URBAN DEVELOPMENT CORPORATION

ANNUAL REPORT 2014 - 2015

Making development happen...

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Cover photo: Cricket under lights at Sabina Park.

Core Values and Philosophy

The UDC believes in people

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

The UDC believes in quality

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

The UDC believes in accountability

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

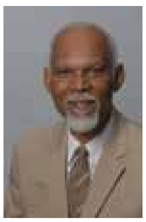
Vision

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

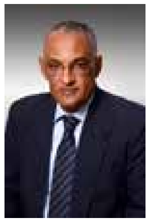
The Corporate Mission Statement

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

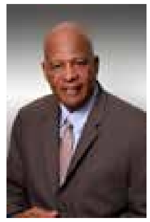
Board of Directors



The Hon Senator K D Knight - OJ,QC
Chairman



Mr. Norman Minott
Deputy Chairman

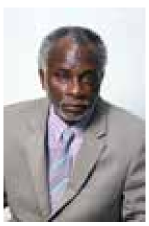


Mr Reynold Scott

Ms Elizabeth Thompson

Rev Rudolph Daley

Mr John Cooke
Deputy Chairman
(Resigned January 30, 2015)

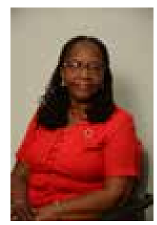


Mr Ralston Hyman

Ms Greta Bogues

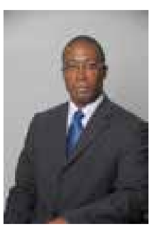
Mrs Lucille Brodber

Mr Derrick Webb



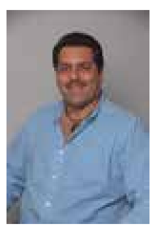
Miss Marcia Edwards

Mr Jalil Dabdoub Jr
(Resigned February 16, 2015)



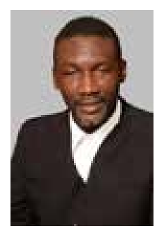
Col David Cummings

Ms Pamela Redwood



Mr Andrew Azar

Mrs Sonia Hyman



Mr Patrick Peterkin

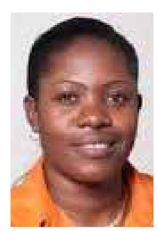
Mr Shalman Scott
(Resigned February 16, 2015)

Mr Robert Martin

Mr Lambert Brown

Mr Clinton Clarke

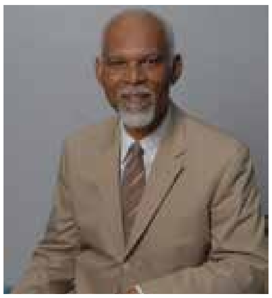
Rev Michael Lewis
(Resigned February 16, 2015)



Ms Marsha Francis
(Resigned February 16, 2015)

Mr Mark Nelson
(Resigned February 16, 2015)

Chairman's Report



The financial year, April 2014 to March 2015, was one in which the Urban Development Corporation (UDC) consolidated gains from the previous year, ending with an operating profit of J$340.5M. This was against the operating loss of $112.5 M recorded at the beginning of the financial year. The value of the asset base moved from $41.3B to $44.2B over the same period, with an increase in the fair value of investment property from $1.7B to $2.6B.

The Corporation continued on the path of divesting underperforming assets to buttress the bottom line, details of which are contained elsewhere in this report. Significant efforts were made also to develop and implement procedures for greater efficiency and accountability.

The transferring of the shares of the Montego Bay Convention Centre (MBCC) to the Government of Jamaica (GOJ) was advanced during the year, as the Corporation sought to bring this matter to conclusion, thus reducing its financial risk. The Corporation has been hard-pressed to provide a monthly allocation of approximately $20M to cover the expenses of the Centre. In addition to the financial impact, the production of the Corporation's audited financial statement for the review year was delayed, as guidance on the accounting treatment of the investment in this development was required in order to complete the audit. Consequently the audited financials were approved by the new Board of Directors at the meeting of July 14, 2016.

Another significant impediment to the financial health of the Corporation was the United States Dollar denominated Petro Caribe Loan of US$9,600,000 with interest rate of 3% annually. The loan was secured to develop the Falmouth Cruise Terminal in Trelawny to accommodate large vessels, as part of the tourism thrust. The Corporation negotiated the terms of the loan for payment to be effected over a five year period, quarterly, commencing March 2014, with final payment December 2018. The loan is secured by a mortgage on the UDC owned Top Forte property in St. Ann.

In the areas of Payables and Receivables, the Corporation continued to employ a strategic approach to meeting its responsibilities/liabilities and engaged in offsetting the former against the latter where applicable. Attention continued to be paid to the areas of policy review and development, aimed at strengthening the operational framework.
One highlight for the period, was the Corporation's management of the Sabina Park Lighting project, timely completion of which facilitated the hosting of night cricket at that venue.

GOVERNANCE

The Board of Directors was reappointed in February 2015. Ahead of the reappointment however, Deputy Chair, John Cooke tendered his resignation in January 2015. Directors Jalil Dabdoub jr, Michael Lewis and Marsha Francis all resigned on February 16, 2015. At the Executive level the position of Deputy General Manager, Human Resource Development was made redundant effective July 14, 2014.

PERFORMANCE REVIEW

The operations of the UDC for the review year were guided by the four fold strategic perspectives of Financial, Internal Business, Customer and Learning and Growth, with the strategic objectives being to –

- Assure the sustained financial viability and solvency of the Corporation
- Utilize assets owned by the Corporation to create transformational development opportunities
- Plan and execute projects that support and encourage national development
- Redesign the corporate structure and staffing to deliver the desired objectives in the most efficient manner.

The performance will therefore be presented in the context of these four strategic perspectives and the major achievements attached hereunder.

FINANCIAL

Management Fees

Projects which are the lifeblood of the Corporation, reflected an improved performance with management fees exceeding the target of $148.5M to record earnings of $232.74M at the end of the financial year. The Management fees were earned on projects inclusive of Norman Manley Beach Park in Negril, Harbour Street Craft Market in Montego Bay, Accountant's General Department office complex and the National Heroes Park development, both in downtown Kingston.

Divestment

The sale of Lot 21 in downtown Kingston to GraceKennedy to facilitate the construction of their commercial development as well as the sale of land to the Ministry of Foreign Affairs and Foreign Trade were completed at a cost of $75M and $20M respectively.

Sale of several properties was concluded during the year inclusive of Jamintel building in downtown Kingston for $150M and Mahogany Inn, Negril at US$2.4 M, both during October. The sale of the Forum at $350M was completed in November 2014. Also completed during the month was the sale of Lot 143 Johnson Hill, Hellshire to the National Housing Trust for $87.8M.

Board approval was forthcoming for the joint venture arrangement for the management/privatisation of the Caymanas Golf and Country Club and advanced to the Office of the Prime Minister for non-objection in accordance with Government's procurement procedures. Still in Caymanas, Cabinet approval was received in February for the Caymanas Sewage Conveyance System project. Construction of the pipeline and its connection to the Soapberry Wastewater Treatment Plant, was scheduled for the 15/16 financial year.

Aerial of Caymanas Country Club

New Revenue Sources

In the identification of new revenue sources, the Corporation packaged and offered to the market, concession opportunities at Dunn's River Falls and Park. Requests for proposals were invited for activities which would diversify the offerings to the patrons but complement what exists

INTERNAL BUSINESS

The Corporation continued to strengthen its internal processes during the year. In support of this endeavor, a new internet telephone based protocol was deployed at the Head Office, in June 2014. Roll out to the St Ann Development Company (SADCO), which manages the St Ann based attractions, as well as subsidiary Ocho Rios Commercial Centre (ORCC) and the Montego Bay office of the UDC was completed in July 2014. This system is expected to reduce cost and improve connectivity across the various business platforms.

In the continued quest for improved efficiencies, the Information Communication Technology team developed billing software for use by the subsidiary Runaway Bay Water Company. The team also developed software for the procurement and leave management functions at the Head Office and property management at ORCC.

In fulfilling its corporate responsibilities, the UDC submitted its Corporate Plan and Budget for 2015/16-2017/18 to the Office of the Prime Minister and the Ministry of Finance on December 31, 2014 in keeping with the deadline. Additionally, the requisite reports were submitted as due.

The Corporation continued its focus on service excellence, in recognition of, the importance of the experience in all the customer interfaces, to the bottom line. Consequently, Customer Service Champions were identified across the group as the Corporation sought to enhance customer service and satisfaction.

CUSTOMER PERSPECTIVE

Dunn's River Falls and Park – A new electronic entry management system implemented at the Dunn's River, went live in July 2014. The system is part of a process to streamline the customer flow and positively impact the revenue at the attraction.

First patrons to use the electronic system at Dunn's River.

Sabina Park - The Sabina Park lights were commissioned into operation on August 3, 2014, by then Prime Minister, the Most Honourable Portia Simpson Miller in time to host the 2014 Caribbean Premier League World Cricket series at the popular Kingston venue. The UDC facilitated a US$2.7M contract for the design, fabrication and installation of four international standard lighting towers for the Park. The project was funded by the Government of India at a cost of US$2.1 and the Tourism Enhancement Fund (TEF) providing US$600,000. Other partners included Fosrich Company Limited, Phillips Lighting and Jentech Consultants.

The Most Honourable Prime Minister, Portia Simpson Miller unveils plaque signalling the commissioning of lights at Sabina Park on August 3, 2014 along with Minister Natalie Neita Headley, Milton Samuda, Chairman Sabina Park and Desmond Malcolm UDC General Manager.

