perform in accordance with clearly stated measurable

performance objectives, focus more on the development of the Human Resource and talent within the organization through coaching and feedback, and a greater synergy between the organizational results and the appraisal scores arrived at the end of the year.

The appraisal system would be implemented for the next financial year.

### Upgrade of Emoluments

There was an improvement of several benefits under the new wage agreement for the 2015 to 2017 contract period. This was in addition to the fixed figure increase of \$48,000 to annual salaries, as well as each worker getting \$4000 per month in the public service.

Supper/M meal allowances were increased and persons were able to claim the retroactive amounts from the past. Increases were made to the round the town transportation as well as those who live out of town. Travelling officers would receive increases in their upkeep over the next two years and commuted upkeep for those who do not own a motor vehicle.

Increases were also made to the Subsistence allowances, funeral grants and death benefits.

### Revised Organizational Chart and Job Levels

The organizational chart was revised to reflect appropriate job classifications pertinent to

the business process revision whereas the Administrative and Executive Professionals salary grades were upgraded as well as some Management and Ancillary Posts.

### Acquisition of more Office Space

As we are growing in size, we acquired the ground floor of 17 Knutsford Blvd which was obtained on March 1, 2016.

### Holiday Employment

Holiday employment and work experience was provided to fifty-four (54) students during the summer of 2015. Placements were assigned to:

- Bustamante Children's Hospital
- Scientific Research Council
- Ministry of Industries Investment and Commerce
- Ministry of Labour
- Factories Corporation of Jamaica

### Staff Functions

FCJ hosted a Staff Retreat which was held at Wataland/ Riverside Park in Ocho Rios which was held in the summer. It gave the employees a chance to discuss the changes they would like to see and issues that they may have within the company and their department. They were then able to enjoy the facilities and mingle with each other outside of the office environment. The Company's Annual Staff Christmas Party was held at The

Terra Nova Hotel, 17 Waterloo Road where Staff Members and Board Member were able to mingle and be entertained.

### Establishment

At the end of the financial year, the staff establishment was seventy-one (71) Employment

Two (2) persons terminated their employment, three (3) retired and one (1) deceased.

### Training

Staff members from the various departments received training in the following:

- Critical Thinking
- Upgrading computer skills
- Taxation Seminar
- Suicide prevention
- Leadership Series
- Preparing Cabinet Submission
- Customer Service
- Information Security
- Analyzing Financial Report
- Supervisory Management
- Human Resource Management
- Minutes Taking
- Personal Development

A total of \$2.32M was spent on training for the financial year 2015/2016.

### Pension

Pension---As at March 31, 2016 there were fifty-one (51) Active Members.



## Providing spaces for growth...

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

### King Pepper Products Limited



Mr. Dudley Eaton, Executive Director of King Pepper Products Limited accepts the Pioneer Exporter Award 2012 from Vitus Evans, President of the Jamaica Exporters Association.



King Pepper's escallion storage facility



King Pepper's 1992 Factory

Watching his mother-in-law's tenant grow pepper triggered an idea in Dudley Eaton. He prepared a pepper mash, secured assistance from an American Biologist to perfect a pepper sauce and King Pepper Products Ltd. was born on Carib Road, Martha Brae, Trelawny. Because of his focus on quality, Mr. Eaton was quickly approached to manufacture additional products such as mango chutney and jerk seasoning under a co-packing arrangement with several large distributors. Jerk Seasoning is now the company's flagship product.

Today King Pepper Products manufactures a range of over 20 products under its own "Eaton's" brand (and other private brands)

including Jerk Seasonings, BBQ Sauces, Tomato Ketchup, Hot Sauces, Jams, Chutneys and Chinese Soy Sauce. The Company employs over 60 individuals and is supplied by over 100 farmers. Nearly 90% of sales is to export markets such as the United States, Canada, the U.K. and Grand Cayman.

King Pepper is a rapidly growing company focused on penetrating new markets. The Company has had a good and strong relationship with Factories Corporation for over 24 years, since 1992. King Pepper has found FCJ friendly to manufacturers and the partnership between the two companies has grown steadily, in keeping with King Pepper's need

for additional space to house their operations. Over the years, the relationship has changed from tenant to neighbor (having bought the property which they previously rented from FCJ) and now tenant and neighbor. The strength of the partnership will once more be brought into focus as King Pepper has again outgrown its 10,000 square foot rental space and is looking to FCJ to again accommodate its need for more space.

King Pepper has always been able to identify adjoining FCJ properties to suit their needs and that is why FCJ has remained a valuable partner in their company's growth and development.

## Providing spaces for growth...

### No Brand Chemicals



No Brand Chemicals products

Convinced that consumers in the Jamaican household and industrial cleaning market could benefit from good quality low priced bulk products, Jason Dear put his corporate job on pause to grasp this opportunity. He quickly set up a business at the Factories Corporation of Jamaica (FCJ) Complex on Marcus Garvey Drive, Kingston in 2011, using his education, training and all the skills he learned from his family, a line of business owners.

No Brand Chemicals' market success is clear. It is one of the

fastest growing manufacturers in its market. The company is primarily a B2B manufacturer of a line of over 30 products, serving over 850 individual, retail and corporate customers. Products include household bleach and fabric softener in sachets.

Jason Dear manages the day to day operations of the company with the express objective of growing the company's network of key distributors and corporate customers. He is confident that his company enjoys a unique competitive advantage.

According to Dear, "You're not paying for a brand's name; you're paying for the quality of a product". He believes the quality of his product is the same as that of the branded ones, just that his brands are much less expensive.

Jason likes the Marcus Garvey complex because of its convenient location and right-sized space which suits his style of operation. The FCJ Marcus Garvey location is not branded which suits Dear just fine!



Factories Corporation of Jamaica Limited

# *Audited Financials*



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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of Factories Corporation of Jamaica Limited**

#### **Report on the financial statements**

We have audited the financial statements of Factories Corporation of Jamaica Limited (the Corporation), which comprise the statement of financial position as at March 31, 2016, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's 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.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **To the Members of Factories Corporation of Jamaica Limited (Continued)**

#### **Report on the financial statements (Continued)**

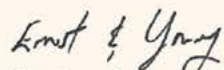
##### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as at March 31, 2016, and of its financial performance, and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

#### **Report on additional requirements of the Jamaican Companies Act**

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.



