

**AUDITOR GENERAL'S DEPARTMENT
PERFORMANCE AUDIT REPORT
OF THE
URBAN DEVELOPMENT CORPORATION (UDC)**

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The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act.

This report was prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.

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Audit at a Glance

Performance Audit Report Urban Development Corporation (UDC)



Key Data

- Established in 1968, Urban Development Corporation (UDC) is Jamaica's principal public sector entity responsible for planning and designing urban environments in designated areas.
- The Corporation has 13 subsidiaries and associated companies.
- UDC earns revenue mainly from the sale of land and buildings and income generated by its various properties.
- UDC also manages projects on behalf of other public bodies, from which it earns management fees.

Main Findings

- Of 16 recommendations from our 2012 report, UDC implemented 6, 4 were not implemented, 6 partially implemented.
- UDC prepared and submitted to its portfolio ministry, strategic plans for the orderly development of Jamaica's natural and built environment; however, development plans for 3 gazetted designated areas are yet to be finalised.
- UDC continued to fall short in terms of strict conformance with the applicable Acts and reporting requirements under the Public Bodies Management and Accountability (PBMA) Act.
- UDC made efforts to improve its financial viability by seeking to recover rental arrears; however, the management of receivables remained a challenge.



Conclusion & Recommendation

UDC's performance has improved since 2012. However, UDC should ensure strict adherence to the applicable Acts; cause to be prepared development plans for gazetted designated areas and submit to the portfolio minister all outstanding annual reports and audited financial statements for tabling in the Houses of Parliament. UDC should review its revenue generation strategy, to strengthen its resiliency and response to economic and external challenges. It should fully adhere to its Estate Management Policy and GOJ's Divestment Policy and improve its project management practices in order to reduce losses and cost overruns.

Auditor General's Overview

The Urban Development Corporation (UDC) is Jamaica's principal public sector entity responsible for planning and designing urban environments in designated areas. UDC's core business objective is *"making development happen through the planning and implementation of comprehensive development projects and programmes"*. In November 2012, I submitted a performance audit report, which identified deficiencies in UDC's management of its investments. In addition, the report highlighted financial challenges and several corporate governance failures that impaired UDC's ability to manage effectively and efficiently, the resources under its control. In March 2017, a special audit of the UDC identified various breaches of divestment procedures in disposal of Oceana Hotel Complex, including UDC's failure to adhere to its Estate Management Policy.

This performance audit revealed that UDC made efforts to implement many of the recommendations from the 2012 audit, including strengthening its Enterprise Risk Management (ERM) framework and recovering some of the long outstanding rent receivables. However, there was no significant progress in delivering on its core mandate to comprehensively plan and design urban environments by designating development areas and preparing the related developments plans. In June 2015, Cabinet approved the transfer of lands for the development of hotels, housing and other facilities as a condition of the 50-year Concession Agreement between the Government of Jamaica (GOJ) and NROCC. Ministry of Finance and the Public Service (MoFPS) subsequently paid 22 per cent (\$2.13 billion) of the amount owed to UDC as compensation for lands transferred to NROCC in January 2018. As at March 2022, the outstanding balance stood at \$7.23 billion.

It is also important to note that in the absence of audited financial statements and Annual Reports for the last three years to confirm UDC's financial and operational performance, we had to rely on unaudited financial statements and other reports in order to conduct a financial assessment of the Corporation. Consequently, the financial statements may be subject to adjustment, following examination by UDC's external auditors.

I encourage UDC to pursue corrective actions to address outstanding issues in both 2012 and 2022 performance audit reports. I also thank the management and staff of UDC for the cooperation and assistance provided to the audit team over the course of the audit.



Pamela Monroe Ellis, FCCA, FCA
Auditor General

This report contains the
findings from the performance audit
of the Urban Development Corporation

Executive Summary

The Urban Development Corporation (UDC) was established by the UDC Act (1968) to plan orderly development of physical infrastructure in a holistic and sustainable manner, in designated areas across the island. As provided by the Act, the UDC may undertake transactions that are necessary to ensure the proper performance of its functions. In this regard, the Act empowers UDC to, among other things, acquire, manage and dispose of land; construct and maintain roads and buildings; and provide and maintain car parks, piers, public parks and gardens.

In November 2012, the Auditor General's Department conducted a performance audit aimed at determining whether UDC was managing its operations effectively and efficiently to achieve its core business objectives. The audit found several corporate governance failures, financial challenges and internal control deficiencies that impaired the UDC's ability to manage effectively and efficiently the resources under its control. Deficiencies were identified in UDC's management of its investments in subsidiary and joint venture companies. The report further cited that UDC did not effectively execute its core objective to make development happen through the planning and implementation of comprehensive projects and programmes in designated areas. Based on these findings, the Auditor General recommended that UDC must ensure strict adherence to the applicable Acts and reporting requirements, adopt a robust investment management strategy to better guide future investment decisions and urgently take measures to ensure that it returns to a financially viable and solvent operation.

This performance audit sought to determine the adequacy, effectiveness, and timeliness of actions taken by UDC to correct the reported weaknesses, and to assess whether UDC was cost-effectively optimizing the return on assets under its charge.

Key Findings

- 1. Of the 16 recommendations in the 2012 performance report, UDC provided evidence that six (6) were implemented, four (4) not implemented and the remaining six (6) were partially implemented.** Among the recommendations implemented was the effective strengthening by UDC of its Enterprise Risk Management (ERM) framework through the development of a Risk Management Manual and staffing its Risk Unit. UDC also improved its financial management by taking legal action to recover long outstanding rent receivables, wound up dormant companies and confirmed sources of funding prior to approval of capital projects. Further, UDC discontinued the use of customers' deposits on land to meet operational expenditure. However, the 2012 recommendation to develop and implement a proactive and effective anti-squatting policy is yet to be implemented. UDC indicated that the Ministry of Economic Growth and Job Creation (MEGJC) advised that consultation on the second draft of the National Squatter Policy which includes an Implementation Plan is ongoing, with a plan to submit the finalized version to Cabinet by the end of December 2022 (**Appendix 1**).

2. **UDC prepared and submitted to its portfolio ministry, corporate strategic plans for the orderly development of Jamaica’s natural and built environment; however, development plans for three gazetted designated areas are yet to be finalised.** Development plans detail the strategies, required actions and available resources to assist in achieving sustainable development, consistent with the attainment of the Vision 2030 Jamaica National Development Plan (NDP)². In our 2012 audit report, we noted that UDC had only completed preparation of the development plans for two of the five Gazetted designated areas, these being Caymanas in St. Catherine and the Belmont, Malvern/Roaring River in St. Ann. Further, UDC was unable to provide the published Gazette for the Caymanas development plan and the development plans for the designated areas of Greater Portmore in St. Catherine, Mansfield II and Ackendown/Mt. Edgecombe in St. Ann.

UDC recently provided a working version of Ackendown/Mount Edgecombe development plan (dated 2020) and indicated that Board approval would be sought by March 2023, and finalization of the required development plans for Greater Portmore Area and Mansfield II Gazetted designated areas would commence in the financial year 2022-23¹. We also noted that UDC Board in July 2021 and November 2021, authorized the updating of development plans for three designated areas namely, Fairy Hill, Caymanas and Portmore Town Center, with expected completion dates of March 2023 and December 2022. UDC has indicated no plans for new designations at this time.

Financial Management

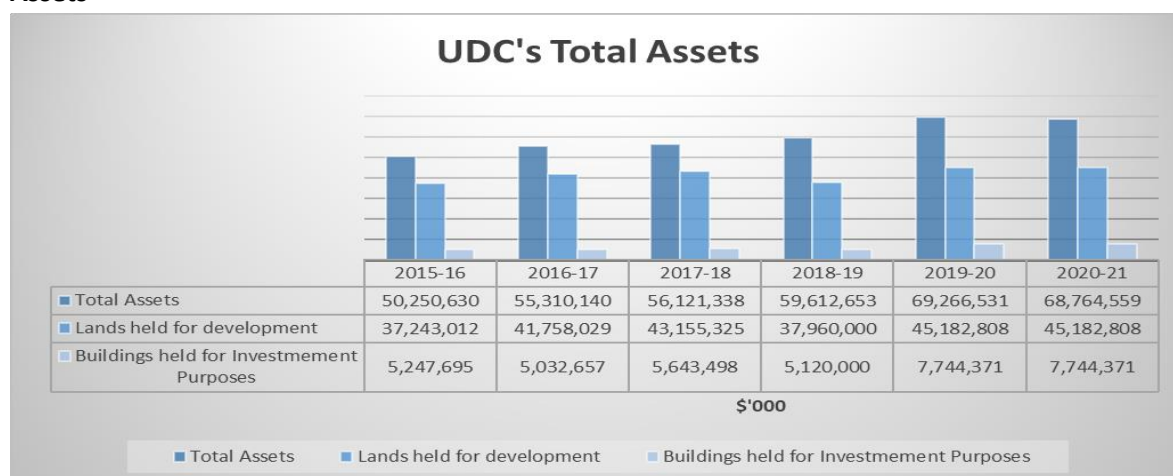
3. **UDC continued to fall short in terms of strict conformance with the applicable Acts and reporting requirements under the Public Bodies Management and Accountability (PBMA) Act.** The AuGD’s 2012 audit report highlighted that UDC failed to prepare consolidated financial statements for the financial years 2009-10 to 2011-12 and did not prepare and submit to the Minister, annual reports for the six years, 2006-07 to 2011-12. At June 2022, UDC was yet to present the required annual reports and audited financial statements for the last three years, 2018-19 to 2020-21. The last report submitted by UDC was for the 2017-18 fiscal year. UDC’s failure to consistently prepare and submit to the Minister, annual reports, and audited financial statements for tabling in the House of Representatives, limited oversight of UDC’s operational and financial performance, by Parliament and the portfolio Ministry of Economic Growth and Job Creation (MEGJC). At the same time, it was not evident that the portfolio Ministry requested the submission of outstanding annual reports and audited financial statements.

UDC responded that “efforts have been on-going to become fully compliant with the PBMA Act” and confirmed the outstanding audited financial statements for 2018-19 and 2019-20 would be completed by July 2022 and August 2022, respectively.

¹ Greater Portmore Area, Mansfield II and Ackendown/Mount Edgecombe.

4. The composition of UDC's assets and sources of income were aligned with its mandate 'to *add value to national growth and generate sustained income by developing land holdings and attractions to implement, facilitate and coordinate major projects*'. As a self-financing public body, UDC earns revenue primarily from real estate sales, management fees from project management and property income, which are the largest contributors to its total income, representing 96 per cent². As at March 2021, UDC's asset related to lands held for development (\$45.2 billion) and buildings held for investment purposes (\$7.7 billion) represented 77 per cent of its total asset base of \$68.8 billion. Based on UDC's records, the value of its land holdings available for development increased by 22 per cent to \$45.2 billion in 2020-21 from \$37.2 billion in 2015-16, due mainly to revaluation of the real estate portfolio instead of acquisition of lands for future development.

UDC's Lands held for Development and Buildings held for Investment, as a proportion of Total Assets



Source: AuGD's compilation from UDC's Financial Reports/Statements

UDC's unaudited financial statements for FY2019-20 and FY2020-21 indicated that UDC recorded net losses of \$471 million and \$798 million, following three consecutive years of net profits. Of note, net profit reported in FY 2016-17 and FY 2017-18 was mainly driven by an increase in fair value of investment property of \$6.2 billion³ and gain on the sale of shares in an associated company amounting to \$672.8 million.

5. UDC met the criteria established in the Financial Administration and Audit (FAA) Fiscal Responsibility Framework (Regulations) for financial years 2018-19 to 2020-21, which require the attainment of a current ratio of at least 1.2 times⁴. At March 31, 2021, current assets exceeded current liabilities by \$1.09 billion, indicating UDC's ability to generate adequate cash to

² Gross revenue (\$1.14 billion)

³ (FY2016/17 - \$4.592 million and FY2017/18 - \$1.608 million)

⁴ The current ratio of the public body (on a stand-alone basis or, if applicable, on a consolidated basis) is at least 1.2, where current ratio means current assets divided by current liabilities.

cover its short-term obligations. In order to fund operations over the period, UDC utilized cash generated from the disposal of properties totalling \$4 billion and funding from Government of Jamaica of \$1 billion in 2020-21, representing part payment for long outstanding receivables due to UDC by the Government of Jamaica. This was reflected in UDC's current ratio, which improved significantly to 1.32 at March 2021 from 0.96 at March 2017. Meanwhile its cash ratio moved to 0.32 at March 2021 from 0.39 in March 2017, reflecting the Corporation focus on converting inventory of lands and investment properties into development projects, consistent with its strategy aimed at creating transformational development opportunities from its investment properties. Over the five-year period, UDC's short-term Inventory of Land and Development Projects averaged 30 per cent of the Corporation's current assets.

UDC Cash and Current Ratio for 2016-17 to 2020-21

Particulars	2020-21	2019-20	2018-19	2017-18	2016-17
	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets	4,460,977	3,934,079	3,697,677	4,792,220	4,317,599
Cash and Cash Equivalents	1,093,133	1,464,983	1,635,788	1,879,833	1,740,612
Current Liability	3,369,510	3,002,885	2,130,736	4,605,542	4,482,129
Working Capital	1,091,467	931,194	1,566,941	186,678	-164,530
Current Ratio ⁵	1.32	1.31	1.74	1.04	0.96
Cash Ratio ⁶	0.32	0.49	0.77	0.41	0.39
Inventory of land and development projects ⁷	1,371,920	1,181,739	1,309,305	1,308,484	1,217,665
% of Inventory to Current Asset	30.8%	30.0%	35.4%	27.3%	28.2%

Source: AuGD's analysis of UDC's audited (2016-17 & 2017-18) and unaudited (2018-19 to 2020-21) Financial Statements

- 6. UDC made efforts to improve its financial viability over the review period by seeking to recover rental arrears; however, the management of receivables remained a challenge.** One of UDC's strategic objectives is to 'assure the sustained financial viability and solvency of the Corporation through its initiative of increasing revenue through sales and lease'. UDC initiated legal proceedings to recover outstanding receivables balances from tenants and obtained judgement claim for four accounts from private tenants totalling \$11.1 million and US\$43,200. In February 2022, UDC collected \$179.58 million (net of legal fees) arising from legal proceedings against the Commissioner of Lands for property occupied by the Ministry of Health. This is against the background where UDC continued to experience worsening receivables. At June 2022, rental arrears over 120 days totalled \$467.49 million (81 per cent) of aged receivables, compared to 76 per cent at May 2012, with Government and non-government entities owing \$283.08 million and \$184.41 million, respectively. Further, UDC adhered to the Government's guidelines and its Estate Management Policy in the conduct of advertisements and the use of current market valuations to

⁵ Current Ratio - refers to the ratio of current assets to current liabilities and indicates an entity's ability to meet current liabilities with its current assets. *Formula = Current Assets / Current Liabilities.*

⁶ Cash Ratio – refers to the ratio of cash and cash equivalents to current liabilities and measures an entity's ability to pay off its current liabilities with only cash and cash equivalents. *Formula = Cash + Cash equivalents / Current Liabilities*

⁷ UDC records define inventory of land as land retained for future development for which the intended use has not yet been established. Development projects comprise lands which are currently being developed.

determine market prices at the point of sale. This was demonstrated in 20 of the 32 properties sampled, which were sold for \$1.3 billion (**Appendix 2**).