Granville - The UDC signed a contract with the National Housing Trust (NHT) to provide project management services for the infrastructure component of the Granville housing development in Trelawny.

Pearly Beach -The newly created Pearly Beach West in Ocho Rios, was handed over to the St Ann Development Company (SADCO) to make operational. The development included construction of sanitary and parking facilities. The beach was developed in line with market research which determined customers needs for a facility to accommodate a range of group events.

Pearly Beach

Forum - Following on the sale of the Forum property in Portmore, to the Portmore Marina Development Limited for mixed used redevelopment, and the agreement to deliver the property unencumbered, the UDC took the decision to aid the informal commercial operators and fisherfolks in relocating to another UDC owned property on Port Henderson Road referred to Sector M. The Corporation made a one off payment of $45,000 to each owner of structure or head of household.

They were also assisted in transporting their effects to the new location. Among the amenities provided for the fisherfolks were gear sheds for storage of their equipment and a mooring area for their boats. In the case of the commercial operators, 12x12 spaces with bases were provided for persons who operated at the previous location. It was then the responsibility of each person to construct his/her own design in keeping with established standards. A scaling area as well as parking and sanitary facilities was developed. The operators in turn were expected to pay a lease amount based on the size of the space occupied.

The relocation was carried out in a spirit of cooperation.

Jubilee Market Renovation Phase 11 - The perimeter fencing on this project was completed, with work on the main building to be retendered. The project which is being funded by Petro Caribe, was conceptualised as a modern facility, which will meet the long term needs of the downtown Kingston Market District, while maintaining the aesthetics of the original market structure.

TEF Funded Projects - Several Memoranda of Understanding (MOUs) were signed with the Tourism Enhancement Fund (TEF) to include the rehabilitation of the Old Naval Hospital in Port Royal. The Spanish Town Historic Trail also benefited from this arrangement with the scope covering the landscaping of the Emancipation Square and the Old Iron Bridge through a contract awarded to the National Solid Waste Management Authority (NSWMA). Work also commenced under this MOU for the renovation of the People's Museum and rehabilitation of the Façade & Portico of Old King's House in Spanish Town.

New Forum takes shape

The partnership was also evidenced in Ocho Rios as work continued on the Turtle Walk Improvement projects which saw the completion of the terminal building at the port and the bus staging area around the parking lot. Upgrading of the finger pier to the building as well as improvements to Turtle River Walk between the Cruise ship terminal gate and Marina Gate were also completed. At the end of the year, planning was in progress for the improvements to the Main Street and Promenade phase of the project. The improvement works are the result of a collaboration between the Port Authority of Jamaica (PAJ), the TEF and the UDC.

Retrofitting Project
– Retrofitting was completed during the year, to a section of the Montego Bay Convention Centre (MBCC), to house the western offices of the Jamaica Tourist Board/Tourism Product Development Company. This was a mutually beneficial arrangement, which would result in marketing support for the Centre.

National Heroes Park
– Consequent on the signing of MOUs between the Ministry of Transport Works and Housing with Tourism Enhancement Fund and CHASE and a contract with Black Brothers, the UDC was tasked to act as design, contracting and supervisory consultants on the project.

Turtle River Road improvement

Construction of a perimeter fencing, representing the first phase of the project was scheduled to commence during the next financial year. Elements of the development include a new main ceremonial entrance as well as six pedestrian gates, water features and hard and soft landscaping project.

Simon Bolivar -The UDC designed Simon Bolivar Cultural Centre, in downtown Kingston, completed during the previous financial year was handed over to the Institute of Jamaica on April 2, 2015 to be managed and operated. The Centre includes an Exhibit Hall, Interpretation and multipurpose rooms and administrative facilities. The project was financed by the Government of Venezuela through the Petro Caribe Fund and the Government of Jamaica at an approximate cost of US$4M.

Chairman KD Knight, hands over symbolic keys for the Simon Bolivar Cultural Centre to Deborah Hickling, Member of Institute of Jamaica Council and their Chairman of Programmes in the Development Division. Participating in the occasion from left are Peter Risden, UDC Portfolio Manager, Ann Marie Bonner, Executive Director, IOJ, Sonia Hyman, OD, UDC Director and Desmond Malcolm, . Partially hidden is Robert Stephens, UDC Deputy General Manager, Subsidiaries Management and Revenue Generation.

The Centre won for the UDC architectural team, the Jamaican Institute of Architects Award for Excellence in Remodelling/Refurbishing projects, presented on May 31, 2014.

Planning - As part of its planning responsibility the Corporation also commenced preliminary research to develop criteria which will guide the selection of townships requiring the intervention of the UDC within a three year period.

LEARNING AND GROWTH

The Corporation invested in several training interventions for the year as it sought to enhance the skills of its diverse workforce. In addition to strengthening the base skills, mission critical positions were filled inclusive of Group Company Secretary and Directors for Project Management, Facilities Management, Strategic Sourcing and Procurement and SADCO.

A new organizational chart was also developed and submitted to the Ministry of Finance and the Public Service, having received the nod of approval from the UDC Board of Directors.

During the financial year the Corporation, developed Sexual Harassment and Disability policies to guide its operations. The UDC was one of the first agencies of Government to achieve this feat. Implementation of the policies is scheduled for the upcoming year.

STAKEHOLDER INTERACTION

Environmental Activities -The UDC Schools Environmental Competition was again staged during the year, with 19 participating institutions, submitting 22 projects. The awards presentation which is the culmination of the competition was hosted in partnership with the Jamaica Crocodile Working Group at the first ever Crocodile Environment Fair at Hope Gardens on June 7. The Competition was relaunched on November 21, 2014.

National tree Planting Day on October 3, 2014 was supported as part of the Corporation's commitment to environmental preservation.

The UDC was represented on several environmental committees through the Natural Resource Management and Environment Planning Department, inclusive of the National Council on Coastal Zone Management, Cays Management and Beaches and Coastal Resources Conservation.

Patrons pet the baby croc at the fair

Fireworks on the Waterfront

The Corporation closed out another year with its calendar family event the Fireworks on the Waterfront on December 31, 2014. The event offered a package of entertainment which included children's village, vending boulevard, entertainment and fireworks display at midnight. In addition to its entertainment value, the event provides opportunities for small entrepreneurs as well as community members who are engaged for the day of the event.

The Way Forward

As the UDC sought to fulfil its mandate and improve the financial viability, among the matters targeted for implementation in the 2015/16 financial year were –

- Re-negotiating the Petro – Caribe loan and concluding the transferral of the shares of the Montego Bay Convention Centre to the Government of Jamaica. Both initiatives once successfully completed should positively impact the financial operations of the Corporation.
- Implementation of the J$624M Caymanas Sewage Infrastructure works and the continuation of planning for Ocho Rios Improvement works, with the Promenade and Main Street and as discrete projects.

I am please to present the Annual Report inclusive of Audited Financials for the Urban Development Corporation for the 2014 – 15 Financial Year.

Romain Virgo performs and...

it's Fireworks

The Hon Senator K D Knight - OJ,QC
Chairman

Subsidiaries and Associated Companies

Name of Company	Subsidiary/Associated Company	Status
Ocho Rios Commercial Centre Limited	Subsidiary	Active
Runaway Bay Water Company Limited	Subsidiary	Active
Caymanas Development Company Limited	Subsidiary	Active
Montego Bay Conference Centre Limited	Subsidiary	Active
Kingston Waterfront Hotel Company Limited	Associated Company – NHPL	Active
Montego Beach (1975) Limited	Associated Company – NHPL	Active
Montego Freeport Limited	Associated Company – NHPL	Active
Montego Shopping Centre Limited	Associated Company – MFL	Active
Kingston City Centre Improvement Company Limited	Associated Company	Active
Kingston Restoration Company Limited	Associated Company	Active
Seaside at Rose Hall Developments Limited	Associated Company	Active
Portmore Commercial Development Company Limited	Associated Company	Active
The Ward Theatre Foundation Limited	Associated Company	Active
St. Ann Development Company Limited	Separate Legal Entity	Active
Central Wastewater Company Limited	Associated Company	Dormant
Port Royal Development Company Limited	Associated Company	Dormant
Bloody Bay Hotel Development Limited	Associated Company	Dormant
Kingston Waterfront Redevelopment Company Limited	Separate Legal Entity	Dormant
National Hotels and Properties Limited	Subsidiary	Dormant
Seacastles Limited	Subsidiary	Restored (to be wound up once sale of property is complete)
Rutland Point Beach Resort Limited	Subsidiary	Restored (to be wound up once sale of property is complete)

Directors of the Urban Development Corporation
Senator K D Knight – Chairman
Norman Minott – Deputy Chairman
Mr Andrew Azar
Col David Cummings
Mrs Marcia Edwards
Mr Lambert Brown
Mr Derrick Webb
Mr Reynold Scott
Mrs Sonia Hyman
Miss Pamela Redwood
Mr Patrick Peterkin
Mr Robert Martin
Ms Elizabeth Thompson
Mrs Lucille Brodber
Miss Greta Bogues
Rev Rudolph Daley
Mr Clinton Clarke
Mr Ralston Hyman
Rev Michael Lewis
Mr Mark Nelson
Mr Jalil Dabdoub Jr
Ms Marsha Francis
Mr Shalman Scott
Mr John Cooke

