URBAN DEVELOPMENT CORPORATION

ANNUAL REPORT
2011 - 2012

Making development happen...

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Cover Photo: Montego Bay Convention Centre

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.

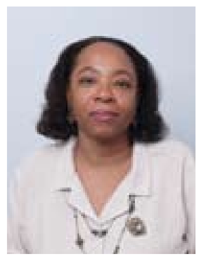
The Corporate Mission Statement

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

Wayne Chen
Chairman

Kathryn M. Phipps
Deputy Chairman



Joy Douglas
General Manager
(April-October 2011)

Desmond Young
Acting General Manager
October 2011 - March 2012

Cleo Taylor

Vivion Scully

Anthony Walker

Michael Subratie

Daniella Gentles

Sonia Mitchell

Lennox Elvy

Robert Russell

Ann-Marie Rhoden

Mayor Desmond McKenzie

Michael Ammar Jr.

Chairman's Report

The Hon. Senator K.D. Knight, OJ, QC

The 2011/12 fiscal year was one which saw several changes on the national landscape. One such was the change in leadership at the prime ministerial level, with three incumbents during the one year.

This impacted the Urban Development Corporation (UDC) which has direct reporting responsibility into the Office of the Prime Minister. Prime Minister Bruce Golding demitted office in October 2011 and was succeeded by Prime Minister Andrew Holness, who held office until December 2011. General Elections held in the year, saw Prime Minister, The Most Honourable Portia Simpson Miller installed as Prime Minister and therefore Portfolio Minister for the UDC.

Mirroring the changes at the national level, the Wayne Chen led Board demitted office in December 2011. At the operational level as well, the Corporation separated from General Manager Joy Douglas on October 2, 2011, and she was replaced by Acting General Manager, Desmond Young on October 21, 2011.

These changes were taking place against the background of challenges of liquidity management and optimizing of assets to generate revenue, carried forward from the previous financial year. We saw where the Corporation sought to reduce its dependence on income earned from project management fees from large Government of Jamaica (GOJ) projects and to increase its reliance more so on the revenue generated from investments in its own assets.

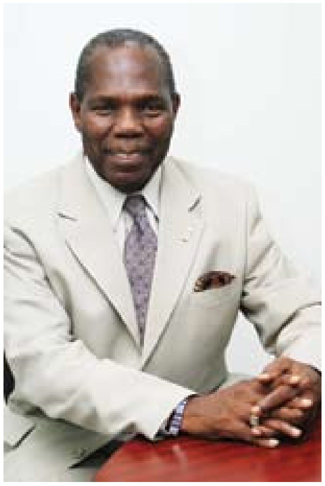
In tandem with the focus on liquidity management and revenue generation some attention was brought to bear on the area of cost containment.

I was honoured to be appointed Chairman of the Board of the UDC in February 2012. The full Board was however not constituted before the end of the financial year.

A review of the financial performance reveals that the Corporation started the year with an asset base of J$32.4B and ended the year with total assets J$34.6B equaled by total equity and liability $34.6B. The UDC recorded operating losses of $1,128B up from $987M of the previous year.

I present the Annual Report for the financial year 2011/12, based on the records seen.

Chairman



Desmond L. Malcolm, PE, J.P.

General Manager's Report

The Urban Development Corporation for the 2011/12 financial year continued operations within the context of a three year strategic plan, implementation of which commenced the previous year. The philosophy undergirding the plan was to refocus on the Corporation's core mandate of developing "unused resources which lie in proximity to urban areas or which can be developed into urban areas so as to stimulate development.

To this end, operations for the 2011-12 year were guided by the following corporate objectives:

I. To assure the financial viability and solvency of the Corporation
II. To improve Business/Operational efficiencies
III. To maximize and align the talent of the UDC with new structure and redefine the UDC
IV. To return the Corporation to its core functions as defined by the UDC Act
V. To improve service provided to our customers
VI. To maximize UDC's social impact and contribution to national development

To further streamline the operations and allow for objective performance measures, the objectives were allocated within the perspectives of – Financial, Internal Business, Learning and Growth, and Customer. The operations were guided by a General Manager along with seven Deputy General Managers with portfolio responsibility for –

- Development Planning and Management
- Corporate Security and Facilities Management
- Human Resource Management and Administration
- Finance, Treasury and Investments
- Economic Development and Corporate Relations
- Legal Services
- Strategic Management and Special Projects

A staff complement in excess of 1000 across the group, supported the programmes and activities for the period under review, with approximately 700 of this number assigned to the Head Office. The Corporation sought to strategically leverage its asset base and engage interest through vehicles such as REIT and IPOs in the alignment of divisional to the corporate objectives.

The report on the Corporation which follows here on, provides an assessment on the strategies employed to achieve the stated objectives as well as an indication on how successful these were. In short whether the Corporation succeeded in achieving the plan laid out at the start of the financial year.

General Manager

Strategic Management and Special Projects

The Corporate Plan and budget for 11/12 year was submitted to the Office of the Prime Minister (OPM) and the Ministry of Finance on February 1, 2011. The plan which is the yardstick against which the performance of the Corporation would be assessed, was launched internally in June 2011 under the theme RACE (Renewing Action Commitment and Energy) for Sustainability.

This launch was intended to focus attention on, and encourage buy in for the corporate objectives. The goal was to achieve an overall performance rating of 90%, however 60% only was achieved.

It should be noted that a Procurement Plan and budget was developed for the first time by the Corporation as an accompaniment to the Corporate Plan.

In tandem with the plan was the creation and implementation of an enterprise risk management system, which allowed for the identification and analyses of key risks in the context of the likelihood and severity of losses and the attendant mitigating actions.

As part of these activities, quarterly and annual performance reviews were undertaken of the UDC, its subsidiaries and associate companies. Additionally monthly operational reports were formulated to track the progress of strategic initiatives across the group. All reports were submitted to the portfolio Ministry and the Ministry of Finance.

Financial Solvency

The Corporation commenced the 11/12 year with an operating loss of $987M, assuring the financial viability and solvency of the Corporation, was therefore critical to its continued existence. This was approached firstly from the perspective of increasing current revenue streams and secondly identifying and operationalizing new revenue streams. Having identified this strategy, attention was turned to Dunn's River Falls and Park which generates a significant percentage of the Corporation's revenue, where consideration was given to increasing the non-residential entry fee. Implementation of this saw a movement in net revenue by $328M over the previous year. This was supported by increased marketing of the facility.

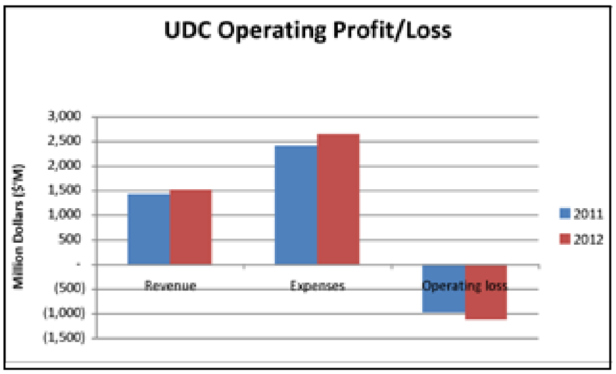
Marketing of other UDC owned or operated attractions was also undertaken in support of this objective of increasing revenue. The sustained visibility of the brand was achieved through judicious spending and strategic alliances, which saw the Corporation making its facilities available for several events, wherein value of the rental cost was converted to sponsorship.

Operationally, the Corporation established a cross functional team to identify areas where costs could be contained through improved efficiencies as well optimizing revenue from what could be considered underperforming assets. As a consequence utility usage, centralized procurement, workflow process improvement and automation were some of the processes and activities assessed to curtail expenditure. One such outcome was the development of a risk management framework, that would allow the Corporation to begin the process of identifying its exposure and the consequent implementation of strategies to mitigate same. Other measures, including the rationalization of accommodation and travel expenses were reviewed.

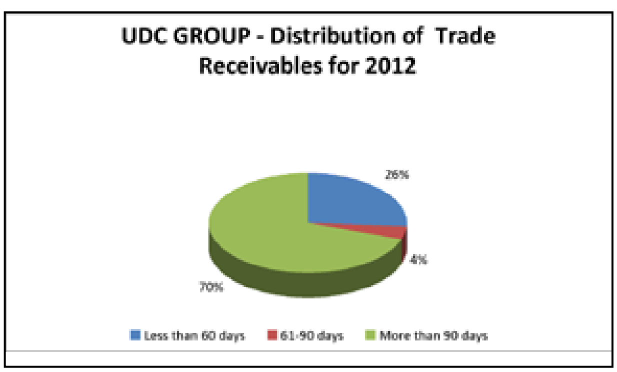
As it relates to new revenue streams, focus was placed on exploring the development of projects which could attract grant and low cost funding available on the international market. The Corporation also hired out its technical services.

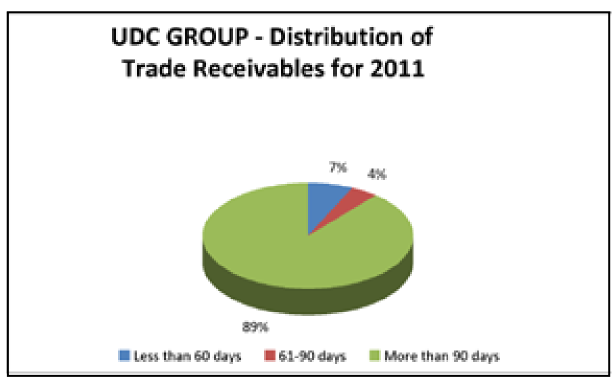
In order to enhance the experience at Dunn's River and diversify the earning stream, plans commenced for a Central Gardens, a logo and gift shop, as well as the service kiosks at the beach level.

The Corporation at the end of the financial year recorded increased operating losses which moved to $1,128M as shown in table below:



A review of the aging trade receivables also showed where funds owed to the UDC group moved from $8,93.64M to $1,167.45M. Of note, the significant portion of the indebtedness was outstanding for more than 90 days, all impacting the financial well being of the Corporation.





Development Planning and Management

In the area of development planning and management, the Corporation maintained a presence in the five development areas of downtown Kingston, Montego Bay, Ocho Rios, Caymanas and Falmouth.

In **Kingston** Projects included, work in the Market District, where creation of container malls commenced at Chapel Lane. Renovation work was carried out on the Coronation Market, a collaborative effort with Digicel and the Kingston and St. Andrew Corporation (KSAC). UDC undertook the electrical upgrading component of the project.Work was also carried out on the bus and van market. The Kingston Craft Market located at Port Royal Street and Ocean Boulevard underwent renovation.

