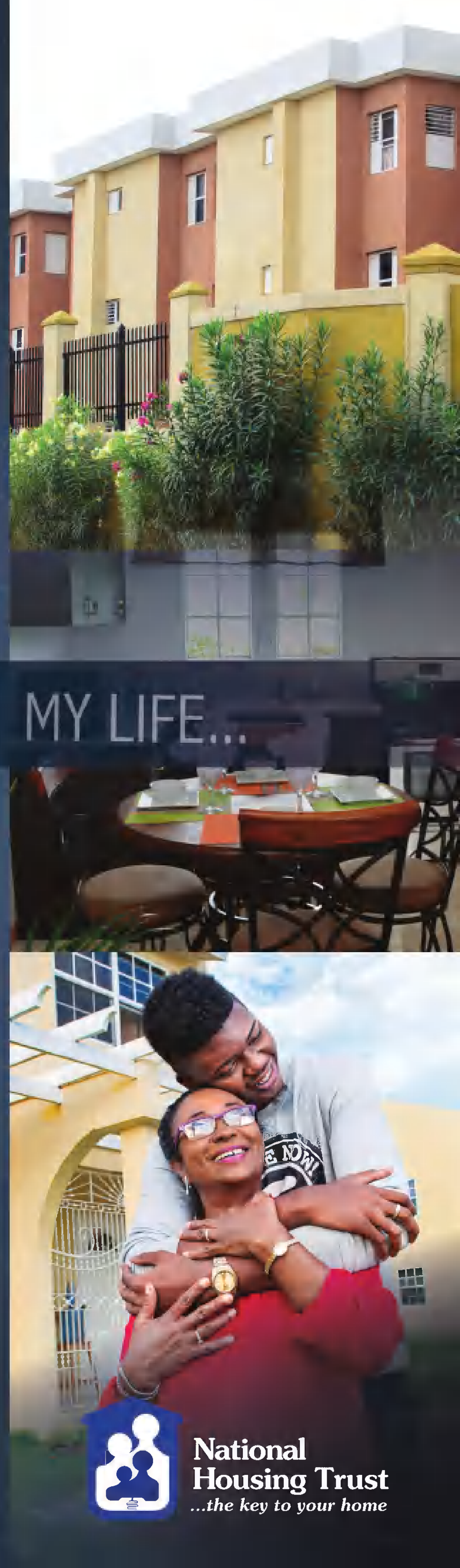
Annual Report

& FINANCIAL STATEMENTS

2017 - 2018



MY HOUSE, MY HOME, MY LIFE...

National Housing Trust

...the key to your home

VISION 2021

The NHT will be ranked among the leading housing finance institutions in the world, renowned for customer service and contribution to national development.

MISSION

Improving the quality of life of Jamaicans by facilitating home ownership and community development, particularly among lower income contributors, while ensuring prudent financial management.

CORE Values

INNOVATION

To constantly challenge ourselves to identify new approaches to meet the needs of our customers, stakeholders and the organization.

EXCELLENCE

To apply exceptional knowledge, understanding and creative thinking in our analyses, processes and decision-making.

PROFESSIONALISM

To adhere to a set of principles comprising both formally agreed upon codes of conduct and informal expectations of colleagues, customers and society.

ACCOUNTABILITY

To meet our commitments and accept responsibility for our actions and decisions.

CARING

To treat all persons fairly and with respect.

INTEGRITY

To employ the highest ethical standards, demonstrating honesty, sincerity and fairness in every action or decision.

TEAMWORK

To work collaboratively to achieve the organization's goals, using individual skills, providing feedback, and treating each colleague with respect.

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LETTER TO THE PRIME MINISTER

July 31, 2018

The Most Hon. Andrew Holness, O.N., M.P.
Prime Minister
Jamaica House
Hope Road
Kingston 6

Dear Prime Minister,

In accordance with Paragraph 6 of the First Schedule, referred to in Section 3 of the NHT Act 1979, I have the pleasure to present the NHT report for the year ended March 31, 2018, and a copy of its Statement of Accounts at March 31, 2018, duly certified by the Auditors.

Yours respectfully,

Lennox Channer
Chairman

7-Year STATISTICAL SUMMARY

Year Ended March 31, 2018	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Total Assets	275,535,254	254,462,806	236,965,897	220,950,445	206,289,926	194,612,864	177,463,065
Inventories	11,911,675	8,403,520	6,988,501	8,303,657	8,822,275	11,372,815	9,902,862
Loans Receivable	222,052,812	206,056,713	192,964,602	180,909,435	166,336,403	148,065,717	129,364,036
Refundable Contributions	99,168,539	91,251,418	87,816,287	80,658,857	75,539,203	67,971,646	62,177,515
Accumulated Profit+	147,361,777	137,930,098	127,552,754	121,669,927	115,120,488	113,353,683	100,626,763
Results From Operations							
Total Operating Income*	31,967,170	33,803,379	27,127,142	26,954,190	22,604,097	22,800,802	21,089,237
Operating Expenditure	7,330,507	6,526,598	5,638,683	4,968,250	5,106,979	4,290,512	4,165,473
Net Profit/(loss) After Taxation	20,951,054	24,173,070	18,119,330	18,668,454	14,149,563	14,458,141	13,871,239
Financial Ratios							
Average Interest on Loans (%)***	4.7%	4.9%	5.1%	4.9%	4.9%	4.8%	4.7%
Yield on Investments (%)*	5.9%	6.9%	7.1%	7.5%	7.4%	8.4%	7.6%
Efficiency Ratio (%)**	76%	69.9%	61.5%	61.5%	71.3%	60.6%	75.9%
Return on Capital (%)	13%	16.5%	13.7%	14.4%	11.4%	12.5%	13.6%
Return on Assets (%)	8%	9.8%	8.2%	8.7%	7.2%	7.8%	8.3%
Other Information							
Annual Housing Expenditure	28,426,546	22,392,706	17,899,900	20,001,448	21,485,419	22,607,055	24,256,512
Contributions Received*	31,545,284	30,333,895	24,585,409	23,361,346	21,412,380	19,901,498	19,505,023
Contributions Refunded*	5,514,115	5,268,297	5,090,898	5,339,328	4,437,518	3,908,254	3,253,025
Number of Mortgages Created Since Inception	192,544	186,210	180,646	174,768	168,744	160,937	153,087
Number of Individual Benefits Provided Since Inception	204,024	197,690	192,126	186,248	180,224	172,420	164,570

* Restated for 2017
**Restated for 2016
*** Comprises all loan types: Mortgage, Institutional, Interim Financed etc.

BOARD OF DIRECTORS

AMBASSADOR
DR. NIGEL CLARKE
FORMER
BOARD CHAIRMAN

MR. MARTIN MILLER
MANAGING
DIRECTOR

SEN. KERENSIA
MORRISON

MR. LENNOX
CHANNER

DR. NIGEL CLARKE was the Chairman of the National Housing Trust; he demitted office March 2018. Dr. Clarke is Ambassador-at-Large for Economic Affairs where he represents Jamaica's economic and commercial interests with multilateral and bilateral partners, as required.

In addition, Ambassador Clarke serves as Deputy Chairman of the Economic Growth Council and Chairman of the Port Authority of Jamaica. Dr. Clarke is Deputy Chairman and CFO of the Musson Group, a diversified conglomerate and is a former Chairman of the Board of the HEART Trust and member of the Board of Directors of the Bank of Jamaica. He is also a former member of the Upper House of Parliament, the Senate, where on behalf of the then Opposition, he led debates on Bills on economic, financial and business issues.

Ambassador Clarke co-founded the National Youth Orchestra of Jamaica, an NGO that provides classical music education to children for whom it would otherwise be unavailable across six centres in Kingston and Spanish Town. He is a recipient of the PSOJ's "50 Under 50 Business Leader Award" as well as the Kiwanis Community Service Award.

Nigel Clarke holds a D.Phil. in Mathematics and an M.Sc. in Applied Statistics from Oxford University, where he was a Rhodes Scholar and a Commonwealth Scholar as well as a B.Sc. in Mathematics and Computer Science from the University of the West Indies where he was a Jamaica Independence (Open) Scholar.

MR. MARTIN MILLER was appointed Managing Director of the National Housing Trust after acting in the position since August 2013. Before his appointment, he served the Trust as Senior General Manager, Finance. He has been with the Trust since 1984 and has progressed through a variety of positions including that of Assistant General Manager, Treasury Management; General Manager, Finance and Accounting; as well as Chief Financial Officer to his present position.

In addition to his present role of Managing Director, Mr. Miller is one of the NHT's representatives on the Board of Harmonization Limited. A Certified Accountant by profession, Mr. Miller holds an MBA from the University of Manchester and Wales.

SEN. KERENSIA MORRISON works as a Creative Writer and Communication Consultant. Passionate about youth advocacy, community development, child welfare, gender and environment, Senator Morrison is a political representative-Member of Parliament Caretaker.

She has served as a teacher with over 13 years of experience and remains committed to facilitating learning which prepares students to excel.

MR. LENNOX CHANNER is the Vice – President of Accounting at the Jamaica Broilers Group. He previously served in senior management positions at NCB, Digicel and Caribbean Bottlers (Jamaica) Ltd. He is a Fellow of both the Association of Chartered Certified Accountants and the Institute of Chartered Accountants of Jamaica.

A Munro College old boy, Mr. Channer was a 2002 Fulbright Scholar. He holds a BSc. in Actuarial Sciences from the UWI and an MSc. in Decision and Information Sciences from the University of Florida.

Mr. Channer was appointed Chairman of the NHT Board, effective July 16, 2018.

MS. ANTHONETTE PATTERSON BARTLEY has over 20 years of experience as a Nurse and has served as President of the Nurses Association of Jamaica and the Caribbean Nurses Organisation.

A graduate of the University of the West Indies School of Nursing, Ms. Patterson Bartley has used her keen sense of detail and interpersonal skills to achieve academic and professional success.

MR. RYAN PARKES has extensive experience in Corporate Banking and is currently the Chief of Business Banking at JN Bank. Mr. Parkes is also a Director of the Board of the Jamaica Mortgage Bank and is the Chairman of the Board's Audit and Finance Sub-Committee.

Mr. Parkes holds a Bachelor of Business Administration degree in Finance, from the University of Technology, Jamaica; and a Bachelor of Laws degree from the University of London. He is also a Past President of the Optimist Club of Knutsford Circle.

MS. DEBORAH A. NEWLAND currently serves as Director of the Commercial Division in the Attorney General's Chamber and has been seconded to serve as Chief of Staff in the Office of the Prime Minister.

A practicing Attorney-at-Law with over 24 years of experience in extensive management, legal, corporate governance and regulatory experience in both the private and public sector, Ms. Newland has served as member and Chairman on several Government Boards.

MR. DAVID P. WAN works as an Executive in the Financial Services sector locally and internationally. He has served as Chief Executive Officer in Investment and Stock-broking, Life Insurance and Banking.

Mr. Wan has served on several boards in the banking and tertiary education sector as well as government financial restructuring agencies.

MR. GRANVILLE VALENTINE Granville Valentine is a Trade Unionist and Industrial Relations Consultant who has seen meteoric growth in the labour movement. He currently serves as the General Secretary for the National Workers Union and has worked with the union for the past 17 years.

Mr. Valentine is a Vice President of the Jamaica Confederation of Trade Unions; A commissioner of the Ministry of Labour and Social Security's Overseas Programmes; A member of the Ministry of Finance's Public Sector Monitoring Committee: a member of the Labour Advisory Commission; and a former director of the National Insurance Fund Board.

MR. JEFFERY McGOWAN HALL currently serves as the Chief Executive Officer of the Jamaica Producers Group Limited. He has practiced banking and securities law in New York as a member of the New York Bar. Recruited by the government to serve as an Intervention Specialist at FINSAC Limited, Mr Hall negotiated the restructuring of Jamaica's banking and life insurance groups.

Mr. Hall is the Chairman of Scotiabank Group in Jamaica, Scotia Investments, Kingston Wharves Limited and the Banana Group. He also serves as Director of Blue Power Group and the National Housing Trust (NHT). In the past he has served as a Director of the Jamaica Stock Exchange and the Bank of Jamaica (Jamaica's central bank).

SEN. KAVAN GAYLE, O.D. sserves as an Executive of the Bustamante Industrial Trade Union (BITU) and was elected as President of the Union in 2007. An Executive Member of the Global Trade Union, he was appointed to the senate in 2012.

Mr. Gayle is also a member of the Boards of the HEART Trust NTA; the Overseas Examination Commission; The Sugar Industry Authority; and the Labour Advisory Commission.

MRS. NESTA-CLAIRE HUNTER has served as an Attorney-at-Law for the past 24 years and is currently a Partner in the law firm Ernest A. Smith and Company.

Ms. Hunter specializes in Litigation- civil and family matters at the Supreme Court and Court of Appeal as well as Legal Conveyancing. She is a Board Director of the National Insurance Fund and also serves as Chairman of the Marcus Garvey Technical High School.

MR. DORAN EVAN DIXON, JP serves as Lecturer at the Mico University College and has over 33 years of experience in teaching education. This two-time President of the Jamaica Teachers Association currently serves as Regional Officer, South Central Region of that organization.

Mr. Dixon is a member of the Teacher Services Commission and the National

Council on Education. He is also a Certified Mediator at the Parish Court.

MR. O'NEIL WILTON GRANT currently serves as President of the Jamaica Civil Service Association. Additionally, he is the Director of the Jamaica Cooperative Credit Union League, Vice Chairman of the First Heritage Cooperative (FHC) Credit Union, Chairman of the FHC Foundation and Director of the FHC Investments Limited.

In the past, Mr. Grant has served as Honourary Treasurer at the Ministry of Agriculture, Vice President of the Caribbean Public Services Association and the GSB Cooperative Credit Union 2010 - 2011.

CO-OPTED MEMBERS:

The following persons are co-opted to the Board:

GARY-VAUGHN WHITE – Finance & Investment Committee (August 2016)

JUSTIN NAM – Finance & Investment Committee (August 2016)

RICARDO CASE – HRM & Information Technology Committee (November 2016)

SENIOR EXECUTIVE MANAGEMENT

JUDITH LARMOND HENRY
General Counsel & Company Secretary

ERROL HOLMES
General Manager, Human Resources Management

ERROL THOMPSON
Senior General Manager, Finance

LEIGHTON PALMER
Chief Information Officer

LISA MYRIE DAVIS
Chief Internal Auditor

MARTIN MILLER
Managing Director

DR. LANIE-MARIE OAKLEY WILLIAMS
Senior General Manager, Customer Relations Management

DONALD MOORE
Senior General Manager, Construction & Development

NEIL MILLER
Senior General Manager, Corporate Services

CHAIRMAN & MANAGING DIRECTOR'S REPORT

AMBASSADOR
DR. NIGEL CLARKE
BOARD CHAIRMAN

TO OUR CONTRIBUTORS:

"Improving the quality of life of Jamaicans
by facilitating
home ownership and community development,
particularly among lower income contributors,
while ensuring prudent financial management."

The very noble Mission of the National Housing Trust (NHT) has remained at the forefront of our activities and has guided the very ambitious objective, set in 2016, to start the construction of 15,000 new housing solutions by 2020. The Most Honourable Prime Minister, Andrew M. Holness, when announcing this target, also made it clear that the NHT should start 5,500 of these solutions in 2017/18.

MARTIN MILLER
MANAGING DIRECTOR

The year has been one to be proud of, as housing starts totaled 5,281; the highest on record in over a decade. A total of 17 projects were started across the island during the period, chief among them was The Estuary, a 1,500-unit development, in Friendship, St. James.

Among several other accomplishments, the organization effected new and improved benefit policies and exceeded most of its key performance targets.

IMPROVED BENEFITS

To support the drive to increase the acquisition of housing solutions to lower income contributors, the Housing Microfinance Loan Programme was launched in July 2017. The programme targets credit unions, to which the NHT allocates funds for on-lending to eligible contributors.

An eligible contributor can access a maximum of $1.5M, from this facility, using multiple tranches that cumulatively, should not exceed $850,000.00 at any one point. The loan, which attracts variable interest rates of 6% (secured) and 9% (unsecured), is the lowest cost in the market and targets contributors earning $30,000.00 or less weekly.

The loan can be used for a number of housing related expenditure including obtaining titles, installing utilities, purchasing land, making down payments and undertaking incremental construction or completion of units. Non-contributors wishing to access this facility can apply, but will have to become a contributor before first disbursement.

The first agreement, marking the launch, was with the C&WJ Cooperative Credit Union Limited. Other partnerships that followed were with the Public Sector Employees Cooperative Credit Union; EduCom Cooperative Credit Union Limited; Jamaica Police Cooperative Credit Union Limited; and Lascelles Employees & Partners Cooperative Credit Union Limited.

Other improvements to benefits, during the year, were in the following areas:

HOME GRANT

The limit for Home Grant was increased from $1.5M to $2.5M for a single applicant and $5M for co-applicants. Under the programme, contributors who earn a maximum of $12,000 weekly can apply for a subsidy to augment the amounts they can afford to borrow from the NHT. These funds can then be used to finance the purchase of a unit or the construction of one. Current contributors with at least seven (7) years contributions are eligible.

GRANTS FOR PERSONS WITH DISABILITIES

A special grant of $150,000.00 was made available to NHT contributors who are disabled. This grant allows for the retrofitting of properties to suit their needs. It is also accessible by mortgagors who give care to relatives who are disabled.

100% FINANCING FOR NHT SCHEME UNITS

Subject to affordability, 100% financing is now available to NHT contributors to purchase units in an NHT developed scheme.

INCREASED LOAN LIMIT

The loan ceiling of $5.5M has now been extended to all contributors, subject to affordability. Previously, this limit only applied to newly constructed units.

The House Lot loan limit also increased from $2M to $2.5M, now matching the limit for Serviced Lot loans; while Home Improvement and Fifteen Plus both moved from $1.5M to $2.5M.

DEVELOPERS' PROGRAMME TO FAST TRACK HOUSING DELIVERY

Continuing on the path of innovativeness, the Trust introduced a Housing Developers' Programme geared at speeding up the delivery of houses particularly at the low income level and increasing the number of private developers involved in low income housing. We expect to see the impact of this initiative in the ensuing periods.

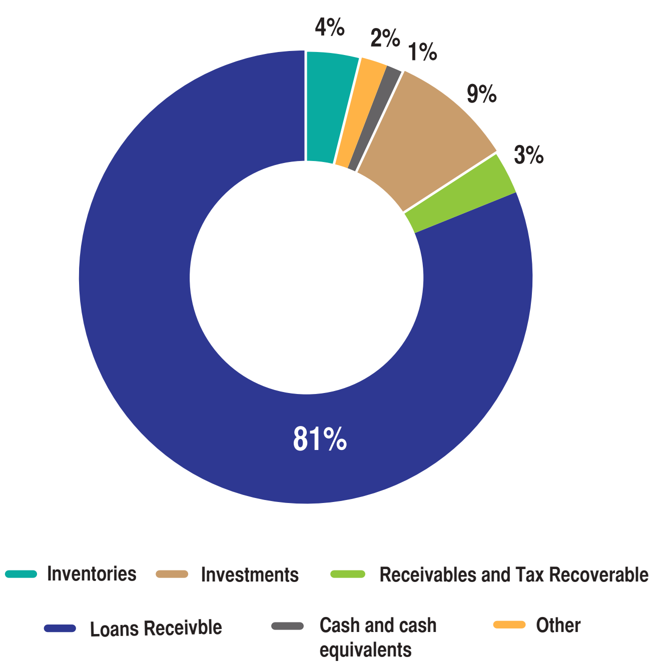
PERFORMANCE REVIEW

Financial Management

TOTAL ASSETS

At the end of the 2017/18 Financial Year, the NHT's assets totaled $275.5B, reflecting growth of approximately 8.3% over 2016/17. Loans receivables of $222B, which was 81% of total assets, showed an increase of 7.8% over last year, due mainly to a net increase in mortgages written in the period.

Asset Composition



The NHT's thrust to increase the number of solutions delivered to contributors gave rise to the need to improve the organization's liquidity position and restructure its investments portfolio. Overall, this portfolio accounted for 9% of total assets, increasing by $2.3B or 10.4% during the year. There was a $3.1B increase in short term deposits and resale agreements, which brought the total value held to $7.2B. Investment securities was reduced to $17.5B (4.2%) from $18.3B previously.

Inventory balances increased to $11.9B or by 41.7% during the year - chiefly as a result of increased construction activities. Work in progress (houses under construction) increased to $5.7B or by 72.4%; land holdings increased to $5.8B, up 23.2%; while the value of finished goods (houses completed, but not yet sold) was reduced to $0.6B or 9.6% less than the previous year.

Cash and cash equivalents of $4.1B at the end of the year, was 24.8% less than the prior year. Again, the Trust's drive to build more houses was the primary reason for the reduction.

INCOME AND EXPENDITURE

Total operating income for the year was 5.4% less than the previous year moving from $33.8B to approximately $32B. The level of income reported for 2016/17 was skewed upwards by the non-refundable employers' contribution, which increased by 35.5% from the collection of sums that were due in prior years. Miscellaneous income, which also contributed to the upward skew, had risen by 87.3% resulting from the write off of some refundable contributions, also for prior years. Overall, total income rose by 24.6% in 2016/17.

The reduction observed for 2017/18 is mainly attributable to the reversion to normal levels of collection for non-refundable collections, which was $1.3B (6.8%) less than the $18.8B collected last year. Miscellaneous income also fell by 61.5% or $1.3B. This decline was due mainly (except for the aforementioned refunds write off) to the appreciation of the Jamaican dollar. With this appreciation no gains were recorded for the year on foreign exchange.

Generally, total expenses increased by 18.3% during the year, mainly as a result of employee costs relating to increased salaries (following union negotiations exercise) and fringe benefits, foreign exchange losses and scheme expenses.

OPERATIONAL REVIEW

Key Performance Areas (KPA)

CONTRIBUTIONS COLLECTIONS

Total contributions collected of $31.5B was 4% higher than the sums collected in 2016/17; and exceeded the budget for the current year by a similar 4%. The increase was mainly attributable to salary increases in both private and public sectors; growth in the number of persons employed across both sectors; and an internally driven Contributions Arrears Programme (CAP), which ended March 31, 2018.

The CAP, introduced in the last quarter of the 2016/17 financial year, was an amnesty, targeting self-employed individuals and employers in arrears up to, initially, December 2016. Under the programme, contributors could receive 100% waiver on interest if they were settling arrears on-the-spot, or 95% if entering into payment arrangements. The timeline was extended in the last quarter of the current year, to include those in arrears up to December 2017. Inflows from collections associated with the arrangements, are expected to continue up to 2022.

MORTGAGE COLLECTIONS

With collections of $21.5B, inflows from the Trust's mortgage portfolio exceeded its target by 0.7%. The amounts collected however, was $1.4B (or 7%) higher than the previous year.

Management of the arrears portfolio was enhanced during the year with the implementation of Phase 1 of the Debt Management Project. There was also an increase in the number of external debt collectors contracted to the NHT. These measures began yielding improvements during the year as monitoring and referrals of affected accounts were carried out in a timelier manner. Overall, the portfolio arrears rate declined by a percentage point by year end and is now at its lowest level in recent years.

LOANS CREATED

A total of 8,050 loans were created during the period; main mortgage loans accounted for 6,334 with a value of $21B. Despite this achievement loans created was the only KPA that did not meet its target for the period, recording a shortfall of 4% or 253 loans. The number was however, 14% higher than the previous year's total of 5,564.

Output was affected by the protracted periods of rainfall experienced during 2017. Many of the loans written by the NHT hinge on the output of not only the Trust, but also the private sector. The output of our private sector partners during the year was significantly below planned levels. The fact that the NHT fell short of the target by only 5% is testament to the hard work put in by the dedicated staff.

