FCJ
FACTORIES CORPORATION OF JAMAICA LTD.
OUR BUSINESS IS PROVIDING INDUSTRIAL AND COMMERCIAL SPACE

THE EVOLUTION OF SPACE:

Creating New Benchmarks for the Future of COMMERCIAL SPACES

ANNUAL REPORT 2017/18

Naggo Head Technology Park
Conceptual Diagram

Cover Page - Morant Bay Urban Centre
Conceptual Diagram

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.

OUR MISSION

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

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CORPORATE DATA

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(An Agency of the Ministry of Economic Growth and Job Creation)
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www.factoriesjamaica.com

REGISTERED OFFICE
17 Knutsford Boulevard, Kingston 5

AUDITORS
Ernst & Young, Chartered Accountants
8 Olivier Road, Kingston 8

BANKERS
Bank of Nova Scotia Jamaica
Scotiabank Centre
Cnr. Duke and Port Royal Streets, Kingston

Lyttleton 'Tanny' Shirley, CD, JP

CHAIRMAN'S MESSAGE

Jamaica is now poised to see significant improvements in the Government's Economic Growth and Job Creation agenda. Factories Corporation of Jamaica Limited (FCJ), as an agency within the Ministry of Economic Growth and Job Creation, is viewed as one of the agencies to help the Government of Jamaica meet these targets through the mandate given to us by the Most Honourable Andrew Holness, ON, MP. FCJ is mandated to:

- Optimise on its portfolio of assets;
- Divest of all non-performing assets;
- Be a business facilitator/enabler for local and overseas interests;
- Expand its existing portfolio of assets to focus on Agro-processing, Business Process Outsourcing, Manufacturing and Warehousing.

As of July 2018, the two (2) year old Board, which I have the privilege of chairing, has been leading the transformation of FCJ to realise the set mandate. After thirty (30) years of existence, FCJ is at an important juncture which now sees us enhancing our policy direction to not only being the premier government provider of industrial and commercial space, specifically for business process outsourcing (BPO), manufacturing and warehousing, but being the great facilitator for investment and job creation.

Globally, the service industries are driving business development. This has therefore required that FCJ redefine its role and responsibility to Jamaica's business sector. FCJ now views itself as an enabler. We engage, we listen and we facilitate all local and overseas businesses that want to start up an enterprise in Jamaica. We will identify the lands, we will connect them to the relevant Government agencies and we will form partnerships with them to establish their businesses. We are creating significant awareness both locally and overseas, as to the business that FCJ is in and the opportunities that exist for investment in Jamaica. We are engaging with potential clients for them to lease, rent or purchase existing assets that we own. Most importantly, we are meeting with these clients to provide purpose built facilities that will make their business efficient.

FCJ is now a premier developer and, recognising that there is a shortfall for funding for new development, has created a financing model using a Joint Venture Agreement (JVA) which will allow the Corporation to forge public/private partnerships to:

- Raise funds
- Secure expertise
- Design and develop integrated business complexes – which now sees us moving away from just creating standalone spaces to creating more shared services facilities, which will reduce the cost of ownership to the clients and allow small, medium and large businesses to exist in that business eco-system.

We have shifted our focus to be more client-centric and in that regard, have strengthened our Client Service operations and added a Marketing and Communications Department. Greater contact time is being spent with our clients in order to better understand their businesses. We are helping them to market their businesses. We are seamlessly integrating what they do with what we do and vice versa.

FCJ recognises that the Government of Jamaica (GOJ) owns a significant number of unused lands and building assets. We believe that we can identify some of these "lack of fit for purpose" assets, those which would fit well into our strategic plan, upgrade them and bring to market. We have already commenced robust discussions with stakeholders and have identified some sites which we intend to bring on board for partnership in developing for optimizing best use.

Examples of these are the FCJ/National Insurance Fund partnership to develop our Boundbrook Industrial Estate into an integrated business complex and FCJ/ Urban Development Corporation arrangement which will see eighteen (18) acres of lands being developed to provide support services for the Naggo Head Technology Park in St Catherine.

So what have we been doing over the past year?

OCCUPANCY

We have moved our occupancy to 93% up from 86% as at the end of the 2016/2017 period. In attempting to leverage our properties, significant investments were made in renovating, upgrading and marketing these facilities, which led to the increase in occupancy levels.

DIVESTING NON-PERFORMING ASSETS

Over the period, we evaluated our portfolio of assets in line with Ministry of Finance's directive to divest of 20% of assets, in keeping with the GOJ rationalization programme and made a submission to Cabinet for the divestment of 15% of our assets, which was approved. Presently, six (6) properties at a projected cost of 150 million dollars, are now in the process of being concluded for sale. The remaining divestment properties are on the open market to attract competitive fair value price.

FCJ THE FACILITATOR/ENABLER

As part of our business facilitation and enabling strategy, we identified and dedicated 3 0,000 square f eet of space to be designated to the Jamaica Manufacturing Association and Small Business Association of Jamaica to meet their clients' current demand for space at concessionary rates.

During the year, we continued to facilitate the growth of two (2) starter businesses, Sweetie Confectionery and Benlar Food, operated by two (2) participants in the Obama Youth Leader of the Americas Initiative, also at concessionary rates. FCJ also facilitated the expansion of businesses operated by some of our existing clients through the allocation of additional space. Among those to benefit are P.A. Benjamin and Spur Tree Spice. We are now seeking to provide additional space to several other clients including Rototech Limited, Caribbean Depot, Mega Marketing and Choi's Manufacturing.

Internationally, we are now in the process of negotiating to provide Business Process Outsourcing company Conduent, with over 240,000 square feet of space at the Naggo Head Technology Park, as the company seeks to expand its operations. FCJ is also seeking to provide lands in Naggo Head, St. Catherine to Associated Brands Industry, a manufacturing company operating out of Port of Spain, Trinidad that is seeking to consolidate aspects of its operations in Jamaica and create major employment opportunities, while expanding their operations.

EXPANSION OF EXISTING PORTFOLIO

FCJ continued to execute the development plans for our three (3) enterprise projects to provide over 1.5 million square feet of space at the Naggo Head Technology Park, the Morant Bay Urban Centre and the Redevelopment of Garmex Free Zone, with significant strides now being made in getting these projects to commence development. After tremendous consultation with the Public Investment Management Secretariat (PIMSEC), Development Bank of Jamaica, Ministry of Finance & the Public Service and the Attorney General's Department, FCJ has now received support for the Naggo Head Technology Park and the Morant Bay Urban Centre Projects.

We are in the final stage of the approval process, with the draft Cabinet submissions now being processed. FCJ's Management is very optimistic that the proposed joint venture agreements will be reviewed and approved by Cabinet. Once approved, it will pave the way for the different phases of the projects to commence.

For the Redevelopment of Garmex Free Zone, FCJ has also received approval and support for the project to be implemented. We are now in the marketplace conducting the necessary procurement to identify a contractor for the construction of three (3) new buildings totalling 60,000 square feet of space, for commercial and industrial usage. Through the creation of these new spaces, at least 20,000 new jobs will be created as the Corporation supports the Government's mandate of economic growth and job creation.

The support from our parent ministry, the Ministry of Economic Growth and Job Creation, has been tremendous. For this, heartfelt thanks to Prime Minister, the Most Honourable Andrew Holness, Ministers without Portfolio and Permanent Secretary, Mrs. Audrey Sewell, for their continued guidance and support.

I give special thanks also to the various Government Agencies who guided us through the approval process for these projects to reach Cabinet for approval.

To my Board of Directors, allow me to convey my gratitude to you for your support and involvement through the various Board committees, which is evident in the phenomenal performance of the organisation.

To all our clients, I thank you for your business and wish for your continued success as we partner for more opportunities and growth.

I am extremely humbled to be the Chairman of FCJ Limited, with a very dedicated and enthusiastic Management team and staff. Thank you all for your support as we continue to make game-changing moves through the provision of space and being the great provider and enabler for the Government of Jamaica's vision in achieving investment opportunities and job creation for our people.

Lyttleton 'Tanny' Shirley, CD, JP
Board Chairman

BOARD OF DIRECTORS

LYTTLETON SHIRLEY, CD, JP
Chairman

DR. DONALD FARQUHARSON, JP
Managing Director

Dr. Donald Farquharson has served in positions at the highest level of the public and private sectors for over twenty five (25) years, both in management and technical positions. These positions include Chief Information Officer for Jamaica Public Service, Chief Executive Officer of Kingston Public and Jubilee Hospitals, Regional Director of South East Regional Health Authority and Senior Director, Special Services of the Ministry of Health. Dr. Farquharson has extensive work experience complemented by his diverse academic training in management, information systems and engineering. Dr. Farquharson holds a Doctorate in Business Administration from Mona School of Business and Management, a Master's of Science in Management Information Systems and a Master's in Business Administration. He is a Certified Professional Engineer and a Justice of the Peace, who holds a Bachelor of Science in Computer and Electrical Engineering and a Diploma in Electrical Engineering.

*The Managing Director is not a member of the Board but is required to attend meetings.

DR. KOFI
NKRUMAH-YOUNG

ROCHELLE
CAMERON

PAUL
EAST

Dr. Kofi Nkrumah-Young is a higher education management specialist for the past 28 years. He obtained a Doctor of Business Administration Degree from the University of Bath, England, an MBA, Advance Diploma in Banking and Finance, and a BA from the University of the West Indies and a Diploma in Ministerial Studies from the United Theological College of the West Indies. Dr. Nkrumah-Young is the Vice President of the Moravian Church in Jamaica and the Cayman Islands, a Supplementary Minister of the Harbour View Moravian Church, a Justice of the Peace and the Chairman of the Board of Governors of the UTCWI. He currently lectures at various universities and consults on financing and management issues.

Rochelle Cameron is an attorney-at-law called to the Jamaican Bar in 1998. She is a former Crown Counsel with the Office of the DPP in Jamaica. Miss Cameron is a former Vice President of Legal and Regulatory for Cable & Wireless Jamaica Limited where she also served as Company Secretary. Ultimately, she is passionate about the development of people and is currently the Group Assistant Vice President of Human Resource Development and Public Relations for Jamaica Broilers Group. She has served on several private and public sector boards and her blend of organizational skills and love of culture and the Arts allow her to be a valuable contributor as Chairman of the CPTC and Deputy Chairman of the Jamaica Cultural Development Commission. In addition to her legal training. Ms Cameron holds a Master of Business Administration in International Business.

Paul East is the Managing Director of Neveast Office Supplies Ltd, a leader in Office Furniture, Supplies and Stationery in Jamaica. He holds a MSc. in Business Administration (Hons.) and a BSc. in Finance & Decision Information Systems (Hons). Mr. East serves as the chairman of the Finance Committee and chaired the Factories Infrastructure & Property Development Committee up to January 2018. He enjoys playing football and cricket.

KIRK
BENJAMIN

DANYA
HO

MICHAEL
STERN

"Kirk Benjamin is the Senior Director, Trade Facilitation and Special Projects at Jamaica Customs with 16 years of solid experience and knowledge in the field of tax administration. He is trained in the interpretation and analysis of Customs related laws and serves as the Special Assistant/Technical Advisor to the Commissioner on operational matters and provides technical assistance with the formulation and implementation of Tax Policies for importation. Mr. Benjamin holds a MSc in Public Policy & Management and a Post Graduate Diploma in Public Sector Senior Management Development Programme.".

Danya Ho is the creative mind and sole proprietor behind Fine Ideas, a full-service catering business providing both savory and sweet delights to several food establishments in Kingston and Montego Bay since its inception in 2009. She was a successful contestant who made it to the Top 20 Round of the Nationwide and Scotia Bank Entrepreneurial challenge held in 2012. Danya, who is also a Registered Nurse, worked for 9 years at the University Hospital of the West Indies (UHWI) and part-time at JonMel Limited & Medical Practice for 4 years. Danya has served as a Sunday School teacher at her local church Swallowfield Chapel since the age of 16 years; a practice she continues to date.

Michael Stern is a former Minister of State in the Ministry of Industry, Investment and Commerce. He is currently involved in government consultations in the areas of infrastructure development and communications, and holds a BA in Business Finance. Both as a businessman and politician, Michael Stern has been involved in many philanthropic initiatives. He continues to serve on various Corporate and Public Boards as Chairman of Rural Agricultural Development Authority (RADA), Deputy Chairman of the South Eastern Regional Health Authority (SEHRA) and is a Director at the Sports Development Commission (SDC). He is an active member and contributor to the Rotary Club of Mandeville and serves as Chairman and Founder of a fund benefitting indigents.

JULIAN
MAIR

JORDAN
SAMUDA

FABIAN G.
BROWN, JP

With over 20 years of experience in the financial services sector, Julian currently operates as JMMB's Group Chief Investment Strategist and has played a significant role in the development of Jamaica's capital market. His work experience includes Head of Treasury and Investment Services at Dehring, Bunting and Golding Ltd (now Scotia Investments Jamaica Ltd) and Senior Trader and Cambio Manager at JMMB. Julian has partnered and consulted with various financial institutions and the Government of Jamaica in structuring Global Bond Issues. A founding member and current Vice-President of the Jamaica Securities Dealers Association, Julian also serves as a director at JMMB Securities Limited, JMMB International Limited, JMMB Puesto deBolsa and the Jamaica Stock Exchange.

Jordan Elliott Samuda is the Group Director of the Procurement Division for Sandals Resorts International. He is responsible for the group supply chain that services all 19 Resorts across seven (7) Caribbean Islands operated under the Sandals, Beaches and Grand Pineapple brands. In addition to his position on the Board of the Factories Corporation of Jamaica, Director Samuda also serves on the Board of the Tourism Enhancement Fund, National Insurance Fund and Montego Freeport Limited.

Fabian G. Brown, JP is a vastly experienced Development Specialist with competencies in Human Resource Management, Communication, Protocol and Change Management. He is the Founder and CEO of Value Added Services Limited and the Value Added Services Foundation. With years of experience in the private, public and social services sectors, Mr. Brown has served as the Executive Director of the St. Joseph's Hospital, St. Patrick's Foundation and Director at the Office of the Prime Minister. He also serves as Board member of ODPEM and the Golden Aged Home, in addition to having served as Past President of the Young Entrepreneurs Association of Jamaica. He is currently the Executive Director for the Jamaica Children's Heart Centre and Director of Internal Organization and Corporate Social Responsibility at the Bahia Principe Jamaica Resort.

*Twelve (12) members were approved by Cabinet but one person did not take up the position.
**Mr. Greg Christie was a member of the Board but resigned on October 27, 2017.

CORPORATE GOVERNANCE

The Board of Directors of Factories Corporation of Jamaica Limited has responsibility for policy oversight, corporate governance matters and is the prime policy decision maker of the Corporation. The Board is appointed by the Cabinet on the recommendation of the Minister of Economic Growth and Job Creation. The objective of the Board is to ensure that the policy directives of the Ministry and the Government of Jamaica as it relates to its given mandates, are fulfilled. The Corporation was overseen by a Board comprising eleven (11) Directors with multi-sectoral expertise spanning finance, private and public sector experience, legal affairs, property development, operations management, human resource management, engineering and procurement.

The members of the Board understand their duty of care to the Corporation and its stakeholders and exercise their fiduciary responsibilities with transparency and integrity and has the right mix of skills, experience, independence and knowledge to enable it to discharge these responsibilities successfully.