7. **As at March 2022, the Government of Jamaica owed UDC \$7.23 billion, which represents outstanding compensation for lands transferred to NROCC.** The transfer related to a Cabinet decision in June 2015, to provide lands for the development of hotels, housing and other facilities as a condition of the 50-year Concession Agreement between the Government of Jamaica (GOJ) and NROCC. Review of UDC records showed that the value of lands transferred to NROCC currently stands at \$9.36 billion for which the Ministry of Finance and the Public Service (MoFPS) has provided compensation totalling \$2.13 billion. Also, by way of Cabinet Decision (May 2021), approval was given for properties owned by the Petroleum Corporation of Jamaica (PCJ), to be transferred to UDC as further compensation. However, to date, the land has not been valued and transferred to the UDC which responded in March 2022, that an "overall envelope for compensation for the lands transferred have still not been finalized with the MOFPS".

Description	\$Bn	\$Bn
Value of Lands transferred to NROCC		9.36
Less Compensation:		
UDC tax obligations settlement	1.35	
MoFPS budgetary support – FY 2020/22	0.08	
MoFPS budgetary support – FY 2021/22	0.7	
Total Compensation to date		(2.13)
Balance outstanding as at June 30, 2022		7.23

Subsidiary Management

8. **In accordance with its strategic objective, UDC sought to utilize its assets to create transformational development opportunities by increasing returns from subsidiaries.** At March 2021, UDC had eight subsidiaries, three joint ventures, and two associate companies valued at \$1.47 billion, after adjusting for a permanent decline in the value of the companies (impairment cost) of \$1.67 billion (**Appendix 3**).

UDC's interest in Subsidiaries, Joint Ventures & Associated Companies at March 31, 2021

Investment	No. of Companies	Investment	Impairment	Reserve	Value
		\$'000	\$'000	\$'000	\$'000
Subsidiaries	8	119,267.00	-	-	119,267
Associate Companies	2	109,915.00	(109,915)	-	-
Joint Venture	3	1,765,011.00	(1,561,923)	1,144,817	1,347,905
Total	13	1,994,193.00	(1,671,838)	1,144,817	1,467,172

Source: Information collated from UDC's records

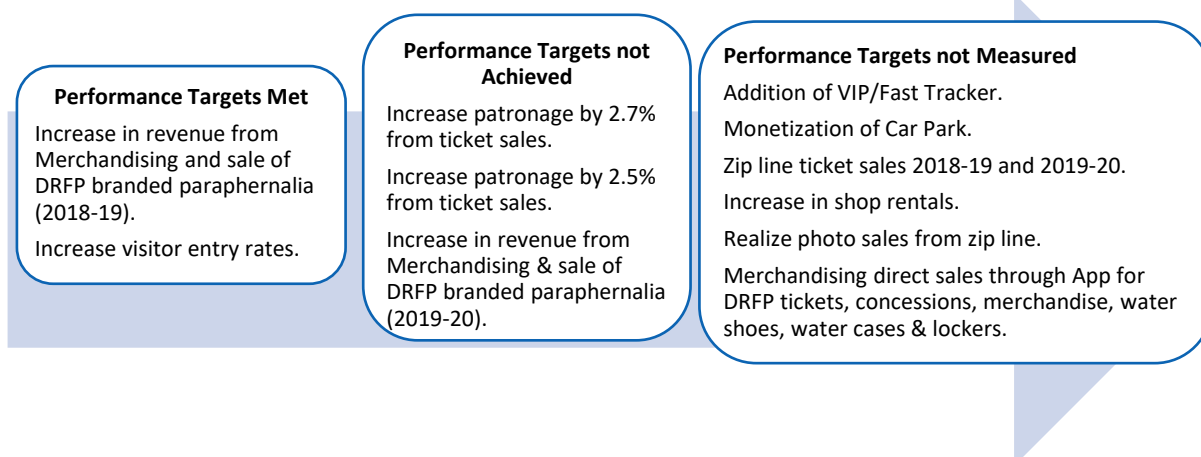
A review of UDC’s audited financial statements revealed that the subsidiaries incurred significant operating losses in most years between FY2012-13 and FY2017-18, despite making negligible operating profits in FY2015-16 and FY2017-18. However, UDC was unable to present information on net losses/profits attributable to subsidiaries for the period 2018-19 to 2020-21.

UDC Operating Profit/(Loss) Analysis – The Group

Financial Data	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Operating Revenue	2,580,165	2,501,282	2,411,249	2,717,274	2,425,707	1,993,074
Administrative and other operating expenses	(3,045,535)	(3,018,481)	(2,947,949)	(2,539,937)	(2,850,129)	(3,179,183)
Operating (loss)/profit	(465,370)	(517,199)	(536,700)	177,337	(424,422)	(1,186,109)
Operating Loss/Profit attributable to Subsidiaries	35,082	(80,760)	9,091	(163,171)	(311,872)	(341,115)

Source: Extract from UDC’s audited financial statements

- 9. UDC established a Subsidiary Management and Revenue Generation Division in 2013, to enhance the revenue capabilities of the Corporation and its subsidiaries.** UDC provided three revenue generation plans covering the period 2018-19 to 2021-22, 2020-21 and 2022-23 to 2026-27, which outlined targets for the operational objectives. UDC indicated that it conducted ongoing reviews of subsidiary financial positions and held regular performance meetings with subsidiary and associated companies as a strategy to monitor key performance indicators (KPI) and to ensure that revenue targets were met. However, UDC did not present minutes of these meetings to verify the extent of reviews of the subsidiaries and associated companies to determine whether the performance of targets and KPI agreed on, were monitored and reported on. UDC also presented monthly performance reports for our review, but these were not aligned to the Revenue Generation Plans to enable verification of performance relative to target. UDC responded that *“we are unable to identify information on some of the items listed in the plan from the monthly records from the period requested”*.
- 10. One of UDC’s strategic objectives was to utilize assets owned by the Corporation to create transformational development opportunities by increasing returns from subsidiaries.** However, UDC did not consistently achieve the expected returns from its subsidiaries. Data provided by UDC, Dunn’s River Falls and Park (DRFP), one of UDC’s major revenue earners, revealed that revenue from Dunn’s River was \$1.33 billion at end FY2019-20, 3.0 per cent lower relative to \$1.37 billion at end FY2018-19 but 6.4 per cent above the \$1.25 billion sales at FY2016-2017. Review of UDC’s Revenue Generation Plan for DRFP for the period 2018-19 to 2021-22 revealed twelve proposed strategies for derivation of additional income. UDC provided a schedule which revealed that it met two targets, (increase revenue from merchandising and sale of DRFP branded paraphernalia and approval for increase in visitor fee). However, UDC did not meet targets for three revenue measures and did not measure whether the remaining seven targets were achieved.

UDC Revenue Measures for Dunn's River Fall and Park for the period 2018-19 to 2019-20

Source: AuGD compilation from UDC submission.


Divestment of Assets and Project Management

11. Contrary to its Estate Management Policy and exemptions outlined in the GOJ's Divestment Policy, UDC divested three properties below market value. Further, the Corporation experienced cost overruns, losses and additional costs totalling \$156.39 million due mainly to poor planning, lack of adequate monitoring and scoping of contracts.

Summary of UDC's financial exposure due to cost overruns, losses and additional cost


Property/Project	Issue	Financial Exposure
10 - 12 Harbour Street, Kingston	Sales price determined by the purchaser (former lessee) formula; sales price paid was less than amount approved by the Board.	\$2.2 million
Lot B7 Rutland Pen	UDC provided no evidence to determine how the lessee's improvement to the property and the benefit of the cash transaction were measured to allow for the property to be sold below average market value. UDC was unable to provide the basis on which the reduced amount was calculated.	\$75.7 million
Part of Ocho Rios Cruise Ship Pier	22.01 square meters of land (at \$13,156.37 per square meter) transferred at no cost due to incorrect valuation and measurement	\$0.290 million
JAMINTEL Building	UDC honoured claims submitted by the seller (NHT) for insurance, electricity and security charges due to delay in handing over possession owing to UDC's failure to meet contracted payments despite two payment extensions. UDC also did not accurately determine the accuracy of the square metre of lands to be transferred to NHT.	\$33.7 million
Forum Hotel Complex	Poor scoping and planning for the removal of squatters resulted in time overrun of 1 year and cost overrun of \$40 million when compared with the assessed relocation cost of \$59 million, utilizing the force account methodology.	\$40 million
Red Rose Fish Market	Poor planning led to claim damages for loss of income	\$4.5 million
Total		\$156.39 million

What Should be done



Strengthening Financial Management and Reporting

- UDC should ensure strict adherence to the applicable Acts and cause to be prepared development plans for gazetted designated areas.
- UDC should submit to the portfolio minister all outstanding Annual Reports and audited financial statements for tabling in the Houses of Parliament.



Better monitoring and management of subsidiaries

- Review the revenue generation strategy for the Corporation and its subsidiaries in order to strengthen its resiliency and response to economic and external challenges.
- UDC needs to improve its management and monitoring of subsidiaries by conducting ongoing reviews of their financial performance in accordance with agreed targets and KPIs, to aid in timely decision making by Management and the Board.



Improved project management and due diligence regarding divestments

- UDC must fully adhere to its Estate Management Policy and GOJ's Divestment Policy, as well as improve its project management practices in order to reduce losses and cost overrun.

PART ONE

Introduction

UDC's role, mission, vision and mandate

1.1. Established in 1968, the Urban Development Corporation (UDC) is Jamaica's principal public sector entity responsible for planning and designing urban environments in designated areas. Its core business objective is "making development happen through the planning and implementation of comprehensive development projects and programmes." UDC executes its mandate under the UDC Act, 1968.

1.2. UDC's organizational effectiveness and efficiency are predicated on its corporate strategic objectives, which are to:

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

1.3. UDC's scope of operations includes significant commercial interest island wide. In addition, UDC carries out agency projects on behalf of other public bodies, from which a project management fee is earned. The Corporation has 13 subsidiaries and associated companies, with a combined asset base valued at \$68.8 billion. Of this amount, \$52.9 billion (or 77 per cent) relates to land and buildings, the returns on which is a primary revenue source for UDC. In addition, UDC earns income from the sale of property and project management fees.

1.4. At June 2022, UDC was yet to present the required annual reports and audited financial statements for the last three years, 2018-19 to 2021-22 and the last reports submitted by UDC were for the 2017-18 fiscal year. The AuGD's 2012 audit report, highlighted that UDC failed to prepare consolidated financial statements for the financial years 2009-10 to 2011-12 and did not prepare and submit to the Minister, annual reports for the six years, 2006-07 to 2011-12, for tabling in the House of Representatives. UDC's failure to consistently prepare and submit to the Minister, annual reports, and audited financial statements for tabling in the House of Representative, limited Parliament's, and the portfolio ministry's oversight of UDC's operational and financial performance. At the same time, it was not evident that the portfolio Ministry requested the submission of outstanding annual reports and audited financial statements.

1.5. By way of correspondence dated January 27, 2021, UDC's outlined the status of the unaudited reports.

Table 1: Update on UDC’s Annual Reports and Audited Financial Statements

Period	Annual Report and Financial Statements Status
2020 – 21	Audit has not yet commenced
2019 – 20	Audit has not yet commenced. Negotiations in progress to advance the start of the audit prior to completion of 2018-19.
2018 – 19	Financial Audit was not completed in November 2020, as scheduled and is still in progress
2017 – 18	Annual report and financials signed by UDC Chair and submitted to MEGJC in October 2020
2016 – 17	Annual report and financials audited and signed

Source: Information compiled from correspondence obtained from UDC

Rationale for the audit

1.6. In 2012, we conducted a performance audit of the UDC to determine whether its operations were being managed effectively and efficiently to achieve its core business objectives. The audit revealed several corporate governance failures and internal control deficiencies, including poor management of investments in subsidiary and joint venture companies, which contributed to UDC’s weak financial position. Additionally, in March 2017, our special investigation into UDC’s divestment of properties identified breaches of divestment procedures, to include failure to utilize updated appraisal (valuation) reports to determine sales price and non-adherence to the terms of divestment as outlined in the Requests for Proposals (RFP).

1.7. The conduct of the performance audit was necessary to determine the adequacy, effectiveness, and timeliness of actions taken by UDC to correct reported weaknesses, and to determine whether UDC is cost-effectively optimizing the return on assets under its charge. Further, the findings of the audit and recommendations should contribute positively to UDC’s financial management and accountability and is consistent with the Auditor General Department’s (AuGD) theme of governance and transparency.

Audit Objective, Scope and Methodology

1.8. The audit sought to determine if UDC implemented the recommendations made in the 2012 Performance audit report and whether the Corporation was managing its assets efficiently, effectively, and economically in accordance with its strategic objectives.

1.9. Our review covered the period April 2012 to March 2021, including UDC’s audited (up to March 31, 2018) and draft financial statements covering the period 2018-19 to 2020-21. Our findings and conclusions are supported by evidence garnered by way of various qualitative and quantitative analyses, with specific focus on the following key areas:

- Acquisition and divestment
- Project management
- Monitoring of subsidiaries

1.10. UDC's four strategic perspectives namely, financial, internal business, customer and learning and growth and related initiatives were identified in its strategic plans for the period FY2012-13 to FY2016-17. We sought to determine adherence to policies and procedures and whether UDC achieved value for monies spent in respect of acquisitions and divestment, project management and subsidiary operations.

