



Building Jamaica. One community at a time.

ANNUAL REPORT *2017/18*





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REPORT
2017/18

Mission Statement

***The Housing Agency of Jamaica contributes
to the improved quality of life through social transformation
by providing affordable housing solutions, services and security of
tenure while maintaining financial viability.***



Core Values

I CARE.....

I *ntegrity*

C *are*

A *ccountability*

R *espect*

E *xcellence*



.....**Together**



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CORPORATE PROFILE

The National Housing Development Corporation Limited (NHDC) which was incorporated on April 30, 1998 was formed through the merger of Caribbean Housing Finance Corporation Limited, the National Housing Corporation Limited and Operation **PRIDE**. The entity changed its name from the National Housing Development Corporation Limited to Housing Agency of Jamaica Limited in September 2008.

HAJ is a wholly owned, self-funding Government entity and falls under the portfolio responsibility of the newly created Ministry of Economic Growth and Job Creation in the Office of the Prime Minister. The agency is headed by a Managing Director and governed by a Board of Directors.

HAJ's main activities include property development, the construction and sale of housing solutions for low to middle income earners and the regularization of informal settlements by providing security of tenure and infrastructure development.

HAJ's main operational functions are discharged as follows:

- The Technical Services Division contains the core functional areas of Engineering and Design and Project Implementation.
- The Corporate Services Division comprises Human Resources and Administration Department, Finance and Information, Legal and Corporate Secretariat, Mortgage Administration, Sales & Services, Public Relations & Marketing, and Community Development.
- The Internal Audit Department reports directly to the Board of Directors through the Chairman of the Audit Committee.
- The Agency currently operates from three (3) locations within Jamaica, with its head office located at 13 Caledonia Avenue, Kingston 5.

CORPORATE INFORMATION

REGISTERED OFFICE

13 Caledonia Avenue
Kingston 5
Tel: (876) 968-7536-9; 968-7522-4
Fax: (876) 929-5908
info@haj.gov.jm
www.hajl.gov.jm
www.facebook.com/HousingAgencyofJamacia
Instagram@HousingAgencyJA
Twitter@HousingAgencyJA
Youtube@HousingAgencyJA

BRANCHES

St. James
Albion Road
Montego Bay, St. James
Tel: (876) 940-2559-60; 940-5539
Fax: (876) 940-0311

Westmoreland
Barracks Road
Savanna-la-Mar, Westmoreland
Tel: (876) 918-3370
Fax: (876) 918-3332

Auditors
KPMG
The Victoria Mutual Building
6 Duke Street
Kingston
Tel: (876) 922-6640
Fax: (876) 922-7198

MESSAGE FROM THE CHAIRMAN OF THE BOARD

The Board of Directors has completed its two (2) year tenure in office. The strategy of the Board was to stabilize the affairs of the entity and complete long-standing projects that have been on the Agency's books. Projects such as Whitehall 3 in Westmoreland have seen the completion of its water supply and enabled the Agency to hand over finished units.

The Agency anticipates that during the 2018/2019 fiscal year the following projects will be in construction: -

- Bernard Lodge, St. Catherine
- Shooters Hill. St. Catherine
- Rhyne Park, St. James
- Grange Pen (Brownfield), St. James and
- Mona, St. Andrew

“In an effort to give more attention to the Brownfield projects, Management had proposed and the Board approved the separation of the Community Development functions.”

The first three (3) are expected to be Joint Venture arrangements, whilst Grange Pen will be Grant funded.



The Board of Directors continues to seek ways to direct the HAJ in making a positive impact on the Jamaican landscape, as it relates to housing. In this regard, the Management of the Agency has been charged with the responsibility of identifying suitable lands for development and also ensuring that prospective partners are made aware of lands being held for development.

Brownfield communities under the remit of the Housing Agency of Jamaica continue to receive attention, as the Board recognizes that this is also a means of meeting the housing needs of many Jamaicans who are unable to afford a new home.