Directors of Subsidiaries and Associate Companies

Runaway Bay Water Company
Manley Bowen – Chairman
Eva Murdock
Veronica Bennett-Warmington
Sara Simpson-Tulloch
Chryseis Reynolds

Ocho Rios Commercial Centre
Errol Philp – Chairman
Robert Martin
Manley Bowen
Rochelle Samuel
Patricia Smith

Caymanas Development Company Limited
Clinton Clarke – Chairman
Orville Marshall
Albert Gray
Heather Robinson
Norman Scott

Seaside at Rose Hall Development Limited
Senator K D Knight – Chairman
Wiley Sweeny
Don Stansberry
Michele Rollins

Kingston Waterfront Hotel Company Limited
Senator K D Knight - Chairman
Patrick Peterkin
Yvette Brown

Montego Beach 1975 Limited
Senator K D Knight - Chairman
Patrick Peterkin
Yvette Brown

Kingston Waterfront Redevelopment Company Limited
Senator K D Knight - Chairman
Patrick Peterkin
Yvette Brown

Port Royal Development Company
Senator K D Knight – Chairman
Desmond Malcolm
Michael Campbell
John Lynch
Edison Galbraith

Donovan Perkins/Stephen Facey (Alternate)
Lois Sherwood
Robert Stephens

St Ann Development Company
Leon Gordon – Chairman
Gregory Lawrence
Paul Stewart
Robert Martin
Clive Miller
Errol Philp
Sonia Hyman
Lynson Charlton
Garwin Tulloch
Faith Thomas
Angela Archer
Robert Stephens

Montego Freeport Limited
Lambert Brown – Chairman
George Duncan
Cedric Stewart
Richard Clarke
Sonia Hyman

Montego Bay Conference Centre Limited
Andrew Azar – Chairman
Pamela Redwood
Gary Sadler
Carole Guntley
Sam James

National Hotel and Properties
Keith Knight - Chairman
Patrick Peterkin
Clinton Clarke
Yvette Brown

Portmore Commercial Development Company Limited

UDC Appointed Directors Audrey Facey –Smith, Camille Bolton and Clinton Clarke served alongside the National Insurance Fund appointees.

Urban Development Corporation Board Committees

Audit
Col David Cummings – Chairman
Sonia Hyman
Derrick Webb
Errol Hudson (Co-opted)
Donna Deidrick (Co-opted)

Finance Treasury Investment & Risk
Ralston Hyman - Chairman
Elizabeth Thompson
Marcia Edwards
Robert Martin
Veronica Bennett Warmington (Co-opted)

Human Resource Management
Lambert Brown - Chairman
Pamela Redwood
Sonia Hyman
Greta Bogues

Information Communication Technology
Col David Cummings - Chairman
Clinton Clarke
Pamela Redwood
Yvonne Gardener (Co-opted)

Contracts Award
Derrick Webb - Chairman
Patrick Peterkin
Sonia Hyman
Rudolph Daley

Public Relations and Marketing
Pamela Redwood - Chairman
Greta Bogues
Tricia Ferguson – (Co-opted)
Kamal Powell – (Co-opted)

Planning and Development
Norman Minott - Chairman
Derrick Webb
Reynold Scott
Lucille Brodber
Marcia Edwards
Leonard Francis (co-opted)
Carol Archer (Co-opted)
Shawn Martin (Co-opted)

Implementation Oversight
Senator K D Knight - Chairman
Norman Minott
Derrick Webb
Ralston Hyman

Montego Bay Advisory Committee
Fred Smith – Chairman
Godfrey Dyer
Merrick Fray
Glendon Harris
Noel Sloely Jr
Mark Kerr-Jarrett
Maxim Clarke
Charles Sinclair
Metty Scarlette Jones
Winston Dear

Negril Advisory Committee
Roy Hutchinson – Chairman
Desmond Malcolm
Fred Hamaty
GIPA
HPCA
WPC
NCC

Pension Fund Trustees & Sponsor Trustees
Lennox Elvy – Chairman
Patrick Peterkin
Stanley Morris
Angela Strudwick
Peter Thompson

Corporate Governance
Greta Bogues – Chairman
Rudolph Daley
Sophia Frazer Binns
Yvette Sibble
Teri-Ann Lawson

(Established confirmation expected in new financial year)

The UDC also had representation on the following Boards –

- The Ward Theatre Foundation – Elizabeth Thompson
- Kingston Restoration Company – Yvette Sibble/Anthony Smith

Senior Executive Compensation
Financial Year April 1, 2014 - March 31, 2015

Name of Senior Executive	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 ($)
Desmond Malcolm	General Manager	9,182,817	4,578,908						-	13,761,725 1
Yvette Sibble	DGM - Legal Division	7,729,861	1,877,095	811,985			837,588			11,256,529
Donald Hamilton	DGM - Finance	7,533,380	1,877,095	826,696					-	11,254,242
Robert Stephens	DGM - RG&SM	7,508,380		674,410						8,182,789
Lorna Perkins	DGM - DPMD	7,526,130		674,410						8,200,539
Marcia Scott Golding	*DGM - HRD	2,354,186					2,320.525		-	4,674,711
Anthony Smith	DGM - Strategic Management	7,608,411	2,815,642	674,410						11,098,463
		49,432,392	11,148,741	3,661,910	-	-	-			68,429,000

** DGM-HRD was made redundant effective July 14, 2014*

Directors' Compensation
Financial Year April 1, 2014 - March 31, 2015

Name of Director	Position of Director	Fees ($)	Motor Vehicle Upkeep / Travelling or Value of Assignment of Motor Vehicle $	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Keith Knight	Chairman	224,000	N/A	N/A	N/A	224,000
John Cooke	Deputy Chairman	76,500	N/A	N/A	N/A	76,500
Ralston Hyman	Director	85,000	N/A	N/A	N/A	85,000
Shalman Scott	Director	42,500	N/A	N/A	N/A	42,500
Mark Nelson	Director	25,500	N/A	N/A	N/A	25,500
Marcia Edwards	Director	85,000	N/A	N/A	N/A	85,000
Pamela Redwood	Director	136,000	N/A	N/A	N/A	136,000
Jalil Dabdoub	Director	93,500	N/A	N/A	N/A	93,500
Andrew Azar	Director	68,000	N/A	N/A	N/A	68,000
David Cummings	Director	93,500	N/A	N/A	N/A	93,500
Clinton Clarke	Director	76,500	N/A	N/A	N/A	76,500
Lambert Brown	Director	110,500	N/A	N/A	N/A	110,500
Derrick Webb	Director	93,500	N/A	N/A	N/A	93,500
Michael Lewis	Director	51,000	N/A	N/A	N/A	51,000
Norman Minott	Director	127,500	N/A	N/A	N/A	127,500
Patrick Peterkin	Director	76,500	N/A	N/A	N/A	76,500
Marsha Francis	Director	51,000	N/A	N/A	N/A	51,000
Reynold Scott	Director	76,500	N/A	N/A	N/A	76,500
Sonia Hyman	Director	119,000	N/A	N/A	N/A	119,000
Robert Martin	Director	119,000	N/A	N/A	N/A	119,000
Elizabeth Thompson	Director	8,500	N/A	N/A	N/A	8,500
Rudolph Daley	Director	8,500	N/A	N/A	N/A	8,500
Lucille Brodber	Director	8,500	N/A	N/A	N/A	8,500
Greta Bogues	Director	N/A	N/A	N/A	N/A	N/A

**One Director was unable to attend meetings for the February-March period, therefore no Compensation recorded.*

URBAN DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2015

KPMG
Chartered Accountants
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+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 46, which comprise the group's and corporation's statement of financial position as at March 31, 2015, the group's and corporation's statements of profit or loss and other 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 relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Members of
URBAN DEVELOPMENT CORPORATION

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the corporation as at March 31, 2015, 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

July 14, 2016

URBAN DEVELOPMENT CORPORATION

Group Statement of Financial Position
Year ended March 31, 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,283,152	2,122,582
Assets held for sale	4(e)	327,678	625,191
Investment properties	4	40,403,904	37,702,278
Interest in associate	5	25,221	31,144
Interest in joint venture	7	1,430,363	1,396,357
Employee benefits asset	8	905,994	721,964
		45,376,312	42,599,516
CURRENT ASSETS			
Taxation recoverable		94,300	84,848
Inventory of land and development projects	9	451,827	306,107
Inventories	10	24,177	8,964
Assets held for sale	4(e)	12,224	389,480
Accounts receivable	11	871,715	1,504,638
Cash and cash equivalents	12	2,192,875	1,536,658
		3,647,118	3,830,695
TOTAL ASSETS		49,023,430	46,430,211
EQUITY AND LIABILITIES			
GOVERNMENT EQUITY			
Capital contributions		222,788	222,788
Capital reserve	13	7,707,937	7,566,637
General reserve	14	325,718	325,718
Revenue reserve	15	35,501,685	32,617,414
Attributable to equity owners of the corporation		43,758,128	40,732,557
Non-controlling interests	16	256,047	257,513
		44,014,175	40,990,070
NON-CURRENT LIABILITIES			
Provision for future infrastructure cost on land sold	17	475,394	407,744
Deferred tax liabilities	18	108,548	108,442
Long-term liabilities	19	832,946	919,697
Deferred income	20	36,238	41,435
		1,453,126	1,477,318
CURRENT LIABILITIES			
Current portion of long-term liabilities	19	110,287	131,309
Due to regional companies	21	153,842	129,236
Accounts payable and other liabilities	22	3,225,765	3,640,475
Income tax payable		66,235	61,803
		3,556,129	3,962,823
TOTAL EQUITY AND LIABILITIES		49,023,430	46,430,211