Chartered Accountants  
Kingston, Jamaica

7 October 2016

## Statement Of Financial Position as at March 31, 2016


(Expressed in Jamaican dollars)

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	24,472	25,453
Investment properties	6	9,669,618	8,313,737
		<u>9,694,090</u>	<u>8,339,190</u>
<b>Current assets</b>			
Withholding tax recoverable		21,418	23,777
Trade and other receivables	7	114,950	72,481
Cash and bank balances	8	1,003,484	986,401
		<u>1,139,852</u>	<u>1,082,659</u>
<b>Total assets</b>		<u>10,833,942</u>	<u>9,421,849</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	9	545,022	545,022
Capital reserves	10	1,876,010	1,876,010
Revenue reserve		7,008,160	6,420,820
		<u>9,429,192</u>	<u>8,841,852</u>
<b>Non-current liabilities</b>			
Retirement benefit obligation	11	4,478	3,264
Borrowings	12	252,099	274,693
		<u>256,577</u>	<u>277,957</u>
<b>Current liabilities</b>			
Borrowings	12	73,406	71,674
Other payable	13	810,000	-
Payables and accruals	14	259,590	230,366
Bank overdraft	8	5,177	-
		<u>1,148,173</u>	<u>302,040</u>
<b>Total equity and liabilities</b>		<u>10,833,942</u>	<u>9,421,849</u>

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

The financial statements were approved and authorised for issue by the Board of Directors on 7 October 2016 and are signed on its behalf by:

  
Lyttleton Shirley - Director

  
Kirk Benjamin - Director



## Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2016

(Expressed in Jamaican dollars)



	Notes	2016 \$'000	2015 \$'000
Revenue	15	596,453	577,113
Direct costs	16	<u>(301,241)</u>	<u>(163,871)</u>
Gross profit		295,212	413,242
Increase in fair value of investment properties	6	675,839	584,889
Other income – scrap metal fees		39,958	106,680
Other income and other gains and losses	17	(32,316)	(155,880)
Administrative expenses	16	(236,570)	(202,555)
Other operating expenses	16	(133,542)	(90,459)
Finance costs	18	<u>(22,890)</u>	<u>(24,489)</u>
<b>NET INCOME</b>	19,20	585,691	631,428
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Other comprehensive income (loss) not to be reclassified to income in subsequent periods:			
Re-measurement gain/(loss) on defined benefit plan	11(e)	<u>1,649</u>	<u>(4,422)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>587,340</u>	<u>627,006</u>

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

## Statement of Changes in Equity

Year ended March 31, 2016

(Expressed in Jamaican dollars)

	Share Capital (Note 9) \$'000	Capital Reserves (Note 10) \$'000	Revenue Reserve \$'000	Total \$'000
Balance at April 1, 2014	545,022	1,876,010	5,793,814	8,214,846
Net income for the year	-	-	631,428	631,428
Other comprehensive loss	-	-	(4,422)	(4,422)
Total comprehensive income	-	-	627,006	627,006
Balance at March 31, 2015	545,022	1,876,010	6,420,820	8,841,852
Net income for the year	-	-	585,691	585,691
Other comprehensive income	-	-	1,649	1,649
Total comprehensive income	-	-	587,340	587,340
Balance at March 31, 2016	545,022	1,876,010	7,008,160	9,429,192

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

## Statement of Cash Flows

Year ended March 31, 2016

(Expressed in Jamaican dollars)



	Notes	2016 \$'000	2015 \$'000
<b>OPERATING ACTIVITIES</b>			
Net income		585,691	631,428
Adjustments for:			
Depreciation of property and equipment	5	8,164	7,079
Gain on disposal of property and equipment		(1,975)	-
Impairment loss recognised on trade and other receivables	7	31,657	5,565
Net loss on sales of investment properties	17	8,301	167,022
Impairment of investment property	6	105,050	49,100
Write-off of work-in-progress	6	9,004	-
Net increase in fair value of investment properties	6	(675,839)	(584,889)
Retirement benefit cost	11(d)	6,937	5,279
Foreign exchange gains		(56,868)	(33,642)
Interest income	16	(23,697)	(26,108)
Interest expense	18	22,890	24,489
Operating cash flows before movements in working capital		19,315	245,323
Increase in receivables		(51,626)	(39,220)
Increase in payables and accruals		29,224	73,634
Retirement benefit contribution	11(c)	(4,074)	(3,337)
Cash generated by operations		(7,161)	276,400
Taxation recovered/(paid)		2,359	(20)
Net cash (used in)/provided by operating activities		(4,802)	276,380
<b>INVESTING ACTIVITIES</b>			
Interest received		22,705	26,193
Proceeds from sales of investment properties		89,228	30,186
Proceeds from disposal of property and equipment		2,112	-
Purchase of property and equipment	5	(7,320)	(16,792)
Expenditure on investment property		(104,125)	(60,717)
Net cash provided by/(used in) investing activities		2,600	(21,130)
<b>FINANCING ACTIVITIES</b>			
Interest paid		(22,890)	(24,489)
Repayment of borrowings		(20,862)	(19,264)
Net cash used in financing activities		(43,752)	(43,753)
<b>NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(45,954)	211,497
Effects of foreign exchange rate changes		56,868	33,642
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		984,099	738,960
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	8	995,013	984,099
Non-cash item:			
Expenditure on investment property/other payable	13	810,000	-
Reclassification from investment property to other receivables	6(e)	22,500	-

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

### 1 IDENTIFICATION

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

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

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

### 2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of preparation

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

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Current year changes

The corporation applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after April 1 2015. The corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in during this financial year, they did not have a material impact on the annual financial statements of the corporation. The nature and the impact of each new standard or amendment is described below:

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

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



## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Current year changes (continued)

- **Annual Improvements 2010-2012 Cycle**

With the exception of the improvement relating to IFRS 2 *Share-based Payment* applied to share-based payment transactions with a grant date on or after July 1 2014, all other improvements are effective for accounting periods beginning on or after July 1 2014. The corporation has applied these improvements for the first time in these financial statements. They include:

- **IFRS 2 *Share-based Payment***

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The corporation has not granted any awards during the year and thus these amendments did not impact the corporation's financial statements.

- **IFRS 3 *Business Combinations***

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This amendment did not impact the corporation's accounting policies as there were no business combinations during the year.

- **IFRS 8 *Operating Segments***

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

These amendments did not have any impact on the financial statements of the corporation as it is not required, and the corporation does not present segment information.