LOANS CREATED DURING APRIL 2017 – MARCH 2018

BENEFIT TYPE	ACTUAL	TARGET
MAIN MORTGAGE:		
Build on Own Land (BOL)	435	500
Construction Loan (CL)	856	1,042
Home Improvement (HI)	127	266
House Lot (HL)	1,294	979
Serviced Lot (SL)	93	0
Open Market (OM)	2,858	3,320
Scheme (SCH)	329	194
First Step (BOL, CL, SCH)	65	76
Fifteen Plus	277	210
SUBTOTAL	6,334	6,587
Other Loans:		
Joint Finance Mortgage (JFM)	1,541	684
Solar Water Heater	175	10
SUBTOTAL	1,716	694
TOTALS	8,050	7,281

HOUSING COMPLETIONS

The NHT completed a total of 1,866 housing solutions for the review period. This was 177 over the number planned for 2017/18 and 415 more than last year. Adverse weather conditions resulted in several adjustments to the delivery schedule for both NHT and, as mentioned before, private development projects.

Beneficiary construction projects (BOL, CL & HI) accounted for 56% of the total. "The Estuary," a 1500-unit joint venture between NHT and WIHCON, comprising one bedroom detached units, accounted for the single largest output (21%) among the projects; NHT-developed projects accounted for a further 13%. The Interim Financed Programme accounted for the remaining 10% of completions.

HOUSING COMPLETIONS FOR THE PERIOD APRIL 2017 TO MARCH 2018

BENEFIT TYPE	LOCATION	ACTUAL
INDIVIDUAL BENEFITS LOANS:		
Build on Own Land (BOL)		**250**
Construction Loan (CL)		**468**
Home Improvement (HI)		**307**
First Step (BOL)		**20**
SUBTOTAL		**1,045**
NHT Developed Projects:		
Nashville	**St. Mary**	**38**
Eltham Farm	**St. Catherine**	**44**
Mary's Field	**St. Catherine**	**37**
Shrewsbury	**Westmoreland**	**59**
Yeast Plant	**Westmoreland**	**50**
First Step (NHT Projects)		**7**
SUBTOTAL		**235**
Joint Venture:		
The Estuary (Friendship)	**St. James**	**399**
SUBTOTAL		**399**
Interim Financed Projects:		
Meadows of Irwin	**St. James**	**150**
Green Village Country Club	**St. Catherine**	**37**
Subtotal		**187**
TOTAL		**1,866**

Other Operational Areas

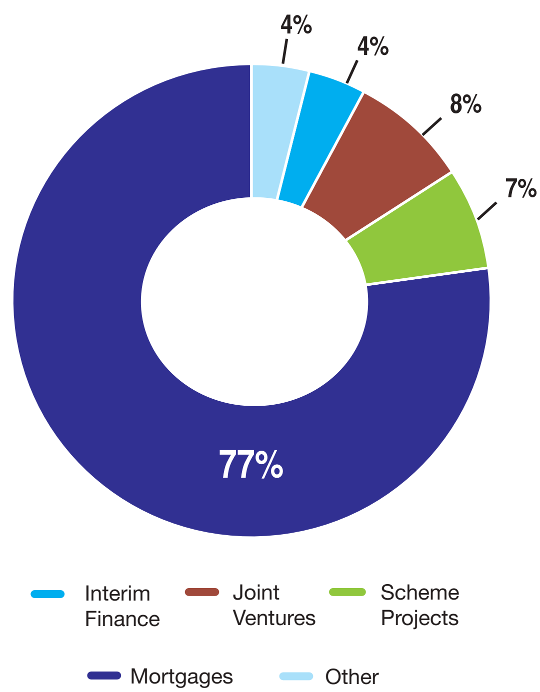
HOUSING EXPENDITURE

Housing expenditure of approximately $28.4B was 87% of the year's budget ($32.6B) and represented 88% of contributions collected. Individual benefits (mortgage financing) accounted for 77% of the expenditure, while the remaining 23% was construction related. The main allocations for construction were Joint Venture (8%), NHT projects (7%), Interim Finance and land purchase (4% each).

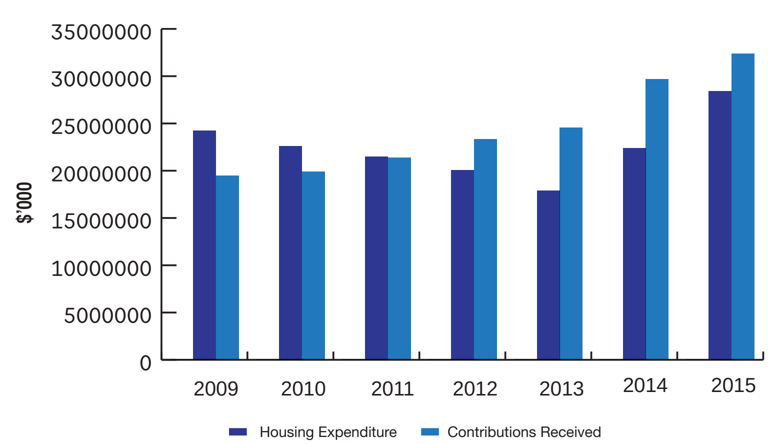
HOUSING STARTS

Following an aggressive push last year to improve the output of the construction portfolio, work began on several projects across the island. The parishes impacted were St. Catherine, Clarendon, Hanover, Manchester, Trelawny, St. Elizabeth, St. James, Westmoreland and St. Andrew. By number of housing solutions, they accounted for 5,281 starts compared to 4,258 that were planned.

Housing Expenditure 2017/2018



Housing Expenditure vs. Contributions Collected



CONTRIBUTIONS REFUNDS

Contributions made in the years 2009 and 2010 were refunded during the year to 159,098 contributors. Refunds for the year totaled $5.5B and represented an increase of $246M or 4.7% over last year. A now familiar trend, processing peaked in the months of January and February with 72% of the contributors being processed during that time.

SOCIAL DEVELOPMENT

Through its Social Development Department, the Trust continued to build capacity in its communities across Jamaica by supporting existing programmes and projects and implementing new ones. Two major highlights of the year were:

Skills Training Programme

The skills training effort this year targeted 160 mortgagors (and/or their children) in the parishes of Clarendon (Longville Park and Monymusk communities) and St. Catherine (Chedwin Gardens). Training was offered in the areas of baking, food preparation, housekeeping, electrical installation, welding, customer service, and geriatric nursing. The courses were facilitated by the Spring Village Development Foundation; the Dean Peart Institute; the Tourism Product Development Company (TPDCo); and Hospitality Skills for Life. The objective of the effort is to equip the mortgagors in arrears with skills that will help them to generate an income and ultimately, to pay their mortgage.

Environment Management

In collaboration with the Scientific Research Council (SRC), the NHT launched the Ecopreneurship Technology Competition dubbed "The Technology Trash to Cash Competition". The event was used as an educational tool to teach youths about composting and how to earn from it, with the general aim being, promoting environmentally friendly practices within NHT's community environment clubs through the concept of reuse and reduce. The specific objectives were:

1. **To Increase awareness and utilization of science, technology and innovation among NHT environment clubs with emphasis on compost development;**
2. **To engage in capacity building activities for the empowerment and advancement of clubs through workshops associated with the Competition such as Business Development & Food Preparation;**
3. **To develop an entrepreneurial culture among youths and to gain a better understanding of concepts associated with the environment, food science and energy.**

Participants were required to attend workshops on composting development; creating compost and growing (mini) crops; business development planning and pitching; and finally, creating culinary treats from the crops planted. The Fair Prospect Environment Club was the eventual winner of the inaugural event, which took place in October, 2017.

The SRC and UWI Social Venture students assisted 17 clubs to write business plans and prepare their business pitch. To date, the top three clubs have gone on to finalize and implement aspects of their business plans. The winning Club won a grant from the Environmental Foundation of Jamaica (EFJ) to build a green house.

Human Resources Management

PUBLIC SECTOR TRANSFORMATION PROGRAMME UPDATE

Further to groundwork started in the 2016/2017 financial year, the organization completed implementation of the first phase of the human resource management system, MyHR+; a payroll and HR combined system. The organization was also duly initiated to the system, which will commence operation at the beginning of the upcoming year. This initiative is part of the wider Public Sector Transformation Programme being driven by the "Vision 2030"[1] mandate.

STAFF SPORTS PROGRAMME AND ACHIEVEMENTS

The curtains closed on the 2017 Netball season with sweet success for NHT's Netball team. It was at the 2017 Florida Netball Classics, that the team raised the coveted trophy of netball supremacy following a resounding 13-9 triumph over arch rivals Scotiabank. As the final seconds ticked away on the game clock, it became more evident that the ladies representing the NHT would be the victors in a well fought match against Scotiabank. The win was indeed a very sweet one as only one week before, the same Scotiabank team had beat the NHT to lift the Business House Netball Competition trophy.

Congratulations to our ladies; Florida Netball Classics 2017 Champions and Business House Netball Competition runners up!

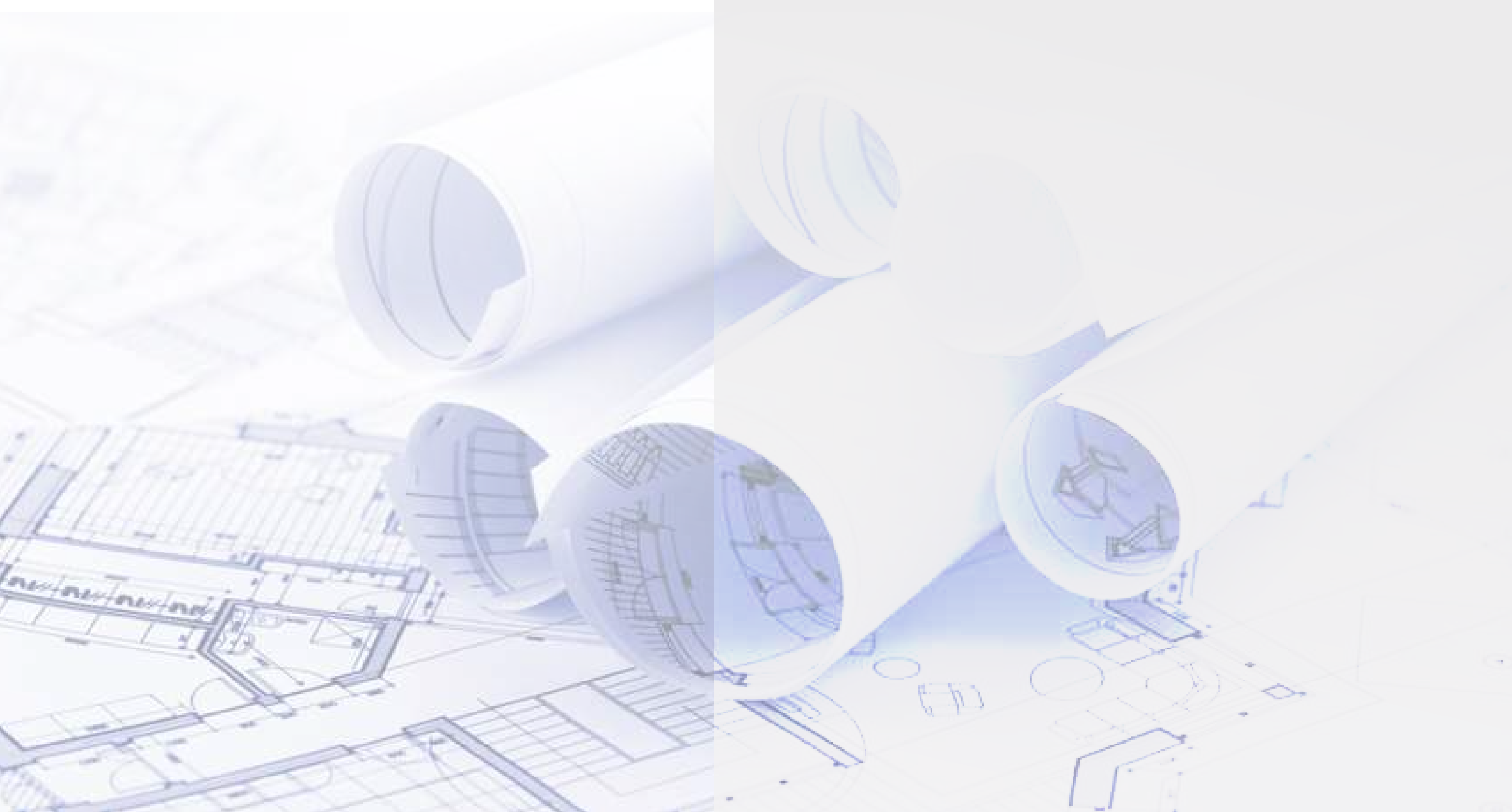
Further on the sports calendar, the Basketball team, which participated in its third consecutive finals, went up against

[1] *Vision 2030 – "A strategic roadmap to guide [Jamaica] to achieve its goals of sustainable development and prosperity by 2030". Source: jis.gov.jm/features/vision-2030-jamaica-national-development-plan/*

the Bank of Jamaica, where they were placed second. The NHT also boasts a marathon team that participates in at least five marathons/road races per year. This year two members of the contingent shone for their outstanding performance. Conrad Tomlinson and Damion McNally both placed 12th and 14th, in the Usain Bolt/Jamaica National Fundraising 5K and 10K events, respectively.

THE YEAR AHEAD

After nearly two years of evaluating and reaffirming our mandate, we believe we have defined a path for further success and growth in our mortgage and construction portfolios. We are both challenged and excited about the prospects that lie ahead. With the continued commitment and dedication of the Board, Management and Staff, we know we have a competent team to deliver on the goals that have been set. In closing, we wish to thank you, our valued contributors for the trust you have placed in us and look forward to reporting on our progress in the ensuing year.



CORPORATE GOVERNANCE

The Board of the National Housing Trust is committed to transparency and a strong sense of fiduciary and social responsibility. The organization is governed by the NHT Act of 1979; and, in the main, is guided by the Corporate Governance Framework for Public Bodies (CGFPB); the Public Bodies Management and Accountability Act (PBMA); the Financial Administrative and Audit Act; and the Ministry of Finance Circulars. The Prime Minister, who is the portfolio minister for the organization, spearheads the appointment of the Board, which is done every three years, or as dictated by other exigencies. The current Board will begin its third year in the ensuing 2018/19 period.

COMPOSITION OF THE BOARD

The composition of the Board ranges between nine (9) to 17 members, inclusive of a Chairman. As at March 31, 2018, the Board had 13 directors, including the Managing Director. Notably, the year began with 14 members; however, the Chairman demitted office during the last quarter of the financial year. The names and accompanying biographies are shown elsewhere in this report. There are six (6) sub-committees of the Board, as shown in the following table:

SUB-COMMITTEES OF THE NHT BOARD OF DIRECTORS

SUB-COMMITTEE	MAJOR RESPONSIBILITY	MEETING FREQUENCY
Audit Committee	- Assesses the adequacy and scope of arrangements for the internal and external audit of the accounts of the NHT; - Examines the reports of internal and external auditors in relation to such accounts; - Ascertains what action has been taken in respect of recommendations contained in such reports.	**Quarterly**
Customer Relations Committee	- Reviews and recommends requests from contributors for variations to policies to support their acquisition of housing solutions. - Accepts and make recommendations to the Board regarding any issues emanating from such policies and strategies which have been implemented or proposed by the Customer Relations Management Division (CRM) through NHT's Leadership Team. - Promotes the development of housing communities through monitoring the provision of support services.	**Bi-monthly**
Finance and Investment Committee	- Examines in depth, as appropriate, in association with other Committees, the sources and uses of funds to improve the efficiency and effectiveness of the provision of housing solutions and the long-term viability of the NHT; - Acts in an advisory capacity to the Board of Directors on the overall financial condition of the NHT; - Reviews the short term and long term financing arrangements of the NHT; - Monitors to ensure compliance with and adherence to the Corporate Plan; - Ensures that there is full compliance and adherence with the "Government of Jamaica's" ("GOJ") Procurement Guidelines and Policies in observance of sound business practices on a fair, competitive and transparent basis.	**Bi-monthly**
		continued...

SUB-COMMITTEES OF THE NHT BOARD OF DIRECTORS continued

SUB-COMMITTEE	MAJOR RESPONSIBILITY	MEETING FREQUENCY
Finance and Investment Committee continued...	- Leads the strategic direction of the NHT in the management of material business risks; - Directs and oversees the establishment and implementation of an enterprise risk management framework; - Reviews the effectiveness of the risk management framework in identifying and managing risks and controlling internal processes. - Formulates strategies for improving the NHT's financial position that will facilitate the maximization of revenue inflows. - Reviews the annual Budgets of the NHT.	**Bi-monthly**
Governance Committee	- Ensures that the NHT operates within the framework of good corporate governance in keeping with the requirements of the Corporate Governance Framework for Public Bodies (CGFPB) and the Public Bodies Management and Accountability (PBMA) Act. It is noted that good corporate governance promotes fairness, transparency, accountability and efficiency and the NHT as an important entity within the public sector is committed to displaying leadership in this area.	**Quarterly**
HRM and Information Technology Committee	- Guides the Board and contribute to strategic policy deliberations, thereby ensuring the optimization of NHT's human capital. - Guides and supports Human Resource policy formulation, implementation and evaluation in general, including but not limited to the provisions of the Human Resource Strategic Plan. The Plan constitutes a framework for the Committee's deliberations and includes policies and strategies relating to recruitment, selection, training and development of employees of the NHT. - Reviews, evaluates and recommends strategies for the technological direction of the NHT.	**Quarterly**
		continued...

SUB-COMMITTEES OF THE NHT BOARD OF DIRECTORS

SUB-COMMITTEE	MAJOR RESPONSIBILITY	MEETING FREQUENCY
Property and Technical Committee	- promotes housing projects to such extent as may from time to time be approved by the Minister; - makes available to such contributors as may be prescribed, in such manner and on such terms and conditions as may be prescribed, loans to assist in the purchase, building, maintenance, repair or improvement of houses; - encourages and stimulates improved methods of production of houses."	**Monthly**

OPERATION OF THE BOARD

The regular schedule for Board meetings is once per month, but may be exceeded or reduced based on eventualities. These, along with sub-committee meetings are held at NHT's Head Office, located at 4 Park Boulevard, Kingston 5. The Committees review matters submitted by Management for consideration and make recommendations to the Board. The Board reserves the right to accept/reject the recommendations of the Committees.

Attendance is registered by the physical presence of Directors or by their communication via teleconferencing. The record for the 2017/18 period shows a total of seven (7) Board meetings held with attendance as follows:

BOARD ATTENDANCE

CHAIRMAN / DIRECTOR	NUMBER OF MEETINGS ATTENDED
Ambassador Dr. Nigel Clarke	7/7
Mr. Lennox Channer	7/7
Mr. Doran Dixon	5/7
Senator Kavan Gayle	4/7
Mr. O'Neil Grant	6/7
Mr. Jeffrey Hall	5/7
Mrs. Nesta-Clare Hunter	6/7
Mr. Martin Miller	7/7
Senator Kerensia Morrison	4/7
Ms. Deborah Newland	3/7
Mr. Ryan Parkes	5/7
Mrs. Anthonette Patterson Bartley	5/7
Mr. Granville Valentine	5/7
Mr. David Wan	2/7

The number of sub-committee meetings varies across the different committees. Attendance during the year was as follows:

SUB-COMMITTEE ATTENDANCE

DIRECTOR	NUMBER OF MEETINGS ATTENDED					
	Audit Committee	Customer Relations Committee	Finance & Investment Committee	Governance Committee	HRM & Information Technology Committee	Properties & Technical Committee
Lennox Channer	*5/5					
Doran Dixon		*8/8		5/5		
Senator Kavan Gayle	3/5				*8/8	
O'Neil Grant	2/5					*6/6
Jeffery Hall			7/11			
Nesta-Claire Hunter		8/8		5/5		
Martin Miller	4/5	8/8	10/11	5/5	8/8	6/6
Senator Kerensia Morrison					4/8	2/6
Deborah Newland	5/5			*4/5		
Ryan Parkes			8/11		6/8	3/6
Anthonette Patterson Bartley		5/8		4/5	4/8	
Granville Valentine		4/8			5/8	
David Wan			*11/11			2/6
Ricardo A. Case (Co-opted)					4/8	
Justin Nam (Co-opted)			8/11			
Gary-Vaughn White (Co-opted)			11/11			

***Denotes Committee Chairman**

Notes:

1. Anthonette Patterson Bartley – Appointed to the HRM & Information Technology Committee, May 18, 2017.
2. Senator Kerensia Morrison – Appointed to the Properties & Technical Committee June 15, 2017.
3. Anthonette Patterson Bartley – Appointed to the HRM & Information Technology Committee July 20, 2017.

DIRECTORS' INDEMNITY

The NHT provides indemnity coverage for its Directors and Officers duly authorized to act on behalf of the organization, in the normal execution of their duties and responsibilities. This coverage does not extend to any action that falls outside the remit of the law or the organization. The coverage is renewed annually.

INTERNAL AUDIT

The Internal Audit Department provides independent and objective oversight that adds value to and improves the organization's operations. Using a systematic and disciplined approach, the Department monitors the organization's compliance with legislation; adherence to policies and procedures and operational guidelines, as well as, goal accomplishment against standards. The unit also ensures that controls are tested for robustness; financial requirements and guidelines are maintained; and risks are adequately identified and managed.

Internal Audit is guided by the International Standards for the Professional Practice of Internal Auditing (IPPF). Administratively, the unit reports to the Managing Director, while functionally, the Audit Sub-Committee of the Board overseas its performance.

RISK MANAGEMENT

The organization's risks are managed by the Corporate Risk and Insurance Management Unit, which guides the process of risk identification through to risk mitigation. The tools that support this process are: (1) the Risk Management Policy; (2) NHT's Business Risk Review Manual; and (3) NHT's Risk Reference Guide. The major outputs of the process are the (1) Annual Corporate Risk Profile; (2) the Annual Operational Risk Plans; (3) the Process Risk Assessments; and (4) the Project Risk Assessments

EXTERNAL AUDIT

External Auditors provide another means of independent and objective evaluation of the organization's operations, helping to ensure its integrity and financial prudence. They receive direct oversight from the Audit Sub-Committee, which reviews and makes recommendations for their appointment. Up to the end of the 2016/17 financial year, KPMG had served the last of a two-year installment with the Trust.

Corporate Governance Committee

PICTORIAL YEAR IN REVIEW

Housing MicroFinance Programme

NHT's Managing Director, Mr. Martin Miller ***(seated centre)*** and the C&WJ Credit Union's Director, Mr. Pete Smith ***(right)*** sign contracts signaling the start of the partnership with credit unions, to offer housing microfinance to current contributors. The Programme, which started July 2017, is administered by participating credit unions, which are allocated funding by the NHT for on-lending to contributors. Looking on are Mr. Neil Miller ***(left)***, Senior General Manager, Corporate Services; and ***(standing)*** Mrs. Helen Pitterson ***(left)***, Assistant General Counsel for the NHT and Ms. Terry-Ann Bennett, Director, C&WJ Credit Union Limited.

Ecopreneurship

Above: Participants display their delectable creations while judges inspect and give insight.

Right: Kelsey Jones, President of the winning Fair Prospect Environment Club, receiving the award for Best Business Plan from Ms. Camille Chevannes, Assistant General Manager, Legal Conveyancing & Mortgage Registry Department, NHT.

Above: Fair Prospect Environment Club, the winning group of the inaugural Ecopreneurship Competition held October 2017. Standing with the winners are, from ***(2nd right)***, Mr. Errol Holmes General Manager, Human Resources Management, NHT; Ms. Wendy-Jo Williams, Manager, Social Development Department, NHT; Mr. Valmo Wynter, Team Leader, Food Product Development Department, Scientific Research Council; and Dr. Lanie-Marie Oakley Williams, Snr. General Manager, Customer Relations Management Division, NHT. The NHT and SRC were joint hosts of the Competition.

Above: Two male dancers of The Denham Town Music for Social Transformation Programme, provide entertainment for the inaugural event.