The financial statements, on pages 3 to 46, were approved for issue by the Board of Directors on July 14, 2016 and signed on its behalf by:

Ransford Braham Chairman

David Cummings Director

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

URBAN DEVELOPMENT CORPORATION

Group Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2015

	Notes	2015 $'000	2014 $'000
Revenue	23	2,935,088	2,425,707
Cost of operating revenue		(141,029)	(127,467)
Gross profit		2,794,059	2,298,240
Administrative, marketing and selling expenses	24(a)	(2,836,230)	(2,755,075)
Operating loss		(42,171)	(456,835)
Increase in fair value of investment properties	4	2,886,941	1,202,813
Loss on disposal of interest in associate	5(c)	-	(403,570)
Other operating income		49,551	29,828
Share of loss from associates	5(b)	(5,923)	(4,643)
Share of profit/(loss) form joint venture	7	30,590	(12,013)
Gain from investments, net		115,685	35,826
Profit before finance costs and impairment losses		3,034,673	391,406
Finance costs:			
Loan interest		(29,642)	(45,095)
Bank charges and other interest		(2,250)	(1,676)
		(31,892)	(46,771)
Impairment losses	24(b)	(243,223)	(262,958)
Profit before taxation		2,759,558	81,677
Taxation	25(a)	(17,422)	96,363
Profit for the year		2,742,136	178,040
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of employee benefits asset	8(d)	154,877	(27,910)
Deferred tax on remeasurement of employee benefits asset	18	(4,738)	783
Revaluation of property, plant and equipment		186,766	79,024
Item that may be reclassified to profit or loss:			
Foreign currency translation differences		(45,466)	(76,481)
		291,439	(24,584)
Total comprehensive income for the year		3,033,575	153,456
Total comprehensive income attributable to:			
Owners of the corporation		3,025,571	149,478
Non-controlling interests		8,004	3,978
		3,033,575	153,456

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

URBAN DEVELOPMENT CORPORATION

Group Statement of Changes in Equity
Year ended March 31, 2015

	Capital contributions $'000	Capital reserve $'000	General reserve $'000	Revenue reserve $'000	Parent corporation equity $'000	Non-controlling interest $'000	Total $'000
Balances at March 31, 2013	222,788	7,564,094	325,718	32,470,479	40,583,079	253,535	40,836,614
Total comprehensive income:							
Profit for the year	-	-	-	174,062	174,062	3,978	178,040
Other comprehensive income	-	2,543	-	(27,127)	(24,584)	-	(24,584)
Total comprehensive income for the year	-	2,543	-	146,935	149,478	3,978	153,456
Balances at March 31, 2014	222,788	7,566,637	325,718	32,617,414	40,732,557	257,513	40,990,070
Total comprehensive income:							
Profit for the year	-	-	-	2,734,132	2,734,132	8,004	2,742,136
Other comprehensive income	-	141,300	-	150,139	291,439	-	291,439
Total comprehensive income for the year	-	141,300	-	2,884,271	3,025,571	8,004	3,033,575
Capital distribution	-	-	-	-	-	(9,470)	(9,470)
Balances at March 31, 2015	222,788	7,707,937	325,718	35,501,685	43,758,128	256,047	44,014,175

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

URBAN DEVELOPMENT CORPORATION

Group Statement of Cash Flows
Year ended March 31, 2015

	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	2,742,136	178,040
Adjustments for:		
Depreciation (note 3)	65,885	68,022
Write-off of property, plant and equipment	-	406
Amortisation of deferred income (note 20)	(5,197)	(6,232)
Gain on disposal on investment properties	(26,293)	-
Loss on disposal of property, plant and equipment	1,756	2,350
Loss on disposal of asset held for sale	25,116	22,541
Loss on disposal of interest in associate [note 5(c)]	-	403,570
Employee benefits asset, net	(33,891)	(40,960)
Increase in provision for future infrastructure costs on land sold	67,650	55,487
Impairment losses [note 24(b)]	243,223	262,958
Increase in fair value of investment properties (note 4)	(2,886,941)	(1,202,813)
Interest income	(132,003)	(60,554)
Interest expense	31,893	45,095
Tax charge/(credit) [note 25(a)]	17,422	(96,363)
Net foreign exchange (gain)/loss	(45,466)	24,728
Share of loss of associated companies [note 5(b)]	5,923	4,643
Operating cash flows before movements in working capital	71,213	(339,082)
(Increase)/decrease in net current assets		
Accounts receivable	462,078	(507,828)
Inventories	(15,213)	9,895
Inventory of land and development projects (note 9)	(174,768)	(110,616)
Owed to regional companies	24,606	18,060
Accounts payable and other liabilities	(414,713)	353,857
Cash utilised in operations	(46,797)	(575,714)
Interest received	131,060	60,554
Interest paid	(31,893)	(45,095)
Tax (paid)/recovered, net	(22,336)	31,692
Net cash provided/(used) by operating activities	30,034	(528,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in associated companies	-	(60,564)
Acquisition of property, plant and equipment (note 3)	(67,936)	(29,025)
Proceeds from sale of property, plant and equipment	13,596	24,143
Change in related party balances	(71,433)	34,873
Interest in joint venture	(34,006)	47,743
Proceeds from disposal of interest in associate [note 5(c)]	-	881,434
Proceeds from disposal of assets held for sale	662,548	287,459
Proceeds on disposal of investment properties	393,728	106,000
Acquisition of investment property (note 4)	(153,071)	-
Net cash provided by investing activities	743,426	1,292,063
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans, net	(107,773)	(81,458)
Capital distribution	(9,470)	-
Net cash used by financing activities	(117,243)	(81,458)
Increase in net cash and cash equivalents	656,217	682,043
Cash and cash equivalents at beginning of year	1,536,658	879,343
Effects of foreign exchange rate changes	-	(24,728)
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 12)	2,192,875	1,536,658

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Financial Position
Year ended March 31, 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,261,016	2,072,050
Investment properties	4	38,744,484	36,242,726
Interest in subsidiaries and associate	5	128,336	128,336
Due from related parties	6(a)	10,500	80,285
Interest in joint venture	7	289,388	285,972
Employee benefits asset	8	840,742	673,951
		42,274,466	39,483,320
CURRENT ASSETS			
Taxation recoverable		43,899	34,798
Inventory of land and development projects	9	451,827	306,107
Accounts receivable	11	374,026	497,757
Cash and cash equivalents	12	1,078,846	1,037,937
		1,948,598	1,876,599
TOTAL ASSETS		44,223,064	41,359,919
EQUITY AND LIABILITIES			
GOVERNMENT EQUITY			
Capital contributions		222,788	222,788
Capital reserve	13	6,455,227	6,268,461
General reserve	14	325,718	325,718
Revenue reserve	15	32,423,547	29,704,838
		39,427,280	36,521,805
NON-CURRENT LIABILITIES			
Due to subsidiaries	6(b)	862,090	467,626
Provision for future infrastructure cost on land sold	17	475,394	407,744
Long-term liabilities	19	832,413	919,164
		2,169,897	1,794,534
CURRENT LIABILITIES			
Current portion of long-term liabilities	19	110,287	131,309
Due to regional companies	21	153,842	129,236
Accounts payable and other liabilities	22	2,361,758	2,783,035
		2,625,887	3,043,580
TOTAL EQUITY AND LIABILITIES		44,223,064	41,359,919

The financial statements on pages 3 to 46 were approved for issue by the Board of Directors on July 14, 2016 and signed on its behalf by:

Ransford Braham ______ Chairman

David Cummings ______ Director

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2015

	Notes	2015 $'000	2014 $'000
Revenue	23	2,529,626	2,055,653
Administrative and general expenses	24(a)	(2,189,118)	(2,168,203)
Operating profit/(loss)		340,508	(112,550)
Increase in fair value of investment properties	4	2,690,644	1,171,469
Gain on disposal of interest in associate	5(c)	-	686,525
Income from investments:			
Foreign exchange losses, net		(16,318)	(24,697)
Other income		44,300	-
Interest income		35,023	19,069
		3,094,157	1,739,816
Net finance costs:			
Loan interest		(29,642)	(45,095)
Bank charges and interest		(1,714)	(1,337)
		(31,356)	(46,432)
Impairment losses	24(b)	(483,698)	(577,604)
Profit for the year		2,579,103	1,115,780
Other comprehensive income:			
Items that may never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	8(d)	139,606	(25,126)
Revaluation of property, plant and equipment		186,766	79,031
		326,372	53,905
Total comprehensive income for the year		2,905,475	1,169,685

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Changes in Equity
Year ended March 31, 2015

	Capital contributions $'000	Capital reserve $'000	General reserve $'000	Revenue reserve $'000	Total $'000
Balance at March 31, 2013	222,788	6,189,430	325,718	28,614,184	35,352,120
Total comprehensive income:					
Profit for the year	-	-	-	1,115,780	1,115,780
Other comprehensive income	-	79,031	-	(25,126)	53,905
Total comprehensive income for the year	-	79,031	-	1,090,654	1,169,685
Balances at March 31, 2014	222,788	6,268,461	325,718	29,704,838	36,521,805
Total comprehensive income:					
Profit for the year	-	-	-	2,579,103	2,579,103
Other comprehensive income	-	186,766	-	139,606	326,372
Total comprehensive income for the year	-	186,766	-	2,718,709	2,905,475
Balances at March 31, 2015	222,788	6,455,227	325,718	32,423,547	39,427,280

