URBAN DEVELOPMENT CORPORATION

ANNUAL REPORT

Making development happen...

2012 - 2013

TABLE OF CONTENTS

Core Values and Philosophy

The UDC believes in people

We see ourselves as an organisation of people serving people. We are committed to making development happen for the people of Jamaica while nurturing a culture which values both our internal and external customers and is sensitive to their needs.

The UDC believes in quality

We are committed to employing the highest standards in the timely and efficient delivery of our products and services and will benchmark our operations against international practices.

The UDC believes in accountability

We will conduct our business in a transparent manner, while assuming responsibility for our actions and communicating openly and regularly with our clients and stakeholders.

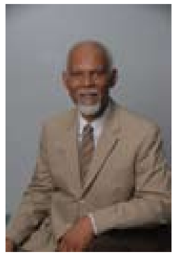
Vision

To be the leading urban and rural development agency in the Caribbean.

The Corporate Mission Statement

The mission of the UDC is to fulfill our role as the nation's main urban and rural development agency and facilitator, by effectively and efficiently assigning and managing our resources, so as to ensure the economic viability of the Corporation, sustainable national development and the best quality of life for the citizens of Jamaica.

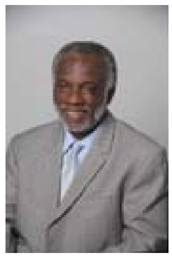
Board of Directors



The Hon Senator K D Knight - OJ,QC
Chairman

Mr John Cooke
Deputy Chairman

Mr Ralph Thomas



Mr Ralston Hyman

Mr Shalman Scott

Lt Col David Cummings

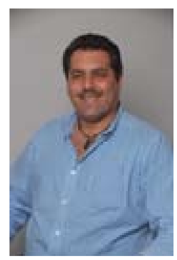
Miss Marcia Edwards

Ms Pamela Redwood

Mr Jail Dabdoub Jr

Miss Carrol Jackson

Mr Norman Minott

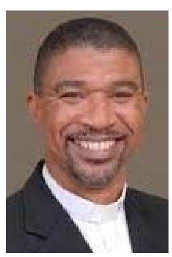


Mr Andrew Azar

Mr Derrick Webb

Mr Lambert Brown

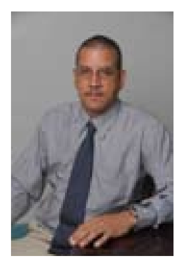
Mr Clinton Clarke



Rev Michael Lewis

Mr Reynold Scott

Ms Marsha Francis



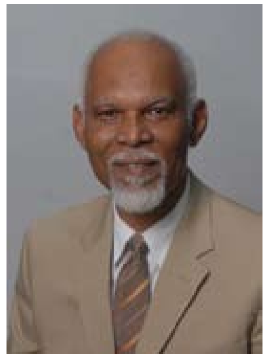
Mr Mark Nelson

Mrs Sonia Hyman

Mr Devon Rowe

Mr Patrick Peterkin

Chairman's Report



The duly constituted Board of Directors of the Urban Development Corporation (UDC) held its first meeting in April 2012. It was immediately clear that the Board would not have the luxury of a learning curve. The financial challenges facing the Corporation could have best been described as daunting.

Faced with an operating loss of $1,128B, the Board was seized with the urgency of restoring the Corporation to financial health, to empower it to undertake or facilitate transformational development projects and to fulfill its mandate of making development happen for our country.

Administratively, there was the appointment of a new General Manager in August 2012, who was tasked with the operational responsibility of restoring the Corporation to stability and establishing or strengthening the requisite framework.

The Board having reviewed the operations of the Corporation conducted a mid year retreat in September 2012 which included the Executive Management team, and emerged with a vision formulated on watch words such as **creativity, boldness, urgency, honesty, integrity** and **respect,** to chart the way forward.

The Corporation was also faced with issues of non -compliance with governance procedures, as outlined in the Auditor General's (AG) Report of November 2012. As a consequence of the AG's findings the UDC was summoned to appear before the Public Administrative and Appropriations Committee (PAAC) and the Public Accounting Committee (PAC) of Parliament to give an account of its stewardship. The report identified 18 findings and proffered 16 recommendations for implementation. The Corporation set to work and at the end of the financial year had implemented 60% of the recommendation with the remaining 40% in train. The details of which will be dealt with in the operational review.

The process commenced regarding the disposal of underutilized assets under the direction of this Board, to achieve the twofold objective of stimulating national development while improving the Corporation's cash flow. Efforts to divest properties inclusive of the Mahogany Inn in Westmoreland, the Forum Complex in St Catherine and the Oceana Building in downtown Kingston, were advanced during the review period.

At the end of the financial year, the Corporation had begun to realize improvements in the financial health and operational efficiencies. The financial position registered improvement with the audited operational loss reduced to $868,143M at the end of March 2013, as against the previous year of $1,128B.

I am therefore pleased to, on behalf of the Board of Directors, submit the Annual Report for the Urban Development Corporation for the financial year April 2012 – March 2013.

The Hon Senator K D Knight , OJ QC
Chairman

General Manager's Report

Overview

The year under review continued to be one of changes and reorganization for the Urban Development Corporation, as the Executive Management team with the guidance of the Board of Directors, sought to cauterize the financial hemorrhaging of the Corporation.

The operations continued to be guided by the Corporate objectives inclusive of :

- Assuring the financial viability and solvency of the Corporation
- Improving the Business/Operational efficiencies
- Maximizing and aligning the talent of the UDC with the new structure and redefining the UDC culture
- Returning the Corporation to its core functions as defined by the UDC Act
- Improving services provided to our customers

The operations were administered through the Office of the General Manager and seven divisions headed by Deputy General Managers (DGMs). The Divisions covered the following areas –

- Finance Treasury and Investments (FIT)
- Corporate Security and Facilities Management (CSFM)
- Development Planning and Management Development (DPMD)
- Human Resources Management and Administration (HRMA)
- Strategic Management and Special Projects (SMSP)
- Economic Development and Community Integration (EDCI)
- Legal and Estate

The incumbent General Manager, Desmond Malcolm was appointed in August 2012, replacing the temporarily appointed Desmond Young. Personnel changes were also effected at the DGM level where the divisional head for DPMD separated from the Corporation in June 2012.

Department heads within the Division kept operations going in their respective areas with oversight from the General Manager, for the remainder of the financial year.

The DGM for CSFM demitted office in July 2012, and as a consequence, responsibilities for Facilities Management were reassigned to DGM for Strategic Management and Special Projects.

The responsibilities for Corporate Security were undertaken by the Chief Business Partner, Human Resource Management. The DGM for EDCR demitted office in January 2013 resulting in the departments, Economic Development and Community Integration and Corporate Relations, reporting directly to the General Manager.

The leadership for Finance and Legal divisions remained unchanged.

In addition to the changes at the management level there was also attrition in the general staff body with the complement moving from approximately 1000 in the previous financial year to 846 during the year in review.

It should be noted that the Corporation was also, during this period revisiting the organizational structure to ensure that it was aligned to facilitate the Corporation achieving its mandate of making development happen for the country. Some objectives achieved throughout the year include:

- Administrative expenses for 2012/13, were 17% less than prior year.
- Dunn's River Ticketing and Electronic Access Project saw implementation for Network and Electrical component
- National Protected Area System (NPAS) sensitisation programme undertaken with the communities of Hellshire Hills and Goat Islands
- A Water Quality System developed by the IS Department for the Natural Resources Management & Environmental Planning (NREMP) Department as well as a Water Billing System for Runaway Bay Water Company
- Risk Management Policy and Procedures Manual approved by the Board.
- Falmouth Police Station completed

Subsidiary and associate companies - St. Ann Development Company, Runaway Bay Water Company and Ocho Rios Commercial Centre now submit Annual Reports in accordance with the Public Bodies Management and Accountability Act and are therefore not fulsomely reported on herein.

It is against this backdrop therefore that the performance for the financial year 12/13 is being assessed and reported on. General areas to be covered will include Financial Viability/ Revenue Generation, Development Planning and Implementation, Business/Operational Efficiencies, Environmental and Stakeholder Intervention/ Interaction. The audited financials complete the report.

Desmond L Malcolm, P. E.
General Manager

Financial Viability/Revenue Generation

The Financial challenges during the year could not have been overstated, as the Corporation, though asset rich struggled with the issue of liquidity. The operating loss at the beginning of the year of $1,128B was exacerbated by liabilities including:

- One Billion Dollars ($1B) loan to Ackendown Newtown Development Company without any indication that the amounts would be recovered.
- One Billion Dollars ($1B) PetroCaribe loan which was utilized for the Falmouth redevelopment, repayment of which would become due in December 2013. Again there was no signal that this loan was recoverable, even as the Corporation continued to make interest payments on the loan.
- Funding requirement of the Montego Bay Convention Centre of approximately $23M per month, also impacted the liquidity of the UDC
- Outstanding receivables from private as well as public partners/clients/customers valued at approximately $1.17B
- Underperforming assets which still had to be serviced via security personnel or insurance contributed to the state of financial ill health
- Operationally the gap between revenue and expenditure remained uncomfortably wide and threatened the activities.

The UDC cognizant that sustained and strategic action was required, refocused attention with the full support of the Board of Directors to explore the following avenues to generate revenue:

- Public/Private sector Partnerships (PPPs)
- Joint Ventures
- Divestment of loss making assets and attractions by the following means:
    - i) Rental/Lease
    - ii) Divestment of the management
    - iii) Sale of assets

Public/Private Partnerships

Projects in support of the initiative to leverage the UDC's Balance Sheet were pursued for example, the Real Estate Investment Trust (REIT) for Northern Parking garage. The concept was developed and approved and a prospective REIT operator selected through the tender process. Meetings commenced with the proposed operator to finalize the business plan, as an important first step in developing modern Public Private Sector Partnerships (PPP's) and using this model to make development happen by leveraging the UDC's assets. Other PPPs in the pipeline included an Initial Public Offering (IPO) for other parking garages owned by the UDC.

Divestment

The Corporation sought to divest the management of four beaches, Long Bay Beach Park 1 and 2 in Westmoreland and Hanover, Bluefields Beach Park also in Westmoreland and Fort Clarence Beach in St Catherine. The process was managed by the Development Bank of Jamaica (DBJ) through the placement of advertisements in the local newspapers and extended beyond the review period to an expected completion of December 2013.

Revenue Generation

The teams also looked at revenue enhancement and one example was increasing entry fees to Fort Clarence Beach, Hellshire. This was implemented on February 1, 2013, where entry fees were increased from $150 up to $250 for adults. The rate for children remained at $100. This positively impacted the bottom line by $5.2M.

Another revenue stream explored was the rental of advertising bill board spaces. Although not implemented during the review period, some preliminary work was carried out inclusive of identifying possible locations and drafting of the licence agreement.

Cost Containment

The Corporation also focused on cost containment and launched a campaign to identify areas where savings could be realized. Multifunctional teams were established to look at, among other activities, the rationalization of security services, reducing electricity consumption and printing costs,. This achieved savings of $14.2M and new revenue of $0.47M at the end of the financial year.

The Corporation also looked at optimizing telephone services and entered into a two year contract with service provider Digicel. The contract of J$8,083,200 realised annual savings of J$3,158,400, for the mobile service. During the year, the Corporation also explored cost saving solutions in the area of printing/photocopying as well as energy usage.

The latter gave rise to a draft energy management plan as well as savings garnered from reduced consumption and printing activities. Overall the Corporation achieved cost savings of $$17.3M from the Cost Containment initiative.

Development Planning and Implementation

The Corporation, at the beginning of the financial year, had on record forty (40) projects for implementation, with only two expected to generate income solely for the Corporation. Coupled with this was the deficiency in the project management area with reliance on two portfolio managers (project managers) to carry this function.

The re-establishment of a fully staffed and competent Project Management Department with the thrust to ensure projects are completed in a timely manner, within budget and to specification was therefore critical. This department would also ensure that feasibilities were thoroughly assessed before final approval was sought.

Development Planning

The Corporation continued to focus on downtown Kingston as it sees the revitalization of the capital city as critical to the development of the country. The Downtown Kingston Redevelopment Plan was reviewed and endorsed by the UDC Board's Planning and Development Committee.

Among the achievements for the year was the completion of the Development Plan along with City Management Plan and Guidelines for the redevelopment of Falmouth. The draft Montego Bay Redevelopment Plan, to guide the orderly development especially of the Downtown area was also completed. The development planning process incorporated the input from the various stakeholders.

Implementation

Caymanas, St Catherine

The planned development of Caymanas Estate in St Catherine, gained impetus with the building of approximately 250 houses by New Era Homes on land sold to the developer by the UDC. This was in keeping with the approved development plan for the area. This generated considerable interest in implementing other aspects of the development with the expectation of further development of this property during the next financial year.

A project to improve the primary infrastructure was also pursued for Caymanas.

Falmouth, Trelawny

In Falmouth, the UDC in collaboration with the Jamaica Defence Force completed the Falmouth Police Station, designed to serve the needs of the Jamaica Constabulary Force (JCF) and the public in the western region of Jamaica.