Groundbreaking

Left: On the grounds of Colbeck Castle – the proposed site for the "Villages of Colbeck Castle Housing Development – a Joint Venture between the NHT and BCR Industries Co. Ltd. In the background are the ruins of the Castle, to which the location owes its name. It is a protected heritage site, which will be preserved amidst the development that will comprise over 500 Serviced Lots and approximately 400 housing units. In discussions with the Prime Minister, the Most Hon. Andrew Holness ***(3rd left)*** are ***(from left):*** Chairman, Ms. Laleta Davis, Chairman, Jamaica National Heritage Trust; Mr. Doran Dixon, Board Member; Messrs. Aman-Ra and Nassif Deenah, Joint Venture Partners; and Mr. Martin Miller, Managing Director, NHT. Occasion was the Groundbreaking Ceremony held on July 14, 2017.

Above: Several groundbreakings were held throughout the year, marking the start of several housing projects. Proposed design for the Ruthven Towers as displayed at the Groundbreaking Ceremony held September 22, 2017. The development promises a mix of one and two bedroom apartments.

Left: The Prime Minister and Minister with portfolio responsibility for the NHT, The Most Hon. Andrew Holness ***(centre)***, performs the symbolic gesture for the new development. Joining the Prime Minister are ***(from left):*** The Hon. Steadman Fuller, Custos of Kingston; Mr. Martin Miller, Managing Director, NHT; the Hon. Dr. Horace Chang, Minister without Portfolio in the Min. of Economic Growth and Job Creation; Dr. Nigel Clarke, NHT Board Chairman; Mr. Julian Robinson, Member of Parliament for South East St. Andrew; and the Hon. Dr. Patricia Dunwell, Custos of St. Andrew.

Handing Over

Above: The Welcoming Party cutting the ribbon to mark the handover of the first set of one-bedroom units at The Estuary, in Friendship, St. James on February 23, 2018. The development, which will comprise 1500 - one bedroom detached units, is a Joint Venture between the NHT and WIHCON.

Participating in the ribbon cutting are Prime Minister and Minister with portfolio responsibility for the NHT, The Most Hon. Andrew Holness; ***(3rd Right)*** along with ***(from left):*** the Hon. Dr. Horace Chang, Minister without Portfolio in the Min. of Economic Growth and Job Creation; Mr. Martin Miller, Managing Director of the NHT; Mr. Peter Melhado, Chairman, WIHCON; Mrs. Joyce Simms-Wilson, General Manager, Corporate Communications & Marketing at the NHT; and Mr. Doran Dixon, NHT Board Member.

Left: This group of happy homeowners could not contain their joy at receiving the keys to their home. They were among the first set of 150 homeowners to call The Estuary, "home". The development is slated to be completed in 2019.

Welcome Home to Nashville!

Inside the new two-bedroom units at Nashville Mews in Highgate, St. Mary. The development is a mix of Serviced Lots and housing units.

New Homeowners of Nashville Mews are delighted to receive their keys. Doing the presentations are ***(from top):*** Prime Minister, the Most Hon. Andrew Holness; Mr. Martin Miller, Managing Director, NHT and Mr. Errol Johnson, Custos of St. Mary.

DIRECTORS' REPORT

1. **Statement of Profit and Loss and Other Comprehensive Income for Year Ended March 31, 2018**

	Notes	2018 $'000	2017 $'000
Non-refundable employers' contributions	2(c)	17,528,745	18,800,568
Interest revenue:			
- Loans	29(a)	10,933,031	9,716,403
- Investments	29(a)	1,718,942	1,637,988
		12,651,973	11,354,391
Bonus on employees' contributions	29(b)	(1,558,862)	(1,575,836)
Net interest revenue		11,093,111	9,778,555
Gains on inflation indexed bonds	29(c)	183,815	97,601
Gains on disposal of available-for-sale securities	29(c)	143,466	78,621
Dividends from equity investments	29(a)	26,509	24,953
Service charge on loans to beneficiaries	10(p)	602,324	1,291,759
Miscellaneous	26	830,338	2,155,486
		12,879,563	13,426,975
		30,408,308	32,227,543
Operating expenses	29(d)	7,330,507	6,526,598
Increase/(Decrease) in allowance for impairment on loans receivable	10(o)	35,029	229,626
Loss/(gains) on projects (including allowance for impairment)	12(b)	(38,353)	15,400
Special subsidies and grants	27	494,368	420,520
Government levies		31,171	30,923
Restructuring costs		334,033	(299,580)
Share of losses of associate	14	54,318	44,014
		8,241,073	6,967,501
PROFIT BEFORE TAXATION		22,167,235	25,260,042
Taxation	28(c)	(1,216,181)	(1,086,972)
PROFIT FOR THE YEAR	29	20,951,054	24,173,070
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
- Gains on available-for-sale financial assets	21	1,173,969	1,032,430
Items that will never be reclassified to profit or loss:			
- Contribution shortage on annual returns	21	-	(5)
- Remeasurement (loss)/gains on defined benefit plan	15(c)	(377,397)	(707,785)
- Deferred tax on remeasurement (loss)/gains on defined benefit plan	20	94,349	176,946
- Reduction in deferred tax liability on revaluation of property, plant and equipment	20	-	758
		(283,048)	(530,086)
Other comprehensive income for the year, net of tax		890,921	502,344
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		21,841,975	24,675,414

The accompany notes form an integral part of these financial statements.

DIRECTORS' REPORT continued...

2. **The Board of Directors**

Ambassador Dr. Nigel Clarke, Chairman
Martin Miller, Managing Director
Anthonette Patterson Bartley
David Wan
Deborah Newland
Doran Dixon
Granville Valentine
Jeffrey Hall
Senator Kavan Gayle
Senator Kerensia Morrison
Lennox Channer
Nesta-Claire Hunter
O'Neil Grant
Ryan Parkes

Co-opted Board Members

Gary-Vaughn White
Justin Nam
Ricardo Case

3. **The Auditors**

Effective March 6, 2018, Ernst and Young, Chartered Accountants, were appointed auditors for a period of three years.

4. **The Employees**

The Directors wish to thank the management and staff of the Trust for their hard work during the year under review.

Note:

Mr. Lennox Channer was appointed Chairman of the Board of Directors, effective July 16, 2018.

FINANCIAL STATEMENTS

CONTENTS

EY
Building a better working world
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors National Housing Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Housing Trust ("the Trust"), set out on pages 4 to 68, which comprise the statement of financial position as at March 31, 2018, the statements of profit or loss and other comprehensive income, changes in accumulated fund and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the National Housing Trust Act ("the Act").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter
The financial statements of the Trust for the year ended 31 March 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 15, 2017.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Trust's financial reporting process.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors National Housing Trust

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors
National Housing Trust

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on additional matters as required by the National Housing Trust Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

As detailed in Note 19(b), the Trust has not fully established personal accounts for employed persons, who have made refundable contributions to the Trust, to enable it to issue certificates of contributions made, as required by Section 18 of the National Housing Trust Act. The processing of annual returns is ongoing and the Trust is taking steps to complete the processing in order to issue the relevant certificates, although progress is hampered by employers not submitting the returns required in a timely manner.

In our opinion, except for this matter, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the National Housing Trust Act in the manner required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31, 2018

(Expressed in Jamaica dollars unless otherwise stated)

	Notes	2018 $'000	2017 $'000
ASSETS			
Cash and cash equivalents	6	4,065,931	5,404,634
Receivables and prepayments	7	1,750,971	1,489,712
Short term deposits and resale agreements	8	7,181,665	4,084,008
Investment securities	9	17,540,552	18,307,987
Taxation recoverable	28(a)	6,842,938	6,512,191
Loans receivable	10	222,052,812	206,056,713
Inventories	12	11,911,675	8,403,520
Intangible assets	13	3,549	5,931
Investments in associate	14	1,106,715	1,073,038
Employee benefits asset	15	1,593,661	1,715,534
Property, plant and equipment	16	1,484,785	1,409,538
Total assets		275,535,254	254,462,806
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Payables and accruals	17	5,508,320	4,157,714
Provisions	18	130,032	114,982
Refundable contributions	19	99,168,539	91,251,418
Taxation payable	28(b)	5,894,443	4,697,192
Deferred tax liabilities	20	543,348	618,767
Employee benefits obligation	15	814,868	589,004
		112,059,550	101,429,077
ACCUMULATED FUND			
Fair value and other reserves	21	3,187,825	2,936,020
Mortgage subsidy reserve	22	3,754,599	3,378,598
Peril reserve	23	3,777,426	3,831,324
Loan loss reserve	10,24	5,394,077	4,957,689
Accumulated profit		147,361,777	137,930,098
		163,475,704	153,033,729
Total liabilities and accumulated fund		275,535,254	254,462,806

The accompanying notes from an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on <DATE> and signed on its behalf by:

....

Lennox Channer - Director Martin Miller – Managing Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2018

(Expressed in Jamaica dollars unless otherwise stated)

	Notes	2018 $'000	2017 $'000
Non-refundable employers' contributions	2(c),29(e)	17,528,745	18,800,568
Interest revenue:			
- Loans	29(a)	10,933,031	9,716,403
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Miscellaneous	26	830,338	2,155,486
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Operating expenses	29(d)	7,330,507	6,526,598
Increase in allowance for impairment on loans receivable	10(o)	35,029	229,626
(Gains)/Losses on projects (including allowance for impairment)	12(b)	(38,353)	15,400
Special subsidies and grants	27	494,368	420,520
Government levies		31,171	30,923
Foreign exchange losses/(gains) (net)		334,033	(299,580)
Share of losses of associate	14	54,318	44,014
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Items that will never be reclassified to profit or loss:			
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Other comprehensive income for the year, net of tax		890,921	502,344
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		21,841,975	24,675,414

The accompany notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN ACCUMULATED FUND
YEAR ENDED MARCH 31, 2018

(Expressed in Jamaica dollars unless otherwise stated)

	Notes	Fair value and other reserves $'000	Mortgage subsidy reserve $'000	Peril reserve $'000	Loan loss reserve $'000	Accumulated profit $'000	Total $'000
Balance at April 1, 2016		1,902,837	2,866,217	3,640,884	4,745,253	127,552,754	140,707,945
Total comprehensive							
Profit for the year		-	-	-	-	24,173,070	24,173,070
Other comprehensive income for the year		1,033,183	-	-	-	(530,839)	502,344
Total comprehensive income for the year		1,033,183	-	-	-	23,642,231	24,675,414
Recognised directly in accumulated fund:							
Transfer to consolidated fund	25(i)	-	-	-	-	(11,400,000)	(11,400,000)
Special distribution	25(ii)	-	-	-	-	(1,000,000)	(1,000,000)
Effect of National Debt Exchange (FRAN)		-	-	-	-	50,370	50,370
Transfers	22,23,24	-	512,381	190,440	212,436	(915 257)	-
Balance at March 31, 2017		2,936,020	3,378,598	3,831,324	4,957,689	137,930,098	153,033,729
Total comprehensive							
Profit for the year		-	-	-	-	20,951,054	20,951,054
Other comprehensive income for the year		1,173,969	-	-	-	(283,048)	890,921
Total comprehensive income for the year		1,173,969	-	-	-	20,668,006	21,841,975
Recognised directly in accumulated fund:							
Transfer to consolidated fund	25(i)	-	-	-	-	(11,400,000)	(11,400,000)
Transfer to accumulated surplus	21	(922,164)				922,164	-
Transfers	22,23,24	-	376,001	(53,898)	436,388	(758,491)	-
Balance at March 31, 2018		3,187,825	3,754,599	3,777,426	5,394,077	147,361,777	163,475,704

The accompany notes form an integral part of these financial statements.

(Expressed in Jamaica dollars unless otherwise stated)

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		20,951,054	24,173,070
Adjustments to profit for the year	36	(11,407,421)	(14,142,473)
		9,543,633	10,030,597
Increase in operating assets			
Receivables and prepayments		(307,263)	(118,119)
Employees benefit contributions	15	(171,467)	(188,112)
Increase in operating liabilities:			
Payables and accruals		1,350,606	674,085
Cash provided by operations		10,415,509	10,398,451
Dividends received		26,509	24,953
Interest received		11,798,983	11,430,485
Tax paid		(330,747)	(321,949)
Cash provided by operating activities		21,910,254	21,531,940
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of resale agreements		(14,603,701)	(12,649,803)
Proceeds on encashment of resale agreements		11,465,558	11,814,846
Acquisition of investment securities		(2,559,096)	(3,119,960)
Proceeds on encashment of investment securities		4,605,243	3,646,777
Loans receivable, less recoveries		(15,495,852)	(12,068,873)
Increase in inventories (net)		(3,466,508)	(1,506,639)
Acquisition of intangible assets	13	-	(6,996)
Acquisition of property, plant and equipment	16	(200,741)	(106,572)
Investments in associate		(87,995)	(54,267)
Proceeds on disposal of property, plant and equipment		5,618	-
Cash used in investing activities		(20,337,474)	(14,051,487)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employees		14,016,539	11,533,327
Refund of employees' contributions		(5,514,115)	(5,268,297)
Transfer to consolidated fund		(11,400,000)	(11,400,000)
Special distribution		-	(1,000,000)
Cash used in financing activities		(2,897,576)	(6,134,970)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,342,796)	1,345,483
OPENING CASH AND CASH EQUIVALENTS		5,380,129	4,361,973
Effect of foreign exchange rate changes		4,324	(327,327)
CLOSING CASH AND CASH EQUIVALENTS	6	4,059,657	5,380,129

The accompany notes form an integral part of these financial statements.

(Expressed in Jamaica dollars unless otherwise stated)

1 IDENTIFICATION

National Housing Trust (the Trust) was established in Jamaica in 1976 and became a body corporate under the National Housing Trust Act (the Act) in 1979. The Trust is domiciled in Jamaica and its registered office is at 4 Park Boulevard, Kingston 5.

The functions of the Trust are:

(a) To add to and improve the country's existing supply of housing by:

- (i) promoting housing projects to such extent as may, from time to time, be approved by the Minister responsible for the Trust.
- (ii) making loans available to contributors to assist in the purchase, building, maintenance, repair or improvement of houses; and
- (iii) encouraging and stimulating improved methods of production of houses.

(b) To enhance the usefulness of the funds of the Trust by promoting greater efficiency in the housing sector.

(c) In the exercise of its functions, the Trust shall have power:

- I. to provide for:
  - (i) development projects undertaken by the Trust;
  - (ii) social services and physical infrastructure for communities developed under the projects;
- II. to administer and invest the moneys of the Trust;
- III. to enter into loan agreements with borrowers;
- IV. to receive and administer funds entrusted to the Trust in accordance with the provisions of the Act:
- V. to make refunds and grants to contributors or any category thereof, on such terms and conditions as may be prescribed;
- VI. to re-finance from time to time, subject to such restrictions and conditions as may be prescribed, mortgages held by members of any prescribed category of contributors; and
- VII. to do such other things as may be advantageous, necessary or expedient for or in connection with the proper performance of its functions under this Act.

<u>National Housing Trust (Special Provisions) Act, 2013 and 2017</u>
In addition to the functions specified in (a) and (b) above, the Trust may provide financing up to a maximum annual amount of eleven billion, four hundred million dollars for the fiscal consolidation in respect of each financial year March 31, 2014 to March 31, 2021.

Financing provided may be by way of distribution, grant or otherwise as the Minister responsible for Finance may determine. This Act is currently in force until March 31, 2021.

(Expressed in Jamaica dollars unless otherwise stated)

2 **CONTRIBUTIONS AND BENEFITS**

(a) The Act requires certain employed persons and their employers, and self-employed persons to make contributions to the Trust.

(b) The benefits (as defined in the Act) in relation to contributions made by employed and self-employed persons are:

(i) loans for housing acquisition or improvement;
(ii) contribution refunds including bonuses awarded in the eighth year after the first contribution year and annually thereafter for each successive year in which contributions were made (see Note 19(a)) and;
(iii) contribution refunds in the event of death, invalidity and other circumstances prescribed.

(c) Each year's contributions made by employers in respect of the period from inception to July 31, 1979 were refundable twenty-five years after the end of the year in which they were made. These amounts have been substantially repaid subject to contributors not being in default of any of the Trust's requirements. Contributions made by employers in respect of periods beginning on or after August 1, 1979 are not refundable and no bonuses are payable on such contributions.

3. **STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY**

3.1 **Statement of compliance**

The Trust's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the relevant requirements of the National Housing Trust Act.

Application of new and revised international financial reporting standards (IFRS)

Current year changes
The Trust applied for the first time certain standards and amendments, which are effective for its annual periods beginning on or after April 1, 2017. The Trust has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective for 2017/2018.

Although these new standards and amendments applied for the first time in 2017/2018, they did not have a material impact on the annual financial statements of the Trust. The nature and the impact of each new standard or amendment are described below:

- **IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12***
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments do not have any impact on the financial statements of the Trust.

(Expressed in Jamaica dollars unless otherwise stated)

3. **STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)**

3.1 **Statement of compliance (Continued)**

Application of new and revised international financial reporting standards (IFRS) (continued)

Current year changes (continued)

- ***Annual Improvements 2012-2014 Cycle (issued December 2016)***
  This includes:

  IFRS 12 *Disclosure of Interests in Other Entities*
  The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal Trust that is classified) as held for sale. The amendments are effective from January 1, 2017 and must be applied retrospectively. This amendment does not have any impact on the financial statements of the Trust.

- **IAS 7 *Disclosure Initiative – Amendments to IAS 7***
  The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. This amendment does not have any impact on the financial statements of the Trust.

- ***IFRS Practice Statement 2: Making Materiality Judgements***
  Companies are permitted to apply the guidance in the Practice Statement (PS) to financial statements prepared any time after September 14, 2017.

  The PS contains non-mandatory guidance to help entities making materiality judgements when preparing general purpose IFRS financial statements. The PS may also help users of financial statements to understand how an entity makes materiality judgements in preparing such financial statements.

  The PS comprises guidance in three main areas:
  - General characteristics of materiality,
  - A four-step process that may be applied in making materiality judgements when preparing financial statements. This process describes how an entity could assess whether information is material for the purposes of recognition, measurement, presentation and disclosure.
  - How to make materiality judgements in specific circumstances, namely, prior period information, errors and covenants and in the context of interim reporting. Furthermore, the PS discusses the interaction between the materiality judgements an entity is required to make and local laws and regulations.

  The PS did not have any impact on the Trust's financial statements.

(Expressed in Jamaica dollars unless otherwise stated)

3. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)

3.1 Statement of compliance (Continued)

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes
The standards and interpretations that are issued, but not yet effective for 2017/2018 are disclosed below. The Trust intends to adopt these standards, if applicable, when they become effective.

- **IFRS 9 *Financial Instruments***
  IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

  Key requirements of IFRS 9:

  - All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  - With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

  - In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model (ECL), instead of the incurred loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risks since initial recognition. Generally, entities are required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there is a significant increase in credit risk on an individual or collective basis, these entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

(Expressed in Jamaica dollars unless otherwise stated)

3. **STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)**

3.1 **Statement of compliance (Continued)**

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes (continued)

- **IFRS 9 *Financial Instruments (continued)***
  - The new general hedge accounting requirements retain the three types of hedge accounting mechanism currently available under IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

  The directors and management anticipate that IFRS 9 will be adopted in the Trust’s financial statements for the annual period beginning April 1, 2018 and that the application of IFRS 9 may impact the amounts reported in respect of the Trust’s financial assets and liabilities. However, the directors and management have not yet completed their analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

- **IFRS 15 *Revenue from Contracts with Customers***
  This new standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps are:

  - Identify the contract with the customer,
  - Identify the performance obligations in the contract,
  - Determine the transaction price,
  - Allocate the transaction price to the performance obligations in the contracts,
  - Recognise revenue when (or as) the entity satisfies a performance obligation.

  There is new guidance on whether revenue should be recognised at a point in time or over time, which replaces the previous distinction between goods and services. Where revenue is variable, a new recognition threshold has been introduced by the standard. This threshold requires that variable amounts are only included in revenue if, and to the extent that, it is highly probable that a significant revenue reversal will not occur in the future as a result of re-estimation. However, a different approach is applied for sales and usage-based royalties from licences of intellectual property; for such royalties, revenue is recognised only when the underlying sale or usage occurs. The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalised. Costs that do not meet the criteria must be expensed when incurred.

  The standard provides detailed guidance on various issues such as identifying distinct performance obligations, accounting for contract modifications and accounting for the time value of money, sales with a right of return, customer options for additional goods or services, principal versus agent considerations, licensing, and bill-and-hold arrangements.

  The standard introduces new, increased requirements for disclosure of revenue in an IFRS reporter’s financial statements.

(Expressed in Jamaica dollars unless otherwise stated)

3. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)

3.1 Statement of compliance (Continued)

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes (continued)

- **IFRS 15 *Revenue from Contracts with Customers (continued)***
  IFRS 15 must be applied in an entity's annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the Standard is mandatory and early adoption is permitted. The directors and management have not yet completed their assessment of the impact of the application of this standard on the Trust's financial statements.

- **IFRS 16 *Leases***
  This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of "low value" assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted but not before the Trust applies IFRS 15. The directors and management have not yet assessed the impact of the application of this standard on the Trust's financial statements.

- **IFRS 2 *Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2***
  The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Trust does not have share-based transactions therefore the amendments are not expected to have an impact on its financial statements.

- **IAS 40, *Investment Property - Transfers of Investment Property (Amendments to IAS 40)***
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

  These amendments are effective for annual periods beginning on or after January 1, 2018. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. These amendments are not expected to have any impact on the financial statements of the Trust.

(Expressed in Jamaica dollars unless otherwise stated)

3. **STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)**

3.1 **Statement of compliance (Continued)**

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes (continued)

- ***Annual Improvements 2012-2014 Cycle (issued December 2016)***
  These include:

  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
    Under this amendment the short-term exemptions for first time adopters in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are effective for annual periods beginning on or after January 1, 2018.

  - IAS 28 *Investments in Associates and Joint Ventures*
    The amendments clarify that:

    - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
    - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments are effective for annual periods beginning on or after January 1, 2018.

  These amendments are not expected to have any impact on the financial statements of the Trust.

- **IFRS 9 *Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4***
  The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board has developed to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

  Temporary exemption from IFRS 9
  The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS *39 Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until January 1, 2021 at the latest.

  Predominance must be initially assessed at the annual reporting date that immediately precedes April 1, 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases.

  Entities applying the temporary exemption will be required to make additional disclosures.

(Expressed in Jamaica dollars unless otherwise stated)

3. **STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)**

3.1 **Statement of compliance (Continued)**

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes (continued)

- **IFRS 9 *Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (continued)***

  The overlay approach

  The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets. An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

  The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if the entity restates comparative information when applying IFRS 9.

  These amendments are effective for annual periods beginning on or after January 1, 2018. These amendments are not expected to have any impact on the financial statements of the Trust.

- **IFRS 17 *Insurance Contracts***

  The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

  IFRS 17 reflects the IAS Board's view that an insurance contract combines features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, the Board developed an approach that:

  a) Combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
  b) Presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
  c) Requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognise all insurance finance income or expenses for the reporting period in profit or loss or to recognise some of that income or expenses in other comprehensive income.

(Expressed in Jamaica dollars unless otherwise stated)

3. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)

3.1 Statement of compliance (Continued)

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes (continued)

- **IFRS 17 *Insurance Contracts***
  An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. The simplified measurement approach allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. Earlier application is permitted. This standard is not expected to have any impact on the financial statements of the Trust.

- **Amendments to IFRS 9 - *Prepayment Features with Negative Compensation***
  Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

  The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9. The amendments are effective for annual periods beginning on or after January 1, 2019.

  These amendments are not expected to have any impact on the Trust's financial statements.

- **Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***
  The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Trust.

(Expressed in Jamaica dollars unless otherwise stated)

3. **STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)**

3.1 **Statement of compliance (Continued)**

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes (continued)

- **IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration***
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

  This interpretation is effective for annual periods beginning on or after January 1, 2018. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

  (i) The beginning of the reporting period in which the entity first applies the interpretation, or
  (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The directors and management have not yet assessed the impact of the application of this standard on the Trust's financial statements.