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Cash Flows
Year ended March 31, 2015

	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	2,579,103	1,115,780
Adjustments for:		
Depreciation (note 3)	59,528	62,417
Gain on disposal of investment property	(26,293)	-
Gain on disposal of interest in associate [note 5(c)]	-	(686,525)
Employee benefits asset	(27,185)	(42,907)
Increase in provision for future infrastructure costs on land sold	67,650	55,487
Impairment losses [note 24(b)]	483,698	577,604
Increase in fair value of investment properties (note 4)	(2,690,644)	(1,171,469)
Interest income	(35,023)	(19,069)
Interest expense	31,356	46,432
Operating cash flows before movements in working capital	442,190	(62,250)
Change in net current assets		
Accounts receivable	(47,114)	(295,932)
Owed from regional companies	24,607	18,060
Inventory of land and development projects (note 9)	(174,768)	(110,616)
Accounts payable and other current liabilities	(421,280)	464,758
Cash (used)/provided by operations	(176,365)	14,020
Interest paid	(31,356)	(41,369)
Interest received	34,080	17,226
Tax (paid)/recovered, net	(9,103)	45,171
Net cash (used)/provided by operating activities	(182,744)	35,048
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (note 3)	(62,618)	(24,867)
Proceeds from sale of property, plant and equipment	892	-
Decrease/(increase) in related party balances	108,040	(349,254)
Interest in joint venture	(3,416)	35,730
Proceeds from disposal of investment property	393,726	106,000
Proceeds from disposal of interest in associate [note 5(c)]	-	881,434
Acquisition of investment property (note 4)	(149,500)	-
Net cash provided by investing activities	287,126	649,043
CASH FLOWS FROM FINANCING ACTIVITY		
Loans, net	(107,773)	(81,458)
Capital distribution received	44,300	-
	(63,473)	(81,458)
Increase in net cash and cash equivalents	40,909	602,633
Cash and cash equivalents at beginning of year	1,037,937	435,304
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 12)	1,078,846	1,037,937

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 at 12 Ocean Boulevard, Kingston Mall, Kingston, Jamaica.

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

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

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

2. Basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements as at and for the year ended March 31, 2015 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS).

New and amended standards and interpretations that became effective during the year

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The adoption of those standards, amendments and interpretations did not have any effect on amounts and disclosures in the financial statements.

New and amended standards and interpretations that are not yet effective

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:

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.

  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used for property plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.

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

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

New and amended standards and interpretations that are not yet effective (cont'd):

- Amendment to IAS 27, *Equity Method in Separate Financial Statements*, effective for accounting periods beginning on or after January 1, 2016. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and also joint ventures.

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

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

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

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

  - 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.

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

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

New and amended standards and interpretations that are not yet effective (cont'd):

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, 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.* 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.

  An entity is required to apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

- IAS *1 Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are a minimum requirements of a standard.
  - the order of notes to the financial statements is not prescribed.
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

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

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

- IFRS 16, *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.
  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

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

(b) Basis of measurement and functional currency:

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

(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 profit or loss and other 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 judgements 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 interest in joint venture:

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 interest in joint venture, for example, based on default and adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables and interest in joint venture, as well as the timing of such cash flows.

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

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

(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 last transaction or valuation.

(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 proportion amount 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.

(iv) Pension and other post-employment benefits:

The amounts recognised in the statement of financial position and profit or loss and other comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised are the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-employment obligations and the expected rate of increase in medical costs for post-employment medical benefits.

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms 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-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on existing inflationary factors. Any changes in these 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. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

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

(e) Basis of consolidation (cont'd):

(i) Subsidiaries (cont'd)

The consolidated financial statements comprise the financial results of the corporation and its subsidiaries prepared up to March 31, 2015. The principal operating subsidiaries are listed in note 5(a).

(ii) Associates

Associates are those entities in which the group has significant influence, but not control, over their financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses on an equity accumulated basis from the date that significant influence commences until the date it ceases. The results used are those disclosed in the latest available audited financial statements adjusted for significant events, if any, occurring between the last audited reporting date and March 31, 2015.

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. If the associate subsequently reports profits, the group resumes recognizing its share of those profits only after its share of those profits equal the share of losses.

(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.

(f) Property, plant and equipment:

(i) Owned assets:

Freehold 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. 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.

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

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

(i) Owned assets (cont'd):

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 properties, 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 assumes substantially all the risks and rewards of ownership are classified as finance lease. Plant and equipment acquired by way of finance lease are stated at an amount 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 it reverses a previous impairment loss on the specific property, with any remaining gains recognised in other comprehensive income and presented in capital reserve. Any loss is recognised immediately in profit or loss.

(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

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

(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) Interest in joint venture:

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interest in associate and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and other comprehensive income of the joint venture and associate, until the date on which significant influence or joint control ceases.

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.

(i) Employee 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. The discount rate applied is the yield at the 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 changed, or when the plan is curtailed, the resulting change in benefit relating to past service or the gain or loss on curtailment by employees is recognised immediately in profit or loss. The group recognised gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to post-employment obligations are recognised in profit or loss.

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

(i) Employment benefits (cont'd):

(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 or receivable in respect of previous years.

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

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

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

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

(k) Inventory of land and development projects:

Inventory of land and development projects includes projects and 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 the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

(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, and are carried at cost.

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management activities are included as a component of cash and cash equivalents.

(o) Accounts payable and other current liabilities:

Trade and other accounts payable are stated at amortised cost.

(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", in this case the group).

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

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

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

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

(i) The entity and the group 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 group or an entity related to the group.

(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 group (or of a parent of the group).

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

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

(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.

(r) Revenue recognition:

(i) Real estate trading income:

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

(ii) Rental income:

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

(iii) Interest income:

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

(iv) Other revenue:

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

(s) Expenses:

(i) Finance costs:

Finance costs 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, the 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.

(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) Resale agreements:

Securities purchased under resale agreements ("resale agreements") are short-term transactions whereby securities are bought with simultaneous agreements to resell them on a specified date and at a specified price. Resale agreements are accounted for as short-term collateralised lending, and are carried at amortised cost.

The difference between the purchase and resale consideration is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest income.

Notes to the Financial Statements (Continued)
Year ended March 31, 2015

3. Property, plant and equipment

The group

	Freehold land $'000	Freehold buildings $'000	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Sewerage treatment plant $'000	Capital work-in-progress $'000	Total $'000
At cost or valuation:								
March 31, 2013	1,134,134	780,825	146,495	49,676	410,835	36,533	3,029	2,561,527
Additions	-	-	-	470	8,601	-	19,954	29,025
Revaluation	67,682	(13,430)	-	-	-	-	-	54,252
Disposals	-	(26,500)	-	-	-	-	-	(26,500)
Adjustments/Write-offs	-	-	-	-	(3,346)	-	-	(3,346)
March 31, 2014	1,201,816	740,895	146,495	50,146	416,090	36,533	22,983	2,614,958
Additions	-	-	-	9,122	50,454	-	8,360	67,936
Transfer to asset held for sale	(1,386)	(12,115)	-	-	-	-	-	(13,501)
Revaluation	66,594	94,724	-	-	-	-	-	161,318
Disposals	(2,476)	(11,187)	-	(312)	(10,552)	-	-	(24,527)
March 31, 2015	1,264,548	812,317	146,495	58,956	455,992	36,533	31,343	2,806,184
Depreciation:								
March 31, 2013	404	5,811	58,575	43,731	303,990	36,533	3,029	452,073
Charge for the year	-	25,635	5,447	3,590	33,350	-	-	68,022
Eliminated on revaluation	-	(24,779)	-	-	-	-	-	(24,779)
Eliminated on disposal	-	-	-	-	(2,940)	-	-	(2,940)
March 31, 2014	404	6,667	64,022	47,321	334,400	36,533	3,029	492,376
Charge for the year	-	26,236	5,309	2,309	32,031	-	-	65,885
Eliminated on revaluation	-	(25,447)	-	-	-	-	-	(25,447)
Transfer to asset held for sale	-	(606)	-	-	-	-	-	(606)
Eliminated on disposal	-	(852)	-	(312)	(8,012)	-	-	(9,176)
March 31, 2015	404	5,998	69,331	49,318	358,419	36,533	3,029	523,032
Net book values:								
March 31, 2015	1,264,144	806,319	77,164	9,638	97,573	-	28,314	2,283,152
March 31, 2014	1,201,412	734,228	82,473	2,825	81,690	-	19,954	2,122,582

Certain freehold land and buildings were revalued during the year by independent valuators Breakenridge and Associates, Allisson Pitter and Easton Douglas. Certain other properties were also revalued at March 31, 2015 by the in-house valuator. Changes arising on revaluation are recognised in other comprehensive income and included in capital reserve.