Enterprise Risk Management (Framework)

1.11. To its credit, UDC's Board approved the adoption and implementation of a Risk Management Process, Policy and Procedures Manual. Further, UDC completed various initiatives towards implementation of its Enterprise Risk Management (ERM) framework by identifying risk tolerance limits for key impact and maintained a Corporate Risk Register, which outlines the possible risk, source, impact, and mitigating action(s) for each risk area. The implementation of the Risk Management Process Policy and Procedure Manual, establishment of the Risk Committee and adequate staffing of a Risk Unit comprising a risk manager and risk analysts, were in accordance with the AuGD's 2012 recommendations. These actions were also consistent with its strategic objectives that require efficient and effective policies to guide its operations.

1.12. It was not evident that UDC was utilizing its legislative authority/function to engender development through the planning and implementation of comprehensive projects and programmes in designated areas. Section 4(1) of the UDC Act states that the Corporation shall have power to carry out or secure the laying out and development of areas designated under section 14. However, during the period under review 2016-17 to present, UDC has not caused to be assigned, any designated areas for development nor prepared the required development plans for its Gazetted designated areas. This is important in order to facilitate the orderly development of Jamaica's natural and built environment, in order to achieve sustainable development and attainment of the goals of the Vision 2030 National Development Plan^[3].

1.13. In our 2012 report, we noted that since November 1990, UDC only completed the preparation of the development plans for only two of the five Gazetted designated areas. However, in July 2022, UDC provided a working version of Ackendown/Mount Edgecombe development plan (2020) and indicated that Board approval would be sought by March 2023. Additionally, finalization of the required development plans for Greater Portmore Area and Mansfield II Gazetted designated areas⁸ would commence in financial year 2022-23. In 2021, UDC Board authorized the updating of development plans for three designated areas namely Fairy Hill, Caymanas and Portmore Town Center with expected completion dates of March 2023 and December 2022 respectively (**Table 2**).

⁸ Greater Portmore Area, Mansfield II and Ackendown/Mount Edgecombe.









Table 2: Update on UDC's Development Plans for Designated Areas

UDC Designated Area		Date of Designation Approval	Status of Development Plan	Date of Plan of Development Approval	Board Approval	Status/Timeline UDC Response July 2022
1	Kingston Waterfront Area (Consolidated)	Sept. 2, 1968	Completed	Oct. 13, 1969,	November 2021 (Specific to Kingston Harbour Walk – part within the Kingston Waterfront Development Area)	Concept for development in draft stage. Financing now required for feasibility assessments, coastal engineering studies etc. to complete. Concepts: PIAB (22/6/2022)/PIMC (6/7/2022) submissions completed. Timeline – undetermined
2	Fairy Hill Area	Dec. 31, 1974	Current development plan is being updated.	Updated Plan scheduled for completion by end of financial year 2022/2023	July 2021	Concept for development in draft stage. Timeline – end of financial year 2022/2023
3	Ackendown/Mt. Edgecombe Area	Sept. 20, 1991	In Draft.	Scheduled for Financial year 2022/2023	To be obtained	Draft to be subjected to internal reviews prior to seeking Board Approval by end of Financial Year 2022/2023
4	Caymanas Area	Feb. 9, 2009	Current development plan is being updated.	Development Plan Amendment for Financial Year 2022/2023	July 2021	Awaiting approval of Portfolio Minister. Completion timeline - 3rd Quarter 2022-
5	Portmore Town Centre Land Designation Order	Nov. 16, 1981 (Gazette not seen)	Area approximately 95% built out. Approval will be specific to development of Lot 26 Portmore Town Centre as the Portmore Town Centre Park	Scheduled for Financial Year 2022/2023	November 2021	Concept for development of Portmore Park in draft stage. Timeline for development to start at end 2022

Source: Information compiled from correspondence obtained from UDC

PART TWO

Financial Management

 At A Glance			
Strategic Objectives	Criteria	Key Findings	Assessment Against Criteria
Financial Viability and Solvency	Increasing Revenue through Sales and Lease	Growing rental arrears, reflecting misalignment with its strategic objective of sustained financial viability; however, UDC was successful in getting judgement for 4 accounts from private tenants. Net profits were mainly driven by an increase in fair value of investment properties instead of acquisition of land for future development.	
Transformational Development	Increased Return from Subsidiaries	UDC's revenues from rental income, management fees, operating properties, SADC and other income reflect a trend decline over the five-year review to \$1.14bn from \$2.3bn.	
Plan Projects to support National Development	Financial resources to align to core objective of national growth by developing land holdings to facilitate major projects.	As at March 2021, UDC's land assets held for development and buildings held for investment purposes represented 77 per cent of its total assets.	
Efficient and Effective Policies to guide operations	Closing Chronic Incomplete projects	UDC's Board approved the adoption and implementation of a Risk Management Process, Policy and Procedures Manual.	
 MET the criteria		 Partially met	 Did not meet the criteria

Overview

- 2.1 UDC indicated that its corporate strategic objectives and associated top initiatives, were geared towards its economic viability, and ensuring sustainable economic development. These were to
1. Assure the sustained financial viability and solvency of the Corporation
 - **Initiative:** Increasing revenue through sales and lease
 2. Utilize assets owned by the Corporation to create transformational development opportunities
 - **Initiative:** Increased return from subsidiaries
 3. Plan and execute projects that support and encourage national development
 - **Initiative:** Projects delivered within cost and timelines
 4. Create efficient and effective policies to guide its operations; and
 - **Initiative:** Closing chronic incomplete projects
 5. Redesign the corporate structure and staffing to deliver the desired objectives in the most efficient manner.

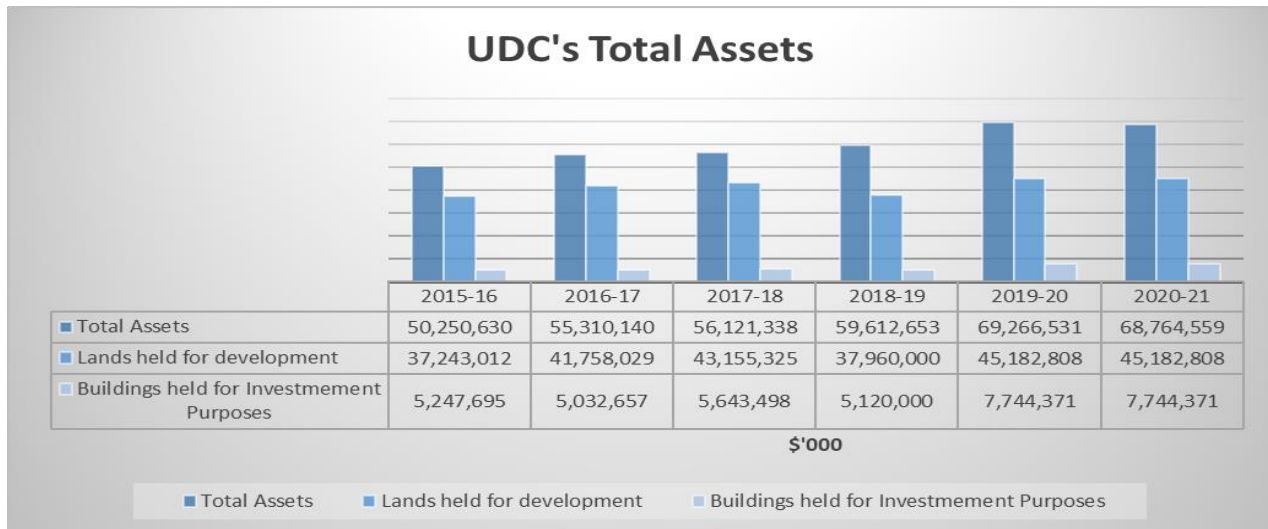
- **Initiative:** “Projectizing” development plans for identified urban and rural development areas.

Strategic Objective 1: Assure Sustained Financial Viability and Solvency of the Corporation

Initiative: Increasing revenue through sales and lease

2.2 As a self-financing public body, UDC earns revenue primarily from real estate sales, management fees from projects and property income, which are the largest contributors to its total income, representing 96 per cent⁹. The composition of UDC’s assets and level of income indicate that its financial resources are aligned to its mandate to add value to national growth and generate sustained income by developing land holdings and attractions to implement, facilitate and coordinate major projects. As at March 2021, UDC’s asset related to lands held for development (\$45.2 billion) and buildings held for investment purposes (\$7.7 billion) represented 77 per cent of its total assets. The value of UDC’s holding of lands available for development increased by 22 per cent to \$45.2 billion in 2020-21 from \$37.2 billion in 2015-16 due mainly to revaluation of the real estate portfolio instead of acquisition of lands for future development (**Figure 1**). Review of UDC audited financial statements showed a \$5.9 billion in increase in fair value of its freehold land holdings in financial years ending March 2016 (\$4.8 billion) and March 2017 (\$1.09 billion).

Figure 1: UDC Lands held for Development and Buildings held for Investment, as a proportion of Total Assets



Source: Information compiled from UDC’s Financial Reports/Statements

2.3 However, UDC net profit increased from \$4.4 billion as at March 2017 to \$8.3 billion as at March 2019, followed by net losses of \$471 million in FY2019-20 (**Figure 2**). UDC net losses further deteriorated to \$798 million in FY2020/21, due mainly to the negative impact on tourism by the COVID-19 pandemic. Net profits reported in FY 2016/17 and FY 2017/18 were mainly driven by increase in fair value of investment property of \$6.2 billion¹⁰ and gain on sale of shares in associated company (MBCC) for \$672.8 million. The increase in

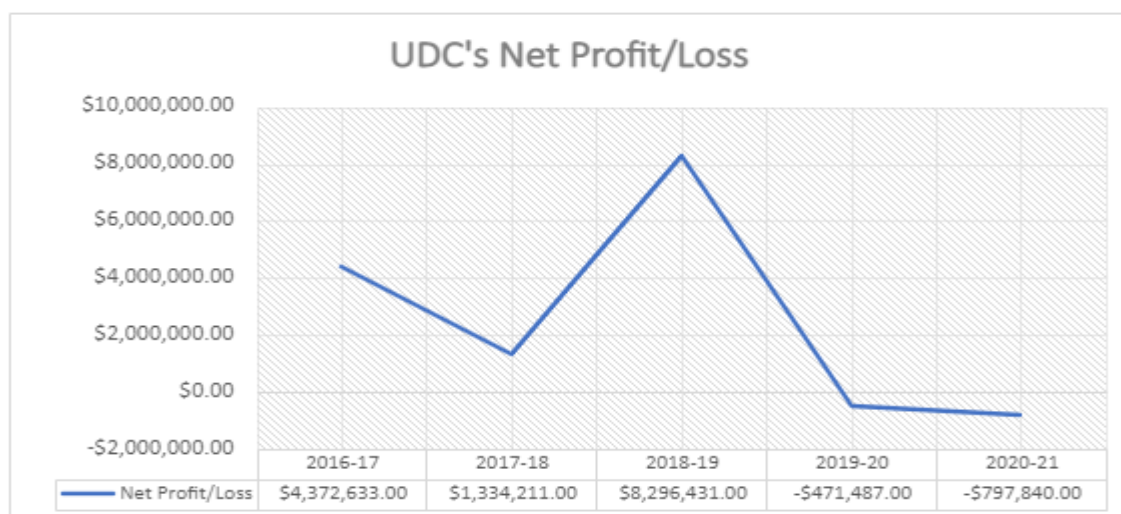
⁹ Gross revenue (\$1.14 billion)

¹⁰ (FY2016/17 - \$4,592 million and FY2017/18 - \$1,608 million)



the net operating deficit in the financial year 2020-21 relative to 2019-20 was mainly due to a decline in revenue from SADCo managed operations of approximately \$1.4 billion.

Figure 2: Net Profit/Loss for the period April 2016 to March 2021



Source: AuGD Analysis of UDC Audited/Unaudited Financial Reports

UDC's Operating Activities mainly supported by Rental Income and Property Sale

2.4 Over the last six years, 2015-16 to 2020-21, UDC's revenue from rental income, management fees, operating properties, SADCo and other income amounted to \$12.5 billion (Table 3 & Figure 3).

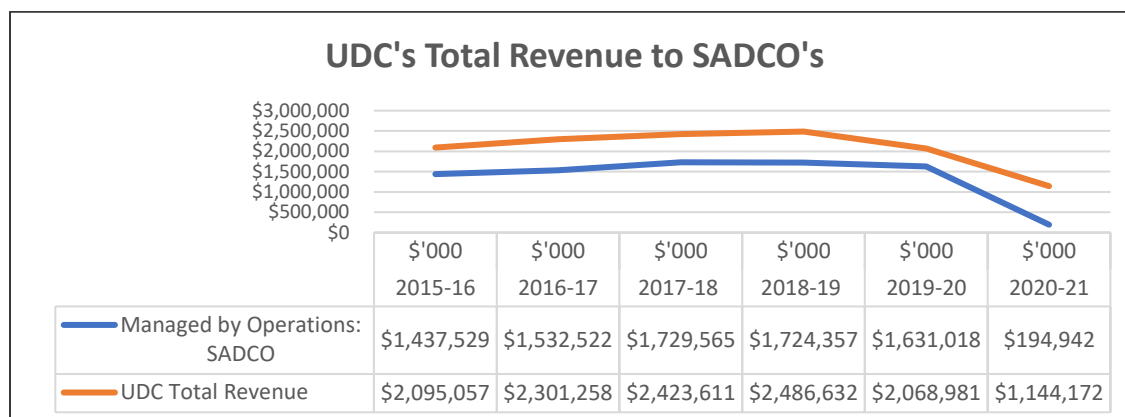
Table 3: UDC's Revenue over the period 2016-17 to 2020-21

Revenue	Unaudited 2020-21 \$'000	Unaudited 2019-20 \$'000	Unaudited 2018-19 \$'000	Audited 2017-18 \$'000	Audited 2016-17 \$'000	Audited 2015-16 \$'000
Rental Income	\$394,990	\$316,890	\$308,624	\$351,882	\$431,564	\$321,261
Management Fees	\$380,128	\$203,335	\$200,486	\$168,877	\$156,191	\$144,075
Operating Properties Income	\$129,819	\$164,092	\$185,538	\$115,842	\$116,648	\$125,427
Managed by Operations: SADCo	\$194,942	\$1,631,018	\$1,724,357	\$1,729,565	\$1,532,522	\$1,437,529
Managed by Operations: CDC ¹¹	None	None	None	31,764	\$30,167	\$25,808
Other Operating Income	\$44,293	(\$246,354)	\$6,786	\$25,681	\$34,166	\$40,957
Total	\$1,144,172	\$2,068,981	\$2,486,632	\$2,423,611	\$2,301,258	\$2,095,057

Source: AUGD compilation of gross revenue from UDC's financial reports

¹¹ Operating activities transferred to related company Runaway Bay Water Company (RBWC) Limited

Figure 3: UDC's Total Revenue to SADCO's



Source: AuGD's Depiction of UDC's total revenue compared to revenue generated by SADCOS

2.5 UDC was able to generate adequate cash from ongoing operations to cover its short-term obligations over the review period. Cash generated from operating activities improved by 82 per cent to negative \$108.8 million as at March 2020 from negative \$592.5 million as at March 2017. However, this trend reversed in 2020-21, when operating cash flows moved to negative \$541.3 million at March 2021. In order to fund operations over the period, UDC utilized cash generated from the disposal of properties totalling \$4 billion¹² and funding from Government of Jamaica of \$1 billion in 2020-21, representing part payment for long outstanding receivables due to UDC by the Government of Jamaica. As a result, total cash balances decreased marginally from \$1.3 billion as at March 2017 to \$1.09 billion as at March 2021 (Table 4).