- **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets***

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that an asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the corporation during the current year.

- **IAS 24 *Related Party Disclosures***

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment did not result in any changes as such disclosures were already being made by the corporation for such services. Please see Note 20.

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

#### 3.1 Current year changes (Continued)

- **Annual Improvements 2011-2013 Cycle**

These improvements are effective from July 1 2014 and the corporation has applied these amendments for the first time in these financial statements. They include:

- **IFRS 3 Business Combination**

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

This amendment is not relevant for the corporation as it is not a joint arrangement.

- **IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The corporation does not apply the portfolio exception in IFRS 13.

- **IAS 40 Investment Property**

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment did not impact the financial statements of the corporation.

#### 3.2 Future changes

The standards and interpretations that are issued, but not yet effective are disclosed below. The corporation intends to adopt these standards, if applicable, when they become effective.

- **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.





## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Future changes (Continued)

- **IFRS 9 *Financial Instruments (Continued)***

The corporation plans to adopt the new standard on the required effective date.

- (i) Classification and measurement

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.

The corporation does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

- (ii) Impairment

IFRS 9 requires the corporation to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The corporation will need to perform a detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

- (iii) Hedge accounting

This amendment would not apply as the corporation does not apply hedge accounting.

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

#### 3.2 Future changes (Continued)

- **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1 2016. Since the corporation is an existing IFRS preparer, this standard would not apply.

- **IFRS 15 Revenue from Contracts with Customers**

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

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

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

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

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

IFRS 15 must be applied in an entity's annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the Standard is mandatory and early adoption is permitted. The directors and management have not yet assessed the impact of the application of this standard on the corporation's financial statements.

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

#### 3.2 Future changes (Continued)

- **IFRS 16 Leases**

This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of “low value” assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1 2019. Early adoption is permitted but not before the corporation applies IFRS 15. The directors and management have not yet assessed the impact of the application of this standard on the corporation’s financial statements.

- **Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1 2016, with early adoption permitted. These amendments are not expected to have any impact on the corporation’s financial statements.

- **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1 2016, with early adoption permitted. These amendments are not expected to have any impact to the corporation given that the corporation has not used a revenue-based method to depreciate its non-current assets.

- **Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply.

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

#### 3.2 Future changes (Continued)

- **Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants (Continued)***

The amendments are retrospectively effective for annual periods beginning on or after January 1 2016, with early adoption permitted. These amendments are not expected to have any impact on the corporation's financial statements as the corporation does not have any bearer plants.

- **Amendments to IAS 27: *Equity Method in Separate Financial Statements***

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1 2016, with early adoption permitted. These amendments will not have any impact on the corporation's financial statements.

- **Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1 2016, with early adoption permitted. These amendments are not expected to have any impact on the corporation's financial statements.

- **Amendments to IAS 1 *Disclosure Initiative***

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1 2016, with early adoption permitted. The corporation is currently assessing the impact of this amendment on its financial statements.

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

#### 3.2 Future changes (Continued)

- **Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception***

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are not expected to have any impact on the corporation's financial statements.

- **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after January 1 2016. They include:

- **IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations***

Assets (or disposal group's) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

- **IFRS 7 *Financial Instruments: Disclosures***

- (i) **Servicing contracts**

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- (ii) **Applicability of the amendments to IFRS 7 to condensed interim financial statements**

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

- **IAS 19 *Employee Benefits***

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.



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

#### 3.2 Future changes (Continued)

- **Annual Improvements 2012-2014 Cycle (Continued)**

- **IAS 34 Interim Financial Reporting**

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments are effective for annual periods beginning on or after January 1 2016, with early adoption permitted. These amendments are not expected to have any impact on the corporation's financial statements.

#### 3.3 Fair value measurement

Fair values are disclosed in Note 23.

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

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

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

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

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Fair value measurement (Continued)

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

### 3.4 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Corporation classifies all other liabilities as non-current.

### 3.5 Foreign currency translation

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

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.6 Property and equipment

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

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

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

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

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

#### 3.7 Investment property

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

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.8 Impairment of tangible and intangible assets

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

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

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

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

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

### 3.9 Retirement benefit costs

The Corporation operates a defined benefit pension plan which is open to all permanent employees, the assets of which are held in a separate trustee-administered fund. The plan is funded by contributions from employees at the rate of 5% of pensionable salaries (with the option of contributing an additional 5%), and the employer contributes the balance of the cost as determined by actuaries. For the year ended March 31, 2016 the employer contribution was 5.5% (2015: 5.5%) of pensionable salaries.

#### Pension obligations

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.9 Retirement benefit costs (Continued)

##### Pension obligations (Continued)

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

#### 3.10 Financial instruments

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

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

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

#### 3.11 Financial assets

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

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

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

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

##### a) *Loans and receivables*

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

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

##### Effective interest method

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





## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Financial assets (Continued)

#### b) *Impairment of financial assets*

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

For financial assets, objective evidence of impairment would include:

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

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

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

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

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.11 Financial assets (Continued)

##### c) *Derecognition of financial assets*

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

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

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

#### 3.12 Financial liabilities and equity instruments issued by the Corporation

##### a) *Financial liabilities*

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

##### b) *Other financial liabilities*

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

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



## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### c) *Derecognition of financial liabilities*

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

#### d) *Equity instruments*

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

### 3.13 Dividends

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

### 3.14 Provisions

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

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

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

### 3.15 Related party

A party is related to the Corporation if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the Corporation;
  - has an interest in the entity that gives it significant influence over the Corporation; or
  - has joint control over the Corporation;
- (ii) the party is an associate of the Corporation;
- (iii) the party is a joint venture in which the Corporation is a venturer;
- (iv) the party is a member of the key management personnel of the Corporation or its parent;
- (v) the party is a close family member of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.15 Related party (Continued)

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

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

#### 3.16 Revenue recognition

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

##### Interest income

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

##### Rental income

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

#### 3.17 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 as such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.18 Borrowing costs

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

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

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

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

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

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

#### Critical judgment in applying accounting policies

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

#### Key sources of estimation uncertainty

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

##### *Fair value of investment properties*

Included in the statement of financial position is an amount of approximately \$9.67 billion (2015: approximately \$8.31 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 \$4.18 billion (43%) (2015: \$3 billion (36%)) were assigned the best yields.