Falmouth Police Station located on Rodney Street, adjacent to the Trelawny Parish Library.

The project which was constructed at a cost of $272.8 million through the PetroCaribe Fund, was opened on March 6, 2013 by Prime Minister of Jamaica, The Most Honourable Portia Simpson Miller, who is also Portfolio Minister for the UDC. The project which began in 2005 was originally designed to be completed in time for the Cricket World Cup in 2007 but works had to be halted. As a consequence, the UDC was approached by the Ministry of National Security in 2011, to complete the station. The UDC provided technical oversight and sourced the funding, while the engineering regiment of the Jamaica Defence Force acted as contractors and project managers.

The project scope included completion of work that had already begun on electrical and plumbing infrastructure, reinforcement of cell blocks, carpentry, steelwork, and civil works to include drainage, sewerage, earthworks and road works. The project also saw the addition of a second storey to the accommodation facility to provide housing for some 100 personnel. An upper floor was also added to the west wing of the main building, to provide training , operations and conference facilities.

Downtown Kingston

During the year, the UDC continued to implement projects designed to bring greater social order in the downtown Kingston market district. Two areas were completed – the Northern Car Park and Van market and Chapel Lane Open market. The latter utitlises containers which have been transformed into shops. Planning and procurement were also advanced for renovation to the Red Rose Fish Market and the Jubilee Market.

Reroofing and renovation works were carried out on the Kingston Craft Market to enhance the comfort of vendors and customers to the facility.

The Chapel Lane Market

Still in downtown Kingston, the UDC secured grant funding from Petro Caribe Development Fund for the completion of the Simon Bolivar Cultural Centre located at North Parade. The Centre which achieved 85% completion during the review period, represents the bilateral cooperation between the governments of the Bolivarian Republic of Venezuela and Jamaica.

Business/Operational Efficiencies

The Corporation also took steps to improve business and operational efficiencies and to as a consequence, strengthen the internal governance structures, systems and processes, and realise some gains from this process.

The development of the Enterprise Risk Management (ERM) policies and procedures which gained Board approval, was a significant step towards improving the Corporation's governance structures. The implementation of ERM is expected to increase the Corporation's ability to achieve its targets and objectives, through the formal, structured management of risk .

Another achievement was the reduction of outstanding receivables by 11.5% when compared to March 2012. This was the result of an aggressive collection approach by the Corporation, with steps implemented to continue the programme for further reduction in this area.

In the area of Information Technology, the Corporation acquired hardware and software to further reinforce the network services in keeping with the Corporation's Business Continuity Plan. Phase 1 of the programme was completed with the establishment of a back-up site at the Digicel Data Centre. The Corporation also enjoyed improved efficiencies in the area of vacation leave management, with the development internally of a leave management system software.

In keeping with the thrust to leverage technology in the promotion of business efficiencies, the Corporation was far advanced in the procurement of an entry management system for the Dunn's River Falls and Park. The system is intended to further streamline the operations at the world famous attraction and positively impact the visitor experience.

Progress was made towards completing the ISO9001 certification for the Corporation, with the formation of an Occupational Safety and Health (OSHA) Administration Policy review team, charged with finalizing the Corporation's OSHA policies.

Other areas of the business which received attention were the operationalization of the project close out process as well as the completion of a staff engagement survey to determine how engaged staff was with the Corporation as well as to identify gaps in the process.

Consequent on the Auditor General's Audit Report on the Corporation in November 2012, the Corporation was required to appear before the Public Administration and Appropriations Committee (PAAC) on March 19, 2015. The Corporation was able to report that more than sixty per cent of the recommendations had been implemented while work continued to complete the process.

Recommendations that received attention included:

- Outstanding statutory deductions. These deductions were calculated at $242.16 million as at February 2013. However payments to the National Housing Trust (NHT) and National Insurance Scheme (NIS) were kept up to date so that staff entitlements in these areas would not be impacted. The UDC also engaged the Tax Administration Jamaica (TAJ) in discussion to pay the outstanding taxes for other statutory deductions. A payment plan was agreed which included the offset of rental due from TAJ. Between September 2012, and the end of the financial year, the Corporation was able to offset $39.44 million against what the TAJ owed the UDC.

- Consultation with National Environmental and Planning Agency (NEPA) - Systems have been established to ensure proactive consultation with NEPA in the designation of developed areas and the preparation of the required plans.

- The UDC developed a business turnaround plan named Operation Phoenix which aimed, in the medium term, to restore the Corporation to financial health in accordance with its vision to be the premier development agency in Jamaica. In this regard, the collective effort of the Board, staff and management, resulted in total revenues at the end of the financial year being 9% higher than those for the similar period in the previous year, while total expenses were 10% lower.

- The UDC re-established a Receivables Unit to ensure adherence to its collection policy and realised some gains from this as recorded elsewhere in this report. The unit will issue reminders to tenants and refer matters to the Legal Department as required.

On the matter of the failure of the UDC to submit audited financials for the financial years 2006/2007 to 2010/11, the Corporation undertook to reconcile the discrepancies identified in the reports and to resubmit early in the new financial year.

Environmental

The Corporation continued to encourage sustainable development. In association with National Environment and Planning Agency, the UDC held its annual activity in celebration of International Coastal Clean-up Day on Saturday, September 15, 2012 in Hellshire, St. Catherine. Volunteers turned out in their numbers to participate in the activity.

Youngsters enjoy Fort Clarence Beach

The annual Hellshire Schools Environment Competition was again staged and climaxed with the hosting of the Hellshire Enviro Fair at the Two Sisters Caves in Hellshire, St Catherine. Schools were awarded for topping the Infant, primary and secondary categories and walked away with the UDC trophy and cash valued at $25,000 each. Winning schools for the year were St. Joseph's Infant, St. Jago Cathedral Preparatory and Kingston Technical High.

The Corporation also participated in a Climate Change Symposium at UWI (Mona) in April 2012 by mounting a display responsive to the theme "Climate Change, a lost Cause." The Corporation also implemented the National Protected Area System (NPAS), valued at approximately $2.2 M of which $700,000 was grant funds, which sought to improve the environmental awareness of persons living in proximity to the Hellshire protected area. 19 UDC staff and 12 representatives from Hellshire and Old Harbour communities were trained as field survey data collectors, with over 650 instruments administered. Community sensitization sessions were also held. In addition environmental signage designed to reinforce "Dos and Don'ts" in protected area was erected.

Stakeholder Interaction

Hellshire Summer Fun

UDC team members prepare to engage some of the 400 children from protective and child care institutions who participated in the Hellshire Summer Fun Programme, held at Fort Clarence Beach in July 2012.

The outreach programme was made possible through sponsorship from several private and public sector companies. This was 32nd staging of the event by the UDC.

National Activities

The UDC, as a post independent organisation joined with the rest of the country to celebrate 50 years of Independence in August, with several activities at its Head Office inclusive of an internal design competition reflecting the national theme.

The Corporation also joined in the national Labour Day celebrations by beginning the creation of a green space adjacent to the Kingston Craft Market, intended to serve the dual purpose of softening the city façade and act as a precursor to the Festival Market Place project. The proposed project is expected to provide a mix of recreational and culinary opportunities and activities along the Waterfront.

GSAT Awardees Honoured

The UDC honoured children of members of staff who were awarded places to high schools in the GSAT examinations. The children and their parents were hosted at a celebratory luncheon at the Jamaica Conference Centre on August 8, 2012. At this event, 22 children of staff members were feted and presented with cheques valued at $10,000 each, as a contribution towards their educational development. Guest Speaker, Minister of Education, the Hon Revd Ronald Thwaites encouraged the youngsters to continue to strive for excellence.

The Minister and the awardees

Back to School Fair

In continuation of its contribution to educational development, the Corporation hosted a back to school event, ‘Schoolz In Extravaganza,’ in November, in Orange Park where members of the community as well as the children of the UDC staff turned out. Minister of State in the Ministry of Tourism and Entertainment, Damion Crawford, was the special guest speaker at the event.

Minister Crawford with youngsters at "Schoolz In"

The day's activity was aimed at facilitating access to educational resources and services in one convenient location at reasonable prices. The Corporation also partnered with Project Educate Jamaica, a private sector led initiative aimed at distributing books to needy students. Other activities included educational talks, special displays from government agencies and business entities.

UDC/Scotia Investment Seminar

The UDC also sought to engage the owners of capital by hosting in collaboration with Scotia Investment, an investment seminar at the Jamaica Conference Centre in September. The seminar highlighted investment opportunities available in downtown Kingston and was well supported by members of the Downtown community.

Downtown Network Exchange

In addition to the seminar, several meetings were held with property owners/businesses dubbed the Downtown Network Exchange, hosted in the UDC Information Centre. The sessions, in addition to sensitizing the players to the available opportunities, also facilitated exchange on the Tax Incentive Programme for Urban Renewal, as a vehicle which should be accessed to support the redevelopment efforts. A blog was also created on the UDC website to facilitate dialogue between the UDC and the property owners.

UDC Fireworks on the Waterfront

The Corporation ended the 2012 year with its stellar event Fireworks on the Waterfront, which according to the police record attracted in excess of 200,000 persons to the location. The event received major sponsorship from Digicel and Bank of Nova Scotia. The elements included a Kiddies village, a vending

Michael Johnson, Economic Development Manager, UDC engages participant at the Investment Seminar.

Customer Service Charter

In keeping with the thrust towards excellence in service delivery, the Corporation developed a customer service charter to guide the interactions with the various publics, internal as well as external.

SUBSIDIARIES AND ASSOCIATE COMPANIES

The subsidiaries and associate companies of the Urban Development Corporation has with effect from the 2012/13 financial year, commenced submitting their own annual reports in keeping with the Public Bodies Management and Accountability (PBMA) Act. Consequently summarized information on the operations follows:

St. Ann Development Company (SADCO)

The St Ann Development Company continues to manage the UDC St Ann assets inclusive of Dunn's River Falls and Park, Green Grotto Caves and Attraction, Laughing Water, Ocho Rios Bay Beach, Turtle River Park, Ocho Rios Craft Market, Pineapple Place Craft Market, Roaring River and Malvern Park Estates and the undeveloped lands.

Dunn's River continued to be the star performer in the portfolio, welcoming over 700,000 visitors during the review period, with 86% being non-resident patrons. Diversification of the offerings were undertaken during the latter part of the year with the opening of a logo shop and selling of memorabilia items.

The Green Grotto Caves and Attraction was platinum certified by EarthCheck during the year, the first attraction in Jamaica and the Caribbean to be so certified. This certification represents ten years of successful benchmarking for the attraction.
Ocho Rios Bay Beach and Marina is the main public beach in the resort area, which is also accessible to homeowners, tenants and guests of the properties situated along the bay. The marina accommodates 50 vessels which are charged docking fees.

Runaway Bay Water Company

The Runaway Bay Water Company extracted and treated 2077 m3 water from its two wells at Cardiff Hall and Mount Edgecombe, an increase from the previous year of 2027m3. 80% of this water was supplied to the National Water Commission for redistribution and the remaining 20% sold directly to its own clients.

Ocho Rios Commercial Centre

Ocho Rios Commercial Centre operates the Ocean Village Shopping Centre on Main Street, which comprises 10 offices and 76 shops. The Centre enjoyed a 94% occupancy rate for the period. Despite being 4% short of its targeted occupancy rate the Centre realized revenue of $21.3M or 10% increase over the previous year.

Jamaica Conference Centre

The Jamaica Conference Centre which is home to the International Seabed Authority (ISA), is managed by the UDC on behalf of the Ministry of Finance and Planning. The Centre undertook several strategies to enhance its competitiveness among conference users, inclusive of major repairs to the audio system ahead of the International Seabed Authority meetings. Audio visual equipment was purchased for rental to clients as well as significant refurbishing carried out to the furnishings.

The Centre hosted 331 events for the year which generated income of $57.2M an improved position over the previous year's $55.9M. The year ended with a deficit of $39.7M due primarily to the improvements mentioned.

