URBAN DEVELOPMENT CORPORATION

Making development happen...

ANNUAL REPORT
2013 - 2014

TABLE OF CONTENTS

Cover photo: Forum property before redevelopment

URBAN DEVELOPMENT CORPORATION

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

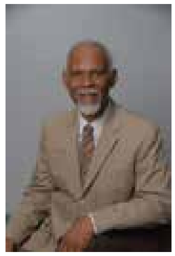
To be the leading urban and rural development agency in the Caribbean.

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.

Making development happen...

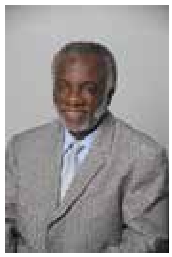
Board of Directors



The Hon Senator K D Knight - OJ,QC
Chairman

Mr John Cooke
Deputy Chairman

Mr Ralph Thomas
(resigned June 2013)



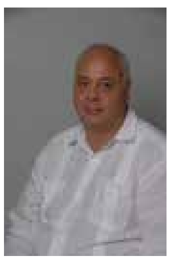
Mr Ralston Hyman

Mr Shalman Scott

Col David Cummings

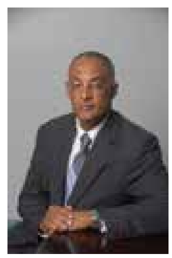
Miss Marcia Edwards

Ms Pamela Redwood

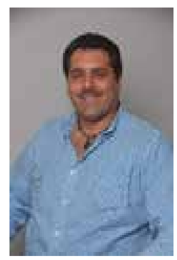


Mr Jalil Dabdoub Jr

Miss Carrol Jackson
(resigned September 2013)



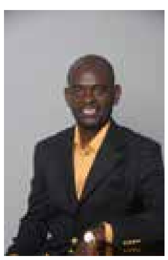
Mr Norman Minott



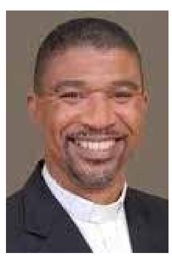
Mr Andrew Azar

Mr Derrick Webb

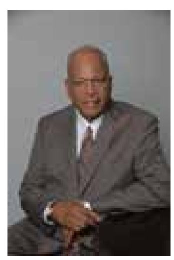
Mr Lambert Brown



Mr Clinton Clarke



Rev Michael Lewis

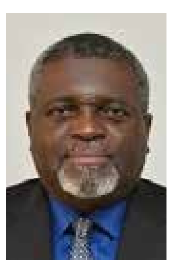


Mr Reynold Scott

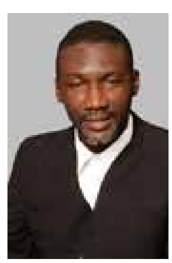
Ms Marsha Francis

Mr Mark Nelson

Mrs Sonia Hyman



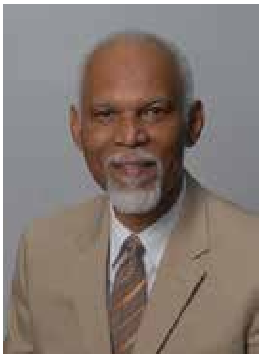
Mr Devon Rowe



Mr Patrick Peterkin

Mr Robert Martin

Chairman's Report



The 2013-14 financial year was a pivotal one for the Urban Development Corporation (UDC), as at the end of March 2013, the Corporation had begun to yield results from the disciplined and strategic approach applied to its operations.

The 2013/14 financial year closed with an operating loss of $112.5M, a positive variance when compared to an operating loss of $845M (restated) at the end of the 2012/13 financial year, or a turn around of 87%.

The Corporation continued its efforts at divesting non- performing or underutilized assets, generating results in 2014, with the inking of the agreement for the sale of the Forum Complex, on January 28, 2014. The property which had been on the divestment block for in excess of thirty years was sold at a price of $350M to Port Royal Marina Development Limited. The redevelopment vision includes the rehabilitation of the existing cottages on the property, the renovation of the hotel tower into apartments and the phased development of a marina. This is expected to positively impact the economy in Portmore and environs, through employment opportunities created during construction and subsequent increase in population with the take up of the housing development.

In keeping with its development mandate, the Corporation undertook to invest funds from the sale to develop a new location for the fisher folks who had previously occupied the Forum property. This would be carried out on a section of land which it owns in Portmore referred to as Sector M. The Corporation viewed the undertaking as a partnership with the fisherfolks and commercial interests from the old Forum site and so agreed to provide financial and other assistance including the requisite infrastructure, to aid the relocation. The fisherfolks for their part were expected to construct their own shops in keeping with agreed standards.

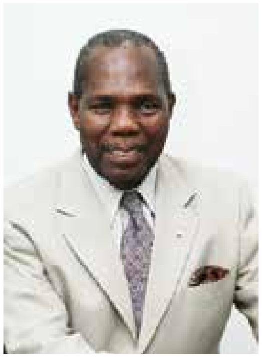
The project as envisaged was considered a model for relocation and transformation, one which enjoyed the support of all the stakeholders in the interest of national development.

The 2013/14 financial year was one in which Board, Management and Staff combined efforts to better restore the Corporation to financial health, revise and or develop procedures for greater efficiency and accountability, and to ensure greater compliance with governance strictures. In addition and in recognition that projects are the engine of growth for the Corporation and the tangible realization of the mandate of "making development happen", the Board established an Implementation Oversight Committee to ensure timely approval of project proposals and to support their effective and efficient implementation.

It is with a sense of achievement and pride therefore that I present the Annual Report for the Urban Development Corporation for the financial year 2013/14, fully cognizant that we have only just begun.

The Hon Senator K D Knight, OJ, QC

General Manager's Report



The operations of the Urban Development Corporation for the financial year 2013-2014, were guided by the following corporate objectives –

- To assure the financial viability and solvency of the Corporation
- To plan and execute projects that support and encourage national development
- To utilise the assets owned by the Corporation to create transformational development opportunities.
- To re-design the Corporate structure and staffing to deliver the results needed in the most efficient way.

Our assessment for the period therefore will be evaluated on the goals that were established at the start of the financial year and our performance at the end of the review period.

Significant progress was made in the area of divestment of non-performing assets, as with the full support of the Board of Directors, the management team and staff, the Corporation commenced or completed these divestment, details of which are treated with elsewhere in this report. This programme has had a positive impact on the financial health of the Corporation and contributed to the development of downtown Kingston and Portmore.

The creation of transformational development opportunities were at the end of the financial year beginning to take shape, with divestment of some non- performing assets. The agreement for the sale of the old Forum property in Portmore was one such case. The sale released the property for redevelopment while facilitating the opportunity for the ordered relocation of the unauthorized commercial and fishing activities from Forum, to a section of property in Portmore referred to as Sector M.

The Corporation also during the year continued with the reviewing and redesigning of its corporate structure towards achieving a more efficient and impactful entity by ensuring that adequate resources to undertake the development mandate were in place. Approval was received from the Corporate Management Development Branch of the Ministry of Finance and Planning for the top level structure effective August 2, 2013.

A part of this organizational strengthening included employee training and development, with just under 40 training programmes conducted during the period of review.

There were changes in the general staff complement for the year, which moved from 845 to 832, of which 430 of the personnel were attached to the Head Office. There were changes too at the Executive level, as operationally, the Corporation reduced its Executive team from seven to four Deputy General Managers and a General Counsel. The areas of responsibilities were as follows –

- Finance Treasury and Investment
- Strategic Management and Special Projects
- Planning Development and Project Management
- Human Resources Management and Administration
- Legal

In order to buttress its revenue generating capabilities, the Corporation recruited a Deputy General Manager for Revenue Generation and Subsidiary Management in January 2014.

The remaining pages of the report provide a snapshot of the activities of the Urban Development Corporation for the financial year.

Desmond L Malcolm P.E.
General Manager

Financial Viability

The Corporation ended the financial year (March 2014) with an operational loss of $112M, which represents a positive movement from the $845M (restated) at March 31, 2013, signaling the continued improvement of the development entity. The improvement in the financial performance can be attributed in part to the renewed focus on the divestment through lease or sale of properties that were not being optimized. To this end the sale of the Mahogany Inn property in Negril was completed at a value of US$2.4M, as was that of the Machado complex in downtown Kingston which was handed over to the HEART Trust/Overseas Examination Council. The Jamintel Building also in Downtown was sold to the Transport Authority for $150M.

The Machado complex.

Over in Portmore, the Corporation received a deposit on the sale of the Forum property of $42.5.M. At the close of the financial year, Cabinet approval was being sought for the sale of the Oceana property which had been on the books for sometime and was re-advertised in August of that year. During the year, the Corporation also sold its shares (50%) in Bloody Bay Development Limited.

Senator KD Knight (2nd left) signs agreement for Forum Hotel on behalf of the UDC. Also participating from left, Colin Fagan, Member of Parliament South East St. Catherine, Michael Lake Director, Portmore Marina Development Limited and General Manager Desmond Malcolm.

In addition to the divestment efforts, the Corporation engaged in negotiations to offset some of its liabilities and successfully concluded an arrangement with Tax Administration of Jamaica (TAJ) for $70.9M rental which that entity owed the UDC, against the Corporation's tax liability.

These activities were supplemented by a renewed thrust to lease void spaces and at the end of the year, the Corporation had entered into lease arrangements for several shops in the Kingston Mall.