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

##### Key sources of estimation uncertainty (Continued)

###### *Fair value of investment properties (Continued)*

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

###### *Sensitivities in relation to Level 3 (see Notes 6 and 23 for other fair value disclosures)*

A 1% increase in the estimated yields on these properties would result in the carrying value of the assets and net income decreasing by approximately \$69.74 million (2015: \$65.15 million). A 1% decrease in the estimated yields on these properties would result in the carrying value of the assets and net income increasing by approximately \$96.25 million (2015: \$66.46 million).

The fair value of certain properties amounting to \$466 million (2015: \$410 million) is based upon valuations carried out in a previous year adjusted appropriately for any impairment. Management believes that the value of these properties at year end is not significantly different from the value derived from the previous valuations or to be realized on pending sales.

###### *Provision for impairment losses on trade and other receivables*

Provisions totaling approximately \$86.76 million (2015: \$55.11 million) have been made for impairment losses on trade and other receivables.

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

###### *Employees' benefits*

As disclosed in Note 11, the Corporation operates a defined benefit pension plan. The amounts shown in the statement of financial position is a liability of \$4.47 million (2015: a liability of \$3.26 million) in respect of the defined benefit plan is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate.

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

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

Note 11(f) highlights the remeasurement gains and loss arising on the plan assets and liabilities in the estimation process. Note 11(j) highlights sensitivity analyses to changes in the assumptions in the discount rate and the rate of salary increase.

## Notes to the Financial Statements

March 31, 2016

(Expressed in Jamaican dollars)



### 5 PROPERTY AND EQUIPMENT

	Leasehold Improvements \$'000	Furniture, Fixtures and Equipment \$'000	Computer Software and Equipment \$'000	Motor Vehicles \$'000	Total \$'000
<b>At Cost</b>					
April 1, 2014	265	29,306	14,572	8,778	52,921
Additions	-	2,293	4,070	10,429	16,792
March 31, 2015	265	31,599	18,642	19,207	69,713
Disposals	-	(542)	(1,776)	-	(2,318)
Additions	-	5,155	2,165	-	7,320
March 31, 2016	265	36,212	19,031	19,207	74,715
<b>Accumulated Depreciation</b>					
April 1, 2014	265	18,064	12,297	6,555	37,181
Charge for the year	-	2,969	1,465	2,645	7,079
March 31, 2015	265	21,033	13,762	9,200	44,260
Disposals	-	(440)	(1,741)	-	(2,181)
Charge for the year	-	3,142	2,118	2,904	8,164
March 31, 2016	265	23,735	14,139	12,104	50,243
<b>Carrying amount</b>					
March 31, 2016	-	12,477	4,892	7,103	24,472
March 31, 2015	-	10,566	4,880	10,007	25,453

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

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

## Notes to the Financial Statements

March 31, 2016

(Expressed in Jamaican dollars)

### 6 INVESTMENT PROPERTIES

(a) These comprise:

#### Land and buildings at fair values:

	W.I.P. \$'000	Properties \$'000	Lands \$'000	Buildings \$'000	Total
<b>As at April 1, 2014</b>	156,947	5,883,081	1,571,230	303,182	7,914,440
Remeasurement recognised in profit or loss	-	335,230	226,880	22,779	584,889
Additions	13,449	47,268	-	-	60,717
Sales	-	(11,778)	(185,431)	-	(197,209)
Impairment	-	(47,400)	(1,700)	-	(49,100)
<b>As at March 31, 2015</b>	170,396	6,206,401	1,610,979	325,961	8,313,737
Remeasurement recognised in profit or loss	-	544,179	184,511	(52,851)	675,839
Work-in-progress write-off (Note 6(d))	(9,004)	-	-	-	(9,004)
Additions	58,771	36,329	815,385	3,640	914,125
Transfers (Note 6(e))	(175,077)	-	152,577	-	(22,500)
Sales	-	(82,000)	(15,529)	-	(97,529)
Impairment	-	(8,600)	(96,450)	-	(105,050)
<b>As at March 31, 2016</b>	45,086	6,696,309	2,651,473	276,750	9,669,618

(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. The gains arising on the property revaluation has been included as a line item in the statement of profit or loss and other comprehensive income.

Apart from properties noted in 6(h) below no other investment property of the Corporation is subject to any liens or mortgages and the Corporation has no curtailments with regard to the transfer, resale or other use of its investment properties. The Corporation is not under any contractual obligation with regard to significant development, enhancement, repair or maintenance of any investment property.

(c) Fair value

The fair value of the completed investment properties at March 31, 2016 has been arrived at as follows:

- \$2.91 billion (2015: \$3.53 billion) has been arrived at on the basis of valuations carried out by qualified internal valuers. The valuations were arrived at by reference to market evidence of transaction prices for similar properties or by the application of 8.33% to 12.5% (2015: 7.14% to 11.1%) income capitalisation rate.
- \$466 million (2015: \$410 million) is based upon prior year valuations adjusted for any impairment. These properties are the subject of executed sales agreements and advanced sales negotiations two properties pledged to the National Insurance Fund (NIF) for transfer, one property to be transferred to Jamaica Urban Transport Company (JUTC) and one to be transferred to the Ministry of Housing. An impairment loss of \$105.50 million (2015: \$49 million) was recognised during the year to equate carrying amounts to final proceeds expected from sale of these properties.



## 6 INVESTMENT PROPERTIES (CONTINUED)

### (c) Fair value (Continued)

- (iii) The fair value of the remaining investment properties at March 31, 2016 amounting to \$6.29 billion (2015: \$4.20 billion) has been arrived at on the basis of valuations carried out by external valuers, Breakenridge & Associates (\$1.6 billion), LA Maison Property Services Limited (\$1.17 billion), C.D. Alexander and Corporation (\$3.00 billion), Allison Pitter & Corporation (\$0.47 billion) and the National Land Agency (\$0.04 billion). The valuations were arrived at by reference to market evidence of transaction prices for similar properties or by the application of a 8.33% to 12.5% (2015: 8.33% to 12.5%) income capitalisation rate.

Additional fair value disclosures are provided in Note 23.