In this regard, significant efforts have been made by the Board of Directors to facilitate the


MESSAGE FROM THE CHAIRMAN... *cont'd*

upgrade of a number of former Operation PRIDE projects, for which little or no infrastructure was in place. Also, the Board has given its support to management to ensure that a number of previously completed projects are placed in a state to be handed over to the local planning authorities.

In an effort to give more attention to the Brownfield projects, Management had proposed and the Board approved the separation of the Community Development functions. This will allow for more direct attention to the Brownfield communities and should see an increase in the number of titles being issued over the next financial year.

The Agency will be utilizing some of the profits earned to rehabilitate a number of informal communities, as it plays its role in improving the standard of living for these persons.

On behalf of the Board of Directors, I want to thank the Most Honourable Prime Minister and the Honourable Minister for allowing the Board to serve the people of Jamaica.



Chairman
Norman Brown

THE BOARD OF DIRECTORS

Members of the Board



Standing from left to right: John Valentine, Robert Lawrence, Sylvester Tulloch, Joseph Shoucair, Wayne Strachan, Ian Johnson and Doreen Prendergast.

Seated from left to right: Gary Howell, Sonia McFarlane, Norman Brown and Fay Hutchinson (absent: Reverend Conrad Pitkin and Davion Vassell).

BOARD OF DIRECTORS' REPORT

Financial Overview

The Agency has maintained its focus on the stabilization of its finances by paying down debt obligations, improving positive cash flow and growing operational profits.

HAJ's performance sustained its upward trajectory with net profit before taxation increasing to \$810.887M compared with \$183.723M in 2016/17.

Projects Starts and Deliveries

The Agency had projected 2739 housing starts for 2017/18. However, the year ended with 183 starts at Luana Gardens Phase 2 (168 lots) and phase 2 of the Savannah at Belle Air 3 (15 3- bedrooms houses). This variance is attributed to challenges faced by the Agency in finalizing joint venture arrangements at Grange Pen St. James and Shooters Hill, St. Catherine among other issues.

The planned 80 deliveries for the year at Reid's Pen, St. Catherine did not materialize as the project is being restructured.

Land Titling Programme

A major focus of HAJ is the regularization of informal settlements. The Agency has been working within a number of these settlements to upgrade the social infrastructure, by providing proper roads and titling services. This is done with the funds generated from our greenfield projects.

A continuation of educational fora combined with a multi-platform media campaign to heighten public awareness, served to promote the land titling programme this year. Arising from these efforts a total of 486 titles were distributed to qualified residents of former Operation PRIDE lands who had paid for their titles.

This is an ongoing programme which has been boosted by the separation of the Community Development Department as a stand-alone unit which is focussed in collecting payments, facilitating services and delivering land titles to residents.

Projections of Key Financial & Operations Measures for FY 2017/2018

Projections for the delivery of land titles to former Operation PRIDE residents remained the same as the previous year at 1,000 for the year ahead. Financial targets are projected to be as follows:

- a. To earn a net profit of \$655.79M, which would fall somewhat below the Company's performance in the current year.
- b. To finance project implementation in the amount of \$311.03M (NHT) and \$319.68M (TEF).
- c. To meet General Administration costs of \$462.45M (as per budget).
- d. To repay the NHT a minimum of \$717.86M for Construction and PRIDE loans.
- e. To pay down the Agency's Accounts Payable.

Continued stabilization of the Agency's financial position and further enhancement of operational efficiencies are anticipated by the Board in the year ahead.

CORPORATE GOVERNANCE

Summary of Board and Board Responsibilities

It is the responsibility of the board to direct, guide and oversee the conduct of the Agency's business and to ensure that the interests of the shareholders are being served. The primary responsibilities of the board are encapsulated in the Agency's Corporate Governance Policy and include: Management planning and oversight, strategic and operational planning, major corporate actions, financial reporting, governance, compliance and risk management, general advice to management. All these functions are carried out in accordance with the Public Bodies Management and Accountability Act by which the Board is mandated to be guided.