SUBSIDIARIES & ASSOCIATE COMPANIES

AS AT MARCH 31, 2013

Subisidiaries

- Caymanas Development Company Limited
- Hellshire Marble Limited (Winding up in progress)
- Lilliput Development Company Limited (Dormant)
- Montego Bay Conference Centre
- National Hotels and Properties Limited (Dormant)
- Ocho Rios Commercial Centre Limited
- Portmore Newtown Development Company Limited (Dormant)
- Runaway Bay Water Company Limited
- Rutland Point Beach Resorts Limited (Dormant)
- Seacastles Limited (Dormant)
- Urban Maintenance (1977) Limited (Ceased trading)

Associates

- Ackendown Newtown Development Company Limited
- Bloody Bay Hotel Development Limited (Dormant)
- Central Wastewater Treatment Company Limited (Dormant)
- Kingston Waterfront Redevelopment Company Limited (Dormant)
- Kingston Waterfront Hotel Company Limited (Dormant)
- Montego Freeport Limited
- Montego Beach (1975) Limited (Dormant)
- Montego Shopping Centre Limited
- Portmore Commercial Development Company Limited (Dormant)
- Port Royal Development Company Limited (Dormant)
- Rose Hall Resort Limited (Wound up)
- St Ann Development Company Limited
- Seaside at Rose Hall Developments Limited

DIRECTORS OF THE URBAN DEVELOPMENT CORPORATION, SUBSIDIARIES AND ASSOCIATED COMPANIES AS AT MARCH 31, 2013

Urban Development Corporation

Sen. K.D. Knight -	Chairman
Miss Pamela Redwood	
Mr. John Cooke	Deputy Chairman
Mr. Jalil Dabdoub, Jr.	
Mr. Andrew Azar	
Mr. Shalman Scott	
Lt. Col. David Cummings	
Mr. Mark Nelson	
Mrs. Marcia Edwards	
Mr. Lambert Brown	
Mr. Derrick Webb	
Cllr Marsha Francis	
Msgr. Michael Lewis	
Mr. Reynold Scott	
Mr. Norman Minott	
Mrs. Sonia Hyman	
Mr. Patrick Peterkin	
Mr. Robert Martin	
Mr. Clinton Clarke	
Mr. Ralston Hyman	

SUBSIDIARIES & ASSOCIATES

Runaway Bay Water Company Limited

Manley Bowen	Chairman
Eva Murdock	
Veronica Bennett-Warmington	
Chryseis Reynolds	
Sara Simpson-Tulloch (appointed July 31)	
Collie Wallace	General Manager

Ocho Rios Commercial Centre Ltd

Errol Philp – Chairman

Robert Martin

Manley Bowen

Rochelle Samuel

Patricia Smith

Caymanas Development Company Limited

Msgr. Michael Lewis – Chairman

Michael Ammar Jr.

Cheryl James

Fabian Graham

Clinton Clarke

Orville Marshall

Albert Gray

Heather Robinson

Norman Scott

Montego Bay Conference Centre Ltd

Andrew Azar	Chairman
Pamela Redwood	
Mark Nelson	
Gary Sadler	

Kingston Waterfront Hotel Co. Ltd

Keith Knight	Chairman
Patrick Peterkin	
Yvette Brown	

Montego Beach 1975 Limited

Keith Knight	Chairman
Patrick Peterkin	
Yvette Brown	

Port Royal Development Company

Sen. Keith D. Knight	Chairman
John Cooke	
Desmond Malcolm	
Robert Stephens	
Michael Campbell	
John Lynch	
Edison Galbraith	
Donovan Perkins	
Lois Sherwood	

St. Ann Development Company (an associated company)

Leon Gordon	Chairman
Gregory Lawrence	
Paul Stewart	
Vana Taylor	
May Phipps	
Errol Philp	
Sonia Hyman	
Lynson Charlton	
Robert Martin	

Montego Freeport Ltd

Lambert Brown	Chairman
Shalman Scott	
Mark Nelson	
George Duncan	
Cedric Stewart	
Richard Clarke	
Sonia Hyman	

Kingston Waterfront Redevelopment Co. Ltd

Keith Knight	Chairman
Patrick Peterkin	
Yvette Brown	

National Hotels and Properties Ltd

Keith Knight	Chairman
Patrick Peterkin	
Clinton Clarke	
Yvette Brown	

URBAN DEVELOPMENT CORPORATION BOARD COMMITTEES

Audit

David Cummings
Norman Minott
Patrick Peterkin
Dennis Chung
Errol Hudson
Triff Snape
Donna Dietrick

Contracts Award

Derrick Webb
Mark Nelson
Patrick Peterkin

Finance Treasury & Investment

Ralph Thomas
Ralston Hyman
Sonia Hyman
Jalil Dabdoub Jr
Andrew Azar
Veronica Warmingston
Devon Rowe
Robert Martin
Michael Lewis
Monique French

Human Resource Management

Lambert Brown
Pamela Redwood
Sonia Hyman
Shalman Scott
Patrick Peterkin

Information Technology

David Cummings
Clinton Clarke
Lambert Brown
Yvonne Gardner
Pamela Redwood

Planning & Development

Reynold Scott
Derrick Webb
Sonia Hyman
Carrol Jackson
David Cummings
Marcia Edwards
Clinton Clarke
Marsha Francis
Norman Minott
Leonard Francis
Carolyn Archer
Ralph Thomas

Public Relations & Marketing

Shalman Scott
Clinton Clarke
Pamela Redwood
Ralston Hyman
Marsha Francis

SENIOR EXECUTIVE COMPENSATION

Financial Year April 1, 2012 - March 31, 2013

Position of Senior Executive	Salary $	Gratuity or Performance Incentive $	Travelling Allowance or Value of Assigned Motor Vehicle $	Pension or Other Retirement Benefits	Other Allowances ($)	Vacation Pay	Notice pay & Redundancy Payments $	Non-Cash Benefits ($)	Total ($)
Acting - General Manager	3,292,249	-	-	-	-	-	-	-	3,292,249
General Manager	6,072,031	-	-	-	-	547,280	-	-	6,619,311
DGM - Legal Divison	7,704,861	1,877,095	-	-	-	-	-	-	9,581,956
DGM - Finance	7,508,380	-	-	-	-	-	-	-	7,508,380
DGM - EDCR	5,762,662	5,467,402	-	-	-	808,939	-	-	12,039,002
DGM - Corporate Security	3,950,671	2,346,369	-	-	-	299,139	-	-	6,596,178
DGM - DPMD	1,403,603	1,076,899	-	-	-	-	-	-	2,480,502
DGM - HRD	7,704,861	-	-	-	-	-	-	-	7,704,861
DGM - Strategic Management	7,583,411	-	-	-	-	-	-	-	7,583,411
Company Secretary	2,243,256	-	-	-	-	209,397	-	-	2,452,653
***Total**	**50,982,728**	**10,767,764**	**-**	**-**	**-**	**1,655,357**	**-**	-	**63,405,849**

**Senior Executive Compensation is captured on page 41 (27i) of the Financial Statement*

DIRECTORS' COMPENSATION

Financial Year April 1, 2012 - March 31, 2013

Position of Director	Fees ($)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (s)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Chairman	288,000.00	N/A	N/A	N/A	288,000.00
Deputy Chairman	93,500.00	N/A	N/A	N/A	93,500.00
Director	144,500.00	N/A	N/A	N/A	144,500.00
Director	110,500.00	N/A	N/A	N/A	110,500.00
Director	127,500.00	N/A	N/A	N/A	127,500.00
Director	68,000.00	N/A	N/A	N/A	68,000.00
Director	102,000.00	N/A	N/A	N/A	102,000.00
Director	144,500.00	N/A	N/A	N/A	144,500.00
Director	93,500.00	N/A	N/A	N/A	93,500.00
Director	85,000.00	N/A	N/A	N/A	85,000.00
Director	51,000.00	N/A	N/A	N/A	51,000.00
Director	136,000.00	N/A	N/A	N/A	136,000.00
Director	144,500.00	N/A	N/A	N/A	144,500.00
Director	153,000.00	N/A	N/A	N/A	153,000.00
Director	136,000.00	N/A	N/A	N/A	136,000.00
Director	119,000.00	N/A	N/A	N/A	119,000.00
Director	136,000.00	N/A	N/A	N/A	136,000.00
Director	119,000.00	N/A	N/A	N/A	119,000.00
Director	76,500.00	N/A	N/A	N/A	76,500.00
Director	119,000.00	N/A	N/A	N/A	119,000.00
Director	144,500.00	N/A	N/A	N/A	144,500.00
Director	25,500.00	N/A	N/A	N/A	25,500.00
Director	17,000.00	N/A	N/A	N/A	17,000.00
***Total**	**2,634,000.00**	N/A	N/A	N/A	**2,634,000.00**

**Directors Compensation of $2.6M are captured on page 39 (25b) of the Financial Statement*

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
URBAN DEVELOPMENT CORPORATION

Report on the Financial Statements

We have audited the financial statements of Urban Development Corporation ("the corporation"), and the consolidated financial statements of the corporation and its subsidiaries ("the group"), set out on pages 3 to 48, which comprise the group's and corporation's statement of financial position as at March 31, 2013, the group's and corporation's statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

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

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

To the Members of
URBAN DEVELOPMENT CORPORATION

Report on the Financial Statements, continued

Opinion

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

KPMG

Chartered Accountants
Kingston, Jamaica

February 26, 2015

URBAN DEVELOPMENT CORPORATION

Group Statement of Financial Position
Year ended March 31, 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,109,454	2,047,127
Assets held for sale	4(e)	935,191	-
Investment properties	4	36,994,945	32,991,397
Interests in associates and other companies	5	1,169,722	1,188,991
Due from related parties	6	166,986	280,435
Investments in joint ventures	7	1,444,100	1,430,627
Employee benefits asset	8	579,164	552,128
Deferred tax	18(a)	-	8,382
		43,399,562	38,499,087
CURRENT ASSETS			
Taxation recoverable		123,796	125,420
Inventory of land and development projects	9	195,491	371,030
Inventories	10	18,859	19,837
Accounts receivable	11	1,033,430	1,167,448
Cash and cash equivalents	12	879,343	595,815
		2,250,919	2,279,550
TOTAL ASSETS		45,650,481	40,778,637
EQUITY AND LIABILITIES			
GOVERNMENT EQUITY			
Capital contributions		222,788	222,788
Capital reserve	13	7,564,094	7,173,834
General reserve	14	325,718	325,718
Revenue reserve	15	32,342,874	28,359,556
Attributable to equity owners of the corporation		40,455,474	36,081,896
Non-controlling interests	16	253,535	247,388
		40,709,009	36,329,284
NON-CURRENT LIABILITIES			
Provision for future infrastructure cost on land sold	17	352,257	416,536
Deferred tax liabilities	18(b)	217,662	577,231
Long-term loans	19	533	645,490
Deferred income	20	42,602	43,122
		613,054	1,682,379
CURRENT LIABILITIES			
Due to regional companies	21	111,176	112,998
Accounts payable and other liabilities	22	3,030,471	2,598,914
Income tax payable		54,840	55,062
Current portion of long-term loans	19	1,131,931	-
		4,328,418	2,766,974
TOTAL EQUITY AND LIABILITIES		45,650,481	40,778,637

The financial statements, on pages 3 to 48, were approved for issue by the Board of Directors on February 26, 2015 and signed on its behalf by:

Keith D. Knight — Director

David A. Cummings — Director

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

URBAN DEVELOPMENT CORPORATION

Group Statement of Comprehensive Income
Year ended March 31, 2013

	Notes	2013 $'000	2012 $'000
Revenue	23	1,991,935	1,804,838
Cost of operating revenue		(94,422)	(86,046)
Gross profit		1,897,513	1,718,792
Administrative, marketing and selling expenses		(3,076,914)	(3,180,105)
Operating loss		(1,179,401)	(1,461,313)
Increase in fair value of investment properties	4	5,392,582	2,927,052
Other operating income		8,115	9,905
Share of loss from associates	5(b)	37,571	9,853
Share of profit form joint venture	7	13,373	4,065
(Loss)/gain from investments, net		(39,110)	22,823
Profit before finance costs and impairment		4,233,130	1,512,385
Finance costs:			
Loan interest		(37,617)	(27,023)
Bank charges and other interest		(1,572)	(2,075)
		(39,189)	(29,098)
Impairment losses	25(a)	(233,537)	(692,928)
Profit before taxation	25(b)	3,960,404	790,359
Taxation credit	26	108,147	310,134
Profit for the year		4,068,551	1,100,493
Other comprehensive income/(expense)			
Revaluation adjustments on land and buildings		132,553	379,834
Deferred tax on revaluations		(2,454)	(21,504)
Reversal of deferred tax		250,315	-
		380,414	358,330
Total comprehensive income for the year		4,448,965	1,458,823
Total comprehensive income attributable to:			
Owners of the corporation		4,442,818	1,455,966
Non-controlling interests		6,147	2,857
		4,448,965	1,458,823

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

URBAN DEVELOPMENT CORPORATION

Group Statement of Changes in Equity
Year ended March 31, 2013

	Capital contributions $'000	Capital reserve $'000	General reserve $'000	Revenue reserve $'000	Parent corporation equity $'000	Non-controlling interest $'000	Total $'000
Balances at March 31, 2011	222,788	6,813,233	325,718	27,264,191	34,625,930	244,531	34,870,461
Total comprehensive income:							
Profit for the year	-	-	-	1,097,636	1,097,636	2,857	1,100,493
Other comprehensive income	-	358,330	-	-	358,330	-	358,330
Total comprehensive income for the year	-	358,330	-	1,097,636	1,455,966	2,857	1,458,823
Transfers	-	2,271	-	(2,271)	-	-	-
Balances at March 31, 2012	222,788	7,173,834	325,718	28,359,556	36,081,896	247,388	36,329,284
Total comprehensive income:							
Profit for the year	-	-	-	4,067,460	4,067,460	1,091	4,068,551
Other comprehensive income	-	375,358	-	-	375,358	5,056	380,414
Total comprehensive income	-	375,358	-	4,067,460	4,442,818	6,147	4,448,965
Eliminated on dissolution of subsidiaries	-	(5,714)	-	(63,526)	(69,240)	-	(69,240)
Transfers	-	20,616	-	(20,616)	-	-	-
Balances at March 31, 2013	222,788	7,564,094	325,718	32,342,874	40,455,474	253,535	40,709,009