Coronation Market

Construction also continued on the Simon Bolivar Cultural Centre at North Parade, the product of bilateral collaboration between the Governments of the Bolivarian Republic of Venezuela and Jamaica. The multicultural centre is intented to commemorate Bolivar's stay on Princess Street in downtown Kingston in 1835.

Simon Bolivar during construction

The Corporation embarked on a Downtown Kingston Housing Pilot project in select areas utilising the model of the yard transformation, which was to be achieved one house at a time. The pilot was implemented in Chestnut Lane and Hanover Street as an indication of the possibilities of the programme.

Hanover Street unit

Li Zhimin (2nd left), President of China National Complete Plant Import and Export Corporation (COMPLANT) presents the keys for the Montego Bay Convention Centre to then Prime Minister Bruce Golding while Su Zhong, Deputy Governor (l), EXIM Bank of China, and Joy Douglas (2nd right), then UDC General Manger share in the moment.

In **Montego Bay**, additional works were carried out on the Old Hospital Park on Gloucester Avenue, which had been completed and handed over the previous year.

The Montego Bay Convention Centre was formally handed over to the UDC by construction firm, China National Complete Plant Import and Export Corporation (COMPLANT) at a luncheon held at the centre in April.

Montego Bay Sports Complex won for the UDC, recognition for engineering achievements from the Jamaica Institution of Engineers, in November 2011. The complex was officially opened in June 2010 following on the completion of its phased development at a total cost of $21M funded by the Government of Jamaica and the Bank of Economic and Social Development (BANDES) under the San Jose Accord with the Government of Venezuela.

The first draft of Development and City Management Plan and Development Guidelines, was completed for Montego Bay.

In **St. Catherine**, restoration works continued on Emancipation Square, as part of a $19.8M contract which started the previous year.

The Corporation also closed out several chronic incomplete projects which had been on the books for an extended period. These included Oracabessa Cruise Ship deep water pier, Catherine Hall housing and the May Pen Hospital.

Environmental Activities

Environmental monitoring and management were undertaken for the facilities and attractions owned and operated by the Corporation including Dunn's River Falls, Reach Falls, Fort Clarence Beach, Long Bay Beach Parks and Two Sisters Caves inter alia. New beach licences were acquired from the National Environment and Planning Agency (NEPA) for Pearly Beach and the sewage outfall pipe at Dunn's River. In addition a new environmental licence was acquired for the sewage treatment plant at Green Grotto Caves, bringing to 17 the number of facilities being monitored by the Corporation's Natural Resources Management and Environmental Planning Department (NRMEPD). The activities included monthly and quarterly monitoring at these facilities and preparing and submitting the required reports to the regulatory agency. These monitoring activities were conducted at an approximate cost of J$3,500,000.

Environmental education remained high on the Corporation's priority list during the financial year and included commemoration of World Wetlands Day (February 2), International Biodiversity Day (May 22) and National Tree Planting Day (October 2). The flag ship Schools Enviro Competition was staged with Central Branch Infant copping first place for Infant category, with a project on Water Conservation. St. Jago Cathedral Prep School emerged winners in their category, for a project on hydroponics. In the Secondary category, Linstead Primary and Junior High copped the top prize for 'Husky Business', a project utilizing the coconut. Aimed at promoting enviro friendly practices in our young, the top schools in the competition received prizes of $20,000 each and the UDC trophy.

The UDC threw its environmental support behind the Lionfish campaign which sought to sensitise fisher folks and food industry players, on the handling and consumption of the fish. These efforts were geared at reducing the population of this predator in the Jamaican waters.

UDC Schools Enviro Competition Fair

Removal of debris during clean up of Hellshire Beach, September 2011

Lionfish sensitization for UDC staff

Information Technology

The Corporation's information technology activities were marked by the second year of an implementation strategy, centred on the primary objectives; of the modernization of business processes and the provision of a secure and robust infrastructure.

Consequently, the Corporation achieved:

- Procurement of co-location services (offsite data centre)
  This was established at Digicel's data centre in Caymanas. The data backup structure has allowed for daily, weekly and monthly backup of the Corporation's data.

- Completion of IS Business Continuity Plan
  An analysis of the Corporation's structure was completed and a plan developed to ensure continuity of the business in the event of a disaster.

- Strengthening of WAN link
  Virtual Local Area Network (VLAN) services were procured from Columbus Communication to strengthen the communication link between Head Office and its subsidiaries. This has resulted in improved performance of applications at the remote offices.

- Uptime for website and major internal systems
  The website and all major systems were monitored consistently and maintained an uptime of 100%, exceeding the 98% benchmark set.

- Upgrade of network infrastructure
  Services were procured to upgrade the network wiring at St. Ann Development Company (SADCo.) and the Ocho Rios Commercial Centre (ORCC).

Despite the achievements in this area, activities were impacted by limited financial and human resources

UDC in the Community

High level communication and community integration plans were prepared for the development areas. To this end the Corporation participated in several activities aimed at forging stronger relationships with the various stakeholders even as it sought to promote the work of the UDC and the opportunities for partnerships.

One event was the UDC/Scotia Investment Seminar which was held at the Jamaica Conference Centre in September 2011. The forum sought to highlight investment opportunities and brought together opportunities and investors. This initiative was well received, however the full benefits were not realized, as activities, external and internal, necessitated a shift in focus.

Participants at the Investment Seminar

The Corporation also participated in several expos inclusive of the Montego Bay Expo held in October at the Montego Bay Convention Centre (MBCC), the Scientific Research Council Fair at Emancipation Park in November. Also in November, the UDC collaborated with Junior Achievers to host their second Company of Entrepreneurs Business Forum at the JCC. Again these activities were used to showcase the work of the UDC and its attractions portfolio.

In keeping with its corporate social responsibility, the Corporation hosted approximately 1000 youngsters from childcare and protective institutions to a day of fun at Fort Clarence Beach, under its annual Hellshire Summer Fun Programme. The event was held in July and received sponsorship from several public and private sector companies.

The Corporation supported the police in their efforts to monitor our coastlines, primarily that of Ocho Rios and Falmouth, by handing over four jet skis valued at $8.6M, to the Jamaica Constabulary Force on November 2011. The project was a collaborative one with Port Authorty of Jamaica.

Former Commissioner Owen Ellington tests one of the jetskis

The annual Carol Service was staged with the usual support from several choirs and chorales from downtown Kingston. This incorporated the traditional tree lighting ceremony in Orange Park adjacent to the UDC Office.

UDC Chorale in Proformance

The UDC closed out the 2011 calendar year and ushered in 2012 with Fireworks on the Waterfront on December 31. The family event drew thousands to the downtown Kingston location, and an even larger audience who watched from vantage points around the island or from the comfort of their homes as the event was televised.

Internal Business

Internally, focus was placed on employee engagement with a campaign themed - inspire, renew, commit - to elicit staff buy in and partnership for the programme and activities of the Corporation. This was conducted against the backdrop of continuing organizational changes which impacted the morale of staff and their engagement in the business processes.

The Corporation in partnership with the Public Sector Employee Assistance Programme provided counseling sessions for the team as part of a change management programme, as the UDC pursued the realignment of its organizational structure.

The UDC as it sought to reiterate the importance of the customer to any successful operations, commenced training in March of the Customer Service Champions, identified across the group. This group was expected to assess the customer service needs and to aid the process in addressing any gaps identified.

As the Corporation sought to strengthen its channels of communication with stakeholders, a new corporate website developed by the Jamaica Information Service, was launched during the year. At the same time, attention was turned to the emerging social media as a credible form of business communication, with greater utilization of a Facebook page and a twitter account, created in January 2011.

Corporate Security and Facilities Management

In the area of Corporate security and facilities management, the Corporation developed an audit schedule and a criteria evaluation checklist, that facilitated half yearly audits on all locations covered by contracted security.

To further improve the security of the Corporation's properties, several activities were undertaken to include the posting of static guards, the conducting of island wide patrols and the posting of proper signage where required. Informal settlers were also removed from UDC properties to safeguard for future developments.

Environmental security also came in for attention, where cross training involing 14 security officers was conducted to equip them to undertake duties of environmental wardens, particularly in the eco rich Hellsire Hills.

As it relates to the preservation of its fleet of vehicles, a maintenance schedule was created, in an effort to keep the fleet in optimum condition. As a preventative strategy persons were also enrolled in defensive driving courses.

Financial constraints did not allow for the full implementation of planned programme, however improvement activities included –

1. Refurbishing of sections of Fort Clarence Beach.
2. Carrying out repairs to sections of the Jamaica Conference Centre to accommodate

hosting of International Seabed Conference.
3. Rewiring of the National Gallery and African Caribbean Institute.

Subsidiaries and Associate Companies

St Ann Development Company

The St Ann Development Company, an associate company of the Urban Development Corporation has responsibility for the management of the UDC assets located in the parish. The portfolio includes -

- Dunn's River Falls and Park
- Green Grotto Caves and Attractions
- Laughing Water
- The Logo/Souvenir Shop
- Ocho Rios Bay Beach
- Turtle River park
- Craft Markets
- Roaring River Estate

SADCO recorded net gain for the year of Thirty Seven Million Six Hundred and Ten Thousand Eight Hundred and Eighteen Dollars and Thirty Six Cents ($37,610,818.36). This is a positive variance of Twenty Six Million Six Hundred and Seventy Eight Thousand Five Hundred and Seventy Five Dollars and Forty Nine Cents ($26,678,575.49) for the financial year 2011/2012. This was attributable to an increase in management fees from the UDC entities managed and was particularly observable in the 4th quarter of the year which saw an increase of 23% over budget.

In accordance with the above, the UDC entities managed by SADCO showed a positive variance in profit with budget of Two Hundred and Thirty Three Million Six Hundred and Ninety Two Thousand Four Hundred and Seventy Four Dollars and Forty Seven Cents ($233,692,474.47). This positive variance was due to increased income over budget of approximately 21% for the twelve month period, expenditure containment and the revision of the monthly depreciation charges.

	Year to Date Actual	Year to Date Budget	Year to Date Variance
Gross Income	921,504,674.47	760,434,926.87	161,069,747.60
Total Expenses	523,922,544.29	596,545,271.16	72,622,726.87
Net Gain / (Loss)	**397,582,130.18**	**163,889,655.71**	**233,692,474.47**

The main contributing factor for the variance in gross income was the improved performance in ticket sales from Dunn's River and ORBB and the increase in the combo package sales (DRF & Green Grotto) from Royal Caribbean Cruise Lines.