- (d) The amount represents bushing and other costs that were capitalized as work in progress on investment properties. The amount has been written off to income as the project has not started.
- (e) The amount represents legal fees that were paid by the Corporation to complete the acquisition of land. The amount of \$22.50 million is the subject of a dispute and has been provided for in full.
- (f) The property rental income earned and operating expense incurred by the Corporation from its investment properties, which are leased under operating leases are as follows:

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Rental income derived from investment properties	596,453	577,113
Direct operating expenses from investment properties generating rental income	(273,737)	(135,875)
Direct operating expenses from investment properties that did not generate rental income	<u>(27,504)</u>	<u>(27,996)</u>
Net income arising from rental of investment properties carried at fair value	<u>295,212</u>	<u>413,242</u>

- (g) At the end of the reporting period, investment properties with fair value of approximately \$1.50 billion (2015: \$1.50 billion) were not yet registered in the Corporation's name.
- (h) Certain investment properties with a value of \$647 million (2015: \$635 million) are pledged as security for a loan. (See Note 12).
- (i) Included in investment properties is a property with a carrying value of \$140 million, which is in the process of sale. The Corporation is awaiting payment of the balance of \$120 million from the attorneys to finalise the sale.

### 6 INVESTMENT PROPERTIES (CONTINUED)

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

The Corporation carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Corporation engaged professional valuers to assess fair values as at March 31, 2016 for some investment properties. Properties are externally valued in rotation with the intention of subjecting each property to external valuation at least once every three (3) financial years. Properties not valued in a year are subject to internal valuation by qualified staff of the Corporation. The methodologies used are:

##### Income approach

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

##### Sales comparable or comparison approach/ Open market Value approach

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

##### Cost Approach

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

##### Internally valued properties

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

##### Average approach

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

##### Comparable Approach

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



## 6 INVESTMENT PROPERTIES (CONTINUED)

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

Property type	Key valuation technique	Significant Unobservable inputs	Yields 2016	Yields 2015
Rental earning properties – externally valued	Income approach	- Annual net rental - Years purchase in perpetuity (Yield)	8.33% - 12.50%	7.14% - 11.11%
Vacant lands – externally valued	Sales comparison	- Sales price-insufficient recent comparable market transactions	N/A	N/A

Property type	Key valuation technique	Significant Unobservable inputs	Yields 2016	Yields 2015
Rental earning properties – internally valued	Average approach  Comparable approach	- Annual net rental - Years purchase in perpetuity (Yield) - Growth average  - Sales price-insufficient recent comparable market transactions - Growth average	8.33% - 12.50%	7.14% - 11.11%
Vacant lands – internally valued	Average approach  Comparable approach	- Sales price-insufficient recent comparable market transactions  - Growth average	N/A	N/A

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

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

## 6 INVESTMENT PROPERTIES (CONTINUED)

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

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

## 7 TRADE AND OTHER RECEIVABLES

The balance comprises:

	2016 \$'000	2015 \$'000
Trade receivables	139,027	117,225
Less: Provision for doubtful debts	(64,263)	(55,106)
	74,764	62,119
Deposits and prepayments	11,707	8,533
Other receivables (net of provision for doubtful debts of \$22.5M (2015: \$Nil))	28,479	1,829
	<u>114,950</u>	<u>72,481</u>

Customers are invoiced one month in advance and are required to settle promptly. The average credit period is 30 days (2015: 30 days). No interest is charged on outstanding balances. The Corporation recognises an allowance for doubtful debts for amounts due from all former tenants and most 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 \$94.53 million (2015: \$78.65 million) (See Note 14) at the end of the reporting period. The Corporation recognises an allowance for doubtful debt for trade receivables 90 days past due in excess of tenant's deposit if there is doubt surrounding its collectability. Trade receivables that are neither past due nor impaired represents 31.90% (2015: 14.70%) of the total trade receivables.

Included in the Corporation's trade receivables balance are debtors with a carrying amount of \$19.83 million (2015: \$44.95 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

	2016 \$'000	2015 \$'000
31-60 days	8,930	7,958
61-90 days	10,898	11,739
90+ days	-	25,248
	<u>19,828</u>	<u>44,945</u>

The average age of past due but not impaired trade receivables is over 69 days (2015: 85 days).

## Notes to the Financial Statements

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### 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

#### Movement in provision for doubtful debts

	<u>Trade receivables</u>		<u>Other receivables</u>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of year	55,106	48,837	-	1,734
Impairment losses recognized/(write back) during the year	9,157	7,299	22,500	(1,734)
Amounts written off during the year as Uncollectible	-	(1,030)	-	-
Balance at end of year	<u>64,263</u>	<u>55,106</u>	<u>22,500</u>	<u>-</u>

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

	<u>Trade receivables</u>		<u>Other receivables</u>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
0 – 30 days	-	598	-	-
31 – 60 days	-	488	-	-
61 – 90 days	-	1,399	-	-
90+ days	<u>64,263</u>	<u>52,621</u>	<u>22,500</u>	<u>-</u>
	<u>64,263</u>	<u>55,106</u>	<u>22,500</u>	<u>-</u>

### 8 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:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and bank	33,738	81,312
Short-term deposits	<u>969,746</u>	<u>905,089</u>
	1,003,484	986,401
Less: Interest receivable	(3,294)	(2,302)
Bank overdraft	<u>(5,177)</u>	<u>-</u>
	<u>995,013</u>	<u>984,099</u>

## 8 CASH AND CASH EQUIVALENTS (CONTINUED)

Short-term deposits include balances amounting to approximately J\$945.14 million (US\$7.79 million) bearing interest at rates ranging from 0.5% to 3.45% per annum (2015: J\$898.20 million (US\$7.84 million) bearing interest at rates ranging from 0.5% to 2.9% per annum). These deposits mature between one to three months of the reporting period.

The balance also includes Jamaican dollar deposits of approximately \$21.30 million bearing interest rates ranging from 5% to 5.75% per annum (2015: approximately \$4.67 million at rates ranging from 0.5% to 6% per annum). These deposits mature between one to three months of the reporting period.

## 9 SHARE CAPITAL

	Number of units	
	2016 '000	2015 '000
Authorised, issued and fully paid share capital:		
5,100,000 no par value ordinary shares at the beginning and end of the year	5,100	5,100
	<b>\$'000</b>	<b>\$'000</b>
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.

## 10 CAPITAL RESERVES

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

	2016 \$'000	2015 \$'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
	<b>1,876,010</b>	<b>1,876,010</b>

## 11 RETIREMENT BENEFIT OBLIGATION

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

### 11 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

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

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 33 $\frac{1}{3}$  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, 2016 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 \$235.4 million (2015: \$194.9 million) and that the actuarial valuation of these assets represented 98.13% (2015: 98.35%) of the present value of the obligations.