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

URBAN DEVELOPMENT CORPORATION

Group Statement of Cash Flows
Year ended March 31, 2013

	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	4,068,551	1,100,493
Adjustments for:		
Depreciation (note 3)	77,244	72,681
Write-off of investment property, net (note 4)	9,923	-
Write-off of property, plant and equipment (note 3)	11,835	-
Amortisation of deferred income (note 20)	(5,876)	(3,921)
Loss/(gain) on disposal on investment properties	37,900	(14,950)
(Gain)/loss on disposal of property, plant and equipment	(2,913)	7
Employee benefits asset, net	(27,036)	(36,766)
(Decease)/increase in provision for future infrastructure costs on land sold	(64,279)	167,519
Impairment losses [note 25(a)]	233,537	692,928
Increase in fair value of investment properties (note 4)	(5,392,582)	(2,927,052)
Interest income	(28,330)	(20,821)
Interest expense	37,617	27,023
Taxation credit (note 26)	(108,147)	(310,134)
Net foreign exchange loss/(gain)	67,400	(2,002)
Share of profit of associated companies [note 5(b)]	(37,571)	(9,853)
Operating cash flows before movements in working capital	(1,122,727)	(1,264,848)
(Increase)/decrease in net current assets		
Accounts receivable	134,018	(273,804)
Inventories	978	(3,531)
Inventory of land and development projects	(57,998)	(30,486)
Owed to regional companies	(1,822)	36,097
Accounts payable and other liabilities	367,673	683,689
	(679,878)	(852,883)
Cash utilised in operations		
Interest received	28,330	20,821
Interest paid	(37,617)	(27,023)
Tax paid	6,756	(13,264)
Net cash used by operating activities	(682,409)	(872,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in associated companies	56,840	-
Acquisition of property, plant and equipment (note 3)	(18,853)	(144,619)
Proceeds from sale of property, plant and equipment	2,913	39
Change in related party balances	113,449	(54,533)
Interest in joint ventures	(13,473)	(4,324)
Proceeds on disposal of investment properties	593,589	112,258
Acquisition of investment property	(187,569)	(398)
Net cash provided/(used) by investing activities	546,896	(91,577)
CASH FLOWS PROVIDED FINANCING ACTIVITY		
Loan proceeds, net	486,441	358,441
Increase/(decrease) in net cash and cash equivalents	350,928	(605,485)
Net cash and cash equivalents at beginning of year	595,815	1,199,298
Effects of foreign exchange rate changes	(67,400)	2,002
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (note 12)	879,343	595,815

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Financial Position
Year ended March 31, 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,030,569	1,974,508
Investment properties	4	35,177,257	29,954,468
Interests in subsidiaries and associates	5	172,176	229,019
Due from related parties	6	191,352	342,189
Investments in joint ventures	7	321,702	321,602
Employee benefits asset	8	528,383	503,470
		38,421,439	33,325,256
CURRENT ASSETS			
Taxation recoverable		79,970	84,206
Inventory of land and development projects	9	195,491	371,030
Accounts receivable	11	236,602	577,028
Cash and cash equivalents	12	435,304	276,239
		947,367	1,308,503
TOTAL ASSETS		39,368,806	34,633,759
EQUITY AND LIABILITIES			
GOVERNMENT EQUITY			
Capital contributions		222,788	222,788
Capital reserve	13	6,189,430	5,816,497
General reserve	14	325,718	325,718
Revenue reserve	15	28,486,397	23,534,104
		35,224,333	29,899,107
NON-CURRENT LIABILITIES			
Due to subsidiaries	6(b)	492,042	1,470,106
Provision for future infrastructure cost on land sold	17	352,257	416,536
Deferred tax liabilities	18	-	276,844
Long-term loans	19	-	644,957
		844,299	2,808,443
CURRENT LIABILITIES			
Due to regional companies	21	111,176	112,998
Current portion of long-term loans	19	1,131,931	-
Accounts payable and other liabilities	22	2,057,067	1,813,211
		3,300,174	1,926,209
TOTAL EQUITY AND LIABILITIES		39,368,806	34,633,759

The financial statements, on pages 3 to 48, were approved for issue by the Board of Directors on February 26, 2015 and signed on its behalf by:

Keith D. Knight — Director

David A. Cummings — Director

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Comprehensive Income
Year ended March 31, 2013

	Notes	2013 $'000	2012 $'000
Revenue	23	1,666,940	1,517,281
Administrative and general expenses		(2,535,083)	(2,645,036)
Operating profit/(loss)		(868,143)	(1,127,755)
Increase in fair value of investment properties	4	5,538,033	2,814,560
Income from investments:			
Foreign exchange gains, net		(67,831)	1,816
Dividend income	24	919,008	-
Interest income		28,323	20,821
		5,549,390	1,709,442
Net finance costs:			
Loan interest		(37,617)	(27,023)
Bank charges and interest		(1,246)	(1,708)
		(38,863)	(28,731)
Impairment losses	25(a)	(584,763)	(984,223)
Profit before taxation	25(b)	4,925,764	696,488
Taxation credit	26	26,529	310,910
Profit for the year		4,952,293	1,007,398
Other comprehensive income/(expense):			
Revaluation adjustments on land and buildings		122,618	379,834
Deferred tax on revaluations		-	(21,504)
Reversal of deferred tax		250,315	-
		372,933	358,330
Total comprehensive income for the year		5,325,226	1,365,728

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Changes in Equity
Year ended March 31, 2013

	Capital contributions $'000	Capital reserve $'000	General reserve $'000	Revenue reserve $'000	Total $'000
Balances at March 31, 2011	222,788	5,458,167	325,718	22,526,706	28,533,379
Total comprehensive income:					
Profit for the year	-	-	-	1,007,398	1,007,398
Other comprehensive income:					
Revaluation of land and buildings	-	379,834	-	-	379,834
Deferred tax on revaluations	-	(21,504)	-	-	(21,504)
Total comprehensive income for the year	-	358,330	-	1,007,398	1,365,728
Balances at March 31, 2012	222,788	5,816,497	325,718	23,534,104	29,899,107
Total comprehensive income:					
Profit for the year	-	-	-	4,952,293	4,952,293
Other comprehensive income:					
Revaluation of land and buildings	-	122,618	-	-	122,618
Reversal of deferred tax	-	250,315	-	-	250,315
Total comprehensive income for the year	-	372,933	-	4,952,293	5,325,226
Balances at March 31, 2013	222,788	6,189,430	325,718	28,486,397	35,224,333

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Cash Flows
Year ended March 31, 2013

	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	4,952,293	1,007,398
Adjustments for:		
Depreciation (note 3)	67,867	63,294
Write-off on investment properties	9,923	-
Loss/(gain) on disposal of investment property	37,900	(14,950)
(Gain)/loss on disposal of property, plant and equipment	(2,913)	41
Employee benefits asset	(24,913)	(33,801)
(Decrease)/increase in provision for future infrastructure costs on land sold	(64,279)	167,519
Impairment losses [note 25(a)]	584,763	984,223
Increase in fair value of investment properties (note 4)	(5,538,033)	(2,814,560)
Interest income	(28,323)	(20,821)
Interest expense	37,617	28,731
Taxation (note 26)	(26,529)	(310,910)
Dividend income	(919,008)	-
Write offs of property, plant and equipment	12,941	53
Operating cash flows before movements in working capital	(900,694)	(943,783)
(Increase)/decrease in net current assets		
Accounts receivable	340,426	(256,864)
Owed from/(to) regional companies	(1,822)	36,097
(Increase)/decrease in inventory of land and development projects	(409,224)	(30,486)
Accounts payable and other current liabilities	1,131,931	441,444
Cash utilised in operations	160,617	(753,592)
Interest paid	(37,617)	-
Interest received	28,323	(24,993)
Tax paid	4,236	(7,716)
Net cash provided/(used) in operating activities	155,559	(786,301)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (note 3)	(14,251)	(132,524)
Proceeds from sale of property, plant and equipment	2,913	-
Interest received	-	21,237
Decrease/(increase) in related party balances	150,837	(147,320)
Interest in subsidiaries and associates	(2,213)	(1)
Dividends received	-	(159)
Investments in joint ventures	(100)	112,158
Proceeds on disposal of investment property	454,500	-
Acquisition of investment property	(187,079)	(398)
Net cash (used)/provided by investing activities	404,607	(147,007)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan (repayment)/proceeds, net	(401,101)	358,441
Net cash provided by financing activities	(401,101)	358,441
Increase/(decrease) in net cash and cash equivalents	159,065	(574,867)
Net cash and cash equivalents at beginning of year	276,239	851,106
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (note 12)	435,304	276,239

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

1. Corporate structure and principal activities

Urban Development Corporation (the corporation) is established under the Urban Development Act and is controlled by the Government of Jamaica. Its main activity is to undertake urban renewal and development in specific areas designated by the Government of Jamaica.

The corporation is domiciled in Jamaica and its registered office and principal place of business is situated at 12 Ocean Boulevard, Kingston Mall, Kingston, Jamaica.

The financial statements include the assets and liabilities and income and expenditure relating to the corporation's activities managed on its behalf by the following companies:

- Caymanas Development Company Limited
- St. Ann Development Company Limited

The corporation and its subsidiaries [as listed at note 5(a)] are collectively referred to as "group".

2. Basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board.

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The only standard that was adopted by the group, and which affected its financial statements, is as follows:

Amendment to IAS 12 Deferred Tax: Recovery of underlying Assets, is effective for annual reporting periods beginning on or after January 1, 2012. There is a rebuttable presumption that investment property that is measured using the fair value model in IAS 40 will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred tax shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. Consequently, no deferred tax is provided for on the revaluation of investment properties as there is no tax consequences on sale.

The other new standards, amendments and interpretations had no material impact on the financial statements.

At the date of authorization of the financial statements, certain new standards, amendments to, and interpretations of, existing standards, have been issued which are not yet effective and which the group has not early-adopted. Management has assessed the relevance of all such new standards, amendments and interpretations with respect to the group's operations and has determined that the following may impact future financial statements:

2. Basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

- IAS 1, *Presentation of Financial Statements*, (effective for annual reporting periods beginning on or after July 1, 2012) has been amended to require a reporting entity to present the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

- IFRS 13, *Fair Value Measurement* (effective for annual reporting periods beginning on or after January 1, 2013), defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- IFRS 10, *Consolidated Financial Statements*, (effective for annual reporting periods beginning on or after January 1, 2013), introduces a new approach to determining which investees should be consolidated. It was issued as part of a suite of consolidation and related standards, also replacing existing requirements for joint ventures (now joint arrangements) and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements,* and SIC-12, *Consolidation – Special Purpose Entities (SPE),* and provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. An investor controls an investee when (i) it is exposed, or has rights, to variable returns from its involvement with the investee, (ii) has the ability to affect those returns through its power over the investee and (iii) there is a link between power and returns.

- IAS 19, *Employee Benefits* (effective for annual reporting periods beginning on or after January 1, 2013) has been amended to require all actuarial gains and losses to be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss. It also requires the expected return on plan assets recognized in profit or loss to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

2. Basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

- IFRS 12, *Disclosure of Interest in Other Entities* (effective for annual reporting periods beginning on or after January 1, 2013), contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (ie joint operations or joint ventures), associates and/or unconsolidated structured entities. The disclosure requirements encompass risk exposures for the sponsor of such entities even if it no longer has any contractual involvement. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

  The group is required to understand what a structured entity is in the context of its operations; apply judgement in assessing whether it is 'involved' with a structured entity, which has the potential to broaden the transactions and relationships to which the disclosures may apply, particularly for those who sponsor, or perhaps even transact business with, but do not consolidate, structured entities; and assess the level of disclosure that it believes will be meaningful to users of the financial statements.

- Amendments to IAS 32, *Offsetting of Financial Assets and Financial Liabilities,* which is effective for annual reporting periods beginning on or after January 1, 2014, clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

- Amendments to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*, which is effective for accounting periods beginning on or after January 1, 2014, reverse the unintended requirement in IFRS 13 Fair Value Measurement, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The amendment requires the recoverable amount to be disclosed only when an impairment loss has been recognised or reversed.

- *Improvements to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the group are as follows:

  - IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets. The standards have been amended to clarify that, at the date of revaluation:

    (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or

    (ii) the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

2. Basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

- *Improvements to IFRS 2010-2012 and 2011-2013 (cont'd)*

  - IFRS 13, Fair Value Measurement is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial

  - IAS 24, Related Party Disclosures has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

  - IAS 40, Investment Property has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2017. It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

  The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

- IFRS 9, Financial Instruments, is effective for annual reporting periods beginning on or after January 1, 2018. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement on the recognition and de-recognition of financial assets and financial liabilities.

The group is assessing the impact of the above amendments, interpretations and new standards on its future financial statements when they become effective.