Notes to the Financial Statements (Continued)
Year ended March 31, 2015

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

The corporation

	Freehold land $'000	Freehold buildings $'000	Leasehold improvements $'000	Motor vehicles $'000	Furniture fixtures and equipment $'000	Sewerage treatment plant $'000	Capital work-in-progress $'000	Total $'000
At cost or valuation:								
March 31, 2013	1,129,547	717,458	144,897	44,363	330,572	36,533	3,029	2,406,399
Additions	-	-	-	470	4,443	-	19,954	24,867
Revaluation adjustments	67,682	(13,430)	-	-	-	-	-	54,252
March 31, 2014	1,197,229	704,028	144,897	44,833	335,015	36,533	22,983	2,485,518
Additions	-	-	-	7,157	47,101	-	8,360	62,618
Revaluation adjustments	66,594	94,724	-	-	-	-	-	161,318
Disposals	-	-	-	(312)	(7,347)	-	-	(7,659)
March 31, 2015	1,263,823	798,752	144,897	51,678	374,769	36,533	31,343	2,701,795
Depreciation:								
March 31, 2013	-	-	58,314	38,911	239,043	36,533	3,029	375,830
Charge for the year	-	24,779	5,309	3,490	28,839	-	-	62,417
Eliminated on revaluation	-	(24,779)	-	-	-	-	-	(24,779)
March 31, 2014	-	-	63,623	42,401	267,882	36,533	3,029	413,468
Charge for the year	-	25,447	5,309	2,210	26,562	-	-	59,528
Eliminated on revaluation	-	(25,447)	-	-	-	-	-	(25,447)
Eliminated on disposal	-	-	-	(312)	(6,458)	-	-	(6,770)
March 31, 2015	-	-	68,932	44,299	287,986	36,533	3,029	440,779
Net book values:								
March 31, 2015	1,263,823	798,752	75,965	7,379	86,783	-	28,314	2,261,016
March 31, 2014	1,197,229	704,028	81,274	2,432	67,133	-	19,954	2,072,050

Certain freehold land and buildings were revalued during the year by independent valuators Breakenridge and Associates, Allisson Pitter and Easton Douglas. Certain other properties were also revalued at March 31, 2015 by the in-house valuator. Changes arising on revaluation are recognised in other comprehensive income and included in capital reserve.

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2015

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, 2013	30,706,750	6,288,195	36,994,945	30,706,750	4,470,507	35,177,257
Disposals	-	(106,000)	(106,000)	-	(106,000)	(106,000)
Transfers to asset held for sale [note (e)]	-	(389,480)	(389,480)	-	-	-
Increase/(decrease) in fair value	1,703,462	(500,649)	1,202,813	1,638,748	(467,279)	1,171,469
March 31, 2014	32,410,212	5,292,066	37,702,278	32,345,498	3,897,228	36,242,726
Additions	-	153,071	153,071	-	149,500	149,500
Disposals	(152,224)	(149,500)	(301,724)	(152,224)	(149,500)	(301,724)
Transfers (note 9)	16,548	12,500	29,048	16,548	12,500	29,048
Increase in fair value	2,214,737	672,204	2,886,941	2,210,737	479,907	2,690,644
Write-off	(65,710)	-	(65,710)	(65,710)	-	(65,710)
March 31, 2015	34,423,563	5,980,341	40,403,904	34,354,849	4,389,635	38,744,484

(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 rental and not occupied by the group.

(c) Certain properties were valued during the year by independent valuators Breakenridge and Associates, Allison Pitter and Easton Douglas. Other properties were also revalued by the in-house valuator.

(d) Property rental income earned from investment properties, all of which were leased under operating leases, aggregated $221 million (2014: $455 million) for the group and $139 million (2014: $136 million) for the corporation. Direct operating expenses arising from the investment properties during the year aggregated $156 million (2014: $141 million) for the group and $150 million (2014: $136 million) for the corporation.

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

At the reporting date, the assets were stated at fair value and comprised as follows:

	The group		The corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Classified as non-current - freehold land	327,678	625,191	-	-
Classified as current-freehold buildings	12,224	389,480	-	-
	339,902	1,014,671	-	-

5. Interest in subsidiaries and associate

	The group		The corporation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Interest in subsidiaries (a)	-	-	119,253	119,253
Interest in associate (b)	25,221	31,144	9,083	9,083
	25,221	31,144	128,336	128,336

5. Interest in subsidiaries and associate (cont'd)

(a) Interest in subsidiaries:

	The corporation	
	2015	2014
	$'000	$'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
Caymanas Development Company Limited	1	1
Seacastles Limited	1	1
Rutland Point Beach Resorts Limited	1	1
Montego Bay Conference Centre Limited	1	1
	119,253	119,253

Details of the 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:	Jamaica	100	Management of subsidiaries and leasing of properties
Kingston Waterfront Hotel Company Limited	Jamaica	95	Rental of office space
Montego Beach (1975) Limited	Jamaica	100	leasing of property
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
Caymanas Development Company Limited	Jamaica	100	Operation of a golf course and management of agricultural and horticultural projects
Montego Bay Conference Centre Limited	Jamaica	100	Operation of the Montego Bay Convention Centre
Seacastles Limited*	Jamaica	100	Construction and rental
Rutland Point Beach Resorts Limited*	Jamaica	100	Construction and rental

*These subsidiaries are inactive and management has taken the decision to wind them up.

5. Interest in subsidiaries and associate (cont'd)

(b) Interest in associate:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Shares at cost:				
Portmore Commercial Development Company Limited	9,083	9,083	9,083	9,083
Cost of investments	9,083	9,083	9,083	9,083
Group's share of reserve	16,138	22,061	-	-
Carrying amount of interest in associate	25,221	31,144	9,083	9,083

Details of the associate at March 31, 2015 are as follows:

Name of associate	Country of incorporation (or registration) and operation	Ownership interest %	Principal activity
Portmore Commercial Development Company Limited	Jamaica	49	Operation of shopping and commercial centre

Summary financial information for the associate is as follows:

	The group	
	2015	2014
	$'000	$'000
Total assets	67,342	68,180
Total liabilities	(34,407)	(23,158)
Net assets	32,935	45,022
Revenue	-	-
Expenses	12,088	9,476
Loss and total comprehensive income for the year	12,088	9,476
Group share of loss (49%)	5,923	4,643

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

	The group	
	2015	2014
	$'000	$'000
Balance at beginning of year	22,061	1,116,799
Disposal of interest in associate	-	(1,090,095)
Share of loss for the year	(5,923)	(4,643)
Balance at end of year	16,138	22,061

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Notes to the Financial Statements (Continued)
Year ended March 31, 2015

5. Interest in subsidiaries and associate (cont'd)

(c) Disposal of interest in associate:

Disposal of interest in associate during 2014 was made up of as follows:

	The group $'000	The corporation $'000
Total assets	2,681,887	-
Total liabilities net of inter-company balances	(501,697)	-
Net assets	2,180,190	-
Group's share of net assets disposed	1,090,095	-
Balances due from associate, net	151,069	151,069
Cost of shares in associate	43,840	43,840
Net assets disposed	1,285,004	194,909
Sales proceeds, net of transaction costs	(881,434)	(881,434)
Loss/(gain) on disposal	403,570	(686,525)

(d) The group also has investment in other companies as follows:

	The group and corporation	
	2015 $'000	2014 $'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)
Carrying amount	-	-

6. Due from related parties

(a) Due from related parties:

	The corporation	
	2015 $'000	2014 $'000
Advances to subsidiaries and other related parties:		
Caymanas Development Company Limited	544,100	460,073
Ocho Rios Commercial Centre Limited	(2,184)	10,194
Montego Freeport Limited	426	412
National Hotels and Property Limited	5	5
Seacastles Limited	216	187
Rutland Point Beach Resorts Limited	684	500
Montego Bay Conference Centre Limited*	837,771	667,616
St. Ann Development Company Limited	94	-
	1,381,112	1,138,987
Less: impairment losses	(1,370,612)	(1,058,702)
Total due from related parties	10,500	80,285

6. Due from/(to) related parties

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

Impairment losses recognised in profit or loss for the corporation amounted to $311,910,000 (2014: $279,773,000) see note 24(b).

*Subsequent to the reporting date, the Government of Jamaica (GOJ) and the corporation have agreed to capitalise 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%.

(b) Due to subsidiaries:

	The corporation	
	2015	2014
	$'000	$'000
Advances from subsidiaries:		
Runaway Bay Water Company Limited	57,695	(3,568)
National Hotels and Properties Limited	817,655	449,024
Kingston Waterfront Hotel Company Limited	(13,260)	22,170
	862,090	467,626

7. Interest in joint venture

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Seaside at Rosehall Developments Limited:				
Initial investment	287,226	287,226	287,226	287,226
Loans (payable)/receivable	2,162	(1,254)	2,162	(1,254)
	289,388	285,972	289,388	285,972
Group's share of reserve:				
Balance at beginning of the year	1,110,385	1,122,398	-	-
Share of profit/(loss) for the year	30,590	(12,013)	-	-
	1,140,975	1,110,385	-	-
	1,430,363	1,396,357	289,388	285,972

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.

Other joint venture interest:

The corporation has investment in joint ventures with Ackendown Newtown Development Company Limited and Port Royal Development Company Limited, both of which have been fully impaired and the corporation has no further exposure to these entities.

7. Interest in joint venture (cont'd)

The joint venture in Ackendown Newtown Development Company was 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).