It should be noted that during the 12/13 financial year the Corporation had embarked on a programme to divest the management of four beaches inclusive of Long Bay Beach Park 1 & 2 in Westmoreland and Hanover, Bluefields Beach Park also in Westmoreland and Fort Clarence Beach in Hellshire targeted for completion in December 2013. This process did not however yield any viable responses during the review period and so the Corporation continued with its management of these facilities.

Despite the improved showing, the Corporation continued to grapple with liabilities including the PetroCaribe loan of $1B which had been utilized for Falmouth's redevelopment and preparation for the cruise trade, the loan of $1B to Ackendown and the continued servicing of the Montego Bay Convention Centre. Consequently the UDC maintained a tight rein on its operational budget to safeguard the gains made.

Projects and Programmes

At the first meeting of the Implementation Oversight Committee of the Board held on July 23, 2013, 22 projects were short listed for attention by the Corporation. The projects were then prioritized based on their intended impact and the available finances to support their execution. The projects included Caymanas Primary Infrastructure, Caymanas Water Supply Phase 1, the Dunn's River Improvement projects, development of Pearly Beach West and the continued façade improvement for downtown Kingston.

The re-established Project Management Department advanced or completed a number of projects. The Downtown Housing Pilot Programme was undertaken where 10 units were completed in Chestnut Lane and on Hanover Street. The programme utilised a system where the units in the yard were renovated one at a time, to allow for the transformation of the yard without the dislocation of the residents.

Construction was also completed on the Simon Bolivar Cultural Centre, through the support of Petro Caribe funds. The project involved the renovation of a multi-story building in North Parade, into a cultural centre and represented bilateral cooperation between the Bolivarian Republic of Venezuela and Jamaica.

Sabina Park was chosen as a venue to host the day night World Cricket series in 2014, and the UDC was pressed into service to ensure that the requisite lighting infrastructure would be completed in time to facilitate the games. At the end of the financial year therefore, all preparatory works and contractual arrangements were being concluded to facilitate the April 1, 2014 start up of the project.

Simon Bolivar Cultural Centre

At the macro level, the UDC submitted the Downtown Kingston and Port Royal Redevelopment Plan to the National Environment and Planning Agency for inclusion in Kingston and St Andrew Development Order.

Over in St Catherine, renovation was undertaken on the Linstead Market. The works which covered Phases 1 and 11 of the project, included repairs to the canteen and old market as well major structural overhauling to the main market building.

The UDC also during the year sought to enhance the experience offered at the attractions within its portfolio. To this end two nature trail tours were added to the world famous Dunn's River Falls and Park, ahead of arriving Disney Cruise line visitors to the attraction in October 2013. Plans were also far advanced for the creation of a Central Gardens on the property as a means of diversifying the offering. Still on the attractions, the Green Grotto Caves, Discovery Bay, retained the Platinum Earthcheck certification for the second consecutive year. The designation is a recognition of the attraction's adherence to environmental best standards.

Jomo Pitterson (right) manager Dunn's River Falls and Park welcomes Disney visitors

Shower stalls at Pearly Beach

The creation of additional beach facility, targeting corporate, cruise or family events, was realised with the development of Pearly Beach phase 1 in St Ann. This phase included the provision of access road, drainage infrastructure, sanitary and changing amenities, waste disposal and treatment facilities at a cost of $25M

The UDC as part of its project implementation activities forged partnerships with the Tourism Enhancement Fund (TEF) and the Port Authority of Jamaica (PAJ) to collaborate on development projects for the towns of Ocho Rios and Negril.

Development concept for Ocho Rios.

The UDC completed concept designs for the redevelopment of the town of Ocho Rios which were shared in a series of stakeholder sessions, to gain consensus on the way forward.

GM Malcolm (left) tours the project.

The development concept for Ocho Rios includes the upgrading of Turtle River Road, Main Street as well as the port terminal. The project is in response to the need to rejuvenate the tourism town which has seen a decline in visitors over the recent years and is expected to on completion encourage more visitors to venture into the town thus enhancing the earning potential of the town.

Stakeholder Interaction

The Corporation continued to explore opportunities where its assets could be utilised to influence the continued development of the country. One such was the participation in the 5th Diaspora Conference which was held at the Montego Bay Convention Centre, June 16-19, under the theme “A nation on a Mission: Jamaica –Diaspora Partnership for Development”. Several development projects were offered to the market including the 8.9 acres waterfront property adjacent to the Kingston Craft Market called the Festival Bazaar and the 11 acre Cardiff Hall property in St Ann. The participation generated interest and provided an indication to the UDC of the direction of the market.

Minister Anthony Hylton (2nd left) was among visitors to booth at Diaspora Conference.

The Corporation as part of the observance of its 45th anniversary of making development happen for Jamaica, collaborated with several organisations to celebrate Emancipation and Independence under the theme “Triumphant, Proud and Free”. The event staged on the Kingston Waterfront combined the dual purpose of celebration as well as information sharing, where patrons were able to access information offered by the UDC and other partners.

Emancipation event.

The UDC engaged in a series of meetings during November 2013 with fisherfolks and other stakeholders regarding the development of the Ocho Rios Fishing Village. The upgrading of the fishing village falls within the wider redevelopment plans for the town of Ocho Rios being undertaken by the UDC in partnership with the PAJ and the TEF, to ensure that Ocho Rios is safe, secure and aesthetically pleasing with the fishing village being an integral part of the experience.

Still in Ocho Rios, the UDC carried out work on its Belmont Property, referred to as “Little Dunn’s River”, inclusive of fencing and steps for the security of the persons using the area, pending the further development and management.

In Montego Bay, the UDC through its Urban Regional Planning Department (URDP) continued to provide support for the St. James Parish Council and Ministry of Local Government by participating in presentations by consultants from the IDB sponsored “Emerging and Sustainable Cities Initiative”

The UDC awarded 29 children of members of staff who had successfully sat their GSAT. The youngsters were feted at a luncheon and addressed by Minister of Youth and Culture, the Honourable Lisa Hanna. They each received bursaries of $10,000. The UDC also during the year carried out the social outreach programme of treating youngsters from protective and childcare institutions to a day of fun at Fort Clarence Beach, during July. Approximately 1000 youngsters were treated.

Minister Hanna and Mr Malcolm with awardees.

Overall, the Corporation sought to improve its interaction with its customers and at the end of the financial year, recorded improved responsiveness to its stakeholders averaging 85% complaints resolution rate and 88% customer enquiry rate.

Fireworks on the Waterfront

The UDC along with major partners Digicel and New Era Homes successfully ushered in a new year with Fireworks on the Waterfront, its premier event on December 31, 2014. The event offered activities for the entire family and included a kiddies’ village, vending boulevard and entertainment culminating in the fireworks display at midnight.

The Corporation also sponsored through the use of its assets, a number of activities including a Back to School Fair in partnership with Grace Foods in August. The Kingston Waterfront was again transformed to facilitate the event.

Back to school activites.

Environmental Activities

Several activities were engaged in as the Corporation sought to promote environmental responsibility. This message was taken into schools where some 26 institutions from across St Catherine, Kingston and St Andrew participated in the annual UDC Enviro Competition at Two Sisters Caves. The competition culminated in the annual staging of the Enviro Fair on May 31, in collaboration with the National Environment and Planning Agency. At the end of the Competition St Joseph Infant, St Jago Preparatory and Waterford High emerged winners in their respective categories. They were each awarded $25,000 and the UDC trophy.

The Corporation also observed International Coastal Clean-up Day on September 21, 2013, by joining with other volunteers to clean the Hellshire Bay Beach.

UDC Enviro Fair.

Internal Business

As the UDC sought to strengthen its business structures and enhance its information technology capabilities, the IT infrastructure at Head Office was upgraded. This involved the replacement of critical components of the network backbone, that is switches and wiring which had become obsolete, hindering the UDC's ability to implement modern solutions. With this upgrade completed, the network can now support current and future technology needs.

There was the development and testing of a Data Recovery Plan for the Information System's department, which included the full shutdown and reboot of the network to validate the relevance and accuracy of the procedures documented.

In the area of software development, the team continued to develop systems and provide application support for solutions developed internally. For this reporting period the customers at the Runaway Bay Water Company (RBWCo) were integrated into the Billing System currently used by the Caymanas Development Company which has helped to streamline operations at the RBWC.

The two capital IT projects engaged in during the year were the implementation of an Entry Management System at Dunn's River Falls & Park and an IP Telephone System. In the case of the ticketing system this was significantly completed at the end of the financial year, while for the latter, the requisite equipment and main server were installed at the Head Office.

In addition to the IT upgrades, the Corporation developed two new policies – the Sexual Harassment and Disability Policies to guide the treatment of these issues in the work place. A new Leave Management System was implemented in February 2014 and the Corporation continued its Job Description project to ensure alignment with the requisite positions. Other activities included, the conducting of fire safety audits at the Head Office as well as at the Jamaica Conference Centre which is managed by the UDC.

As the Corporation planned for the year ahead, the Corporate Plan and the Budget to undertake these activities were completed and submitted on January 31, 2014, its due date to the Office of the Prime Minister and the Ministry of Finance and Planning.

Learning and Growth

The Corporation facilitated training for the staff in a mix of technical or job specific as well as generic courses to enhance their technical and developmental skills. In the former category, areas such as building codes, industrial relations, risk management, investment capital markets and in the latter, defensive driving, customer service, coaching for performance, ethics and accountability and team building were covered.