The FCJ's Corporate Governance practices are in keeping with the Public Bodies Management & Accountability (PBMA) Act, Government Procurement Guidelines and is guided by the governance standards set out in the PSOJ Corporate Governance Code published in 2016. The Board considers that its governance practices are consistent and compliant with all applicable legislation, regulations, standards and codes.

BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee evaluates and monitors the adequacy of and compliance with internal controls, pursuant to statutory requirements, Board Policy, applicable Government and internal policies. The Audit Committee acts to ensure that the Corporation adheres to its Corporate Governance mandate in the specific areas of Enterprise Risk Management, accounting policies, internal controls, human resource management, compliance systems and procedures, as well as financial reporting practices.

The Audit Committee reviews all audit plans, particularly the annual audit plan, and schedules of the Internal and External Auditors, including the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, any breaches, fraud or other illegal acts.

COMMITTEE MEMBERS
Mr. Kirk Benjamin – Chairman
Mr. Fabian Brown
Mr. Jordan Samuda

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee monitors/reviews the Board's and the Corporation's compliance with applicable Corporate Governance laws, regulations, policies, procedures and requirements. The Committee develops and recommends additions or changes to the Board's and Corporation's corporate governance policies, principles and procedures and reviews the terms of reference, composition, organization, operations and performance of Board Committees.

The Corporate Governance Committee makes appropriate recommendations to the Chairman of the Board and/or the Board for corrective and remedial actions where appropriate and ensures that the appropriate interface exists and is maintained between the Board of Directors and the Corporation's Management.

COMMITTEE MEMBERS
Ms. Rochelle Cameron - Chairperson effective October 28, 2017
Mr. Lyttleton Shirley
Mr. Kirk Benjamin
Mr. Fabian Brown
*Mr. Greg Christie (Chairman up to October 27, 2017)
Mrs. Danya Ho

ENTERPRISE TEAM

The Enterprise Team was carefully selected to support the policy direction of the Board by way of ensuring the effective packaging of the Corporation's assets and assessing the business and economic environment and appetite for investment, relative to the mandate of the corporation. The Enterprise Team provides oversight for all major enterprise projects including those considered National Strategic Projects, Joint Venture Agreements and Public Private Partnerships. The Team reviews projects proposal and makes recommendation to the Board on their implementation and gives directions on the structure used in implementing these projects

TEAM MEMBERS
Ms. Rochelle Cameron – Chairperson
Mr. Lyttleton Shirley
Mr. Kirk Benjamin
Mr. Paul East
Mr. Julian Mair
Mr. Michael Stern

FACTORIES INFRASTRUCTURE & PROPERTY DEVELOPMENT COMMITTEE

The Infrastructure Committee endorses for Board approval, the leasing of FCJ properties island-wide, all sale of properties, rehabilitation and renovation works and monitors the execution of major capital and maintenance projects. This Committee considers all issues related to infrastructure planning and the infrastructure needs of the Corporation and considers the appropriate allocation and use of space.

This Committee meets monthly and rigorously considers all matters related to leases, sales, infrastructure works and development submitted by management.

The Committee also reviews project proposals and makes recommendations to the Board for their implementation. These are done with a view to enhancing the development and profitability of the Corporation.

COMMITTEE MEMBERS
Mr. Michael Stern* - Chairman
Mr. Jordan Samuda – Vice Chairman
Mr. Paul East#
Mr. Lyttleton Shirley
Mr. Kirk Benjamin
Mr. Julian Mair

*Effective February 2018
#Chairman up to January 2018

FINANCE COMMITTEE

The Finance Committee acts in an advisory capacity to the Board on the overall financial condition of the Corporation, making recommendations to the Board on matters of finance and accounting in general. The Committee highlights any perceived weaknesses in the accounting and financial system of the Corporation, with suitable recommendations to strengthen the system. The Committee also examines and recommends designs that facilitate maximization of revenue flows and monitors and reviews the annual budgets of the Corporation and the disposal of non-revenue generating assets within the guidelines established by the Corporation, the Portfolio Ministry and the Ministry of Finance and the Public Service.

This Committee meets monthly and meticulously assesses the finances of the organization to ensure that all relevant procedures are adhered to.

COMMITTEE MEMBERS
Mr. Paul East – Chairman
Mr. Julian Mair
Dr. Kofi Nkrumah-Young
Mr. Michael Stern

HUMAN RESOURCE & ADMINISTRATION COMMITTEE

The Human Resource (HR) & Administration Committee guides and supports the Human Resource and Administration policy formulation, implementation and evaluation. This committee monitors and reviews the implementation of the HR & Administration Strategic Plan, provides leadership, advice and direction on HR & Administration policies and contributes to the strategic intent of the HR & Administration functions. The HR & Administration Strategic Plan includes policies and strategies relating to recruitment, selection, training and development, overall compensation, succession planning and employee relations.

COMMITTEE MEMBERS
Mr. Fabian Brown – Chairman
Mr. Lyttleton Shirley
Mrs. Danya Ho

PROCUREMENT COMMITTEE

The Procurement Committee is charged with the responsibility of overseeing the manner in which the Corporation procures goods, services and works, whether by way of formal contract or otherwise, and to which authority is granted to authorize procurements and the conclusion of contracts up to specified limits approved by the Board of Directors. The Committee monitors the procurement and contracting policies/procedures by the Corporation and approves contract awards for the procurement of goods, works and services. It also reviews thresholds for bid evaluation and contract approval within the Corporation as they relate to procurement/contracting of goods, works and services and takes appropriate action to correct deficiencies if and when noted. The Committee reviews suggested changes to the Operations Manual pertaining to procurement and contracting matters and recommends to the Board of Directors approval of these changes.

COMMITTEE MEMBERS
Dr. Kofi Nkrumah-Young – Chairman
Mr. Jordan Samuda
Mr. Michael Stern

PUBLIC RELATIONS & MARKETING COMMITTEE

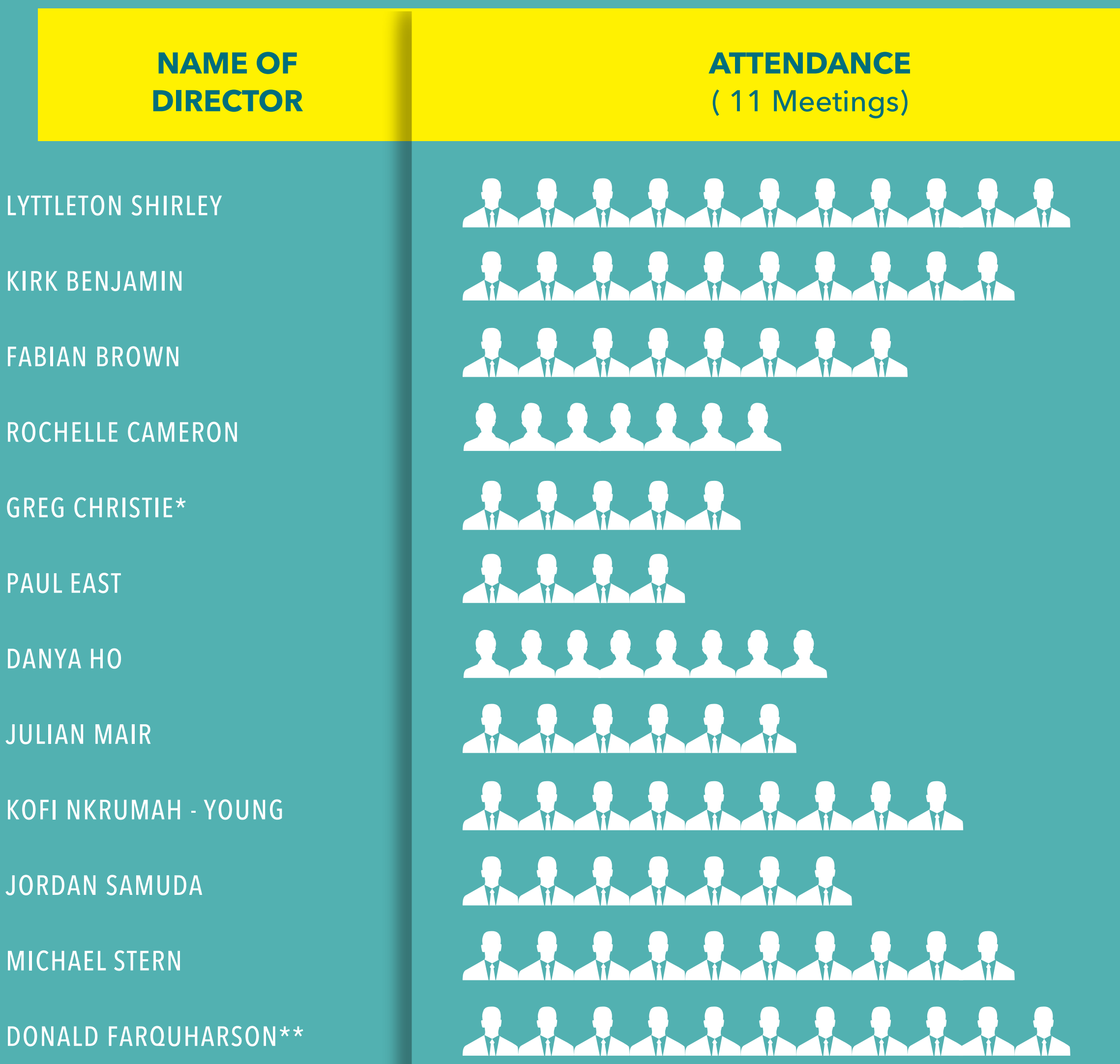
The Public Relations & Marketing Committee develops a comprehensive public relations and communications policy, complete with a mechanism for oversight and evaluation, to assist the Corporation to strengthen its overall corporate, public relations and marketing strategies. This Committee reviews proposed marketing initiatives and makes recommendations to the Board to ensure that information is appropriate and reliable and that professional interface exists between the Corporation and the public through its campaigns, advertising, website and Annual Reports, thus enabling the Corporation to attain a national and international corporate brand.

COMMITTEE MEMBERS
Mr. Lyttleton Shirley – Chairman
Mr. Michael Stern – Vice-Chairman
Mr. Fabian Brown

COMPLIANCE

The Corporation complied with all the guidelines set by the Ministry of Finance & the Public Service, Office of the Contractor General, the National Contracts Commission and its Portfolio Ministry regarding prudent management of our financial affairs and accountability. In addition, our Internal Auditor ensures that management complies with all financial legislations including the Public Bodies Management & Accountability (PBMA) Act and the Financial Administration & Audit (FAA) Act.

BOARD MEMBERS AND ATTENDANCE AT MEETINGS



*Resigned effective October 27, 2017.
**The Managing Director is not a member of the Board but is required to attend meetings.

MANAGEMENT TEAM

DR. DONALD FARQUHARSON, JP
Managing Director

DIRKETTE COOPER
Corporate Secretary (Actg.)

A Certified Administrative Professional with over 17 years' experience, Dirkette joined the organization in April 2005 as an Administrative Assistant. She later assumed the role of Executive Assistant to the Managing Director and then that of Corporate Officer. She is presently the Acting Corporate Secretary and serves as the liaison between the Board of Directors and Management. Mrs. Cooper holds a BSc. in Management Studies from the University of the West Indies as well as the CAP and CAP-OM designations from the Int'l Association of Administrative Professionals.

DESMOND SICARD
Chief Strategic Officer

A qualified Land Economist and Valuation Surveyor with over twenty (20) years' experience in the Real Estate Sector specifically, sales, rental, vauation and property management, and over six (6) years' experience in Strategic Management, specialising in project concept and feasibility, Desmond Sicard holds a Master of Business Administration with Distinction from the University of the West Indies, a Bachelor of Business Administration in Management (First Class Honours) and a Diploma in Land Economy & Valuation Surveying with Honours, both from University of Technology.

YVONNE PURCELL, JP
Procurement Manager

Yvonne Purcell is currently the Head of the Procurement Department, steering a team of three personnel, overseeing the procurement functions and spend. She actively contributes to the realization of the Corporation's three major strategic Enterprise Projects. Previously a Consultant and Director in Procurement, her achievements were timely deliverables within budget. Yvonne is a certified Procurement Specialist, who holds an MBA, BA and specialized certificates. As a Minister of Religion, Mrs. Purcell brings a humanitarian and modest spirit to all. Free spirited, her passion is sports, people and togetherness.

DARA SMITH
Marketing and Communications Manager

Dara Smith has been employed to FCJ for a year and four months as the Marketing & Communications Manager. She holds a MSc in Government, a BA Degree in Social Marketing with a minor in International Relations and a Diploma in Radio, all from the UWI. A Journalist with over 15 years' experience, she was also an instructor at the Northern Caribbean University, where she taught Introduction to Radio Broadcasting. Miss Smith is a member of the Press Association of Jamaica, an alumni of the Japan International Agency (JICA) and a volunteer at the Jamaica AIDS Support.

KEVIN ORMSBY
Property Manager

MIGUEL FAIRMAN
Estate Manager

SACHA DESULME
Human Resource and Administration Manager

OSHEAN CAMPBELL
Client Service Manager

RYAN McMORRIS
Director of Finance (Actg,)

Absent from Photo: Michelle Parker, Legal Officer

Kevin Ormsby joined the FCJ in 2017 as the Property Manager. He holds a Master's Degree in Business Administration from Nova Southeastern University, Bachelor's Degree in Hospitality and Tourism Management from the University of the West Indies/University of Technology and a certicicate in project management. He was a Dealer Account Manager responsible for facility management and client realations. Kevin is responsible for the maintenance and development of all FCJ's properties. He is actively involved in church outreach street feeding programs and enjoys mountain cycling.

Currently the Head of the Estate Department, Miguel Fairman is a well-rounded Real Estate enthusiast with over ten years' experience in the commercial and residential Real Estate industry. Miguel Fairman holds a Bsc in Land Economy and Valuation Surveying from the University of Technology Jamaica. Miguel Fairman is a vibrant and energetic soul with a heart of gold who finds joy in making others laugh. His hobbies include basketball, rock climbing and swimming.

Sacha Desulme joined the FCJ in 2013 as the Information Technology Manager and was promoted to Human Resources and Administration Manager in 2015. She holds a Bachelor's Degree in Human Relations from Pace University in New York and a Master's Degree in Information Technology (Hons.) from the American InterContinental University. Sacha manages the Human Resource Department. where she is responsible for recruiting, training, performance management, employee engagement, compliance, benefits and more. She is also a member of the Society for Human Resource Management and the Human Resource Management Association of Jamaica.

Oshean Campbell, a young, talented and vibrant professional with over six years of progressive experience in the Public Sector, holds a Bachelor of Science in Management Studies from the University of West Indies and a Post Graduate Diploma in Human Resource Management from MIND. He is currently pursuing the Master of Business Administration in International Business at the Mona School of Business. An ambassador for youth empowerment and development, he plays an active role in the planning service-oriented activities in the church community and leads motivational talks and presentations for youth and community development.

Ryan McMorris is currently the Acting Director of Finance, having joined the FCJ Family as Finance Manager six (6) months ago, as at March 2018. He holds a BBA in Banking & Finance (First Class Honors) from the University of Technology and an MBA in Banking & Finance from the University of West Indies. He is an avid reader, loves football and is a devoted father of two. Most recently, in his downtime, he enjoys researching the advent of blockchain technology and looks forward to Jamaica adopting it in varying forms to aid in our economic development.