The HAJ Board of Directors consists of Thirteen (13) members drawn from various backgrounds and having experience in the functions carried out by the Agency. The Board is headed by a Chairman and there are four (4) subcommittees which consist of Directors drawn from the Board.

The Subcommittees are: Finance, Audit, Projects and Strategic Planning and Organizational Structure Committee.

Board Composition

As at March 31, 2018 there are twelve (12) non-executive members in addition to the Managing Director.

The members were appointed by Cabinet Decisions No. 12/16 dated 18th April 2016 and No. 30/16 dated September 12, 2016.

The members of the board are:

1. **Norman Brown** Businessman (Chairman)
2. **Sylvester Tulloch** Land Developer (Vice Chairman)
3. **Gary Howell** Managing Director
4. **Fay Hutchinson** Insurance Executive
5. **Ian C. Johnson** Commissioned Land Surveyor
6. **Robert Lawrence** Former Banker and IT Specialist
7. **Sonia McFarlane** Chartered Accountant
8. **Reverend Conrad Pitkin** Minister of Religion
9. **Doreen Prendergast** Chief Technical Director, Ministry of Economic Growth and Job Creation (Water and Housing)
10. **Joseph Shoucair** Attorney-at-law
11. **Wayne Strachan** Chartered Accountant
12. **John Valentine** Businessman
13. **Davion Vassell** Attorney-at-law

Committees of the Board

The Board Charter provides for four (4) Committees:

- Finance Committee
- Projects and Planning Committee
- Audit Committee
- Strategic Planning & Organizational Structure Committee

Finance Committee

The Finance Committee comprised two (2) Directors:

- Robert Lawrence (Chair)
- Wayne Strachan
- Gary Howell

This committee met eleven (11) times during the 2017/2018 financial year.

Projects and Planning Committee

The Projects and Planning Committee comprised five (5) Directors:

- Sylvester Tulloch (Chair)
- Ian C. Johnson
- Doreen Prendergast
- Joseph Shoucair
- John Valentine

The Committee met twelve (12) times during the 2017/2018 financial year.

Audit Committee

The Audit Committee comprised three (3) Directors:

- Sonia McFarlane (Chair)
- Fay Hutchinson
- Davion Vassell

The Committee met four (4) times during the 2017/2018 financial year.

Strategic Planning & Organizational Structure Committee

The Strategic Planning Committee comprised six (6) Directors:

- Norman Brown (Chair)
- Gary Howell (Managing Director)
- Robert Lawrence
- Conrad Pitkin
- Joseph Shoucair
- Sylvester Tulloch

The Committee met eleven (11) times during the 2017/2018 financial year.

The Board met for a total of eleven (11) sessions throughout the year.

TABLE 1: Attendance at Board and Committee Meetings for the period April 1, 2017 to March 31, 2018.

	BOARD	FINANCE	PROJECTS & PLANNING	AUDIT	STRATEGIC AND ORGANIZATIONAL STRUCTURE	TOTAL
NO. OF MEETINGS FOR THE YEAR	11	11	12	4	11	49
Norman Brown (Chairman)	11	N/A*	N/A*	N/A*	11	22
Bishop Conrad Pitkin	9	N/A*	N/A*	N/A*	8	17
Davion Vassell	0	N/A*	N/A*	0	N/A*	0
Doreen Prendergast	8	N/A*	8	N/A*	N/A*	16
Fay Hutchinson	11	N/A*	N/A*	1	N/A*	12
Ian C. Johnson	6	N/A*	8	N/A*	N/A*	14
John Valentine	7	N/A*	8	N/A*	N/A*	15
Joseph Shoucair	10	N/A*	5	N/A*	7	22
Robert Lawrence	10	11	N/A*	N/A*	7	28
Sonia McFarlane	9	N/A*	N/A*	3	N/A*	12
Sylvester Tulloch	7	N/A*	12	N/A*	9	28
Wayne Strachan	8	10	N/A*	N/A*	N/A*	18
Gary Howell	11	11	N/A*	N/A*	11	33