SUBSIDIARIES & ASSOCIATE COMPANIES

As At March 2014

Subsidiaries

- Caymanas Development Company
- Hellshire Marble Limited (Winding up in progress)
- Lilliput Development Company Limited (Wound up)
- Montego Bay Conference Centre
- National Hotels and Properties Limited (Dormant)
- Ocho Rios Commercial Centre Limited
- Portmore Newtown Development Company Limited (Wound up)
- Runaway Bay Water Company Limited
- Rutland Point Beach Resorts Limited (Wound up – in the process of being restored for the sale of property)
- Seacastles Limited (Restored – to be wound up once sale of property is complete))
- Urban Maintenance (1977) Limited (Wound up)

Associates

- Ackendown Newtown Development Company Limited (Wound up)
- Bloody Bay Hotel Development Limited (Dormant – shares sold)
- Central Wastewater Treatment Company Limited (Dormant – shares transferred)
- Kingston Waterfront Hotel Company Limited
- Kingston Waterfront Redevelopment Company Limited (Dormant)
- Montego Freeport Limited
- Montego Beach (1975) Limited
- Montego Shopping Centre Limited
- Portmore Commercial Development Company
- Port Royal Development Company Limited (Dormant)
- Rose Hall Resort Limited (Wound up)
- St Ann Development Company Limited
- Seaside at Rose Hall Developments Limited
- Kingston City Centre Improvement Company Limited
- Kingston Restoration Company Limited
- The Ward Theatre Foundation Limited

DIRECTORS OF THE URBAN DEVELOPMENT CORPORATION

Urban Development Corporation

Senator K.D. Knight	- Chairman
Mr John Cooke	- Deputy Chairman
Mr Jalil Dabdoub Jr	
Mr Andrew Azar	
Mr Shalman Scott	
Col David Cummings	
Mr Mark Nelson	
Mrs Marcia Edwards	
Mr Lambert Brown	
Mr Derrick Webb	
Ms Marsha Francis	
Msgr Michael Lewis	
Mr Reynold Scott	
Mr Norman Minott	
Mrs Sonia Hyman	
Miss Pamela Redwood	
Mr Patrick Peterkin	
Mr Robert Martin	
Mr Clinton Clarke	
Mr Ralston Hyman	
Mr Ralph Thomas (resigned June 2013)	
Miss Carrol Jackson (resigned September 2013)	

Directors of Subsidiaries and Associate Companies

RUNAWAY BAY WATER COMPANY LIMITED

Manley Bowen	Chairman
Eva Murdock	
Veronica Bennett-Warmington	
Chryseis Reynolds	
Carrol Jackson (resigned September 2013)	

OCHO RIOS COMMERCIAL CENTRE LTD

Errol Philp	Chairman
Robert Martin	
Manley Bowen	
Rochelle Samuels	
Kevin Smith	

CAYMANAS DEVELOPMENT COMPANY LIMITED

Msgr. Michael Lewis	Chairman
Michael Ammar Jr.	
Cheryl James	
Fabian Graham	
Clinton Clarke	
Orville Marshall	
Albert Gray	
Heather Robinson	
Norman Scott	

MONTEGO BAY CONFERENCE CENTRE LTD

Andrew Azar	Chairman
Pamela Redwood	
Mark Nelson	
Gary Sadler	
Samuel James	
Carrole Guntley	

SEASIDE AT ROSE HALL DEVELOPMENT LTD

Senator K.D. Knight	Chairman
Wiley Sweeney	
Don Stansberry	
Michele Rollins	
Desmond Malcolm	

KINGSTON WATERFRONT HOTEL CO. LTD

Senator K.D. Knight	Chairman
Patrick Peterkin	
Yvette Brown	

MONTEGO BEACH 1975 LTD

Senator K.D. Knight	Chairman
Patrick Peterkin	
Yvette Brown	

KINGSTON WATERFRONT REDEVELOPMENT CO LTD

Senator K.D. Knight	Chairman
Patrick Peterkin	
Yvette Brown	

PORT ROYAL DEVELOPMENT CO

Senator K.D. Knight	Chairman
John Cooke	
Desmond Malcolm	
Robert Stephens	
Michael Campbell	
John Lynch	
Edison Galbraith	
Donovan Perkins	
Lois Sherwood	
Maurice Facey	

ST. ANN DEVELOPMENT COMPANY

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

MONTEGO FREEPORT LTD

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

NATIONAL HOTELS AND PROPERTIES LTD

Senator K.D. Knight	Chairman
Patrick Peterkin	
Clinton Clarke	
Yvette Brown	

URBAN DEVELOPMENT CORPORATION BOARD COMMITTEES

Audit

David Cummings
Norman Minott
Patrick Peterkin
Dennis Chung
Errol Hudson
Triff Snape-Hunter
Donna Deidrick

Finance Treasury & Investment

(merged with Risk Management)

Ralph Thomas – resigned June 2013
Ralston Hyman
Sonia Hyman
Jalil Dabdoub Jr.
Andrew Azar
Veronica Bennett-Warmington
Devon Rowe – resigned February 2013
Robert Martin
Michael Lewis
Monique French

Human Resource Management

Lambert Brown
Pamela Redwood
Sonia Hyman
Shalman Scott
Patrick Peterkin
David Cummings
Clinton Clarke
Yvonne Gardner

Contracts Award

Derrick Webb
Mark Nelson
Patrick Peterkin

Public Relations & Marketing

Shalman Scott
Clinton Clarke
Pamela Redwood
Ralston Hyman
Marsha Francis

Planning & Development

Reynold Scott
Derrick Webb
Sonia Hyman
Carrol Jackson (resigned September 2013)
David Cummings
Marcia Edwards
Clinton Clarke
Marsha Francis
Norman Minott
Leonard Francis
Carol Archer
Ralph Thomas – resigned June 2013

Implementation Oversight

Senator K. D. Knight
Reynold Scott
Derrick Webb
Ralston Hyman

SENIOR EXECUTIVE COMPENSATION

Financial Year April 1, 2013 - March 31, 2014

Position of Senior Executive	Salary $	Gratuity or Performance Incentive $	Travelling Allowance or Value of Assigned Motor Vehicle $	Pension or Other Retirement Benefits	Other Allowances ($)	Vacation Pay	Notice pay & Redundancy Payments $	Non-Cash Benefits ($)	Total ($)
General Manager	9,174,484	-	-	-	-	-	-	-	9,174,484
DGM - Finance, Treasury & Investments	7,533,380	3,754,190	-	-	-	-	-	-	11,287,570
General Counsel	7,926,342	1,877,095	-	-	-	-	-	-	9,803,437
DGM - PDPM	5,359,242	-	-	-	-	-	-	-	5,359,242
DGM - HRMA	7,926,342	-	-	-	-	-		-	7,926,342
DGM - Strategic Mgmt & Special Project	7,683,443	3,754,190	-	-	-	-	-	-	11,437,633
DGM - SG&RM**	1,849,891	-	-	-	-	-	-	-	1,849,891
GRAND TOTAL	**47,453,122**	**9,385,475**	**-**	**-**	**-**	**-**	**-**	-	**56,838,597**

**Senior Executive Compensation is captured on page 44 note 28 of the Financial Statement*

*** Recruited January 2014*

DIRECTORS' COMPENSATION

Financial Year April 1, 2013 - March 31, 2014

Position of Director	Fees ($)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle (s)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Chairman	224,000.00	N/A	N/A	N/A	224,000.00
Deputy Chairman	93,500.00	N/A	N/A	N/A	93,500.00
Director	17,000.00	N/A	N/A	N/A	17,000.00
Director	102,000.00	N/A	N/A	N/A	102,000.00
Director	85,000.00	N/A	N/A	N/A	85,000.00
Director	34,000.00	N/A	N/A	N/A	34,000.00
Director	42,500.00	N/A	N/A	N/A	42,500.00
Director	102,000.00	N/A	N/A	N/A	102,000.00
Director	85,000.00	N/A	N/A	N/A	85,000.00
Director	25,500.00	N/A	N/A	N/A	25,500.00
Director	51,000.00	N/A	N/A	N/A	51,000.00
Director	110,500.00	N/A	N/A	N/A	110,500.00
Director	93,500.00	N/A	N/A	N/A	93,500.00
Director	110,500.00	N/A	N/A	N/A	110,500.00
Director	99,500.00	N/A	N/A	N/A	99,500.00
Director	76,500.00	N/A	N/A	N/A	76,500.00
Director	76,500.00	N/A	N/A	N/A	76,500.00
Director	76,500.00	N/A	N/A	N/A	76,500.00
Director	51,000.00	N/A	N/A	N/A	51,000.00
Director	85,000.00	N/A	N/A	N/A	85,000.00
Director	119,000.00	N/A	N/A	N/A	119,000.00
Director	85,000.00	N/A	N/A	N/A	85,000.00
	1,845,000.00	N/A	N/A	N/A	**1,845,000.00**

**Directors compensation is captured on page 42 (25b) of the Audited Financials*

URBAN DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of
URBAN DEVELOPMENT CORPORATION

Report on the Financial Statements

We have audited the financial statements of Urban Development Corporation ("the corporation"), and the consolidated financial statements of the corporation and its subsidiaries ("the group"), set out on pages 3 to 51, which comprise the group's and corporation's statement of financial position as at March 31, 2014, 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.