- **IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments***
  In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available.

  The directors and management have not yet assessed the impact of the application of this standard on the Trust's financial statements.

(Expressed in Jamaica dollars unless otherwise stated)

3. **STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)**

3.1 **Statement of compliance (Continued)**

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes (continued)

- ***Amendments to IAS 28 - Long-term interests in associates and joint ventures***
  The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

  The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. To illustrate how entities apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests, the Board also published an illustrative example when it issued the amendments. Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate ambiguity in the wording of the standard. The amendments are effective for annual periods beginning on or after January 1, 2019. The directors and management have not yet completed their assessment of the impact of the application of this amendment on the Trust's financial statements.

- ***Annual Improvements 2015-2017 cycle (issued in December 2017)***
  Following is a summary of the amendments from the 2015-2017 annual improvements cycle:

  - IFRS 3 *Business Combinations - Previously held Interests in a joint operation*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019. Earlier application is permitted. These amendments are not expected to have an impact on the Trust.

  - IFRS 11 *Joint Arrangements - Previously held Interests in a joint operation*
    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019. Earlier application is permitted. These amendments are not applicable to the Trust.

(Expressed in Jamaica dollars unless otherwise stated)

3. **STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)**

3.1 **Statement of compliance (Continued)**

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes (continued)

- ***Annual Improvements 2015-2017 cycle (issued in December 2017) (Continued)***

  - IAS 12 Income Taxes - *Income tax consequences of payments on financial instruments classified as equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. These amendments are not expected to have an impact on the Trust.

  - IAS 23 *Borrowing Costs - Borrowing costs eligible for capitalisation*
    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. These amendments are not applicable to the Trust.

- ***Plan Amendment, Curtailment* or *Settlement - Amendments* to *IAS 19***
  The amendments to IAS 19 *Employee Benefits* address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

  Determining the current service cost and net interest
  When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment. curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

(Expressed in Jamaica dollars unless otherwise stated)

3. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND FUNCTIONAL CURRENCY (CONTINUED)

3.1 Statement of compliance (Continued)

Application of new and revised international financial reporting standards (IFRS) (continued)

Future changes (continued)

- ***Plan Amendment, Curtailment* or *Settlement - Amendments* to *IAS 19 (Continued)***

  Effect on asset ceiling requirements
  A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change.

  The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

  This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Early application is permitted and should be disclosed.

  These amendments are not expected to have an impact of the financial statements of the Trust.

3.2 Basis of preparation

These financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values and employee benefits asset and liability which are measured by discounting the future benefits to determine their present values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.3 Functional currency

The financial statements are presented in Jamaica dollars, the currency of the primary economic environment in which the Trust operates (its functional currency), expressed in thousands, except when otherwise stated.

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below and have been consistently applied for all years presented, unless otherwise stated.

4.1 Fair value measurement

The Trust measures certain financial instruments at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Trust.

(Expressed in Jamaica dollars unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Fair value measurement (Continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Trust's Board of Directors and management determine the policies and procedures for recurring fair value measurement.

At each reporting date, the Trust analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Trust's accounting policies.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.2 Financial instruments

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

Financial assets and financial liabilities are recognised on the Trust's statement of financial position when the Trust becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The fair values of the financial instruments are discussed in Note 33.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (Continued)**

4.2.1 ***Financial assets***

These are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by regulation or convention in the market place.

Financial assets are classified into the following specified categories: ‘at fair value through profit or loss (FVTPL)’, ‘loans and receivables’ and ‘available-for-sale’ (AFS). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) throughout the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified at FVTPL where the financial asset is either held for trading or is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Trust manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Trust's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value based on quoted prices with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (Continued)**

4.2.1 ***Financial assets (Continued)***

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Trust's portfolio of loans and receivables, which includes cash and cash equivalents, resale agreements, loans receivable and other short-term receivables, is measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid instruments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments (these instruments include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at cost.

Resale agreements
Resale agreements are treated as collaterised financing transactions and are recorded at the amount at which the securities were acquired plus accrued interest. The difference between the purchase and resale price is treated as interest income and is accrued over the lives of the agreements using the effective interest method. Resale agreements with maturity of less than three months are included in cash and cash equivalents.

Loans receivable and service charge on loans
Loans receivable
Loans are recognised when funds are advanced/disbursed to beneficiaries. They are initially recorded at fair value, which is the cash given to originate the loan, including any transaction costs, and subsequently measured at amortised cost using the effective interest method.

Service charge on loans to beneficiaries
A fee of 5% to cover processing and administrative expenses is added to the loan amount when granting new mortgages. The difference between the fee income and the related expenses is amortised on the straight–line basis over 2 years.

c) Available-for-sale (AFS) financial assets

AFS financial investments include equity investments and debt securities. Financial assets classified as AFS are those neither classified as loans and receivables nor designated at fair value through profit or loss.

Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates, or market prices.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (Continued)**

4.2.1 ***Financial assets (Continued)***

c) Available-for-sale (AFS) financial assets (continued)

Securities held by the Trust that are traded in an active market are classified as AFS and are measured at fair value at each reporting date based on quoted bid prices or amounts derived from cash flow models.

AFS equity investments that do not have quoted market prices in an active market and whose fair values cannot be reliably measured are carried at cost less any identified impairment losses at the each reporting date.

Changes in the carrying amount of AFS financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of fair value and other reserves in accumulated fund. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value and other reserves is reclassified to profit or loss.

The fair values of AFS monetary assets denominated in a foreign currency are determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss and other changes are recognised in other comprehensive income.

Dividends on AFS equity instruments are recognised in profit or loss when the Trust’s right to receive the dividends is established.

d) Impairment of financial assets

Financial assets other than those held for trading or at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (Continued)**

4.2.1 ***Financial assets (Continued)***

d) Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and other receivables, where the carrying amount is reduced through the use of an allowance account. When such receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously provided for reduce the amount of the allowance account. Subsequent recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognised in profit or loss.

<u>Loans receivable</u>
A loan is classified as non-performing when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest as scheduled. Loans are classified as past due if no payment has been made for over 30 days and non-current if they are non-performing in excess of 90 days.

A loan is considered impaired when it is in arrears for 90 days and over, and when management determines that it is probable that all amounts due will not be collected according to the original contractual terms. When a loan has been identified as impaired, the carrying amount of the loan is reduced, by recording specific allowances for loan losses, to its estimated recoverable amount, which is the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The allowance for impairment also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the reporting date. These have been estimated based upon historical patterns of losses on a portfolio basis.

IFRS permits specific loan loss and general allowances based upon the Trust's actual credit loss experience. General provisions are calculated on a portfolio basis based on the Trust's actual write off experience over the last two years. Prudential allowances by management for loan loss requirements are maintained at the higher of 3% of:

(i) the total mortgage loans receivable, less loan financing to developers, and IFRS provision, and
(ii) the total arrears for over 90 days for which allowances are made (Note 10(t)).

The loan loss allowance that is in excess of IFRS requirements is treated as an appropriation of undistributed surplus and included in a loan loss reserve (Note 24).

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (Continued)**

4.2.1 ***Financial assets (Continued)***

d) Impairment of financial assets (Continued)

Loans receivable (continued)
Write-offs are made when all or part of a loan is deemed uncollectible, and are charged against previously established allowances for loan losses. Recoveries in part or in full of amounts previously written off are credited to loan loss expense in determining profit or loss.

Renegotiated loans
Loans that are either subject to collective impairment assessment or individually significant and for which terms have been renegotiated are no longer considered to be past due and are treated as new loans.

Other
When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

e) Derecognition of financial assets

The Trust derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Trust neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Trust recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, the Trust continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognltion of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (Continued)**

4.2.1 ***Financial assets (Continued)***

e) Derecognition of financial assets (Continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Trust retains an option to repurchase part of a transferred asset), the Trust allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

4.2.2 ***Financial liabilities***

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on the effective interest basis, except for short-term liabilities when the recognition of interest would be immaterial. The Trust's financial liabilities comprise accounts payable and refundable contributions.

Derecognition of financial liabilities

The Trust derecognises financial liabilities when and only when, the Trust's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(a) Payables and accruals

These are measured at amortised cost.

(b) Provisions

Provisions are recognised when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that the Trust will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows if the effect of the time value of money is material.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (Continued)**

4.2.2 ***Financial liabilities***

(b) Provisions *(Continued)*

Restructurings
A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with any ongoing activities of the Trust.

Litigations and claims
In the normal course of business, situations could arise where the Trust may be the defendant in certain litigation matters, claims and other legal proceedings. In such instances provisions will be established for such matters where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. The Trust would remain contingently liable in respect of other litigation matters which are considered to be possible but not probable and thus would not make provisions in these financial statements in respect of those matters.

(c) Refundable Contributions

Contributions are recorded when received as this is considered the most practical method of dealing with such receipts given the difficulties in determining the number of employers, their outstanding contributions and the likelihood of collections. Accruals are however made for expected collections based on prior period collections.

Employee contributions (including self-employed persons) are refunded with bonus in accordance with the NHT Act as discussed in Note 2(b).

4.3 **Taxation**

Income tax expense represents current and deferred tax.

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax is based on taxable profit for the year. Taxable profit differs from ‘profit before taxation’ as reported in the statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Trust’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus. Deferred tax liabilities are generally recognised for taxable temporary differences. Deferred tax assets are generally recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.3 **Taxation (Continued)**

Deferred tax (Continued)
Deferred tax liabilities are recognised for taxable temporary differences associated with investments in associates, except where the Trust is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Trust expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period
Current and deferred tax are recognised in income, except when it relates to items that are recognised in other comprehensive income, in which case the current and deferred tax are also recognised in other comprehensive income.

4.4 **Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and any other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale and is assigned to inventories held on an average cost basis. Any write down to net realisable value is recognised as an expense in the period in which the write-down or loss occurs. Any reversal up to the previous write-off is recognised in profit or loss in the period in which the reversal occurs.

4.5 **Intangible assets**

4.5.1 Internally-generated intangible assets and research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Trust's development (or from the development phase of an internal project) is recognised if all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to use the intangible asset;
- how the intangible asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible assets during its development.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.5 **Intangible assets (Continued)**

4.5.1 Internally-generated intangible assets and research and development expenditure

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible assets first meet the recognition criteria above.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on the straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4.5.2 Intangible assets acquired separately

Intangible assets acquired separately are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is determined on the same basis as for internally-generated intangible assets. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4.5.3 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets are recognised in profit or loss when the asset is derecognised.

4.6 **Investments in associate**

An associate is an entity in which the Trust has significant influence, but not control or joint control, over the financial and operating policies.

The Trust's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost plus changes in the Trust's share of net assets of the associate since the acquisition date. The statement of profit or loss and other comprehensive income reflects the Trust's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the Trust's OCI. Unrealised gains and losses resulting from transactions between the Trust and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate is prepared for the same reporting period as the Trust. When necessary, adjustments are made to bring the accounting policies in line with those of the Trust.

After application of the equity method, the Trust determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Trust determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Trust recognises the loss in profit or loss.

Upon loss of significant influence over the associate, the Trust measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(Expressed in Jamaica dollars unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Trust has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliability.

Defined benefit plan
The Trust has established a defined-benefit pension plan for its employees who have met certain minimum requirements. The plan's assets are separately held and the plan is funded by employee contributions of 5% of pensionable salaries (with the option of contributing an additional 6.5%) and employer contributions of 8.2% (2017 8.2%).

The Trust's net asset in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan assets.

The calculation of defined benefit obligations is performed annually by a qualified firm of actuaries using the projected unit credit method. When the calculation results in an asset for the Trust, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit obligation, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised in other comprehensive income. The Trust determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation/(asset) at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Trust recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other post-retirement obligations
The Trust provides medical benefits for its full time employees and pensioners retiring after May 1, 2007. The Trust pays the full cost of benefits for the pensioners. The entitlement to these benefits is based on the employee remaining in service up to the retirement age and the completion of a minimum service period. The cost of providing these benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out at the end of each reporting period. The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation.

Termination obligations
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Trust recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the reporting date are discounted to present value.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.7 **Employee benefits (Continued)**

Leave entitlements
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave for services rendered by employees up to the reporting date and is classified as current or non-current based on when the payment is expected to be made.

4.8 **Property, plant and equipment**

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are recorded at historical cost, less any subsequent accumulated depreciation and any subsequent impairment losses.

Properties in the course of construction for administrative purposes are measured at cost less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is recognised so as to write down the cost of assets (other than land, artwork and properties under construction) to their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.9 **Impairment of tangible and intangible assets**

At the end of each reporting period, the Trust reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as income.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.10 **Peril reserve**

Transfers are made from the accumulated surplus to the peril reserve up to the policy deductible limit to settle insurance claims by mortgage beneficiaries. Claims up to the policy deductible limit are charged to expenses when advised and based on prior claims experience.

4.11 **Related party**

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

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

(i) has control or joint control over the Trust;
(ii) has a significant influence over the Trust; or
(iii) is a member of the key management personnel of the Trust or of a parent of the Trust.

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

(i) the entity and the Trust are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
(ii) the entity is an associate or a joint venture of the Trust (or an associate or joint venture of a member of a group of which the other entity is a member);
(iii) both entities are joint ventures of the same third party;
(iv) the entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Trust or an entity related to the Trust;
(vi) the entity is controlled or jointly controlled by a person identified in (i);
(vii) a person identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
(viii) the entity, or any member of a group of which it is a part, provides key management services to the Trust or the parent of the Trust.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for in accordance with the normal policies of the Trust.

4.12 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of business.

Contributions
Employers' contributions which are non-refundable are recognised as received and are credited to revenue each year.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Trust and the amount of income can be measured reliably. Interest income is recognised on the accrual basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income
Dividend income from equity investments is recognised when the Trust's rights to receive payments have been established (provided that it is probable that the economic benefits will flow to the Trust and the amount of the income can be measured reliably).

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.12 **Revenue recognition (Continued)**

Sale of inventory units
Revenue from the sale of inventory units is recognised when all the following conditions are satisfied:

- the Trust has transferred to the buyer the significant risks and rewards of ownership of the units;
- the Trust retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the units transferred;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Trust; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Gains/losses on sale of all units in a housing project are credited to/charged against the profit or loss in the year of occurrence.

Interest and penalties on contributions not paid
The Trust charges interest at the rate of 20% per annum on contributions not paid over on the due dates. A penalty charge of 5% or 500 basis points above the weighted average 6 months Treasury bill rate applicable to the auction last held prior to the earliest date of the debt is applicable once the Trust obtains a judgement in respect of contributions not paid at the due date. A surcharge of 10% per annum is also charged if the debt remains unpaid for longer than one (1) year. Interest and penalties are recorded on the basis of amounts collected.

4.13 **Bonus on employees' contributions**

These are recognised in the profit or loss in the period in which they are due.

4.14 **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Trust as a lessor
Rental income under operating leases is recognised in income on the straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on the straight-line basis over the lease term.

The Trust as a lessee
Operating lease payments are recognised as an expense on the straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

4.15 **Foreign currencies**

Transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of those transactions. At each reporting date, monetary items denominated in foreign currencies are converted at the rates prevailing at that date.

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.15 **Foreign currencies (Continued)**

Non-monetary items that are measured in terms of historical costs in foreign currency are not re-translated. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. The gain or loss arising on the translation of non-monetary items carried at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. Other exchange gains and losses are recognised in profit or loss for the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where such exchange differences are regarded as an adjustment to interest cost on foreign currency borrowings.

4.16 **Reclassifications**

Certain balances have been reclassified in the prior year to conform with the current year's presentation. These related to the reclassification of foreign exchange gains (net) from miscellaneous income to foreign exchange losses (gains) (net). The reclassification had no impact on the financial statements.

5 **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the application of the Trust's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods, if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgement apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

Security - loans receivable

As indicated in Note 10(s), there are impaired loans held by the Trust amounting to approximately $16.73 billion (2017: $18.17 billion) for which impairment provisions for IFRS purposes amounted to approximately $1.75 billion (2017: $1.68 billion) in respect of loans to beneficiaries and developers approved by the Trust. There are additional prudential provisions (loan loss reserve) through an appropriation of accumulated profit of $5.39 billion (2017: $4.96 billion). Management believes, based on experience, that ultimately outstanding amounts and accumulated interest will be recovered through the realisation of securities, although, as disclosed in Note 11, at year-end the Trust did not hold title deeds to properties securing mortgages and amounts due from developers totalling approximately $5.30 billion (2017: $4.87 billion).

(Expressed in Jamaica dollars unless otherwise stated)

5 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Key sources of estimates

The following are the key assumptions concerning the future and other key sources of estimates at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Impairment losses on loans and advances
The Trust reviews its loan portfolio to assess impairment on a monthly basis. An allowance for impairment is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due will not be collected according to the original contractual terms. When a loan has been identified as impaired, the carrying amount of the loan is reduced, by recording specific allowances for loan losses, to its estimated recoverable amount, which is the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

In respect of loans to beneficiaries, the value of the security used in the determination of the estimated recoverable amounts is based on proxy values determined by the Trust's Private Treaty Unit, which values take account of factors such as past real estate sales of houses of similar size and location. If the proxy values determined by the Trust's Private Treaty Unit differ by ±10% from those used in determining recoverable amounts, the portion of loans to beneficiaries considered unsecured would decrease/increase by $207.5 million/$309.9 million, respectively (2017: $221.8 million/$311.7 million, respectively).

Additionally, past experience and judgement are used in estimating the timing of the expected cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any differences between loss estimates and actual loss experience.

To the extent that the expected future cash flows in respect of the affected mortgage loans to beneficiaries differ by ±1%, the resulting allowance for impairment would be estimated to be $35.4 million lower or $15.2 million greater (2017: $25.7 million lower or $26.4 million greater).

Income taxes
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made (see Notes 20 and 28). A change of ±10% in the final tax outcome of these estimates would have the effect of approximately $121.62 million (2017: $108.70 million) increase/decrease in the current and deferred tax provisions.

Investment in associate
The Trust's share of associate's profits or losses (Note 14(a)) is based on available financial statements of the associate. The associate's audited financial statements, which usually become available after issuing the Trust's financial statements, may differ significantly from the unaudited figures.

Peril insurance
The Trust maintains a reserve equivalent to the insurance policy deductible limit of US$30 million (2017: US$30 million) to settle insurance claims by mortgage beneficiaries. Generally, claims are not booked immediately upon notification but are accounted for when the claims have been processed and a liability by the Trust is established (see Note 31(b)(i)). Experience has shown that these amounts are usually insignificant to the operations of the Trust, unless there is a one-off significant event such as a natural disaster, in which case, an estimate of potential liability is assessed and booked. This reserve is funded by certain securities denominated in United States dollars included in cash and cash equivalents, resale agreements and investment securities (Note 23).

(Expressed in Jamaica dollars unless otherwise stated)

5 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Employee benefits – pension and post-retirement medical obligations
As disclosed in Note 15, the Trust operates a defined-benefit pension plan and provides post-retirement medical benefits. The amounts shown in the statement of financial position are subject to estimates such as discount rates, future rates of salary increases and the mortality rates in respect of the pension plan, as well as inflation rates and rates of increases in medical costs for the post-retirement medical plan.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date.

The discount rates which are used to determine the present value of estimated cash outflows expected to be required to settle any future pension and medical obligation are determined at each reporting date by reference to an advisory issued by the Institute of Chartered Accountants of Jamaica and the Trust's defined benefit obligation is discounted at a rate set by reference to market yields at the reporting date on high quality corporate bonds or, in their absence, certain Government of Jamaica bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of the bonds include the issue size of the bonds and the quality of the bonds.

For the benefit plan, the benefit is derived using information supplied by the Trust and the Fund managers in relation to full members of the plan. The cost of benefits is derived using premium rates supplied by the Trust in respect of its retirees.

Judgement is also exercised in determining the proportionate share of the medical obligation and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions to the plan.

Details of sensitivity analyses in respect of the defined benefit plans are disclosed at Note 15(f).

Fair value of investment securities
In the absence of quoted prices in an active market, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Trust.

Service charge on loans to beneficiaries
These charges are amortised on the straight-line basis over two years which is the average time frame, as estimated by the Trust, where expenses directly related to these charges are incurred. The amount amortised during the year was approximately $602.32 million (2017: $1.29 billion).

(Expressed in Jamaica dollars unless otherwise stated)

6 **CASH AND CASH EQUIVALENTS**

	2018 $'000	2017 $'000
Jamaican dollars deposits (Note 6(a))	732,175	-
Resale agreements:		
- Jamaica dollar (Note 6(b))	1,893,182	4,494,310
- United States dollar (Note 6(c))	275,738	65,275
Bank balances (Note 6(d))	1,158,315	838,495
Cash in hand	6,521	6,554
Cash and cash equivalents	4,065,931	5,404,634
Less interest receivable	(6,274)	(24,505)
Cash and cash equivalents, per statement of cash flows	4,059,657	5,380,129

(a) These deposits bear interest at rates ranging between 2.50% and 4.25% per annum and mature within one month of year end. As at March 31, 2018, the interest receivable included in these deposits amounted to approximately $2.18 million.

(b) These resale agreements bear interest at rates ranging from 2.50% to 4.30% (2017: 5.75% to 7.20%) per annum, mature within one to three months (2017: one to three months) of year end and are fully backed by Government of Jamaica securities. At March 31, 2018, the interest receivable included in these agreements amounted to approximately $3.18 million (2017: $24.31 million). The nominal value of the underlying securities at March 31, 2018 was $1.98 billion (2017: $4.69 billion).

(c) These resale agreements of US$2.18 million (2017: US$0.51 million) bear interest at rates ranging from 1.50% to 1.90% (2017: 1.70% to 1.75%) per annum, mature within one to three months (2017: one to two months) of year end and are fully backed by Government of Jamaica securities and are designated to fund the Trust's peril reserve (Note 23). At March 31, 2018, the interest receivable included in these instruments amounted to approximately $0.92 million (2017: $0.20 million). The nominal value of the underlying securities at March 31, 2018 was US$2.30 million (2017: US$0.53 million).

(d) Bank balances include foreign currency deposits of approximately $70.33 million (US$0.56 million) (2017: $19.28 million (US$0.15 million) at an interest rates ranging from 0.01% to 0.20% (2017: 0.5%) per annum.

7 **RECEIVABLES AND PREPAYMENTS**

	2018 $'000	2017 $'000
Staff loans	999,521	739,557
Mortgage litigation receivable	87,585	63,578
Death claims recoverable	200,076	201,985
Prepayments	52,086	48,307
NWC/Greenpond – sewage infrastructure receivable	74,359	82,348
Mortgage loan fees receivable	134,700	151,300
Receivable on sale of land	-	11,676
Taxes recoverable – other (Note 7(a))	225,968	225,968
Project mobilisation receivable	82,513	-
Other	160,147	184,973
	2,016,955	1,709,692
Less provision for impairment (see Note below)	(265,984)	(219,980)
	1,750,971	1,489,712

(Expressed in Jamaica dollars unless otherwise stated)

7 **RECEIVABLES AND PREPAYMENTS (CONTINUED)**

Movement in allowance for impairment

	2018 $'000	2017 $'000
Balance at beginning of the year	219,980	306,178
Increase/(Decrease) in allowance for the year	46,004	(86,198)
Balance at end of the year	265,984	219,980
Comprising:		
Mortgage litigation receivable	87,585	63,578
Mortgage loan fees receivable	134,700	149,047
Other	43,699	7,355
	265,984	219,980

(a) Approval was granted to the Trust for the payment of General Consumption Tax, transfer tax, stamp duty and property tax applicable to the operations, to be exempted for the period commencing on April 1, 2012 and ending on March 31, 2014. Consequently, the Trust has made claims in respect of amounts paid during the 2012/2013 financial year. During the year ended March 31, 2015, the Trust made a request for the property tax recoverable amount to be offset against current year property tax charges. This request was granted and executed by the Tax Administration of Jamaica's property tax unit during the year ended March 31, 2015.