Dunn's River Falls and Park remained the star performer, grossing income of over **$848M**, a net gain of over **$520M** for the 2011/2012 year, generated from the 792,891 entrants to the attraction, a 10% increase over the previous year. The income was bolstered by an increase in the adult non-resident entry fee which became effective on October 1, 2011. This moved from US$15 to US$20 per person.

Receivables

Receivables for the total operations was $73,225,867.07, as detailed below, with the two largest figures relating to the concessionaires from Dunn's River Falls and Park and the apartments. In the case of Dunn's River, $33, 341, 47.19 was owed by the shoe vendors.

Entity	Amount
Dunn's River Craft Market & Concessionaires	47,765,770.49
Pineapple Place Craft Market	2,142,593.45
Ocho Rios Craft Market	1,247,794.00
Ocho Rios Bay Beach	10,169,207.15
Ocho Rios Cruise Ship Pier – Water Supply	8,315,187.98
Ocho Rios Beach Maintenance	3,501,814.00
Roaring River Tour	0.00
Turtle River Park	43,500.00
Apartment Rental	40,000.00
TOTAL	73,225,867.07

Landscape project

In response to the condition of the town of Ocho Rios, SADCO through its Landscape Department started a community project along the access road to the cruise ship port. The team -

- planted a variety of large palm trees, low hedges and ground cover
- lined the centre median with large planters
- repaired curbs and walkways
- painted the curbs with road marking yellow paint

This project contributed greatly to the overall improvement of the entry point to the town from the cruise ship pier, and received positive feedback from the local community.

Contract – Ocho Rios 'Fix-Up'

The contract between the Tourism Product Development Company and St. Ann Development Company Limited for specific works to be undertaken in Ocho Rios, was signed on December 20, 2011. The work commenced in January 2012, but was paused on February 16, to facilitate an evaluation of the overall commitment by the newly appointed Minister of Tourism, Dr. Wykeham McNeil. The work resumed in March 2012.

The overall contract amount was $4,886,042.02, with SADCO having carried out works valued at $ 723,626.00, at the end of the financial year.

Dunn's River Falls and Park

The attraction continued to enjoy popularity among the resident and non –resident visitors. As part of the ongoing improvement to the product the following activities were undertaken -

Sewerage Treatment Plant

Work continued on the Sewerage Treatment plant which achieved approximately 85% completion. At the close of the financial year, procurement of a sewerage pump, required to complete the project was in train.

Central Gardens – Dunn's River Falls & Park

The development of this project has been comprehensively outlined through a complete set of construction and landscape drawings. A business case was also developed, to guide the implementation.

Green Grotto Caves & Attractions

The Green Globe certified Green Grotto Caves and Attraction in Discovery Bay, enjoyed an increase in combo sales from Royal Caribbean through the Falmouth port. There was also an increase in the entrance fee, which moved from J$ 500 and J$ 200 for resident adults and children respectively to J$ 1000 and J$ 500 for resident adults and children.

On the converse there was a reduction in the number of non-combo patrons accessing the attractions. The operations saw a positive variance of $18.6 M, with actual losses of $6.2M against the budgeted $24.4.

	Year to Date	Year to Date	Year to Date
	Actual	Budget	Variance
Gross Income	34,668,571.15	19,913,530.00	14,778,614.26
Total Expenses	40,940,383.89	44,396,856.20	3,844,613.22
Net Gain / (Loss)	(6,271,812.74)	(24,483,326.20)	18,623,227.48

Laughing Waters Property

This continued to be a popular venue for events such as weddings, corporate fun days and beach functions. The villa on the property underwent re-roofing which was completed in December 2011. The SADCo Maintenance Team carried out other refurbishing works on furniture and fixtures in the kitchen and bathrooms, to make the villa more attractive.

Ocho Rios Craft Market

The Craft Market is located adjacent to the Ocho Rios car Park on Main Street.The operations at the market reflected an overall loss of One Million Eight Hundred and Sixty Three Thousand Eight Hundred and Fourteen Dollars and Thirty Two Cents ($1,863,814.32) for the 2011/12 financial year.

Contributing to this fact is the huge water bill which amounted to $459,016.4 for the period, as despite the control mechanisms of the maintenance team, there continued to be reported theft of water from the restrooms.

In addition the account reflected receivables in the amount of $1,247,794

Apartments/Properties

SADCO also manages on behalf of the UDC, several apartments, with one at Fisherman's Point, two at Turtle Towers and five at Sandcastles. Of this total, the Corporation has retained two for its use, another two out for repairs and one, the subject of long term lease. Three of the apartments were therefore available for rental at the end of the financial year.

The Corporation also owns undeveloped land in the parish which is managed by SADCO.

Runaway Bay Water Company

The Runaway Bay Water Company Limited, a wholly owned subsidiary of the UDC, was acquired in 1977. The Company started operations in 1957 from a well in southern Cardiff Hall to supply water to the Cardiff Hall residential Development, the Runaway Bay Golf Course and then Jamaica Jamaica Hotel. The Hotel and most of the lands have since been sold.
A second well was commissioned at Mt. Edgecombe in 1987. The Company extracts, treats and distributes potable water from the two plants, with approximately 80% sold wholesale to the National Water Commission for redistribution to its customers in communities around the Runaway Bay area. The remainder was distributed directly to approximately 350 domestic and 60 commercial customers, inclusive of hotels and villas.

The staff competence in operating a potable water system is being utilized to assist in the production of potable water at other UDC operations at Dunn's River in St. Ann and Caymanas Development Company Ltd. in St. Catherine.

The Company is licensed and regulated by the Office of Utilities Regulation (OUR), Water Resources Authority (WRA) Ministry of Labour (MOL) as a Factory and constantly monitored by The St. Ann Public Health department to ensure quality.

The Company has its share of challenges, which include financing for the modernization and upgrading of plant, machinery, pipelines and storage. Many of these facilities although functional, are over 50 years old.

Summary of the Company's past three (3) years Production and Financial results.

	2009/2010	2010/2011	% Change Over Previous Year	2011/2012	%Change
	M3 Million	M3 Million		M3 Million	Over Previous Year
Production	2,310	2,188	-5.29%	2,027	-7.36%
Sales	2,221	2,093	-5.77%	1,910	-8.75%
UFW	.089	.095	-6.75%	.116	-22.11%
UFW%	3.86%	4.35%	-12.70%	5.77%	-32.65%
	$ Million	$ Million	% Change	$ Million	% Change
Sales	115.3	118.7	2.95%	116.20	-2.11%
Expense	80.56	73.26	-9.06%	83.90	14.52%
Net Profit	34.74	45.44	30.80%	32.30	-28.92%
Taxation	13.76	15.13	9.96%	10.00	33.91%
Net Profit After Tax *	20.98	30.31	44.47%	22.30	-26.43%

* After paying $24 Million Management Fees to the UDC.

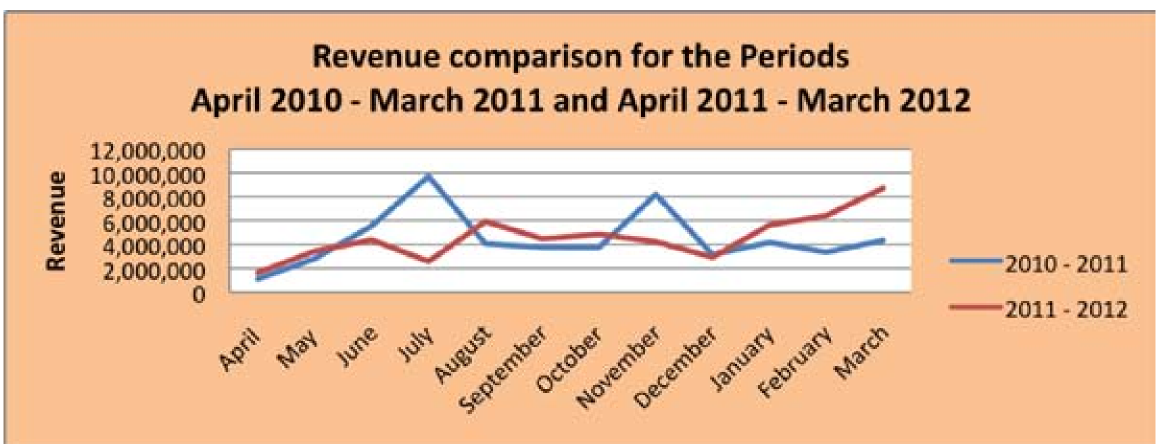
The Company recorded a profit for the financial year, despite decreases in production and sales over the three year period. The Company was also challenged by an increase in Unaccounted For Water (UFW) caused from underground leaks. Steady progress was however made during the review year to identify and repairs these and it is expected that a significant reduction in this area will be reflected at the end of the next financial year.

Jamaica Conference Centre

The Jamaica Conference Centre was built to the specifications and standards of the United Nations (UN) catering to conferences of local and international bodies and is considered the Caribbean's most sophisticated meeting facility. The core responsibility of the J.C.C. is to provide conferencing services facilitating an exchange of information amongst delegates. The Centre prides itself on being able to do this with its experienced and professional staff with a sterling reputation for providing excellent service.

Among the major achievements for the year were

- Successfully hosting several large conferences including Grace Kennedy, Bank of Nova Scotia, Financial Services Commission, MICO and University of Technology, which received very positive feedback from some clients. This is an important feat for the Centre in its objective to meet or exceed the expectations of clients and speaks volumes for product delivery and securing of future business.
- Positioning the JCC as an ideal location for weddings among other events in the Gleaner's "Downtown feature", have seen some growing interest and awareness of the offerings of the Conference Centre.
- Refurbishing of the conference furnishings was carried out throughout the year, to better meet the needs of our customers.



Ocho Rios Commercial Centre

The Ocho Rios Commercial Centre Limited (ORCC) owns and operates the Ocean Village Shopping Centre. ORCC is a wholly owned subsidiary of the UDC and is located on Main Street, Ocho Rios. The complex was built in 1972 by the UDC and became operational in 1974, to complement its resort and residential properties within the environs of Ocho Rios.

The complex consists of four (4) blocks measuring 73,034 square feet and encompasses ten (10) offices and seventy six (76) shops which offer a variety of amenities. Its competitors are Beecham Plaza, Island Plaza, Island Village, Soni's Plaza, The Harbour Shops and Taj Mahal. Soni's Plaza, The Harbour Shops and Taj Mahal cater primarily to non-resident visitors.

The company's core functions are to provide effective and efficient maintenance services to the building, grounds and gardens. In addition to the rental of all the lettable spaces and the timely collection of rental and maintenance fees.