KPMG

To the Members of
URBAN DEVELOPMENT CORPORATION

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the corporation as at March 31, 2014, 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

September 24, 2015

URBAN DEVELOPMENT CORPORATION

Group Statement of Financial Position
Year ended March 31, 2014

	Notes	2014	Restated* 2013	Restated* 2012
ASSETS		$'000	$'000	$'000
NON-CURRENT ASSETS				
Property, plant and equipment	3	2,122,582	2,109,454	2,047,127
Assets held for sale	4(d)	625,191	935,191	-
Investment properties	4	37,702,278	36,994,945	32,991,397
Interest in associates and other companies	5	31,144	1,169,722	1,188,991
Due from related parties	6	-	166,986	280,435
Interest in joint venture	7	1,396,357	1,444,100	1,430,627
Employee benefits asset	8	721,964	708,131	720,058
		42,599,516	43,528,529	38,658,635
CURRENT ASSETS				
Taxation recoverable		84,848	123,796	125,420
Inventory of land and development projects	9	306,107	195,491	371,030
Inventories	10	8,964	18,859	19,837
Assets held for sale	4(d)	389,480	-	-
Accounts receivable	11	1,504,638	1,033,430	1,167,448
Cash and cash equivalents	12	1,536,658	879,343	595,815
		3,830,695	2,250,919	2,279,550
TOTAL ASSETS		46,430,211	45,779,448	40,938,185
EQUITY AND LIABILITIES				
GOVERNMENT EQUITY				
Capital contributions		222,788	222,788	222,788
Capital reserve	13	7,566,637	7,564,094	7,173,834
General reserve	14	325,718	325,718	325,718
Revenue reserve	15	32,617,414	32,470,479	28,527,486
Attributable to equity owners of the corporation		40,732,557	40,583,079	36,249,826
Non-controlling interests	16	257,513	253,535	247,388
		40,990,070	40,836,614	36,497,214
NON-CURRENT LIABILITIES				
Provision for future infrastructure cost on land sold	17	407,744	352,257	416,536
Deferred tax liabilities	18	108,442	219,024	568,849
Long-term liabilities	19	919,697	533	645,490
Deferred income	20	41,435	42,602	43,122
		1,477,318	614,416	1,673,997
CURRENT LIABILITIES				
Due to regional companies	21	129,236	111,176	112,998
Accounts payable and other liabilities	22	3,640,475	3,030,471	2,598,914
Income tax payable		61,803	54,840	55,062
Current portion of long-term liabilities	19	131,309	1,131,931	-
		3,962,823	4,328,418	2,766,974
TOTAL EQUITY AND LIABILITIES		46,430,211	45,779,448	40,938,185

The financial statements, on pages 3 to 51, were approved for issue by the Board of Directors on September 24, 2015 and signed on its behalf by:

Keith D. Knight — Director

David A. Cummings — Director

*See note 33
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, 2014

	Notes	2014 $'000	2013 $'000 Restated*
Revenue	23	2,425,707	1,993,074
Cost of operating revenue		(127,467)	(95,054)
Gross profit		2,298,240	1,898,020
Administrative, marketing and selling expenses		(2,755,075)	(3,051,716)
Operating loss		(456,835)	(1,153,696)
Increase in fair value of investment properties	4	1,202,813	5,392,582
Loss on disposal of interest in associate	5(c)	(403,570)	-
Other operating income		29,828	8,115
Share of (loss)/gain from associates	5(b)	(4,643)	37,571
Share of (loss)/profit form joint venture	7	(12,013)	13,373
Gain/(loss) from investments, net		35,826	(39,110)
Profit before finance costs and impairment		391,406	4,258,835
Finance costs:			
Loan interest		(45,095)	(37,617)
Bank charges and other interest		(1,676)	(1,572)
		(46,771)	(39,189)
Impairment losses	25(a)	(262,958)	(233,537)
Profit before taxation	25(b)	81,677	3,986,109
Taxation	26	96,363	105,706
Profit for the year		178,040	4,091,815
Other comprehensive income:			
Items that may never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	8	(27,910)	(64,668)
Deferred tax on remeasurement of employee benefits asset	18	783	1,079
Revaluation of property, plant and equipment		79,024	132,553
Deferred tax on revaluation of property, plant and equipment		-	(2,454)
Reversal of deferred tax	18	-	250,315
Item that may be classified to profit or loss:			
Foreign currency translation differences		(76,481)	-
		(24,584)	316,825
Total comprehensive income for the year		153,456	4,408,640
Total comprehensive income attributable to:			
Owners of the corporation		149,478	4,402,493
Non-controlling interests		3,978	6,147
		153,456	4,408,640

*See note 33
The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Group Statement of Changes in Equity
Year ended March 31, 2014

	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, 2012, as previously reported	222,788	7,173,834	325,718	28,359,556	36,081,896	247,388	36,329,284
Impact of change in accounting policy (note 33)	-	-	-	167,930	167,930	-	167,930
Balance at March 31, 2012, as restated	222,788	7,173,834	325,718	28,527,486	36,249,826	247,388	36,497,214
Total comprehensive income:							
Profit for the year as restated (note 33)	-	-	-	4,090,724	4,090,724	1,091	4,091,815
Other comprehensive income	-	375,358	-	(63,589)	311,769	5,056	316,825
Total comprehensive income for the year, as restated	-	375,358	-	4,027,135	4,402,493	6,147	4,408,640
Eliminated on dissolution of subsidiaries	-	(5,714)	-	(63,526)	(69,240)	-	(69,240)
Transfers	-	20,616	-	(20,616)	-	-	-
Balances at March 31, 2013, as restated	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	-	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

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

URBAN DEVELOPMENT CORPORATION

Group Statement of Cash Flows
Year ended March 31, 2014

	2014 $'000	2013 $'000 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	178,040	4,091,815
Adjustments for:		
Depreciation (note 3)	68,022	77,244
Write-off of investment property, net (note 4)	-	9,923
Write-off of property, plant and equipment (note 3)	406	11,835
Amortisation of deferred income (note 20)	(6,232)	(5,876)
Loss on disposal on investment properties	-	37,900
Loss/(gain) on disposal of property, plant and equipment	2,350	(2,913)
Loss on disposal of asset held for sale	22,541	-
Loss on disposal of interest in associate [note 5(c)]	403,570	-
Employee benefits asset, net	(40,960)	(51,662)
Increase/(decrease) in provision for future infrastructure costs on land sold	55,487	(64,279)
Impairment losses [note 25(a)]	262,958	233,537
Increase in fair value of investment properties (note 4)	(1,202,813)	(5,392,582)
Interest income	(60,554)	(28,330)
Interest expense	45,095	37,617
Taxation credit (note 26)	(96,363)	(105,706)
Net foreign exchange loss	24,728	67,400
Share of loss/(profit) of associated companies [note 5(b)]	4,643	(37,571)
Operating cash flows before movements in working capital	(339,082)	(1,121,648)
(Increase)/decrease in net current assets		
Accounts receivable	(507,828)	134,018
Inventories	9,895	978
Inventory of land and development projects	(110,616)	(57,998)
Owed to regional companies	18,060	(1,822)
Accounts payable and other liabilities	353,857	367,673
Cash utilised in operations	(575,714)	(678,799)
Interest received	60,554	28,330
Interest paid	(45,095)	(37,617)
Tax recovered, net of tax paid	31,692	5,677
Net cash used by operating activities	(528,562)	(682,409)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in associated companies	(60,564)	56,840
Acquisition of property, plant and equipment (note 3)	(29,025)	(18,853)
Proceeds from sale of property, plant and equipment	24,143	2,913
Change in related party balances	34,873	113,449
Interest in joint venture	47,743	(13,473)
Proceeds from disposal of interest in associate [note 5(c)]	881,434	-
Proceeds from disposal of assets held for sale	287,459	-
Proceeds on disposal of investment properties	106,000	593,589
Acquisition of investment property	-	(187,569)
Net cash provided by investing activities	1,292,063	546,896
CASH FLOWS FROM FINANCING ACTIVITY		
Loans net, being net cash (used)/provided by financing activity	(81,458)	486,441
Increase in net cash and cash equivalents	682,043	350,928
Net cash and cash equivalents at beginning of year	879,343	595,815
Effects of foreign exchange rate changes	(24,728)	(67,400)
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (note 12)	1,536,658	879,343

*See note 33
The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Financial Position
Year ended March 31, 2014

	Notes	2014 $'000	Restated* 2013 $'000	Restated* 2012 $'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	3	2,072,050	2,030,569	1,974,508
Investment properties	4	36,242,726	35,177,257	29,954,468
Interest in subsidiaries, associates and other companies	5	128,336	172,176	229,019
Due from related parties	6	80,285	191,352	342,189
Interest in joint venture	7	285,972	321,702	321,602
Employee benefits asset	8	673,951	656,170	669,348
		39,483,320	38,549,226	33,491,134
CURRENT ASSETS				
Taxation recoverable		34,798	79,970	84,206
Inventory of land and development projects	9	306,107	195,491	371,030
Accounts receivable	11	497,757	236,602	577,028
Cash and cash equivalents	12	1,037,937	435,304	276,239
		1,876,599	947,367	1,308,503
TOTAL ASSETS		41,359,919	39,496,593	34,799,637
EQUITY AND LIABILITIES				
GOVERNMENT EQUITY				
Capital contributions		222,788	222,788	222,788
Capital reserve	13	6,268,461	6,189,430	5,816,497
General reserve	14	325,718	325,718	325,718
Revenue reserve	15	29,704,838	28,614,184	23,699,982
		36,521,805	35,352,120	30,064,985
NON-CURRENT LIABILITIES				
Due to subsidiaries	6(b)	467,626	492,042	1,470,106
Provision for future infrastructure cost on land sold	17	407,744	352,257	416,536
Deferred tax liabilities	18	-	-	276,844
Long-term liabilities	19	919,164	-	644,957
		1,794,534	844,299	2,808,443
CURRENT LIABILITIES				
Due to regional companies	21	129,236	111,176	112,998
Current portion of long-term liabilities	19	131,309	1,131,931	-
Accounts payable and other liabilities	22	2,783,035	2,057,067	1,813,211
		3,043,580	3,300,174	1,926,209
TOTAL EQUITY AND LIABILITIES		41,359,919	39,496,593	34,799,637