8 **SHORT TERM DEPOSITS AND RESALE AGREEMENTS**

	2018 $'000	2017 $'000
Jamaica dollar deposits (Note 8(a))	2,955,944	1,186,851
Jamaica dollar repurchase agreements (Note 8(b))	1,919,457	2,653,667
United States dollar deposits (Note 8(c))	2,306,264	243,490
	7,181,665	4,084,008

(a) These agreements mature within one to six months after year-end, with interest rates ranging between 2.70% and 4.82% (2017: 6.25% to 7.25%) per annum. As at March 31, 2018, the interest receivable included in these balances amounted to $25.94 million (2017: $16.85 million). There were no specific securities assigned to these investments.

(b) These instruments mature within one to six months (2017: one to four months) after year-end with interest rates ranging between 4.00% and 5.40% (2017: 6.20% to 7.20%) per annum. As at March 31, 2018, the interest receivable included in these balances amounted to $8.99 million (2017: $13.67 million). The fair value of the underlying securities at March 31, 2018 was $2.15 billion (2017: $2.80 billion). The underlying securities include Government of Jamaica fixed and variable rate Notes as well as Bank of Jamaica certificates of deposits.

(c) These instruments totalling approximately US$18.24 million (2017: US$1.89 million) mature within one to six months (2017: one to four months) after year-end with interest rates ranging between 1.50% and 3.00% (2017: 1.70% to 2.25%) per annum and are designated to fund the Trust's peril reserve (Note 23). As at March 31, 2018, the interest receivable included in these balances amounted to $8.47 million (2017: $0.58 million). The fair value of the underlying securities at March 31, 2018 was US$21.91 million (2017: US$2.00 million). The underlying securities include Government of Jamaica fixed and variable rate Notes as well as Bank of Jamaica certificates of deposits.

(Expressed in Jamaica dollars unless otherwise stated)

9 INVESTMENT SECURITIES

	2018 $'000	2017 $'000
Available-for-sale securities		
Inflation Indexed Bond carried at amortised cost (Note 9(a))	4,071,258	3,886,202
Various securities carried at fair value (Note 9(b))	13,469,294	14,421,785
	17,540,552	18,307,987

(a) Inflation Indexed Bonds represents National Road Operating & Construction Company Limited (NROCC) 4.5% Real Return Bonds. They are denominated in Jamaican dollars and mature on February 6, 2032. Interest on the Bonds is paid semi-annually in arrears and is accrued at a rate of 4.5% per annum on the inflation adjusted principal. Under the terms of the agreement, the principal is adjusted for inflation on the Jamaican "All Group" Consumer Price Index (CPI). The principal and interest are paid by the Government of Jamaica. The Trust has the option to convert the bonds to NROCC shares at redemption. The bonds are carried at amortised cost as there was no practicable way of determining fair value.

As at March 31, 2018, interest receivable included herein amounted to $27.30 million (2017: $26.06 million). The inflation adjustment to principal for the year amounted to $183.82 million (2017: $97.60 million).

(Expressed in Jamaica dollars unless otherwise stated)

9 **INVESTMENT SECURITIES (CONTINUED)**

(b) Various securities comprise:

	2018 $'000	2017 $'000
Pooled Investment Funds		
Sagicor Life of Jamaica Limited – Universal Investment policy	341,650	293,353
Equities		
Quoted – Jamaica Stock Exchange and Barbados Stock Exchange	1,417,222	1,111,703
Unquoted	234	-
	1,417,456	1,111,703
	1,759,106	1,405,056
Debt securities		
Euro Bonds US$14,283,403 (2017: US$21,479,522) with nominal values of US$11,044,762 (2017: US$15,479,720) held at interest rates of 8.00% to 9.375% per annum maturing in 2018/2019 to 2038/2039 (Note 9(b)(i))	1,799,566	2,760,763
Treasury bills at interest rates of 2.90% to 6.30% (2017: 5.85% to 7.00%) per annum, maturing 2018/2019	685,471	579,389
Bank of Jamaica Variable Rate Certificates of Deposit at interest rates of 6.63% per annum, maturing 2017/2018	-	220,409
University of the West Indies ("UWI") Senior Secured Corporate Notes at interest rate of 5.67% (2017: 8.82% per annum), maturing 2018/2019 to 2019/2020 (2017: 2017/2018 to 2019/2020) (Note 9(b)(ii))	64,345	107,234
Government of Jamaica (GOJ) Fixed Rate Benchmark Notes at interest rate(s) of 7.25% (2017: 7.50% to 8.60%) per annum maturing 2021/2022 (2017: maturing 2017/2018 to 2021/2022) (Note 9(b)(iii))	54,755	501,481
GOJ Variable Rate Benchmark Notes at interest rate of 3.73% per annum maturing 2024/2025	100,358	-
GOJ Fixed Rate Accreting Notes (FRAN) at interest rate of 10% per annum, maturing 2028/2029 (Note 9(b)(iii))	5,730,451	4,738,820
Bank of Jamaica Certificates of Deposits US$16,600,341 (2017: US$19,724,920) with nominal values of US$16,569,500 (2017:US$19,989,500) at interest rates of 3.55% to 5.50% per annum, maturing 2018/2019 to 2023/24 (Note 9(b)(i))	2,091,477	2,535,429
Bank of Jamaica Fixed Rate Certificates of Deposits at interest rates of 6.05% to 6.10% (2017: 6.15% to 6.51%) per annum, maturing 2017/2018	1,183,765	622,150
GOJ Benchmark Notes 2017: US$7,399,471 with nominal values of US$7,314,575 at interest rate of 5.25% per annum, maturing 2019/2020 to 2020/21 (Note 9(b)(i))	-	951,054
	11,710,188	13,016,729
	13,469,294	14,421,785

(i) These investment securities are designated to fund the Trust's peril reserve (Note 23).

(Expressed in Jamaica dollars unless otherwise stated)

9 INVESTMENT SECURITIES (CONTINUED)

(b) Various securities (Continued)

(ii) These notes are secured by:

- Assignment of tuition fees of the 'full paying' Bachelor of Medicine and Bachelor of Science students, such funds to be held in a designated account maintained at National Commercial Bank Jamaica Limited (NCB);
- Assignment of tuition fees of the 'Government Subsidised' medical students, such funds to be held in a designated account maintained at NCB;
- Irrevocable Letter of Undertaking from UWI to deposit all monthly subvention proceeds received from the Government of Jamaica and due to the Mona Campus, to a designated account maintained at NCB;
- Debt Service Reserve Account with NCB, maintaining a minimum of 3-months of interest payment requirement; and
- Any other security documentation that may be required by the Arranger and agreed to by the Trust.

(iii) On February 12, 2013, the Government of Jamaica (GOJ) announced a National Debt Exchange (NDX) offer initiated through the Ministry of Finance and Planning with an expiration date of February 21, 2013. The NDX involved a par-for-par exchange of certain domestic debt instruments ("old notes") or in the case of Fixed Rate Accreting Notes (FRAN), an $80 FRAN for each $100 of old notes issued by the GOJ for new longer dated debt instruments ("new notes"). The new notes had a variety of payment terms, including but not limited to fixed and variable rates in Jamaica dollars, CPI-indexed in Jamaica dollars and fixed rates in United States dollars. Participation in the NDX was voluntary and open to Jamaican resident holders.

With the FRAN, the $20 foregone will accrete until it is fully recovered prior to maturity, starting in 2015/16. During the year an additional $118.99 million (2017: $50.37 million) was accreted.

(iv) At March 31, 2018, interest receivable included in debt securities amounted to $88.73 million (2017: $142.03 million).

10 LOANS RECEIVABLE

	2018 $'000	2017 $'000
(a) Loans to beneficiaries selected by the Trust (Note 10(f))		
Mortgage loans (Note 10(g))	174,175,848	162,208,483
Loans for which mortgage processing is incomplete (Note10(h))	3,803,085	3,844,932
Loans through financial institutions (Note 10(i))	18,210	146,770
Loans through joint venture programme (Note 10(j))	112	202
	177,997,255	166,200,387
Less: Allowance for impairment (Note 10(o))	(1,228,261)	(1,185,591)
	176,768,994	165,014,796
Less: Unexpired service charges (Note 10(p))	(1,038,779)	(916,872)
Balance c/f	175,730,215	164,097,924

(Expressed in Jamaica dollars unless otherwise stated)

10 **LOANS RECEIVABLE (CONTINUED)**

	2018 $'000	2017 $'000
Balance b/f	175,730,215	164,097,924
(b) Loans on behalf of beneficiaries selected by Agencies approved by the Trust (Note 10(k)):		
Jamaica Teachers' Association Housing Co-operative Limited (Note 10(k)(i))	7,214	8,818
Housing Agency of Jamaica (HAJ):		
Repayable in 10 years at 3% per annum (Note 10(k)(ii))	441,511	441,511
Repayable in 10 years at 3% per annum (Note 10(k)(iii))	75,793	139,952
Repayable in 10 years at 3% per annum (Note 10(k)(iv))	31,120	31,120
Repayable in 10 years at 3% per annum (Note 10(k)(v))	200,653	203,636
Repayable in 10 years at 3% per annum (Note 10(k)(vi))	33,902	33,902
Joint financing mortgage programme (Note 10(k)(vii))	37,992,298	33,866,125
Special loans through joint financing – Hurricane Ivan (Note 10(k)(viii))	-	836
Special loans to churches through joint financing – Hurricane Ivan (Note 10(k)(ix))	102,441	127,381
Jamaica Defence Force (Note 10(k)(x))	5,554	14,469
Micro finance loan programme (Note 10(k)(xi))	42,481	-
Other institutions	143,612	156,742
	39,076,579	35,024,492
(c) Loan financing to developers (Note 10(l))	4,293,386	3,876,779
Less: Allowance for impairment (Note 10(o))	(521,166)	(493,603)
	3,772,220	3,383,176
(d) University of the West Indies (Note 10(m))		
Loan 1	419,616	428,899
Loan 2	1,883,760	1,883,760
	2,303,376	2,312,659
(e) Jamaica College Trust (Note 10(n))	41,578	42,570
Interest receivable	1,128,844	1,195,892
Total	222,052,812	206,056,713

(Expressed in Jamaica dollars unless otherwise stated)

10 **LOANS RECEIVABLE (CONTINUED)**

(f) The rates of interest payable on these loans to beneficiaries range from 1% to 7% (2% to 8% prior to May 2010) except for new mortgagors aged 55 years or more who access their loans at rates 2% lower than the rate they would normally receive based on their income bands.

These new mortgagors should, however, have contributed for a minimum of ten years. Public sector workers receive an additional 1% reduction in their interest rates which is available for a period of three years. The loans, together with interest thereon, are repayable in monthly instalments over periods ranging up to a maximum of 40 years.

(g) Mortgage loans of $174.18 billion (2017: $162.21 billion) include loans totalling $476.43 million (2017: $401.38 million) relating to certain schemes for which parent titles have been or will be surrendered to the Registrar of Titles in order for the splinter titles to be prepared. The Trust is taking steps to ensure that all splinter titles are received for such schemes.

(h) The loans for which mortgage processing is incomplete relate to housing schemes developed by the public sector, for which land titles are not available. Titles are required for each lot of land in the schemes in order to register the names of the beneficiaries and the mortgages given by the Trust.

(i) Loans through financial institutions refer to mortgage credit certificates granted to beneficiaries who are in a position to obtain additional funds from financial institutions and other organisations. Under this programme, the value of a mortgage credit certificate should not exceed the ceiling for the respective benefit type and the funds are advanced to the participating institutions for which the Trust is issued promissory notes and, in the case of building societies, share certificates.

(j) Loans through joint venture programme are loans granted to beneficiaries who are in a position to obtain additional funds from their employers to enable them to purchase housing units.

Under this programme the Trust and the participating employer provide financing on an equal basis equivalent to ninety percent (90%) of the sale price of the units with the employee paying a deposit of 10% (see Note 11(i)).

(k) Loans to beneficiaries selected by agencies approved by the Trust

(i) This loan to Jamaica Teachers' Association Housing Co-operative Limited (JTAHC) is secured by the assignment to the Trust of mortgages in the name of JTAHC and the title deeds to the relevant properties were deposited with the Trust. The loan is repayable over a period of 25 years, which commenced July 1, 2000, with interest rates ranging from 3% to 18% per annum.

(ii) This loan is repayable in monthly instalments over a 25 year period which commenced January 1, 2001. Interest was chargeable at 5% per annum and was payable in monthly instalments from January 1, 1997. The loan is secured by the transfer of mortgages by Housing Agency of Jamaica (HAJ) to the Trust. During 2014/2015 the interest rate on the loan was revised from 5% to 3% per annum, with monthly repayment of $4.5 million to 2025, consequent on a request by HAJ.

(iii) The Trust entered into an agreement in 2001 to make the sum of $1.1 billion available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation PRIDE portfolio. The loan was for a period of 15 years which commenced November 2001, and was repayable, with interest, in instalments of $8.69 million per month.

(Expressed in Jamaica dollars unless otherwise stated)

10 **LOANS RECEIVABLE (CONTINUED)**

(k) Loans to beneficiaries selected by agencies approved by the Trust (Continued)

(iii) (Continued)

During 2007/2008, the interest rate on the loan was reduced from 8% to 3% per annum with monthly repayments of $5.32 million to the year 2023, consequent on a request by HAJ to reschedule the loan.

The loan is secured by:

- transfer of mortgages in respect of the Greater Portmore portfolio.
- duplicate certificates of title in respect of the Greater Portmore portfolio retained by the Trust.

(iv) An amount of $180 million was advanced to HAJ in October 2001, for the purpose of providing shelter solutions for persons who fall within the social housing segment of the housing market and who reside in several depressed communities in Jamaica.

In 2014/2015, the loan was rescheduled to mature in 2025 based on request from HAJ.

This loan is secured by a letter of undertaking from the Ministry of Finance and Planning, which has undertaken to repay the full amount of principal, plus interest, if the HAJ is unable to do so.

(v) The Trust entered into an agreement to make the sum of $800 million available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation PRIDE portfolio.

During 2007/2008, the interest rate on the loan was reduced from 8% to 3% per annum with repayments extended to the year 2025, consequent on a request by HAJ to reschedule the loan.

The loan is secured by:

- A letter of undertaking from the Ministry of Finance and Planning, which has undertaken to repay the full amount of principal plus interest, if the HAJ is unable to do so.
- Transfers of mortgages in respect of the Greater Portmore portfolio and mortgage over property at Barrett Hall Estate.
- Duplicate Certificates of titles in respect of the Greater Portmore portfolio and Barrett Hall Estate retained by the Trust.

(vi) The loan is for a sum of $88.71 million for the purpose of co-financing 279 mortgages in the Greater Portmore Project. The loan is for a period of 15 years and the principal is repayable in 180 equal monthly instalments. Interest is repayable monthly in arrears on the first business day in each calendar month and payments commenced August 2002. Interest was charged at 8% per annum or such other rate as the Trust may from time to time notify the HAJ. The loan is secured by mortgage over land at Barrett Hall Estates registered at Volume 1308 Folio 438. During 2014/2015, the interest rate on the loan was reduced from 8% to 3% per annum with monthly repayment of $0.344 million to 2025 consequent on a request by HAJ to reschedule the loan.

(Expressed in Jamaica dollars unless otherwise stated)

10 **LOANS RECEIVABLE (CONTINUED)**

(k) Loans to beneficiaries selected by agencies approved by the Trust (Continued)

(vii) Joint financing mortgage programme

The Trust entered into an agreement to invest funds with participating institutions for the sole purpose of the institutions onlending these funds to qualified contributors of the Trust. Accounts are maintained by the institutions through sub-accounts bearing the name of the Trust with the applicable rate of interest. The purpose of the agreement is to assist the contributor in owning a home that shall be mortgaged to the participating financial institutions as security for the funds on-lent.

The participating institutions include:

- JN Bank Limited (formerly The Jamaica National Building Society)
- The Victoria Mutual Building Society
- First Caribbean International Bank (formerly First Caribbean International Building Society)
- Sagicor Life Jamaica Limited
- Scotia Jamaica Building Society
- Sagicor Bank
- National Commercial Bank
- Scotia Bank

Sagicor Bank, National Commercial Bank and Scotia Bank were introduced as a new participating institutions in August 2016, August 2017 and October 2017, respectively.

Further, these participating institutions are liable to the Trust for the full amount of the monthly obligation irrespective of whether the amounts have been recovered or collected from the relevant beneficiaries through the mortgage payment.

The obligations of the participating institutions are secured by:

- power of attorney to assign and transfer the mortgaged properties
- assignment of all rights, titles and interest in the securities.

The interest rates and repayment terms on these loans are the same as given to beneficiaries selected by the Trust.

(viii) Special loans through joint financing – Hurricane Ivan

In 2004/05, the Trust entered into an agreement with participating institutions to provide funds to assist persons whose homes were damaged by Hurricane Ivan.

The participating institutions included:

- JN Bank Limited (formerly The Jamaica National Building Society)
- The Victoria Mutual Building Society
- First Caribbean International Bank (formerly First Caribbean International Building Society)
- Sagicor Life Jamaica Limited
- Scotia Jamaica Building Society
- Sagicor Bank

(Expressed in Jamaica dollars unless otherwise stated)

10 **LOANS RECEIVABLE (CONTINUED)**

(k) Loans to beneficiaries selected by agencies approved by the Trust (Continued)

(viii) Special loans through joint financing – Hurricane Ivan (Continued)

Interest was charged at a rate of 5% per annum to the Participating Institution for lending at a rate of 7% per annum to qualified borrowers and was computed from the first disbursement to the participating institutions. The sum of all disbursements and interest accrued to March 31, 2005 (or an earlier date as agreed with the participating institution) was combined to form the loan, which is repayable over 10 years on a quarterly basis and commenced June 2005.

The obligations of the participating institutions were secured by:

- deposit certificates from the participating institution for amounts equivalent to the funds held in the imprest account (where applicable)
- powers of attorney to assign and transfer the mortgaged properties
- assignment of all rights, title and interest in the securities.

The loan was settled during the year.

(ix) Special loans to churches through joint financing – Hurricane Ivan

In 2005/06, the Trust entered into an agreement with participating institutions to provide funds to assist churches in the repair of church buildings damaged by Hurricane Ivan.

The participating institutions include:

- The Jamaica National Building Society
- The Victoria Mutual Building Society

Interest is charged at a rate of 5% per annum to the Participating Institution for on-lending at a rate of 7% per annum to borrowers who qualify based on the criteria determined by the relevant participating institution (routed through one of the umbrella groups of churches – the Jamaica Council of Churches). The total loan to the participating institutions is for a period of fifteen (15) years with a one (1) year moratorium in respect of principal and interest repayments, computed from the first disbursement to the participating institutions.

The obligations of the participating institutions are secured by:

- powers of attorney to assign and transfer the mortgaged properties
- assignment of all rights, title and interest in the securities.

(x) Jamaica Defence Force (JDF)

The Trust entered into an agreement with the Ministry of Finance and Planning in 2003 to make the sum of $80 million available to the JDF to be utilised exclusively for the JDF. The loan is repayable over 15 years in 180 equal monthly instalments at an interest rate of 8% per annum.

The loan is issued under the Loans Act. A certificate was received from the Financial Secretary certifying that the GOJ had sufficient borrowing capacity for the disbursement of the loan pursuant to the said loan agreement.

(Expressed in Jamaica dollars unless otherwise stated)

10 **LOANS RECEIVABLE (CONTINUED)**

(k) Loans to beneficiaries selected by agencies approved by the Trust (Continued)

(xi) Micro Finance Loan Programme
The Trust entered into an agreement with participating institutions to provide funds to low income contributors to help with their housing needs. The maximum loan amount of $850,000 can be accessed for repairs or improvement to their existing homes as well as to build their own homes. Funds are made available for on-lending to current and new contributors through approved Credit Unions islandwide. The loans are offered at 9% per annum unsecured and 4.5% per annum secured for a loan term of 6 months to five years.

Further, these participating institutions are liable to the Trust for the full amount of the quarterly obligation irrespective of whether the amounts have been recovered or collected from the borrower on a monthly basis.

The obligations of the participating institutions are secured by:

- Power of attorney to assign and transfer the mortgaged properties
- Assignment of all rights, titles and interest in the securities.

The approved participating institutions are as follows:

- Educom Cooperative Credit Union
- Community & Workers of Jamaica (C&WJ) Cooperative Credit Union

(l) Loan financing to developers

This represents the total amount of financing provided to public and private developers, inclusive of interest charged during the construction period at rates ranging from 5% to 12% per annum. The loans are secured by title deeds over properties.

(m) University of the West Indies (UWI)

Loan 1
This loan was disbursed in March 2003 for the construction of student housing. This graduated loan is for a period of 25 years at an interest rate of 8% per annum. The repayment will increase by 5% per annum for the first nine years, thereafter; it will be based on the straight-line method.

The security for the loan is:

(i) A letter of undertaking from the Ministry of Finance and Planning, which has undertaken to repay the full amount of principal, plus interest, if UWI is unable to do so.
(ii) Assignment of a bank account containing fees paid for accommodation by the students in respect of the buildings constructed.

Loan 2
The loan in the sum of $1.4 billion was disbursed in June 2011 for the construction of student housing. This graduated loan is for a period of 25 years at an interest rate of 8% per annum. The repayment will increase by 3% per annum for the first nine (9) years, thereafter; it will be based on the straight-line method.

In July 2012, the Trust approved an additional construction loan in the amount of $331.85 million. The Trust also approved a reduction of the interest rate in the construction loan from 8% per annum to 5% per annum. The other terms and conditions of the agreement remain unchanged.

(Expressed in Jamaica dollars unless otherwise stated)

10 **LOANS RECEIVABLE (CONTINUED)**

(m) University of the West Indies (UWI) (Continued)

Loan 2 (Continued)
The security for the advance is:

(i) Leasehold mortgage in respect to land contained in Volume 1065 Folio 940.
(ii) Assignment of rental and/or payments arising from the use of units constructed with the loan, which payments are due to the borrower from the occupiers of the 600 single and double bedrooms and shared facilities, which have been constructed for the use by the undergraduate students and are located within a cluster of three existing Halls of Residence and the 400 self-contained studio apartments.

(n) Jamaica College Trust

The Trust entered into an agreement with the Jamaica College Trust (JCT) in 2012 to make the sum of $45 million available to the JCT to be utilised exclusively for the purpose of constructing studio apartments together with such necessary infrastructure to accommodate teachers.

Repayment of the principal sum of the loan and interest shall be made in twenty-five (25) years representing three hundred (300) equal consecutive monthly instalments on the first day in each calendar month of every year. Interest on the loan is computed at a fixed rate of five percent 5% per annum or such other rates as the Trust may from time to time notify the Jamaica College Trust.

The obligations of the participating institution are secured by:

(i) First Legal Mortgage over the Project Land.
(ii) Assignment of the rental and/or payments arising from the use and occupation of the studio units constructed with the loan.
(iii) Assignment of the Performance Bond.
(iv) Assignment of adequate insurance coverage to mitigate loss such as contractors all risk, peril, public liability and employers' liability during the period of construction.
(v) Assignment of insurance coverage at the full insurable value over the building constructed with the loan.