No other post retirement benefits are provided.



## Notes to the Financial Statements

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### 11 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

(a) Key actuarial assumptions were as follows:

	Valuation at	
	2016	2015
	%	%
Gross discount rate	9.0	9.5
Expected rate of salary increases	5.5	5.5
Future pension increases	5.5	6.0
Inflation	5.5	6.0
Administrative fees	1.0	1.0
Minimum funding rate	0.25	0.25

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

The weighted average duration of the defined benefit obligation as at March 31, 2016 is 33 years (2015: 33 years).

The Corporation expects to make a contribution of \$3.70 million (2015: \$3.60 million) to the plan during the next financial year. Total contributions inclusive of employees contribution is expected to be \$9.50 million (2015: \$8.90 million).

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

	2016	2015
	\$'000	\$'000
Present value of funded obligation	(239,871)	(198,110)
Fair value of plan assets	235,393	194,846
Net obligation recognised in the statement of financial position	(4,478)	(3,264)

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

	2016	2015
	\$'000	\$'000
Balance, beginning of the period	(3,264)	3,100
Remeasurements recognised in other comprehensive income (Note 11(e))	1,649	(4,422)
Amounts charged to income (Note 11(d))	(6,937)	(5,279)
Employer contributions	4,074	3,337
Balance, end of the period	(4,478)	(3,264)

## 11 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

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

	2016 \$'000	2015 \$'000
Current service cost	7,096	5,964
Net Interest cost:		
Interest cost on defined benefit obligation	18,575	15,798
Interest income on plan assets	(18,734)	(16,483)
	(159)	(685)
Net expense recognised in staff cost	6,937	5,279

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

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

	2016 \$'000	2015 \$'000
Remeasurement gain (loss)		
Actuarial changes arising from changes in demographic assumptions	-	-
Actuarial changes arising from changes in financial assumptions	(15,413)	-
Experience adjustments	17,062	(4,422)
Net gain (loss) recognised in other comprehensive income	1,649	(4,422)

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

	Financial assumptions \$'000	Experience Adjustments \$'000	Net \$'000
<b>2016</b>			
Defined benefit obligation	(16,001)	2,056	(13,945)
Fair value plan assets	588	15,006	15,594
Recognised in other comprehensive income (Note 11(e))	(15,413)	17,062	1,649
<b>2015</b>			
Defined benefit obligation	-	(7,904)	(7,904)
Fair value plan assets	-	3,482	3,482
Recognised in other comprehensive income (Note 11(e))	-	(4,422)	(4,422)

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### 11 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

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

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Opening defined benefit obligation	198,110	169,097
Service cost	7,096	5,964
Interest cost	18,575	15,798
Members' contributions	6,044	5,075
Benefits paid	(11,204)	(12,495)
Value of purchased annuities	7,305	6,767
Remeasurement loss on obligations for other comprehensive income (Note 11(f))	<u>13,945</u>	<u>7,904</u>
Closing defined benefit obligation	<u>239,871</u>	<u>198,110</u>

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

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Opening fair value of plan assets	194,846	172,197
Members' contribution	6,044	5,075
Employer's contribution	4,074	3,337
Interest income on plan assets	18,734	16,483
Benefits and expenses paid	(11,204)	(12,495)
Value of purchased annuities	7,305	6,767
Remeasurement gain on assets for other comprehensive income (Note 11(f))	<u>15,594</u>	<u>3,482</u>
Closing fair value of plan assets	<u>235,393</u>	<u>194,846</u>

## 11 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

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

	Percentage distribution		Fair value of plan asset	
	2016 %	2015 %	2016 \$'000	2015 \$'000
Equity fund	21	16	50,164	31,860
Mortgage and real estate	24	22	57,051	42,504
Fixed income fund	13	11	29,781	22,048
Foreign currency fund	16	18	37,754	34,618
Money market fund	3	4	7,756	7,178
International Equity Fund	4	5	8,924	9,017
CPI indexed fund	9	15	20,377	29,579
Value of purchased annuities (net of adjustments)	10	9	23,586	18,042
	<u>100</u>	<u>100</u>	<u>235,393</u>	<u>194,846</u>

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

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

- (j) Sensitivity analysis

	Discount rate		Rate of salary increase	
	1% Increase \$'000	1% Decrease \$'000	1% Increase \$'000	1% Decrease \$'000
<b>2016</b>				
Impact on the present value of the defined benefit obligation – increase/(decrease)	<u>(28,771)</u>	<u>37,464</u>	<u>17,508</u>	<u>(15,002)</u>
<b>2015</b>				
Impact on the present value of the defined benefit obligation – increase/(decrease)	<u>(25,107)</u>	<u>32,402</u>	<u>14,599</u>	<u>(12,534)</u>

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### 12 BORROWINGS

Interest Rate %	Repayable		2016 \$'000	2015 \$'000
8	2024	National Insurance Fund	325,505	346,367
		Less current portion	<u>(73,406)</u>	<u>(71,674)</u>
		Non-current	<u>252,099</u>	<u>274,693</u>

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

By an agreement dated November 1, 2004, two loans and a portion of the interest accrued on these loans were consolidated. The consolidated loan bears interest at 8% per annum and is repayable by monthly installments over a period of 20 years. Repayment of the loan commenced in December 2004. Lots 11 and 12 Almond Way, Montego Freeport have been pledged as security for the consolidated loan. The fair value of these investment properties at the end of the reporting period is \$647 million (2015: \$635 million) (See Note 6).

At the end of the reporting period, the Corporation had outstanding interest payable of \$50.80 million (included in the amounts above) which is to be settled through an asset swap between the two entities as agreed at the date of consolidation of the loan.

### 13 OTHER PAYABLE

This represents amounts to be paid to the Urban Development Corporation for 200 acres of lands acquired during the year. The outstanding amount is to be settled when the property is subdivided and sold to third party investors.