The financial statements on pages 3 to 50 were approved for issue by the Board of Directors on September 24, 2015 and signed on its behalf by:

Keith D. Knight, Director

David A. Cummings, Director

*See note 33

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, 2014

	Notes	2014 $'000	2013 $'000 Restated*
Revenue	23	2,055,653	1,666,940
Administrative and general expenses		(2,168,203)	(2,511,934)
Operating loss		(112,550)	(844,994)
Increase in fair value of investment properties	4	1,171,469	5,538,033
Gain on disposal of interest in associate	5(c)	686,525	-
Income from investments:			
Foreign exchange losses, net		(24,697)	(67,831)
Dividend income	24	-	919,008
Interest income		19,069	28,323
		1,739,816	5,572,539
Net finance costs:			
Loan interest		(45,095)	(37,617)
Bank charges and interest		(1,337)	(1,246)
		(46,432)	(38,863)
Impairment losses	25(a)	(577,604)	(584,763)
Profit before taxation	25(b)	1,115,780	4,948,913
Taxation	26	-	26,529
Profit for the year		1,115,780	4,975,442
Other comprehensive income:			
Items that may never be reclassified to profit or loss			
Re-measurement of employee benefits asset		(25,126)	(61,240)
Revaluation of property, plant and equipment	8	79,031	122,618
Reversal of deferred tax		-	250,315
		53,905	311,693
Total comprehensive income for the year		1,169,685	5,287,135

*See note 33

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

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Changes in Equity
Year ended March 31, 2014

	Capital contributions $'000	Capital reserve $'000	General reserve $'000	Revenue reserve $'000	Total $'000
Balances at March 31, 2012, as previously reported	222,788	5,816,497	325,718	23,534,104	29,899,107
Impact of change in accounting policy (note 33)	-	-	-	165,878	165,878
Balance at March 31, 2012, as restated*	222,788	5,816,497	325,718	23,699,982	30,064,985
Total comprehensive income:					
Profit for the year, as restated (note 33)	-	-	-	4,975,442	4,975,442
Other comprehensive income:					
Remeasurement of employee benefits	-	-	-	(61,240)	(61,240)
Revaluation of land and buildings	-	122,618	-	-	122,618
Reversal of deferred tax	-	250,315	-	-	250,315
Total comprehensive income for the year, as restated	-	372,933	-	4,914,202	5,287,135
Balances at March 31, 2013, as restated	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

*See note 33
The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Cash Flows
Year ended March 31, 2014

	2014 $'000	2013 $'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	1,115,780	4,975,442
Adjustments for:		
Depreciation (note 3)	62,417	67,867
Write-off on investment properties	-	9,923
Loss/(gain) on disposal of investment property	-	37,900
(Gain)/loss on disposal of property, plant and equipment	-	(2,913)
Gain on disposal of interest in associate [note 5(c)]	(686,525)	-
Employee benefits asset	(42,907)	(48,062)
(Decrease)/increase in provision for future infrastructure costs on land sold	55,487	(64,279)
Impairment losses [note 25(a)]	577,604	584,763
Increase in fair value of investment properties (note 4)	(1,171,469)	(5,538,033)
Interest income	(19,069)	(28,323)
Interest expense	46,438	37,617
Taxation (note 26)	-	(26,529)
Dividend income	-	(919,008)
Write offs of property, plant and equipment	-	12,941
Operating cash flows before movements in working capital	(62,244)	(900,694)
Change in net current assets		
Accounts receivable	(295,932)	340,426
Owed from/(to) regional companies	18,060	(1,822)
Inventory of land and development projects	(110,616)	(409,224)
Accounts payable and other current liabilities	464,758	1,131,931
Cash provided by operations	14,026	160,617
Interest paid	(41,375)	(37,617)
Interest received	17,226	28,323
Tax recovered, net of tax paid	45,171	4,236
Net cash provided by operating activities	35,048	155,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (note 3)	(24,867)	(14,251)
Proceeds from sale of property, plant and equipment	-	2,913
Decrease/(increase) in related party balances	(349,254)	150,837
Interest in subsidiaries and associates	-	(2,213)
Interest in joint venture	35,730	(100)
Proceeds on disposal of investment property	106,000	454,500
Proceeds on disposal of interest in associate [note 5(c)]	881,434	-
Acquisition of investment property	-	(187,079)
Net cash provided by investing activities	(649,043)	404,607
CASH FLOWS FROM FINANCING ACTIVITY		
Loans net, being net cash provided by financing activity	(81,458)	(401,101)
Increase in net cash and cash equivalents	602,633	159,065
Net cash and cash equivalents at beginning of year	435,304	276,239
NET CASH AND CASH EQUIVALENTS AT END OF YEAR (note 12)	1,037,937	435,304

*See note 33
The accompanying notes form an integral part of the financial statements.

1. Corporate structure and principal activities

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

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

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

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

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

2. Basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements as at and for the year ended March 31, 2014 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board.

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, applicable to its operations, with a date of initial application of April 1, 2013. The nature and effects of the changes are as follows:

(i) IFRS 10 *Consolidated Financial Statements (2011)*

IFRS 10 introduces a new control model that focuses on whether the corporation has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The group has reassessed the control conclusion in respect of its investees as at April 1, 2013. This has not resulted in any change to the control conclusions previously determined.

(ii) IFRS 12 *Disclosure of Interest in Other Entities*

IFRS 12 contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. Structured entities are entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The disclosure requirements encompass risk exposures for the sponsor of such an entity even if it no longer has any contractual involvement. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

As a result of IFRS 12, the group expanded its disclosures about its interest in subsidiaries and equity-accounted investees (see note 5).

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

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

(iii) IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the group applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The change had no significant impact on the measurements of the group's assets and liabilities and appropriate disclosures are made in note 30.

(iv) IAS 19 *Employee Benefits*

As a result of the adoption of IAS 19, *Employee Benefits (2011)*, the group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans.

As a result of the change, the group now determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit asset at the beginning of the annual period to the net defined benefit liability at the beginning of the annual period. Net interest also takes into account any changes in the net defined benefit asset during the period as a result of contributions and benefit payments. Actuarial gains and losses are now recognised immediately in other comprehensive income. Previously, the group recognised actuarial gains and losses using the corridor method, which required that any cumulative unrecognised gains or losses exceeding 10% of the present value of the benefit obligation be recognised in profit or loss over the expected average remaining working lives of the employees affected.

The change in policy is applied retrospectively (see note 33).

(v) IAS 1 *Presentation of Items of Other Comprehensive Income*

As a result of the amendments to IAS 1, items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future are presented separately from those that will never be reclassified to profit or loss. Also, the title of the statement has changed from statement of comprehensive income to statement of profit or loss and other comprehensive income.

(vi) *IAS 16 Property, Plant and Equipment*

The standard is amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, standby-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using *IAS 2 Inventories*. The change had no impact on the classification of the group's assets.

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

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

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

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

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

- Amendments to IAS 16 and IAS 38 are effective for annual reporting periods beginning on or after January 1, 2016. The amendments to IAS 16 *Property, plant and equipment* explicitly state 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 asset.

- Amendments to IAS 27, Equity Method in Separate Financial Statements, effective for accounting periods beginning on or after January 1, 2016 and can be early adopted. 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.

- The new amendments to IAS 38 *Intangible Assets* introduce 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.

- *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.

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

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

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

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

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

- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2018. It replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*.

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

- IFRS 9, Financial Instruments, 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 though 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. The Group is assessing the impact that the standard will have on its 2018 financial statements.

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

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

- IAS *1 Presentation of Financial Statements*, effective for 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 requirement 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. Lines 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 requirement 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 accounting for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

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 lands, 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 transactions.

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

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

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

(d) Use of estimates and judgements:

(iv) Pension and other post-retirement benefits:

The amounts recognised in the statement of financial position and profit or loss and other comprehensive income for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement 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. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

The consolidated financial statements comprise the financial results of the corporation and its subsidiaries prepared up to March 31, 2014. The principal operating subsidiaries are listed in note 5(a).

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

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

(ii) Associates

Associates are those entities in which the group has significant influence, but not control, over their financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses on an equity accumulated basis from the date that significant influence commences until the date it ceases. The results used are those disclosed in the latest available audited financial statements adjusted for significant events, if any, occurring between the last audited reporting date and March 31, 2014.

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

(iii) Transactions eliminated on consolidation

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

(f) Property, plant and equipment:

(i) Owned assets:

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

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

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

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

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

(f) Property, plant and equipment:

(ii) Leased assets:

Lease arrangements through which the group assume substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases are stated at an 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 the capital reserve in equity. 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

(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.

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

(h) Interest in joint venture:

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

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

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

(i) Employment benefits:

(i) Pension benefits:

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

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

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

The group's net asset in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of scheme assets is deducted. 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 post-retirement 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 and 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.

(o) Accounts payable and other current liabilities:

Trade and other accounts payable are stated at amortised cost.

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

(p) Related parties:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(p) Related parties (cont'd):

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

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

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

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

(q) Loans:

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

(r) Revenue recognition:

(i) Real estate trading income:

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

(ii) Rental income:

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

(iii) Interest income:

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

(iv) Other revenue:

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

(s) Expenses:

(i) Finance costs:

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

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

(s) Expenses (cont'd):

(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.