(o) The movement in the allowance for impairment is as follows:

	Mortgage Loans $'000	Development Financing $'000	Total $'000
Balance at April 1, 2016	1,019,202	477,732	1,496,934
Increase in allowance for the year	180,290	49,336	229,626
Write-off during the year	(13,901)	(33,465)	(47,366)
Balance at March 31, 2017	1,185,591	493,603	1,679,194
Increase in allowance for the year	7,466	27,563	35,029
Recovery on charge off loans previously written off	62,023	-	62,023
Write-off during the year	(26,819)	-	(26,819)
Balance at March 31, 2018	1,228,261	521,166	1,749,427

(Expressed in Jamaica dollars unless otherwise stated)

10 **LOANS RECEIVABLE (CONTINUED)**

(p) Unexpired service charge on loans to beneficiaries:

	2018 $'000	2017 $'000
Balance at beginning of the year	916,872	1,579,536
Additions during the year	724,231	629,095
Amortisation to profit or loss	(602,324)	(1,291,759)
Balance at end of the year	1,038,779	916,872

(q) Approval process and quality of receivables

Before approving a loan, the Trust uses an evaluation system to assess the potential borrowers' eligibility in order to determine if they satisfy the qualifying requirements for a loan from the Trust, and to determine the maximum amount of loan they can afford to borrow from the Trust. For institutional loans, the process involves a comprehensive analysis of the institution's financial standing and its ability to fund its portion of the proposed development (where applicable). The Trust places strict limits on the percentage of the total development cost that it is willing to finance. 84.10% (2017: 82.51%) of the loans to beneficiaries which are neither past due nor impaired are considered to be of good quality.

The joint financing mortgage programme accounts for 97.23% (2017: 96.69%) of the total category of loans to beneficiaries selected by agencies of the Trust and 17.11% (2017: 16.44%) of the total loans receivable (net of allowance for impairment). There is no other loan category with a balance that represents more than 5% of the total loan balance.

Of the total loans to beneficiaries selected by the Trust, there are no loans to any beneficiary in excess of 5% of that category.

(r) Past due loans

Past due but not impaired
Included in the Trust's loans to beneficiaries balance are debtors with a carrying amount of approximately $11.16 billion (2017: $10.53 billion) which are past due at the reporting date and for which the Trust has not made an impairment allowance, as there has not been a significant change in the beneficiaries' credit quality and the amounts are still considered fully recoverable.

As at the reporting date, the aging of loans receivable that were past due but not impaired was as follows:

	2018 $'000	2017 $'000
30 – 60 days	7,351,898	6,538,818
61 – 90 days	3,808,420	3,992,941
	11,160,318	10,531,759

(Expressed in Jamaica dollars unless otherwise stated)

10 **LOANS RECEIVABLE (CONTINUED)**

(s) Loans past due and impaired

As at the reporting date, the aging of loans receivable that were past due and impaired was as follows:

	2018 $'000	2017 $'000
91 – 180 days	4,045,763	4,529,281
181 – 360 days	4,823,403	5,930,819
Over 360 days	7,862,191	7,710,836
Total impaired loans	16,731,357	18,170,936

Allowances have been made in respect of these loans to the extent that management believes the balances outstanding will not be fully recovered through realisation of the securities held. Security values utilised in the determination of allowances are based on proxy value estimates developed by the Trust's technical department (see Note 5, impairment losses on loans and advances).

(t) Allowance for impairment

The provision for credit losses determined based on the Trust's actual credit loss experience is as follows:

	2018 $'000	2017 $'000
Prudential allowance set by management	6,622,338	6,143,280
IFRS allowances:		
Specific allowances	1,216,742	1,175,283
General allowances	11,519	10,308
Total IFRS allowances on mortgage loans (Note 10(o))	1,228,261	1,185,591
Excess over IFRS allowances on mortgage loans reflected in loan loss reserve (Note 24)	5,394,077	4,957,689

(u) Loans to beneficiaries renegotiated

Features of these loans include extended payment arrangements, modification to interest rates and deferral of payments. Following restructuring, a previously overdue beneficiary account is reset to a normal status and managed together with other similar accounts. Policies and practices in respect of these activities are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

As at March 31, 2018, loans totalling $911.43 million (2017: $1.57 billion) were renegotiated which would have otherwise been past due or impaired.

(Expressed in Jamaica dollars unless otherwise stated)

11 STATUS OF SECURITIES FOR FINANCING FOR DEVELOPERS AND LOANS TO BENEFICIARIES

The Trust does not hold title deeds as security in respect of the following loans:

		2018 $'000	2017 $'000
(i)	Loans through joint venture mortgage programme (Note 10(j))	112	202
(ii)	Other loans (Note 11(a))		
	Mortgage loans to beneficiaries:		
	- Schemes for which splintering of parent titles is in process or has not yet commenced	476,428	401,381
	- Schemes for which mortgage processing is incomplete and land titles are not available	3,803,085	3,844,932
	- Non-scheme loans (Note 11(b))	502,839	133,565
		4,782,352	4,379,878
	Finance for housing construction projects	521,166	493,603
		5,303,518	4,873,481
	Total	5,303,630	4,873,683

(a) It has been an established policy of the Trust to carry out housing projects on lands owned by the Government of Jamaica or its approved agencies without first registering mortgages on the land on which the houses are constructed. This has been done to minimise delays and to keep the cost of a housing unit to a minimum. In this respect, obtaining land titles, sub-division plans and splinter titles takes place during construction, and after the housing projects are completed and houses handed over to beneficiaries. While this results in certain construction finances and mortgage loans not being secured in the interim, management does not consider that the lack of security for finances provided under these programmes will have a material impact on the financial statements.

(b) Certain non-scheme loans are secured on the basis of a Letter of Undertaking by respective attorneys-at-law to provide the land titles when they become available.

12 INVENTORIES

	2018 $'000	2017 $'000
Land held for housing development	5,770,059	4,685,127
Housing under construction	5,749,561	3,335,036
Housing units completed but not allocated	598,356	661,944
Inner City Housing Project (Note 12(a))	89,276	58,637
	12,207,252	8,740,744
Less: Allowances for impairment losses and subsidies	(295,577)	(337,224)
	11,911,675	8,403,520

(Expressed in Jamaica dollars unless otherwise stated)

12 INVENTORIES (CONTINUED)

The movement in the allowance for impairment is as follows:

	2018 $'000	2017 $'000
At beginning of year	337,224	245,604
(Decrease)/Increase in allowance during the year	(41,647)	91,620
At end of year	295,577	337,224

(a) Inner City Housing Project

The primary aim of the Inner City Housing Project (ICHP) is to "transform inner city areas into attractive and sustainable neighbourhoods through a combination of new housing and the refurbishment of existing housing stock."

The ICHP is being undertaken as a distinct and separate programme, though complementary project, under the broader Government of Jamaica's Urban Renewal Programme.

The Trust is the financier of the project and has overall responsibility for planning, project management and administration.

The units being provided under the ICHP are in the form of studios and starter units. The units are sold by the Trust to qualified borrowers. The Trust provides a substantial subsidy and recoups the balance of the investment through the granting of mortgages.

(b) (Gains)/Losses on inventory projects during the year amounted to:

	2018 $'000	2017 $'000
Sale of units	(1,803,028)	(1,365,850)
Cost of units sold	1,765,192	1,278,864
Net gain on disposal of units	(37,836)	(86,986)
(Write-back)/Impairment allowance charged for year	(41,647)	91,620
Loss on Trust projects	41,130	10,766
	(38,353)	15,400

13 INTANGIBLE ASSETS

	2018 $'000	2017 $'000
Cost		
At the beginning of the year	189,001	182,005
Additions for the year	-	6,996
At the end of the year	189,001	189,001
Amortisation		
At the beginning of the year	183,070	179,195
Charge for the year	2,382	3,875
At the end of the year	185,452	183,070
Carrying amount	3,549	5,931

(Expressed in Jamaica dollars unless otherwise stated)

13 **INTANGIBLE ASSETS (CONTINUED)**

This consists primarily of software purchased and developed, the costs of which are being amortised over three years. Amortisation charged for the year is included in operating expenses in the statement of profit and loss and other comprehensive income.

14 **INVESTMENTS IN ASSOCIATE**

	2018 $'000	**2017 $'000**
Cost of investments	490	490
Loans (including accrued interest) (Note 14(b)):		
Opening advances	1,652,211	1,597,944
Advances during the year	87,995	54,267
Total advances	1,740,206	1,652,211
Provision for impairment loss	(383,969)	(383,969)
	1,356,237	1,268,242
Share of associate's losses:		
Balance at beginning of year	(195,694)	(151,680)
Share of loss for the year	(54,318)	(44,014)
Balance at end of year	(250,012)	(195,694)
	1,106,715	1,073,038

(a) Details of the associate as at March 31, 2018 are as follows:

Name of associate	Place of Incorporation and operation	Proportion of ownership	Proportion of voting power held	Principal Activities
Harmonisation Limited	Jamaica	49.5%	49.5%	Land investment and development
(i) Wholly-owned subsidiary – Silver Sands Estate Limited	Jamaica			Rental of resort accommodation
(ii) 49% associated company – Harmony Cove Limited	Jamaica			Property development

Summarised financial information in respect of the associate is as follows:

	(Unaudited) 2018 $'000	**(Audited) 2017 $'000**
Total assets	2,596,596	2,590,653
Total liabilities	(3,100,721)	(2,992,947)
Net liabilities	(504,125)	(402,294)
Trust's share of associate's net liabilities	(249,542)	(199,136)
Revenue	10,816	12,841
Loss for the year	(101,790)	(85,649)
Trust's share of associate's loss for the year, net of adjustments	(50,386)	(42,396)

(Expressed in Jamaica dollars unless otherwise stated)

14 **INVESTMENTS IN ASSOCIATE**

(a) (Continued)

Land, which has a value of $2.7 billion (2017: $2.6 billion), is included in total assets at a cost of $119 million.

(b) Due to an amendment to the Shareholders Agreement, as of April 1, 2009, the Trust no longer accrues interest on the amounts advanced to Harmonisation Limited.

15. **EMPLOYEE BENEFITS**

The Trust operates two post-retirement employee benefit arrangements:

- The National Housing Trust Staff Pension Plan (“staff pension plan”)
- The Post-retirement medical benefits scheme

Staff pension plan

The Trust operates a defined benefit pension plan for qualified employees. The plan is administered by Trustees, who are assisted by an independent plan administrator, Employee Benefits Administrator Limited, a wholly-owned subsidiary of Sagicor Life Jamaica Limited. The fund manager, Sagicor Life Jamaica Limited, administers the pooled funds in which the investments of the plan are held. The plan is regulated by the Financial Services Commission (FSC). The Trustees include representatives from the employer, members and pensioners of the plan.

Each year, the Board of Trustees, reviews of the level of funding. Such review includes the assets liability matching strategy and investment risk management policy. The Board of Trustees decides its contribution based on the results of its annual review.

The plan is exposed to inflation, interest rate risk and changes in the life expectancy of pensioners. As the plan assets include investments in quoted equities, the plan is exposed to market risk. The plan is funded by contributions from the employees and the Trust. The employees contribute at a rate of 5% of pensionable salaries. An additional optional contribution of up to 6.8% of pensionable salaries may be made. In accordance with the rules of the plan, the employer contributes the balance of the costs of benefits under the plan as determined by actuarial valuation up to a maximum rate so that the total contribution (employee and employer) sum to 20% of pensionable salaries. As at March 31, 2018, the Trust contributed at a rate of 8.2% (2017: 8.2%) of pensionable salaries. Benefits are determined on a prescribed basis and are payable at a rate of 2% of the pensionable salary (salary in the 12 month period immediately preceding the date of termination) for all pensionable service. Normal retirement is age 65 for males and 60 for females hired prior to June 1, 1990 or at age 65 for females hired on or after June 1, 1990.

Medical benefits scheme

The Trust provided medical benefits for its pensioners and their spouses under a policy insured by Sagicor Life Jamaica Limited, which came into effect in April 2007. The Trust covered 100% of the premium for the pensioners and spouses. Insurance coverage continued to the surviving spouses after the death of the retirees. The plan was amended effective May 1, 2010 to discontinue coverage of spouses. With effect from this date, spouses of new retirees are not eligible for benefit under the Health Plan. As such, from the effective date of the amendment only the pensioners are covered.

As at the reporting date, an actuarial valuation was done for the plan and the medical benefit scheme by GFRAM Consulting (2017: Eckler Partners Limited (Consultant Actuaries)), using the Projected Unit Credit Method. The results of the valuation are included below.

(Expressed in Jamaica dollars unless otherwise stated)

15 **EMPLOYEE BENEFITS (CONTINUED)**

(a) The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Staff pension plan		Medical benefit scheme	
	2018	**2017**	**2018**	**2017**
	%	**%**	**%**	**%**
Financial assumptions				
Discount rate	7.50	9.50	7.50	9.50
Future salary increases	6.50	6.50	-	-
Future pension increases	-	3.25	-	-
Price inflation (CPI)	4.50	6.50	4.50	6.50
Health cost inflation	-	-	6.00	8.00

	2018 Years	2017 Years
Demographic assumptions		
Average liability duration for each category of member:		
- Staff pension scheme		
Active members	21.2	19.4
Deferred pensioners	1.3	2.0
Pensioners	7.7	13.4
All participants	19.0	18.0
- Post-retirement medical benefit scheme		
Active members	28.8	24.2
Pensioners	11.3	12.5
All participants	28.3	23.0

Mortality in service and retirement – Specimen mortality rates (number of occurrences per 1000 members) are given below:

	2018		2017	
Attained age	**Males**	**Females**	**Males**	**Females**
20	0.406	0.162	0.326	0.196
25	0.484	0.173	0.525	0.210
30	0.452	0.218	0.714	0.279
35	0.523	0.286	0.758	0.371
40	0.628	0.396	0.891	0.501

(b) Amounts included in the statement of financial position are as follows:

	Staff pension plan		Medical benefit scheme	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Present value of obligation	(6,865,414)	(5,234,423)	(814,868)	(589,004)
Fair value of plan assets	8,459,075	6,949,957	-	-
Net asset/(liability) recognised in statement of financial position	1,593,661	1,715,534	(814,868)	(589,004)

(Expressed in Jamaica dollars unless otherwise stated)

15 **EMPLOYEE BENEFITS (CONTINUED)**

(c) Movements in net defined benefit asset (liability) were as follows:

	Staff pension plan		Medical benefit scheme	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Balance at beginning of year	1,715,534	2,094,494	(589,004)	(405,974)
Included in profit or loss:				
Current service cost	(173,849)	(138,026)	(58,401)	(42,171)
Interest cost	(521,974)	(356,335)	(55,829)	(36,463)
Expenses	-	(20,130)	-	-
Interest on plan assets	668,246	550,808	-	-
	(27,577)	36,317	(114,230)	(78,634)
Included in other comprehensive income:				
Experience adjustments	884,258	(529,085)	(118,109)	24,531
Changes in financial assumptions	(1,819,801)	(236,050)	3,805	(67,276)
Remeasurement of plan assets	672,450	149,350	-	-
Changes in demographic assumptions	-	14,058	-	(63,313)
	(263,093)	(601,727)	(114,304)	(106,058)
Employer's contributions	168,797	186,450	2,670	1,662
Balance at end of year	1,593,661	1,715,534	(814,868)	(589,004)

(i) Amount recognised in profit or loss:

	2018 $'000	**2017 $'000**
- Staff pension plan	(27,577)	36,317
- Post-retirement medical scheme	(114,230)	(78,634)
	(141,807)	(42,317)

Amount recognised in other comprehensive income:

- Staff pension plan	(263,093)	(601,727)
- Post-retirement medical scheme	(114,304)	(106,058)
	(377,397)	(707,785)

(Expressed in Jamaica dollars unless otherwise stated)

15 **EMPLOYEE BENEFITS (CONTINUED)**

(d) Movement in fair value of pension plan assets

	2018 $'000	**2017 $'000**
Fair value of plan assets at beginning of year	6,949,957	6,106,514
Contributions	342,463	341,692
Benefits paid	(174,041)	(178,277)
Interest income on plan assets	668,246	550,808
Administrative fees	-	(20,130)
Remeasurement gain on plan assets included in other comprehensive income	672,450	149,350
Fair value of plan assets at end of year	8,459,075	6,949,957

The major categories of plan assets and the percentage distribution for each category at the reporting date are analysed as follows:

	Staff pension plan			
	2018		**2017**	
	$'000	%	**$'000**	**%**
Pooled Investment Funds				
Equity	517,158	6.11	422,363	6.08
Fixed income	180	-	63,505	0.91
Mortgage and Real Estate	191,404	2.26	215,912	3.10
	708,742	8.37	701,780	10.09
Segregated Funds				
GOJ securities	3,123,419	36.93	3,226,738	46.43
Corporate bonds	164,300	1.94	121,700	1.75
Equity	4,402,399	52.05	2,824,905	40.65
Other	60,215	0.71	74,834	1.08
	7,750,333	91.63	6,248,177	89.91
Closing fair value of plan assets	8,459,075	100.00	6,949,957	100.00

(e) Movement in the present value of obligation

	2018 $'000	**2017 $'000**
Balance at beginning of year	5,234,423	4,012,020
Current service costs	173,849	138,026
Interest cost	521,974	356,335
Employees' contribution	173,666	155,242
Benefits paid	(174,041)	(178,277)
Actuarial gains arising from		
Experience adjustments	(884,258)	529,085
Changes in financial assumptions	1,819,801	236,050
Changes in demographic assumptions	-	(14,058)
Balance at end of year	6,865,414	5,234,423

(Expressed in Jamaica dollars unless otherwise stated)

15 **EMPLOYEE BENEFITS (CONTINUED)**

(f) Sensitivity analyses

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

March 31, 2018
1% movements in

	Health inflation rate		Discount rate		Salary escalation rate		Pension increases	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Impact on:								
- Staff pension plan	-	-	(1,027,817)	1,350,068	811,319	(681,391)		
- Post-retirement medical scheme	270,713	(193,907)	(191,586)	269,803	-	-	-	-

March 31, 2017
1% movements in

	Health inflation rate		Discount rate		Salary escalation rate		Pension increases	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Impact on:								
- Staff pension plan	-	-	(791,783)	1,041,688	567,939	(476,043)	386,486	(336,687)
- Post-retirement medical scheme	147,853	(113,937)	(111,757)	147,229	-	-	-	-

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

(Expressed in Jamaica dollars unless otherwise stated)

15 **EMPLOYEE BENEFITS (CONTINUED)**

(g) Summary of five-year trend

(i) Staff pension plan

Disclosure Items	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Present value of defined benefit obligation	6,865,414	5,234,423	4,012,020	3,313,206	3,115,894
Fair value of plan assets	8,459,075	6,949,957	6,106,514	5,239,343	4,617,898
Surplus in the Plan	(1,593,661)	(1,715,534)	(2,094,494)	(1,926,137)	(1,502,004)
Remeasurements on defined benefit obligation – loss	(935,543)	(751,077)	(216,893)	N/A	N/A
Remeasurements arising on plan assets – gain/ (loss)	672,450	149,350	255,197	(20,450)	114,524

(ii) Medical benefit scheme

Disclosure Items	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Present value of defined benefit obligation/Deficit in the Plan	814,868	589,004	405,974	308,778	216,912
Remeasurements on defined benefit obligation	114,304	106,059	22,610	N/A	N/A
- Loss/(Gain) due to experience	118,109	(24,531)	6,770	15,072	12,371
- Loss/(Gain) due to changes in financial assumptions	(3,805)	67,276	17,242	N/A	N/A
- Loss/(Gain) due to changes in demographic assumptions	-	63,313	(1,402)	N/A	N/A

(h) The Trust expects to make a contribution of $197.71 million (2017: $177.28 million) to the defined benefit plan during the next financial year.

(Expressed in Jamaica dollars unless otherwise stated)

16 **PROPERTY, PLANT AND EQUIPMENT**

	Land, land improvement and buildings $'000	Furniture, fixtures, artwork and other equipment $'000	Computer equipment $'000	Motor vehicles $'000	Advance on assets $'000	Construction in progress $'000	Total $'000
Cost or Deemed Cost							
April 1, 2016	1,621,768	576,115	562,597	38,868	33,305	49,920	2,882,573
Additions	-	39,949	30,311	19,950	16,362	-	106,572
Transfers	-	6,524	14,404	-	(20,928)	-	-
Adjustments	-	-	157	3,028	(4,899)	-	(1,714)
Disposals	-	(9,693)	(28,777)	-	-	-	(38,470)
March 31, 2017	1,621,768	612,895	578,692	61,846	23,840	49,920	2,948,961
Additions	-	38,269	60,463	7,038	92,919	2,052	200,741
Transfers	-	11,290	1,911	-	(13,201)	-	-
Adjustments	-	-	-	-	(3,003)	-	(3,003)
Disposals	-	(10,683)	(47,879)	(7,060)	-	-	(65,622)
March 31, 2018	1,621,768	651,771	593,187	61,824	100,555	51,972	3,081,077
Depreciation							
April 1, 2016	428,899	494,972	519,714	25,228	-	-	1,468,813
Charge for the year	40,376	24,785	34,130	9,038	-	-	108,329
Impairment loss	-	285	-	-	-	-	285
Adjustments	-	24	-	442	-	-	466
Eliminated on disposals	-	(9,693)	(28,777)	-	-	-	(38,470)
March 31, 2017	469,275	510,373	525,067	34,708	-	-	1,539,423
Charge for the year	36,936	30,089	43,657	10,845	-	-	121,527
Adjustments	-	18	(2)	-	-	-	16
Eliminated on disposals	-	(10,358)	(47,879)	(6,437)	-	-	(64,674)
March 31, 2018	506,211	530,122	520,843	39,116	-	-	1,596,292
Net Book Values							
March 31, 2018	1,115,557	121,649	72,344	22,708	100,555	51,972	1,484,785
March 31, 2017	1,152,493	102,522	53,625	27,138	23,840	49,920	1,409,538

(Expressed in Jamaica dollars unless otherwise stated)

16 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The following estimated useful lives are used for the depreciation of property, plant and equipment:

Freehold buildings	-	40 years
Land improvement	-	15 years
Partitions	-	10 years
Furniture and fixtures	-	8 years
Office equipment	-	5 years
Computer equipment	-	3 years
Motor vehicles	-	4 years
Heavy equipment	-	5 years

Land, artwork and construction in progress are not depreciated.

Included in the cost of property, plant and equipment are the following in respect of Emancipation Park:

	2018 $'000	2017 $'000
Buildings/related infrastructure	217,143	217,143
Furniture, fixtures and office equipment	164,740	162,269
Artwork	13,931	13,931
	395,814	393,343

17 **PAYABLES AND ACCRUALS**

	2018 $'000	2017 $'000
Accounts payable and accruals (Note 17(a))	1,862,512	1,788,099
Scheme deposits	136,802	99,810
Statutory and other payroll deductions	158,323	69,185
Retention payable	324,672	222,459
GCT payable	1,169,841	756,695
Withholding Tax Specified Services	2,250	2,091
Sums withheld for modification of covenants	175,372	162,901
Other payables	1,660,894	1,039,404
Peril insurance claims (Note 31(b)(i))	17,654	17,070
	5,508,320	4,157,714

(a) This balance primarily comprise amounts outstanding for purchases and other on-going operational costs.

(Expressed in Jamaica dollars unless otherwise stated)

18 PROVISIONS

	Sundry Claims (Note 18(a))		Employee Benefits (Note 18(b))		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balances at beginning of the year	13,000	49,831	101,982	95,540	114,982	145,371
Recognised in profit or loss for the year	(13,000)	(36,831)	28,050	6,442	15,050	(30,389)
Balance at end of the year	-	13,000	130,532	101,982	130,032	114,982

(a) Sundry claim represented a provision for the settlement of a legal claim against the Trust.

(b) Employee benefits represent provision for outstanding employees' vacation leave entitlements.

19 REFUNDABLE CONTRIBUTIONS

	2018			2017
	Currently Due $'000	Not Yet Due $'000	Total $'000	Total $'000
Contributions refundable	18,681,215	74,268,354	92,949,569	85,171,645
Bonus accrued (Note 19(a))	2,576,309	3,642,661	6,218,970	6,079,773
	21,257,524	77,911,015	99,168,539	91,251,418
Represented by:				
Savings accounts				
Principal	15,883,359	-	15,883,359	13,258,186
Interest	103,130	-	103,130	90,007
	15,986,489	-	15,986,489	13,348,193
Time accounts				
Principal	-	53,952,962	53,952,962	40,333,133
Interest	-	3,506,966	3,506,966	2,801,495
	-	57,459,928	57,459,928	43,134,628
Total for which personal accounts are established	15,986,489	57,459,928	73,446,417	56,482,821
Balances for which no personal accounts are established (Note 19(b))	5,271,035	20,451,087	25,722,122	34,768,597
Total refundable employee contributions	21,257,524	77,911,015	99,168,539	91,251,418

(Expressed in Jamaica dollars unless otherwise stated)

19 REFUNDABLE CONTRIBUTIONS (CONTINUED)

(a) Bonuses are payable to contributors at the rate specified. The amount payable to contributors for each year will be paid together with cash grant benefits awarded as described in Note 2(b)(ii). Bonuses on contributions not currently refundable are calculated at 2% per annum.