Board Meetings: Every 3rd Thursday

Strategic Planning: Every 2nd Tuesday

Projects & Planning Meetings: Every 1st Thursday

Audit Meetings: First Tuesday of each Month

Mr. Ian Johnson joined the Board on September 12, 2017

N/A*: This Director is not a member of this Committee

DIRECTORS' COMPENSATION

TABLE 2: Directors Compensation for April 1, 2017 to March 31, 2018

Position of Directors	Fees (\$)	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle (\$)/	Honoraria (\$)	All other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
F. Hutchinson	160,900.00	11,280.00		53,746.00	225,926.00
C. Pitkin	201,900.00	304,560.00		499,550.16	1,006,010.16
N. Brown	391,000.00	423,000.00		1,421,687.71	2,235,687.71
D. Prendergast	132,300.00	-		29,696.00	161,996.00
J. Shoucair	236,600.00	-		29,696.00	266,296.00
R. Lawrence	328,600.00	28,200.00		53,746.00	410,546.00
S. McFarlane	160,500.00	-		29,696.00	190,196.00
S. Tulloch	305,000.00	-		29,696.00	334,696.00
W. Strachan	209,000.00	-		53,746.00	262,746.00
J. Valentine	139,200.00	-		29,696.00	168,896.00
D. Vassell	6,900.00	-		29,696.00	36,596.00
I. Johnson	139,200.00	-		29,696.00	168,896.00
Total	2,411,100.00	767,040.00		2,290,347.87	5,468,487.87

* Indicates remuneration for Audit meeting attended on March 29, 2017.

MANAGING DIRECTORS' REPORT

Another year has passed, and I am pleased to present the Managing Director's Report for 2017/2018 fiscal year. I am happy to report that the Housing Agency's performance has improved significantly over the previous financial year. We were successful in completing outstanding projects and collecting revenues from these entities. The year was also witness to a number of community engagement sessions with residents of former Operation PRIDE projects, and the building of relationships with key stakeholders.

The Agency faced a number of challenges impacting its projects starts during the 2017/2018 fiscal year. However, despite this, HAJ generated revenues in excess of \$1.6B whilst realizing a profit before tax of \$810M. The Housing Agency was therefore able to further reduce its long standing liabilities as well as rehabilitate works in some of our former Operation PRIDE projects.

As part of the mandate of the entity to regularize informal communities formally under the operation PRIDE, HAJ has started to re-scope these projects to ascertain cost to complete. It is the intention of the agency to utilize the profits generated from greenfield projects to pursue works in these communities. The Government has mandated the Agency to focus on regularizing these informal communities as well as provide oversight of partnership for greenfield projects that will generate profit to contribute to the operations.

A number of new housing starts are anticipated during the next fiscal year as well as continuation in the improvement of works in the informal communities for which HAJ has responsibility.



I would like to use this opportunity to thank the Honourable Minister, Permanent Secretary, Board of Directors and the entire HAJ team, for their efforts in ensuring the advancement of the Agency as we remain committed to "Building Jamaica. One Community at Time."



**Managing Director
Gary Howell, HAJ**

SENIOR MANAGEMENT TEAM

Members of the Senior Management Team for FY 2017/2018:



GARY HOWELL
MANAGING DIRECTOR



ROSEMARIE BROWN
DIRECTOR, TECHNICAL
SERVICES



GARFIELD SEWELL
SENIOR MANAGER,
FINANCE & INFORMATION



STACY-ANN DEWAR
SENIOR MANAGER,
LEGAL SERVICES &
CORP. SECRETARIAT



COLIN HENRIQUES
SENIOR MANAGER,
PROJECT
IMPLEMENTATION

SENIOR MANAGEMENT TEAM... Cont'd



RICHARD JONES
SENIOR MANAGER,
PUBLIC RELATIONS &
MARKETING



LORENZO SANDFORD
SENIOR MANAGER,
SALES & SERVICES



JOAN SICARD
SENIOR MANAGER,
INTERNAL ADULT



ARLENE SMITH
SENIOR MANAGER,
HUMAN RESOURCES &
ADMINISTRATION



NAKIA MCMORRIS
SENIOR MANAGER,
COMMUNITY
DEVELOPMENT

CORPORATE STRATEGY

To support the Government of Jamaica's initiative in providing access to housing, HAJL will carry out the following key initiatives which will result in the defined outcomes as follows:

TABLE 3: Corporate Strategies, Initiatives and Outcomes

Initiatives	Outcomes	Upcoming Strategies
1. Finalize Public Private Partnerships (PPPs), Joint Venture or Definitive Agreements	Deliver 680 housing solutions by March 31, 2019	The Agency continues to pursue PPP arrangements with prospective parties
2. Intensify Titling Programmes	Issue 1,000 titles by March 31, 2019	<p>The Agencies is executing a title drive and seeking additional grant funds in order to increase the issuance of titles</p> <ul style="list-style-type: none"> - 15 Communities are targeted for direct intervention - A field team has been assigned to each community - Individual household approach
3. Implement policy and procedures regarding design and implementation which will mitigate against project delays and increased costs	Undertake business re-engineering processes by June 30, 2019	The leadership continues to work closely with HR to implement changes.
4. Continue to review internal procedures to improve the Agency's Operations	Update internal processes, manuals and policies by June 30, 2019	Assess the efficiency of updated procedures and make adjustments where necessary and make concerted effort to address the short comings of technical services

REVIEW OF OPERATIONS

Financial Status

Housing Agency of Jamaica Limited's objective to stabilize the financial status of the company by implementing strategies to reduce its debt obligation, increase liquidity and set the foundation for continuous profitability is obviously working. The introduction of more efficient project management strategies has improved the Agency's ability to finalize the sale of solutions in the housing projects such as Hills of Boscobel, Boscobel View, Luana Gardens and Belle Air throughout the financial year.

As a result, net profit before taxation for the financial year ended March 31, 2018, was \$810.89M. This represents a significant improvement over the previous year's profit of \$183.72M before taxation. Improved performance will ultimately result in improved liquidity as proven by the \$735.40M cash and resale agreement balance as at March 31, 2018. This is an increase of over \$228.28M.

The Agency's liquidity improved by over \$410M for the financial year. All performance indicators show positive movement and are confirmation that the strategies introduced and adopted were exactly what were required to put the Agency on the path of sustainable growth and financial viability.

TABLE 4: Five -Year Financial Highlights

	2014	2015	2016	2017	2018
Net Assets (\$'000)	1,904,418	1,365,323	480,064	640,742	1,448,732
Profit /(Loss) before Tax (\$'000)	(608,788)	(539,099)	(885,287)	183,723	810,887

Sales Portfolio

Sales collections for the year amounted to \$1,487,198,622. This reflects a variance of \$589,821,568 below the budgeted collections of \$2,077,020,190. The primary reasons for this variance are the issues relating to Whitehall Phase 3.

TABLE 5: Summary of Sales Collection - April 1, 2017 to March 31, 2018

PROJECTS	TOTAL VALUE (\$)
BELLE AIR 3	267,855,312
HILLS OF BOSCOBEL	171,420,673
WHITEHALL 3	116,409,170
LUANA GARDENS	32,366,000
GREEN POND GROVE	6,475,500
THE SAVANNAH	851,845,553
OTHER PROJECTS	40,826,414
TOTAL	1,487,198,622

**TABLE 6: Comparison of Sales Collections on Greenfield/Open Market Projects
FY 2015/2016 to FY 2017/2018**

PROJECTS	FY2015/2016	FY2016/2017	FY2017/2018
BELLE AIR 3	\$181,906,625	\$200,613,809	267,855,312
HILLS OF BOSCOBEL	\$234,895,340	\$312,656,746	171,420,673
WHITEHALL 3	\$14,183,074	\$62,075,511	116,409,170
LUANA GARDENS	\$37,084,261	\$240,921,836	32,366,000
GREEN POND GROVE	\$0	\$43,980,798	6,475,500
THE SAVANNAH	\$0	\$102,194,710	851,845,553
OTHER PROJECTS	\$112,981,506	\$66,760,000	40,826,414
TOTAL	\$581,050,806	\$1,029,203,410	1,487,198,622