*Mr. Kenneth Rowe served as Director of Finance up to January 31, 2018 ; Mr. Ryan McMorris commenced acting as Director of Finance effective February 1, 2018.

FCJ AT 30

30TH ANNIVERSARY CELEBRATIONS

Factories Corporation of Jamaica Ltd celebrated its 30th Anniversary in October 2017 under the theme "Celebrating a journey with 'Space'...housing Businesses for 30 years". A significant milestone in the company's history, the Anniversary was used as part of FCJ's efforts to rebrand and re-educate individuals about who we are and the services we offer. The celebration was made even more appropriate because the week of activities was used to acknowledge our major stakeholders.

The week began with a Church Service on Sunday October 15, 2017 at the Mona Baptist Church, where the FCJ staff was well represented. An inaugural Business and Wellness Expo was also held at our Garmex Free Zone location where several companies integral to the growth and development of businesses, showcased their products and services to our clients and specially invited guests. Some of FCJ's clients also participated in this Business and Wellness Expo by showcasing their products and services. The wellness aspect saw health related services and tips being offered to FCJ staff as well as the staff of clients. As part of our team building process, there was also an in-house Trivia Day where staff teamed up and competed for prizes based on their knowledge of the organisation and the various projects being undertaken.

Topping the week of activities was our Client and Staff Awards Banquet at the Jamaica Pegasus Hotel. Dr. the Hon Horace Chang represented the Most Honourable Prime Minister as Guest Speaker at the banquet. Also in attendance was the Permanent Secretary in FCJ's Portfolio Ministry, Mrs. Audrey V. Sewell, CD, JP. Thirty-five (35) clients and twenty five (25) staff members with fifteen (15) years and over service were recognised at the awards banquet.

An eight (8) page newspaper supplement supported by our stakeholders, was published for this 30th Anniversary Celebrations. The supplement included:

- Messages from the Governor General, Government Leaders as well as Business Leaders (JMA, JCC, PSOJ, JAMPRO).
- Articles on the history of the organisation, where we are now and the plans for the future with our three (3) major enterprise projects, Morant Bay Urban Centre, Garmex and Naggo Head Tech Park.
- A feature on two (2) of FCJ's longstanding clients.
- FCJ's longest serving employee speaking to the growth of the organisation through his eyes.
- One of the youngest employees, who joined the organisation as a summer worker and is now employed full time, speaking about her growth and development with the organisation.

Dr Donald Farquharson, JP

MANAGING DIRECTOR'S MESSAGE

FCJ became thirty (30) years old during the 2017/2018 Financial Year; this was a phenomenal milestone for us all. The contributions of FCJ to the enhancement of Jamaica's business ecosystem, economic development and job creation potential, cannot be overstated. FCJ is the premier development company on the island for the construction and management of commercial and industrial spaces. The Corporation owns and operates one hundred and four (104) parcels of lands totalling approximately 400 acres of land and 1.7 million square feet of space in thirteen (13) of the fourteen (14) parishes of Jamaica. Approximately 6,000 persons are presently employed in FCJ managed facilities in the areas of agro-processing, manufacturing, business process outsourcing, distribution, warehousing and other retail services.

As the new Managing Director of FCJ, I was given the important title of "Transformational Agent" by our Board of Directors. Against the background that FCJ is an agency of the Ministry of Economic Growth and Job Creation and was therefore mandated to develop integrated business complexes that reduce the cost of ownership to our clients and the optimization of the existing portfolio of assets to better contribute to economic growth and job creation. I have taken pursuit of this role and responsibility with shear energy, dedication and enthusiasm. The results demonstrated in this Annual Report is directly linked to the realignment of the FCJ Organizational Structure, recruitment of a number of Senior Managers with unique and relevant capabilities; the establishment of a number of critical departments; business processes and governance and management control procedures.

L-R: Georgette Cruickshank, (Acting Executive Assistant) Dirkette Cooper (Acting Corporate Secretary), Dr. Donald Farquharson (Managing Director), Meicha Currie (Administrative Assistant), Shayne Kerr (Internal Auditor).

BUSINESS REVIEW

FCJ has become a stakeholder centric organization. To ensure proper governance and management control, FCJ continues to work in partnership with our Portfolio Ministry, the Ministry of Finance and the Public Service, Attorney General's Chambers, Development Bank of Jamaica, JAMPRO Trade & Investment Jamaica and other relevant agencies. To effectively respond to our client's needs, FCJ conducted a Client Satisfaction Survey, which revealed that eighty-three percent (83%) of our clients says our staff is polite and courteous. FCJ continues to renovate and upgrade client's facilities, landscape and erect appropriate security mechanisms, partner with clients in Business Exposure Forums and media advertisements.

As a result of a pragmatic strategic plan that was put in place with the support of the staff and guidance from the Board, the 2017/2018 Financial Year was an extremely successful year for FCJ, as can be seen below in our achievement highlights:

Dramatic improvement in the health of FCJ:

- Rental Income increased to $733 million
- Net profit increased to $222 million
- Scrap Metal Income increased by 19% to $62 million
- Operating expenditure reduced by 13% to $566 million
- Cash assets increased by 25% to $1.54 billion.

FCJ occupancy levels registered its highest level in 10 years:

- Overall occupancy increased from 86% to 93%
- Increase in tenancy from 115 to 126
- Manufacturing represent 46% of rental spaces.

FCJ aggressively divesting of non-preforming assets:

- Cabinet approved for 58 properties to be divested under the GOJ rationalization programme.
- Six (6) sales are in progress at a cost of $150 million.

Development planning for the Morant Bay Urban Center, Naggo Head Technology Park and Garmex Redevelopment Projects:

- Conceptual designs completed for the construction of 1.5 million square feet of space
- PIMC approvals secured
- Joint Venture Agreements completed, awaiting Cabinet approval
- Procurement in progress for Garmex Redevelopment
- Aggressive marketing of the three developments.

These accomplishments are a result of the tireless efforts of our staff who are our most valuable asset and with that in mind, FCJ conducted a staff satisfaction survey that revealed that over eighty two (82%) of the staff love their work at FCJ. The survey also revealed that the staff are overwhelmingly in support of the direction in which the company is going. We continue to work assiduously to raise the bar. FCJ continues to implement many welfare initiatives including staff recognition ceremony, staff retreat, quarterly engagement meetings and socials, Easter treats and the provision of loans and grants to staff.

I must say special thanks to the Chairman and the Board of Directors of FCJ for their strategic guidance and the support given. I must specially acknowledge the Jamaica Public Service Co. Limited, King Pepper, Custom Foods, Dennis Machining, Orion Sales, Haygreen Dental, Integrated Chemicals, Mullings Tool Die, Eurotrend, Central Foods Packers Limited and Nutrition Products for over twenty five (25) years of business relationships. Heart felt thank you to my Management Team and Staff, who continue to dedicate themselves to the task at hand.

FINANCIAL ACTIVITIES

Seated L–R: Shamara Barrett (Acting Collections Officer), Ryan McMorris (Acting Director of Finance), Kashel Fong-Ayee (Actg. Administrative Assistant). Second Row L-R: Rodecia Wright (Acting Accounts Officer), Samantha Mullings (HOPE Trainee), Karen Prince (Acting Financial Accountant) William O'Connor (General Accountant), Back Row L-R: Ockino Leslie (Accounts Clerk), Steve Dunkley (Revenue Manager), Rahmone Burton (Accounts Officer), April Jones (Accounts Officer).

FINANCIAL RESULTS

The following analysis represents a summary of FCJ's financial statements for the 2017/18 period.

TOTAL COMPREHENSIVE INCOME

For the review period, our total comprehensive income was $760.44MN, which was approximately 4.83% ($38.61MN) less than the $799.05MN realized in the prior financial year. This decline was largely due to our foreign exchange translation losses that totaled $39.49MN for the period.

INCOME

Our rental income was $732.7MN, which was $26.8MN (3.8%) more than what was collected the previous year ($705.9MN). Of particular note, Scrap Metal Operations had a remarkable year, netting a surplus of $12.22MN. This is even more remarkable against the background of last year's loss of $22.29MN, representing a complete turnaround of $34.51MN. This was achieved through ramped up efforts on collections, with simultaneous vigilance on cost containment. Consequently, the Corporation realized a net profit from operations of $222.28MN, which was $13.08MN (6.25%) more than the previous financial period ($209.20MN).

EXPENSES

FCJ's total operating expenses for the year amounted to $565.6MN compared to $646.3MN for the previous financial year, a decrease of 12.5% (or $80.7MN). The current period saw decreases in two of the three categories of expenses, namely: Direct Costs and Other Operating Expenses; only Administrative Expenses saw a year-over-year increase. Direct Costs moved from $179.04MN to $161.90MN, which amounted to a decrease of 9.6% (or $17.14MN). Administrative Expenses experienced the largest movement, both in dollar and relative terms. The previous year recorded Administrative Expenses of $176.04MN, versus this year's total of $264.01MN, an increase of 49.97% (or $87.97MN). This increase was due to a strategic strengthening of FCJ's human capital. The Scrap Metal Operations again recorded significant positive movement, this time on the expense side, in line with tighter management controls, where expenses fell by 33.02% ($24.6MN), moving from $74.5MN in the previous financial year to $49.9MN in the current financial year.

ASSET MANAGEMENT

FCJ ended the current financial year with total assets amounting to $12.403 billion, an increase of $851MN (or 7.37%) over the previous period, where the assets totaled $11.552 billion. It is important to note that our cash balances grew by 25% over the previous financial year from $1.230 billion to $1.536 billion, which make us ideally positioned to move ahead with the major enterprise projects that are slated for the upcoming financial year. Also noteworthy was the collective increase in the Fair Value of our Investment Properties, which was $572.22MN.

THREE YEAR FINANCIAL RESULTS	2017/2018 &' 000	2016/2017 &' 000	2015/2016 &' 000	2014/2015 &' 000	2013/2014 &' 000
INCOME					
Rental Income	732,695	705,900	596,453	577,113	504,500
Scrap Metal Income	62,123	52,212	39,958	106,680	100,937
Other Income,Gains&Loses	6978	97,382	32,316	155,880	29,778
Total Income	**787,840**	**855,494**	**604,095**	**527,913**	**635,215**
EXPENSES:					
Direct Operating	161,901	179,042	301,241	163,871	96,552
Administrative	264,012	176,041	148,389	118,646	152,723
Other	70,467	195,556	105,491	62,837	58,686
Scrap Metal	49,901	74,501	116,232	111,531	99,974
Finance Costs	19,284	21,159	22,890	24,489	25,966
Total Operating Expense	565,565	646,299	694,243	481,374	433,901
Net Profit from Operations	222,275	209,195	90,148	46,539	201,314
Other Adjustments: Increase in Fair Value of Investment Properties	572,216	590,514	675,839	584,889	994,767
Re-measurement(loss)/gain plan on define benefit	34,055	659	1649	4,422	5,570
Total Comprehensive Income	**760,436**	**799,050**	**587,340**	**627,006**	**1,190,511**

RATIO	2017/2018	2016/2017	2015/2016
Cash Ratio	4.30	4.44	2.97
Current Ratio	4.53	5.04	3.37
Debt Ratio	11.40%	11.46%	12.97%
Debt-to-Equity	12.87%	12.94%	14.90%
Return on Assets	6.13%	6.62%	5.42%
Return on Equity	6.92%	7.81%	6.23%
Net Profit Margin	57.35%	55.28%	45.83%
Working Capital Turnover	58.09%	62.98%	74.40%

The ratios above reflect a company that is soundly positioned to take on the important enterprise projects that are scheduled to commence in the upcoming financial year. Our liquidity remains strong, as indicated by both the current and the cash ratios. We also see that the FCJ is not heavily leveraged, which is in keeping with the tight management initiatives where debt is concerned; both the debt ratios confirm this. Although our net profit margin recorded an increase over the previous financial year, the returns on assets and on equity were negatively affected by the volatility experienced in the foreign exchange market. The working capital turnover ratio was also affected by the volatility in the foreign exchange market. All in all, our overall financial position is strong and will certainly bolster the FCJ as it prepares to play the supportive role as an agent of the Ministry of Economic Growth and Job Creation going forward.

CLIENT SERVICE

Front Row (L-R): Tam Carter (Security Officer), Nadine Parkinson (Client Service Officer), Althea Thompson (Office Attendant), Carmen Lewis (Site Manager–Garmex), Latisha Howard – (HOPE Trainee), Sherica Dunkley (HOPE Trainee), Catherine Fernandez (Administrative Assistant), Natalie Powell (Cleaner), Renei Barnes (Hope Trainee), Sydoney Blackwood (Administrative Assistant), Oshean Campbell (Client Services Manager). Back Row (L-R): Everton Anderson (Groundsman), Davion Morrison (Groundsman), Raymond Small (Groundsman), Aduku Douglas (Groundsman -Temp), Ricardo Duggan (Groundsman - Temp), Linton Stewart (Groundsman), Renaldo Hales (Groundsman - Temp), Igo Lewis (Groundsman), Dejonick Curruthers (Groundsman), Dexter Hunter (Security Officer), Andre Stewart (Maintenance Officer).

OCCUPANCY

The financial year ending March 2018 was a successful one, as an occupancy rate of 93% was achieved, the highest in over 10 (ten) years. When compared to the previous year, there is a 7% difference, thus reflecting an increase in the tenancy level – this increase resulted from full occupancy at the larger sites such as Garmex and Denbigh, as well as the increased occupancy level at 225 ½ Marcus Garvey Drive Small Industries Complex, White Marl, Greyground and Denbigh. For the four (4) units that became available, new tenants were identified, resulting in an increase in the occupancy level over the period.

Occupancy (Period Ending March 2018)

	MARCH 2017	MARCH 2018
Number Of Companies	115	126
Total Available Space (M^2)	149,374.21	147,641.45
Vacant Space (M^2)	20,927.06	12,462.21
% Occupancy	86	93

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

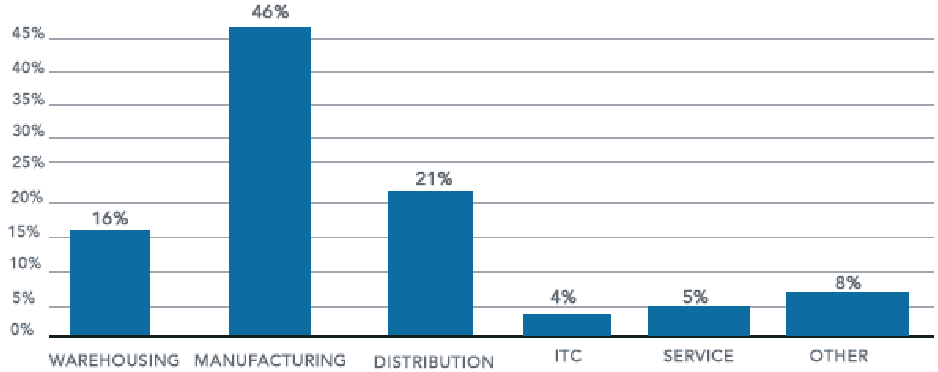
The Client Service Department continues to engage in assisting customers (tenants) at all our sites, ensuring that maximum satisfaction is obtained from their occupancy and managing the day to day activities at various sites.

The department is actively involved in the identification of new clients for the Morant Bay Urban Centre Development, Naggo Head Technology Park and Garmex Redevelopment. These will enable growth in the company's revenue and job creation at large.