(b) The Trust has not fully established personal accounts for employed persons who have made contributions to the Trust to enable it to issue certificates of contributions made, as required by the Act.

The primary reasons for the delay in establishing some personal accounts are:

(i) the non-submission of annual returns by several employers.
(ii) incomplete returns with a resultant difficulty in uniquely identifying some contributors and creating the appropriate personal accounts by interface with the computerised contributions system.

The Trust has implemented a number of strategies to address this problem. During the current financial year, 1,112,349 (2017: 845,267) individual (time) accounts totalling $20.84 billion (2017: $16.65 billion) were created.

(Expressed in Jamaica dollars unless otherwise stated)

20 **DEFERRED TAX LIABILITIES**

The net position at the reporting date is attributable to the following:

	2018			
	Balance at April 1, 2017 $'000	**Recognised in income $'000**	**Recognised in other comprehensive Income $'000**	**Balance at March 31, 2018 $'000**
Interest payable	(49,874)	15,075	-	(34,799)
Employee benefits asset (net)	281,635	7,415	(94,349)	194,701
Accelerated depreciable charges	(4,153)	20,179	-	16,026
Revaluation of properties	21,229	(21,229)	-	-
Interest receivable	348,381	(31,568)	-	316,813
Interest receivable and share of net assets of associate	17,557	(13,579)	-	3,978
Unrealised foreign exchange gains	2,155	43,799	-	45,954
Rental income receivable	1,838	(1,161)	-	677
Other	(1)	(1)	-	(2)
Net liabilities	618,767	18,930	(94,349)	543,348

	2017			
	Balance at April 1, 2016 $'000	**Recognised in income $'000**	**Recognised in other comprehensive Income $'000**	**Balance at March 31, 2017 $'000**
Interest payable	(40,117)	(9,757)	-	(49,874)
Employee benefits asset (net)	422,132	36,449	(176,946)	281,635
Accelerated depreciable charges	(5,802)	1,649	-	(4,153)
Revaluation of properties	21,987	-	(758)	21,229
Interest receivable	367,569	(19,188)	-	348,381
Interest receivable and share of net assets of associate	28,561	(11,004)	-	17,557
Unrealised foreign exchange gains	1,022	1,133	-	2,155
Rental income receivable	2,074	(236)	-	1,838
Other assets	161	(162)	-	(1)
Net liabilities	797,587	(1,116)	(177,704)	618,767

(Expressed in Jamaica dollars unless otherwise stated)

21 FAIR VALUE AND OTHER RESERVES

	Other Reserves			
	Fair value reserve $'000	Unallocated contributions reserve $'000	Property revaluation reserve $'000	Total $'000
Balances at April 1, 2016	981,426	711,455	209,956	1,902,837
Net increase in fair value of available-for-sale investments	1,111,051	-	-	1,111,051
Gain on disposal of investment securities transferred to profit for loss	(78,621)	-	-	(78,621)
Contribution shortage on annual return	-	(5)		(5)
Deferred tax arising on revaluation of property, plant and equipment (Note 20)	-	-	758	758
Balances at March 31, 2017	2,013,856	711,450	210,714	2,936,020
Net increase in fair value of available-for-sale investments	1,317,435	-	-	1,317,435
Gain on disposal of investment securities transferred to profit or loss	(143,466)	-	-	(143,466)
Transfer contribution reserve to accumulated profit (Note 21(a))	-	(711,450)	-	(711,450)
Transfer revaluation reserve to accumulated profit (Note 21(b))	-	-	(210,714)	(210,714)
Balances at March 31, 2018	3,187,825	-	-	3,187,825

(a) This amount represents the outstanding balance on the unallocated contributions reserves at March 31, 2018 which was transferred to the accumulated profit. It relates to contribution payments for employed persons that were not transferred to the new sub-ledger system in the year 2000 due to insufficient information provided on the annual returns which would uniquely identify each contributor (eg. TRN or NIS number).

(b) This represents the balance for property revaluation reserves as at March 31, 2018 being transferred to the accumulated profit. The amount relates to unrealised surplus of $225 million obtained on the revaluation of land and building in the year 1994 less annual deferred tax adjustments.

22 MORTGAGE SUBSIDY RESERVE

In July 2010, the Trust implemented a Mortgage Subsidy Programme for applicants who fall within those income bands which are charged 1% to 3% interest, and have been contributing to the Trust for a minimum of 7 years. The Trust approves a maximum of 20% of its quarterly profit after tax to be used to finance the Mortgage Subsidy Programme. The utilisation of the subsidy is dependent on the eventual successful completion of the application process by contributors.

As of July 2017, applicants earning $12,000 or less weekly and have been contributing to the Trust for a minimum of 7 years may be eligible for a maximum subsidy of $2.50 million. The actual take up of the subsidy by eligible contributors during the year amounted to $231.53 million (2017: $218.63 million) (Note 27).

(Expressed in Jamaica dollars unless otherwise stated)

23 **PERIL RESERVE**

The Trust's insurance policy deductible is US$30 million (2017: US$30 million), i.e., peril insurance claims up to this amount will be for the account of the Trust (claims over this amount will be for the account of the insurer) (Note 31(b)(i)).

The Trust has currently designated the investments listed below to fund this reserve:

	2018 US$'000	2017 US$'000
Cash and cash equivalents (Note 6(c))	2,181	506
Resale agreements (Note 8(c))	18,239	1,888
Available-for-sale securities (Note 9(b)(i))	30,884	48,604
	51,304	50,998

24 **LOAN LOSS RESERVE**

This reserve represents the excess of the provision for loan losses, determined using management's prudential estimate of the greater of 3% of the total mortgage loans (less loan financing to developers) receivable, net of IFRS allowance and the total arrears for over 90 days, for which allowances are made, over the amounts determined under IFRS (Note 10(t)).

During the year, an increase of $436.39 million (2017: $212.44 million) was made to the loan loss reserve, to cover any losses that may arise from the loans referred to above as well as other mortgage loans.

25 **DISTRIBUTIONS**

(i) Transfer to consolidated fund

This represents transfers made to the Government of Jamaica through the Ministry of Finance and Planning based on the amendment to the National Housing Trust Act (the Act) under which the Trust was required to transfer up to a maximum of $11.4 billion to the Consolidated Fund for each of four years up to 2016/2017.

The Act was further amended in August 2017 for an additional financing for four years up to 2020/2021.

(ii) Special distribution

In keeping with Section 5 of the Public Bodies Financial Distribution Regulations, the Trust made a special financial distribution of $1 billion during 2016/2017 to the Ministry of Finance and the Public Service.

(Expressed in Jamaica dollars unless otherwise stated)

26 MISCELLANEOUS INCOME

	2018 $'000	**2017 $'000**
Refundable contribution (Note 26(a))	-	1,500,842
Penalty income	73,126	141,745
Debt management fees	109,557	106,598
Peril and life insurance administrative fees	539,395	166,174
Others	108,260	240,127
	830,338	2,155,486

(a) During 2016/2017, the Board approved the write-off of certain refundable contributions that were refundable for the periods 1999 to 2007, for which no claims have been made and the identities of the contributors were unknown.

27 SPECIAL SUBSIDIES AND GRANTS

	2018 $'000	**2017 $'000**
Special projects:		
Inner City Housing Project	36,848	15,111
Emancipation Park (net of recoveries of $5.55 million (2017: $5.19 million))	118,098	92,834
Grants:		
Mortgage subsidy (Note 22)	231,527	218,628
Property maintenance – Orange Grove	7,276	7,092
Others	100,619	86,855
	494,368	420,520

28 TAXATION

(a) Taxation recoverable

	2018 $'000	**2017 $'000**
Balance at the beginning of the year	6,512,191	6,190,242
Additions during the year	330,747	321,949
Balance at the end of the year	6,842,938	6,512,191

This represents recoverable withholding tax deducted at source from investment income. The Trust claims the tax deducted at source as a tax credit against its tax liabilities, once this has been approved by the Commissioner General, Tax Administration Jamaica.

(Expressed in Jamaica dollars unless otherwise stated)

28 **TAXATION (CONTINUED)**

(b) Taxation payable

	2018 $'000	2017 $'000
Balance at the beginning of the year	4,697,192	3,609,104
Current tax charge for the year	1,197,251	1,088,088
Balance at the end of the year	5,894,443	4,697,192

(c) Recognised in profit or loss for the year

(i) The taxation charge for the year comprises:

	2018 $'000	2017 $'000
Current tax	1,197,251	1,088,088
Deferred tax (Note 20)	18,930	(1,116)
	1,216,181	1,086,972

(ii) Reconciliation of effective tax rate:

	2018 $'000	2017 $'000
Profit before taxation	22,167,235	25,260,042
Expected tax at domestic income tax rate of 25%	5,541,809	6,315,010
Tax effect of amounts not deductible	67,314	27,199
Tax effect of income not subject to tax	(4,555,120)	(5,276,779)
Net effect of other charges and allowances	162,178	21,542
Taxation charge	1,216,181	1,086,972

(Expressed in Jamaica dollars unless otherwise stated)

29 PROFIT FOR THE YEAR

The profit for the year is stated after taking account of the following items:

(a) Revenue on financial assets:

	2018 $'000	2017 $'000
Financial assets at amortised cost:		
- Rescheduled loans	35,230	51,826
- Unimpaired loans	10,038,764	9,664,577
- Other	859,037	-
	10,933,031	9,716,403
Interest income on investments:		
- Available-for-sale investment securities	1,538,396	1,466,296
- Fair value through profit or loss investment securities	180,546	171,692
	1,718,942	1,637,988
	12,651,973	11,354,391
Dividends	26,509	24,953
	12,678,482	11,379,344

(b) Bonus on employees' contributions:

	2018 $'000	2017 $'000
- Savings accounts	386,904	431,382
- Time accounts	1,171,958	1,144,454
	1,558,862	1,575,836

(c) Gain on financial assets

	2018 $'000	2017 $'000
(i) Gains on inflation indexed bonds	183,815	97,601
(ii) Gain on disposal of available-for-sale securities Equity securities	143,466	78,621

(Expressed in Jamaica dollars unless otherwise stated)

29 **PROFIT FOR THE YEAR (CONTINUED)**

(d) Expenses by nature:

		2018 $'000	2017 $'000
Audit fees	- current year	9,500	9,991
	- prior year	836	-
Depreciation		121,527	108,329
Impairment of property, plant and equipment		-	285
Amortisation of intangible assets		2,382	3,875
Employees costs (Note 35)		5,205,592	4,396,867
Office rental, maintenance and security		302,491	269,442
Electricity and telephone		175,833	163,638
Scheme expenses		313,016	285,562
Data processing – licences and maintenance		238,192	217,075
Irrecoverable General Consumption Tax		162,257	154,384
Others		798,881	917,150
		7,330,507	6,526,598

(e) Non-refundable employers' contributions

During the year, based on a Memorandum of Understanding between the Trust and the Government of Jamaica (GOJ), acting through the Ministry of Finance and the Public Service (MOFPS), the GOJ paid contribution arrears in the amount of $1 billion. Subsequent to year end, during June 2018, a further $1.7 billion was paid by GOJ to the Trust in respect of contribution arrears.

30 **RELATED PARTY BALANCES/TRANSACTIONS**

Operating transactions

During the year, the Trust entered into the following transactions with key management personnel, including members of the Board of Directors and other related parties:

	Loans granted/Advances net of share of losses		Balance owed Including interest	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Key management personnel	30,908	17,934	90,145	73,158
Board of Directors and Committee members	-	-	6,010	6,204
Investments in associate	33,677	10,253	1,106,715	1,073,038

Compensation of key management personnel

Remuneration is determined by the Board of Directors under the guidelines set by the Ministry of Finance and Planning having regard to the performance of individuals and market trends.

(Expressed in Jamaica dollars unless otherwise stated)

30 RELATED PARTY BALANCES/TRANSACTIONS (CONTINUED)

The remuneration of Directors, Committee members and other key members of management during the year was as follows:

	2018 $'000	2017 $'000
Board of Directors and Committee members:		
Directors' fees	3,038	2,131
Director's remuneration	25,871	25,158
Other key management personnel:		
Salaries and other benefits	139,187	100,635
Post-employment benefits	10,638	6,896
	149,825	107,531
	178,734	134,820

Directors remuneration includes retroactive payments.

31 COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2018 $'000	2017 $'000
(i) Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	14,779,503	11,903,392
Purchase of land	1,037,000	382,917
Inner City Housing Project	259,429	225,085
	16,075,932	12,511,394
(ii) Authorised and approved but not contracted for -		
Computer software development	38,000	13,000
Office refurbishing	208,015	137,700
Construction contracts under negotiation	2,445,001	788,118
Mortgage subsidy	589,269	791,742
	3,280,285	1,730,560
(iii) Authorised and approved but not yet disbursed -		
Loans to beneficiaries	2,439,053	1,215,786

(Expressed in Jamaica dollars unless otherwise stated)

31 **COMMITMENTS AND CONTINGENCIES**

(b) Contingencies

(i) Peril insurance claims

The Trust's self-insured retention on its peril insurance cover is US$30 million (J$3.78 billion) (2017: US$30 million (J$3.83 billion)). Should a catastrophic event occur such as a hurricane or an earthquake, the Trust will be liable to meet the cost of damage up to the aggregate amount of the retention for any one or several events in the given period. The Trust is insured for full value on all earthquake perils and for all other perils above the Self Insurance Retention (Note 23).

At year-end, claims made by beneficiaries provided for but not yet processed by the Trust amounted to approximately $17.65 million (2017: $17.07 million) (Note 17).

(ii) Litigation

The Trust is involved in litigations in the normal course of operations. Management believes that, liabilities, if any, arising from such litigations will not have a material adverse effect on the financial position of the Trust.

(iii) T*axation*

There are certain expenses claimed by the Trust that Tax Administration (TAJ) Jamaica is contesting on the following bases:

(i) whether certain expenses were incurred solely in the normal course of operations.
(ii) whether certain expenses representing costs associated with collecting employers' contributions should be allowed for tax purposes.

A meeting was held on April 15, 2013 with representatives of TAJ and the Trust concerning the Income Tax Objection and a decision was taken as follows:

(i) The Letter of Decision delivered to the Trust be withdrawn to facilitate further deliberation on the objection lodged by the Trust.
(ii) The Trust undertakes to present TAJ with a detailed proposal on the bases of apportionment and the amounts of indirect/overhead cost allocable to the investment income earned by the Trust for all the relevant Years of Assessment.
(iii) The Trust upon receipt of TAJ's decision will withdraw their Letter of Appeal that was filed at Taxpayer Appeals Department.

No provision has been made in the financial statements in respect of any liability that may result from the resolution of matters contested by the TAJ.

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 4 to the financial statements.

(Expressed in Jamaica dollars unless otherwise stated)

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The Trust has exposure to the following risks from its use of financial instruments: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Financial risk management policies and objectives

The Trust's activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Trust's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

The Trust's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The Trust regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices. The use of any derivative financial instrument is governed by the Trust's policies approved by the Board of Directors.

An enterprise-wide risk management approach is adopted. This framework is supported by sound risk management practices which include the establishment of enterprise-wide policies, procedures and limits, monitoring and measurement of exposure against established limits, ongoing realignment of business strategies and activities and the reporting of significant exposures to senior management and the Board of Directors.

The Board of Directors has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Board of Directors risk management mandate is principally carried out through:

The Finance and Investment Committee, Audit Committee, HRM and Information Technology Committee, Properties and Technical Committee, Customer Relations and Governance Committee, Diaspora Committee and the Internal Audit Department.

Finance and Investment Committee

This Committee has direct responsibility for the management of financial position and overall financial structure which includes liquidity, interest rate and foreign currency risks management.

Audit Committee

Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

HRM and Information Technology Committee

This Committee has the responsibility to review, evaluate and manage HRM policy formulation in general and to recommend strategies for the technological direction of the Trust.

Properties and Technical Committee

This Committee has overall responsibility for the monitoring of construction activities of the Trust, including procurement of contracts, evaluation and monitoring of costs incurred.

Customer Relations and Governance Committee

This committee has responsibility for providing the Board with advice and recommendations relating to corporate governance and communication. This includes the Board's stewardship role in the management of the Trust, as well as its size, composition and compensation.

(Expressed in Jamaica dollars unless otherwise stated)

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

The Internal Audit Department

The Internal Audit Department has responsibility for ensuring the effectiveness and adequacy of risk management, internal controls and procedures, and conducts both *ad hoc* and regular reviews. The Internal Audit department reports the result of all findings to the Audit Committee, who reports the findings, recommendations and management responses to the Board of Directors.

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

(a) Market risk

Market risk is the risk that the value or expected cash flows of a financial instrument will fluctuate as a result of changes in the market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Trust's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates, as well as equity price risks as disclosed below.

Management of market risk
The Board of Directors outlines the general policies of the Trust in managing this risk. The Trust, through its Investments Unit, monitors this risk through thorough research of financial markets, both locally and internationally as well as analyses of the financial institutions with whom investments are made. Price movements, because of market factors on the Trust's investments, are monitored on a monthly basis.

The Trust holds available-for-sale equity investments listed on the Jamaica and Barbados Stock Exchanges. The primary goal of the Trust's investment in equities is to maximise the return on the portfolio. These equities are not held for strategic alliances with or control over these entities. The Investment Unit monitors these investments on a daily basis in order to take advantage of opportunities arising from market activity.

The Trust faces risk in respect of its equity investments because of fluctuations in the prices of equities in its investment portfolio. These fluctuations may arise because of general market conditions (systemic risk) or due to company specific factors (non-systemic risk). This risk is minimised by the implementation and monitoring of sound financial management strategies, in accordance with the Board of Directors' guidelines.

There has been no change to the Trust's exposure to market risks or the manner in which it measures and manages the risk.

(i) Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If quoted equity prices had been 15% (2017: 10%) higher/lower, fair value and other reserves in accumulated fund for the year ended March 31, 2018 would increase/decrease by $212.62 million (2017: $111.17 million) as a result of the changes in fair values of the available-for-sale equity securities.

(Expressed in Jamaica dollars unless otherwise stated)

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Market risk (Continued)

(ii) Foreign currency risk

Currency risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Trust undertakes certain transactions denominated in currencies other than the Jamaica dollar resulting in exposures to exchange rate fluctuation.

Management of foreign currency risk
Management consistently monitors the Trust's exposure in this regard by constant monitoring of international foreign exchange markets and factors influencing currency movements and positioning its foreign currency investments accordingly. The main currency giving rise to this risk is the United States dollar.

At March 31, 2018, the carrying amounts of the Trust's foreign currency denominated financial assets were as follows:

	Assets			
	2018		**2017**	
	US$'000	**J$'000**	**US$'000**	**J$'000**
Cash and bank balances	2,747	346,068	658	84,558
Resale agreements	18,305	2,306,254	1,894	243,490
Investment securities	30,884	3,891,043	48,605	6,247,246
	51,936	6,543,365	51,157	6,575,294

The exchange rate of the United States dollar in relation to the Jamaica dollar was US$1 to J$125.99 (2017: US$1 to J$128.53).

Foreign currency sensitivity analysis
The following table details the Trust's sensitivity to a 2% revaluation and 4% devaluation (2017: 1% revaluation and 6% devaluation) of the Jamaica dollar against the United States dollar. The change in the sensitivity rates below are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	2018		**2017**	
	2% revaluation of the J$'000	**4% devaluation of the J$'000**	**1% revaluation of the J$'000**	**6% devaluation of the J$'000**
Effect on profit for the year	(130,867)	261,735	(65,753)	394,518

(Expressed in Jamaica dollars unless otherwise stated)

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Market risk (Continued)

(ii) Foreign currency risk (Continued)

Foreign currency sensitivity analysis (Continued)
The Trust's sensitivity to foreign currency has decreased during the current period mainly due to the decline on conversion in holdings of foreign currency investments. The analysis is done on the same basis as for 2017 and assumes that all other variables, in particular interest rates, remain constant.

(iii) Interest rate risk

Interest rate risk is the potential that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow interest rate risk.

The primary source of funding for the Trust is employer and employee contributions which are either non-refundable or refundable at nominal rates of interest. This limits the Trust's exposure to interest rate risk. These funds, together with profit on operations are the main source of investments, loans to beneficiaries and inventory housing projects. Investment securities are at significantly higher rates of return.

Management of interest rate risk

The Trust's exposure to interest rate risk is measured using gap analysis and sensitivity analysis and managed by maintaining an appropriate mix of variable and fixed rate instruments.

The table below summarises the Trust's exposure to interest rate risk. Included in the table are the Trust's assets and liabilities at carrying amounts, categorised by the earlier of the contractual repricing or maturity dates.

(Expressed in Jamaica dollars unless otherwise stated)

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

Financial risk management policies and objectives (Continued)

(iii) Interest rate risk (Continued)

	2018						
	Within 3 months $'000	**Within 3 - 12 months $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Non-rate sensitive $'000**	**Total $'000**	**Weighted effective interest rate %**
Assets:							
Cash and bank balances	2,971,425	-	-	-	1,094,506	4,065,931	2.07
Receivables	5,042	20,688	746,003	292,746	408,438	1,472,917	2.19
Short term deposits and resale agreements	4,740,062	2,441,603	-	-	-	7,181,665	3.54
Investment securities	1,720,770	735,838	1,391,613	11,933,225	1,759,106	17,540,552	5.90
Loans receivable	8,715,585	1,670,643	3,370,537	208,296,047	-	222,052,812	4.60
Total assets	18,152,884	4,868,772	5,508,153	220,522,018	3,262,050	252,313,877	
Liabilities							
Payables	-	-	-	-	4,120,843	4,120,843	-
Refundable contributions	2,052,000	19,205,524	26,741,012	51,170,003	-	99,168,539	3.17
	2,052,000	19,205,524	26,741,012	51,170,003	4,120,843	103,289,382	
Net interest rate sensitivity gap	16,100,884	(14,336,752)	(21,232,859)	169,352,015	(858,793)	149,024,495	
Cumulative gap	16,100,884	1,764,132	(19,468,727)	149,883,288	149,024,495		

(Expressed in Jamaica dollars unless otherwise stated)

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (Continued)

(iii) Interest rate risk (Continued)

	2017						
	Within 3 months $'000	**Within 3 - 12 months $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Non-rate sensitive $'000**	**Total $'000**	**Weighted effective interest rate %**
Assets:							
Cash and bank balances	4,559,585	-	-	-	845,049	5,404,634	6.22
Receivables	7,357	30,112	667,155	164,071	346,742	1,215,437	2.49
Short term deposit and resale agreements	3,344,674	739,334	-	-	-	4,084,008	6.49
Investment securities	1,192,220	976,325	3,163,559	11,570,828	1,405,055	18,307,987	6.29
Loans receivable	9,594,241	1,180,670	3,625,132	191,656,670	-	206,056,713	4.78
Total assets	18,698,077	2,926,441	7,455,846	203,391,569	2,596,846	235,068,779	
Liabilities							
Payables	-	-	-	-	3,100,314	3,100,314	
Refundable contributions	2,223,000	19,788,600	40,957,522	28,282,296	-	91,251,418	3.61
	2,223,000	19,788,600	40,957,522	28,282,296	3,100,314	94,351,732	
Net interest rate sensitivity gap	16,475,077	(16,862,159)	(33,501,676)	175,109,273	(503,468)	140,717,047	
Cumulative gap	16,475,077	(387,082)	(33,888,758)	141,220,515	140,717,047		

(Expressed in Jamaica dollars unless otherwise stated)

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

Financial risk management policies and objectives (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk (Continued)

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates from non-derivative instruments at the reporting date. For floating rate assets, the analysis is prepared assuming the amount of assets held at the reporting date was held throughout the year. For Jamaica dollar instruments, a 100 basis points increase and a 100 basis points decrease (2017: 100 basis points increase and 100 basis points decrease) and for US$ denominated instruments, a 50 basis points increase and a 50 basis points decrease (2017: 100 basis points increase and 50 basis points decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and 100 basis points lower (2017: 100 basis points higher and 100 basis points lower) for Jamaica dollar instruments and 50 basis points higher and 50 basis points lower (2017: 100 basis points higher and 50 basis points) for US$ denominated instruments and all other variables were held constant, the Trust's:

- profit for the year ended March 31, 2018 would increase by $89.11 million (2017: $89.15 million) or decrease by $89.11 million (2017: $87.61 million). This is mainly attributable to the Trust's exposure to interest rates on its variable rate investment securities.