Based on the nature of the operation, two sets of accounting records are kept namely the Maintenance Charged Account- for which transactions directly related to the tenants, for example: garbage service collection are accounted for. There is also the Administrative Account that reports the rental and other incomes and associated expenditures.

The ORCC complex is slated for development under the UDC's 2008- 2030 Ocho Rios Re-Development Plan.

The financial performance is reflected as follows -

- **Profit**
  Profit for the period was a total of Seven Hundred and Seventy Eight Thousand Dollars **($778,000.00)**

- **Revenue**
  Revenue for the period under review totaled Eighteen Million One Hundred and Ninety Eight Thousand Dollars **(18,198,000.00)**

- **Expenditure**
  The expenses for the period was a total of Seventeen Million Four Hundred and Twenty Thousand Dollars **($17,420,00.00)**

- **Accounts Receivable**
  The Aged Accounts Receivables balance as at the end of the financial year amounted to Ten Million, Seventy Eight Thousand, Six Hundred and Ninety Two Dollars and Twenty Three Cents **($10,078,692.23)**

SUBSIDIARIES & ASSOCIATE COMPANIES

AS AT MARCH 31, 2012

Subisidiaries

- Caymanas Development Company Limited
- Hellshire Marble Limited (Winding up in progress)
- Lilliput Development Company Limited (Dormant)
- Montego Bay Conference Centre Limited
- 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
- Kingston Waterfront Redevelopment Company Limited (Dormant)
- Kingston Waterfront Hotel Company Limited (Dormant)
- Montego Freeport Limited
- Montego Beach Hotel (1975) Limited
- 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, 2012

Urban Development Corporation

Wayne Chen	Chairman
Kathryn Phipps	Deputy Chairman
*Joy Douglas	General Manager
Robert Russell	
Michael Subratie	
Vivion Scully	
Anthony Walker	
Sonia Mitchell	
Michael Ammar Jr	
Daniella Gentles	
Lennox Elvy	
**Desmond Young	
Cleo Taylor	
Ann-Marie Rhoden	
Mayor Desmond McKenzie	

SUBSIDIARIES & ASSOCIATES

Ackendown Newtown Development Company Limited

Joseph M. Matalon	Chairman
Ann Marie Rhoden	
Milverton Reynolds	
Wayne Chen	
Wentworth Charles	
Wilfred Baghaloo	

Bloody Bay Hotel Development Limited
(Dormant)

John J. Issa	Chairman
Muna Issa	
John Stuart Fisher	
Thomas Tavares-Finson	
Joy Douglas	
Ann-Marie Rhoden	
Daniella Gentles	

Caymanas Development Company Limited

Cleo Taylor	Chairman
Joy Douglas	
Patrick Stanigar	
Dahlia Kelly	
Anthony Hyde	
David Mais	
Paul Lalor	
William Mahfood	
Desmond Young	
***Michael Ammar Jr	
*** Cheryl Andrine Sylvester James	

*Ms Joy Douglas demitted office on October 21, 2011.

** Mr Desmond Young assumed duties as Acting General Manager on October 24, 2011

*** Appointed June 15, 2011

Central Wastewater Treatment Company Limited (Dormant)

Lennox Elvy — Chairman
Joy Douglas
Genefa Hibbert
Martin Miller
Philip Bernard
Akiva Schiff

Kingston Waterfront Redevelopment Company Limited (Dormant)

Michael Ammar Jr
Francis Kennedy
Vivion Scully

Kingston Waterfront Hotel Company Limited

Michael Ammar Jr
Francis Kennedy
Joy Douglas

Lilliput Development Company Limited (Dormant)

Winston Dear
Chryseis Reynolds

Montego Bay Conference Centre Limited

Wayne Chen
Joy Douglas
Robert Russell

Montego Beach Hotel (1975) Limited

Wayne Chen
Joy Douglas

Montego Freeport Limited

John Gourzong — Chairman
Barrington Baugh
Dale Sinclair
Methelina Scarlett-Jones
Robert Russell
Michael Subratie
Joy Douglas
Melissa Chang

National Hotels and Properties Limited (Dormant)

Tim Scarlett
Lennox Elvy
Michael Subratie
Joy Douglas
Yvette Sibble

Ocho Rios Commercial Centre Limited

Junior Haughton — Chairman
Martin Lyn
Richard Clarke

Portmore Commercial Development Company Limited (Dormant)

Desmond Young
Sancia Templer
Lennox Elvy
Daniella Gentles
Barrington Chisholm
Keith Smith
Lloyd Davis
Audrey Deer-Williams
Ludlow Bowie

Portmore New Town Development Company Limited (Dormant)

Desmond Young
Sancia Templer
Lennox Elvy
Richard Clarke

Port Royal Development Company Limited (Dormant)

Thomas Tavares-Finson
Daniella Gentles
Robert Russell
Joy Douglas
Martin Lyn
Carole A.M. Guntley
Edison Galbraith
Robert Stephens
Michael Campbell
Lois Sherwood
Donovan Perkins
Maureen Facey (Alternate)

Runaway Bay Water Company Limited

Dwight Clacken	Chairman
Peter Morais	
Chryseis Reynolds	
Ann Marie Rhoden	
Joy Douglas	
Veronica Bennett-Warmington (Alternate)	

Rutland Point Beach Resorts Limited (Dormant)

Shalman Scott
Robert Russell
Michael Subratie
Sally Porteous
Yvette Sibble

St. Ann Development Company Limited

Junior Haughton	Chairman
Laura Heron	General Manager
Nathan Morrison	
Patrick Drake	
Delroy Giscombe	
Derrick Chang	
Carlton Cole	
Desmond Morgan	
Alfred Lee	
Zachary Harding	
Sally Porteous	
Marcia Scott-Golding	
Richard Clarke	
Kathryn Phipps	
Sonia Mitchell	

Seacastles Limited (Dormant)

Shalman Scott

Robert Russell

Chryseis Reynolds

Seaside at Rose Hall Developments Limited

Wayne Chen

Daniella Gentles

Robert Russell

Joy Douglas

Don C. Stansberry

Wyley Sweeney

Cheryl Ann Lyon

Michael Rollins

Urban Maintenance (1977) Limited
(Ceased trading)

William Masterton

Francis Kennedy

Desmond Young

Richard Clarke

URBAN DEVELOPMENT CORPORATION BOARD COMMITTEES

Audit

Wayne Chen - Chairman

Ann-Marie Rhoden

Francis Kennedy

Lennox Elvy

Triff Snape

Sonia Mitchell

Kathryn Phipps

Contracts Award

Thomas Tavares-Finson - Chairman

Desmond Young

Daniella Gentles

Wentworth Charles

Finance Treasury & Investment

Audrey Marks	Chairman
Lennox Elvy	Deputy Chairman
Wayne Chen	
Joy Douglas	
Michael Subratie	
Ann Marie Rhoden	
Daniella Gentles	
Desmond Young	
Cleo Taylor	
Dahlia Kelly	
Michael Ammar Jr	
Robert Russell	
Zachary Harding	
Thomas Tavares-Finson	
Sally Porteous	
Veronica Bennett-Warmington	
Sancia Templer	
Desmond McKenzie	

Human Resource Management

Thomas Tavares-Finson	Chairman
Dahlia Kelly	
Desmond Young	
Vivion Scully	
Kathryn Phipps	

Information Technology

Lennox Elvy	Chairman
Zachary Harding	
Vivion Scully	

Planning & Development

Wayne Chen	Chairman
Desmond Young	
Zachary Harding	
Robert Russell	
Audrey Marks	
Sancia Templer	
Sally Porteous	
Michael Ammar Jr	
Francis Kennedy	
Michael Subratie	
Joy Douglas	
Vivion Scully	
Anthony Walker	
Desmond McKenzie	

Public Relations & Marketing

Zachary Harding	Chairman
Robert Russell	
Michael Ammar Jr	
Dahlia Kelly	

OTHER COMMITTEES

Portland Bight Areas

Michael Ammar Jr	Chairman
Dahlia Kelly	
Cleo Taylor	
Joy Douglas	
Robert Russell	

Revision of the Urban Development Corporation Act

Wayne Chen	Chairman
Thomas Tavares-Finson	
Daniella Gentles	
Wentworth Charles	
Joy Douglas	
Yvette Sibble	

Montego Bay Advisory Board

Robert Russell	Chairman
George Thomas	
Godfrey Dyer	
Noel Donaldson	
Wyley Sweeney	
Cecil Davis	
Merrick Fray	
Patrick Fletcher	
John Gourzong	
Methelina Scarlettt-Jones	
Adrian Grant	
Anthony Pearson	
Norman Hall	
Karl Jarrett	
Homer Davis	

Negril Advisory Board

Shalman Scott	Chairman
Eric Clarke	
Linus Aruliah	
Cosmo Brown	
Roy Hutchinson	
Carey Wallace	
Patricia Sinclair-Stair	
Opal Beharie	
Joan Smalling	
Russell Hammond	
Anthony Pearson	
Norman Hall	
Karl Jarrett	
Homer Davis	

SENIOR EXECUTIVE COMPENSATION

FINANCIAL YEAR APRIL 1, 2011 – MARCH 31, 2012

Position of Senior Executive	Salary $	Gratuity or Performance Incentive $	Travelling Allowance or Value of Assigned Motor Vehicle $	Pension or Other Retirement Benefits	Other Allowances ($)	Vacation Pay	Notice pay & Redundancy Payments s	Non-Cash Benefits ($)	Total ($)
General Manager	11,447,271.11					104,066.10		–	11,551,337.21
General Manager (Acting)	4,033,800.31								4,033,800.31
DGM - Legal Division	7,508,379.59	1,833,835.52						–	9,342,215.11
DGM - Finance & Administration	3,307,262.50								3,307,262.50
DGM Economic Development & Corp Relations	7,508,379.69				23,044.50			–	7,531,424.19
DGM Corporate Security & Facilities	7,508,379.69	1,754,294.31							9,262,674.00
DGM Development & Planning	7,508,379.69								7,508,379.69
DGM Human Resources	7,508,379.69								7,508,379.69
Coporate Planning & Development	5,986,369.53								5,986,369.53
"Corporate Secretary"	5,464,209.11	1,784,158.99							7,248,368.10
Total	67,780,810.91	5,372,288.82	-	-	23,044.50	104,066.10	-	–	73,280,210.33

DIRECTORS' COMPENSATION

FINANCIAL YEAR APRIL 1, 2011 – MARCH 31, 2012

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	489,500	N/A	N/A	N/A	489,500
**Deputy Chair	263,000	N/A	N/A	N/A	263,000
Director	238,500	N/A	N/A	N/A	238,500
Director	347,000	N/A	N/A	N/A	347,000
Director	203,000	N/A	N/A	N/A	203,000
Director	226,500	N/A	N/A	N/A	226,500
Director	156,500	N/A	N/A	N/A	156,500
Director	228,500	N/A	N/A	N/A	228,500
Director	213,000	N/A	N/A	N/A	213,000
Director	218,500	N/A	N/A	N/A	218,500
Director	198,000	N/A	N/A	N/A	198,000
Director	102,200	N/A	N/A	N/A	102,200
Director	211,500	N/A	N/A	N/A	211,500
Director	178,500	N/A	N/A	N/A	178,500
Total	3,274,000	N/A	N/A	N/A	3,274,000

Note

1. *Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate colume above.*

URBAN DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2012

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

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Jamaica, W.I.
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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 49, which comprise the group's and corporation's statement of financial position as at March 31, 2012, 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.