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

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

8. Employee benefits asset

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Present value of funded obligations of defined benefit pension plan	(1,453,323)	(1,283,121)	(1,348,653)	(1,207,088)
Fair value of plan assets	2,359,317	2,005,085	2,189,395	1,881,039
Asset recognised in the statement of financial position	905,994	721,964	840,742	673,951

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

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at beginning of year	721,964	708,131	673,951	656,170
Amounts charged to profit or loss	12,166	27,431	10,772	29,113
Amounts charged to other comprehensive income	154,877	(27,910)	139,606	(25,126)
Contributions	16,987	14,312	16,413	13,794
Balance at end of year	905,994	721,964	840,742	673,951

(b) Movements in funded obligations:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at beginning of year	(1,283,121)	(1,054,645)	(1,207,088)	(983,251)
Current service costs and contributions	(93,336)	(76,141)	(85,571)	(72,708)
Interest costs	(118,841)	(111,134)	(115,677)	(103,996)
Remeasurement of defined obligation	16,387	(73,187)	35,936	(72,478)
Benefits paid and settlements (lump sum and annuity purchases)	25,588	24,900	23,747	18,516
Administrative expenses	-	7,086	-	6,829
Balance at end of year	(1,453,323)	(1,283,121)	(1,348,653)	(1,207,088)

8. Employee benefits asset (cont'd)

(c) Movements in plan assets:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Fair value of plan assets at beginning of year	2,005,085	1,762,776	1,881,039	1,639,421
Contributions paid	58,086	51,959	56,147	54,226
Calculated return on plan assets	115,238	177,060	103,670	165,386
Benefits paid and settlements (Lump sum and annuity purchases)	(25,588)	(24,900)	(23,747)	(18,516)
Remeasurement of plan assets	214,973	45,276	180,153	47,351
Administrative expenses	(8,477)	(7,086)	(7,867)	(6,829)
Fair value of plan assets at end of year	2,359,317	2,005,085	2,189,395	1,881,039

The assets of the plan are held separately from the group's assets consist of the following:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Consumer price index fund	589,664	503,277	547,196	472,142
Foreign currency fund	344,183	291,009	319,395	273,004
Equity fund	88,421	69,523	82,053	65,221
International equity	352,600	196,216	327,205	184,078
Fixed income fund	512,842	550,217	475,905	516,178
Mortgages and real estate fund	471,607	394,843	437,641	370,416
	2,359,317	2,005,085	2,189,395	1,881,039

(d) Amounts recognised in profit or loss and other comprehensive income:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Included in profit or loss:				
Current service cost - employer	48,411	38,495	45,838	32,277
Interest costs and administrative expenses	(60,577)	(65,926)	(56,610)	(61,390)
Total included in employee benefit expenses (note 27)	(12,166)	(27,431)	(10,772)	(29,113)
Included in other comprehensive income:				
Net remeasurement losses	154,877	(27,910)	139,606	(25,126)

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2015

8. Employee benefits asset (cont'd)

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

	2015 %	2014 %
Discount rate	9.5	9.5
Future salary increases	6	6
Future pension increases	5	5
Long-term rate of inflation	6	8

(f) Sensitivity analysis:

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

	The group 2015		The group 2014	
	1% increase $'000	1% decrease $'000	1% increase $'000	1% decrease $'000
Defined benefit obligation:				
Discount rate	(237,804)	310,777	(171,010)	226,696
Salary growth rate	125,668	(107,418)	95,748	(81,844)

The expected contributions to the plan at 2.5% of pensionable salaries for the year ending March 31, 2016 should be $16.015 million (2015: $18.823 million) for the group and $15.281 million (2015: $16.304 million) for the corporation.

9. Inventory of land and development projects

	The group and corporation	
	2015 $'000	2014 $'000
At beginning of year	306,107	195,491
Additions	174,768	110,616
Transfers to investment properties (note 4)	(29,048)	-
At end of year	451,827	306,107

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

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2015

10. Inventories

	The group	
	2015	2014
	$'000	$'000
Food and beverages	3,618	2,674
Spareparts and maintenance materials	2,866	3,114
Tools and other	17,693	3,176
	24,177	8,964

11. Accounts receivable

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade receivables	811,380	900,811	688,585	678,795
Real estate sales receivables	736,704	1,239,366	320,877	398,538
	1,548,084	2,140,177	1,009,462	1,077,333
Amounts advanced on specific projects	43,988	43,988	43,988	43,988
Prepaid expenses and other current assets	1,074,203	992,558	1,043,256	958,709
	2,666,275	3,176,723	2,096,706	2,080,030
Less: Impairment allowance	(1,794,560)	(1,672,085)	(1,722,680)	(1,582,273)
	871,715	1,504,638	374,026	497,757

(i) Movements in impairment allowance:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at beginning of year	1,672,085	1,736,222	1,582,273	1,610,467
Increase/(decrease) in impairment allowance recognised in profit or loss	122,475	(64,137)	140,407	(28,194)
Balance at end of the year	1,794,560	1,672,085	1,722,680	1,582,273

(ii) Ageing of trade and real estate sales receivables:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Less than 60 days	24,632	164,598	-	117,280
61 – 90 days	39,639	52,911	30,509	30,619
More than 90 days	1,483,813	1,922,668	978,953	929,434
	1,548,084	2,140,177	1,009,462	1,077,333

12. Cash and cash equivalents

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash at bank and short term deposits	1,840,753	972,086	723,166	470,415
Resale agreements (i)	355,680	567,522	355,680	567,522
Bank overdraft (ii)	(3,558)	(2,950)	-	-
	2,192,875	1,536,658	1,078,846	1,037,937

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2015

12. Cash and cash equivalents (cont'd)

(i) The fair value of the underlying securities used to collateralise resale agreements approximates cost.

(ii) Bank overdraft balances resulted from unpresented cheques.

13. Capital reserve

This comprises:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Surplus on revaluation of property, plant and equipment:				
In prior years	8,411,693	8,332,669	7,028,550	6,949,519
In current year:				
Land and buildings	186,766	79,024	186,766	79,031
	8,598,459	8,411,693	7,215,316	7,028,550
Translation reserve	(121,947)	(76,481)	-	-
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	(249,096)	(249,096)	(540,983)	(540,983)
	7,707,937	7,566,637	6,455,227	6,268,461

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 this reserve.

15. Revenue reserve

This comprises:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Increase in fair value of investment properties	31,960,141	29,073,200	29,655,491	26,964,847
Net foreign exchange gains	621,398	637,715	301,243	317,561
Other profits	2,885,269	2,871,622	2,465,552	2,421,169
	35,466,808	32,582,537	32,422,286	29,703,577
Negative goodwill on acquisition of subsidiaries	33,616	33,616	-	-
Impairment on advances to associates	1,261	1,261	1,261	1,261
	35,501,685	32,617,414	32,423,547	29,704,838

16. Non-controlling interests

Minority interests are in respect of shares in the following subsidiaries:

	Minority interest	2015	2014
	%	$'000	$'000
Shares:			
Kingston Waterfront Hotel Company Limited	5	334	334
Montego Freeport Limited	18	50,676	50,676
		51,010	51,010
Share of capital reserve		174,634	184,104
		225,644	235,114
Add: - Share of profits in subsidiaries attributable to non-controlling interests		30,403	22,399
		256,047	257,513

17. Provision for future infrastructure cost on land sold

	The group and corporation	
	2015	2014
	$'000	$'000
At beginning of year	407,744	352,257
Increase in provision	67,650	55,487
At end of year	475,394	407,744

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2015

18. Deferred tax liabilities

Deferred tax liabilities comprise as follows:

The group:

	2015			
	2014	Recognised in profit or loss	Recognised in other comprehensive income	2015
	$'000	$'000	$'000	$'000
Revaluation of investment properties	(90,892)	7,503	-	(83,389)
Employee benefits asset	(13,587)	-	(4,738)	(18,325)
Interest receivable	(11,832)	4,263	-	(7,569)
Property, plant and equipment	(4,434)	3,012	-	(1,422)
Accounts payable	1,268	(32)	-	1,236
Tax losses	(615)	1,996	-	1,381
Other	11,650	(12,110)	-	(460)
	(108,442)	4,632	(4,738)	(108,548)

	2014			
	2013	Recognised in profit or loss	Recognised in other comprehensive income	2014
	$'000	$'000	$'000	$'000
Revaluation of investment properties	(279,687)	188,795	-	(90,892)
Employee benefits asset	(137,097)	122,727	783	(13,587)
Interest receivable	(4,991)	(6,841)	-	(11,832)
Property, plant and equipment	111,553	(115,987)	-	(4,434)
Accounts payable	17,786	(16,518)	-	1,268
Tax losses	64,634	(65,249)	-	(615)
Other	8,778	2,872	-	11,650
	(219,024)	109,799	783	(108,442)

19. Long-term liabilities

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
PetroCaribe Development Fund (a)	942,700	1,050,473	942,700	1,050,473
Redeemable preference shares (b)	533	533	-	-
	943,233	1,051,006	942,700	1,050,473
Less: Current portion	(110,287)	(131,309)	(110,287)	(131,309)
	832,946	919,697	832,413	919,164

19. Long-term liabilities (cont'd)

(a) An amount of US$9,600,000 (2014: US$9,600,000) was drawn down under a US$11,000,000 loan facility obtained by the corporation from the Petrocaribe Development Fund to develop the Falmouth Cruise Terminal to accommodate large cruise ships. The loan attracts interest at a rate of 3% per annum and was scheduled to be repaid in December 2013. During 2014, the terms of the loan were renegotiated resulting in the loan being repayable over a period of five (5) years by nineteen (19) equal quarterly instalments commencing March 31, 2014, and final bullet payment at maturity on December 30, 2018. The 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.

(b) This balance represents 10% redeemable convertible cumulative preference shares held by a subsidiary. At March 31, 2015, there were arrears of cumulative preference dividends amounting to $1.2 million (2014: $1.2 million). No provision has been made for this amount.