TENANTS

The Department continued to engage its tenants by holding quarterly tenants' meetings from which valuable feedback is garnered. Feedback from these meetings continue to be reflected in the capital works programme in an effort to make tenants more comfortable. Manufacturing, distribution and warehousing continue to be the dominant types of activities in which our tenants are engaged as shown in the chart below:

Tenancies by Activity (Period Ending March 2018)



ESTATE MANAGEMENT

The major objective pursued by the department during the 2017 - 2018 Financial Year was to complete negotiations for the sale of six (6) properties with the prospect of securing approximately $150M in net proceeds of sale. To this end, the department secured Board Approval, subject to Ministerial or Cabinet Approval, for the sale of Lot 7 Hague Industrial Estate, Trelawny to Cars-To-Go for the sum of $95M; Lot 56 Naggo Head Industrial Estate, St. Catherine to Portmore LPG for the sum of $42M; Lot 16 Yallhas Industrial Estate, St Thomas to Stanmark Processors Company Limited for the sum of $16M; Lot 3 Corletts Road, St. Catherine to NROCC for the sum of $4M; Lot 2& 2A Old Harbour, St. Catherine to CMK Bakery for the sum of $24M and Christiana Industrial Training Centre, Manchester to S & N Auto Sales for the sum of $42M.

L-R: Desmond Sicard (Chief Strategic Officer), Miguel Fairman (Estate Manager).

It is important to highlight that the final sale prices negotiated were in excess of the projected selling prices, resulting the prospect of securing an additional $50M in the net proceeds from the sale of these six (6) properties.

During the review period, the Department received expressions of interest from three (3) existing tenants for the purchase of properties at Lots 8, 10 & 11, Lots 12 & 13 Glendevon Industrial Estate. St. James and Lot 14 Hague, Trelawny. Expressions of interest were received for the purchase of Lot 6 Kingston Pen, Kingston, Lot 1 Corletts Road Industrial Estate, St. Catherine, Lot 179 Haughton Court, Hanover, Lot 4A Twickenham Pen and Lot 5 Naggo Head, St. Catherine. Negotiations with respect to the sale of the aforementioned properties are in train and are expected to be concluded within the 2018 – 2019 financial year. During the period, the sale of Lot 3F Culloden Industrial Estate, Westmoreland to Patel Wright was completed and the Corporation received net proceeds of sale in the amount of $8M. The sales of Lots 10A & 10B Yallahs Industrial Estate to Millennium Paving Stones Limited and Lot 2 Corletts Road to NROCC are at the final stage of completion and these sales are expected to be completed early in the 2018/2019 Financial Year.

During the 2016/2017 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 process to have twelve (12) parcels of lands and Industrial Estates (previously under the purview of the defunct Jamaica Industrial Development Corporation) approved by Cabinet to be transferred to the Factories Corporation of Jamaica Limited was commenced. In the review period, six (6) of these properties; namely, Duke Street Small Industries Complex, Torrington Road Industrial Training Centre, Adams Lane, Part of Kingston, Bumper Hall, and Christiana Industrial Training Centre, were transferred to FCJ and it is expected that the other six (6) properties will be transferred to the Corporation in 2018/2019 Financial Year.

HUMAN RESOURCE AND ADMINISTRATION

Front Row (L-R): Gerald Reid (Messenger/Bearer), Lisa Jackson (Administrative Assistant), Maxine Lindo (Office Manager), Sudeen Burton (Receptionist/Telephone Operator), Sacha Desulme (Human Resource & Administration Manager), Lorna Campbell (Office Attendant), Timmeisha Simmonds (Office Attendant), Marcia Gordon (Office Attendant), Margaret Townsend (Personnel Officer), Albert Samuels (Driver).

During the 2017/2018 Financial Year, the Human Resource Department has provided human resource leadership to ensure a high performing workforce. The Department is tasked to provide strategic direction and advice related to human resource policies, leadership development and to fulfill the legislative and delegated responsibilities for recruitment, compensation, pensions and benefits, employee development, organizational health and labour relations.

REVISED ORGANIZATIONAL STRUCTURE

As of March 2018, the FCJ has employed a number of person in key positions such as a Finance and Accounts Manager, Systems Analyst, Estate Manager, Social Media Officer, Public Relations Officer, and Clerks of Work to the Organization. The company is currently going through an extensive restructuring exercise with the hope of implementation by the end of the 2018.

STAFF FUNCTIONS

FCJ hosted a Staff Retreat in Port Antonio which was held in November. It gave the employees a chance to socialize and relax while enjoying some fun activities and games.

The Company's Annual Staff Christmas Party was held at Hope Zoo - Serengetti at 107 Old Hope Road, where Staff Members were able to mingle and be entertained.

ESTABLISHMENT

During the 2017/2018 period, staff complement has increased to one hundred and forty one (141) employees whereas seventy-eight (78) persons are permanent, twenty-five (25) are temporary, (18) eighteen are employed to the Scrap Metal Unit and twenty (20) are employed under the Housing, Opportunity, Production and Employment Programme (HOPE).

Twenty-two (22) persons were employed during the period; two (2) were terminated and two (2) resigned. One person retired from the service.

TRAINING

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

- Financial Analytics
- Receivables Management
- Enterprise Risk Management
- Public Sector Procurement
- Arbitration in the Caribbean
- Core Competencs of a Corporate Secretary
- Computer application
- ISO Internal Audit
- Asset Inventory & Record Management
- Post Graduate Diploma HRM
- Align People and Processes for Growth
- Auditing & Procurement Function
- Cyber Security Analyst Programme
- Energy Efficiency in the Manufacturing Sector
- Specialized Training in Insurance Placement
- Certification in Plumbing
- Quantity Surveying in Practice
- Certificate in Public Relations
- Landscape & Ground Maintenance
- Customer Service

A total of $2,708,247.00 was spent on training for the financial year 2017/2018.

PENSION PLAN

As at December 31, 2017, there were fifty-four (54) Active Members enrolled in the plan.

MANAGEMENT INFORMATION SYSTEMS

The MIS Department focused during the Financial Year on the alignment of technology to the company's strategic business objectives and providing a technology efficient environment to enhance staff security, accountability and productivity. The implementation of new information systems have aided in the improvement of revenue collection, cost reduction, treasury management and investments, asset management, staff productivity, communication and awareness of our stakeholders. The department developed a strategic information systems work plan that focused on the establishment of specific system requirements and the deployment of the following applications and network systems:

L-R: Shane Dias (Acting Information Technology Manager)
Carson Ford (Clerical Officer).

1. Social media portals including YouTube, Twitter, Facebook and Instagram.
2. Company website with more interactive features.
3. Property Management System.
4. Content Management System.
5. Human Resource Management System.
6. All modules of the Financial System.
7. Expansion of Wide Area and Local Area Networks.

The department collaborated with the Estate, Client Service and Marketing Departments to further overhaul the company's website. Improvements to the website include the classification of our client sites, presentation of detailed data on each site, upgraded news and development section, client listing and profiles and testimonials. The team completed work on a geographic Information System application that will allow clients and other stakeholders to locate our properties online and extract detailed information when uploaded to the site. The department continues its work to develop and refine the system requirements for all mission critical business applications to be implemented. Further guidance was also solicited from eGov regarding the procurement methodologies to be utilized to deploy the business applications to be implemented. The procurement process is far advanced for the deployment of the new Website and Property Management Systems. The configuration of the purchasing and inventory modules of the Financial System and training of all staff is now complete and the modules will go live in the First Quarter of the 2018/2019 financial year. Additionally, a Receivables Management System was implemented in the Revenue Collection Department to enhance the tracking of clients' billing and payments.

The FCJ has over 100 sites islandwide. The department has completed its Network Development Plan that seeks to improve connectivity between the Head Office and selected sites across the island. Two (2) Scrap Metal Sites are presently fully connected to the Central Security Surveillance Center at Garmex. Work is far advanced to implement the Closed Circuit Television systems (CCTV) for Garmex and the Head Office. In the next phase, CCTV will be deployed to locations that are prone to security hazards. An upgraded Local Area Network was fully implemented at Garmex to support a number of departments that were relocated to the location. Furthermore, work is in progress to fully implement a Wide Area Network which will provide connectivity between Garmex and Head Office, to allow the staff at both locations to directly access all mission critical business applications seamlessly.

The department enhanced the technology environment of FCJ to improve the productivity of our staff. An Access Control System with time management functionality, was installed at the Head Office to improve access control and time management. The department completed a computer training needs analysis and have already started implementing the relevant and specific training required by each staff. Significant efforts were spent on orientation of users of the company's Closed User Group System, to ensure that the applications are fully utilized to enhance the work of our management and staff. The use of data services has been drastically increased with staff now given more direct access to data and information required for the execution of their jobs on their cellular telephones. Face time and messenger services are now utilized to facilitate communication forums between managers and staff. The department also responded to the Managing Director's call for work stations to be appropriately located in FCJ offices to give computer access and email services to all staff. The department provided ongoing technical support to all users of the technology environment by responding to user trouble calls at all FCJ sites, dealing with hardware, network and application issues.

LEGAL SERVICES

Michelle Parker (Legal Officer)

In May 2017, FCJ saw the rebirth of its Legal Department which is staffed with an Attorney-at-Law and a Paralegal Assistant.

From a direct response to the concerns raised by the Auditor General's Department Report 2016, the Legal Department is now responsible for all conveyancing matters which was previously being handled by external Attorneys-at-Law. Since its rebirth, the Legal Department has commenced the sale of six (6) properties namely:

1. Lot 3, lands part of Corletts and Fellowship Hall in the parish of Saint Catherine;
2. Lot 7 Hague in the parish of Trelawny;
3. Lot 1 and part of Lot 2 East Albion in the parish of Saint Thomas;
4. Lot 56 Naggo Head Industrial Estate in the parish of Saint Catherine;
5. Lot 2 part of Christiana in the parish of Manchester; and
6. 26 South Street, Old Harbour, Saint Catherine.

On completion of these conveyance matters, FCJ will see cost savings of approximately $6.6M in legal fees which would otherwise have been paid to external counsel.

Savings from the internal handling of conveyance matters will increase exponentially as FCJ continues to divest 15% of its current portfolio of real estate assets, as mandated by the Government of Jamaica.

Additionally, the Legal Department is now responsible for the generation of all lease agreements and renewals of leases with FCJ's tenants. This was the previous responsibility of the Estate Department but are now handled by the Legal Department. In so doing, the Legal Department has revised FCJ's Lease, Revenue and Collection Policies with a view of, amongst other things:

1. stymieing any further increase in its receivables;
2. ensuring that its clients carry insurance, thereby limiting FCJ's liability in any unforeseen occurrences; and
3. safeguarding FCJ by validating that FCJ's tenants maintain the required security deposit or alternatively, providing a financial bond at all times in favour of FCJ in the event of non-payment of rent.

The Legal Department currently provides legal support to the Client Service Department, Procurement Department Estate Department and the Property Department, thereby limiting our reliance on external counsel.

MARKETING AND COMMUNICATIONS

L-R: Akeem Burgess (HOPE Trainee), Dara Smith (Marketing & Communications Manager), Paula King Gibson (Public Relations Officer), Tracey-Ann Treasure (HOPE Trainee).

There are a number of firsts for the Marketing and Communications Department for the period March 2017 to March 2018.

The department organised the first Labour Day project for FCJ in its 30 year history. Twenty-three (23) at risk girls from the Annie Dawson Home for Children were feted with gifts, their play area was built out, their storage room retrofitted, their recreational/laundry/dining room was painted and decorated, among other activities.

The department released its first issue of the company's newsletter, "The Space". Including the newspaper supplement as part of FCJ's 30th anniversary celebrations, a total of four (4) editions were released between March 2017 and March 2018.

The department as a first, produced the "MD Talk" a newsletter in which the Managing Director updates the staff on the latest developments in the organisation. Three (3) were produced within the period.

The department produced the first two (2) television commercials, which were used to showcase the organisation. Our media presence was also ramped up over the period under review through a number of radio advertisements, time signals and press releases.

The department also produced three (3) conceptual videos showcasing the enterprise projects, two (2) for the Morant Bay Urban Centre and one for the Naggo Head Technology Park.

Our media presence was directed at ramping up our marketing efforts aimed at highlighting FCJ's three (3) major enterprise projects, Morant Bay, Naggo Head and the redevelopment of the Garmex Freezone. Over twenty (20) stakeholders' meetings were held involving investors, prospective clients and residents.

The department also participated in three (3) major expos during the period to showcase the enterprise projects and FCJ products and services.

Work was also done during the year to ramp up the company's social media presence, while improving the output on our webpage. For the year under review, there has been a significant uptick in our presence on social media pages such as Twitter, Facebook and Instagram, while our webpage is heavily relied on for information on the organisation and its works projects.

A significant highlight for the department was the planning and execution of the company's 30th anniversary celebrations, which involved a week of activities beginning with a church service at the Mona Baptist Church. Another first for FCJ and the department during the period was the planning of our inaugural Business and Wellness Expo, where over thirty (30) exhibitors were on hand. More significantly was our 30th Anniversary Awards Banquet, where approximately sixty (60) staff and clients with fifteen (15) or more years of partnership with FCJ were recognised.

The Corporation also played its part as a good corporate citizen by participating in a number of 5K events and providing donations to schools and churches that was well within the Budget allocated for charity.

PROCUREMENT

L- R: Erica Burton (Administrative Assistant), Yvonne Purcell (Procurement Manager), Bobby Morgan (Procurement Officer)

The Procurement Department was one of the newest additions to the operational infrastructure of FCJ. The establishment of this Department was aimed at facilitating efficient execution of all the procurement activities of the Corporation. This was done by ensuring adherence to the Government of Jamaica Procurement Guidelines, under the oversight of the Procurement and Evaluation Committees.

During the period under review, the Department was tasked with the responsibility of:

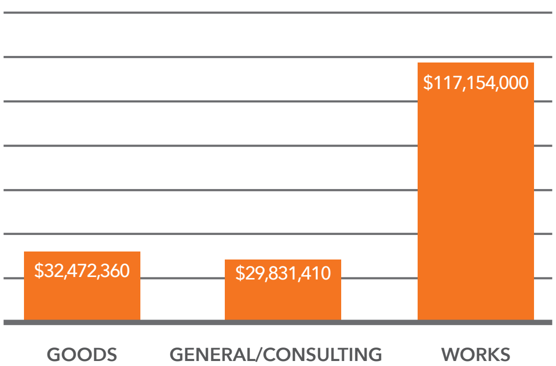
- Developing and executing a procurement strategy to support the implementation activities for the three (3) targeted Enterprise Projects;
- Coordinating consultations relevant to the Enterprise Projects with internal and external stakeholders;
- Conducting timely procurement of Works for the execution of planned projects;
- Ensuring effective procurement of goods and services planned;
- Utilizing procurement best-practices to maximize value-for-money and savings.

The Procurement budget for the Financial Year was approximately J$370M; Less than 50% of this budget was spent. This outcome was due to two (2) main positive factors beneficial to the Corporation, as follows:

- Strategic procurements geared towards best practices with emphasis on Best-Value-For-Money.
- The Property Department's strategic move in utilizing an in-house team to carry out essential repairs and face-lifts, instead of the use of external contractors.