KPMG

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, 2012, 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

December 18, 2014

URBAN DEVELOPMENT CORPORATION

Group Statement of Financial Position
Year ended March 31, 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,047,127	1,691,568
Investment properties	4	32,991,397	30,065,133
Interests in associates and other companies	5	1,188,991	1,179,138
Due from related parties	6	280,435	225,902
Investments in joint ventures	7	1,430,627	1,426,303
Employee benefits asset	8	552,128	515,362
Deferred tax	18	8,382	-
		38,499,087	35,103,406
CURRENT ASSETS			
Taxation recoverable		125,420	112,458
Inventory of land and development projects	9	371,030	1,033,472
Inventories	10	19,837	16,306
Accounts receivable	11	1,167,448	893,644
Cash and cash equivalents	12	595,815	1,199,298
		2,279,550	3,255,178
TOTAL ASSETS		40,778,637	38,358,584
EQUITY AND LIABILITIES			
GOVERNMENT EQUITY			
Capital contributions		222,788	222,788
Capital reserve	13	7,173,834	6,813,233
General reserve	14	325,718	325,718
Revenue reserve	15	28,359,556	27,264,191
Attributable to equity owners of the corporation		36,081,896	34,625,930
Non-controlling interests	16	247,388	244,531
		36,329,284	34,870,461
NON-CURRENT LIABILITIES			
Provision for future infrastructure cost on land sold	17	416,536	249,017
Deferred tax liabilities	18	577,231	868,436
Long-term loans	19	645,490	287,049
Deferred income	20	43,122	-
		1,682,379	1,404,502
CURRENT LIABILITIES			
Due to regional companies	21	112,998	76,901
Accounts payable and other liabilities	22	2,598,914	1,962,313
Income tax payable		55,062	44,407
		2,766,974	2,083,621
TOTAL EQUITY AND LIABILITIES		40,778,637	38,358,584

The financial statements, on pages 3 to 49, were approved for issue by the Board of Directors on December 18, 2014 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, 2012

	Notes	2012 $'000	2011 $'000
Revenue	23	1,804,838	1,650,698
Cost of operating revenue		(86,046)	(56,342)
Gross profit		1,718,792	1,594,356
Administrative, marketing and selling expenses		(3,180,105)	(2,707,873)
Operating loss		(1,461,313)	(1,113,517)
Increase in fair value of investment properties	4	2,927,052	3,783,686
Gain on disposal of subsidiary	24	-	846,934
Other operating income		9,905	3,512
Share of profit/(loss) from associates	5(b)	9,853	(309,413)
Share of profit form joint venture		4,065	393,195
Income from investments (loss)/gain, net		22,823	139,049
Profit before finance costs and impairment		1,512,385	3,743,446
Finance costs:			
Loan interest		(27,023)	(53,930)
Bank charges and other interest		(2,075)	(2,171)
		(29,098)	(56,101)
Impairment losses	25(a)	(692,928)	(1,396,367)
Profit before taxation	25(b)	790,359	2,290,978
Taxation credit/(charge)	26	310,134	(219,421)
Profit for the year		1,100,493	2,071,557
Other comprehensive income/(expense)			
Revaluation adjustments on land and buildings		379,834	277,000
Deferred tax on revaluations		(21,504)	(35,301)
Foreign currency translation difference		-	-
		358,330	241,699
Total comprehensive income for the year		1,458,823	2,313,256
Total comprehensive income attributable to:			
Owners of the corporation		1,455,966	2,283,523
Non-controlling interests		2,857	(29,733)
		1,458,823	2,313,256

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

Group Statement of Changes in Equity (Continued)
Year ended March 31, 2012

	Capital contributions $'000	Capital reserve $'000	Fair value reserve $'000	General reserve $'000	Revenue reserve $'000	Parent corporation equity $'000	Non-controlling interest $'000	Total $'000
Balances at March 31, 2010	222,788	9,435,729	(449)	325,718	24,856,338	34,840,124	2,015,835	36,855,959
Total comprehensive income:								
Profit for the year	-	-	-	-	2,041,824	2,041,824	29,733	2,071,557
Other comprehensive income	-	240,987	-	-	-	240,987	712	241,699
Total comprehensive income for the year	-	240,987	-	-	2,041,824	2,282,811	30,445	2,313,256
Eliminated on disposal of subsidiary	-	(2,497,454)	449	-	-	(2,497,005)	(1,729,749)	(4,226,754)
Transfers	-	(366,029)	-	-	366,029	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	(72,000)	(72,000)
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	-	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

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

URBAN DEVELOPMENT CORPORATION

Group Statement of Cash Flows
Year ended March 31, 2012

	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	1,100,493	2,071,557
Adjustments for:		
Depreciation (note 3)	72,681	71,945
Amortisation of deferred income	48,349	-
Gain on disposal of subsidiary	-	(846,934)
(Gain)/loss on disposal on investment properties	(14,950)	12,650
Loss/(gain) on disposal of property, plant and equipment	7	(4,950)
Employee benefits asset, net	(36,766)	(18,794)
Increase in provision for future infrastructure costs on land sold	167,519	37,761
Negative goodwill on acquisition of subsidiaries	-	-
Impairment losses [note 25(a)]	692,928	1,512,414
Increase in fair value of investment properties (note 4)	(2,927,052)	(3,783,686)
Interest income	(20,821)	(98,476)
Interest expense	27,023	53,930
Taxation charge/(credit) (note 26)	(310,134)	219,421
Net foreign exchange gain	(2,002)	2,973
Results retained in associated companies [note 5(b)]	(9,853)	309,413
Operating cash flows before movements in working capital	(1,212,578)	(460,776)
(Increase)/decrease in net current assets		
Accounts receivable	(273,804)	(865,838)
Inventories	(3,531)	(69)
Owed to regional companies	36,097	39,506
Inventory of land and development projects	(30,486)	(64,412)
Accounts payable and other liabilities	631,419	1,253,315
	(852,883)	(98,274)
Cash utilised in operations		
Interest received	20,821	98,476
Interest paid	(27,023)	(53,930)
Tax paid	(13,264)	(138,184)
Net cash used by operating activities	(872,349)	(191,912)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment [note 3(a)]	(144,619)	(77,021)
Proceeds from sale of property, plant and equipment	39	6,304
Interest received	-	-
Decrease in related party balances	(54,533)	-
Interest in joint ventures	(4,324)	-
Proceeds on disposal of investment property	112,258	(625,717)
Proceeds from disposal of subsidiary	-	897,555
Acquisition of investment property	(398)	497,627
Investments, net of realisation	-	-
Net cash used by investing activities	(91,577)	698,748
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds/(repayments), net	358,441	(648,548)
Dividends paid to non-controlling interests	-	(72,000)
Net cash provided by financing activities	358,441	(720,548)
Increase in net cash and cash equivalents	(605,485)	(213,712)
Net cash and cash equivalents at beginning of year	1,199,298	1,415,983
Effects of foreign exchange rate charges	2,002	(2,973)
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (note 12)	595,815	1,199,298

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Financial Position
Year ended March 31, 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,974,508	1,621,121
Investment properties	4	29,954,468	27,141,235
Interests in subsidiaries and associates	5	229,019	229,018
Due from related parties	6	342,189	368,560
Investments in joint ventures	7	321,602	321,343
Employee benefits asset	8	503,470	469,669
		33,325,256	30,150,946
CURRENT ASSETS			
Taxation recoverable		84,206	76,490
Inventory of land and development projects	9	371,030	1,033,472
Accounts receivable	11	577,028	383,945
Cash and cash equivalents	12	276,239	851,106
		1,308,503	2,345,013
TOTAL ASSETS		34,633,759	32,495,959
EQUITY AND LIABILITIES			
GOVERNMENT EQUITY			
Capital contributions		222,788	222,788
Capital reserve	13	5,816,497	5,458,167
General reserve	14	325,718	325,718
Revenue reserve	15	23,534,104	22,526,706
		29,899,107	28,533,379
NON-CURRENT LIABILITIES			
Due to subsidiaries	6	1,470,106	1,415,867
Provision for future infrastructure cost on land sold	17	416,536	249,017
Deferred tax liabilities	18	276,844	566,250
Long-term loans	19	644,957	286,516
		2,808,443	2,517,650
CURRENT LIABILITIES			
Due to regional companies	21	112,998	76,901
Accounts payable and other liabilities	22	1,813,211	1,368,029
		1,926,209	1,444,930
TOTAL EQUITY AND LIABILITIES		34,633,759	32,495,959

The financial statements, on pages 3 to 49, were approved for issue by the Board of Directors on December 18, 2014 and signed on its behalf by:

Director
Keith D. Knight

Director
David A. Cummings

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Comprehensive Income
Year ended March 31, 2012

	Notes	2012 $'000	2011 $'000
Revenue	22	1,517,281	1,419,933
Administrative and general expenses		(2,645,036)	(2,407,135)
Operating profit/(loss)		(1,127,755)	(987,202)
Increase in fair value of investment properties	4	2,814,560	3,861,860
Income from investments:			
Foreign exchange gains, net		1,816	-
Dividend income		-	371,546
Interest income		20,821	55,795
		1,709,442	3,301,999
Net finance costs:			
Loan interest		(27,023)	(53,930)
Bank charges and interest		(1,708)	(1,638)
		(28,731)	(55,568)
Impairment losses	25(a)	(984,223)	(1,512,414)
Profit before taxation	25(b)	696,488	1,734,017
Taxation credit/(charge)	26(b)	310,910	(213,868)
Profit for the year		1,007,398	1,520,149
Other comprehensive income:			
Revaluation adjustments on land and buildings		379,834	271,213
Deferred tax on revaluations		(21,504)	(33,036)
		358,330	238,177
Total comprehensive income for the year		1,365,728	1,758,326