(u) Impairment:

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

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

(i) Calculation of recoverable amounts:

The recoverable amounts of the group's assets classified as loans and receivables are calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the group of operating assets to which the asset belongs.

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

(u) Impairment (cont'd):

(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 for reselling them on a specified date and at a specified price. Resale agreements are accounted for as short-term collaterised lending, and are carried at amortised cost.

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

(w) Determination of fair value:

'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 in the principal or, in its absence, the most advantageous market to which the group has access at that date. Most of the group's financial instruments lack an available trading market, therefore, the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

3. Property, plant and equipment

The group

	Freehold land	Freehold buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Sewerage treatment plant	Capital work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost or valuation:								
March 31, 2012	1,104,845	702,426	145,597	66,019	395,168	36,533	3,029	2,453,617
Additions	-	485	3,019	500	14,849	-	-	18,853
Revaluation adjustments	29,289	77,914	-	-	-	-	-	107,203
Disposals	-	-	-	(6,257)	-	-	-	(6,257)
Adjustments/write-offs	-	-	(2,121)	(10,586)	818	-	-	(11,889)
March 31, 2013	1,134,134	780,825	146,495	49,676	410,835	36,533	3,029	2,561,527
Additions	-	-	-	470	8,601	-	19,954	29,025
Revaluation adjustments	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
Depreciation:								
March 31, 2012	404	6,418	47,840	47,841	266,812	34,146	3,029	406,490
Charge for the year	-	24,743	10,735	2,147	37,232	2,387	-	77,244
Eliminated on revaluation	-	(25,350)	-	-	-	-	-	(25,350)
Disposals	-	-	-	(6,257)	-	-	-	(6,257)
Adjustments/write-offs	-	-	-	-	(54)	-	-	(54)
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)
Adjustments/write-offs	-	-	-	-	(2,940)	-	-	(2,940)
Eliminated on disposal	-	-	-	-	-	-	-	-
March 31, 2014	404	6,667	64,022	47,321	334,400	36,553	3,029	492,376
Net book values:								
March 31, 2014	1,201,412	734,228	82,473	2,825	81,690	-	19,954	2,122,582
March 31, 2013	1,133,730	775,014	87,920	5,945	106,845	-	-	2,109,454
March 31, 2012	1,104,441	696,008	97,757	18,178	128,356	2,387	-	2,047,127

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

The corporation

	Freehold land	Freehold buildings	Leasehold improvements	Motor vehicles	Furniture fixtures and equipment	Sewerage treatment plant	Capital work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost or valuation:								
March 31, 2012	1,100,375	647,279	143,999	61,206	319,574	36,533	3,029	2,311,995
Additions	-	-	3,019	-	11,232	-	-	14,251
Revaluation adjustments	29,172	70,179	-	-	-	-	-	99,351
Disposals	-	-	-	(6,257)	-	-	-	(6,257)
Write-offs	-	-	(2,121)	(10,586)	(234)	-	-	(12,941)
March 31, 2013	1,129,547	717,458	144,897	44,363	330,572	36,533	3,029	2,406,399
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
Depreciation:								
March 31, 2012	-	-	47,579	43,698	209,035	34,146	3,029	337,487
Charge for the year	-	23,267	10,735	1,470	30,008	2,387	-	67,867
Eliminated on revaluation	-	(23,267)	-	-	-	-	-	(23,267)
Eliminated on disposals	-	-	-	(6,257)	-	-	-	(6,257)
March 31, 2013	-	-	58,314	38,911	239,043	36,533	3,029	375,830
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
Net book values:								
March 31, 2014	1,197,229	704,028	81,274	2,432	67,133	-	19,954	2,072,050
March 31, 2013	1,129,547	717,458	86,583	5,452	91,529	-	-	2,030,569
March 31, 2012	1,100,375	647,279	96,420	17,508	110,539	2,387	-	1,974,508

4. Investment properties

	The group			The corporation		
	Freehold land	Freehold buildings	Total	Freehold land	Freehold buildings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
March 31, 2012	25,807,093	7,184,304	32,991,397	25,505,470	4,448,998	29,954,468
Additions	64,079	123,490	187,569	64,079	123,000	187,079
Disposals	(631,489)	-	(631,489)	(492,400)	-	(492,400)
Transfers to asset held for sale [note (d)]	(935,191)	-	(935,191)	-	-	-
Write-off [note 25(a)]	(9,923)	-	(9,923)	(9,923)		(9,923)
Increase in fair value	5,463,185	(70,603)	5,392,582	5,639,524	(101,491)	5,538,033
March 31, 2013	29,757,754	7,237,191	36,994,945	30,706,750	4,470,507	35,177,257
Disposals	-	(106,000)	(106,000)	-	(106,000)	(106,000)
Transfers to asset held for sale [note (d)]	-	(389,480)	(389,480)	-	-	-
Increase in fair value	1,703,462	(500,649)	1,202,813	1,638,748	(467,279)	1,171,469
March 31, 2014	31,461,216	6,241,062	37,702,278	32,345,498	3,897,228	36,242,726

(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) Property rental income earned from investment properties, all of which were leased under operating leases, aggregated $455 million (2013: $460 million) for the group and $381 million (2012: $355 million) for the corporation. Direct operating expenses arising from the investment properties during the year aggregated $141 million (2013: $88 million) for the group and $136 million (2013: $55 million) for the corporation.

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

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

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Freehold land	625,191	935,191	-	-
Freehold buildings	389,480	-	-	-
	1,014,671	935,191	-	-

5. Interest in subsidiaries and associates

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Non-current:				
Interest in subsidiaries (a)	-	-	119,253	119,253
Interest in associates (b)	31,144	1,169,722	9,083	52,923
Investment in other companies (c)	-	-	-	-
	31,144	1,169,722	128,336	172,176

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

(a) Interest in subsidiaries:

	The corporation	
	2014	2013
	$'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 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, leasing and hotel operations
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 golf course and management of agricultural and horticultural projects
Seacastles Limited*	Jamaica	100	Construction and rental
Rutland Point Beach Resorts Limited*	Jamaica	100	Construction and rental
Montego Bay Conference Centre Limited	Jamaica	100	Operation of the Montego Bay Convention Centre

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

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

(b) Interest in associates:

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Shares at cost:				
Portmore Commercial Development Company Limited	9,083	9,083	9,083	9,083
Bloody Bay Hotel Development Limited*	-	43,840	-	43,840
Cost of investments	9,083	52,923	9,083	52,923
Group's share of reserve	22,061	1,116,799	-	-
	31,144	1,169,722	9,083	52,923

Details of the associates at March 31, 2014 are as follows:

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

*The corporation sold its 50% interest in Bloody Bay Hotel Development Limited during the year.

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

	The group	
	2014	2013
	$'000	$'000
Total assets	68,180	2,750,128
Total liabilities	(23,158)	(515,440)
Net assets	45,022	2,234,688

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

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

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

	The group	
	2014	2013
	$'000	$'000
Balance at beginning of year	1,116,799	1,079,228
Disposal of interest in associate	(1,090,095)	-
Share of profit for the year	(4,643)	37,571
Balance at end of year	22,061	1,116,799

(c) Disposal of interest in associate:

Disposal of interest in associate during the year is made up of as follows:

	The Group	The corporation
	$'000	$'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	
	2014	2013
	$'000	$'000
Shares at cost:		
Kingston Restoration Company Limited	25	25
Rose Hall Resorts Limited	109,890	109,890
	109,915	109,915
Less: Impairment losses	(109,915)	(109,915)
	-	-

6. Due from related parties

	The group 2014 $'000	The group 2013 $'000	The corporation 2014 $'000	The corporation 2013 $'000
(a) Due from related parties:				
Advances to subsidiaries:				
Caymanas Development Company Limited	-	-	460,073	329,202
Ocho Rios Commercial Centre Limited	-	-	10,194	19,014
Montego Freeport Limited	-	-	412	534
National Hotels and Property Limited	-	-	5	-
Seacastles Limited	-	-	187	13
Rutland Point Beach Resorts Limited	-	-	500	326
Montego Bay Conference Centre Limited*	-	-	667,616	454,206
	-	-	1,138,987	803,295
Less: impairment losses	-	-	(1,058,702)	(778,929)
	-	-	80,285	24,366
Loans and advances to associates:				
Hellshire Marble Limited	14,177	14,177	14,177	14,177
Bloody Bay Hotel Development Limited	-	166,986	-	166,986
	14,177	181,163	14,177	181,163
Less: impairment losses	(14,177)	(14,177)	(14,177)	(14,177)
	-	166,986	-	166,986
Total due from related parties	-	166,986	80,285	191,352

Impairment losses recognised in profit or loss for the corporation amounted to $279,773,000 (2013: $347,535,000) see note 25(a).

*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%. Up to the date of approval of the financial statement, the formalities to effect the changes were not yet completed.

(b) Due to subsidiaries:

	The group 2014 $'000	The group 2013 $'000	The corporation 2014 $'000	The corporation 2013 $'000
Advances from subsidiaries:				
Runaway Bay Water Company Limited	-	-	(3,568)	35,143
National Hotels and Properties Limited	-	-	449,024	444,494
Kingston Waterfront Hotel Company Limited	-	-	22,170	12,405
Total due to subsidiaries	-	-	467,626	492,042

7. Interest in joint venture

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Seaside at Rosehall Developments Limited (a):				
Initial investment	287,226	287,226	287,226	287,226
Loans (payable)/receivable	(1,254)	34,476	(1,254)	34,476
	285,972	321,702	285,972	321,702
Group's share of reserve:				
Balance at beginning of the year	1,122,398	1,109,025	-	-
Share of (loss)/profit for the year	(12,013)	13,373	-	-
	1,110,385	1,122,398	-	-
	1,396,357	1,444,100	285,972	321,702

(a) Seaside at Rose Hall Developments Limited

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.