2. Basis of preparation and significant accounting policies (cont'd)

(b) Basis of measurement and functional currency:

The financial statements are prepared on the historical cost basis, except for the revaluation of freehold lands, buildings, and investment properties, and are presented in Jamaica dollars ($), which is the functional currency of the corporation.

(a) Going concern:

The preparation of the financial statements in accordance with IFRS assumes that the group will continue in operational existence for the foreseeable future. This means, in part, that the statements of financial position, and comprehensive income assume no intention or necessity to liquidate or curtail the scale of operations. This is commonly referred to as the going concern basis. Management believes that the use of the going concern basis in the preparation of the financial statements remains appropriate.

(d) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the reporting date, and the profit or loss for the year then ended. Actual amounts could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and in future periods, where applicable.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables and investments in joint ventures:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables and investments in joint ventures, for example, based on default and adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables and investments in joint ventures, as well as the timing of such cash flows.

(ii) Fair value of property, plant and equipment and investment properties:

In making its judgement, management's best estimate of fair value is based on current prices of properties of similar nature, condition or location adjusted to reflect recent prices of similar properties in less active markets and changes in economic conditions since the dates of the transactions.

(iii) Provision for future infrastructure cost on land sold:

In making its judgement, management considers the detailed criteria for recognition of a provision set out in IAS 37. The provision is based on the proportionate amount of the following in relation to land sold and is determined as follows:

- Estimates to complete contracts already commenced by the group.
- The estimated costs to carry out known infrastructure works for which contracts have not yet been initiated.
- Estimated costing takes into account labour and material prices.
- Allowances have been made as necessary for the likely effect of escalations due to interest costs, labour rates and material prices projected to estimated completion date.

2. Basis of preparation and significant accounting policies (cont'd)

(b) Use of estimates and judgements (cont'd):

(iv) Pension benefits:

The amounts recognised for pension benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets and the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

The expected return on plan assets considers the long-term returns, asset allocation and future estimates of long-term investment returns; the discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the tenure of the group's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenure security on the market. Any changes in the foregoing assumptions will affect the amounts recorded in the financial statements for these obligations.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions and underlying estimates could require a material adjustment to the carrying amount reflected in the financial statements.

(e) Basis of consolidation:

(i) Subsidiaries

A "subsidiary" is an enterprise controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

The consolidated financial statements comprise the financial results of the corporation and its subsidiaries prepared up to March 31, 2013. The principal operating subsidiaries are listed in note 5(a).

(ii) Associates

Associates are those entities in which the group has significant influence, but not control, over their financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses on an equity accumulated basis from the date that significant influence commences until the date it ceases. The results used are those disclosed in the latest available audited financial statements adjusted for significant events, if any, occurring between the last audited reporting date and March 31, 2012.

When the group's share of losses exceeds its carrying value in respect of an associate, the group's amount is reduced to nil, and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations, or made payments on behalf of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Basis of preparation and significant accounting policies (cont'd)

(f) Property, plant and equipment:

(i) Owned assets:

Land and buildings held for the use in the production or supply of goods and services, or for administrative purposes are stated at their revalued amounts being the fair value at the date of revaluation less accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in capital reserve relating to a previous revaluation of that asset.

On a sale or retirement of a revalued property, the attributable revaluation surplus remaining in capital reserve is transferred directly to revenue reserve.

Properties in the course of construction for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes acquisition costs, professional fees, and for qualifying assets borrowing costs capitalised in accordance with IAS 16. Depreciation for these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Furniture, fixtures, equipment and motor vehicles are stated at cost less accumulated depreciation and any impairment losses.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss.

(ii) Leased assets:

Lease arrangements through which the group assume substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases are stated at an amounts equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset as indicated in (i) above.

(iii) Reclassification to investment property:

When the use of a property changes from owner-occupier to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that is reverses a previous impairment loss on the specific property, with any remaining gains recognised in other comprehensive income and presented in the capital reserve in equity. Any loss is recognised immediately in profit or loss.

2. Basis of preparation and significant accounting policies (cont'd)

(f) Property, plant and equipment (cont'd):

(iv) Depreciation and amortisation:

No depreciation is charged on freehold land or capital work-in-progress.

For assets other than land and capital work-in-progress, depreciation is charged so as to write down the costs or valuation of the assets over their expected useful lives, using the straight-line basis, to their residual value. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following rates are used for depreciation of property, plant and equipment:

	Years
Freehold buildings	10-60
Leasehold improvements	3½
Motor vehicles	5
Furniture, fixtures and equipment	5-15
Sewerage treatment plant	10

(g) Investment properties:

Investment properties, comprising properties held to earn rentals and land held for future capital appreciation, are recognised initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss.

The fair value of the group's investment properties are arrived at on the basis of revaluations carried out at the reporting date by both independent real estate valuators and qualified internal valuators.

(h) Investments in joint ventures:

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control, that is, when the strategic financial and operating policy decision relating to the activities require the unanimous consent of the parties sharing control.

Where the group undertakes activities under joint venture arrangements directly, the share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the group and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amounts can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The group reports its interests in jointly controlled entities at cost less any recognized impairment loss.

2. Basis of preparation and significant accounting policies (cont'd)

(i) Employment benefits:

(i) Pension benefits:

The corporation operates a group defined benefit pension scheme administered by trustees the assets of which are held separately from those of the group.

Pension assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion.

Actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the group's post-employment benefit assets and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The group's net asset in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of scheme assets is deducted. To the extent that the obligation is less than the fair value of scheme assets, the asset recognised is restricted to the discounted value of future benefits available to the group. The discount rate applied is the yield at reporting date on long-term government instruments that have maturity dates approximating the term of the group's obligation. The calculation is performed using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in profit or loss.

Cumulative actuarial gains or losses that exceed 10% of both the present value of the obligation and the fair value of plan assets are recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, actuarial gains or losses are not recognised.

(ii) Leave entitlements:

Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave as a result of services rendered by employees up to the reporting date.

(j) Income taxes:

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable on receivable in respect of previous years.

Deferred tax is computed in full for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted at the reporting date.

2. Basis of preparation and significant accounting policies (cont'd)

(j) Income taxes (cont'd):

Deferred tax liability is not recognised for temporary differences related to associates and joint investments in subsidiaries, arrangements, except to the extent that the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment properties measured at fair value is presumed to be recovered through sale, and the group has not rebutted this presumption.

(k) Inventory of land and development projects:

Inventory of land and development, includes projects, unsold apartments, and is stated at the lower of cost and net realisable value. Cost comprises land acquisition, infrastructure works, construction costs, direct administrative expenses and interest charges during the interval between acquisition and construction. These costs are treated as inventory until disposal. The cost of land sales is determined based on the land area sold to the total land area available for sale. Net realisable value represents the estimated selling price less all the estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Net realisable value is obtained from valuations conducted by qualified internal valuators based on sample valuations supplied by independent valuators or using market values arising from recent real estate sales.

(l) Inventories:

Inventories are stated at the lower of cost and net realisable value, determined on the first-in/first-out basis. Net realisable value is estimated at selling price in the ordinary course of business, less the costs of completion and selling expenses.

(m) Accounts receivable:

Trade and other receivables are stated at amortised cost less impairment losses.

(n) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other monetary investments with maturities of three months or less from the dates of acquisition.

(o) Accounts payable and other current liabilities:

Trade and other accounts payable are stated at amortised cost.

A provision is recognised if the group has a legal or constructive obligation, as a result of a past event, that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

2. Basis of preparation and significant accounting policies (cont'd)

(p) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(c) A related party transaction involves transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and

b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

(q) Loans:

Interest-bearing borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing, using the effective interest method.

2. Basis of preparation and significant accounting policies (cont'd)

(r) Revenue recognition:

(i) Real estate trading income:

A contract is recognised as a sale when significant risks and rewards of ownership have been transferred to the buyer. Cost of sales, including land, is computed on a first in, first out basis. Where the outcome of the contract cannot be reliably determined, no revenue is recognised. Expected losses on a contract, computed on the basis of contract revenue and directly attributable costs, are recognised immediately.

(ii) Rental income:

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Rental income collected in advance is treated as deferred income and is amortized to profit or loss for the related period on a straight-line basis.

(iii) Interest income:

Interest income is recognised on the accrual basis using the effective interest method.

(iv) Other revenue:

This comprises ticket sales, project management fees, water and sewerage fees and is recognised on an accrual basis in accordance with the substance of the underlying contracts.

(s) Expenses:

(i) Finance costs:

Finance costs for non-financial service activities comprise interest payable on borrowings calculated using the effective interest method, material bank charges and foreign exchange losses recognised in profit or loss.

(ii) Operating lease payments:

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the terms of the leases. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

(iii) Other expenses are recognised on the accrual basis.

(t) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are translated to Jamaica dollars at foreign exchange rates ruling at the dates the values were determined.

For the purpose of the statement of cash flows, realised foreign exchange gains and losses are treated as cash items and included in cash flows along with movements in the relevant balances.

2. Basis of preparation and significant accounting policies (cont'd)

(u) Impairment:

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or group of operating assets, exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amounts:

The recoverable amounts of the group's assets classified as loans and receivables are calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs 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 an asset that does not generate independent cash inflows, the recoverable amount is determined for the group of operating assets to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of all other assets is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(v) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Most of the group's financial instruments lack an available trading market, therefore, the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

3. Property, plant and equipment

The group

	Freehold land $'000	Freehold buildings $'000	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Sewerage treatment plant $'000	Capital work-in-progress $'000	Total $'000
At cost or valuation:								
March 31, 2011	831,201	715,167	59,139	66,019	337,706	36,533	3,029	2,048,794
Additions	-	439	86,458	-	57,722	-	-	144,619
Transfer to investment properties (note 4)	(41,143)	(54,440)	-	-	-	-	-	(95,583)
Revaluation adjustments	314,787	41,260	-	-	-	-	-	356,047
Disposals	-	-	-	-	(217)	-	-	(217)
Adjustments/write-offs	-	-	-	-	(43)	-	-	(43)
March 31, 2012	1,104,845	702,426	145,597	66,019	395,168	36,533	3,029	2,453,617
Additions	-	485	3,019	500	14,849	-	-	18,853
Revaluation adjustments	29,289	77,914	-	-	-	-	-	107,203
Disposals	-	-	-	(6,257)	-	-	-	(6,257)
Adjustments/write-offs	-	-	(2,121)	(10,586)	818	-	-	(11,889)
March 31, 2013	1,134,134	780,825	146,495	49,676	410,835	36,533	3,029	2,561,527
Depreciation:								
March 31, 2011	-	5,081	42,368	39,726	235,577	31,445	3,029	357,226
Charge for the year	404	24,585	5,472	8,115	31,404	2,701	-	72,681
Eliminated on revaluation	-	(21,505)	-	-	-	-	-	(21,505)
Adjustments/write-offs	-	-	-	-	(169)	-	-	(169)
Eliminated on transfer	-	(1,743)	-	-	-	-	-	(1,743)
March 31, 2012	404	6,418	47,840	47,841	266,812	34,146	3,029	406,490
Charge for the year	-	24,743	10,735	2,147	37,232	2,387	-	77,244
Eliminated on revaluation	-	(25,350)	-	-	-	-	-	(25,350)
Adjustments/write-offs	-	-	-	-	(54)	-	-	(54)
Eliminated on disposal	-	-	-	(6,257)	-	-	-	(6,257)
March 31, 2013	404	5,811	58,575	43,731	303,990	36,533	3,029	452,073
Net book values:								
March 31, 2013	1,133,730	775,014	87,920	5,945	106,845	-	-	2,109,454
March 31, 2012	1,104,441	696,008	97,757	18,178	128,356	2,387	-	2,047,127

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

3. Property, plant and equipment (cont'd)

The corporation

	Freehold land	Freehold buildings	Leasehold improvements	Motor vehicles	Furniture fixtures and equipment	Sewerage treatment plant	Capital work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost or valuation:								
March 31, 2011	825,731	660,930	59,139	61,206	272,156	36,533	3,029	1,918,724
Additions	-	-	84,860	-	47,664	-	-	132,524
Transfers to investment properties (note 4)	(41,143)	(54,440)	-	-	-	-	-	(95,583)
Revaluation adjustments	315,787	40,789	-	-	-	-	-	356,576
Disposals	-	-	-	-	(203)	-	-	(203)
Write-offs	-	-	-	-	(43)	-	-	(43)
March 31, 2012	1,100,375	647,279	143,999	61,206	319,574	36,533	3,029	2,311,995
Additions	-	-	3,019	-	11,232	-	-	14,251
Revaluation adjustments	29,172	70,179	-	-	-	-	-	99,351
Disposals	-	-	-	(6,257)	-	-	-	(6,257)
Write-offs	-	-	(2,121)	(10,586)	(234)	-	-	(12,941)
March 31, 2013	1,129,547	717,458	144,897	44,363	330,572	36,533	3,029	2,406,399
Depreciation:								
March 31, 2011	-	-	42,368	36,243	184,518	31,445	3,029	297,603
Charge for the year	-	23,248	5,211	7,455	24,679	2,701	-	63,294
Eliminated on revaluation	-	(21,505)	-	-	-	-	-	(21,505)
Eliminated on transfer	-	(1,743)	-	-	-	-	-	(1,743)
Eliminated on disposals	-	-	-	-	(162)	-	-	(162)
March 31, 2012	-	-	47,579	43,698	209,035	34,146	3,029	337,487
Charge for the year	-	23,267	10,735	1,470	30,008	2,387	-	67,867
Eliminated on revaluation	-	(23,267)	-	-	-	-	-	(23,267)
Eliminated on disposals	-	-	-	(6,257)	-	-	-	(6,257)
March 31, 2013	-	-	58,314	38,911	239,043	36,533	3,029	375,830
Net book values:								
March 31, 2012	1,129,547	717,458	86,583	5,452	91,529	-	-	2,030,569
March 31, 2011	1,100,375	647,279	96,420	17,508	110,539	2,387	-	1,974,508