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Changes in Equity
Year ended March 31, 2012

	Capital contributions $'000	Capital reserve $'000	General reserve $'000	Revenue reserve $'000	Total $'000
Balances at March 31, 2010	222,788	5,219,990	325,718	21,006,557	26,775,053
Total comprehensive income:					
Profit for the year	-	-	-	1,520,149	1,520,149
Other comprehensive income:					
Revaluation of increase on land and buildings	-	271,213	-	-	271,213
Deferred tax on revaluations	-	(33,036)	-	-	(33,036)
Total comprehensive income for the year	-	238,177	-	1,520,149	1,758,326
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 increase on 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

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Cash Flows
Year ended March 31, 2012

	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	1,007,398	1,520,149
Adjustments for:		
Depreciation (note 3)	63,294	43,315
Gain on disposal of investment property	(14,950)	-
Gain on disposal of property, plant and equipment	41	(4,854)
Employee benefits asset	(33,801)	(8,130)
Increase/(decrease) in provision for future infrastructure costs on land sold	167,519	37,761
Impairment losses [note 25(a)]	984,223	1,512,414
Increase in fair value of investment properties (note 4)	(2,814,560)	(3,861,860)
Interest income	(20,821)	(55,795)
Interest expense	28,731	55,568
Taxation (note 26)	(310,910)	213,868
Dividend income	-	(371,546)
Write offs of property, plant and equipment	53	19,879
Operating cash flows before movements in working capital	(943,783)	(899,231)
(Increase)/decrease in net current assets		
Accounts receivable	(256,864)	(561,365)
Owed from/(to) regional companies	36,097	39,506
(Increase)/decrease in inventory of land and development projects	(30,486)	(64,412)
Accounts payable and other current liabilities	441,444	812,814
Cash utilised in operations	(753,592)	(672,688)
Interest paid	(24,993)	(54,237)
Tax paid	(7,716)	(17,217)
Net cash used in operating activities	(786,301)	(744,142)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (note 3)	(132,524)	(74,849)
Proceeds from sale of property, plant and equipment	-	6,108
Interest received	21,237	55,795
Decrease/(increase) in related party balances	(147,320)	953,535
Interest in subsidiaries and associates	(1)	-
Dividends received	(159)	371,546
Investments in joint ventures	112,158	(232,522)
Proceeds on disposal of investment property	-	385,738
Acquisition of investment property	(398)	-
Net cash (used)/provided by investing activities	(147,007)	1,465,351
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan (repayment)/proceeds, net	358,441	(588,121)
Net cash provided by financing activities	358,441	(588,121)
Increase/(decrease) in net cash and cash equivalents	(574,867)	133,088
Net cash and cash equivalents at beginning of year	851,106	718,018
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (note 12)	276,239	851,106

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
- Lilliput Development Corporation Limited

The corporation and its subsidiaries [as listed at note 6(d)] 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 standard that was adopted by the group, and which affected its financial statements, are as follows:

- Amendment to IFRS 7, *Financial Instructions: Disclosures,* which became effective for annual reporting periods beginning on or after April 1, 2011, relates to disclosures relating to financial risk management. The adoption of the amendment led to some changes in the qualitative and quantitative disclosures relating to credit risk. The changes are reflected in note __ to the financial statements, viz:

  (a) Disclosure of the amount of the group's 'maximum exposure to credit risk without considering any collateral held' is now made only if the carrying amount of the financial asset does not already reflect such exposure.

  (b) Where the terms of a financial asset that was not past due and not impaired were renegotiated, the carrying amount was disclosed; this is no longer required.

- IAS 24, *Related Party Disclosures, revised* (effective for annual reporting periods beginning on or after January 1, 2011) introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure. The enhanced disclosures have been incorporated in note 2(p).

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.

- IAS 12 *Income Taxes*, has been amended, effective for annual reporting periods beginning on or after January 1, 2012, to require an entity to measure deferred taxes relating to an asset based on whether the entity expects to recover the carrying amount of the asset through use or sale.

- 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

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

    (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.

(c) 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)

(d) 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, 2012. The principal operating subsidiaries are listed in note 6(d).

(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 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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

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

(j) Income taxes (cont'd):

A deferred tax liability is recognised for taxable temporary differences associated with investments in subsidiaries, except to the extent that the company 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(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) Hotel income:

This comprises gross income from room, food and beverages, communications and other sales. Revenue is recognised on an accrual basis on performance of the underlying services or transaction.

(iv) Interest income:

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

(v) 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	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, 2010	1,940,380	4,820,357	56,470	53,773	1,115,171	36,533	89,581	8,112,265
Additions	451	12,321	2,669	18,019	43,561	-	-	77,021
Transfer to investment properties (note 4)	(82,000)	(6,700)	-	-	-	-	(86,552)	(175,252)
Transfers from investment properties (note 4)	172,370	89,189	-	-	-	-	-	261,559
Disposals	-	-	-	(996)	(2,744)	-	-	(3,740)
Eliminated on disposal of subsidiary	(1,200,000)	(4,200,000)	-	(4,777)	(818,282)	-	-	(6,223,059)
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
Transfers 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
Depreciation:								
March 31, 2010	-	6,097	37,157	35,318	639,032	28,744	3,029	746,348
Impairment	-	-	-	624	16,226	-	-	19,879
Charge for the year	-	14,425	5,211	7,114	22,615	2,701	-	52,066
Eliminated on revaluation	-	(15,441)	-	-	-	-	-	(15,441)
Eliminated on disposals	-	-	-	(996)	(1,390)	-	-	(2,386)
Eliminated on disposal of subsidiary	-	-	-	(2,334)	(440,906)	-	-	(443,240)
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
Net book values:								
March 31, 2012	1,104,441	696,008	97,757	18,178	128,356	2,387	-	2,047,127
March 31, 2011	831,201	710,086	16,771	26,293	102,129	5,088	-	1,691,568

Notes to the Financial Statements (Continued)
Year ended March 31, 2012

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, 2010	735,175	569,587	56,470	43,187	232,913	36,533	89,581	1,763,446
Additions	451	11,938	2,669	18,019	41,772	-	-	74,849
Transfers to investment properties (note 4)	(82,000)	(6,700)	-	-	-	-	(86,552)	(175,252)
Revaluation adjustments	172,105	86,105	-	-	-	-	-	258,210
Disposals	-	-	-	-	(2,529)	-	-	(2,529)
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
Depreciation:								
March 31, 2010	-	-	37,157	29,165	153,621	28,744	-	248,687
Impairment	-	-	-	624	16,226	-	3,029	19,879
Charge for the year	-	13,003	5,211	6,454	15,946	2,701	-	43,315
Eliminated on revaluation	-	(13,003)	-	-	-	-	-	(13,003)
Eliminated on disposals	-	-	-	-	(1,275)	-	-	(1,275)
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
Net book values:								
March 31, 2012	1,100,375	647,279	96,420	17,508	110,539	2,387	-	1,974,508
March 31, 2011	825,731	660,930	16,771	24,963	87,638	5,088	-	1,621,121

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, 2010	20,821,079	5,795,393	26,616,472	20,448,049	3,041,812	23,489,861
Additions						
Disposals	(367,300)	(142,977)	(510,277)	(367,300)	(18,438)	(385,738)
Transfer to property, plant and equipment (note 3)	82,000	93,252	175,252	82,000	93,252	175,252
Increase in fair value	2,997,186	786,500	3,783,686	3,080,671	781,189	3,861,860
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
Disposal	(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

(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 corporation.

(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 these properties based on the revised value in use.

(d) Property rental income earned from its investment properties, all of which were leased under operating leases, aggregated $415 million (2011: $337 million) for the group and $318 million (2011: $239 million) for the corporation. Direct operating expenses arising in the investment properties during the year aggregated $184 million (2011: $267 million) for the group and $154 million (2011: $240 million) for the corporation.

5. Interests in subsidiaries and associates

	The group		The corporation	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Interests in subsidiaries (a)	-	-	119,256	119,255
Interests in associates (b)	1,188,991	1,179,138	109,763	109,763
Investments in other companies (c)	-	-	-	-
	1,188,991	1,179,138	229,019	229,018

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

(a) Interests in subsidiaries:

	The corporation 2012 $'000	The corporation 2011 $'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	1
Urban Maintenance (1977) Limited	1	1
Caymanas Development Company Limited	1	1
Lilliput Development Corporation Limited	1	1
Seacastles Limited	1	1
Rutland Point Beach Resorts Limited	1	1
Montego Bay Conference Centre Limited	1	-
	119,256	119,255

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
Portmore Newtown Development Company Limited	Jamaica	100	Project management in the construction of roads and buildings

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2012

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

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

Details of subsidiaries are as follows (Cont'd):

Name of subsidiary	Country of incorporation (or registration) and operation	Ownership interest %	Principal activity
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
Lilliput Development Corporation Limited	Jamaica	100	Project management in housing development and infrastructure
Seacastles Limited	Jamaica	100	Construction and rental
Rutland Point Beach Resorts Limited	Jamaica	100	Construction and rental

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

	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
Mallards Reef Hotel Limited*	Jamaica	95	Dormant
Point Hotels Limited	Jamaica	100	Dormant
Rose Hall Hotels Limited	Jamaica	100	Dormant
Jamaica Hotel and Resorts Limited***	Jamaica	100	Dormant
	Jamaica	95	Dormant

*National Hotels and Properties Limited is in the process of finalising the dissolution of these companies.