Also, 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.

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.

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

8. Employee benefits asset

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Present value of funded obligations of defined benefit pension plan	(1,283,121)	(1,054,645)	(1,207,088)	(983,251)
Fair value of plan assets	2,005,085	1,762,776	1,881,039	1,639,421
Asset recognised in the statement of financial position	721,964	708,131	673,951	656,170

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

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Balance at beginning of year	708,131	720,058	656,170	669,348
Amounts charged to profit or loss	27,431	28,691	29,113	25,902
Amounts charged to other comprehensive income	(27,910)	(64,669)	(25,126)	(61,240)
Contributions	14,312	24,051	13,794	22,160
Balance at end of year	721,964	708,131	673,951	656,170

(b) Movements in funded obligations:

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Balance at beginning of year	(1,054,645)	(974,005)	(983,251)	(909,567)
Current service costs	(76,141)	(89,231)	(72,708)	(81,670)
Interest costs	(111,134)	(99,738)	(103,996)	(96,935)
Remeasurement on defined obligation	(73,187)	70,502	(72,478)	67,465
Benefits paid and settlements (Lump sum and annuity purchases)	24,900	28,517	18,516	28,298
Administrative expenses	7,086	9,310	6,829	9,158
Balance at end of year	(1,283,121)	(1,054,645)	(1,207,088)	(983,251)

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

8. Employee benefits asset (cont'd)

(c) Movements in plan assets:

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000 (Restated)	$'000	$'000 (Restated)
Fair value of plan assets at beginning of year	1,762,776	1,695,087	1,639,421	1,578,915
Contributions paid	51,959	70,001	54,226	67,285
Calculated return on plan assets	177,060	170,686	165,386	159,383
Benefits paid and settlements (Lump sum and annuity purchases)	(24,900)	(28,517)	(18,516)	(28,298)
Remeasurement of plan assets	45,276	(135,171)	47,351	(128,706)
Administrative expenses	(7,086)	(9,310)	(6,829)	(9,158)
Fair value of plan assets at end of year	2,005,085	1,762,776	1,881,039	1,639,421
Actual return on plan assets	222,336	37,429	212,738	30,678

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The assets of the plan are held separately from the company's assets. In order to determine the portion of the assets of the Fund that is attributable to company, the actuarial liabilities is calculated, and then allocate the assets in proportion to these liabilities.

Plan assets consist of the following:

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000 (Restated)	$'000	$'000 (Restated)
Consumer price index fund	503,277	-	472,142	-
Foreign currency	291,009	-	273,004	-
Equity fund	69,523	65,924	65,221	61,462
International equity	196,216	-	184,078	-
Fixed income fund	550,217	1,379,834	516,178	1,282,401
Mortgages and real estate	394,843	317,018	370,416	295,558
	2,005,085	1,762,776	1,881,039	1,639,421

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

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000 (Restated)	$'000	$'000 (Restated)
Included in profit or loss:				
Current service cost - employer	38,495	38,291	32,277	36,545
Interest costs	(65,926)	(66,982)	(61,390)	(62,447)
Total included in employee benefit expenses (note 28)	(27,341)	(28,691)	(29,113)	(25,902)
Included in other comprehensive income:				
Net remeasurement losses	(27,910)	(64,669)	(25,126)	(61,240)

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

8. Employee benefits asset (cont'd)

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

	2014	2013
	%	%
Discount rate	9.5	10.00
Future salary increases	6	6.00
Future pension increases	5	5.00
Long-term rate of inflation	8	6.00

(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 and current service cost by the following amounts.

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

The expected contributions to the plan at 2.5% of pensionable salaries for the year ended March 31, 2015 amounted to $18,823 million (2014: $19.061 million) for the group and $16.304 million (2014: $16.908 million) for the corporation.

9. Inventory of land and development projects

	The group and corporation	
	2014	2013
	$'000	$'000
At beginning of year	195,491	371,030
Additions (disposals)	110,616	(159,202)
Impairment losses [note 25(a)]	-	(16,337)
At end of year	306,107	195,491

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, 2014

10. Inventories

	The group	
	2014	2013
	$'000	$'000
Food and beverages	2,674	1,865
Spareparts and maintenance materials	3,114	13,855
Tools and other	3,176	3,139
	8,964	18,859

11. Accounts receivable

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables	900,811	788,948	678,795	601,642
Real estate sales receivables	1,239,366	968,826	398,538	322,130
	2,140,177	1,757,774	1,077,333	923,772
Amounts advanced on specific projects	43,988	43,988	43,988	43,988
Prepaid expenses and other current assets	992,558	967,890	958,709	879,309
	3,176,723	2,769,652	2,080,030	1,847,069
Less: Impairment allowance	(1,672,085)	(1,736,222)	(1,582,273)	(1,610,467)
	1,504,638	1,033,430	497,757	236,602

(i) Movements in impairment allowance:

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Balance at beginning of year	1,736,222	1,721,374	1,610,467	1,590,514
(Decrease)/increase in impairment allowance recognised in profit or loss	(64,137)	14,848	(28,194)	19,953
Balance at end of the year	1,672,085	1,736,222	1,582,273	1,610,467

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

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Less than 60 days	164,598	80,548	117,280	58,243
61 – 90 days	52,911	40,610	30,619	23,837
More than 90 days	1,922,668	1,636,616	929,434	841,692
	2,140,177	1,757,774	1,077,333	923,772

12. Cash and cash equivalents

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at bank and short term deposits	972,086	735,974	470,415	283,340
Resale agreements (i)	567,522	151,964	567,522	151,964
Bank overdraft (ii)	(2,950)	(8,595)	-	-
	1,536,658	879,343	1,037,937	435,304

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

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

(a) This comprises:

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Surplus on revaluation of property, plant and equipment:				
In prior years	8,332,669	7,963,025	6,949,519	6,576,586
In current year:				
Land and building	79,024	125,043	79,031	122,618
Deferred tax written back/(charge)	-	250,315	-	250,315
Eliminated on disposal of subsidiary	-	(5,714)	-	-
	8,411,693	8,332,669	7,028,550	6,949,519
Translation reserve	(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)	(269,712)	(540,983)	(540,983)
In current year	-	20,616	-	-
	(249,096)	(249,096)	(540,983)	(540,983)
	7,566,637	7,564,094	6,268,461	6,189,430

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.

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

15. Revenue reserve

This comprises:

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000 (Restated)	$'000	$'000 (Restated)
Increase in fair value of investment properties	29,073,200	27,870,387	26,964,847	25,793,378
Net foreign exchange gains	637,715	662,443	317,561	342,258
Other profits	2,871,622	3,902,772	2,421,169	2,477,287
	32,582,537	32,435,602	29,703,577	28,612,923
Negative goodwill on acquisition of subsidiaries	33,616	33,616	-	-
Impairment on advances to associates	1,261	1,261	1,261	1,261
	32,617,414	32,470,479	29,704,838	28,614,184

16. Non-controlling interests

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

	Ownership interest %	2014 $'000	2013 $'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		184,104	184,104
		235,114	235,114
Add: - Share of profits in subsidiaries attributable to non-controlling interests		22,399	18,421
		257,513	253,535

17. Provision for future infrastructure cost on land sold

	The group and corporation	
	2014	2013
	$'000	$'000
At beginning of year	352,257	416,536
Increase/(reduction) in provision	55,487	(64,279)
At end of year	407,744	352,257

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

18. Deferred tax liabilities

Deferred tax liabilities comprise as follows:

	The group			
	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)

	The group			
	2012	Recognised in profit or loss	Recognised in other comprehensive income	2013
	$'000	$'000	$'000	$'000
Revaluation of investment properties	(1,524,141)	1,244,454	-	(279,687)
Revaluation surplus on buildings	(250,315)	-	250,315	-
Employee benefits asset	(176,909)	38,733	1,079	(137,097)
Interest receivable	(3,308)	(1,683)	-	(4,991)
Property, plant and equipment	396,570	(285,017)	-	111,553
Accounts payable	23,718	(5,932)	-	17,786
Tax losses	960,761	(896,127)	-	64,634
Other	4,755	4,003	-	8,778
	(568,849)	98,431	251,394	(219,024)

	The corporation			
	2012	Recognised in profit or loss	Recognised in other comprehensive income	2013
	$'000	$'000	$'000	$'000
Revaluation of investment properties	(1,163,434)	1,163,434	-	-
Revaluation surplus on buildings	(250,315)	-	250,315	-
Employee benefits asset	(167,823)	167,823	-	-
Interest receivable	(139)	139	-	-
Property, plant and equipment	393,123	(393,123)	-	-
Accounts payable	22,793	(22,793)	-	-
Tax losses	884,350	(884,350)	-	-
Other	4,601	(4,601)	-	-
	(276,844)	26,529	250,315	-

The corporation has deductible timing differences and tax losses of $3,404 million (2013: $2,364 million) which would give rise to a deferred tax asset of $851 million (2013: $591 million), which the corporation has not recognised as there is uncertainty that there will be future taxable profits against which the asset can be utilised.