The most economic and efficient methods were utilized in the procurement of goods, services and works resulting in optimal prices and decreased expenditures; thus, maximizing savings. The procurement of Works were project-led through to the contract management phase with the support of the technical team. Over forty five (45) Works contracts for repairs and renovation were executed, enabling the Corporation to stand by its commitment to our valued clients, to satisfy their needs and provide quality commercial space.

Procurement Activities for April 2017 - March 2018



Most of the procurement activities were geared towards the provision of services to support the plans for the enterprise projects and the branding of FCJ.

The highlight of our achievements was in the category of Works; where our contribution significantly impact FCJ's goals to improve our properties utilized by our clients.

The Department ensured transparency and objectivity of its processes, thereby promoting public confidence and further compliance with Government standards and policies.

The other key areas of focus that were tackled, were aimed at achieving greater efficiencies to enhance the work flow and productivity. To this end, protocols were developed and established for:

- Inventory Management
- Service Standard (Turn-around time)
- Requisition and Purchase Order Process Flow

ACTION	OUTPUT
Enterprise Projects: i. Development of Old Goodyear Factory into the New Morant Bay Urban Centre ii. Redevelopment of Garmex Free Zone iii. To create additional ICT/BPO Space at Naggo Head Technology Park iv. Construction of three (3) Buildings at Garmex Free Zone	**Develop Terms of Reference for:** i. Conceptual Design Consultancy Services for the Garmex Free Zone ii. Feasibility Study Consultancy Services for the New Morant Bay Urban Centre iii. Financial Consultancy Services for Viability Assessment for the New Morant Bay Urban Centre iv. External Quantity Surveyor Consultancy for the review and assessment of the internal Bills of Quantities **Procure and contract services for:** i. Conceptual Design for the redevelopment of the Old Goodyear Factory into the New Morant Bay Urban Centre ii. Feasibility Study Consultancy Services for the Proposed Development of the Old Goodyear Factory into the New Morant Bay Urban Centre iii. Conceptual Design for the redevelopment of the Garmex Free Zone iv Consultancies to prepare Joint Venture Agreement **Tender for the Pre-qualific tion for the Construction of three (3) Buildings at Garmex Free Zone**
Facilitation of Consultations with stakeholders relevant to the Enterprise	**Facilitate and participate in 24 consultations with internal and external stakeholders**
Procure Goods, Services, Works	**Goods 235 procurement activities** **Services 240 procurement activities** **Works 56 procurement activities**

The FCJ envisages a successful future towards the creation of 1.5M square feet of new space within five (5) years, a vision that the Procurement Department is poised to work towards. The Department has evolved as a capable, stable and stalwart department during the period and will continue to effectively direct its efforts towards FCJ's strategic goals.

PROPERTY DEVELOPMENT

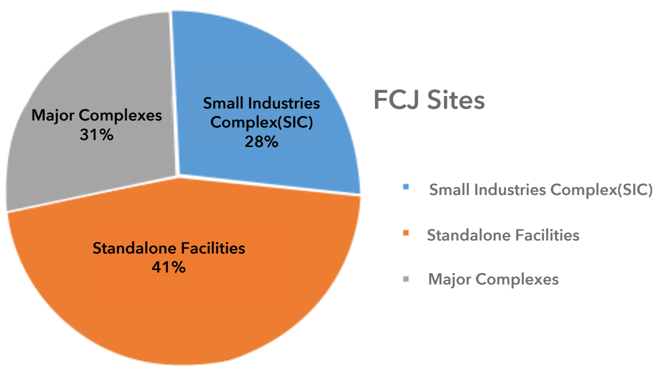
Front Row (L-R): Errol Porter (Painter - Contract), Jhanelle McKay (HOPE Trainee), Ronald Hynes (Welder), Fitzroy Dixon (Mason), Jerome Carr (HOPE Trainee), Nathaniel Landells (Site Manager – Islandwide). Back Row (L-R): Yohan Grant (Office Clerk), Colin Manning (Store keeper/Driver), Michael Leigh (Electrician), O'Shane Hall (Property Officer), Colleen Ennis (Administrative Assistant), Howard Rowe (Tiler), Richard Jones (Painter), Sanjay Jones (Carpenter/Plumber), Shalume Thomas (Maintenance Officer)

The Property Department is responsible for the daily operations, engineering, maintenance and management of all of FCJ's infrastructure and equipment. The department works closely with all internal stakeholders to identify the needs and concerns of our tenants and to implement solutions and preventative maintenance procedures to mitigate these areas.

The Property Department's main responsibilities are as follows:

- Designing and implementing all Engineering projects.
- Executing of all Capital projects.
- Executing of all Pre-Occupancy works.
- Implementing and executing all Preventative and Corrective maintenance.
- First respondent to all emergencies.
- Implementing effective departmental procedures and accountability.

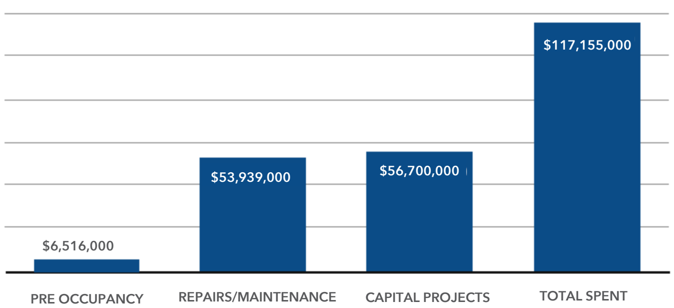
Classification of FCJ's properties



ACCOMPLISHMENTS

The Property Department completed a very successful year. It implemented ten (10) preoccupancy works at a cost of J$6,516,000, forty five (45) maintenance works at a cost of J$53,939,000 and four (4) major capital projects at a cost of J$56,700,000.

Project Category



The Engineering team was involved in the following projects:

- Design layout for Jamaica Manufacturing Association/ Small Business Association at Hayes Clarendon Complex.
- Rationalization of street lighting plan for Garmex.
- Design works for Denbigh Complex for Grace Kennedy Agro Processing unit.
- Sewage rerouting design at Garmex.
- Bills of Quantities for Derelict building and North Wall at Charlemont and Garmex.

- Damaged boundary fence at the Charlemont site.
- Engineering works at Conduent, Montego Bay and Naggo Head
- Re-design works for fire and flood damages at Glendevon, Marcus Garvey and Boundbrook.

The pre-occupancy and maintenance projects were implemented in an efficient manner to ensure that clients took timely possession of the vacant units. Some of these critical renovation projects that aided in our occupancy moving from 86% to 93%, were implemented at the following locations:

- White Marl Small Industries Complex
- Duke Street Small Industries Complex
- Glendevon Small Industries Complex
- May Pen Small Industries Complex
- Greyground Small Industries Complex

The In-house maintenance team was strengthened by adding various skilled resources (painters, tilers, masons and plumbers) to execute projects internally and become less reliant on third party resources. The maintenance teams were provided with specific and relevant training and upgraded tools and equipment to execute their work. This includes a four wheel drive pickup to efficiently move the maintenance staff across the island.

The In-house team implemented the following projects:

- Renovation of 14,000 square feet of factory space at Garmex
- Painting of 30,000 square feet of factory space at Garmex
- Painting and installation of lights and fire hoses at Marcus Garvey Small Industries Complex
- Renovation of canteen, restroom and security posts at May Pen Small Industries Complex

The Property Department was also charged with implementing a number of major capital projects that were implemented during the Financial Year:

Major Capital Projects for the period April 2017 - March 2018

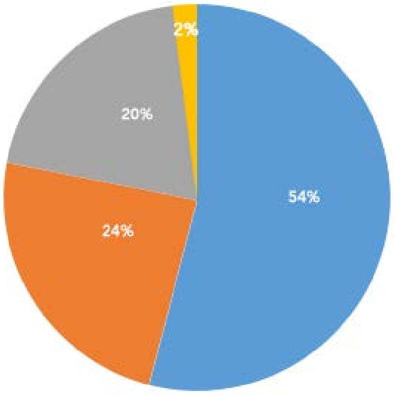
LOCATION	PROJECT DESCRIPTION	COST ($)
Garmex	General Roadway Repairs/Parking Bays	15,093,280
Garmex	Installation of Roller Shutters	7,800,000
Garmex	Demolition of Old Buildings	23,820,000
MoBay Freeport	Building Repairs and Repainting	10,023,800
	Total	**$56,737,080**

TRADE IN METAL

L-R: Devon Irving (Senior Compliance Officer/Special Projects Coordinator), Kerry-Ann Walker-Wilson (Compliance Administrator), Lyndon Taylor (Compliance Officer), Jermaine Grant (Compliance Administrator)

Exports for the, Financial Year ending March 2018, totaled 41,546 metric tonnes, which was an increase of approximately 19% over the previous year's figure of 34,758 metric tonnes. During the period, 22,541 metric tonnes of scrap metals were processed at the Spanish Town Road Site, 9,779 metric tonnes processed at the Riverton Site, 8,293 metric tonnes processed at the Clarendon Park Site, and 933 metric tonnes processed at the Industrial sites.

Scrap Metal Export Per Location



For the period 2017/2018, the income generated from the Scrap Metal operations increased by approximately 19% over 2016/2017, moving from $52 million to $62 million. During the period, the expenditure for Scrap Metal services was significantly reduced by approximately 33%, from $74.5 million to $49.9 million between the 2016/2017 and 2017/2018 budget review periods. The actions taken, which produced this improved performance, were:

- The number of service days was increased to five (5) days per week – Monday to Friday, 8:30am to 4:30pm
- The in-house CCTV system was fully implemented at all three (3) sites

During the 2017/2018 Financial Year, as the new management at FCJ undertook further assessments on the scrap metal operations, FCJ's Board made a submission to Cabinet, which had previously approved the closure of two (2) of the Scrap Metal Sites and the Divestment of the third site, with a request to give the Corporation an additional two (2) years to continue to manage the service in an effort to make further improvements to the operations, in order to increase the marketability of the trade at the time of Divestment. The Board also made a decision to proceed with the closure of the Riverton Scrap Metal Site and to make the necessary infrastructure improvements to Spanish Town Road and Clarendon Park Sites in accordance with the findings coming out of an audit conducted by a team comprising FCJ staff members.

"WHERE THERE IS HOPE..."

Housing, Opportunity, Production and Employment (HOPE) Programme

On May 8, 2017, the Most Hon Andrew Holness, Prime Minister, officially launched the Housing, Opportunity, Production and Employment (HOPE) Programme. This programme is a training and apprenticeship programme that provides an opportunity for the development of fully rounded individuals, through a system of National Service Corps, to become productive members of society. The programme is targeted towards youths between the ages of 18 and 24 years old in Jamaica, who are not employed or enrolled in a school or training programme.

In July 2017, FCJ commenced its participation in the Programme. All HOPE programme participants or interns participate in a mandatory core training programme inclusive of life skills, cultural awareness, ethics, discipline, volunteerism and entrepreneurship skills; after which they participate in specific skills training and serve as an apprentice, where they will be allowed to work in that skilled area for a stipend with a savings component. They will be trained in several areas including Digitization, General Construction, Customer Service, GIS Mapping and others. After the engagement, which is for a minimum of one year, these interns will transition into the workforce or go on to further training with improved attitudes, skills, and foundation on which he or she can build for further employment, training or education.

The HOPE programme is guided by the principle that every Jamaican youth will be provided the opportunity to work to learn, work to earn, work to give service to the nation and work to save for their future - Learning, Earning, Giving, Saving (LEGS). The programme will promote and optimize growth and development of Jamaica's youth so that they can become well-adjusted and responsible citizens whilst contributing to Jamaica's development and prosperity.

To date, FCJ has taken on (20) twenty HOPE interns who have been assigned to the following departments:

- Procurement
- Marketing
- Estate
- Finance
- Client Services
- Property

The HOPE Team was instrumental in working on the renovation of Buildings 2B and 15 at Garmex Freezone, social media posting of our clients and lanscaping at Seville Industrial Training Centre, Denbigh Industrial Estate and Boundbrook Small Indstries Complex.

CORPORATE SOCIAL RESPONSIBLITY

FCJ recognizes its role, not just as a provider of space, but as a good corporate citizen and takes responsibility for the company's effects on the environment and social wellbeing of those less fortunate. The Corporation takes pride in going beyond and above what is required of it in its role as developers.

Based on this philosophy, throughout the period, the Corporation played its part as a good corporate citizen through a number of activities including its Labour Day project, donations to several schools, charities and churches and participation in a number of 5K events.

In May 2017, FCJ undertook its first Labour Day activity under the theme "A Labour of Hope". The project was the Annie Dawkins Home for Children, located at 76 Havendale Drive, Kingston 19. This home caters to twenty one (21) girls aged 6 -16 years, some of whom have been abused, while others are special needs children. The project entailed building out a play area for the girls to include a swing, a monkey bar and other equipment as well as installing shelves in the storeroom. The resulting impact of the engagement with this Home, words cannot adequately describe.

In February 2017, staff members participated in the Sigma Run, a 5K charity road race aimed at raising $60 million for the 2017 beneficiaries, Bethlehem Home for abandoned children, Spanish Town Hospital Special Care Unit and Mandeville Hospital Neonatal Intensive Care Unit. FCJ also participated in the Food for the Poor 5K in May 2017. This event was geared towards raising funds to build homes for the less fortunate, and to increase awareness for their various areas of ministry. Again in July 2017, the staff participated in the Grace 5k, an annual event and the primary fund raiser for the educational programmes undertaken by the Grace and Staff Community Development Foundation in the downtown inner-city communities.

The Company also continued to give back to the local community through its support to a variety of causes such as the best Care Foundation, Kiwanis Club, Lions Club, Portmore Self Help Disability Organization, schools, churches and police organizations. Items (clothing, cash and toys) have been collected all year round to donate to the Mustard Seed Community and the Best Care Children's Home.

PROVIDING SPACES FOR GROWTH

CARIBBEAN DEPOT DISTRIBUTORS LIMITED

Caribbean Depot Distributors Limited operates two companies at the Garmex Free and Commercial Zone at Marcus Garvey Drive in Kingston. Caribbean Depot, a sugar packaging facility for companies within the retail distribution sectors locally and regionally, began operations in 1997 as a foreign-owned entity. Caribbean Depot which trades in commodities used primarily by the baking, food processing and beverage sectors, was established in 2007. The principal commodities traded are refined sugar in varied grades, fruit juice concentrates and purees.

The company established its partnership with the FCJ 20 years ago. Michael Jureidini, general manager of Caribbean Depot, noted that, "Within a few months of having established our operation on Molynes Road, we realized that our company had out-grown our existing location". In early 1998, they found that the Garmex facility owned by FCJ on Marcus Garvey Drive had been almost deserted by the 807 garment-assembling companies that had previously occupied the complex. The company contacted the FCJ and was able to secure the space required to house its operations. It was only natural that when the decision was taken to open the second entity, that the additional space would be sought at the Garmex facility.

The relationship between landlord and client is described by Mr Jureidini as "an amicable one and presently it has been the best over our twenty years here".

Caribbean Depot intends to continue to grow both companies by adding new product lines and services that will deepen its range of offerings to its existing customers, whom it describe as "A–list" and of course to gain new ones.

The vision of the company is "to continuously provide first quality commodities and services to the food processing sector while enhancing the livelihood of our customers, staff and shareholders".

CONDUENT INC.

The relationship between Conduent, the world's largest provider of diversified business process services, and the FCJ began in 2002. Conduent was looking for a Montego Bay location and identified the building on Southern Cross Boulevard in the Montego Bay Freeport as one with potential to accommodate its growing operations. The stand alone, 45,000 square feet structure was owned and managed by FCJ.