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

(b) Interests in associates:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Shares at cost and loans:				
Hellshire Marble Limited	12,000	12,000	12,000	12,000
Portmore Commercial Development Company Limited	65,923	65,923	65,923	65,923
Bloody Bay Hotel Development Limited	43,840	43,840	43,840	43,840
Cost of investments	121,763	121,763	121,763	121,763
Less: Impairment loss	(12,000)	(12,000)	(12,000)	(12,000)
	109,763	109,763	109,763	109,763
Group's share of reserve	1,079,228	1,069,375	-	-
	1,188,991	1,179,138	109,763	109,763

Details of associates at March 31, 2012 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	
	2012	2011
	$'000	$'000
Total assets	2,894,487	2,831,330
Total liabilities	(515,233)	(512,187)
Net assets	2,379,254	2,319,143
The carrying amount of the group's share of reserve in associates:		
Balance at beginning of year	1,179,138	1,488,551
Share of profit/(loss)	9,853	(309,413)
Balance at end of year	1,188,991	1,179,138

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

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

	The group and corporation	
	2012	2011
	$'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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
(a) Due from related parties:				
Advances to subsidiaries:				
Caymanas Development Company Limited	-	-	269,094	262,554
Urban Maintenance (1977) Limited	-	-	126,705	126,705
Ocho Rios Commercial Centre Limited	-	-	16,438	18,473
Portmore Newtown Development Company Limited	-	-	-	1,529
Lilliput Development Corporation Limited	-	-	18,899	2,078
Kingston Waterfront Hotel Company Limited	-	-	3,777	8,030
Seacastles Limited	-	-	37,712	37,542
Rutland Point Beach Resorts Limited	-	-	60,976	55,911
Montego Bay Conference Centre Limited*	-	-	189,576	-
	-	-	723,177	512,822
Less: impairment losses	-	-	(661,459)	(370,164)
	-	-	61,718	142,658
Loans and advances to associates:				
Hellshire Marble Limited	54,551	54,564	54,587	54,564
Bloody Bay Hotel Development Limited	303,611	303,607	303,611	303,607
	358,162	358,171	358,198	358,171
Less: impairment loss	(77,727)	(132,269)	(77,727)	(132,269)
	280,435	225,902	280,471	225,902
Total due from related parties	280,435	225,902	342,189	368,560

*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.

6. Due from related parties (cont'd)

(b) Due to subsidiaries:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Advances from subsidiaries:				
Runaway Bay Water Company Limited	-	-	77,746	32,394
National Hotels and Properties Limited	-	-	1,392,360	1,383,473
Total due to subsidiaries	-	-	1,470,106	1,415,867

7. Investments in joint ventures

	The group		The corporation	
	2012	2011	2012	2011
	$'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	34,376	34,117	34,376	34,117
	321,602	321,343	321,602	321,343
Group's share of reserve	1,109,025	1,104,960	-	-
	1,430,627	1,426,303	321,602	321,343
	1,430,627	1,426,303	321,602	321,343

(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).

During the prior year, 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, 2012, 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, subsequent to the reporting date, transfer all rights under the mortgage to that company, which would then be registered as the mortgagee.

7. Investments in joint ventures (cont'd)

(a) (cont'd)

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, Ackendown has ceased operations and will seek to discontinue its existence.

(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.

(c) 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Present value of funded obligations of defined benefit pension plan	(1,001,205)	(851,420)	(909,567)	(768,156)
Fair value of plan assets	1,773,637	1,583,334	1,578,915	1,398,406
Net assets	772,432	731,914	669,348	630,250
Unrecognised net actuarial gains	(190,683)	(186,931)	(165,878)	(160,581)
Asset not recognised due to limitation in economic benefits	(29,621)	(29,621)	-	-
Asset recognised in the statement of financial position	552,128	515,362	503,470	469,669

(a) Movements in funded obligations:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance at beginning of year	(851,420)	(889,566)	(768,156)	(799,193)
Current service costs	(75,997)	(84,130)	(69,299)	(77,299)
Interest costs	(88,955)	(94,226)	(86,337)	(91,426)
Actuarial gains/(losses)	(14,357)	42,769	(12,383)	40,274
Benefits paid	23,251	34,237	21,899	33,686
Settlements	6,273	139,496	4,709	125,802
Balance at end of year	(1,001,205)	(851,420)	(909,567)	(768,156)

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

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance at beginning of year	515,362	496,568	469,669	461,539
Amounts credited/(charged) to profit or loss	19,963	(19,629)	19,275	(6,231)
Contributions	16,803	38,423	14,526	14,361
Balance at end of year	552,128	515,362	503,470	469,669

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2012

8. Employee benefits asset (cont'd)

(c) Movements in plan assets:

	The group 2012 $'000	The group 2011 $'000	The corporation 2012 $'000	The corporation 2011 $'000
Fair value of plan assets at beginning of year	1,583,334	1,508,637	1,398,406	1,321,078
Contributions paid	49,230	60,550	47,369	58,477
Expected return on plan assets	151,033	129,847	140,879	121,270
Benefits paid	(23,250)	(34,237)	(21,899)	(33,686)
Actuarial losses/(gains)	19,563	62,771	18,869	57,069
Settlements	(6,273)	(144,234)	(4,709)	(125,802)
Fair value of plan assets at end of year	1,773,637	1,583,334	1,578,915	1,389,406

(d) Plan assets consist of the following:

	The group 2012 $'000	The group 2011 $'000	The corporation 2012 $'000	The corporation 2011 $'000
Equity fund	85,730	70,868	70,370	56,379
Fixed income fund	1,403,400	1,261,373	1,259,367	1,124,487
Mortgage and real estate	284,507	251,093	249,178	217,540
	1,773,637	1,583,334	1,578,915	1,398,406

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

	The group 2012 $'000	The group 2011 $'000	The corporation 2012 $'000	The corporation 2011 $'000
Current service cost - employer	36,344	39,694	36,456	37,921
Interest costs	85,508	97,817	86,337	91,426
Expected return on plan assets	(139,513)	(129,847)	(140,879)	(121,270)
Recognised actuarial losses/(gains) during the year	(927)	240	(1,189)	-
(Decrease)/increase in income due to limitation	-	(11,813)	-	-
Total included in employee benefit Expense (note 3) note 30	(18,588)	(3,909)	(19,275)	8,077
Actual return on plan assets	170,595	202,839	159,747	178,340

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

	2012 %	2011 %
Discount rate	10.00	10.50
Expected return on plan assets	8.50	10.00
Future salary increases	7.00	8.00
Future pension increases	5.00	5.00
Long-term rate of inflation	7.00	-

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2012

8. Employee benefits asset (cont'd)

(g) Historical information:

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
The group:					
Present value of the defined benefit obligations	(1,001,205)	(851,420)	(889,566)	(542,534)	(583,688)
Fair value of plan assets	1,773,637	1,583,334	1,508,637	1,349,722	1,243,660
Surplus	772,432	731,914	619,071	807,188	659,972
Experience adjustments arising on obligations	5,917	42,769	(296,670)	156,091	777
Experience adjustments arising on plan assets	14,807	62,771	91,819	(42,132)	(17,700)

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
The corporation:					
Present value of the defined benefit obligations	(909,567)	(768,156)	(799,193)	(483,076)	(511,780)
Fair value of plan assets	1,578,915	1,398,406	1,321,078	1,187,554	1,071,627
Surplus	669,348	630,250	521,885	704,478	559,847
Experience adjustments arising on obligations	7,300	(40,274)	277,948	(138,959)	3,609
Experience adjustments arising on plan assets	18,868	(57,069)	(86,004)	(21,236)	(6,036)

9. Inventory of land and development projects

	The group and corporation	
	2012 $'000	2011 $'000
At beginning of year	1,033,472	969,060
Additions	30,486	64,412
Adjustments	(692,928)	-
At end of year	371,030	1,033,472

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	
	2012 $'000	2011 $'000
Food and beverages	2,871	1,395
Spareparts and maintenance materials	13,715	13,315
Tools and other	3,251	1,596
	19,837	16,306

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2012

11. Accounts receivable

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade receivables	828,954	675,433	682,660	561,068
Real estate sales receivables	317,297	338,305	317,297	338,305
	1,146,251	1,013,738	999,957	899,373
Amounts advanced on specific projects	43,988	43,988	43,988	43,988
Prepaid expenses and other current assets	1,698,583	1,442,285	1,123,597	988,086
	2,888,822	2,500,011	2,167,542	1,931,447
Less: Impairment allowance	(1,721,374)	(1,606,367)	(1,590,514)	(1,547,502)
	1,167,448	893,644	577,028	383,945

(i) Movements in impairment allowance:

	The Group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance at beginning of year	1,606,367	1,253,291	1,547,502	1,166,824
Increase in impairment allowance recognised in profit or loss	115,007	353,076	43,012	380,678
Balance at end of the year	1,721,374	1,606,367	1,590,514	1,547,502

(ii) Ageing of trade receivables:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Less than 60 days	297,910	(80,315)	252,232	(104,572)
61 – 90 days	50,449	50,652	31,475	34,874
More than 90 days	797,892	1,043,401	716,250	969,071
	1,146,251	1,013,738	999,957	899,373

12. Cash and cash equivalents

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash at bank and short-term deposits	604,472	1,271,851	284,896	918,800
Bank overdraft (unsecured)	(8,657)	(72,553)	(8,657)	(67,694)
	595,815	1,199,298	276,239	851,106

(i) Bank overdraft balances resulted from unpresented cheques.

13. Capital reserve

(a) This comprises:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Surplus on revaluation of property, plant and equipment:				
In prior years	7,604,695	9,860,450	6,218,256	5,980,079
In current year:				
Land and building	379,834	275,957	379,834	271,213
Deferred tax	(21,504)	(34,970)	(21,504)	(33,036)
Eliminated on disposal of subsidiary	-	(2,497,454)	-	-
	7,963,025	7,604,695	6,576,586	6,218,256
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	(271,983)	94,046	(540,983)	(540,983)
In current year	2,271	(366,029)	-	-
	(269,712)	(271,983)	(540,983)	(540,983)
	7,173,834	6,813,233	5,816,497	5,458,167

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Increase in fair value of investment properties	22,477,805	19,550,753	20,255,345	17,440,785
Net foreign exchange gains	729,883	727,881	410,089	408,273
Other profits/(losses), net	5,140,071	6,950,680	2,867,409	4,676,387
	28,347,759	27,229,314	23,532,843	22,525,445
Negative goodwill on acquisition of subsidiaries	33,616	33,616	-	-
Impairment on advances to associates	(21,819)	1,261	1,261	1,261
	28,359,556	27,264,191	23,534,104	22,526,706

16. Non-controlling interests

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

	Ownership interest %	2012 $'000	2011 $'000
Shares:			
Kingston Waterfront Hotel Company Limited	5	335	335
Montego Freeport Limited	18	50,676	50,676
		51,011	51,011
Share of capital reserve		179,047	178,638
		230,058	229,649
Add: - Share of profits in subsidiary companies attributable to non-controlling interests		17,330	14,882
		247,388	244,531

17. Provision for future infrastructure cost on land sold

	The group and corporation 2012 $'000	2011 $'000
At beginning of year	249,017	211,256
Increase/(reduction) in provision	167,519	37,761
At end of year	416,536	249,017

18. Deferred taxation

(a) Deferred tax asset:

	The group 2012 $'000	2011 $'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 2012 $'000	2011 $'000	The corporation 2012 $'000	2011 $'000
Revaluation of investment properties	(1,514,302)	(1,321,244)	(1,163,434)	(966,466)
Revaluation surplus – Buildings	(250,315)	(228,811)	(250,315)	(228,811)
Employee benefits asset	(176,909)	(164,654)	(167,823)	(156,556)
Interest receivable	(3,046)	(1,928)	(139)	-
Property, plant and equipment	396,567	411,286	407,860	424,205
Foreign exchange differences	222	-	-	-
Tax losses	942,237	266,970	869,614	191,785
Accounts payable	23,715	22,284	22,793	21,932
Other	4,600	147,661	4,600	147,661
	(577,231)	(868,436)	(276,844)	(566,250)

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2012

18. Deferred taxation (cont'd)

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

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Revaluation of investment properties	202,285	292,542	196,968	293,448
Revaluation surplus on buildings	3	(86,332)	-	-
Employee benefits asset	12,255	(5,016)	11,267	2,710
Interest receivable	1,380	(5,050)	139	(4,256)
Foreign exchange differences	(88)	(9,354)	-	-
Property, plant and equipment	18,342	(17,927)	16,345	(23,906)
Accounts payable	1,431	15,926	(861)	14,393
Tax losses	(693,881)	76,281	(677,829)	(64,821)
Fair value losses	-	375	-	-
Other	143,061	3,700	143,061	(3,700)
	(315,212)	115,215	(310,910)	213,868

19. Long-term loans

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Development Bank of Jamaica (principal) (a)	162,488	135,135	162,488	135,135
PetroCaribe Development Fund (b)	482,469	151,381	482,469	151,381
	644,957	286,516	644,957	286,516
Redeemable preference shares (c)	533	533	-	-
	645,490	287,049	644,957	286,516

(a) The corporation obtained from the Development Bank of Jamaica Limited, a line of credit in the amount of $1,000 million of which $162 million (2011: $135 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 companies to be divested (Bloody Bay Development Limited and Pegasus Hotels of Jamaica Limited in the first instance) 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$5,595,000 was drawn down under a US$11,000,000 loan facility obtained by the corporation from the Petrocaribe Development Fund. 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.

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2012

19. Long-term loans (cont'd)

(c) The balance represents 10% redeemable convertible cumulative preference shares held by a subsidiary. At March 31, 2012, there were arrears of cumulative preference dividends amounting to $1.2 million (2011: $1.2 million). No provision has been made for this amount.

20. Deferred income

	Group 2012 $'000
Initial advance received (US$600,000)	52,270
Less: Amount recognised in income (US$45,000)	(3,921)
	48,349
Less: Current portion (US$60,000)	(5,227)
	$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 shown at (a) and (b) 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	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade payables	306,825	81,714	193,877	57,129
Contract payables and retentions	9,610	10,476	9,610	10,476
Deposits on sale of real estate	1,077,443	860,719	602,548	481,282
Accruals	109,932	127,722	23,791	46,774
Amounts to be disbursed on specific projects	646,664	558,166	646,664	558,166
Others	448,440	323,516	336,721	214,202
	2,598,914	1,962,313	1,813,211	1,368,029

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.

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

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.

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. Disposal of subsidiary

In the prior year, the group dispose of its 59.8% interest in Pegasus Hotels' of Jamaica Limited realising a gain of $846,934,000.

25. Disclosure of expenses/(income)

(a) Impairment losses:

These arise on account of:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Investment in joint ventures (see note 7)	-	1,131,709	-	1,131,709
Inventory of land and development projects (see note 9)	692,928	-	692,928	-
Accounts receivable	-	264,631	63,365	380,678
Due from related parties	-	27	227,930	27
	692,928	1,396,367	984,223	1,512,414

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

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Audit fees	18,677	18,453	9,273	9,114
Depreciation	72,687	52,066	63,294	43,315
Directors fees	3,435	3,980	3,274	3,142
Net foreign exchange (loss)/gains	1,816	(2,973)	1,816	211
Employee and related expenses	960,385	949,240	927,584	921,779
Management fees-related parties	-	-	(68,806)	(109,129)
Gain/(loss) on disposal of property, plant and equipment and investment property	(14,943)	(4,950)	(14,909)	(4,854)

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2012

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current tax expense:				
Current year charge @ 33½%	5,078	104,206	-	-
Deferred taxation:				
Origination and reversal of other temporary differences (note 18)	(315,212)	115,215	(310,910)	213,868
	(310,134)	219,421	(310,910)	213,868

(b) Reconciliation of effective tax charge:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Profit/(loss) before taxation	1,183,555	2,290,978	696,488	1,734,017
Computed "expected" tax expense at statutory rates @ 33⅓%	394,518	763,659	232,163	578,006
Tax effect of differences between profit for financial statements and tax reporting purposes on:				
Fair value gains on investment properties	(975,684)	(1,261,229)	(938,187)	(1,287,286)
Other items non-deductible for tax purposes	271,032	716,991	395,114	923,148
Actual tax charge/(credit) recognised in profit or loss	(310,134)	219,421	(310,910)	213,868

Taxation losses, subject to agreement with Taxpayer Administration Jamaica, available for relief against future taxable profits, amount to approximately $3,357.9 million (2011: $3110.7million) for the group and $2609 million (2010: $1,184 million) for the corporation. If unutilised, these can be carried forward indefinitely.

27. Related party transactions

Material transactions with related parties comprised:

(i) Subsidiaries:

	The corporation	
	2012	2011
	$'000	$'000
Advances receivable	230,991	99,633
Advances payable	(128,127)	(550,822)
Loans receivable	61,702	75,929
	164,566	(375,260)

(ii) Associates:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Loans receivable	225,902	225,902	225,902	225,902

(iii) 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Short term benefits	72,280	74,775	72,280	63,230

In addition to the above, the corporation performed certain administrative services for the following subsidiaries for which fees were charged:

	The corporation	
	2012	2011
	$'000	$'000
Runaway Bay Water Company Limited	24,000	24,000
Ocho Rios Commercial Centre Limited	7,000	7,000
National Hotels and Properties Limited	25,500	25,500
	56,500	56,500

28. Employee and related expenses

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Staff costs incurred during the year in respect of employees were:				
Senior executives emoluments	73,280	74,775	73,280	63,230
Salaries and wages	705,709	791,330	674,967	761,558
Pension contributions [note 8(e)]	(19,275)	(3,909)	(19,275)	8,077
Statutory contributions	107,836	91,887	107,243	90,760
Other	92,835	6,702	91,369	128,582
	960,385	960,785	927,584	923,625

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Notes to the Financial Statements (Continued)
Year ended March 31, 2012

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.

The group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

There has been no change during the year to the group's exposure to these financial risks or the manner in which it manages and measures the risk.

The following table sets out the financial instruments as at the reporting date:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	595,815	1,199,298	276,239	851,106
Accounts receivable	1,167,448	893,644	577,028	383,945
Due from related parties	280,435	225,902	342,189	368,560
	2,043,698	2,318,844	1,195,456	1,603,611
Financial liabilities:				
Due to regional companies	112,998	76,901	112,998	76,901
Due to subsidiaries	-	-	-	1,415,867
Accounts payable and other liabilities	2,598,914	1,962,313	1,813,211	1,368,029
Long-term loans	645,490	287,049	644,957	286,516
Other liabilities	3,357,402	2,326,263	2,571,166	3,147,313

29. Financial instruments (cont'd)

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

(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 bank balances, investments, trade receivables and related party receivable.

Management of credit risk

The credit risk relating to cash and bank balances 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 loss. 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 companies.

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.

29. Financial instruments (cont'd)

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

(ii) Market risk (cont'd):

- 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.

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Net foreign currency (exposure)/asset	(5,415)	325,772	(5,415)	(118,535)

Foreign currency sensitivity

A 2% (2011: 2%) change in the United States dollar against the Jamaican dollar at the reporting date, would have affected profit loss for the year by the amounts show below.

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Effect on profit	(9,414)	8,918	(9,414)	2,371

This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2009.

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

At March 2012:	86.93
At March 31, 2011:	85.40

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Notes to the Financial Statements (Continued)
Year ended March 31, 2012

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assets	601,894	1,199,298	276,239	851,106
Financial liabilities	(645,490)	(187,049)	(644,957)	(286,516)
Net financial asset/liability	(43,596)	912,249	(368,718)	564,590

Cash flow sensitivity analysis for variable rate instruments

A change of 2 (2011: 2) basis points interest rates would have affected profit or loss for the year by $0.871 million (2011: $18.2 million) for the group and $7.3 million (2011: $11.3 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 2011.

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.

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			
	2012			
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Interest bearing:				
Long-term loans	-	-	645,510	645,510
Non-interest bearing:				
Due to regional companies	112,998	-	-	112,998
Accounts payable and other liabilities	1,929,561	-	-	1,929,561
	2,042,559	-	645,510	2,668,069
	2011			
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Interest bearing:				
Long-term loans	-	-	287,049	287,049
Non-interest bearing:				
Due to regional companies	76,901	-	-	76,901
Accounts payable and other liabilities	1,946,452	-	-	1,946,452
	1,547,410	-	287,049	2,310,402

29. Financial instruments (cont'd)

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

	The corporation			
	2012			
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Interest bearing:				
Long-term loans	-	-	644,957	644,957
Non-interest bearing:				
Due to regional companies	112,998	-	-	112,998
Due to related parties	-	-	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

	2011			
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Interest bearing:				
Long-term loans	-	-	286,516	286,516
Non-interest bearing:				
Due to regional companies	76,901	-	-	76,901
Due to related parties	-	-	1,415,867	1,415,867
Accounts payable and other liabilities	1,368,029	-	-	1,368,029
	1,444,930	-	1,702,383	3,147,313

(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 to their carrying value the ability to effect set-offs in the amounts due.

The fair value of investments is an disclosed in note 5. 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, 2012, management estimates aggregate cost of $294 million (2011: $10,256 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:

	The group		The corporation	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Within one year	306,357	275,812	306,101	275,556
In subsequent years	671,376	595,244	670,132	593,744
	977,733	871,056	976,233	869,300

32. Subsequent events

(i) During the 2013, the corporate income tax rate for non-regulated entities was reduced from 33 ⅓ to 25%. The Minister of Finance and Planning further announced on February 12, 2013, a Surtax of 5% on taxable income of large non-regulated entities, with gross income equal to or greater than J$500 million. The Surtax is in addition to the 25% corporate income tax rate that was applicable at the time of the announcement, which makes the effective tax rate for such entities to be 27.5%.

(ii) 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.

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