20. Deferred income

	The group	
	2015	2014
	$'000	$'000
Balance at the beginning of the year	48,009	42,600
Less: Amount recognised in income	(5,197)	(6,232)
Foreign exchange adjustment	328	11,641
	43,140	48,009
Less: Current portion (included in accounts payable)	(6,902)	(6,574)
	36,238	41,435

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

21. Due to regional companies

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

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

22. Accounts payable and other liabilities

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade payables	553,768	360,565	400,416	264,185
Contract payables and retentions	20,498	8,652	20,498	8,652
Deposits on sale of real estate	515,066	1,188,511	126,551	661,974
Accruals	357,041	330,498	188,939	233,647
Amounts to be disbursed on specific projects	1,076,369	1,159,733	1,076,369	1,159,733
Statutory deductions and others	703,023	592,516	548,985	454,844
	3,225,765	3,640,475	2,361,758	2,783,035

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Notes to the Financial Statements (Continued)
Year ended March 31, 2015

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 rental of properties.

24. Nature of expenses

(a) Administrative, marketing and selling expenses

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Audit fees	12,795	16,387	5,775	9,767
Depreciation	65,885	68,022	59,528	62,419
Directors fees	2,531	1,845	1,856	1,845
Employee benefits cost (note 27)	1,222,777	1,135,766	975,945	927,317
Gain on disposal of investment properties	(26,293)	-	(26,293)	-
Insurance	133,277	120,404	64,479	46,725
Interest and penalties	35,617	13,775	-	-
Management expense	169,827	147,003	169,827	147,003
Motor vehicle expense	130,923	135,755	130,923	135,755
Other operating expenses	359,729	387,199	203,687	217,664
Professional fees	41,490	28,420	42,232	29,491
Property tax, stamp duties and other taxes	158,328	14,366	158,328	14,366
Repairs and maintenance	171,072	161,973	133,120	130,727
Research costs	24,355	32,137	24,355	32,137
Security	126,992	130,439	109,478	115,696
Social intervention expenses	46,182	20,444	46,182	20,444
Statutory and other expense	11,908	75,522	11,908	75,522
Urban redevelopment cost	1,424	140,514	1,424	140,514
Utilities	147,411	125,104	76,364	60,811
	2,836,230	2,755,075	2,189,118	2,168,203

(b) Impairment losses:

These arise on account of:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Agency projects	-	261,211	-	261,211
Accounts receivable	171,788	36,620	171,788	36,620
Due from related parties [note 6(a)]	-	-	311,910	279,773
Others	71,435	(34,873)	-	-
	243,223	262,958	483,698	577,604

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2015

25. Taxation

(a) Taxation represents profit or loss for the year adjusted for tax purposes and materially represents income tax @ 25%, comprising the following:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Current tax expense:				
Current year charge @ 25 % (2014: 25%)	22,054	13,436		-
Deferred taxation:				
Origination and reversal of other temporary differences (note 18)	(4,632)	(109,799)	-	-
	17,422	(96,363)	-	-

(b) Reconciliation of effective tax charge:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Profit before taxation	2,759,558	81,679	2,579,103	1,115,780
Computed "expected" tax expense at statutory rates @ 25% (2014: 25%)	689,890	20,420	644,776	278,945
Tax effect of differences between profit for financial statements and tax reporting purposes on:				
Fair value gains on investment properties	(691,252)	(419,948)	(655,342)	(295,704)
Other items non-deductible for tax purposes	18,784	303,165	10,566	16,759
Actual tax charge/(credit) recognised in profit or loss	17,422	(96,363)	-	-

(c) Taxation losses, subject to agreement by the Commissioner General, Taxpayer Administration Jamaica, available for relief against future taxable profits, amount to approximately $3,501 million (2014: $3,863 million) for the group and $2,347 million (2014: $2,881 million) for the corporation. If unutilised, these losses can be carried forward indefinitely. However, the maximum amount that can be utilised in any one year is restricted to 50% of the taxable profit for that year.

(d) Deferred tax asset of $896 million (2014: $1,070 million) for the group and $644 million (2014: $851 million) for the corporation has not been recognised in respect of tax losses, as there is no certainty that the group and corporation will make profits against which the losses can be utilized in the foreseeable future.

26. Related party transactions

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

(i) Key management:

The remuneration of key management, including directors, during the year was as follows:

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Short-term benefits	99,628	90,609	68,429	56,839

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

	The corporation	
	2015	2014
	$'000	$'000
Runaway Bay Water Company Limited	48,069	48,069
Ocho Rios Commercial Centre Limited	7,000	7,000
National Hotels and Properties Limited	25,501	51,000
Montego Bay Conference Centre	92	-
	80,662	106,069

27. Employee benefit expenses

	The group		The corporation	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Employee benefit expenses are made up as follows:				
Senior executives emoluments	99,628	77,729	68,429	56,839
Salaries and wages	874,955	856,360	680,690	688,863
Defined benefit pension plan [note 8(d)]	(12,166)	(27,431)	(10,772)	(29,113)
Statutory contributions	124,236	115,772	108,005	103,255
Other	136,124	113,336	129,593	107,473
	1,222,777	1,135,766	975,945	927,317

28. 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

28. Financial instruments (cont'd)

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

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

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

(i) Credit risk:

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

Management of credit risk

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

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

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

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 may be 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.

28. Financial instruments (cont'd)

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

(ii) Market risk:

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

- Foreign currency risk:

Foreign currency risk is the risk that the value or cash flows 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 (US$).

Management of foreign currency risk

The group manages foreign currency risk by ensuring that the exposure in foreign currency 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	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Net foreign currency exposure	(6,457)	(6,713)	(5,610)	(4,788)

Foreign currency sensitivity

A change in the Jamaica dollar, against the United States dollar, at the reporting date, would have affected profit or loss for the year by the amounts shown below.

	The group		
	2015		2014
	1% increase $'000	8% decrease $'000	2% increase/decrease $'000
Effect on profit or loss	7,428	(59,425)	14,711

	The corporation		
	2015		2014
	1% increase $'000	8% decrease $'000	2% increase/decrease $'000
Effect on profit or loss	6,454	(51,632)	10,492

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

At March 31, 2015	$115.04 = US$1
At March 31, 2014	$109.57 = US$1

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2014.

28. 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 or cash flows of a financial instrument will fluctuate due to changes in market interest rates.

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	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Financial assets	1,079,802	1,537,165	1,078,698	1,037,937
Financial liabilities	(942,700)	(1,050,473)	(942,703)	(1,050,473)
Net financial asset/(liability)	137,102	486,692	135,995	(12,536)

Cash flow sensitivity analysis for variable rate instruments

A change of 1 (2014: 2.5) basis point in interest rates would have affected profit or loss for the year by $1,370,000 (2014: $12,167,000) for the group and $1,360,000 ($313,000) for the corporation. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is done on the same basis as for 2014.

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 carrying value of the group's financial instruments.

(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.

28. Financial instruments (cont'd)

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

(iii) Liquidity risk (cont'd):

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				
	Carrying amount $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Contractual cash flows $'000
2015					
Long-term liabilities	943,233	34,790	103,283	914,444	1,052,517
Due to regional companies	153,842	153,842	-	-	153,842
Accounts payable and other liabilities	3,225,765	2,849,477	376,288	-	3,225,765
	4,322,840	3,038,109	479,571	914,444	4,432,124
2014					
Long-term liabilities	1,050,473	67,955	100,673	1,002,558	1,171,186
Due to regional companies	129,236	129,236	-	-	129,236
Accounts payable and other liabilities	3,640,475	3,640,475	-	-	3,640,475
	4,820,184	3,837,666	100,673	1,002,558	4,940,897

28. Financial instruments (cont'd)

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

(iii) Liquidity risk (cont'd)

	The corporation				
	Carrying amount $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Contractual cash flows $'000
2015					
Long-term liabilities	942,700	34,790	103,283	913,911	1,051,984
Due to subsidiaries	862,090	-	-	862,090	862,090
Due to regional companies	153,842	153,842	-	-	153,842
Accounts payable and other liabilities	2,361,758	2,361,758	-	-	2,361,758
	4,320,390	2,550,390	103,283	1,776,001	4,429,674
2014					
Long-term liabilities	1,050,473	67,955	100,673	1,022,025	1,190,653
Due to subsidiaries	467,626	-	-	467,626	467,626
Due to regional companies	129,236	129,236	-	-	129,236
Accounts payable and other liabilities	2,783,035	2,783,035	-	-	2,783,035
	4,430,370	2,980,226	100,673	1,489,651	4,570,550

(b) 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.

29. Fair value disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

Determination of fair value and fair values hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group does not have any financial instrument that is carried at fair value and where fair value is a reasonable approximation of carrying value, no fair value computation is done.

29. Fair value disclosures (cont'd)

The carrying value of accounts receivable, cash and cash equivalents, and accounts payable and other liabilities is a reasonable approximation of their fair value.

The fair value of long-term liabilities is assumed to approximate carrying value, as the liabilities are at market terms.

The fair value of amounts due to subsidiaries and regional companies could not be reliably determined as the amounts are unsecured and interest-free and there is no market date available to use to compute fair value.

The fair value measurement for investment properties and freehold land and buildings included in property, plant and equipment has been categorised as level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring the fair value of investment properties and freehold land and buildings as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties. • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

30. Commitments and contingencies

(a) At March 31, 2015, management estimates aggregate cost of $1.628 billion (2014: $40 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, with future minimum lease payments receivable as follows:

	The group and corporation	
	2015	2014
	$'000	$'000
Within one year	526,321	478,993
In subsequent years	1,215,801	1,742,567
	1,742,122	2,221,560

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