Table 4: Analysis of UDC's Cash Flow Activities for the period 2016-17 to 2020-21

	2020-21	2019-20	2018-19	2017-18	2016-17
	Unaudited F/S	Unaudited F/S	Unaudited F/S	Audited F/S	Audited F/S
	\$'000	\$'000	\$'000	\$'000	\$'000
Net cash flows					
Opening balance	1,464,983	1,635,788	1,478,900	1,338,227	944,588
Operating Activities	(541,315)	(108,891)	(231,112)	(112,136)	(592,505)
Investing Activities	169,465	(44,989)	388,000	1,309,394	931,243
Financing Activities	-	-	-	1,054,362	54,901
Net cash & cash equivalent	(371,850)	(87,290)	157,742	142,896	393,639
Closing cash balance	1,093,133	1,548,498	1,636,643	1,481,123	1,338,227

Source: Information collated from UDC's Financial Reports/Statements

2.6 To its credit, UDC met the criteria established in the Financial Administration and Audit (FAA) Regulations for financial years 2018-19 to 2020-21, which require the attainment of a current ratio of at least 1.2 times¹³. At March 31, 2021, current assets exceeded current liabilities by \$1.09 billion indicating UDC's ability to generate adequate cash to cover its short-term obligations. UDC's current ratio improved

¹² FY 2017-18-year end (\$3.3 billion) and FY year end 2018-19 (\$0.3 billion) and FY year end 2020-21 (\$0.353 billion).

¹³ The current ratio of the public body (on a stand-alone basis or, if applicable, on a consolidated basis) is at least 1.2, where current ratio means current assets divided by current liabilities.

significantly to 1.32 at March 2021 from 0.96 at March 2017, while its cash ratio remained constant, moving to 0.32 at March 2021 from 0.39 in March 2017, reflecting the Corporation focus on converting inventory of lands and investment properties into development projects, consistent with its strategy aimed at creating transformational development opportunities from its investment properties. Over the five-year period, UDC's short-term Inventory of Land and Development Projects averaged 30 per cent of the Corporation's current assets. UDC's cash and current ratios signalled that UDC was able to cover its short-term obligations, although its current ratio included inventory holdings comprising mainly lands being developed, considered relatively illiquid. (Table 5).

Table 5: UDC's Cash and Current Ratio for 2016-17 to 2020-21

Particulars	2020-21	2019-20	2018-19	2017-18	2016-17
	\$'000	\$'000	\$'000	\$'000	\$'000
Current Asset	4,460,977	3,934,079	3,697,677	4,792,220	4,317,599
Cash and Cash Equivalents	1,093,133	1,464,983	1,635,788	1,879,833	1,740,612
Current Liability	3,369,510	3,002,885	2,130,736	4,605,542	4,482,129
Working Capital	1,091,467	931,194	1,566,941	186,678	-164,530
Current Ratio ¹⁴	1.32	1.31	1.74	1.04	0.96
Cash Ratio ¹⁵	0.32	0.49	0.77	0.41	0.39
Inventory of land and development projects ¹⁶	1,371,920	1,181,739	1,309,305	1,308,484	1,217,665
% of Inventory to Current Asset	30.8%	30.0%	35.4%	27.3%	28.2%

Source: AuGD analysis of UDC's Financial Statement 2016-17 to 2020-21

2.7 Although UDC's liquid assets were generally adequate, UDC outstanding statutory obligations increased to \$709.21 million at May 2022, with Education Tax and Income Tax outstanding from December 2016 (Table 6).

Table 6: Outstanding Statutory Deductions as at May 2022

Period	NIS	NHT	Education Tax	HEART	Income Tax	TOTAL (\$)
December 2016 – March 2022	-	-	226,554,781	-	444,263,230	670,818,011
April 2022	-	-	4,163,898	-	9,270,613	13,434,511
May 2022	3,704,048	4,203,713	4,450,987	2,599,397	10,007,020	24,965,165
Total	3,704,048	4,203,713	235,169,666	2,599,397	463,540,863	709,217,687

Source: Information collated from UDC's Financial Reports/Statements

2.8 UDC indicated that the increase in outstanding balances was a management decision. In July 2022, UDC responded that "It should be noted that all NIS, NHT, HEART contributions are always paid on time, in full and within the stipulated timeframe as defined by the various governing bodies. The

¹⁴ Current Ratio - refers to the ratio of current assets to current liabilities and indicates an entity's ability to meet current liabilities with its current assets. *Formula = Current Assets / Current Liabilities.*

¹⁵ Cash Ratio – refers to the ratio of cash and cash equivalents to current liabilities and measures an entity's ability to pay off its current liabilities with only cash and cash equivalents. *Formula = Cash + Cash equivalents / Current Liabilities*

¹⁶ UDC records define inventory of land as land retained for future development for which the intended use has not yet been established. Development projects comprise lands which are currently being developed.

Corporation has only held payments for Education Tax and Income Tax, for which it continues to seek a resolution with the GOJ against the long outstanding balances owed by the GOJ to the UDC.”

Inconsistent Management of Trade Receivables

2.9 In our 2012 performance audit report, we noted that rent and lease receivables (net) at May 2012 stood at \$193 million, of which 76 per cent (\$148 million) was outstanding for over 120 days. Of the \$194 million, Government tenants accounted for 71 per cent (\$137 million), while private tenants owed the remaining 29 per cent (\$56 million). In 2012, we also recommended that *“UDC should better manage the collection of rent and lease receivables by ensuring strict adherence to its collection policy”*. UDC responded that one its strategies would be to focus on private tenants that have more than 4 months (120) rent outstanding, while seeking payment on current rentals.

2.10 Our current performance audit however, showed a continuing increasing trend in rental arrears, reflecting a misalignment with its strategic objective to *‘assure the sustained financial viability and solvency of the Corporation through its Initiative of Increasing revenue through sales and lease’*. At June 2022, rental arrears over 120 days totalled \$467.49 million (81 per cent) of aged receivables, with government and non-government entities owed \$283.08 million and \$184.41 million, respectively (**Table 7**).

Table 7: Aged Rent Receivables as at June 2022

Receivable Type	Opening Amount (\$)	Current (\$)	31 – 60 days (\$)	61 – 90 days (\$)	91 – 120 days (\$)	Over 120 days (\$)
Government	351,096,606.25	36,640,275.99	10,916,589.08	10,442,599.76	10,018,224.24	283,078,917.18
Non-Government	226,368,857.98	13,293,679.04	10,449,126.67	10,013,711.31	8,164,373.74	184,411,967.22
Total	577,465,464.23	49,933,955.03	21,365,715.75	20,456,311.07	18,182,597.98	467,490,884.40

Source: UDC Aged Receivables as obtained from Management

2.11 UDC initiated legal proceedings to recover outstanding receivable from delinquent tenants. We requested evidence of legal action to recover outstanding arrears between 2016 to 2021 and UDC provided evidence of five cases brought before the Court. We noted that UDC obtained judgement for four accounts from private tenants totalling \$11.1 million and USD43,200. However, UDC is yet to collect, and its Legal Department is seeking to take appropriate action to enforce the judgement debts. In respect of the Government account, UDC initiated legal proceedings against the Commissioner of Land for property occupied by the Ministry of Health. The Court ruled in favour of UDC’s claim, and the Corporation received the judgement claim of \$180.58 million, of which the net amount of \$179.58 million¹⁷ was paid over to the Corporation on February 18, 2022.

¹⁷ net of \$1M in legal fees

UDC transfer Lands to fund the construction of the North-South Highway

2.12 In June 2015, Cabinet approved the transfer of lands for the development of hotels, housing and other facilities as a condition of the 50-year Concession Agreement between the Government of Jamaica (GOJ) and NROCC. Ministry of Finance and the Public Service (MoFPS) subsequently paid 22 per cent (\$2.13 billion) of the amount owed to UDC as compensation for lands transferred to NROCC in January 2018¹⁸. As at March 2022, the outstanding balance stood at \$7.23 billion. Review of UDC records showed that the value of lands transferred to NROCC currently stands at \$9.36 billion (**Table 8**).

Table 8: UDC Properties transferred to NROCC

No	Property Location	Land Owner	Title Reference (Volume/Folio)	Valuation (\$)	Title Issued to NROCC
1	Top Fort	Urban Development Corporation	1445/450	\$2,102,375,000	1514/511
2	Laughing Waters West	Urban Development Corporation	1104/860	\$1,936,000,000	1514/138
3	Mammee Bay	Urban Development Corporation	611/55	\$5,324,000,000	1514/141
4	Roaring River	Urban Development Corporation	1376/339		1514/141
5	Roaring River	Urban Development Corporation	568/22		1514/137
	TOTAL			\$9,362,375,000	

Source: Compilation of information submitted by UDC

2.13 The Cabinet also granted approval for UDC to negotiate with the Ministry of Finance on the terms and conditions for the Corporation to be compensated for the land transferred. The nature of the compensation was to include land bonds and debt swap. The Ministry of Finance confirmed that effective October 30, 2016, outstanding income and education tax obligations totalling \$1.35 billion owed by UDC would be used to offset compensation due to the Corporation for lands transferred. Subsequently, in March 2021, Parliament approved \$700 million to the UDC as budgetary support to assist in funding its operations, given the sustained revenue fall-out associated with the COVID-19 pandemic. The MOFPS advised that this budgetary support should be applied against the Government's obligation to the Corporation for lands transferred.

2.14 Also, by way of Cabinet Decision (May 2021)¹⁹, approval was given for properties owned by the Petroleum Corporation of Jamaica (PCJ), to be transferred to UDC as further compensation for lands transferred. However, UDC indicated that to date, the land has not been valued and transferred to the UDC. To date, Government of Jamaica's compensation totalled \$2.13 billion, leaving a shortfall of \$7.23 billion, which corresponds to the long-term receivables balance included in UDC's unaudited financial statements as at March 2021. In March 2022, UDC responded that an "overall envelope for compensation for the lands transferred have still not being finalized with the MOFPS" (**Table 9**).

¹⁸ Cabinet Decision No. 23/15 dated June 15, 2015

¹⁹ Cabinet Decision No. 23/21










Table 9: MoFPS compensation to UDC for transfer of lands to NROCC

Description	\$Bn	\$Bn
Value of Lands transferred to NROCC		9.36
Less Compensation:		
UDC tax obligations settlement	1.35	
MoFPS budgetary support – FY 2020/21	0.08	
MoFPS budgetary support – FY 2021/22	0.70	
Total Compensation to date		(2.13)
Balance outstanding as at June 30, 2022		7.23

Source: Information collated from Cabinet Decisions and UDC records.

PART THREE

Management of Subsidiaries and Disposal of Assets

 At A Glance			
Strategic Objectives	Criteria	Key Findings	Assessment Against Criteria
Utilize Assets to Create Transformational Development Opportunities	Increased return from subsidiaries	Net operating profit attributable to its holdings in subsidiaries increased to \$35.08 million in 2017-18 from a loss of \$341.1 million in 2012-13. UDC was unable present information on net losses/profits attributable to subsidiaries for the period 2018-19 to 2020-21.	
	UDC's Estate Management Policy require use of at least two valuations to aid in determining market price.	Current valuations obtained for 10 properties to determine market prices at the point of sale; three instances where UDC divested properties below market value and contrary to its Estate Management Policy and exemptions outlined in the GOJ's Divestment Policy.	
	UDC should conduct public advertisements to identify prospective bidders.	Fourteen (14) of the 20 properties sampled were advertised; Six (6) required no advertisement as these were divested to government entities.	
	UDC should develop needs assessment and identification of financial resources prior to entering into any contractual agreement	UDC purchased JAMINTEL building from NHT without identifying the source of funding to complete the purchase and did not verify the boundaries of the land to accurately value it; divestment of the Forum Hotel and construction at the Red Rose Fish market also raised concerns regarding due diligence, transparency and efficient use of limited financial resources.	
Plan and execute projects that support and encourage national development	Projects delivered within cost and timelines	UDC experienced cost overruns, losses and additional costs due mainly to poor planning, lack of adequate monitoring and scoping of contracts.	
 MET the criteria		 Partially met	 Did not meet the criteria

3.1 The Government of Jamaica (GOJ) identifies land as a significant and important asset for economic and social development. UDC, given its significant holdings in land and other real property, must employ the principles of good governance, stewardship and financial prudence in the acquisition, management, and disposal of these assets. This is to enable the achievement of its strategic objectives, contribution to sustainable economic development and improvement in financial viability. We reviewed the acquisition and divestments activities of UDC over the period April 2012 to March 2021 to determine whether these conformed with the strategic objectives of financial viability and solvency, and to identify any weaknesses in transparency and accountability.

Strategic Objective 2: Utilize Assets owned by the Corporation to Create Transformational Development Opportunities

Initiative: Increased return from subsidiaries

Subsidiary Management

3.2 At March 2021, UDC had eight subsidiaries (**Appendix 3**), three joint ventures, and two associate companies valued at \$1.47 billion, after impairment cost of \$1.67 billion. Of note, UDC's legal structure also includes two separate legal entities- Kingston Waterfront Redevelopment Company (dormant) and Saint Ann Development Company (SADCo), which is responsible for the management of UDC's properties/operations in the parish of Saint Ann (**Table 10**).