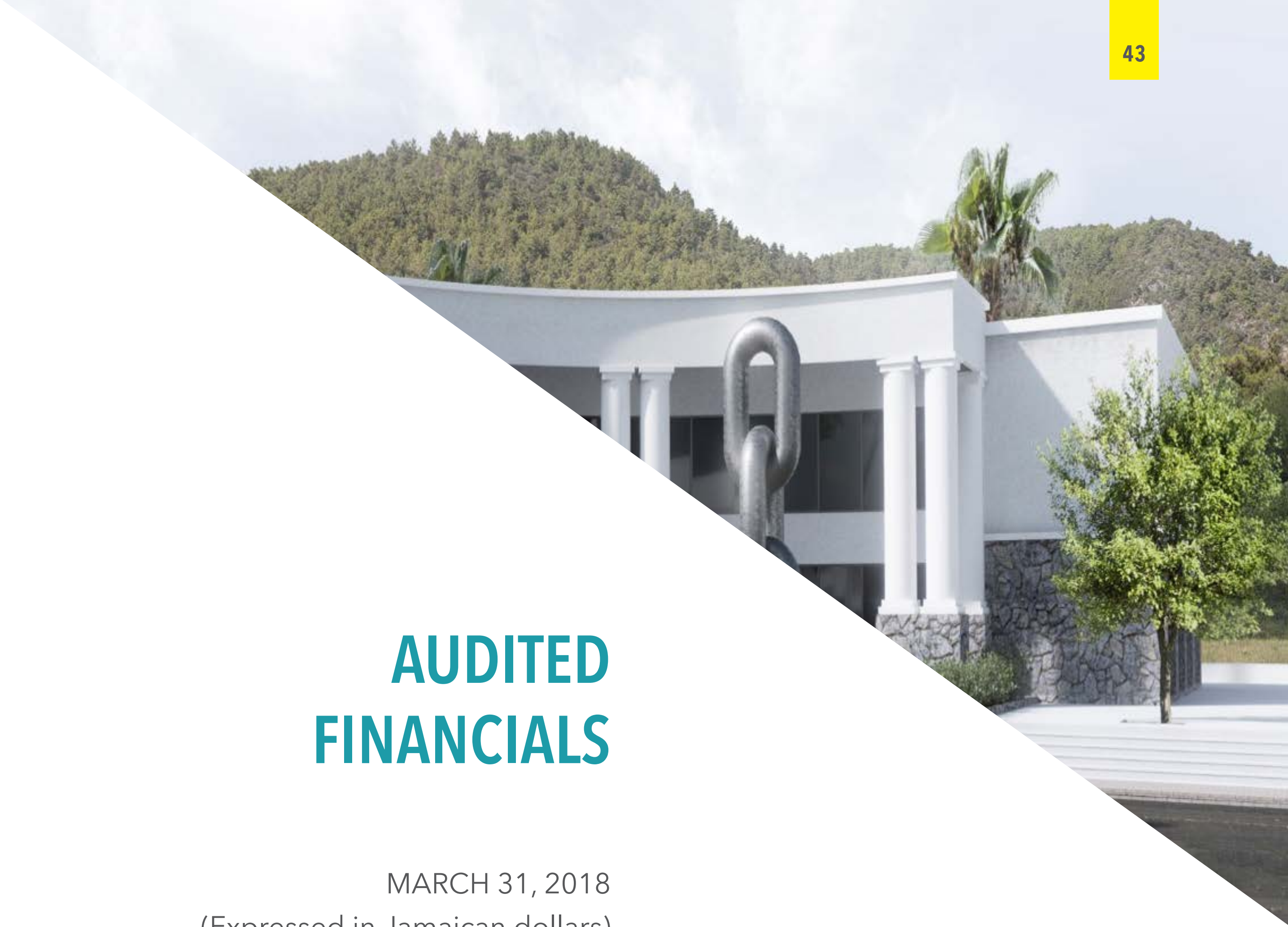
Originally designed to house multiple clients, the FCJ was amenable to changing its plan to facilitate Conduent's desire to take the entire space. The FCJ worked with its new client to refurbish the building in keeping with the design specifications provided, thus Conduent acquired a facility that suited its needs in every detail. Sixteen (16) years later, the location continues to effectively satisfy the needs of the expanding business and comfortably accommodates its staff complement required to man this 24 hour, high tech operation.

Lynda Langford, Country Director (Jamaica), Conduent enjoys the relationship with her landlord. She notes "Over the years we have shared a professional and respectful relationship and we have been able communicate effectively to our mutual benefit".

Conduent has been operating in Jamaica for just under three (3) decades, yet the name may not be familiar to many. That would be because for twenty-seven (27) of those thirty (30) years it existed as a department of XEROX. On January 3, 2017, Conduent separated from Xerox and became an independent, autonomous entity, guided and administered by its own board of directors. In that short period the organization's high standards and outstanding performance have resulted in the company being listed as 446 among Fortune 500 companies.

Headquartered in New Jersey, USA, Conduent operates in thirty-five (35) countries with some 85,000 employees. Jamaica is its only Caribbean operation. "The company is satisfied with the performance of our staff in Jamaica. We have found the skill sets that we need and where necessary we provide the requisite training", noted Lynda Langford. She added, "Conduent has identified four (4) key growth locations over the next five (5) years and Jamaica is one of those. We will be growing our footprint in Jamaica."

Conduent utilizes a range of digital platforms to provide a wide range of services including digital payments, claims processing, benefit administration, automated tolling, customer care or distributed learning.



AUDITED FINANCIALS

MARCH 31, 2018
(Expressed in Jamaican dollars)

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Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Factories Corporation of Jamaica Limited

Report on the Audit of the Financial Statements

Opinion

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, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at March 31, 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

In preparing the financial statements, Management and the Board of Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management and the Board of Directors either intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Corporation's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Corporation's financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

Building a better
working world

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, so far as appears from our examination of those records, and the financial statements which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

July 30, 2018

FACTORIES COPORATION OF JAMAICA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018
(Expressed in Jamaican dollars)

	Notes	2018 $'000	2017 $'000
ASSETS			
Non-current assets			
Property and equipment	5	33,144	26,020
Investment properties	6	10,751,399	10,127,849
		10,784,543	10,153,869
Current assets			
Withholding tax recoverable		21,375	21,421
Trade and other receivables	7	60,267	147,008
Cash and bank balances	8	1,536,950	1,229,585
		1,618,592	1,398,014
Total assets		12,403,135	11,551,883
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	9	545,022	545,022
Capital reserves	10	1,876,010	1,876,010
Revenue reserve		8,567,646	7,807,210
		10,988,678	10,228,242
Non-current liabilities			
Retirement benefit obligation	11	46,119	8,860
Borrowings	12	201,129	227,629
		247,248	236,489
Current liabilities			
Borrowings	12	77,312	75,281
Other payable	13	810,000	810,000
Payables and accruals	14	279,897	201,871
		1,167,209	1,087,152
Total equity and liabilities		12,403,135	11,551,883

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

The financial statements were approved and authorized for issue by the Board of Directors on July 30, 2018 and are signed on its behalf by:

……………………………… ……………………………………..

Lyttleton Shirley - Director Paul East - Director

FACTORIES COPORATION OF JAMAICA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2018

(Expressed in Jamaican dollars)

	Notes	2018 $'000	2017 $'000
Revenue	15	732,695	705,900
Direct costs	16	(161,901)	(179,042)
Gross profit		570,794	526,858
Increase in fair value of investment properties	6	572,216	590,514
Other income – scrap metal fees		62,123	52,212
Other income and other gains and losses	17	(6,978)	97,382
Administrative expenses	16	(303,738)	(230,189)
Other operating expenses	16	(80,642)	(215,909)
Finance costs	18	(19,284)	(21,159)
NET INCOME	19,20	794,491	799,709
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss not to be reclassified to income in subsequent periods:			
Re-measurement loss on defined benefit plan	11(e)	(34,055)	(659)
TOTAL COMPREHENSIVE INCOME		760,436	799,050

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

FACTORIES COPORATION OF JAMAICA LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2018

(Expressed in Jamaican dollars)

	Share Capital (Note 9) $'000	Capital Reserves (Note 10) $'000	Revenue Reserve $'000	Total $'000
Balance at April 1, 2016	545,022	1,876,010	7,008,160	9,429,192
Net income for the year	-	-	799,709	799,709
Other comprehensive loss	-	-	(659)	(659)
Total comprehensive income	-	-	799,050	799,050
Balance at March 31, 2017	545,022	1,876,010	7,807,210	10,228,242
Net income for the year	-	-	794,491	794,491
Other comprehensive loss	-	-	(34,055)	(34,055)
Total comprehensive income	-	-	760,436	760,436
Balance at March 31, 2018	545,022	1,876,010	8,567,646	10,988,678

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

FACTORIES COPORATION OF JAMAICA LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018
(Expressed in Jamaican dollars)

	Notes	2018 $'000	2017 $'000
OPERATING ACTIVITIES			
Net income		794,491	799,709
Adjustments for:			
Depreciation of property and equipment	5	9,388	8,790
Loss (gain) on disposal of property and equipment		241	(21)
Adjustment to property and equipment	5	-	(293)
Impairment loss recognized on trade and other receivables	7	9,235	123,407
Net (gain) loss on sales of investment properties	17	(478)	6,771
Write-off of work-in-progress	6	-	5,744
Net increase in fair value of investment properties	6	(572,216)	(590,514)
Retirement benefit cost	11(d)	10,454	8,409
Foreign exchange loss (gain)		39,490	(51,813)
Interest income	17	(32,177)	(23,197)
Interest expense	18	19,284	21,159
Operating cash flows before movements in working capital		277,712	308,151
Decrease/(Increase) in trade and other receivables		94,655	(172,614)
Increase/(Decrease) in payables and accruals		60,877	(40,570)
Retirement benefit contribution	11(c)	(7,250)	(4,686)
Cash generated by operations		425,994	90,281
Taxation recovered/(paid)		46	(3)
Net cash provided by operating activities		426,040	90,278
INVESTING ACTIVITIES			
Interest received		30,614	25,396
Proceeds (net) from sales of investment properties		8,038	169,229
Proceeds from disposal of property and equipment		18	23
Purchase of property and equipment	5	(16,771)	(10,047)
Expenditure on investment properties	6	(58,894)	(49,461)
Net cash (used in)/provided by investing activities		(36,995)	135,140
FINANCING ACTIVITIES			
Interest paid		(19,284)	(21,159)
Repayment of borrowings		(24,469)	(22,595)
Net cash used in financing activities		(43,753)	(43,754)
NET INCREASE IN CASH AND CASH EQUIVALENTS		345,292	181,664
Effects of foreign exchange rate changes		(39,490)	51,813
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,228,490	995,013
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	1,534,292	1,228,490

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. (Note 20)

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 requirements of 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 its annual period beginning April 1, 2017. 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 were applied for the first time in 2017/2018, 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 are described below:

- **IFRS Practice Statement 2: Making Materiality Judgements**
  Companies are permitted to apply the guidance in the Practice Statement (PS) to financial statements prepared any time after September 14, 2017.

  The PS contains non-mandatory guidance to help entities making materiality judgements when preparing general purpose IFRS financial statements. The PS may also help users of financial statements to understand how an entity makes materiality judgements in preparing such financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Current year changes (continued)

- **IFRS Practice Statement 2: Making Materiality Judgements (continued)**

  The PS comprises guidance in three main areas:
  - General characteristics of materiality,
  - A four-step process that may be applied in making materiality judgements when preparing financial statements. This process describes how an entity could assess whether information is material for the purposes of recognition, measurement, presentation and disclosure.
  - How to make materiality judgements in specific circumstances, namely, prior period information, errors and covenants and in the context of interim reporting. Furthermore, the PS discusses the interaction between the materiality judgements an entity is required to make and local laws and regulations.

  The PS did not have any impact on the Corporation's financial statements.

- ***Amendments to IAS 7 - Disclosure Initiative***

  The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Corporation's liabilities arising from financing activities consist of borrowings. A reconciliation of the opening and closing balances of these borrowings is provided in Note 12. Consistent with the transition provisions of the amendments, the Corporation has opted not disclosed comparative information for the prior year.

- **IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12***

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Corporation applied amendments retrospectively. However, their application has no effect on the Corporation's financial position and performance as the Corporation has no deductible temporary differences or assets that are in the scope of the amendments.

- ***Annual Improvements 2014-2016 Cycle (issued December 2016)***

  These include:

  - IFRS 12 *Disclosure of Interests in Other Entities*

    The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal Corporation that is classified) as held for sale.

    These amendments did not affect the financial statements of the Corporation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**
  The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

  Determining the current service cost and net interest
  When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

  Effect on asset ceiling requirements
  A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

  This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019 and apply prospectively to these changes. Early application is permitted and should be disclosed.

  These amendments are not expected to have any immediate impact on the financial statements of the Corporation on initial application.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Future changes (continued)

- ***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. In December 2015, the IASB decided to defer the effective date of these amendments until such time as it has finalised any amendments that result from its research project on the equity method. An entity that early adopts the amendments must apply them prospectively. These amendments will not have any impact on the financial statements of the Corporation when they become effective.

- **Amendments to IAS 28 - Long-term interests in associates and joint ventures**
  The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

  The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. To illustrate how entities apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests, the Board also published an illustrative example when it issued the amendments. Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate ambiguity in the wording of the standard. The amendments are effective for annual periods beginning on or after January 1, 2019. The Corporation does not have long-term interest in associates and joint ventures therefore the amendments are not expected to have an impact on the Corporation's financial statements.

- **IAS 40, *Investment Property – Transfers of Investment Property (Amendments to IAS 40)***
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

  These amendments are effective for annual periods on or after January 1, 2018. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight.

  The directors and management have not yet assessed the impact of the application of this standard on the Corporation's financial statements.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.2 **Future changes (continued)**

- **IFRS 2 *Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2***
  The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Corporation does not have share-based transactions therefore the amendments are not expected to have an impact on its financial statements.

- **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 the 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.

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

  (a) Classification and measurement
  Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

  There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Future changes (continued)

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

(a) Classification and measurement (continued)
For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 *Financial Instruments: Recognition and Measurement* classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

(b) Impairment
The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 *Revenue from Contracts with Customers* and lease receivables under IAS 17 *Leases* or IFRS 16 *Leases*. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

(c) Hedge accounting
Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Future changes (continued)

- **IFRS 9** ***Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4***
  The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board has developed to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

  Temporary exemption from IFRS 9
  The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS *39 Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until January 1, 2021 at the latest.

  Predominance must be initially assessed at the annual reporting date that immediately precedes April 1, 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases.

  Entities applying the temporary exemption will be required to make additional disclosures.

  The overlay approach
  The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets.

  An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

  The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

  These amendments are effective for annual periods beginning on or after January 1, 2018. These amendments are not expected to have any impact on the financial statements of the Corporation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Future changes (continued)

- **Amendments to IFRS 9 - Prepayment Features with Negative Compensation**
  Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

  The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9. The amendments are effective for annual periods beginning on or after January 1, 2019.

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

- **IFRS 15 *Revenue from Contracts with Customers***
  The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 will be applied using a five-step model:
  1. Identify the contract with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract, and
  5. Recognise revenue when (or as) the entity satisfies a performance obligation.