### 14 PAYABLES AND ACCRUALS

The amount comprises:

	2016 \$'000	2015 \$'000
Rental deposits	94,535	78,654
Retentions payable	6,449	4,756
Deposits received on properties being sold	21,402	58,053
Due to the Montego Bay Free Zone Limited	-	14,639
Accruals	44,841	18,376
Maintenance refund due and other customer credits	28,273	3,364
Gratuity and other staff payables	12,683	15,864
GCT payables	9,945	10,638
Other payables	<u>41,462</u>	<u>26,022</u>
	<u>259,590</u>	<u>230,366</u>



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### 15 REVENUE

This comprises:

	2016 \$'000	2015 \$'000
Rental income	596,453	577,113

### 16 EXPENSE BY NATURE

	2016 \$'000	2015 \$'000
<b>Direct Costs</b>		
Management fees	41,659	59,404
Pre-occupancy expenses	29,555	9,868
Repairs and maintenance	223,524	87,348
Advertising and public relations	6,503	7,251
	301,241	163,871
<b>Administrative Expenses</b>		
Salaries and related costs	174,694	146,907
Statutory contributions	15,766	12,995
Pension	6,937	5,279
Directors' expenses	1,354	1,194
Directors' meetings	1,511	1,252
Miscellaneous	186	441
Rates and taxes	8,691	6,633
Utilities	12,032	14,640
Travel, subsistence and accommodation	2,765	2,956
Printing, stationery and postage	5,537	3,319
Staff welfare and training	4,435	4,297
Entertainment	172	329
Office supplies	2,490	2,313
	236,570	202,555
<b>Other Operating Expenses</b>		
Rental of premises	13,203	12,118
Insurance	3,961	3,681
Audit fees	3,210	3,090
Professional fees	35,092	21,736
Motor vehicle expenses	3,367	3,286
Security – Office and Scrap Metal Unit	28,051	27,622
Depreciation	8,164	7,079
Subscription and donations	1,211	896
Bad debts	31,657	5,565
Bank charges	838	219
Repairs and maintenance - other	4,788	5,167
	133,542	90,459

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### 16 EXPENSE BY NATURE (CONTINUED)

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

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and related costs	44,343	37,783
Statutory contributions	4,545	3,994
Staff welfare and training	1,152	833
Security	27,946	27,603
Office supplies	755	978
Rental of premises	3,175	3,332
Repairs and maintenance – other	1,026	2,778
Utilities	5,041	6,585
Other expenses	198	23
	<u>88,181</u>	<u>83,909</u>

### 17 OTHER INCOME AND OTHER GAINS AND LOSSES

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Net foreign exchange gains	53,995	33,642
Interest income - bank deposits at amortised cost	23,697	26,108
Net gain/(loss) on disposal of investment properties	(8,301)	(167,022)
Impairment – investment properties	(105,050)	(49,100)
Other income	3,343	492
	<u>(32,316)</u>	<u>(155,880)</u>

### 18 FINANCE COSTS

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest on loans	<u>22,890</u>	<u>24,489</u>

The weighted average rate on funds borrowed generally is 8% per annum (2015: 8% per annum).

Finance costs included above relate to borrowings in Note 12.

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### 19 NET INCOME

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

	2016 \$'000	2015 \$'000
Expenses		
Directors' emoluments		
Fees	1,354	1,194
Compensation	7,202	5,606
Audit fees	3,210	3,090
Depreciation	8,164	7,079

### 20 TAXATION

The Corporation is exempt from income tax under Section 12(b) of the Income Tax Act and has obtained a certificate of income tax exemption effective for three years beginning April 1, 2015 to March 31, 2018. The exemption is renewable every three years. No current income tax or deferred tax charge is recognised in these financial statements.

### 21 RELATED PARTY TRANSACTIONS AND BALANCES

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

	Receivables		Payables		Net due (to)/from related parties	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Urban Development Corporation	-	-	(810,000)	-	(810,000)	-
Montego Bay Free Zone Corporation Limited	17,812	11,905	-	(14,639)	17,812	(2,734)

These balances are included in Other Receivables in Note 7 and Other Payable in Note 13.

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

	2016 \$'000	2015 \$'000
Montego Bay Free Zone Corporation Limited		
Management fees	41,659	59,404
Urban Development Corporation		
Land aquisition	810,000	-
Key Management personnel:		
Directors		
Fees	1,354	1,194
Compensation	7,002	5,606

Included in other payables (Note 14) are balances due to directors amounting to \$ Nil (2015: \$0.1 million) in relation to Board Meetings.

## 21 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### Compensation of key management personnel

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

	2016 \$'000	2015 \$'000
Short-term benefits	50,022	50,821
Retirement benefit expense	646	852

## 22 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:

	2016 \$'000	2015 \$'000
<b>Financial assets (at amortised cost)</b>		
Cash and bank deposits	1,003,484	986,401
Trade and other receivables	103,243	63,948
	<u>1,106,727</u>	<u>1,050,349</u>
<b>Financial liabilities</b>		
Borrowings	325,505	346,367
Bank overdraft	5,177	-
Payables	204,804	201,352
Other payable	810,000	-
	<u>1,345,486</u>	<u>547,719</u>

### **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.

## 22 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

### Financial risk management (Continued)

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

#### (a) Credit risk

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

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

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

The maximum exposure to credit risk is the amount of \$1.11 billion (2015: \$1.05 billion) 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 6 customers (2015: four (4) customers) with individual balances over 5% of trade receivables that had combined balances of \$68 million (2015: \$59 million) or approximately 49% (2015: 51%) of the trade receivables balance. A provision for doubtful debt of \$60.1 million has been made against these balances (2015: \$33.9 million). The Corporation holds bank guarantees of \$21 million (2015: \$14 million) in this regard as security from these tenants.

#### (b) Market risk

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

#### Management of market risk

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



## 22 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

### Financial risk management (*Continued*)

#### (b) Market risk (Continued)

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

##### (i) Foreign currency risk

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

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

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

	2016		2015	
	US\$'000	J\$'000	US\$'000	J\$'000
Total assets/exposure	8,269	1,003,790	8,268	946,600

#### Foreign currency sensitivity

The table indicates the currency to which the Corporation had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 6% devaluation or a 1% revaluation (2015: 10% devaluation or a 1% revaluation) of the Jamaican currency to the United States Dollar. The sensitivity analysis includes trade and other receivables and cash and bank balances. This represents management's assessment of the reasonably possible change in foreign exchange rates.

If the Jamaican dollar devalues by 6% or revalues by 1% (2015: devalues by 10% or revalues by 1%) against the United States currency, profit will increase (decrease) by:

	2016				2015			
	Devaluation		Revaluation		Devaluation		Revaluation	
	%	J\$'000	%	J\$'000	%	J\$'000	%	J\$'000
United States dollar	6	60,277	1	(10,038)	10	94,660	1	(9,466)

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.