- fair value and other reserves would increase by $646.79 million or decrease by $616.56 million (2017: increase by $912.8 million or decrease by $904.4 million), mainly as a result of the changes in the fair value of available-for-sale variable rate instruments.

- cashflows from floating rate assets would increase by $1.64 million or decrease by $1.64 million (2017: increase by $3.3 million or decrease by $3.3 million), mainly as a result of the changes in the weighted average coupon rate earned of 5.61% (2017: 7.34%) on available-for-sale variable rate instruments.

(b) Credit risk

Credit risk is the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Trust. The risk is managed primarily by reviews of the financial status of each obligator and ultimately making provisions where there is evidence of impairment.

Credit risk is the most significant risk for the Trust's business. Therefore, management carefully monitors its exposure. Credit exposures arise principally in respect of the Trust's lending and investment activities. The maximum credit exposure of the Trust is represented by the carrying amount of each financial asset.

(i) Loans receivable

The Trust has a significant credit risk exposure in respect of loans to beneficiaries and financial institutions, and advances to developers for housing construction. At March 31, 2018, the total credit risk exposure for loans receivable amounted to $222.05 billion (2017: $206.06 billion). The Trust establishes policies and procedures which govern standards for granting loans and the process of continuous monitoring and measurement in relation to delinquency and debt recovery management.

(Expressed in Jamaica dollars unless otherwise stated)

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

Financial risk management policies and objectives (Continued)

(b) Credit risk (Continued)

(i) Loans receivable (Continued)

Before granting credit, the Loan Origination Unit assesses the probability of default of the individual party using internal rating tools. Each loan is assigned to loan officers who are responsible for the monitoring and management of the loan facilities.

The Loan Management Unit reviews the arrears report daily and has dialogue with the relevant parties to ensure their accounts remain current. Additionally, to discourage delinquency, the Trust imposes a late fee charge on mortgages in arrears of fifteen days and over. In respect of loans to beneficiaries, the exposure is mitigated as the maximum loan to a single mortgagor is restricted and a significant number of mortgagors must default before there is a significant impact on the Trust's operations.

The Housing Receivable Unit submits monthly and quarterly statements to beneficiaries and have dialogue with the relevant parties to ensure that repayments are received on a timely basis.

The credit risk for financial institutions and developers for housing construction are assessed by preparing a Financial Review Report which is presented to management for decision-making. The exposure to credit risk for financial institutions and developers is mitigated as maximum limits are set for amounts advanced and adherence to terms of the loan agreement is monitored and reviewed on a regular basis. The Trust conducts periodic risk assessments to ensure its interest is secure in the event of default by the participating institution.

Collateral

The Trust employs a range of policies to mitigate credit risk. For loans to beneficiaries and financial institutions, a significant portion of these loans is secured on properties. In respect of loans through government agencies, the Trust receives letters of undertaking from the Ministry of Finance and Planning as necessary.

Management monitors the market value of collateral on a regular basis and if necessary, requests additional collateral in accordance with the underlying agreement.

Fair value of collateral held at year end in respect of loans receivable that are past due and impaired

	2018 **$'000**	**2017** **$'000**
Properties	57,241,317	62,412,534

Repossessed collateral

From time to time, the Trust's takes possession of collateral held as security. These repossessed assets are sold as soon as is practicable with the proceeds from sale set-off against outstanding debts. The Trust does not occupy or use repossessed assets in its operations.

(Expressed in Jamaica dollars unless otherwise stated)

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

Financial risk management policies and objectives (Continued)

(b) Credit risk (Continued)

(i) Loans receivable (Continued)

Repossessed collateral (Continued)

At year end, the following was the status of repossessed assets:

	2018		2017	
	Carrying Value $'000	Value of Collateral $'000	Carrying Value $'000	Value of Collateral $'000
Residential properties	4,798,146	18,045,590	2,197,784	9,189,979

The Trust does not have any significant concentration of credit risk to any one party or group of counterparties.

(ii) Investment securities, short term deposits and resale agreements and cash and cash equivalents.

The Trust seeks to minimise its risk in the following ways:

- The Board of Directors sets out specific guidelines governing the management of the Trust's investments, resale agreements and cash and cash equivalents.
- All financial institutions with which the Trust has a credit risk exposure as well as institutions vying to enter into financial transactions with the Trust are appraised and ranked based on their financial standing and other criteria, in accordance with the Board of Directors' guidelines. The Board of Directors must approve this ranking.
- Management limits the amount of investment with any one institution, in accordance with the Board of Directors' guidelines.
- Management limits the investment in certain types of investments, in accordance with the Board of Directors' guidelines. In addition, a clear approval structure is established to govern the investment in certain categories of investment options.
- Investment securities are placed with reputable financial institutions and are usually collateralised by Government of Jamaica (GOJ) or Bank of Jamaica (BOJ) securities duly transferred to the Trust in the event of default of the counterparty to the transaction.
- The Investments Unit conducts constant monitoring of the terms of investment contracts to ensure that the terms are strictly adhered to, in particular, that institutions fulfil their financial obligations to the Trust as they fall due.

The following table summarises the Trust's credit exposure and concentration for investments (excluding equities), resale agreements, and cash and cash equivalents, including interest receivable:

	2018 $'000	2017 $'000
Government of Jamaica (GOJ)	12,441,859	13,417,709
Bank of Jamaica (BOJ)	3,275,242	3,377,988
Others	11,305,423	9,589,322
Total	27,022,524	26,385,019

(Expressed in Jamaica dollars unless otherwise stated)

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

Financial risk management policies and objectives (Continued)

(b) Credit risk (Continued)

(ii) Receivables

The Trust's exposure to credit risk is also influenced by the amounts owed by third parties and staff loans. The Trust's establishes a provision for impairment that represents its estimate of irrecoverable amounts determined by consideration of the number of days past due, past default experience, current economic conditions and expected receipts and recoveries once impaired. At March 31, 2018, the Trust's exposure to credit risk for receivables amounted to $1.47 billion (2017: $1.22 billion).

(c) Liquidity risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay contributors and fulfill commitments to lend. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Trust is exposed to daily calls on its available cash resources primarily in respect of loan and project disbursements, refund of contributions and operational expenses.

Management of liquidity risk

Monitoring and management of the Trust's liquidity management process resides with the Investments Unit. Prudent liquidity risk management requires the Trust to maintain sufficient cash and marketable securities, to monitor future cash flows on a daily basis and to maintain a minimum amount of free cash to meet unexpected liquidity demands. Management ensures that strong liquidity levels are maintained in order to prevent unacceptable losses or risk of damage to the Trust's reputation. The daily liquidity position is monitored by reports covering the position of the Trust over several months in advance. All liquidity policies and procedures are subject to review and approval by the Board of Directors.

The Trust's liquidity management process, monitored by the Investment and Cash management Units, includes:

- Maintaining sufficient amounts of cash and cash equivalents to cover unexpected levels of demand. This is achieved through the systematic aging of the Trust's cash and cash equivalents, to ensure that a minimum amount matures on a weekly basis. This is done in consideration of the Trust's other sources of income, including mortgage and contribution received as well as other investment income.
- Monitoring cash and bank balances and future cash flows on a daily basis to ensure that requirements can be met. This includes the monitoring of several reports compiled by the Investments Unit as well as the relevant operational areas of the Trust.
- Maintaining a portfolio of highly marketable and diverse assets that can be readily liquidated as protection against any unforeseen interruption to cash flow. They include equities traded on the Jamaica Stock Exchange, money market investments and GOJ and BOJ debt issues.
- Managing the concentration and profile of debt maturities. Investment securities are purchased in accordance with the Board of Directors' guidelines, with clear directives to the stratification of the investment portfolio.
- Preparing daily, weekly and monthly cash and bank balances report to management for decision-making. These reports are integral in determining the level of liquidity risk faced by the Trust.

There has been no change to the Trust's exposure to liquidity risk or the manner in which it measures and manages the risk.

(Expressed in Jamaica dollars unless otherwise stated)

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

Financial risk management policies and objectives (Continued)

(c) Liquidity risk (Continued)

The following tables detail the Trust's remaining contractual maturities for its non-derivative financial liabilities. The amounts are gross and undiscounted, and include estimated interest payments and are based on the earliest date on which the Trust can be required to pay.

As at March 31, 2018:

		Contractual cash flows				
	Carrying value	**Within 3 Months**	**Within 3-12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities						
Payables and accruals	4,120,843	798,452	3,322,391	-	-	4,120,843
Refundable contributions	99,168,539	2,304,000	21,568,894	29,172,013	53,168,336	106,213,243
Total liabilities	103,289,382	3,102,452	24,891,285	29,172,013	53,168,336	110,334,086

As at March 31, 2017:

		Contractual cash flows				
	Carrying value	**Within 3 Months**	**Within 3-12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities						
Payables and accruals	3,100,314	901,885	2,198,429	-	-	3,100,314
Refundable contributions	91,251,418	2,496,000	22,241,547	44,956,464	29,310,743	99,004,754
Total liabilities	94,351,732	3,397,885	24,439,976	44,956,464	29,310,743	102,105,068

(Expressed in Jamaica dollars unless otherwise stated)

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management

The Trust's objectives when managing capital, which is its accumulated fund, are:

(i) to safeguard the Trust's ability to continue as a going concern;
(ii) to maintain a strong capital base in order to carry out its mandate.

Capital adequacy is monitored by the Trust's management on a regular basis. The Trust's overall strategy remains unchanged from prior year, and the Trust is not subject to any external capital requirements.

33 FAIR VALUES

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

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs, other than quoted prices included within level 1, that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the Trust financial assets that are carried at fair value and their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities where the carrying amount is a reasonable approximation of fair value.

	2018			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Carrying Amount $'000
Assets measured at fair value:				
- Available-for-sale securities (Note 9(b))	1,417,222	11,987,493	64,579	13,469,294

	2017			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Carrying Amount $'000
Assets measured at fair value:				
- Available-for-sale securities (Note 9(b))	1,111,703	13,202,848	107,234	14,421,785

(Expressed in Jamaica dollars unless otherwise stated)

33 FAIR VALUES (CONTINUED)

Valuation techniques and significant unobservable inputs (Continued)

The following table shows the valuation technique used in measuring fair value in the level 2 and level 3 hierarchy, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
GOJ and GOJ guaranteed securities	- Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids) - Using this yield, determine price using accepted formula - Apply price to estimate fair value.	Not applicable	Not applicable
Corporate bonds, not guaranteed by the Government of Jamaica	- A pricing model commonly used by market practitioners, plus additional risk premium of 2%	Risk premium of 2%	The estimated fair value would increase (decrease) if the risk premium was higher or lower

The fair value of the Trust's financial assets and liabilities that are not carried at fair value are as follows:

(i) The carrying amounts of cash and cash equivalents, resale agreements, other receivables, payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturities of these instruments.

(ii) The carrying values of loans receivable (after deductions of provision for impairment), bonus to employees not yet due and refundable contributions not yet due are assumed to approximate their fair values based on the particular circumstances of the Trust.

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale		
	Unlisted shares $'000	Debt securities $'000	Total $'000
At April 1, 2016	-	150,214	150,214
Loss included in other comprehensive income	-	(123)	(123)
Disposals/settlements	-	(42,857)	(42,857)
At March 31, 2017	-	107,234	107,234
Loss included in other comprehensive income	-	(32)	(32)
Purchases	234	-	234
Disposals/settlements	-	(42,857)	(42,857)
At March 31, 2018	234	64,345	64,579

(Expressed in Jamaica dollars unless otherwise stated)

33 FAIR VALUES (CONTINUED)

During 2016/2017, Inflation Indexed Bonds were transferred out of level 3 as the bonds were not measured at fair value. Due to the uniqueness of the bonds, there is no practicable way of determining fair value, therefore they are carried at amortised cost.

There were no transfers between levels during the year.

34 OPERATING LEASE ARRANGEMENTS

The Trust as a lessee
Operating leases relate to administrative facilities with lease terms of between six to twelve months. The Trust does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date, the Trust contracted with its lessor for the following future minimum lease payments:

	2018 $'000	2017 $'000
Within one year	23,045	21,432

The Trust as a lessor
The Trust rents a portion of its properties under operating leases with lease terms of between two to five years, with an option to extend for a further two years. The maintenance charges incurred by the lessee are reimbursed to the Trust monthly. The lessee does not have an option to purchase the property at the expiry of the lease period. The carrying amount of the leased proportion is insignificant for separate classification as "investment property".

The property rental income earned by the Trust from these properties in the period amounted to $2.73 million (2017: $2.85 million).

Maintenance charges received on these properties in the period amounted to $11.23 million (2017: $11.42 million).

At the reporting date, the Trust contracted with its tenants for the following future minimum lease payments:

	2018 $'000	2017 $'000
Within one year	4,205	2,468
Within two to five years	21,469	12,601
Over 5 years	6,157	3,975
	31,831	19,044

35 OTHER DISCLOSURES – EMPLOYEES' COSTS

	2018 $'000	2017 $'000
Salaries and wages including statutory contributions	4,180,862	3,660,088
Employee benefits (Note 15)	141,807	42,317
Other staff costs	882,923	694,462
	5,205,592	4,396,867

(Expressed in Jamaica dollars unless otherwise stated)

36 ADJUSTMENTS TO RECONCILE PROFIT FOR THE YEAR TO CASH PROVIDED BY OPERATING ACTIVITIES

	Notes	2018 $'000	2017 $'000
Write back of provisions/(Provisions) for losses on projects	12(b)	(41,647)	91,620
Increase in provisions on loans receivable	10(o)	35,029	229,626
Bonus on employees' contributions	29(b)	1,558,862	1,575,836
Contribution incomplete records written-off		-	(1,500,842)
Adjustments to contribution collections (net)		(2,144,165)	(2,904,897)
Provision for other receivables	7	46,004	(86,198)
Depreciation	16	121,527	108,329
Impairment of property, plant and equipment	16	-	285
Gain on disposal of property, plant and equipment		(4,670)	-
Adjustments to property, plant and equipment	16	3,019	2,180
Service charges amortised	10(p)	(602,324)	(1,291,759)
Intangible assets amortised	13	2,382	3,875
Gain on inflation of indexed bonds	29(c)	(183,815)	(97,601)
Gain on disposal of investment securities	29(c)	(143,466)	(78,621)
Employee benefit charge (net)	15	141,807	42,317
Dividend income	29(a)	(26,509)	(24,953)
Interest income	29(a)	(11,792,936)	(11,354,391)
Foreign exchange adjustment		337,932	42,124
Share of losses of associates	14	54,318	44,014
Tax expense	28(c)	1,216,181	1,086,972
Provisions charged during the year	18	15,050	(30,389)
Adjustments to reconcile profit for the year to cash flows from operating activities		(11,407,421)	(14,142,473)

NATIONAL HOUSING TRUST

SUPPLEMENTARY INFORMATION TO THE
FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

(Expressed in Jamaica dollars unless otherwise stated)

The movement on contributions is as follows:

	2018		2017	
	Refundable Employees' Contributions Not Yet Due $'000	Non-Refundable Employers' Contributions $'000	Refundable Employees' Contributions Not Yet Due $'000	Non-Refundable Employers' Contributions $'000
Balance at beginning of year	65,700,598	147,865,202	64,832,074	129,064,634
Collections during the year				
- Employed	12,530,770	18,644,972	10,073,471	16,749,375
- Self-employed	1,485,769		1,459,856	
Contributions relating to time maturities transferred to cash grants	(7,548,927)	-	(6,958,798)	-
Interest capitalised	1,044,061	-	1,006,818	-
Collections relating to time maturities transferred to cash grants	(1,467,400)	-	(1,486,943)	-
Contribution incomplete records**	-	-	(1,500,842)	-
Adjustments and reclassification	2,523,483	(1,116,227)	(1,725,038)	2,051,193
Balance at end of year	74,268,354	165,393,947	65,700,598	147,865,202

**Contribution Incomplete records written off as per special meeting of the Board held on December 20, 2016.

DIRECTORS' COMPENSATION 2017 - 2018

Position Of Director	Fees $	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Nigel Clarke, *Chairman*	299,000.00	11,500.00			310,500.00
Anthonette Patterson-Bartley *Director*	173,700.00				173,700.00
David Wan, *Director*	218,900.00				218,900.00
Deborah Newland, *Director*	143,400.00				143,400.00
Doran Dixon, *Director*	222,112.60	355,250.60			577,363.20
Granville Valentine, *Director*	124,475.00				124,475.00
Jeffrey Hall, *Director*	166,400.00				166,400.00
Kavan Gayle, *Director*	196,100.00				196,100.00
Kerenisia Morrison, *Director*	83,400.00				83,400.00
Lennox Channer, *Director*	162,400.00				162,400.00
Nesta-Claire Hunter, *Director*	185,200.00				185,200.00
O'Neil Grant, *Director*	228,900.00				228,900.00
Ryan Parkes, *Director*	256,500.00				256,500.00
Martin Miller, * *Managing Director*					
CO-OPTED MEMBERS:					
Gary-Vaughn White	96,800.00				96,800.00
Justin Nam	76,100.00				76,100.00
Ricardo Case	27,600.00				27,600.00
FORMER CO-OPTED MEMBERS (2016/17):					
Dianne Gordon,** *(Former Director)*	7,000.00				7,000.00
Brigitte Collins, ** *(Former Director)*	3,500.00				3,500.00
TOTAL	2,671,487.60	366,750.60			3,038,238.20

Notes:

1. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.
2. Mr. Martin Miller, Managing Director, is a member of the Board, but is not compensated as a Director.
3. Though no longer members of the Board, Ms. Dianne Gordon and Ms. Brigitte Collins were paid outstanding amounts during the year.

SENIOR EXECUTIVE COMPENSATION 2017 - 2018

Position Of Senior Executive	Salary $	Performance Incentive ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances ($)	Non-Cash Benefits ($)	Total ($)
Martin Miller, *Managing Director*	21,341,624	2,334,516	1,841,624		353,357		25,871,121
Errol Thompson, *SGM - Finance*	12,835,745	1,655,761	1,341,624		353,357		16,186,487
Donald Moore, *SGM - Construction & Development*	12,414,302	1,553,574	1,431,890		353,357		15,753,123
Neil Miller, *SGM - Corporate Services*	12,332,815	1,461,879	1,341,624		353,357		15,489,675
Lanie-Marie Oakley-Williams, *SGM – Customer Relations*	12,835,737	1,655,761	1,431,890		353,357		16,276,745
Judith Larmond Henry, *General Counsel/ Company Secretary*	11,028,774	1,432,110	1,341,624		353,357		14,155,865
Errol Holmes, *GM - HRM*	10,429,405	1,032,273	1,341,624		353,357		13,156,659
Lisa Myrie-Davis, *Chief Internal Auditor*	8,968,786	1,063,297	1,341,624		353,357		11,727,064
Leighton Palmer, *Chief Information Officer*	9,675,771	1,157,901	1,431,890		353,357		12,618,919
Joyce Simms-Wilson, *GM - Marketing & Communications*	8,730,181	1,232,197	1,431,890		353,357		11,747,625
Gladstone Johnson, *GM - Contributions Management*	9,133,321	1,156,280	1,431,890		353,357		12,074,848
TOTAL	129,726,461	15,735,549	15,709,194		3,886,927		165,058,131

Notes:

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
2. Other Allowances (including laundry, entertainment, housing, utility, etc.)
3. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

ADMINISTRATION

MANAGING DIRECTOR

Martin Miller

SENIOR GENERAL MANAGERS

Neil Miller – Corporate Services

Donald Moore – Construction & Development

Dr. Lanie-Marie Oakley Williams – Customer Relations Management

Errol Thompson – Finance

GENERAL MANAGERS

Errol Holmes – Human Resources Management

Gladstone Johnson – Contributions Management

Judith Larmond Henry – Company Secretariat & Legal Services

Lisa Myrie-Davis – Internal Audit

Leighton Palmer – Information Services

Joyce Simms-Wilson – Corporate Communication, Marketing and Sales

ASSISTANT GENERAL MANGERS

Dave Campbell – Financial Reporting and Cost Management

Camille Chevannes – Legal Conveyancing & Mortgage Registry

Keith Clarke – Special Projects & Research Department

Maxine Hart – Project Management Office

Damion McNally - Compliance

Quinton Masters – Project Appraisal Management

Helen Pitterson – Company Secretariat & Legal Services

Michael Taylor – Project Management

Judith Thompson Newsome – Branch Network

Elton Vassell – Receivables

Vencot Wright – Corporate & Business Strategy

Suzanne Wynter – Loan Management

MANAGERS

Sharon Babolal Chin – Project Portfolio Management

Herman Baker – Industrial Relations & Staff Benefits, HRM

Dwayne Berbick – Corporate and Public Affairs

Richard Blackwood – Management Support, HRM

Everton Boothe – Loan Portfolio Management

Judith Brown – Accounts Payable & Payroll

Percival Cunningham – IT Infrastructure

Shani Dacres-Lovindeer – Project Management, Joint Venture

Kareen Daley – Application Development & Support

Clive Davis – Project Appraisal Management

Joan Dennis – Project Management, NHT Developed Projects

Dwight Ebanks – Investments and Banking

Harvey Hall – Business Analysis

Ransford Hamilton – Property Management

Dian Isaacs – Risk & Insurance Management

Jacqueline Johnson – Special Projects & Research

Rohan Jones – Information Systems Security

Steve McDonald – Contributions Refund

Karlene Morgan – Advertising and Communication

Paul Oliver – Loan Accounting

Donnetta Russell – Customer Care

Brian Saunders – Project Management, Special Projects

Philbert Solomon – Receivables and Data Capture

Nekeisha Stevens – Financial Reporting

Audley Stewart – Contributor Accounts

Sheryl Stewart – Planning & Research

Ricardo Williams – Internal Audit

Wendy-Jo Williams - Social Development

ADMINISTRATION continued.

BRANCH NETWORK

MANAGERS

Lorna Bernard – Kingston & St Andrew

Morcelle Brown – Customer Service, Kingston & St. Andrew

Gail Dorah – St Ann

Narvia Drummond-Melbourne – Clarendon

Donovan Evans – St James

Janet Hartley Millwood – St Catherine

Eric McLeish – Manchester

Norris Rainford – Westmoreland

Ava-Ann Scott – New Loans, Kingston & St Andrew

SENIOR CUSTOMER SERVICE REPRESENTATIVES

Sancia Cornwall – St Elizabeth

Karen Forbes – Rodney – Portland

Althea Green – Trelawny

Nichole Howden – Hanover

Ketrion Verisales – St Mary

Cotchesta Watson – St Thomas

LEGAL TEAM

LEGAL SERVICES

Keisha Diego-Grey

Sheron Green Brown

Nadine Taylor

Dawn Walker

LEGAL CONVEYANCING

Alayne Bennett

Sharon Blair

Marisa Forbes Spencer

Carol Higgins

Tashia Madourie

Jefferine Stubbs-Ruddock

Mazielyn Walker