Table 10: UDC's interest in Subsidiaries, Joint Ventures & Associated Companies as at March 31, 2021

Investment	No. of Companies	Investment	Impairment	Reserve	Value
		\$'000	\$'000	\$'000	\$'000
Subsidiaries	8	119,267	-	-	119,267
Associate Companies	2	109,915	(109,915)	-	-
Joint Venture	3	1,765,011	(1,561,923)	1,144,817	1,347,905
Total	13	1,994,193	(1,671,838)	1,144,817	1,467,172

Source: Information collated from UDC's Record

3.3 One of UDC's strategic objective is to utilize assets owned by the Corporation to create transformational development opportunities by increasing returns from subsidiaries. For the period April 2013 to March 2018, net operating profit/losses attributable to its holdings in subsidiaries moved to \$35.08 million in 2017-18 from a loss of \$341.1 million in 2012-13, signifying an improving position (**Table 11**). However, UDC was unable present information on net losses/profits attributable to subsidiaries for the period 2018-19 to 2020-21.

Table 11: UDC Operating Profit/(Loss) Analysis – The Group

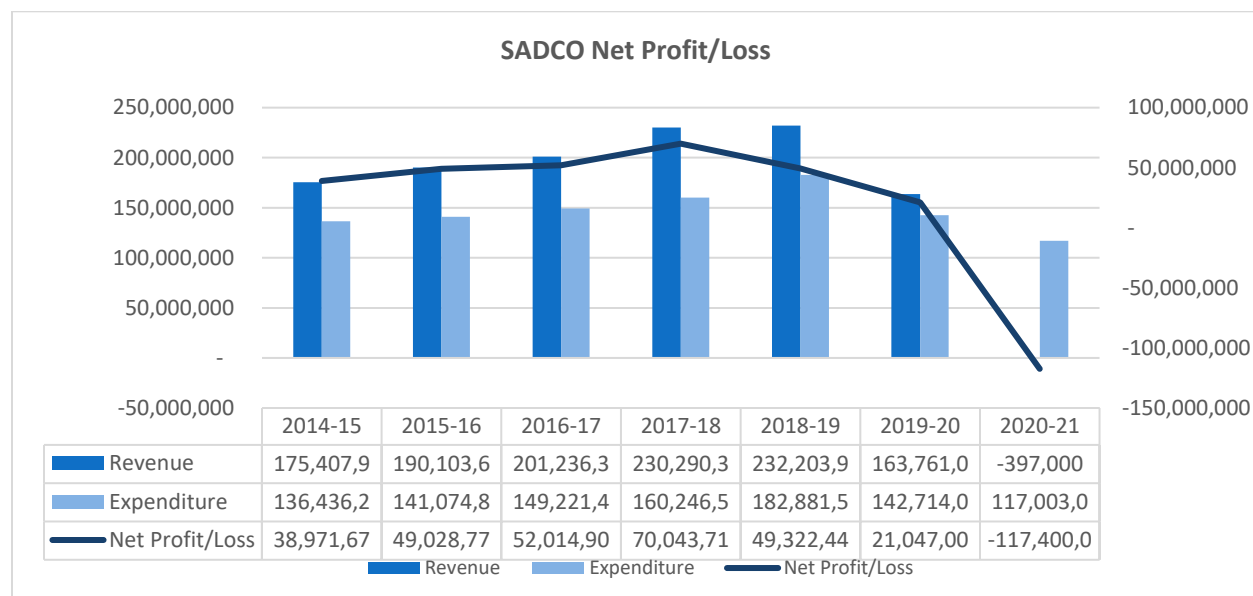
Financial Data	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Operating Revenue	2,580,165	2,501,282	2,411,249	2,717,274	2,425,707	1,993,074
Administrative and other operating expenses	(3,045,535)	(3,018,481)	(2,947,949)	(2,539,937)	(2,850,129)	(3,179,183)
Operating (loss)/profit	(465,370)	(517,199)	(536,700)	177,337	(424,422)	(1,186,109)
Operating Loss/Profit attributable to Subsidiaries	35,082	(80,760)	9,091	(163,171)	(311,872)	(341,115)

Source: Extract from UDC's audited financial statements

3.4 As highlighted in UDC's Corporate Plans, one of strategies is the requirement for ongoing reviews of subsidiary financial positions and regular performance meetings with subsidiary and associated companies to ensure that revenue targets and key performance indicators were met. UDC in 2013, established a Subsidiary Management and Revenue Generation Division responsible for enhancing the revenue capabilities of the Corporation and subsidiaries, to mitigate the risk of a worsening cash position caused by subsidiaries and attractions operating at a loss. However, UDC did not present minutes of its performance meetings to verify the extent of reviews of the subsidiaries and associated companies and determination as to whether the targets and KPI were agreed upon, monitored and reported to UDC management. UDC presented monthly performance reports for our review, however these were not aligned to the revenue generation plans to enable verification of performance relative to target.

Saint Ann Development Company (SADCO)

3.5 SADCO, UDC's main subsidiary, experienced fluctuating levels of profits and revenues over the period. SADCO's revenue increased by 32 per cent, moving to \$232.20 million in 2018-19 from \$175.41 million in 2014-15. For 2019-20, revenue declined to \$163.76 million and to a further negative of \$397,000 in 2020-21 which UDC attributed mainly to the downturn in tourism due to the Covid-19 pandemic (**Figure 4**).

Figure 4: SADCO's Net Profit/Loss for the period 2014-15 to 2020-21

Source: Information collated from SADC's Financial Reports/Statements

3.6 Review of revenue over the three-year period 2018-19 to 2020-21 from the SADC managed Dunn River Falls and Park (DRFP), one of UDC's main revenue earner, showed fluctuating variances in budgeted and actual income from its Dunns River operations²⁰. UDC attributed the difference between the actual and budgeted revenue for 2020-21 to declining tourism arrivals and resulting ticket sales due to the Covid-19 pandemic (**Table 12**).

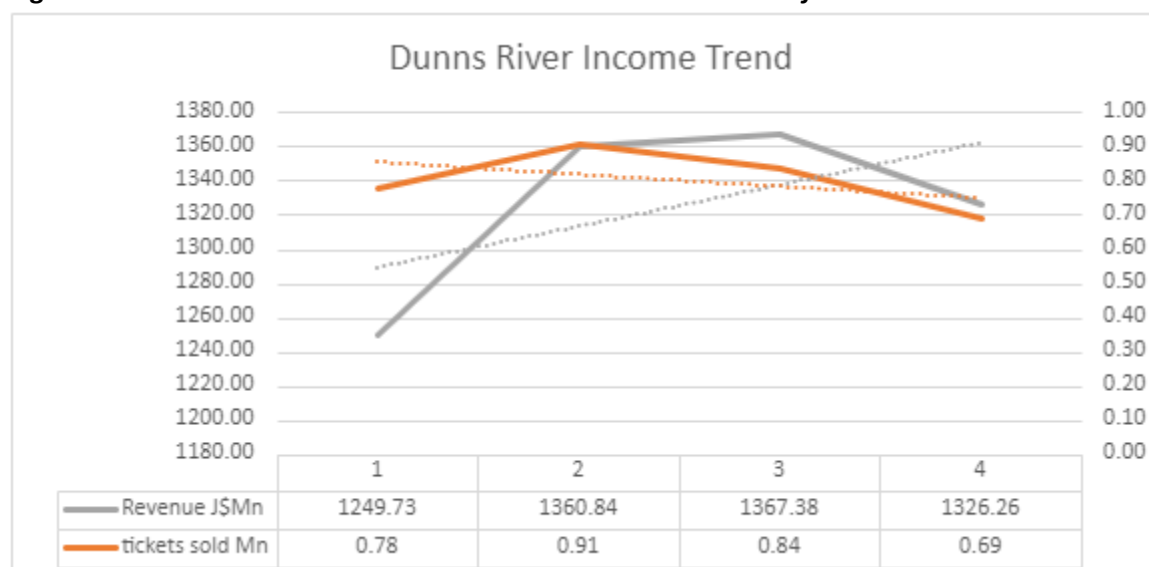
Table 12: Dunns River Falls and Park Budgeted Income versus Actual Income

Year	Budgeted Income (\$'000)	Actual Income (\$'000)	Variance (\$'000)	Variance (%)
2015-2016	1,308,820	1,294,919	13,901	1.1%
2016-2017	1,279,743	1,382,104	(102,362)	(8.0%)
2017-2018	1,577,728	1,534,517	43,211	2.7%
2018-2019	1,622,252	1,549,947	72,305	4.5%
2019-2020	1,931,822	1,478,362	453,460	23.5%
2020-2021	542,554	165,474	377,080	69.5%

Source: Information compiled from SADC's Financial Reports/Statements

3.7 We identified that DRFP garnered \$5.3 billion in ticket sales over the period under review. The data provided indicated that revenue from DRFP fell marginally to \$1.33 billion in FY2019-20 from \$1.37 billion the previous year but increased relative to the \$1.25 billion achieved for FY2016-17. On the other hand, ticket (head count) sales trended down to 692,427 for FY2019-20, relative to the previous year, and relative to FY2016/17 (**Figure 5**).

²⁰ Dunn River Falls and Park (DRFP) owned by parent company, UDC

Figure 5: Dunns River Falls and Park Ticket revenue and number of visitors

Category	2016/17	2017/18	2018/19	2019/20
Presold Adults	504,581	530,627	505,415	411,576
Presold Children	17,366	15,054	9,459	25,201
Non-Residents Adult	122,535	129,687	119,861	110,492
Non-Residents Children	12,818	14,319	12,419	9,733
Resident Adults	99,843	167,681	143,984	103,474
Residents Children	21,463	53,846	44,394	31,951
Total	778,606	911,214	835,532	692,427
Ticket Revenue	\$1,249,725,458	\$1,360,844,550	\$1,367,375,000	\$1,326,260,000
Average ticket cost per visitor	1,605.08	1,493.44	\$1,636.53	\$1,915.38
Average Exchange Rate (USD\$1/JMD)	127.17	127.98	130.60	136.08

Source: Information collated from SADC's Financial Reports/Statements and Dunn's River Falls, and Park Head Count provided by UDC

3.8 Over the period 2015-16 to 2020-21, UDC increased the rate for Jamaicans residents from \$600 to \$1,000 and children from \$300 to \$500, while rates for non-residents increased from US\$20 to US\$25 and children from US\$12 to US\$17 (**Table 13**).

Table 13: Dunns River Falls and Park Ticket Prices

Categories	Year ended March 31, 2016 (\$)	Year ended March 31, 2017 (\$)	Year ended March 31, 2018 (\$)	Year ended March 31, 2019 (\$)	Year ended March 31, 2020 (\$)	Year ended March 31, 2021 (\$)
Non-Resident Adult (USD)	20.00	20.00	20.00	23.00	25.00	25.00
Non-Resident Child (USD)	12.00	12.00	12.00	15.00	17.00	17.00
Resident Adult (JMD)	600.00	600.00	600.00	1000.00	1000.00	1000.00
Resident Child (JMD)	300.00	300.00	300.00	500.00	500.00	500.00

Source: Information provided by UDC

3.9 Review of UDC’s revenue generation plan for DRFP for 2018-19 to 2021-22 indicated 12 proposed targets (strategies) for derivation of additional income for financial years 2018-19 and 2019-20 (**Table 14**).

Table 14: UDC Revenue Measures for Dunns River Fall and Park for the period 2018-19 to 2019-20

New Revenue measures for 2018-19		New Revenue measures for 2019-20	
Details	\$	Details	\$
Addition of VIP and/or Fast Tracker Access	J\$274.5M ²¹ (J\$86M and J\$188M)	Increase patronage by 2.5% from ticket sales from current operations	-
Monetization of the car park	\$25M per annum	Realize zip line Ticket Sales of at least	\$30M
Increase patronage by 2.7% from ticket sales from current Operations	\$84 million	Realize photo sales income from Zip-line experience of at least	US\$12,000 per annum or J\$1.68 million
Zip line Ticket Sales	\$36M	Merchandising and sales of DRFP branded paraphernalia	\$8M
Merchandising and sales of DRFP branded paraphernalia	\$8M	Mechanize direct sales through an App for DRFP tickets, concessions, merchandise, water shoes, water cases and lockers	
Increase in shop rentals	\$4M	Increase visitor entry rates by US\$2.50 to US\$23.5 for adults and \$US17.50 for children	

Source: Extract from UDC’s Revenue Generation Plans 2018-19 and 2019-20

3.10 UDC provided a schedule of DRFP’s performance relative to the 12 targets outlined in the revenue generation plans for financial years 2018-19 and 2019-20 (**Table 15**). Based on the information provided, UDC achieved two targets (increase revenue from merchandising & sale of DRFP branded paraphernalia and approval for an increase in visitor fee). However, UDC failed to meet the targets for three revenue measures and was unable to provide information on the remaining seven targets. UDC responded that *“we are unable to identify information on some of the items listed in the plan from the monthly records from the period requested”*.

²¹ J\$136.7M to be realized in 2018 based on FCCA procurement timeline

Table 15: UDC Response to Revenue Measures 2018-19 and 2019-20

Revenue Measures 2018/19	Target	Actual (provided by UDC)	AuGD's Comment
Addition of VIP/Fast Tracker	J\$274.50 M	No Information	Performance target not measured
Monetization of Car Park	J\$25 M	No Information	Performance target not measured
Increase Patronage by 2.7% from ticket sales from current operations	J\$84 M	8% decrease in patronage compared to 2017/18	Did not achieve target
Zip line ticket sales	J\$36 M	No Information	Performance target not measured
Merchandising & sale of DRFP branded paraphernalia	J\$8 M	J\$11.95 M in total income	Target Met
Increase in shop rentals	J\$4 M	No Information	Performance target not measured
Revenue Measures 2019/20	Target	Actual	
Increase Patronage by 2.5% from ticket sales from current operations	2.5% increase	17% decrease in patronage compared to 2018/19	Did not achieve target
Zip Line Ticket Sales	J\$30 M	No Information	Performance target not measured
Realize photo sales from zip line	J\$1.68 M	No Information	Performance target not measured
Merchandising & sale of DRFP branded paraphernalia	J\$8 M	J\$1.91 M in total income	Did not achieve target
Merchandising direct sales through App for DRFP tickets, concessions, merchandise, water shoes, water cases & lockers		No Information	Performance target not measured
Increase visitor entry rates by US\$2.50 to US\$23.50 for adults and US\$17.50 for children		Visitor entry rates increase implemented - new rate US\$25 adults and US\$17 children	Target Met

Source: Information compiled from correspondence obtained from UDC

UDC's disposal of shares in Montego Bay Conference Centre (MBCC) - \$7.9 billion

3.11 Review of Montego Bay Conference Centre's (MBCC) audited financial statements for the period July 2011 to September 2016 revealed that the company had accumulated losses of US\$13.7 million (or J\$1.5 billion). Arising from a performance review conducted by UDC in June 2016, the Corporation decided not to extend the consultancy contract beyond the initial term due to dissatisfaction with the Consultant's performance. Review of UDC records showed that MBCC had accumulated net losses of \$660 million between the period FY2013-14 – FY2015-16 notwithstanding UDC's average cash contribution to sustain the operations of MBCC of over \$300 million per annum. UDC projected that MBCC was a drain on its resources, with projections at the time indicating that expenses would continue to almost double the revenue earned with operating losses expected to continue under the existing agreement.