## 22 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

### Financial risk management (*Continued*)

#### (b) Market risk (Continued)

##### (ii) Interest rate risk

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

The average effective rates on these instruments are 8% (2015: 8%) and 2.83% (2015: 3.82%) respectively.

#### Management of interest rate risk

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

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

#### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rate financial instruments at the end of the reporting period. The exposure is substantially on holdings of US dollar fixed deposits. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. 100 basis point increase or 50 basis point decrease (2015: 200 basis points increase or 50 points decrease) is used when reporting interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

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

	2016 \$'000	2015 \$'000
<u>Effect on profit or loss</u>		
Increase in net profit - increase 100 (2015: 200) basis points (USD)	9,451	9,367
Decrease in net profit – decrease 50 (2015: 50) basis points (USD)	(4,726)	(4,683)

## 22 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

### Financial risk management (Continued)

#### (b) Market risk (Continued)

##### (ii) Interest rate risk (Continued)

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

The fair value of NIF borrowings at the end of the reporting period is disclosed at Note 23(b).

#### (c) Liquidity risk

##### Management of liquidity risk

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

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

### Financial liabilities

	Weighted Average Effective Interest rate %	Within 1 year \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Cash Flows Total \$'000	Carrying Values Total \$'000
<b>March 31, 2016</b>						
Payables	Nil	204,804	-	-	204,804	204,804
Other	Nil	810,000	-	-	810,000	810,000
Bank overdraft		5,177	-	-	5,177	5,177
Borrowings	8	94,565	175,012	131,259	400,836	325,505
		<b>1,114,546</b>	<b>175,012</b>	<b>131,259</b>	<b>1,420,817</b>	<b>1,345,486</b>
<b>March 31, 2015</b>						
Payables	Nil	201,352	-	-	201,352	201,352
Borrowings	8	94,564	175,012	207,803	477,379	346,367
		<b>295,916</b>	<b>175,012</b>	<b>207,803</b>	<b>678,731</b>	<b>547,719</b>

## 22 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

### Financial risk management (*Continued*)

#### (c) Liquidity risk (continued)

##### Management of liquidity risk (Continued)

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

#### Financial assets

	Weighted Average Effective Interest Rate %	Within 1 Year \$'000	Carrying Value \$'000
<b>March 31, 2016</b>			
Trade and other receivables	Nil	103,243	103,243
Cash and bank deposits	2.80	1,007,607	1,003,484
		<u>1,110,850</u>	<u>1,106,727</u>
<b>March 31, 2015</b>			
Trade and other receivables	Nil	63,948	63,948
Cash and bank deposits	3.82	989,423	986,401
		<u>1,053,371</u>	<u>1,050,349</u>

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

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

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

The directors review the capital structure of the Corporation periodically.

## 22 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

### Financial risk management (*Continued*)

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

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

The Corporation's risk management committee reviews the capital structure of the Corporation on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio at March 31, 2016 was 3.46% (2015: 3.92%).

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

#### Gearing ratio

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

	2016 \$'000	2015 \$'000
Debt (i)	330,682	346,367
Equity (ii)	9,429,192	8,841,852
Debt to equity ratio	3.51%	3.92%

(i) Debt is defined as long and short-term borrowings as described in Notes 8 and 12.

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

## 23 FAIR VALUES

- a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. The fair values presented in these financial statements have been estimated using present value and other appropriate valuation methodologies and other estimation techniques based on market conditions existing at the end of the reporting period.

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

- (i) The carrying values of cash and bank balances, trade receivables, trade payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturity of these instruments.
- (ii) Borrowings include a Government loan which is a concessionary loan and would not be available to other organisations. The fair value has been estimated by applying market rates of comparable commercial borrowing at year end to the expected future cash flows. The carrying value and fair value of the loan is \$325.50 million (2015: \$346.40 million) and \$274.70 million (2015: \$295.60 million) respectively.

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



## 23 FAIR VALUES (CONTINUED)

### b) Fair value measurement

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

#### Quantitative disclosures fair value measurement hierarchy

	Quoted prices in Active Market Level 1 \$'000	Significant observable input Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	Total \$'000
<b><u>At March 31, 2016</u></b>				
Assets measured at fair value:				
- Investment properties	-	-	9,665,106	9,665,106
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate concessionary borrowings	-	274,693	-	274,693
<b><u>At March 31, 2015</u></b>				
Assets measured at fair value:				
- Investment properties	-	-	8,313,737	8,313,737
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate concessionary borrowings	-	295,556	-	295,556

There were no transfer between levels during the year.

Investment property of the Corporation of \$9.62 billion (2015: \$8.14 billion) excluding work in progress were valued on the basis of the highest and best use.

The sensitivities in relation to Level 3 are disclosed in Note 4.

## 24 OTHER DISCLOSURES - EMPLOYEES

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

	2016 \$'000	2015 \$'000
Salaries and wages	174,694	146,907
Statutory contributions	15,766	12,995
Pension costs	6,937	5,279
	<u>197,397</u>	<u>165,181</u>

## Notes to the Financial Statements

March 31, 2016

(Expressed in Jamaican dollars)

### 25 CAPITAL COMMITMENTS

- a) Capital commitments as at March 31, 2016, authorised by the Board of Directors but not contracted for amounted to approximately \$624.70 million (2015: \$705.04 million) in respect of:

	2016 \$'000	2015 \$'000
Furniture, fixtures and equipment	3,000	3,150
Computer software and equipment	56,707	5,580
Investment properties	565,000	696,310
	<u>624,707</u>	<u>705,040</u>

- b) Operating lease commitments – Corporation as lessee

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

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

	2016 \$'000	2015 \$'000
Within one year	13,572	9,431
After one year but no more than two years	13,572	9,431
	<u>27,144</u>	<u>18,862</u>

- c) Operating lease commitments – Corporation as lessor

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

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

	2016 \$'000	2015 \$'000
Within one year	612,840	586,900
After one year but no more than five years	2,451,360	1,510,353
	<u>3,064,200</u>	<u>2,097,253</u>

### 26 SUBSEQUENT EVENT

Subsequent to year end the Corporation instituted proceedings through the General Legal Council to recover an amount of \$70 million from an attorney in respect of the balance due on sale of a property. The property was transferred on April 1, 2016. The proceedings are in progress.





## **Factories Corporation of Jamaica Limited**

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