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

4. Investment properties

	The group			The corporation		
	Freehold land $'000	Freehold buildings $'000	Total $'000	Freehold land $'000	Freehold buildings $'000	Total $'000
March 31, 2011	23,532,965	6,532,168	30,065,133	23,243,420	3,897,815	27,141,235
Additions	-	398	398	-	398	398
Disposals	(66,708)	(30,600)	(97,308)	(66,708)	(30,600)	(97,308)
Transfers from property, plant and equipment (note 3)	41,143	54,979	96,122	41,143	54,440	95,583
Increase in fair value	2,306,693	620,359	2,927,052	2,294,615	519,945	2,814,560
Reclassification	(7,000)	7,000	-	(7,000)	7,000	-
March 31, 2012	25,807,093	7,184,304	32,991,397	25,505,470	4,448,998	29,954,468
Additions	64,079	123,490	187,569	64,079	123,000	187,079
Disposals	(631,489)	-	(631,489)	(492,400)	-	(492,400)
Transfers to asset held for sale [note (e)]	(935,191)	-	(935,191)	-	-	-
Write-off	(9,923)	-	(9,923)	(9,923)		(9,923)
Increase in fair value	5,463,185	(70,603)	5,392,582	5,639,524	(101,491)	5,538,033
March 31, 2013	29,757,754	7,237,191	36,994,945	30,706,750	4,470,507	35,177,257

(a) Freehold land includes land held for public purposes or retained for future development.

(b) Freehold buildings comprise commercial, office and residential buildings held for long-term rental and not occupied by the group.

(c) During the year ended March 31, 2011, certain investment properties had a change of use which resulted in a significant increase in the value of those properties based on the revised value in use.

(d) Property rental income earned from investment properties, all of which were leased under operating leases, aggregated $460 million (2012: $415 million) for the group and $355 million (2012: $318 million) for the corporation. Direct operating expenses arising from the investment properties during the year aggregated $88 million (2012: $126 million) for the group and $55 million (2012: $95 million) for the corporation.

(e) During the year, management committed to sell certain properties. It is expected that the sale of the properties will be completed within one year of the reporting date, accordingly, the properties have been presented as assets held for sale.

5. Interests in subsidiaries and associates

	The group		The corporation	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Non-current:				
Interests in subsidiaries (a)	-	-	119,253	119,256
Interests in associates (b)	1,169,722	1,188,991	52,923	109,763
Investments in other companies (c)	-	-	-	-
	1,169,722	1,188,991	172,176	229,019

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

5. Interests in subsidiaries and associates (cont'd)

(a) Interests in subsidiaries:

	The corporation 2013 $'000	The corporation 2012 $'000
Shares at cost:		
National Hotels and Properties Limited	109,696	109,696
Montego Freeport Limited	5,985	5,985
Ocho Rios Commercial Centre Limited	3,547	3,547
Runaway Bay Water Company Limited	21	21
Portmore Newtown Development Company Limited	- *	1
Urban Maintenance (1977) Limited	- *	1
Caymanas Development Company Limited	1	1
Lilliput Development Corporation Limited	- *	1
Seacastles Limited	1	1
Rutland Point Beach Resorts Limited	1	1
Montego Bay Conference Centre Limited	1	1
	119,253	119,256

*These subsidiaries have been dormant and were dissolved during the year.

Details of subsidiaries are as follows:

Name of subsidiary	Country of incorporation (or registration) and operation	Ownership interest %	Principal activity
National Hotels and Properties Limited and its subsidiaries (i)	Jamaica	100	Management of subsidiaries, leasing and hotel operations
Montego Freeport Limited	Jamaica	82	Property owners and Managers
Ocho Rios Commercial Centre Limited	Jamaica	100	Leasing of commercial properties
Runaway Bay Water Company Limited	Jamaica	100	Supply of water
Urban Maintenance (1977) Limited	Jamaica	100	Management and maintenance services
Caymanas Development Company Limited	Jamaica	100	Operation of golf course and management of agricultural and horticultural projects
Seacastles Limited	Jamaica	100	Construction and rental
Rutland Point Beach Resorts Limited	Jamaica	100	Construction and rental
Montego Bay Conference Centre Limited	Jamaica	100	Operation of the Montego Bay Convention Centre

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

5. Interests in subsidiaries and associates (cont'd)

(a) Interests in subsidiaries (cont'd):

(i) Subsidiaries of National Hotels and Properties Limited are as follows:

Name of subsidiary	Country of incorporation (or registration) and operation	Ownership interest	Principal activity
		%	
Kingston Waterfront Hotel Company Limited	Jamaica	95	Rental of office space
Montego Beach (1975) Limited	Jamaica	100	leasing of property

(b) Interests in associates:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Shares at cost and loans:				
Hellshire Marble Limited	-	12,000	-	12,000
Portmore Commercial Development Company Limited	9,083	65,923	9,083	65,923
Bloody Bay Hotel Development Limited	43,840	43,840	43,840	43,840
Cost of investments	52,923	121,763	52,923	121,763
Less: Impairment loss	-	(12,000)	-	(12,000)
	52,923	109,763	52,923	109,763
Group's share of reserve	1,116,799	1,079,228	-	-
	1,169,722	1,188,991	52,923	109,763

Details of associates at March 31, 2013 are as follows:

Name of associate	Country of incorporation (or registration) and operation	Ownership interest	Principal activity
		%	
Hellshire Marble Limited	Jamaica	40	Non-trading
Portmore Commercial Development Company Limited	Jamaica	49	Operation of shopping and commercial centre
Bloody Bay Hotel Development Limited	Jamaica	50	Hotel operation

Summary financial information for equity-accounted investee is as follows:

	The group	
	2013	2012
	$'000	$'000
Total assets	2,750,128	2,894,487
Total liabilities	(295,915)	(515,233)
Net assets	2,454,213	2,379,254

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

5. Interests in subsidiaries and associates (cont'd)

(b) Interests in associates (cont'd):

The carrying amount of the group's share of reserve in associates is as follows:

	The group	
	2013	2012
	$'000	$'000
Balance at beginning of year	1,079,228	1,069,375
Share of profit for the year	37,571	9,853
Balance at end of year	1,116,799	1,079,228

(c) The group also has investments in other companies as follows:

	The group and corporation	
	2013	2012
	$'000	$'000
Shares at cost:		
Kingston Restoration Company Limited	25	25
Rose Hall Resorts Limited	109,890	109,890
	109,915	109,915
Less: Impairment losses	(109,915)	(109,915)
	-	-

6. Due from related parties

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(a) Due from related parties:				
Advances to subsidiaries:				
Caymanas Development Company Limited	-	-	329,202	269,094
Urban Maintenance (1977) Limited	-	-	-	126,705
Ocho Rios Commercial Centre Limited	-	-	19,014	16,438
Montego Freeport Limited	-	-	534	-
Lilliput Development Corporation Limited	-	-	-	18,899
Kingston Waterfront Hotel Company Limited	-	-	-	3,777
Seacastles Limited	-	-	13	37,712
Rutland Point Beach Resorts Limited	-	-	326	60,976
Montego Bay Conference Centre Limited*	-	-	454,206	189,576
	-	-	803,295	723,177
Less: impairment losses	-	-	(778,929)	(661,459)
	-	-	24,366	61,718
Loans and advances to associates:				
Hellshire Marble Limited	(14,177)	40,410	(14,177)	54,587
Bloody Bay Hotel Development Limited	166,986	303,811	166,986	303,611
	152,809	344,221	152,809	358,198
Less: impairment loss	14,177	(77,763)	14,177	(77,727)
	166,986	266,458	166,986	280,471
Total due from related parties	166,986	280,435	191,352	342,189

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

6. Due from related parties (cont'd)

(a) Due from related parties (cont'd):

*Subsequent to the reporting date, the Government of Jamaica (GOJ) and the corporation have agreed to capitalised the cost of constructing the Montego Bay Convention Centre, which is operated by Montego Bay Conference Centre Limited, and other operating costs up to August 2014. This will result in a change in the ownership, as the GOJ will own approximately 80% of Montego Bay Conference Centre Limited and the corporation will own 20%. Up to the date of approval of the financial statement, the formalities to effect the changes were not yet completed.

(b) Due to subsidiaries:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Advances from subsidiaries:				
Runaway Bay Water Company Limited		-	35,143	77,746
National Hotels and Properties Limited	-	-	444,494	1,392,360
Kingston Waterfront Hotel Company Limited	-	-	12,405	-
Total due to subsidiaries	-	-	492,042	1,470,106

7. Investments in joint ventures

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Ackendown Newtown Development Company Limited (a):				
Stated capital	497,828	497,828	497,828	497,828
Loans	1,045,958	1,045,958	1,045,958	1,045,958
	1,543,786	1,543,786	1,543,786	1,543,786
Less Impairment losses	(1,543,786)	(1,543,786)	(1,543,786)	(1,543,786)
	-	-	-	-
Port Royal Development Company Limited (b)	18,137	18,137	18,137	18,137
Less: Impairment loss	(18,137)	(18,137)	(18,137)	(18,137)
	-	-	-	-
Seaside at Rosehall Developments Limited (c):				
Initial investment	287,226	287,226	287,226	287,226
Loans receivable	34,476	34,376	34,476	34,376
	321,702	321,602	321,702	321,602
Group's share of reserve	1,122,398	1,109,025	-	-
	1,444,100	1,430,627	321,702	321,602
	1,444,100	1,430,627	321,702	321,602

(a) This represents the corporation's investment in a joint venture incorporated for the purpose of constructing a 360 room key hotel under the corporation's South West Coast Development Plan (for the parish of Westmoreland).

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

7. Investments in joint ventures (cont'd)

(a) (Cont'd)

During 2011, the corporation and the other shareholders in its associated company, Ackendown Newtown Development Company Limited (Ackendown), and the directors of Ackendown, by resolution, agreed to sell the hotel property, which was Ackendown's primary operating asset, and took other steps to dispose of the other assets and settle or otherwise dispose of the liabilities of Ackendown, to the end that, as at March 31, 2013, Ackendown had neither assets nor liabilities. In connection with the disposal of the hotel property, Ackendown granted a vendor's mortgage in the amount of US$32,500,000 to the purchaser. Under the terms of a deed of assignment dated March 18, 2011, Ackendown assigned all future instalments of principal and interest due under the vendor's mortgage to The Development Bank of Jamaica, and further agreed to transfer all rights under the mortgage to that company, which would then be registered as the mortgagee.

Pursuant to the settlement agreements between the corporation and the Government of Jamaica/Commissioner of Lands, the corporation released Ackendown from all liabilities including the Caracas Energy loan and all accrued interest on those liabilities.

Consequent on the said arrangements, the Government of Jamaica had committed to compensate the corporation by giving it lands of similar value.

(b) This comprises a direct 8.34% equity investment in Port Royal Development Company Limited by the corporation. In addition, the corporation received J$83.292 million, the equivalent of US$2.2 million from the Government of Jamaica which it advanced to Port Royal Development Company Limited on account of purchase of shares in that entity.

(a) Investment in Seaside at Rose Hall Developments Limited is based on the Heads of Agreement between the corporation and Rose Hall Developments Limited in which the corporation has a shareholding of 60%. The joint venture was incorporated for the purpose of developing 29 acres of land at Rose Hall, St. James. Effective December 2010, Rose Hall Development Limited transferred its interest to Rose Hall St. Lucia Limited, a company incorporated in St. Lucia.