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.2 **Future changes (continued)**

- **IFRS 15 *Revenue from Contracts with Customers (continued)***

  In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Corporation for Revenue Recognition. The amendments:

  - Clarify when a promised good or service is distinct within the context of the contract
  - Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators
  - Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time
  - Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
  - Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition.

  The amendments have an effective date of January 1, 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard. The directors and management have not yet assessed the impact of the application of this standard on the Corporation's financial statements.

- **IFRS 16 *Leases***

  IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

  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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Future changes (continued)

- **IFRS 17 Insurance Contracts**
  The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

  IFRS 17 is effective for annual periods beginning on or after 1 January 2021. Earlier application is permitted.

  IFRS 17 reflects the IAS Board's view that an insurance contract combines features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, the Board developed an approach that:

  (a) Combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
  (b) Presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
  (c) Requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognise all insurance finance income or expenses for the reporting period in profit or loss or to recognise some of that income or expenses in other comprehensive income.

  An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. The simplified measurement approach allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period. The directors and management have not yet assessed whether this standard will have any impact on the Corporation’s financial statements.

- **IFRIC Interpretation 22 - *Foreign Currency Transactions and Advance Consideration***
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognise the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

  This interpretation is effective for annual periods beginning on or after January 1, 2018. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

  (i) The beginning of the reporting period in which the entity first applies the interpretation or
  (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The directors and management have not yet assessed the impact of the application of this standard on the Corporation’s financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Future changes (continued)

- **IFRIC Interpretation 23 Uncertainty over Income Tax Treatments**
  In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available.

  The standards interpretations are not expected to have any impact on the Corporation’s financial statements.

- ***Annual Improvements 2014-2016 Cycle (issued December 2016)***
  These include:

  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
    Under this amendment the short-term exemptions for first time adopters in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are effective for annual periods beginning on or after January 1, 2018.

  - IAS 28 *Investments in Associates and Joint Ventures*
    The amendments clarify that:
    - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
    - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments are effective for annual periods beginning on or after January 1, 2018.

  These amendments are not expected to have any impact on the financial statements of the Corporation.

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.2 **Future changes (continued)**

- ***Annual Improvements 2014-2016 Cycle (issued December 2016)***
  These include:

  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
    Under this amendment the short-term exemptions for first time adopters in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are effective for annual periods beginning on or after January 1, 2018.

  - IAS 28 *Investments in Associates and Joint Ventures*
    The amendments clarify that:
    - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
    - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments are effective for annual periods beginning on or after January 1, 2018.

  These amendments are not expected to have any impact on the financial statements of the Corporation.

Annual Improvements Cycle 2015-2017 (issued in December 2017)

The following is a summary of the amendments from the 2015-2017 annual improvements cycle:

- ***IFRS 3 Business Combinations -*** *Previously held Interests in a joint operation*
  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019 with earlier application permitted.

- **IFRS 11 Joint Arrangements -** *Previously held Interests in a joint operation*
  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  These amendments are applicable to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019 with earlier application permitted.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Future changes (continued)

Annual Improvements Cycle 2015-2017 (issued in December 2017) (continued)

- **IAS 12 Income Taxes -** *Income tax consequences of payments on financial instruments classified as equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

  The amendments are applicable for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

- **IAS 23 Borrowing Costs -** *Borrowing costs eligible for capitalisation*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments are applicable to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

These amendments are not expected to have any impact on the financial statements of the Corporation.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Corporation determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 realized or intended to sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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 the reporting 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 recognized 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 recognized 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 recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized 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 derecognized 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 recognized 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 internal and external valuators, applying an appropriate valuation model. The significant models and assumptions used by the valuators in estimating the fair value of investment properties are set out in Notes 4 and 6.

Investment properties are derecognized 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 recognized 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 Corporation 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 recognized 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized 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 amount up to the maximum allowed under the Income Tax Act) and the employer contributes the balance of the cost as determined by actuaries. For the year ended March 31, 2017, the employer contribution was 9.00% (2017: 5.50%) of pensionable salaries.

<u>Pension obligations</u>
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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Retirement benefit costs (continued)

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

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

3.10 Financial instruments

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

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

The Corporation recognizes 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 recognized and derecognized 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 recognized 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 amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short term receivables, when the recognition of interest would be immaterial.

<u>Effective interest method</u>
The effective interest method is a method of calculating the amortized 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-organization; 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 amortized 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 recognized in profit or loss.

For financial assets carried at amortized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

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 recognized in other comprehensive income and accumulated in equity is recognized 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 amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis except when recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortized 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, and is recognized as an appropriation from revenue reserve.

3.14 Provisions

Provisions are recognized 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.

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

Interest income
Interest income is recognized 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.

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 recognized as income in the profit or loss 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 recognized on a straight-line basis over the lease term.

As lessee
Rentals payable under operating leases are charged as an expense in the profit or loss 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 recognized as a liability. The aggregate benefit of incentives is recognized 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 capitalization.

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

3.19 Rent and other receivables

Rent and other receivables are recognised at their original invoiced value except where the time value of money is material, in which case receivables are recognised at fair value and subsequently measured at amortised cost. A provision is made when there is objective evidence that the Corporation will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

3.20 Tenant deposits

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

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 recognized 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 recognized 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 $10.75 billion (2017: approximately $10.13 billion) representing the fair value of investment properties.

In determining the fair values of land and buildings, management makes assumptions including the current rental values, current rental values for similar properties and the yield (years purchase in perpetuity) of each property. Of the total investment properties at the end of the reporting period, approximately $3.6 billion (33%) (2017: $4.35 billion (43%)) were assigned the best yields.

4 CRITICAL ACCOUNTING JUDGEMENTS ANDKEY 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 valuators on a sample of properties.

Sensitivities in relation to Level 3 (See Notes 6 and 23 for other fair value disclosures)
A 1% point increase in the estimated yields on these properties would result in the carrying value of the assets and net income decreasing by approximately $762.41 billion (2017: $690.93 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 $625.28 million (2017: $863.33 million).

The fair value of certain properties amounting to $114 million (2017: $290 million) is based upon valuations carried out in a previous year adjusted appropriately for any impairment. Management and the Directors believe 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 $213.58 million (2017: $210.17 million) have been made for impairment losses on trade and other receivables (Note 7).

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.

Employee benefits

As disclosed in Note 11, the Corporation operates a defined benefit pension plan. The amount shown in the statement of financial position of a liability of $46.12 million (2017: a liability of $8.86 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 losses 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, the rate of salary increases, the rate of future pension increases and in respect of life expectancy.

5 PROPERTY AND EQUIPMENT

	Leasehold Improvements $'000	Furniture, Fixtures and Equipment $'000	Computer Software and Equipment $'000	Motor Vehicles $'000	Total $'000
At Cost					
April 1, 2016	265	36,212	19,031	19,207	74,715
Adjustment	-	(684)	936	-	252
Disposals	-	(272)	(442)	-	(714)
Additions	-	6,171	3,376	500	10,047
March 31, 2017	265	41,427	22,901	19,707	84,300
Disposals	-	(279)	(2,034)	-	(2,313)
Additions	-	5,920	5,632	5,219	16,771
March 31, 2018	265	47,068	26,499	24,926	98,758
Accumulated Depreciation					
April 1, 2016	265	23,735	14,139	12,104	50,243
Adjustment	-	(1,034)	993	-	(41)
Disposals	-	(272)	(440)	-	(712)
Charge for the year	-	3,673	2,979	2,138	8,790
March 31, 2017	265	26,102	17,671	14,242	58,280
Disposals	-	(142)	(1,912)	-	(2,054)
Charge for the year	-	3,812	2,986	2,590	9,388
March 31, 2018	265	29,772	18,745	16,832	65,614
Carrying amount					
March 31, 2018	-	17,296	7,754	8,094	33,144
March 31, 2017	-	15,325	5,230	5,465	26,020

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

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

6 INVESTMENT PROPERTIES

(a) These comprise:

Land and buildings at fair values:

	W.I.P. $'000	Properties $'000	Lands $'000	Buildings $'000	Total $'000
As at April 1, 2016	45,086	6,696,309	2,651,473	276,750	9,669,618
Remeasurement recognized in profit or loss	-	404,477	152,126	33,911	590,514
Additions	14,196	35,265	-	-	49,461
Work-in-progress write-off (Note 6(d))	(5,744)	-	-	-	(5,744)
Sales	-	(140,000)	(36,000)	-	(176,000)
As at March 31, 2017	53,538	6,996,051	2,767,599	310,661	10,127,849
Remeasurement recognized in profit or loss	-	450,736	142,841	(21,361)	572,216
Additions (Disposals)	58,894	-	-	-	58,894
Sales	-	-	(7,560)	-	(7,560)
As at March 31, 2018	112,432	7,446,787	2,902,880	289,300	10,751,399

(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(g) 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, 2018 has been arrived at as follows:

(i) $6.46 billion (2017: $4.90 billion) has been arrived at on the basis of valuations carried out by qualified internal valuators. The valuations were arrived at by reference to market evidence of transaction prices for similar properties or by the application of income capitalization rates between 7.14% and 11.11% (2017: 7.14% and 11.76%).

6 **INVESTMENT PROPERTIES (CONTINUED)**

(c) Fair value (Continued)

(ii) $114 million (2017: $290 million) is based upon prior year valuations adjusted for any impairment. These properties are either subject of executed sales agreements, pledged as security or to be transferred to another Government entity.

(iii) The fair value of the remaining investment properties at March 31, 2018 amounting to $4.06 billion (2017: $4.88 billion) has been arrived at on the basis of valuations carried out by external valuators: Breakenridge & Associates ($3.40 billion), Allison Pitter & Company ($0.26 billion) and C.D. Alexander Company Realty Limited ($0.28 billion) and National Land Agency ($0.12 billion) who are accredited in Jamaica specializing in the valuation of commercial, residential and mixed use properties. The valuations were arrived at by reference to market evidence of transaction prices for similar properties or by the application of income capitalization rates between 7.14% and 11.11% (2017: 7.14% to 11.76%).

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 was written off to profit or loss in the prior year as the project was not started.

(e) 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:

	2018 **$'000**	**2017** **$'000**
Rental income derived from investment properties	732,695	705,900
Direct operating expenses from investment properties generating rental income	(154,845)	(171,392)
Direct operating expenses from investment properties that did not generate rental income	(7,056)	(7,108)
Net income arising from rental of investment properties carried at fair value	570,794	527,400

(f) At the end of the reporting period, investment properties with fair value of approximately $1.84 billion (2017: $1.52 billion) were not yet registered in the Corporation's name.

(g) Certain investment properties with a value of $680 million (2017: $668 million) are pledged as security for a loan. (See Note12).

(h) Work in progress includes preliminary costs incurred in relation to projects at the Naggo Head, Garmex, Goodyear and Mobay Freeport locations. Projects are assessed annually to determine whether the projects are feasible and will continue or whether there is any impairment.

(i) The Corporation has assessed that the highest and best use of its properties does not differ from their current use.

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 valuators to assess fair values as at March 31, 2018 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 externally valued in a year are subject to internal valuation by qualified staff of the Corporation. The methodologies used are as follows:

Income approach

This is the method whereby the estimated or actual future cash benefits or income streams are 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 properties.

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.

(Expressed in Jamaican dollars)

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 2018	Yields 2017
Rental earning properties – externally valued	Income approach	- Annual net rental - Years purchase in perpetuity (Yield)	7.14% – 11.11% (14% - 9%)	7.1%4 - 11.76% (14% - 8.5%)
Vacant lands – externally valued	Sales comparison	- Sales price- insufficient recent comparable market transactions	N/A	N/A
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	7.14 %- 11.11% (14% - 9%)	7.14% - 11.76% (14% - 8.5%)
Vacant lands – internally valued	Average approach Comparable approach	- Sales price- insufficient recent comparable market transactions - Growth average	N/A	N/A

Using the Discounted Cash Flow (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 behavior that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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

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

7 TRADE AND OTHER RECEIVABLES

The balance comprises:

	2018 $'000	2017 $'000
Trade receivables	132,711	166,527
Less: Provision for doubtful debts	(83,781)	(80,371)
	48,930	86,156
Deposits and prepayments	9,215	9,844
Due from Attorneys (net of provision for doubtful debts of $129.80M; 2017: $129.80M)	-	48,560
Other receivables	2,122	2,448
	60,267	147,008

Customers are invoiced one month in advance and are required to settle promptly. The average credit period is 30 days (2017: 30 days). No interest is charged on outstanding balances. The Corporation recognizes 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 $100.67 million (2017: $101.59 million) (See Note 14) at the end of the reporting period. The Corporation recognizes 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 19.82% (2017: 10.66%) of the total trade receivables.

Included in the Corporation's trade receivables balance are debtors with a carrying amount of $22.62 million (2017: $68.39 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

	2018 $'000	2017 $'000
31-60 days	-	6,863
61-90 days	10,797	47,530
90+ days	11,826	14,000
	22,623	68,393

The average age of past due but not impaired trade receivables is 83 days (2017: average 75 days).

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in provision for doubtful debts

	Trade receivables		Other receivables-Attorneys	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at beginning of year	80,371	64,263	129,799	22,500
Amounts written off as uncollectible	(5,825)	-	-	-
Impairment losses recognized during the year	9,235	16,108	-	107,299
Balance at end of year	83,781	80,371	129,799	129,799

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

Ageing of impaired trade and other receivables

	Trade receivables		Other receivables	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
90+ days	83,781	80,371	129,799	129,799

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:

	2018 $'000	2017 $'000
Cash and bank	68,626	107,411
Short-term deposits	1,468,324	1,122,174
	1,536,950	1,229,585
Less: Interest receivable	(2,658)	(1,095)
Cash and cash equivalents	1,534,292	1,228,490

The Corporation enter into collateralized resale agreements which may result in credit exposure in the event that the issuer of the underlying security to the transaction is unable to fulfill its contractual obligations. Included in the total cash and cash equivalents are securities purchased under resale agreements in the amount of $684.38 million (2017: $58.93 million) regarded as cash equivalents for the purposes of the statement of cash flows.

The short-term deposit portfolio yielded an average return of 2.23% (2017: 2.00%).

8 CASH AND CASH EQUIVALENTS (CONTINUED)

Short-term deposits include balances amounting to approximately $1.437 billion (US$ 11.52 million) bearing interest at rates ranging from 1.55% to 2.30% per annum (2017: J$1.12 billion (US$8.76 million) bearing interest at rates ranging from 1.80% to 2.70% per annum). These deposits mature between one to three months of the reporting period.

The balance also includes Jamaican dollar deposits of approximately $31.74 million bearing interest rates of 2.10% to 3.5% per annum (2017: approximately $1.36 million at rates ranging from 5% per annum). These deposits mature between one to three months of the end of the reporting period.

9 SHARE CAPITAL

	Number of units	
	2018	2017
	'000	'000
Authorised issued and fully paid share capital:		
5,100,000 no par value ordinary shares at the beginning and end of the year	5,100	5,100
	$'000	$'000
Stated/Issued Capital – at the beginning and end of the year		
5,100,000 no par ordinary shares	545,022	545,022

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

10 CAPITAL RESERVES

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

	2018	2017
	$'000	$'000
This comprises:		
Unrealised surplus on valuation of factory land and buildings	314,415	314,415
Net assets of the Jamaica Industrial Development Corporation taken over	1,561,595	1,561,595
	1,876,010	1,876,010

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 funding rate.