3.12 In February 2018, Cabinet approved the transfer of UDC's ownership in the Montego Bay Convention Center to the Accountant General for US\$15.72 million (US\$7,143.66 for 2200 shares)²². As

²² Decision No. 7/18 dated February 19, 2018

payment, MoFPS settled UDC's loan obligations of US\$9.06 million to the PetroCaribe Development Fund in November 2017 and paid the outstanding balance of US\$6.66 million in June 2020.

3.13 By way of correspondence dated March 22, 2017, UDC's General Manager informed the Permanent Secretary in the Ministry of Tourism that *"in the interest of expedience, UDC is prepared to accept the value per share of UD\$7,143.66 as discussed in the meeting, with the understanding that amounts spent since the handover will not be deducted from the consideration, but will instead, be capitalised as outlined by the Cabinet Decision"*. In June 2022, UDC provided a breakout detailing how the share price of US\$7,143.66 was determined as follows:

Details	Amount (\$)
GOJ Construction expenditure	J\$5,933,620,000
UDC Investments	
Land value (as at December 2013)	J\$928,670,000
Operating expenses (as at May 2014)	J\$724,280,000
Total Investment in MBCC	J\$7,586,570,000
Converted to USD (US\$1:J\$106.20)	US\$71,436,629
Value per share	US\$71,436,629 ÷ 10,000 shares = US\$7,143.66 per share

Source: Information provided by UDC

Acquisition, Divestment and Sale of properties

UDC divested properties in accordance with its Estate Management Policy and Guidelines

3.14 Guided by its Estate Management Policy and Guidelines, UDC is required to divest land in a manner that meets the highest test of transparency and integrity. This includes adherence to the Government Divestment Policy Ministry Paper No. 34 and the Policy Framework and Procedures Manual for the Divestment of Government-Owned Lands, which set out the principles that govern the conduct of the asset privatization process that Government entities must observe when disposing of such assets

3.15 We selected a sample of 20 of the 32 properties that were divested to determine whether the disposal by UDC was in accordance with good business practices, Government policy and its own Estate Management Policy²³. UDC Estate Management Policy requires properties to be advertised prior to its sale or divestment, with provision for exemptions for properties divested to government entities and in instances where the applicant is a lessee in good standing, with an unexpired term and makes an application to purchase. We found that 14 of the 20 properties were advertised and six required no advertisement as these related to divestments to government entities and are not required where the applicant is a lessee in good standing, with an unexpired term and makes an application to purchase. Of the six properties, three were owned by the Government and slated for sale and the other three, the purchasers were lessee with unexpired lease agreement.

²³ Sample represents 65 percent of the properties disposed of with the highest sale price and was selected based judgmental sampling.

3.16 We found that current valuations were obtained for 10 properties to determine market prices at the point of sale and the remaining 10 properties were divested based on a single valuation, in accordance with Board of Directors amendment to the Estate Management Policy, which approved the use of one valuation for property valued below \$60 million²⁴. Further, we found that UDC was compliant in utilizing current valuations for the five apartments when a comparison is made between the advertisement and valuation dates. In October 2015, UDC advertised the five apartments in Point Village, Westmoreland for sale, which were valued in January 2015 cumulatively at USD\$423,000 (\$48.6 million), for total of \$43.1 million in February and September 2015. The remaining five properties (Bluefields and Malvern Park Pen) with combined value of \$13.2 million based on valuation reports dated November 2017 and April 2018 respectively, were sold between January and April 2019 for \$13.41 million (**Table 16 and Table 17**).

Table 16: UDC sold five apartments in Point Village, Westmoreland for total of \$43.1 million

Property	Valuator	Valuation US(\$)	Average Valuation US(\$)	Valuation Date	Date of Advertisement	Sale Price J (\$)	Sale Date
Apt 14, Strata Lot 201 Point Village	Valuator A	97,000-102,000	99,500	January 16, 2015	October 2015	10,000,000.00	February 6, 2018
Apt. 224, Strata Lot 153 Point Village	Valuator A	100,000-105,000	102,500	January 16, 2015	October 2015	9,700,000.00	February 6, 2018
Apt. 225, Strata Lot 154 Point Village	Valuator A	85,000-90,000	87,500	January 16, 2015	October 2015	8,400,000.00	February 6, 2018
Apt. 50, Strata Lot 238 Point Village	Valuator A	70,000-75,000	72,500	January 16, 2015	October 2015	8,100,000.00	February 6, 2018
Apt. 22, Strata Lot 203 Point Village	Valuator A	60,000-62,000	61,000	January 16, 2015	October 2015	6,918,221.00	September 13, 2018
TOTAL			423,000¹¹			43,118,221.00	

Source: Analysis of UDC's records

²⁴ December 20, 2017

Table 17: UDC Property Sales Listing

Property	Valuation (\$)	Valuation Date	Advertisement Date	Agreement Date	Sales Price (\$)
Lot 19 Bluefields, Westmoreland	2,100,000	November 16, 2017	Exempt from advertisement in accordance with 2.2.9 GOJ Divestment Policy	January 24, 2019	2,310,000.00
Lot 21 Malvern Park Pen, Davis Town, St. Ann	3,000,000	April 23, 2018	October 2018	April 1, 2019	3,000,000.00
Lot 37 Malvern Park Pen, Davis Town, St. Ann	2,900,000	April 23, 2018	October 2018	April 1, 2019	2,900,000.00
Lot 49 Malvern Park Pen, Davis Town, St. Ann	2,700,000	April 23, 2018	October 2018	February 27, 2019	2,700,000.00
Lot 48 Malvern Park Pen, Davis Town, St. Ann	2,500,000	April 23, 2018	October 2018	February 27, 2019	2,500,000.00
Total	13,200,000.00				13,410,000.00

Source: Analysis of UDC's records

UDC divested the Harbour Street and Rutland properties below market values

3.17 We identified three instances in which UDC divested properties below market value and contrary to its Estate Management Policy and exemptions outlined in the GOJ's Divestment Policy (**Table 18**).

Table 18: UDC divest properties below market value

Property	Valuation No. 1	Valuation No. 2	Sale Price	Purchaser/Vendor Name
10 - 12 Harbour Street, Kingston	\$32M	\$26.4M	\$25M	Company A
Lot B7 Rutland Pen	\$400M - \$410	\$300M-\$330M	US\$2.7M (\$294.3M)	Company B
Part of Ocho Rios (Ocho Rios Cruise Ship Pier).	\$205M	\$128M	\$75M	Port Authority of Jamaica

Source: Analysis of UDC's Records

3.18 Section 5.2.6(c) of UDC's Estate Management Policy and Guideline stipulated that UDC shall obtain two (2) market valuations before the sale/lease of any asset. Further, Section 2.2.7 of the GOJ's Policy Framework and Procedure Manual for Divestment of Government-owned Land states that the Government shall seek to optimize income from the divestment process in that, all government-owned lands shall be divested at current market value except where:

- Government is undertaking special/social projects
- Land is being divested for use by government agencies/bodies
- Land is being divested for designated low-income housing
- Land is being divested to registered non-profit/charitable organizations for schools, churches, community use, recreational purposes, etc.
- Land is being divested for strategic purposes as determined by government policy
- Land settlement lots with existing contractual obligations are being regularized

Harbour Street Property

3.19 The UDC divested the Harbour Street property for \$25 million to the lessee of the property, which was \$4.2 million less than average market value and \$2.2 million less than amount approved by the Board. The Board approved the sale of the property for \$27.2 million in 2017; however, the necessary approval of the Board for the actual sale price of \$25 million was not presented. UDC presented two valuations from two chartered (valuation) surveyors Valuator B²⁵ and Valuator C²⁶ with market value amounting to \$32 million and \$26.4 million respectively, with an average market value of \$29.2 million.

3.20 UDC did not provide any evidence that the market valuations presented by the independent valuers were considered, while accepting Company A's quoted sale price that applied a formula that included inflation and an increase in the square area being purchased to arrive at sales price at \$25.2 million²⁷. UDC then negotiated an additional \$2 million as an estimate of half the transfer cost to be covered by the purchaser. The UDC's Legal Department recommended acceptance of the offer to purchase on the basis that; Company A had been a tenant in good standing for over 21 years; Company A had been cooperative in accepting the proposal to split the difference of \$4 million towards the transfer cost and Company A had provided a transparent formula to arrive at an amicable resolution.

Rutland Pen, Westmoreland

3.21 In March 2018, UDC sold the Rutland Pen property to Company B for US\$2.7 million (equivalent \$294.3 million), which was \$65.7 million less than minimum amount recommended by the Board and \$75.7 million less than the highest average market value. In accordance with UDC's policy, two valuations were done by private valuers on February 24, 2015, and March 13, 2015, for \$300 million and \$330 million and Valuator A valued the property at \$400 million to \$410 million. On July 30, 2015, the UDC Board granted approval for the property to be sold for \$400 million or a minimum of \$360 million. However, based on the sale agreement dated March 19, 2018, the property was sold for \$294.3 million.

²⁵ private company name redacted as per AuGD's policy

²⁶ private company name redacted as per AuGD's policy

²⁷ private company name redacted as per AuGD's policy

Based on the valuations presented, we calculated the average value of the property to be in the range of \$350 million to \$370 million.

3.22 Review of UDC's Board Minutes extract dated October 15, 2017, showed that the Board approved the sale below market value due to the lessee's improvement to property and the sale being an immediate cash transaction. However, UDC was unable to provide the basis on which the reduced amount was calculated, and no evidence was presented to determine how the lessee improvement to property and the benefit of the cash transaction were measured. The portfolio Minister by way of correspondence dated November 10, 2017, granted non-objection to the sale.

Ocho Rios Cruise Ship Pier

3.23 UDC divested land (5,700.66 square meter) to the Port Authority of Jamaica (PAJ) in January 2016 for \$75 million (\$13,156.37 per square meter). UDC provided valuations for 5,994.97 square meters that were done by Valuator D on February 11, 2012, and Valuator C on April 13, 2013, at \$205 million and \$128 million, respectively. A supplemental sale agreement dated August 8, 2019, detailed that the extra portion of land was allotted to PAJ. The Board approved this agreement on November 1, 2018. Further, there was a discrepancy which resulted in an additional 22.01 square meters of land transferred to PAJ.

3.24 As previously stated, UDC's Estate Management Policy Section 5.2.6 (c) requires that the Corporation shall obtain two market valuations before the sale or lease of any asset and the valuations should at the date of advertisement and/or sale is not older than 12 months. In this case, the valuations were for a different measurement of land and were done two and half (2½) and three (3) years prior to the sale of the land. Also, the valuation for the extra portion of land was not done and as a result UDC did not attain value for money for the overall sale of this property given that they chose to resolve the matter by transferring the extra plot of land to PAJ instead of obtaining compensation.

Poor planning and resource management led to loss of \$33.7 million

3.25 In October 2010, UDC entered an agreement with the National Housing Trust (NHT) to purchase the JAMINTEL Building to facilitate the relocation of several government agencies to downtown Kingston. UDC made the offer to NHT in December 2009 to acquire the building at a cost of \$110 million and after negotiations, agreed to a price of \$149.5 million through an Agreement for Exchange of Lands dated October 22, 2010. In the agreement, UDC committed to finance the acquisition by way of an equality sum of \$111.1 million and land, which houses the NHT Car Park that it priced at \$38.4 million²⁸.

3.26 Whereas UDC made two payments totalling \$16.7 million to NHT in the required tranches, the Corporation failed to pay the balance of \$94.4 million by the completion date of February 22, 2011²⁹. Further, despite NHT's extension of the deadline on two occasions to October 31, 2011, UDC was unable to meet the payment due to financial constraints³⁰. Consequently, NHT submitted claims totalling \$30.6 million for insurance, electricity and security charges it incurred pertaining to the building owing to the delay in handing over possession. This brought the total indebtedness to NHT to \$125 million. To reduce

²⁸ NHT Car Park, Lot 2 Knutsford Park, New Kingston

²⁹ Agreement for Exchange of lands-Section G: Completion a) (viii) - On or before 120 days after the date of the agreement.

³⁰ Two extensions granted, the first being from February 22, 2011 to March 28, 2011 and a second to October 31, 2011

the balance, UDC surrendered additional lands valued at \$87.8 million and made cash payment of \$1.9 million reducing the amount owed to \$35.4 million³¹. However, the debt subsequently increased by \$5.4 million to \$40.7 million resulting from UDC's failure to determine the accuracy of the square metre of lands initially transferred to NHT (**Table 19**).

Table 19: Details of UDC's indebtedness to NHT JAMINTEL Building

Details	\$	\$	Balance (\$)
Selling Price		149,500,000	149,500,000
UDC Land Offset: part of Lot 2, Knutsford Park (known as NHT Car Park)		(38,400,000)	111,100,000
Deposit paid (10% of Equality Sum)	11,110,000		
Further payment	<u>5,555,000</u>	(16,665,000)	94,435,000
Charges incurred by NHT ³²			
Security	6,191,529		
Electricity	14,884,896		
Insurance	<u>9,517,717</u>	30,594,142	125,029,142
Reimbursement (Security & Electricity)		(1,872,784)	123,156,348
Land Offset (Johnson Hill, Hellshire)		(87,800,000)	35,356,358
Adjustment re 165.847 sq. m of land		5,355,757	40,712,115

Source: Analysis of UDC Records

3.27 The agreement described the lands to the NHT as comprising 1,189.12 square meters, however UDC did not have the boundaries of the land verified by a commissioned land surveyor to accurately value it prior to entering the agreement. UDC's records indicated that a subsequent survey revealed two breaches, one of which highlighted that approximately 165.847 square meters of the land intended to be part of the sale to another entity Company C³³ was incorporated in the title for lands transferred to NHT³⁴. Whereas UDC transferred the land to Company C for \$100, NHT required an additional cash outlay of \$5.4 million towards the purchase of the JAMINTEL Building³⁵ (**Table 20**).