8. Employee benefits asset

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Present value of funded obligations of defined benefit pension plan	(1,081,845)	(1,001,205)	(983,251)	(909,567)
Fair value of plan assets	1,841,324	1,773,637	1,639,420	1,578,915
Net assets	759,479	772,432	656,169	669,348
Unrecognised net actuarial gains	(150,694)	(190,683)	(127,786)	(165,878)
Asset not recognised due to limitation in economic benefits	(29,621)	(29,621)	-	-
Asset recognised in the statement of financial position	579,164	552,128	528,383	503,470

(a) Movements in the net assets during the year were as follows:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	552,128	515,362	503,470	469,669
Amounts credited to profit or loss	3,059	19,963	2,753	19,275
Contributions	23,977	16,803	22,160	14,526
Balance at end of year	579,164	552,128	528,383	503,470

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

8. Employee benefits asset (cont'd)

(b) Movements in funded obligations:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	(1,001,205)	(851,420)	(909,567)	(768,156)
Current service costs	(89,231)	(75,997)	(81,670)	(69,299)
Interest costs	(99,738)	(88,955)	(96,935)	(86,337)
Actuarial gains/(losses)	70,503	(14,357)	67,905	(12,383)
Benefits paid	26,818	23,251	26,008	21,899
Settlements	11,008	6,273	11,008	4,709
Balance at end of year	(1,081,845)	(1,001,205)	(983,251)	(909,567)

(c) Movements in plan assets:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Fair value of plan assets at beginning of year	1,773,637	1,583,334	1,578,915	1,398,406
Contributions paid	70,001	49,230	67,285	47,369
Expected return on plan assets	145,083	151,033	135,475	140,879
Benefits paid	(26,818)	(23,250)	(26,448)	(21,899)
Actuarial (losses)/gains	(109,571)	19,563	(104,799)	18,869
Settlements	(11,008)	(6,273)	(11,008)	(4,709)
Fair value of plan assets at end of year	1,841,324	1,773,637	1,639,420	1,578,915

(d) Plan assets consist of the following:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Equity fund	76,297	85,730	61,461	70,370
Fixed income fund	1,430,333	1,403,400	1,282,401	1,259,367
Mortgage and real estate	334,694	284,507	295,558	249,178
	1,841,324	1,773,637	1,639,420	1,578,915

(e) Net (expense)/credit recognised in profit or loss:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current service cost - employer	36,060	36,344	36,545	36,456
Interest costs	95,773	85,508	96,935	86,337
Expected return on plan assets	(134,421)	(140,888)	(135,475)	(140,879)
Recognised actuarial losses/(gains) during the year	(471)	(927)	(758)	(1,189)
Total included in employee benefit Expense (note 28)	(3,059)	(19,963)	(2,753)	(19,275)
Actual return on plan assets	37,429	170,595	30,678	159,747

8. Employee benefits asset (cont'd)

(f) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2013 %	2012 %
Discount rate	10.00	10.00
Expected return on plan assets	8.50	8.50
Future salary increases	6.00	7.00
Future pension increases	5.00	5.00
Long-term rate of inflation	6.00	7.00

(g) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, and holding other assumptions constant, would have affected the defined benefit obligation and current service cost by the following amounts.

	The group 2013	
	1% increase $'000	1% decrease $'000
Defined benefit obligation:		
Discount rate	(171,010)	226,696
Salary growth rate	95,748	(81,844)
Current service cost, including interest cost:		
Discount rate	(27,035)	35,791
Salary growth rate	23,842	(19,925)

9. Inventory of land and development projects

	The group and corporation	
	2013 $'000	2012 $'000
At beginning of year	371,030	1,033,472
(Disposals)/additions	(159,202)	30,486
Impairment losses [note 25(a)]	(16,337)	(692,928)
At end of year	195,491	371,030

Inventory of land and development projects primarily comprises land which is currently being developed as well as housing units available for sale.

10. Inventories

	The group	
	2013 $'000	2012 $'000
Food and beverages	1,865	2,871
Spareparts and maintenance materials	13,855	13,715
Tools and other	3,139	3,251
	18,859	19,837

11. Accounts receivable

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade receivables	788,948	828,954	601,642	682,660
Real estate sales receivables	968,826	317,297	322,130	317,297
	1,757,774	1,146,251	923,772	999,957
Amounts advanced on specific projects	43,988	43,988	43,988	43,988
Prepaid expenses and other current assets	967,890	1,698,583	879,309	1,123,597
	2,769,652	2,888,822	1,847,069	2,167,542
Less: Impairment allowance	(1,736,222)	(1,721,374)	(1,610,467)	(1,590,514)
	1,033,430	1,167,448	236,602	577,028

(i) Movements in impairment allowance:

	The Group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	1,721,374	1,606,367	1,590,514	1,547,502
Increase in impairment allowance recognised in profit or loss	14,848	115,007	19,953	43,012
Balance at end of the year	1,736,222	1,721,374	1,610,467	1,590,514

(ii) Ageing of trade receivables:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Less than 60 days	80,548	297,910	58,243	252,232
61 – 90 days	40,610	50,449	23,837	31,475
More than 90 days	1,636,616	797,892	841,692	716,250
	1,757,774	1,146,251	923,772	999,957

12. Cash and cash equivalents

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash at bank and short-term deposits	887,938	604,472	435,304	284,896
Bank overdraft (unsecured)	(8,595)	(8,657)	-	(8,657)
	879,343	595,815	435,304	276,239

(i) Bank overdraft balances resulted from unpresented cheques.

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

13. Capital reserve

(a) This comprises:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Surplus on revaluation of property, plant and equipment:				
In prior years	7,963,025	7,604,695	6,576,586	6,218,256
In current year:				
Land and building	125,043	379,834	122,618	379,834
Deferred tax written back/(charge)	250,315	(21,504)	250,315	(21,504)
Eliminated on disposal of subsidiary	(5,714)	-	-	-
	8,332,669	7,963,025	6,949,519	6,576,586
Deduct:				
Transfer to revenue reserve in respect of exchange losses on foreign currency loans utilized for erecting and/or acquiring the assets revalued in prior years	(17,869)	(17,869)	(17,869)	(17,869)
Transfer to revenue reserve in respect of assets sold in prior years	(501,610)	(501,610)	(201,237)	(201,237)
Transfer to revenue reserve in respect of gains realised through depreciation charges against income:				
In prior years	(269,712)	(271,983)	(540,983)	(540,983)
In current year	20,616	2,271	-	-
	(249,096)	(269,712)	(540,983)	(540,983)
	7,564,094	7,173,834	6,189,430	5,816,497

14. General reserve

During 1998, the board of directors of the corporation made a decision to establish a reserve account for the purpose of funding projects approved by the Government of Jamaica from time to time.

The interest earned on a fixed deposit, which was established from the proceeds of the sale of a hotel property, was transferred to a general reserve.

15. Revenue reserve

This comprises:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Increase in fair value of investment properties	27,870,387	22,477,805	25,793,378	20,255,345
Net foreign exchange gains	662,443	729,883	342,258	410,089
Other profits	3,775,167	5,116,991	2,349,500	2,867,409
	32,307,997	28,324,679	28,485,136	23,532,843
Negative goodwill on acquisition of subsidiaries	33,616	33,616	-	-
Impairment on advances to associates	1,261	1,261	1,261	1,261
	32,342,874	28,359,556	28,486,397	23,534,104

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

16. Non-controlling interests

Minority interests are in respect of shares in the following subsidiary companies:

	Ownership interest %	2013 $'000	2012 $'000
Shares:			
Kingston Waterfront Hotel Company Limited	5	334	335
Montego Freeport Limited	18	50,676	50,676
		51,010	51,011
Share of capital reserve		184,104	179,047
		235,114	230,058
Add: - Share of profits in subsidiary companies attributable to non-controlling interests		18,421	17,330
		253,535	247,388

17. Provision for future infrastructure cost on land sold

	The group and corporation 2013 $'000	2012 $'000
At beginning of year	416,536	249,017
Increase/(reduction) in provision	(64,279)	167,519
At end of year	352,257	416,536

18. Deferred taxation

(a) Deferred tax asset:

	The group 2013 $'000	2012 $'000
Property, plant and equipment	-	3
Revaluation of investment properties	-	(9,839)
Accounts payable	-	3
Interest receivable	-	(262)
Tax losses	-	18,524
Unrealised foreign exchange gains	-	(47)
	-	8,382

(b) Deferred tax liabilities:

	The group 2013 $'000	2012 $'000	The corporation 2013 $'000	2012 $'000
Revaluation of investment properties	(267,394)	(1,514,302)	-	(1,163,434)
Revaluation surplus – Buildings	-	(250,315)	-	(250,315)
Employee benefits asset	(137,097)	(176,909)	(132,096)	(167,823)
Interest receivable	(4,729)	(3,046)	(279)	(139)
Property, plant and equipment	111,550	396,567	111,550	407,860
Foreign exchange differences	(940)	222	(583)	-
Tax losses	64,293	942,237	-	869,614
Accounts payable	17,783	23,715	17,783	22,793
Other	(1,128)	4,600	3,625	4,600
	(217,662)	(577,231)	-	(276,844)

18. Deferred taxation (cont'd)

(c) Deferred taxation recognised in profit or loss is as follows:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Revaluation of investment properties	(1,244,454)	202,285	(1,163,434)	196,968
Revaluation surplus on buildings	-	3	-	-
Employee benefits asset	(39,812)	12,255	(35,727)	11,267
Interest receivable	1,683	1,380	140	139
Foreign exchange differences	1,162	(88)	583	-
Property, plant and equipment	285,017	18,342	296,310	16,345
Accounts payable	5,932	1,431	5,010	(861)
Tax losses	877,944	(693,881)	869,614	(677,829)
Other	(5,166)	143,061	975	143,061
	(117,694)	(315,212)	(26,529)	(310,910)

(d) Deferred tax recognised in other comprehensive income:

Revaluation surplus on buildings	247,861	(21,504)	250,315	(21,504)

19. Long-term loans

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Development Bank of Jamaica (principal) (a)	191,936	162,488	191,936	162,488
PetroCaribe Development Fund (b)	939,995	482,469	939,995	482,469
	1,131,931	644,957	1,131,931	644,957
Redeemable preference shares (c)	533	533	-	-
	1,132,464	645,490	1,131,931	644,957
Less: Current portion	(1,131,931)	-	(1,131,931)	-
	533	645,490	-	644,957

(a) The corporation obtained from the Development Bank of Jamaica Limited, a line of credit in the amount of $1,000 million of which $192 million (2012: $162 million), net of repayments and accrued interest capitalised, has been drawn down as at the reporting date. The loan carries a variable rate of interest of 7.75% per annum. During the year, the repayment dates by which both principal and interest are scheduled to be repaid was amended to December 31, 2013.

The loan is secured by duly executed promissory notes together with specific securities as follows:

(i) Hypothecation of shares in company to be divested (Bloody Bay Development Limited) valued at approximately J$2,500 million.

(ii) Assignment of additional security (including first mortgage on lands) to maintain a security coverage loan ratio of 1.6:1.

(iii) First mortgage on property known as "Room on the Beach" located in St. Ann and registered at Volume 1104, Folio 890 and Volume 1220, Folio 833 of the Register Book of Titles.

(b) An amount of US$9,600,000 (2012: US$5,595,000) was drawn down under a US$11,000,000 loan facility obtained by the corporation from the Petrocaribe Development Fund to develop the Falmouth Cruise Terminal to accommodate large cruise ships. The loan attracts interest at a rate of 3% per annum and is scheduled to be repaid in December 2013. The loan is secured by duly executed promissory notes, together with a specific security, which is the registered mortgage on property known as "Top Forte" located in St. Ann registered at Volume 1445 and Folio 450 in the Register Book of Titles.

19. Long-term loans (cont'd)

(b) (Cont'd)

Subsequent to the reporting date, the parties to the loan agreed that the loan principal shall be repayable over a period of five (5) years by nineteen (19) equal quarterly instalments commencing March 31, 2014, and final bullet payment at maturity on December 30, 2018. The interest rate and security remain unchanged.

(c) This balance represents 10% redeemable convertible cumulative preference shares held by a subsidiary. At March 31, 2013, there were arrears of cumulative preference dividends amounting to $1.2 million (2012: $1.2 million). No provision has been made for this amount.

20. Deferred income

	The group	
	2013	2012
	$'000	$'000
Balance at the beginning of the year	48,349	52,270
Less: Amount recognised in income	(5,876)	(3,921)
Foreign exchange adjustment	6,005	-
	48,478	48,349
Less: Current portion (included accounts payable)	(5,876)	(5,227)
	42,602	43,122

Under a management agreement, dated January 14, 2011, SMG Latin America, LLC, is required to make an interest free advance to a subsidiary, which is only refundable if the contract is terminated. The contract is for 10 years and the amount refundable is in proportion to the period remaining on the contract at the time of termination. The amount is therefore being amortised over a ten year period.

21. Due to regional companies

Ministry Paper dated February 27, 1968 stated that the regional companies mentioned below were incorporated to initiate primary development in their respective areas pending the establishment of the Group by Act of Parliament. It is intended that these companies should operate as wholly-owned regional agents of the corporation.

The regional companies are Kingston Waterfront Redevelopment Company Limited and St. Ann Development Company Limited.

22. Accounts payable and other liabilities

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade payables	373,419	306,825	260,644	193,877
Contract payables and retentions (a)	6,595	9,610	6,595	9,610
Deposits on sale of real estate	1,043,745	1,077,443	407,569	602,548
Accruals	225,169	109,932	108,926	23,791
Amounts to be disbursed on specific projects (b)	763,457	646,664	763,457	646,664
Others	618,086	448,440	509,876	336,721
	3,030,471	2,598,914	2,057,067	1,813,211

(a) Contractors' levy of 2% of gross amount paid to contractor are deducted and remitted to the tax collectorate. Penalty of 25% per annum of the levy based on the number of days outstanding is applicable if amounts are not remitted on the 14th day of the following month.