(Expressed in Jamaican dollars)

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 33⅓ years.

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

The most recent valuation of plan assets and the present value of the defined benefit obligation as at March 31, 2018 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 $341.60 million (2017: $275.59 million) and that the actuarial valuation of these assets represented 88.10% (2017: 96.89%) of the present value of the obligations.

No other post-retirement benefits are provided.

(a) Key actuarial assumptions were as follows:

	Valuation at	
	2018	**2017**
	%	**%**
Gross discount rate	7.50	9.50
Expected rate of salary increases	5.50	6.50
Future pension increases	4.50	6.50
Inflation	4.50	6.50
Administrative fees	1.00	1.00
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, 2017 is 23 years (2017: 25 years).

The Corporation expects to contribute $7.16 million (2017: $4.14 million) to the plan during the next financial year. Total contributions inclusive of employees' contribution is expected to be $14.76 million (2017: $10.39 million).

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11 **RETIREMENT BENEFIT OBLIGATION (CONTINUED)**

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

	2018 $'000	**2017 $'000**
Present value of funded obligation	(387,721)	(284,449)
Fair value of plan assets	341,602	275,589
Net obligation recognized in the statement of financial position	(46,119)	(8,860)

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

	2018 $'000	**2017 $'000**
Balance, beginning of the period	(8,860)	(4,478)
Remeasurements recognized in other comprehensive income (Note 11(e))	(34,055)	(659)
Amounts charged to profit or loss (Note 11(d))	(10,454)	(8,409)
Employer contributions	7,250	4,686
Balance, end of the period	(46,119)	(8,860)

(d) Amounts recognized in profit or loss in respect of the plan is as follows:

	2018 $'000	**2017 $'000**
Current service cost	10,307	8,524
Net Interest cost:		
Interest cost on defined benefit obligation	26,942	21,235
Interest income on plan assets	(26,795)	(21,350)
	147	(115)
Net expense recognized in staff cost	10,454	8,409

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

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

	2018 $'000	**2017 $'000**
Remeasurement gain (loss)		
Actuarial changes arising from changes in financial Assumptions	(103,763)	16,160
Experience adjustments	69,708	(16,819)
Net loss recognized in other comprehensive income	(34,055)	(659)

11 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

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

	Financial assumptions $'000	Experience Adjustments $'000	Net $'000
2018			
Defined benefit obligation	(107,818)	44,044	(63,774)
Fair value plan assets	4,055	25,664	29,719
Recognized in other comprehensive income (Note 11(e))	(103,763)	69,708	(34,055)
2017			
Defined benefit obligation	16,992	(32,760)	(15,768)
Fair value plan assets	(832)	15,941	15,109
Recognized in other comprehensive income (Note 11(e))	16,160	(16,819)	(659)

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

	2018 $'000	2017 $'000
Opening defined benefit obligation	284,449	239,871
Service cost	10,307	8,524
Interest cost	26,942	21,235
Members' contributions	7,708	7,082
Benefits paid	(10,432)	(11,304)
Value of purchased annuities	4,973	3,273
Remeasurement loss on obligations for other comprehensive income (Note 11(f))	63,774	15,768
Closing defined benefit obligation	387,721	284,449

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11 **RETIREMENT BENEFIT OBLIGATION (CONTINUED)**

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

	2018 $'000	2017 $'000
Opening fair value of plan assets	275,589	235,393
Members' contribution	7,708	7,082
Employer's contribution	7,250	4,686
Interest income on plan assets	26,795	21,350
Benefits and expenses paid	(10,432)	(11,304)
Value of purchased annuities	4,973	3,273
Remeasurement gain on assets for other comprehensive income (Note 11(f))	29,719	15,109
Closing fair value of plan assets	341,602	275,589

(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	
	2018 %	2017 %	2018 $'000	2017 $'000
Equity fund	28	27	95,769	73,735
Mortgage and real estate	26	23	88,124	63,974
Fixed income fund	13	14	43,630	39,194
Foreign currency fund	15	16	49,787	45,332
Money market fund	2	3	8,213	9,534
International Equity Fund	3	4	11,250	9,786
CPI indexed fund	3	4	10,820	10,013
Value of purchased annuities (net of adjustments)	10	9	34,009	24,021
	100	100	341,602	275,589

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.

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11 RETIREMENT BENEFIT OBLIGATION (CONTINUED)

(j) Sensitivity analysis

	Discount rate		Rate of salary	
	1% Increase $'000	1% Decrease $'000	1% Increase $'000	1% Decrease $'000
2018				
Impact on the present value of the defined benefit obligation – increase/(decrease)	(45,379)	59,502	26,587	(22,662)
2017				
Impact on the present value of the defined benefit obligation – increase/(decrease)	(34,706)	45,132	20,262	(17,465)

	Future pension		Life expectancy	
	1% Increase $'000	1% Decrease $'000	1 year Increase $'000	1 year Decrease $'000
2018				
Impact on the present value of the defined benefit obligation – increase/(decrease)	35,319	(30,031)	5,976	(5,971)
2017				
Impact on the present value of the defined benefit obligation – increase/(decrease)	24,221	(20,631)	4,751	(4,746)

(k) Historical information

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Present value of the defined benefit obligation	(387,721)	(284,449)	(239,871)	(198,110)	(169,097)
Fair value of plan assets	341,602	275,589	235,393	194,846	172,197
	(46,119)	(8,860)	(4,478)	(3,264)	3,100
Experience adjustment on plan asset – Gain (Loss)	29,719	15,109	15,594	3,482	6,862
Experience adjustment on plan liabilities – (Gain) Loss	63,774	15,768	13,945	7,904	12,432

12 BORROWINGS

Interest Rate %	Repayable		2018 $'000	2017 $'000
8	2024	National Insurance Fund	278,441	302,910
		Less current portion	(77,312)	(75,281)
		Non-current	201,129	227,629

The movement in the loan balance during the year is as follows:

Balance April 1, 2017	302,910
Repaid during the year	(24,469)
Balance March 31, 2018	278,441

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 $680 million (2017: $668 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 PAYABLES

This represents amounts to be paid to the Urban Development Corporation for 200 acres of lands acquired in 2016. The outstanding amount is to be settled when the decision concerning the use of the land is made by Cabinet.

14 PAYABLES AND ACCRUALS

The amount comprises:

	2018 $'000	2017 $'000
Rental deposits	100,675	101,590
Retentions payable	6,599	5,791
Accruals	34,269	24,011
Maintenance refund due and other customer credits	28,835	10,878
Gratuity and other staff payables	26,021	12,131
GCT payables	14,625	16,142
Other payables	68,873	31,328
	279,897	201,871

15 REVENUE

This comprises:

	2018 $'000	2017 $'000
Rental income	732,695	705,900

16 EXPENSE BY NATURE

	2018 $'000	2017 $'000
Direct Costs		
Management fees	66,276	61,914
Pre-occupancy expenses	8,306	16,012
Repairs and maintenance	36,352	62,346
Utilities	34,795	31,385
Advertising and public relations	16,172	7,385
	161,901	179,042
Administrative Expenses		
Salaries and related costs	219,677	172,542
Statutory contributions	17,160	15,182
Pension	10,454	8,409
Directors' expenses	2,074	2,124
Directors' meetings	5,271	835
Miscellaneous	1,802	-
Rates and taxes	16,042	8,549
Utilities	15,722	12,393
Travel, subsistence and accommodation	225	136
Printing, stationery and postage	6,980	4,141
Staff welfare and training	4,713	3,454
Entertainment	131	79
Office supplies	3,487	2,345
	303,738	230,189
Other Operating Expenses		
Rental of premises	16,066	14,585
Insurance	1,610	1,410
Audit fees	3,400	3,400
Professional fees	14,027	20,889
Motor vehicle expenses	3,873	3,705
Security – Office and Scrap Metal Unit	10,175	20,353
Depreciation	9,388	8,790
Subscription and donations	3,688	855
Bad debts	9,235	123,407
Bank charges	1,138	1,091
Repairs and maintenance - other	8,042	17,424
	80,642	215,909

16 EXPENSE BY NATURE (CONTINUED)

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

	2018 $'000	2017 $'000
Salaries and related costs	19,448	24,254
Statutory contributions	1,879	3,176
Staff welfare and training	118	601
Security	10,038	20,177
Office supplies	187	498
Rental of premises	1,350	750
Repairs and maintenance – other	2,354	236
Utilities	3,986	3,157
Other expenses	366	1,299
	39,726	54,148

17 OTHER INCOME AND OTHER GAINS AND LOSSES

	2018 $'000	2017 $'000
Net foreign exchange (loss) gains	(39,490)	52,120
Interest income - bank deposits at amortized cost	32,177	23,197
Net gain (loss) on disposal of investment properties	478	(6,771)
Net loss on disposal of property and equipment	(241)	-
Other income	98	28,836
	(6,978)	97,382

18 FINANCE COSTS

	2018 $'000	2017 $'000
Interest on loans	19,284	21,159

19 NET INCOME

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

	2018 $'000	2017 $'000
Expenses		
Directors		
Fees	2,074	2,124
Compensation	23,765	12,525
Audit fees	3,400	3,400
Depreciation	9,388	8,790

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 exemptions renewable every three years and the Corporation has renewed its exemptions up to March 31, 2021. No current income tax or deferred tax charge is recognized 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Urban Development Corporation	-	-	(810,000)	(810,000)	(810,000)	(810,000)
Montego Bay Free Zone Corporation Limited	14,416	47,823	(7,293)	(4,305)	7,123	43,518

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:

	2018 $'000	2017 $'000
Montego Bay Free Zone Corporation Limited		
Management fees	66,276	61,914
Key Management personnel:		
Directors:		
Fees	2,074	2,124
Compensation	23,765	12,925

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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:

	2018 $'000	2017 $'000
Short-term benefits	64,788	56,553
Retirement benefit expense	1,081	1,498

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 recognized, 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:

	2018 $'000	2017 $'000
Financial assets (at amortized cost)		
Cash and bank deposits	1,536,950	1,229,585
Trade and other receivables	51,052	88,604
	1,588,002	1,318,189
Financial liabilities		
Borrowings	278,441	302,910
Payables	231,003	161,718
Other payable	810,000	810,000
	1,319,444	1,274,628

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 minimize 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 minimizes 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 $1.59 billion (2017: $1.32 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 5 customers (2017: five (5) customers) with individual balances over 5% of trade receivables that had combined balances of $68.91 million (2017: $103.10 million) or approximately 52% (2017: 62%) of the trade receivables balance. A provision for doubtful debt of $54.74 million (2017: $44.90 million) has been made against the balances of these customers after considering bank guarantees of $7 million (2017: $14.00 million) held as security for these debtors. At the end of the reporting period, the Corporation also had other receivables of $11.34 million (2017: $60.85 million) net of provision of $129.80 million (2017: $129.80 million).

(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 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 summarizes the Corporation's exposure to foreign currency exchange rate risk at March 31, incurred in the normal course of business.

	2018		2017	
	US$'000	**J$'000**	**US$'000**	**J$'000**
Total assets/exposure	11,765	1,460,626	9,915	1,262,124

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 4% devaluation or a 2% revaluation (2017: 6% 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 4% or revalues by 2% (2017: devalues by 6% or revalues by 1%) against the United States currency, profit will increase (decrease) by:

	2018				2017			
	Devaluation		**Revaluation**		**Devaluation**		**Revaluation**	
	%	**J$'000**	**%**	**J$'000**	**%**	**J$'000**	**%**	**J$'000**
United States dollar	4	58,425	2	(29,213)	6	75,727	1	(12,621)

The Corporation's sensitivity to foreign currency has increased during the current year mainly due to larger holdings of foreign currency deposits and receivables 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% (2017: 8%) and 2.00% (2017: 2.34%) 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. 50 basis point increase or 50 basis point decrease (2017: 100 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.

	2018 $'000	2017 $'000
Effect on profit or loss		
Increase in net profit - increase 50 (2017: 100) basis points (USD)	7,303	11,864
Decrease in net profit – decrease 50 (2017: 50) basis points (USD)	(7,303)	(5,932)

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
March 31, 2018						
Payables	Nil	231,003	-	-	231,003	231,003
Other	Nil	810,000	-	-	810,000	810,000
Borrowings	8	43,753	175,012	76,568	295,333	278,441
		1,084,756	175,012	76,568	1,336,336	1,319,444
March 31, 2017						
Payables	Nil	178,867	-	-	178,867	178,867
Other	Nil	810,000	-	-	810,000	810,000
Borrowings	8	94,565	131,259	131,259	357,083	302,910
		1,083,432	131,259	131,259	1,345,950	1,291,777

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
March 31, 2018			
Trade and other receivables	Nil	51,052	51,052
Cash and bank deposits	2.0	1,540,876	1,536,950
		1,591,928	1,588,002
March 31, 2017			
Trade and other receivables	Nil	154,313	154,313
Cash and bank deposits	2.34	1,239,866	1,229,585
		1,394,179	1,383,898

(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, 2018 was 2.53% (2017: 2.96%).

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:

	2018 $'000	2017 $'000
Debt (i)	278,441	302,910
Equity (ii)	10,988,678	10,228,242
Debt to equity ratio	2.53%	2.96%

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

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

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 recognized 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 loan from a Government entity, which is a concessionary loan and would not be available to other organizations. 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 $278.44 million (2017: $302.91 million) and $268.86 million (2017: $285.29 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
At March 31, 2018				
Assets measured at fair value:				
- Investment properties	-	-	10,751,399	10,751,399
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate concessionary borrowings	-	268,859	-	268,859
At March 31, 2017				
Assets measured at fair value:				
- Investment properties	-	-	10,127,849	10,127,849
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate concessionary borrowings	-	285,288	-	285,288

There were no transfer between levels during the year.

Investment property of the Corporation of $10.64 billion (2017: $10.07 billion) excluding work in progress were valued on the basis of the highest and best use.

The sensitivity analysis in relation to Level 3 classified assets is disclosed in Note 4. The movement in Level 3 classified assets is disclosed in Note 6(a).

24 OTHER DISCLOSURES - EMPLOYEES

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

	2018 $'000	2017 $'000
Salaries and wages	219,677	172,542
Statutory contributions	17,160	15,182
Pension costs	10,454	8,409
	247,291	196,133

25 CAPITAL COMMITMENTS

a) Capital commitments as at March 31, 2018, authorized by the Board of Directors but not contracted for amounted to approximately $622 million (2017: $805.35 million) in respect of:

	2018 **$'000**	**2017** **$'000**
Furniture, fixtures and equipment	-	20,533
Computer software and equipment	-	1,492
Legal cost	-	942
Investment properties	622,000	782,378
	622,000	805,345

b) Operating lease commitments – Corporation as lessee

The Corporation has entered into an operating lease for its administrative building, with a lease term of three (3) years, with an option to renew at similar terms at the end of the lease for an additional three (3) years adjusted to reflect then market values.

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

	2018 **$'000**	**2017** **$'000**
Within one year	10,052	13,713
After one year but no more than two years	22,350	-
More than two years	980	-
	33,382	13,713

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 of 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:

	2018 **$'000**	**2017** **$'000**
Within one year	733,926	723,615
After one year but no more than five years	3,301,949	2,894,461
	4,035,875	3,618,076

Garmex Redevelopment
Conceptual Diagram

Garmex Redevelopment
Conceptual Diagram

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