Table 20: Additional cash outlay required towards purchase of JAMINTEL Building

Details	Sq. m	Cost per sq. m (\$)	Value (\$)
Agreement for Exchange	1,189.12	32,292.79	38,400,002.44
Value of land after removal of 165.847 sq. m from NHT's Title	<u>(1,023.27)</u>	32,292.79	<u>(33,044,243.22)</u>
Additional amount payable to NHT	<u>165.85</u>		<u>5,355,759.22</u>

Source: NHT letters dated March 31, 2014, and May 29, 2014

3.28 By way of a Nomination Agreement (March 31, 2014), UDC agreed to transfer the building to the Transport Authority (TA) at a cost of \$150 million, from which it settled its obligation to NHT. Considering

³¹ Additional Lands located at Johnson Hill, Hellshire, St. Catherine

³² NHT Statement of Account as at February 26, 2014

³³ ³³ private company name redacted as per AuGD's policy

³⁴ Memo dated January 2, 2013 from UDC's Deputy General Manager (DGM) – Legal Services to UDC's Board Chairman

³⁵ The Agreement for Sale for Company C was also for a part of Lot 2, Knutsford Park, which was described as *all that parcel of land comprising 15,006.165 square metres more or less subject to a survey.*

the total cost incurred by UDC to acquire the building and the revenue from the sale, UDC suffered a financial loss of \$33.7 million (**Table 21**).

Table 21: Loss on Disposal of Jamintel Building

Details	\$	\$
Purchase price	149,500,000	
Stamp Duty & transfer tax	3,202,500	
50% Registration Fee JAMINTEL building	277,750	
50% Registration Fee – Lot 2, Liguanea Lands	96,000	
Charges incurred by NHT	<u>30,594,142</u>	
Total cost to acquire JAMINTEL building		183,670,392
Proceeds from sale to Transport Authority		<u>(150,000,000)</u>
Loss on sale		<u>(33,670,392)</u>

Source: AuGD's analysis of UDC's data

3.29 Additionally, UDC purchased the JAMINTEL building from the National Housing Trust (NHT) without conducting adequate due diligence, which should have included identifying the source of funding to complete the purchase and to renovate the building. Consequently, UDC had to dispose of the building at a loss of \$33.7 million. This transaction, adversely impacted UDC's financial position, underscoring the need for UDC to manage the purchase of sale of major assets to ensure value for money is received and accorded with its strategic objective to assure sustained financial viability and solvency of the Corporation by increasing revenue through sales and leases.

Strategic Objective 3: Plan and execute projects that Support and Encourage National Development

Initiative: Projects delivered within cost and timelines

3.30 Our review of UDC's management of the divestment of the Forum Hotel and construction at the Red Rose Fish market raised concerns regarding due diligence, transparency and the efficient use of limited financial resources. As a result, the Corporation experienced cost overruns, losses and additional costs totalling \$44.5 million due mainly to poor planning, lack of adequate monitoring and scoping of contracts for the relocation and renovation projects, summarized in Table 22 below.

Table 22: UDC's financial exposure due to cost overruns, losses and additional cost

Property/Project	Issue	Financial Exposure (\$)
Forum Hotel Complex	Poor scoping and planning for the removal of squatters resulted in time overrun of 1 year and cost overrun of \$40 million when compared with the assessed relocation cost of \$59 million, utilizing the force account methodology.	40 million
Red Rose Fish Market	Poor planning led to claim damages for loss of income	4.5 million
Total		44.5 million

Poor scoping and planning for the removal of squatters from the Forum Hotel Complex resulted in additional cost of \$40 million

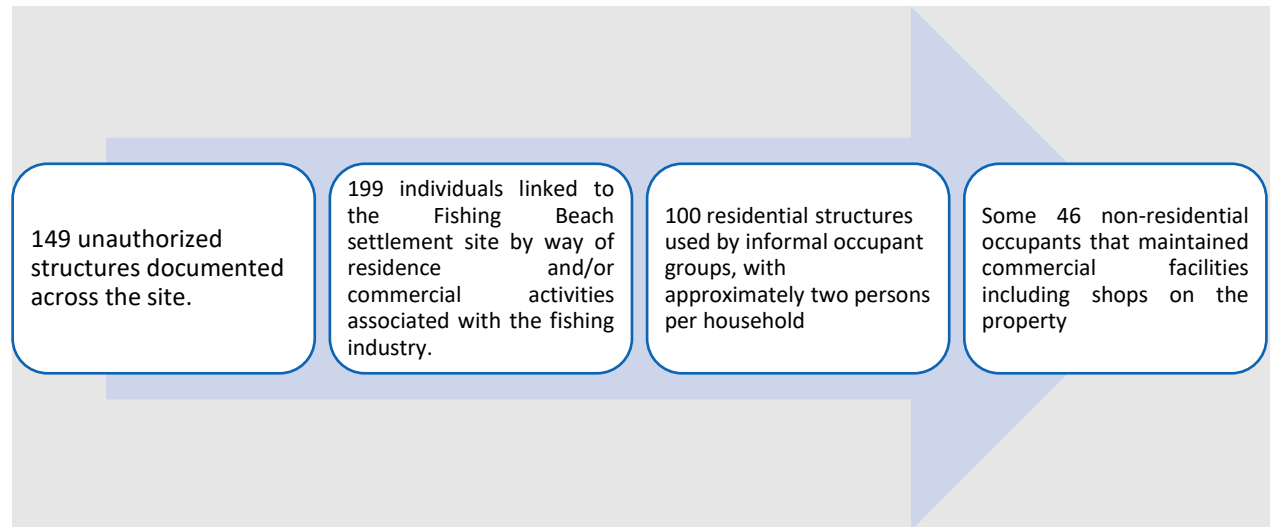
3.31 In February 2014, UDC entered an agreement with Company D to divest its 16-acre Forum Hotel Complex located in Portmore, St. Catherine at a cost of \$350 million. The Complex featured an 11-storey 200-room hotel building, 57 self-contained two-bedroom cottages, a fishing village and 23 unimproved lots. Under the agreement, Company D agreed to convert the property to accommodate (i) a residential gated community with 80 housing units; (ii) renovate the existing hotel tower to apartments/and or hotel; and (iii) construct a marina entertainment village. Both parties agreed to vacant possession of the property as a condition to the sale.

3.32 However, UDC's records indicated that the housing development would not be possible without the removal of illegal settlers, which consisted of squatters, fisher-folk and commercial operators that had established permanent settlements on the property. Consequently, to honor its obligation of vacant possession, UDC gave up lands located at Sector M East, Port Henderson Road, St. Catherine and incurred costs totalling \$99 million to facilitate the construction of appropriate commercial and fishing facilities to relocate the fisher-folk and commercial vendors. Further, the \$99 million included a monetary payout totalling \$6.5 million³⁶ to the squatters to help with their relocation.

³⁶ \$45,000 made to each squatter

3.33 Our review of Board Note dated January 23, 2014, indicated that UDC undertook a survey of the informal settlement and determined it to be over 20 years old having approximately 153 individuals residing on the complex, with the last spike of arrivals noted in 2007. The survey results are highlighted in **Figure 8**.

Figure 8: Results of UDC's Survey of the Forum Hotel Complex



Source: Analysis of UDC Records

3.34 Cabinet on July 24, 1995, approved the transfer of the Hotel Complex from the Commissioner of Lands to UDC with five stipulations, among which required UDC *to serve eviction notices immediately on the existing squatters and issue formal quit notices to all other tenants*. However, we found no evidence that UDC made any attempts over the 20 years to evict the illegal occupants. The relocation project was budgeted to cost \$59 million. However, UDC paid an additional \$40 million as *“the relocation exercise morphed into a transformational project owing to environmental issues, increasing infrastructural demands and social needs for the beneficiaries”*. According to UDC’s records, the approved budget of \$59 million was based on preliminary designs due to the short timeframe for project implementation as the project was expected to be completed by September 2014. As a result, the Board approved \$40 million retroactively due to the required adjustments in the scope of works³⁷.

3.35 Review of the Forum Project Brief indicated that: *The time constraints faced by the project resulted in the full working designs, field surveys, environmental analysis and consultation with the Fisher-Folk not completed before the actual construction work commenced and had to be on-going throughout the duration of the project. These factors also contributed to the increased scope of works during implementation, an increased budget and an extended scheduled completion date.*

3.36 To ensure value for money and transparency, the GOJ Procurement Guidelines require the use of the Local Competitive Bidding (LCB) for works valued at \$40 million and above. Nonetheless, UDC undertook the project itself by utilizing the Force Account Project Implementation method on the basis that it would benefit from cost savings of approximately \$12 million having estimated that the cost via

³⁷ Board Minutes dated January 29, 2015

LCM would have been \$63.8 million. In addition, UDC had expected to complete the works over a shorter period thus mitigating the risk of not handing over the Complex free of occupants. However, the project had a time overrun of 1 year and increased cost of \$40 million when compared with the assessed relocation cost of \$59 million utilizing the force account methodology.

Poor planning leads to payment of \$4.5 million in damages for loss of income

3.37 In July 2014, UDC engaged Contractor A at a cost of \$31.1 million for the construction of a New Open Market Building (Phase 1) at the Red Rose Fish Market, Downtown Kingston. The general objective was to renovate and upgrade the Red Rose Fish Market with more comfortable accommodation and adequate sanitary conveniences for the users and vendors of the market³⁸. The project was slated for 20 weeks, with completion date by February 2015. However, at the time of the engagement, UDC had not secured the funds required to execute the works under the project and subsequently paid the contractor \$4.5 million for loss of income. UDC's Procurement Committee records indicated that the project would be funded in part by a grant from the PetroCaribe Development Fund (PDF), but at the time of deliberations, we noted concerns on how the balance of the project would be funded. We noted that by way of letter dated July 24, 2014, Contractor A requested mobilization of \$3.1 million; however, which UDC did provide.

3.38 Subsequently, in a letter dated October 24, 2014, the contractor advised:

We are at this point no longer interested in the implementation/execution of the project. We have endeavoured to comply with all the requirements to commence same. Unfortunately however, to date, no mobilization has been forthcoming despite our request for the required amount; the Contractor's Bid Agreement to abide has expired, and therefore we deem the agreement to have fallen short and to be in breach on the client's part...This decision has been made without prejudice to the UDC.

3.39 UDC's records indicated that the Contractor, on February 12, 2015 submitted a claim for loss of income for \$9 million and that UDC subsequently at a meeting held March 9, 2015, requested the Contractor to reconsider the decision to cancel the contract. However, the Contractor by way of letter dated May 1, 2015, indicated:

The Board of [name withheld] met...and your proposal to continue with the project was considered, however, the members decided the breach was too enormous and as such our letter to terminate still stands. We are however pleased to advise that a decision was taken to reduce the claim for loss of income in keeping with your request. This item is reduced by 50 per cent.

3.40 Further, up to November 2015, UDC had not met the conditions required to facilitate PDF's disbursement of funds, among which was a Cost Analysis Report for the project. UDC's records indicated that in December 2015, PDF gave approval to commence the tender process³⁹. Two years later in March 2016, UDC retendered the project and the Procurement Committee on June 24, 2016, recommended the contract award to the same contractor at the new sum of \$41.2 million. The poor project planning was confirmed as per the procurement minutes dated July 8, 2016, which indicated that a shortfall in funding

³⁸ Procurement Minutes dated January 17, 2014

³⁹ Divisions and Departments Monthly reports dated between July 2014 and December 2015

was again responsible for the contract award not executed within the Contractor's bid validity period. Subsequently, in November 2016, UDC engaged Contractor C, the second responsive bidder, at a cost of \$43.1 million to effect the renovation.

3.41 The works under the new contractual arrangement, were to be executed over five months commencing on February 13, 2017. However, at November 2017, the project had a time overrun of four months with \$30 million or 70 per cent of the contract sum paid to the Contractor B. Further, we gleaned from Board Minutes dated December 20, 2017, that *the project was delayed by many contractor issues and a definite completion date could not be provided as the date was constantly shifting*. In addition, we were unable to assess the percentage completion of the project, as UDC did not provide the project's status reports despite request.