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

22. Accounts payable and other liabilities (cont'd)

(c) Amounts are disbursed to contractors on specific projects once a certificate of completion is submitted and the percentage of completion is verified. Retention amounts deducted are generally held for a period of six (6) months. No interest is charged on these amounts.

23. Operating revenue

The group's and the corporation's revenue arises materially from project and other management fees, ticket sales, hotel operation, real estate sales and lease of properties.

24. Dividends

One of the subsidiaries at its Board of Directors meeting dated March 12, 2013, approved the payment of a dividend of $919,008,000 to shareholders on record at that date.

25. Disclosure of expenses/(income)

(a) Impairment losses:

These arise on account of:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Investment properties (see note 4)	9,923	-	9,923	-
Inventory of land and development projects (see note 9)	16,337	692,928	16,337	692,928
Accounts receivable	207,277	-	210,968	63,365
Due from related parties	-	-	347,535	227,930
	233,537	692,928	584,763	984,223

(b) Profit before taxation is stated after charging/(crediting):

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Audit fees	21,970	18,677	9,305	9,273
Depreciation	201,058	72,681	191,681	63,294
Directors fees	3,953	3,435	2,910	3,344
Employee benefit costs (note 28)	1,095,270	960,385	941,587	927,584
Management fees-related parties	-	-	(57,057)	(46,435)
Gain/(loss) on disposal of property, plant and equipment and investment property	(34,987)	(14,943)	(34,987)	(14,909)

26. Taxation

(a) Taxation represents profit/loss for the year adjusted for tax purposes and materially represents income tax @ 33⅓%, comprising the following:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current tax expense:				
Current year charge @ 25% (2012: 33½%)	9,547	5,078	-	-
Deferred taxation:				
Origination and reversal of other temporary differences (note 18)	(117,694)	(315,212)	(26,529)	(310,910)
	(108,147)	(310,134)	(26,529)	(310,910)

(b) Reconciliation of effective tax charge:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Profit before taxation	3,960,404	790,359	4,925,764	696,488
Computed "expected" tax expense at statutory rates @ 25% (2012: 33½%)	990,101	263,189	1,231,441	232,163
Tax effect of differences between profit for financial statements and tax reporting purposes on:				
Fair value gains on investment properties	(1,348,145)	(975,684)	(1,384,508)	(938,187)
Other items non-deductible for tax purposes	249,897	402,361	126,538	395,114
Actual tax credit recognised in profit or loss	(108,147)	(310,134)	(26,529)	(310,910)

(c) Taxation losses, subject to agreement with Taxpayer Administration Jamaica, available for relief against future taxable profits, amount to approximately $3,707.7 million (2012: $3,357.9 million) for the group and $2,423 million (2012: $2,609 million) for the corporation. If unutilised, these can be carried forward indefinitely.

(d) Effective January 1, 2013, the corporate income tax for unregulated companies was reduced from 33½% to 25%, which has been applied in computing the income and deferred tax at the reporting date.

(e) Deferred tax asset of $912 million for the group and $591 million for the corporation has not been recognised in respect of tax losses, as there is no certainty that the group and corporation will make profits against which the losses can be utilized in the foreseeable future.

27. Related party transactions

In addition to balances disclosed in notes 5, 6, and 7, the group had transactions with related parties as follows:

(i) Key management:

The remuneration of directors and other members of key management (not disclosed elsewhere) during the year was as follows:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Short term benefits	76,977	79,588	66,660	72,280

(ii) The corporation performed certain administrative services for the following subsidiaries for which fees were earned:

	The corporation	
	2013	2012
	$'000	$'000
Runaway Bay Water Company Limited	73,593	24,000
Ocho Rios Commercial Centre Limited	7,000	7,000
National Hotels and Properties Limited	-	25,500
	80,593	56,500

28. Employee and related expenses

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Staff costs incurred during the year in respect of employees were:				
Senior executives emoluments	80,248	73,280	66,660	73,280
Salaries and wages	820,806	706,397	682,203	674,967
Pension contributions [note 8(e)]	(3,059)	(19,963)	(2,753)	(19,275)
Statutory contributions	101,922	107,836	101,344	107,243
Other	95,353	92,835	94,133	91,369
	1,095,270	960,385	941,587	927,584

29. Financial instruments

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

(a) Financial risk management:

The group has exposure to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

The group has financial risk management policies which are directed by the Board of Directors of the corporation. These policies set out the parent corporation's overall business strategies and its risk management philosophy. The financial risk management programme seeks to minimize potential adverse effects of financial performance of the corporation. The Board of Directors of the parent corporation provides principles for overall financial risk management and policies covering specific areas, such as market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. Periodic reviews are undertaken to ensure that the policy guidelines are complied with.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's principal financial assets are cash and cash equivalents, and trade receivables.

Management of credit risk

The credit risk relating to cash and cash equivalents is mitigated by the maintenance of deposits only with reputable financial institutions who are appropriately licensed and regulated with minimal risk of default.

The group's credit risk are primarily attributable to its trade receivables, since amounts advanced on specific projects are receivable from funds received from the Government of Jamaica and mobilization advances are receivable from amounts payable to contractors. Trade receivables presented in the statement of financial position are net of impairment losses. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The group's risk regarding advances to specific projects and mobilization advances are limited because the group's primary customers are government-owned entities.

29. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(i) Credit risk (cont'd):

Management of credit risk (cont'd)

In determining the recoverability of other trade receivables, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the group believes that there is no further credit provision required in excess of the impairment allowance already made.

The average credit period on the sale of lands or rentals is 30 days. Interest at a rate of 20% per annum is charged on outstanding amounts effective on the date payment was due. The group has fully provided for all receivables 91 days and over, because historical experience is such that receivables that are past due 91 days and beyond are generally not recoverable.

Based on the nature of the group's business no credit checks are performed for individuals purchasing houses/land.

Maximum exposure to credit risk

The group's maximum exposure to credit risk at the reporting date is represented by the carrying value of the financial assets in the statement of financial position.

(ii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

- Foreign currency risk:

  Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

  The group is exposed to foreign currency risk as a result of transactions that are denominated in a currency other than the Jamaica dollar. The primary currency giving rise to such exposure is the United States dollar.

29. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Market risk (cont'd):

- Foreign currency risk (cont'd):

Management of foreign currency risk

The group manages foreign currency risk by ensuring that the exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. Management further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

At the reporting date, the group's exposure to foreign currency risk was as follows:

	The group		The corporation	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Net foreign currency exposure	(14,338)	(7,821)	(9,475)	(5,415)

Foreign currency sensitivity

A 2% (2012: 2%) change in the United States dollar against the Jamaican dollar at the reporting date, would have affected profit or loss for the year by the amounts show below.

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Effect on profit	28,332	9,414	18,723	9,414

This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2012.

Exchange rates for the Jamaica dollar in terms of the US dollar were as follows:

At March 31, 2013:	98.8
At March 31, 2012:	86.93

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

29. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Market risk (cont'd):

- Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rate on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Management of interest rate risk

The group is exposed to interest rate risk through borrowings and deposits held at fixed and variable rates. The group manages this risk by ensuring that an appropriate mix is maintained. Additionally, the risk position is evaluated regularly.

At the reporting date, the interest profile of the group's interest-bearing financial instruments as represented by their carrying amounts was as follows:

	The group		The corporation	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Financial assets	887,938	601,894	435,304	276,239
Financial liabilities	(1,131,931)	(645,490)	(1,131,931)	(644,957)
Net financial asset/liability	(243,993)	(43,596)	(696,627)	(368,718)

Cash flow sensitivity analysis for variable rate instruments

A change of 2 (2012: 2) basis points in interest rates would have affected profit or loss for the year by $4.9 million (2012: $0.871 million) for the group and $13.9 million (2012: $7.3 million) for the corporation. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis assumes that all other variables in particular foreign currency rate, remain constant. The analysis is done on the same basis as for 2012.

Fair value sensitivity analysis for fixed rate instruments

The group does not carry any financial instruments at fair value, therefore a change in interest rates would not affect the value of the group's financial instruments.

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2013

29. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash resources to meet the group's financial needs.

Management of liquidity risk

The group's liquidity risk management process includes:

(a) Monitoring future cash flows and liquidity regularly. This incorporates an assessment of expected cash flows through forecasting on a monthly basis; and

(b) Preparation of an annual budget which is reviewed and approved by the Board of Directors of the corporation.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the group and its exposure to changes in interest rates and exchange rates.

Undiscounted cash flows of financial liabilities

The maturity profile of the group's financial liabilities at the reporting date based on contractual undiscounted payments was as follows:

	The group			
	2013			
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Long-term loans	-	1,131,931	-	1,131,931
Due to regional companies	111,176	-	-	111,176
Accounts payable and other liabilities	3,030,471	-	-	3,030,471
	3,141,647	1,131,931	-	4,273,578

	2012			
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Long-term loans	-	-	645,490	645,490
Due to regional companies	112,998	-	-	112,998
Accounts payable and other liabilities	2,598,914	-	-	2,598,914
	2,711,912	-	645,490	3,357,402

29. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(iii) Liquidity risk (cont'd)

	The corporation			
	2013			
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Long-term loans	-	1,131,931	-	1,131,931
Due to subsidiaries	-	-	492,042	492,042
Due to regional companies	111,176	-	-	111,176
Accounts payable and other liabilities	2,057,067	-	-	2,057,067
	2,168,243	1,131,931	492,042	3,792,216

	2012			
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Long-term loans	-	-	644,957	644,957
Due to regional companies	112,998	-	-	112,998
Due to subsidiaries	-	-	1,470,106	1,470,106
Accounts payable and other liabilities	1,813,211	-	-	1,813,211
	1,926,209	-	2,115,063	4,041,272

(b) Fair value disclosures:

The fair value of cash and cash equivalents, accounts receivable, accounts payable and other liabilities and due to regional companies is assumed to approximate to their carrying value, due to their short-term nature.

The fair value of due from/to related parties and subsidiaries is assumed to approximate their carrying value due to the ability to effect set-offs in the amounts due.

The fair value of long-term loans is assumed to approximate fair value as the loans are at market rates and terms.

(c) Capital management:

Management objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for its stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the group's approach to capital management during the year and the group is not subject to any external capital requirements.

30. Commitments and contingencies

(a) At March 31, 2013, management estimates aggregate cost of $ million (2012: $294 million) to complete approved and initiated projects for the group and the corporation.

(b) The group and the corporation are contingently liable in respect of legal claims arising in the ordinary course of business. These claims are at various stages of conclusion. To the extent that recommendations have been made by the attorneys, adequate provision has been made in these financial statements for these contingencies. Where the outcome cannot be reliably estimated, or where the group and the corporation are confident in its defence, no provision is made in these financial statements.

31. Operating lease arrangements

At the reporting date, the group and the corporation had contracts with tenants for the following future minimum lease payments receivable as follows:

	Group and corporation	
	2013	2012
	$'000	$'000
Within one year	434,976	395,433
In subsequent years	2,220,596	2,018,723
	2,655,572	2,414,156

32. Subsequent events

The Government of Jamaica has enacted new tax measures to change the tax incentives regimes applicable to various industries, effective January 1, 2014. The entities in the group are unregulated entities and the major applicable changes are set out below:

- The corporate income tax rate for all unregulated entities will be 25%;
- Tax losses may still be carried forward indefinitely; however, the amount that can be utilised in any one year is restricted to 50% of chargeable income for that year;
- Businesses that are tax compliant with respect to statutory contributions (both employer and employee portions) are now able to claim such statutory contributions paid as a credit against up to 30% of their income tax liability. Unused employment tax credit (ETC) cannot be carried forward or refunded and some or all of the ETC claimed may be clawed back out of future distributions to shareholders;
- The maximum capital allowances on private motor vehicles, which were previously limited to J$3,200 per vehicle, has increased to a maximum of the Jamaican dollar equivalent of US$35,000 per vehicle; and
- Capital expenditures on the construction, alteration or renovation of a building will continue to attract an initial allowance; however, no initial allowance will be allowed on capital expenditures related to the purchase of a building. Annual allowances continue to be available.

Head Office:

12 Ocean Boulevard, Kingston Mall, Jamaica W.I. Telephone: (876) 656-8031 Telefax: (876) 922-9326 Email: info@udcja.com

Branch Offices:

Montego Bay: 42 Fort Street, Telephone: (876) 656-9290 Telefax: (876) 871-7001 Email: udcmobay@udcja.com

Ocho Rios: Ocean Village Shopping Centre, Telephone: (876) 656-9022 Telefax: (876) 974-2731 Email: sadco@udcja.com

Negril: Norman Manley Boulevard, Telephone: (876) 957-5260/3159 Telefax: (876) 957-9830 Email: udcnegril@udcja.com

Falmouth: 4 Rodney Street, Telephone: (876) 617-0712/954-5605 Telefax: (876) 954-4960 Email: falmouth@udcja.com

Website: www.udcja.com

For further information, please visit us on