19. Long-term liabilities

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Development Bank of Jamaica (principal) (a)	-	191,936	-	191,936
PetroCaribe Development Fund (b)	1,050,473	939,995	1,050,473	939,995
	1,050,473	1,131,931	1,050,473	1,131,931
Redeemable preference shares (c)	533	533	-	-
	1,051,066	1,132,464	1,050,473	1,131,931
Less: Current portion	(131,309)	(1,131,931)	(131,309)	(1,131,931)
	919,697	533	919,164	-

(a) The corporation obtained from the Development Bank of Jamaica Limited, a line of credit in the amount of $1,000 million of which $Nil (2013: $192 million), remained as at the reporting date. The loan carried a variable rate of interest of 7.75% per annum. During the year, the loan was fully repaid.

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

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

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

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

(b) An amount of US$9,600,000 (2013: 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 the year, 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.

(c) This balance represents 10% redeemable convertible cumulative preference shares held by a subsidiary. At March 31, 2014, there were arrears of cumulative preference dividends amounting to $1.2 million (2013: $1.2 million). No provision has been made for this amount.

20. Deferred income

	The group	
	2014	2013
	$'000	$'000
Balance at the beginning of the year	42,600	48,349
Less: Amount recognised in income	(6,232)	(5,876)
Foreign exchange adjustment	11,641	6,005
	48,009	48,478
Less: Current portion (included accounts payable)	(6,574)	(5,876)
	41,435	42,602

20. Deferred income (cont'd)

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables	360,565	373,419	264,185	260,644
Contract payables and retentions (a)	8,652	6,595	8,652	6,595
Deposits on sale of real estate	1,188,511	1,043,745	661,974	407,569
Accruals	330,498	225,169	233,647	108,926
Amounts to be disbursed on specific projects	1,159,733	763,457	1,159,733	763,457
Others	592,516	618,086	454,844	509,876
	3,640,475	3,030,471	2,783,035	2,057,067

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

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

23. Operating revenue

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

24. Dividend income

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

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2014

25. Disclosure of expenses/(income)

(a) Impairment losses:

These arise on account of:

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Investment properties (see note 4)	-	9,923	-	9,923
Inventory of land and development projects (see note 9)	-	16,337	-	16,337
Agency projects	261,211	-	261,211	-
Accounts receivable	36,620	207,277	36,620	210,968
Due from related parties [note 6(a)]	-	-	279,773	347,535
Other	(34,873)	-	-	-
	262,958	233,537	577,604	584,763

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

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Audit fees	19,749	21,970	9,767	9,305
Depreciation	68,022	77,244	62,417	67,867
Directors fees	2,284	3,953	1,845	2,910
Employee benefit costs (note 28)	1,131,449	1,069,639	927,317	918,438
Management fees-related parties	-	-	35,934	(57,057)
Loss on disposal of property, plant and equipment and investment property	(2,350)	(34,987)	-	(34,987)

26. 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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current tax expense:				
Current year charge @ 25 % (2013: 25%)	13,436	(7,275)	-	-
Deferred taxation:				
Origination and reversal of other temporary differences (note 18)	(109,799)	(98,431)	-	(26,529)
	(96,363)	(105,706)	-	(26,529)

26. Taxation (cont'd)

(b) Reconciliation of effective tax charge:

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Profit before taxation	81,679	3,986,109	1,115,780	4,948,913
Computed "expected" tax expense at statutory rates @ 25% (2013: 25%)	20,420	996,527	278,945	1,237,228
Tax effect of differences between profit for financial statements and tax reporting purposes on:				
Fair value gains on investment properties	(419,948)	(1,348,145)	(295,704)	(1,384,508)
Other items non-deductible for tax purposes	303,165	245,912	16,759	120,751
Actual tax credit recognised in profit or loss	(96,363)	(105,706)	-	(26,529)

(c) Taxation losses, subject to agreement by the Commissioner General, Taxpayer Administration Jamaica, available for relief against future taxable profits, amount to approximately $3,863 million (2013: $3,707.7 million) for the group and $2,881 million (2013: $2,423 million) for the corporation. If unutilised, these losses can be carried forward indefinitely.

(a) Deferred tax asset of $1,070 million (2013: $912 million) for the group and $851 million (2013: $591 million) for the corporation has not been recognised in respect of tax losses, as there is no certainty that the group and corporation will make profits against which the losses can be utilized in the foreseeable future.

(b) During the year, the Government of Jamaica enacted new tax measures to change the tax incentives regimes applicable to various industries, including the hotels and resort cottage industry, effective January 1, 2014.

The major applicable changes are set out below:

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

27. Related party transactions

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

(i) Key management:

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

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Short-term benefits	90,609	76,977	56,839	66,660

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

	The corporation	
	2014	2013
	$'000	$'000
Runaway Bay Water Company Limited	48,069	73,593
Ocho Rios Commercial Centre Limited	7,000	7,000
National Hotels and Properties Limited	51,000	-
	106,069	80,593

28. Employee benefit expenses

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
		(Restated)		(Restated)
Employee benefit expenses are made up as follows:				
Senior executives emoluments	77,729	80,248	56,839	66,660
Salaries and wages	856,360	820,806	688,863	682,203
Defined benefit Pension Plan [note 8(d)]	(31,748)	(28,690)	(29,113)	(25,902)
Statutory contributions	115,772	101,922	103,255	101,344
Other	113,336	95,353	107,473	94,133
	1,131,449	1,069,639	927,317	918,438

29. Financial instruments

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

(a) Financial risk management:

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

- credit risk
- liquidity risk
- market risk

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

29. Financial instruments (cont'd)

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

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

(i) Credit risk:

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

Management of credit risk

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

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

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

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

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

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

Maximum exposure to credit risk

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

29. 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.

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	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Net foreign currency exposure	(6,713)	(14,338)	(4,788)	(9,475)

Foreign currency sensitivity

A 2% (2013: 2%) change in the United States dollar against the Jamaican dollar at the reporting date, would have affected profit or loss for the year by the amounts shown below.

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Effect on profit	14,711	28,357	10,492	18,740

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

At March 31, 2014: 109.57
At March 31, 2013: 98.89

This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2013.

29. Financial instruments (cont'd)

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

(ii) Market risk (cont'd):

- Interest rate risk:

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

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

Management of interest rate risk

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

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

	The group		The corporation	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets	1,537,165	887,938	1,037,937	435,304
Financial liabilities	(1,050,473)	(1,131,931)	(1,050,473)	(1,131,931)
Net financial asset/(liability)	486,692	(243,993)	(12,536)	(696,627)

Cash flow sensitivity analysis for variable rate instruments

A change of 2.5 (2013: 2) basis points in interest rates would have affected profit or loss for the year by $12.471 million (2013: $4.880 million) for the group and $0.3 million (2013: $13.9 million) 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 2013.

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.

29. Financial instruments (cont'd)

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

(iii) Liquidity risk:

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

Management of liquidity risk

The group's liquidity risk management process includes:

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

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

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

Undiscounted cash flows of financial liabilities

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

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

29. 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	Total $'000
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	2,581,181	2,581,181	-	-	2,581,181
	4,228,516	2,778,372	100,673	1,469,651	4,368,696
2013					
Long-term liabilities	1,131,931	-	1,131,931	-	1,131,931
Due to subsidiaries	492,042	-	-	492,042	492,042
Due to regional companies	11,176	111,176	-	-	111,176
Accounts payable and other liabilities	2,057,067	2,057,067	-	-	2,057,067
	3,692,216	2,168,243	1,131,931	492,042	3,792,216

(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.

30. 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 7 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 in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

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). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

30. Fair value disclosures (cont'd)

The fair value measurement for investment property has been categorised as a level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Type	**Valuation techniques**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
1. Property, plant and equipment (land and building). 2. Investment properties	*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).

31. Commitments and contingencies

(a) At March 31, 2014, management estimates aggregate cost of $40 million (2013: $73 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.

32. Operating lease arrangements

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

	Group and corporation	
	2014	2013
	$'000	$'000
Within one year	478,993	434,976
In subsequent years	1,742,567	2,220,596
	2,221,560	2,655,572

33. Impact of change in accounting policy

As indicated in note 2(a)(iv), effective April 1, 2013, the group adopted IAS 19 *Employee Benefits*. The change in accounting policy was applied retrospectively. The effects of the adjustments are detailed below:

(a) Effect on the statement of financial position:

	The group		The corporation	
	Employee benefit obligations	Revenue reserve	Employee benefit obligations	Revenue reserve
		$'000		$'000
Balances as reported at March 31, 2012	552,128	28,359,556	503,470	23,524,104
Effect on other comprehensive income for the year	167,930	167,930	165,878	165,878
Restated balances as at March 31, 2012	720,058	28,527,486	669,348	23,689,982
Balances as reported at March 31, 2013	579,164	32,341,512	528,383	28,486,397
Effect on other comprehensive income for 2013	128,967	128,967	127,787	127,787
Restated balances as at March 31, 2013	708,131	32,470,479	656,170	28,614,184

(b) Effect on profit or loss and other comprehensive income – 2013:

	The group 2013	The corporation 2013
	$'000	$'000
Profit for the year as previously reported	4,068,551	4,952,293
Effect on employee benefit cost for the year	23,264	23,149
As restated	4,091,815	4,975,442
Other comprehensive income: as previously reported	380,414	372,933
Effect of actuarial re-measurement	(63,589)	(61,240)
As restated	315,746	311,693
Total comprehensive income for the year, as restated	4,408,640	5,287,135

(c) Effects on the statements of cash flows for the year ended March 31, 2014:

The change in accounting policies and adjustments to various amounts did not have any effect on the statement of cash flows, as the effects of the restated amounts compensated each other.