APPENDICES

Appendix 1 – Implementations Status of AuGD Recommendations - UDC's 2012 Performance Audit Report

No.	Recommendation	UDC response to the AuGD Recommendations (July 2022)	Implementation of Recommendation Status (Implemented, Partially or not implemented)
1	<p>UDC should ensure strict adherence to the applicable Acts and submit to the portfolio Minister, all outstanding annual reports and audited financial statements for tabling in the Houses of Parliament. UDC's failure to submit these reports, not only breached the relevant Acts, but also denies stakeholders timely and accurate information that is critical to decision making. UDC should be cognizant that continued delay in the submission of the audited financial statements undermines the public accountability process; prevents a proper assessment of its financial performance and their state of affairs; and increases the risk of delayed or non-detection of errors and fraud.</p>	<p>Efforts have been on-going to become fully compliant with the PBMA Act. The following annual reports are currently outstanding for the UDC:</p> <p>Urban Development Corporation -</p> <ul style="list-style-type: none"> • 2017/18: Annual report and financial submitted to MEGJC for tabling. • 2018/19: Audited financials targeted to be completed July 2022. • 2019/20: Audited financials targeted to be completed August 2022. • 2020/21: Audited financials to be determined. 	<p>Partially implemented: audited financial statements remain outstanding and Annual Reports (2017-18 to 2020-21) yet to be tabled in Parliament.</p>
2	<p>UDC should immediately finalise and implement an effective Risk Management Process Policy and Procedure Manual and ensure that the Risk Unit is adequately staffed. The Board should ensure that the Risk Committee immediately commence its oversight responsibilities to ensure that appropriate strategies are develop and implemented to mitigate material risks identified.</p>	<p>The Risk Management Policy and Procedures have been approved and implemented. The Board Finance and Risk Committee in place. The Risk Management Unit is established on the approved organization structure currently staffed.</p>	<p>Fully Implemented: UDC's has in place oversight, policy/procedures and staffing to manage risk function.</p>
3	<p>In light of the reported investment losses, UDC should adopt a robust investment management strategy</p>	<p>Over the past 10 years the UDC has pursued strategies to positively impact the final</p>	<p>Partially Implemented.</p>

<p>to better guide future investment decisions. It is also an immediate requirement of UDC to conduct a rigorous assessment of its existing investment portfolio. This, with a view to formulate appropriate strategies to reverse the negative impact these are having on the financial viability of UDC.</p>	<p>viability of the organization. Some of the strategies pursued over the period are as follows: Asset Divestment Revenue Stream Diversification Operational Efficiency through our Quality Management System Feasibility Studies in support of project concepts Public Private Partnerships Cost elimination and containment Monetization of Land Assets</p>	
<p>4 UDC should move expeditiously to wind up all its dormant companies in order to cauterise the current nugatory expenditure. In addition, UDC should establish a formal policy to guide the prompt winding up of dormant subsidiaries.</p>	<p>Companies Wound Up since 2012 are as follows: Hellshire Marble Limited Rose Hall Hotel Limited Lilliput Development Company Limited Portmore Newtown Development Limited Urban Maintenance (1977) Limited Montego Shopping Centre Limited Kingston Waterfront Hotel Company Limited</p> <p>Companies currently in the winding up process: Seacastles Limited Rutland Point Beach Resort Rose Hall Resorts Limited Portmore Commercial Development Company</p> <p>Companies are currently dormant to be wound up Port Royal Development Company Limited (Joint Venture) Kingston Waterfront Redevelopment Company Limited (Subsidiary) National Hotels and Properties Limited (Subsidiary)</p>	<p>Partially implemented: While UDC has not established a policy to guide prompt winding up of companies, the Corporation has taken steps to wind up dormant companies, including those where the underlying assets have been divested.</p>



		The Corporation is committed to developing formal policy.	
5	UDC should prioritise the completion of development plans for all designates areas published in the Gazette. Prompt completion of the plan of development in designated areas could aid in efficient planning of sustainable developments in these areas.	Of the 15 Designated Areas approved since 1968, Development Plans for 3 designated areas (Ackendown/Edgecombe, Oracabessa and Greater Portmore) are outstanding. Work is currently in progress for Ackendown/Mt Edgecombe.	Not implemented: Finalization of Development Plans for the three designated areas as per 2012 report remains outstanding, with expected completion dates of before March 2023.
6	Given that NEPA, by way of Development Orders also designate lands for various uses, it is imperative that both entities consult on development issues during the planning stage. This consultation would facilitate the orderly development of Jamaica's natural and built environment in order to achieve sustainable development.	Consultation are held with NEPA on a regular basis regarding development matters.	Implemented
7	As part of its project planning process, UDC should identify the necessary financial resources to ensure the timely implementation and completion of projects. Also, UDC should implement formal systems to investigate and report cost overruns.	Government approval process requires that all capital project proposals to the Public Investment Appraisal Branch (PIAB) must have confirmed source of funding before it can be approved for implementation. Performance monitoring mechanisms are in place to monitor project expenditure and Variation approved by Executive Management.	Partially implemented: We identified another instance in July 2014, wherein UDC did not secure the funds required to execute the works under the Red Rose Fish Market Project and subsequently paid the Contractor \$4.5 million for loss of income.
8	UDC should urgently take measures to ensure that it returns to a financially viable and solvent operation. The Board should ensure that the executive management of UDC develop and present to it in the shortest time, appropriate strategies to reverse the current operating losses and negative cash flow position, in order to ensure UDC success as a business and its long term	The SMRG Division was created to strategically focus on Revenue Generation. The Corporate Plan and Budget containing corporate strategies is reviewed and approved by the Board. Processes have been improved and management system compliant with ISO 9001 Standards for the improvement of the corporation's operational	Partially implemented: UDC established Subsidiary Management and Revenue Generation Division in 2013, to enhance the revenue capabilities of the Corporation and its subsidiaries. However, UDC was unable to present evidence that performance targets were measured and required minutes of performance meetings to

	sustainability. In addition, UDC needs to improve its efficiencies so as to maximise its revenue from its income generation portfolio and decrease or at least contain expenditure on all or most cost centres.	efficiencies.	verify the extent of reviews were monitored and reported to UDC management.
9	UDC should better manage the collection of rent and lease receivables by ensuring strict adherence to its collection policy. For example, the required reminder and demand notices should be prepared and served on delinquent tenants. The Legal Unit should be proactive and aggressive in the collection of rent/lease receivables. Further, UDC should implement a system to ensure that current contractual agreements are in place with all tenants. UDC should also ensure the collection of project management fees, based on the percentage of work done on each project, during the course of construction.	The UDC is actively working with the MoFPS and the various MDAs to reconcile long outstanding rent receivable balances and collect on account. Legal action is taken when necessary. Receivables Policy developed, approved and in use.	Partially implemented: UDC implemented its receivables policy and initiated legal actions against delinquent tenants. However, our 2022 performance audit showed a continuing increasing trend in rental arrears, with rental arrears over 120 days totalled \$467.49 million (81 per cent) of aged receivables at June 2022, compared with 76 per cent (\$148 million) was outstanding for over 120 days in our 2012 performance audit report.
10	UDC should desist from using the funds of its customers' land deposits to meet its operational costs, as the funds are not owned by UDC.	The Corporation has desisted from this practice.	Implemented.
11	UDC should periodically conduct the required assessment of the physical conditions of all properties to assist in developing its annual maintenance plan. It is an immediate requirement of UDC to strengthen the critical control functions over the sale, lease and purchase of real estate holdings. UDC should also monitor these control functions to ensure strict compliance. This will assist in safeguarding the integrity of the real estate acquisition and divestment process. Also, there	Facilities Management Maintenance Plan is in place. A new UDC Divestment Policy which governs the divestment process is now in place effective July 1, 2020. This policy and is in alignment with GOJ Divestment Policy. The procedure that governs Land Sales has been developed and ISO Certified.	Implemented

	<p>should be strict adherence to the Ministry Paper No. 34 (Privatization Policy and Procedures), regarding the advertisement of real estate slated for divestment. This is to allow for greater accountability and transparency that will promote fair competition in the divestment process.</p>	
<p>12</p>	<p>UDC should ensure that all its properties are adequately insured to cover potential losses. Further, UDC should ensure that an actuarial assessment of its self-insurance fund is conducted as recommended by MOF to ensure its adequacy in the event of a disaster.</p>	<p>UDC conducts on-going review of its assets to assess the adequacy of its insurance coverage. Areas identified as being underinsured are being systematically addressed. Actuarial assessment of self-insurance fund not yet conducted.</p> <p>Partially implemented: UDC sought to insure its properties through insurance policy instead of self-insurance arrangement. For 2022/23 period, UDC insured \$4.144 billion of assets, including various properties. Actuarial assessment of self-insurance fund remains outstanding. As at March 2021, UDC unaudited financial statements showed balance of \$30.091 million in its Self-Insurance Fund.</p>
<p>13</p>	<p>UDC needs to develop and implement a proactive and effective anti-squatting policy.</p>	<p>UDC is awaiting the approval of the National Squatter Management policy to guide the development of an anti-squatting policy of its own. MEGJC has advised that the 2nd Draft of the National Squatter Policy (NSP) has been submitted to Cabinet for review.</p> <p>Not implemented: UDC awaiting the approval of the NSP to guide its own internal policy. UDC indicated that its portfolio ministry (MEGJC) intends to submit the finalized version of the NSP to Cabinet by the end of December 2022.</p>
<p>14</p>	<p>UDC should ensure that statutory deductions are remitted to the relevant agencies in accordance with the relevant Acts, especially the NHT and NIS payments so as not to deprive the employees of their benefits.</p>	<p>NHT, NIS and HEART payments are paid in full and within the stipulated time. However, the Corporation currently has outstanding Income and Education tax for which we are seeking to negotiate an offset agreement with the Ministry of Finance and the Public Service (MOFPS) against long outstanding balances owed to the UDC.</p> <p>Not implemented: While the UDC has paid over NIS, NHT and HEART statutory deductions, the Corporation has withheld Education and Income Tax, against liabilities owed by the Government of Jamaica. UDC outstanding statutory obligations UDC owed tax authorities \$709.21 million at May 2022, with outstanding balances from as far back as December 2016.</p>

15	UDC should conduct an investigation to determine and recover the related board fees paid to members for meetings not attended.	Monies were recovered.	Implemented.
16	UDC should immediately provide the authority for the payment of petrol allowances to its staff. UDC should also engage the MOF to ascertain the appropriateness of the current situation where individuals are given fuel vouchers while in receipt of motor vehicle upkeep and mileage allowances.	Petrol voucher system has been discontinued.	Implemented: Ministry of Finance ceased the payment of petrol allowance.

Source: UDC Performance audit report (November 2012)⁴⁰ and UDC's response to AuGD dated July 1, 2022

⁴⁰ https://auditorgeneral.gov.jm/wp-content/uploads/2016/09/Review_of_UDC.pdf

Appendix 2 –UDC Land Sales (2017-2021)

LAND SALES 2017 – 2021				
Project Items	Volume/Folio	Category	Purchase/Selling Price	Agreement Date
Lot A207 Hellshire Park Estate, Saint Catherine	1165/462	Sale	1,400,000.00	February 20, 2017
10 - 12 Harbour Street, Kingston	359/58	Sale	25,000,000.00	March 28, 2017
Lot 220 Sandhills, Hellshire, Saint Catherine	1148/172	Sale	6,000,000.00	May 3, 2017
Lot 2d Newport East, Kingston	1483/185	Sale	90,000,000.00	July 31, 2017
Lots 8 - 11 Portmore Town Centre	1323/944-947	Sale	163,500,000.00	September 29, 2017
Lot 121 Fairy Hill, Portland	1324/836	Sale	3,400,000.00	September 15, 2017
Lot 21 Fairy Hill, Portland	1324/736	Sale	3,000,000.00	October 9, 2017
Lot 122 Fairy Hill, Portland	1324/837	Sale	3,550,000.00	September 15, 2017
Lot 207 Fairy Hill, Portland	1324/922	Sale	3,200,000.00	October 9, 2017
Lot 119 Fairy Hill, Portland	1324/834	Sale	3,400,000.00	Sept. 15, 2018
Lot 192 Fairy Hill, Portland	1324/907	Sale	4,000,000.00	Oct. 25, 2017
Lot 157 Fairy Hill, Portland	1324/872	Sale	2,500,000.00	Sept. 15, 2017
Apt 14, Strata Lot 201 Point Village	1238/204	Sale	10,000,000.00	February 6, 2018
Lot B7 Rutland Pen	1266/195	Sale	US\$2.7M	
Lot 26 Fairy Hill, Portland	1324/741	Sale	3,300,000.00	Oct. 5, 2017
Apt. 224, Strata Lot 153 Point Village	1238/156	Sale	9,700,000.00	Feb. 6, 2018
Apt. 225, Strata Lot 154 Point Village	1238/157	Sale	8,400,000.00	February 6, 2018
Apt. 50, Strata Lot 238 Point Village	1238/241	Sale	8,100,000.00	February 6, 2018
Apt. 22, Strata Lot 203 Point Village	1238/206	Sale	6,918,221.00	September 13, 2018
Lot 48 Malvern Park Pen, Davis Town, St. Ann	1352/405	Sale	2,500,000.00	February 27, 2019
Lot 21 Malvern Park Pen, Davis Town, St. Ann	1352/377	Sale	3,000,000.00	April 1, 2019
Lot 49 Malvern Park Pen, Davis Town, St. Ann	1352/406	Sale	2,700,000.00	February 27, 2019
Lot 37 Malvern Park Pen, Davis Town, St. Ann	1352/393	Sale	2,900,000.00	April 1, 2019
Lot 19 Bluefields, Westmoreland	1428/6	Sale	2,310,000.00	January 24, 2019
Part of Ocho Rios (Ocho Rios Cruise Ship Pier)	1532/108	Sale	75,000,000.00	January 18, 2016
Lot 20 Bluefields, Westmoreland	1428/7	Sale	1,870,000.00	December 20, 2018

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Lot 16 West Trade Way, Portmore, Saint Catherine	1323/952	Sale	60,000,000.00	June 12, 2020
21.5 Acres Cardiff Hall (Lot 6 Cardiff Hall)	1055/361	Sale	250,000,000.00	July 10, 2020
Apt E3, S/Lot 139 Northern Estates, Saint James	1234/282	Sale	10,500,000.00	September 23, 2020
Lot 1 - land part of Great Salt Pond part of Hellshire, St. Catherine (expansion of Hellshire Sewage Treatment Plant)	1311/380	Sale	300,000,000.00	October 6, 2020
Land Part of Buckfield, St Ann, Encroachment by adjoining Landowner	1175/831	Sale	\$4,000,000.00	September 14, 2020
Land Part of Hellshire Park, Booster Station	<u>1081/198</u>	Sale	\$420,000.00	September 25, 2020

Appendix 3- The Urban Development Corporation Companies and Subsidiaries as at March 31, 2021

No.	Subsidiary Companies	Status	AuGD's Comment
1	Ocho Rios Commercial Centre Limited	Active company	Leasing of commercial properties
2	Caymanas Development Company Limited	Active company	Operates golf course and manage projects
3	Runaway Bay Water Company Limited	Active company	Supply potable water
4	St. Ann Development Company (SADCo) Limited	Active company	Manage various properties on behalf of UDC in the parish of Saint Ann
5	Montego Bay Freeport Limited	Active company	Own and manage property
6	National Hotels and Properties Limited	Company currently dormant - to be wound up	
7	Seacastles Limited	Company currently in the winding up process	Company reported as dormant in November 2012 performance audit report
8	Rutland Point Beach Resorts Limited	Company currently in the winding up process	Company reported as dormant in November 2012 performance audit report
Associated Companies			
9	Kingston Restoration Company Limited	Dormant – to be wound up	
10	Rose Hall Resorts Limited	Company currently in the winding up process	
Joint Venture			
11	Seaside at Rose Hall Development Limited	Active company	Owner of 23-acre beachfront property in the parish of St James
12	Port Royal Development Company Limited	Company currently in the winding up process	Company reported as dormant in November 2012 performance audit report.
13	Ackendown Newtown Development Company Limited		Investment fully impaired ⁴¹

⁴¹ As reported in 2012 performance audit report.