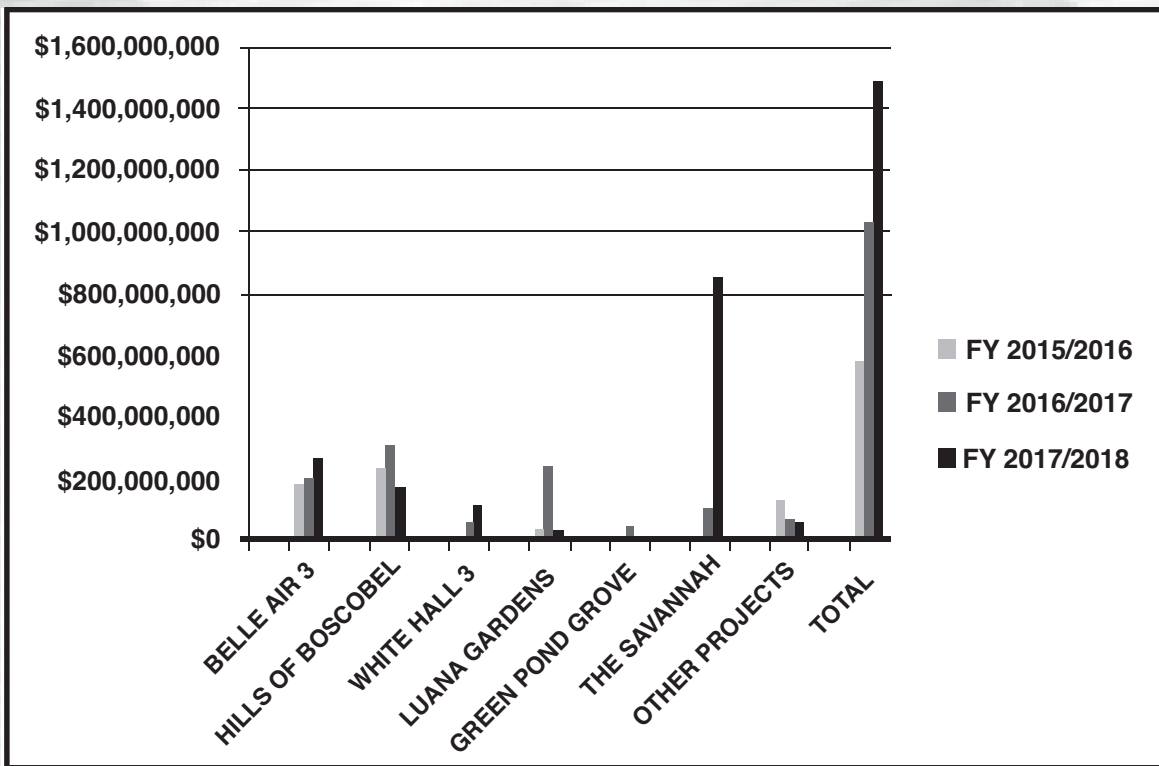


FIGURE 1 – Graph showing Comparison of Sales collection on Greenfield/Open Market Projects for financial year 2015/16 to 2017/18

Mortgage Portfolio

As at March 31, 2018, Housing Agency of Jamaica Limited's mortgage portfolio comprised 4,930 mortgages with an asset value of \$651,510,714 as detailed below:

TABLE 7: Summary of Mortgage Portfolio as at March 31, 2018

Portfolio	# of Mortgages	Principal Balance \$	Monthly Installment (\$)
HAJL	12	3,444,324	59,190
USAID	1,561	218,647,447.37	2,790,246
Greater Portmore	1,694	243,813,270	11,573,646
Refinance	15	18,280,825.94	409,526
Ministry of Finance	480	31,543,613	282,614
Ministry of Economic Growth & Job Creation	971	20,423,155	291,064
Operation PRIDE	95	85,329,856	590,244
Kingston Portworkers/JMB	12	254,416	4,427
	4,840	621,736,907.31	16,000,957.00

TABLE 8: Summary of Mortgage Portfolio as at March 31, 2017

Portfolio	# of Mortgages	Principal Balance \$	Monthly Installment (\$)
HAJL	38	42,715,285	947,019
USAID	1,580	219,723,709	2,809,869
Greater Portmore	2,379	373,326,757	14,396,134
Refinance	17	19,172,337	418,692
Ministry of Finance	480	31,543,613	281,394
Ministry of Economic Growth & Job Creation	1,002	20,423,155	305,824
Operation PRIDE	195	124,255,783	1,299,681
Kingston Portworkers/JMB	12	254,416	4,403
	5,703	831,415,055	20,463,016

Tables 7 & 8 indicate that the number of accounts decreased by 863, moving from 5,703 at April 1, 2017 to 4,840 as at April 1, 2018. The principal balance also decreased by \$209,678,147.69 for the same period. The Greater Portmore and some HAJL Operation PRIDE mortgages are to be sold to the National Housing Trust effective April 1, 2018, which will contributed significantly to a reduction in the mortgage portfolio for fiscal 2018/2019.

TABLE 9: Summary of arrears as at March 31, 2017 and March 31, 2018:

Portfolio	Arrears as at March 31, 2017 (\$)	Arrears as at March 31, 2018 (\$)	Variance (\$)
HAJL	4,296,622	1,611,813	2,684,809
USAID	573,565,340	600,339,593	-26,774,253
Greater Portmore	29,140,574	27,616,801	1,523,773
Refinance	35,937,219	38,686,692.39	-2,749,473
Ministry of Finance	71,053,026	74,263,155.26	-3,210,129
Ministry of Economic Growth & Job Creation	70,052,051	72,063,824	-2,011,773
Operation PRIDE	70,401,874	11,472,720	58,929,154
Kingston Portworkers/JMB	881,695	915,225	-33,530
	855,328,401	855,328,401	33,829,745

For the period, the USAID schemes recorded the largest increase in arrears.

Housing Solution – Planned Deliverables

HAJ is currently reviewing proposals from prospective partners to construct a second phase of houses at Belle Air 3.

Green Pond – St. James

Housing Agency had projected the delivery of 100 of 324 solutions planned for Green Pond, St. James. While this has not yet been forthcoming, the Agency anticipates the resolution of outstanding issues with the contractor to complete the project.

Projects Portfolio

TABLE 10: Planned Housing Solutions – Starts (2017/2018)

NO.	Project	Location	Proposed Source of Funding	No. of Solutions	Actual Starts
1	Shooter's Hill	St. Catherine	PPP	623	
2	Hopewell Farms 2 (Mosquito Cove)	Hanover	HAJ	163	
3	Luana Gardens (Phase 2)	St. Elizabeth	HAJ	600	168
4	Hague Cave Island	Trelawney	Fast Track Housing Programme	278	
5	Reddington	St. Mary	Fast Track Housing Programme	153	
6	Grange Pen (Greenfield)	St. James	TEF	752	
7	Belle Air 3 (Savannah Phase 2)	St. Ann	HAJ	170	15
TOTAL				2,739	183

NOTES

In the 2017-2020 Corporate Plans, HAJ projected the start of 2,739 housing solutions at seven (7) projects across Jamaica for the 2017-2018 financial year. At the end of March 2018, HAJ realized 183 housing starts of the projected figure—at Luana Gardens Phase 2 and Phase 2 of the Savannah at Belle Air 3.

The significant variance of 2,556 housing solutions is largely due to the following factors:

- HAJ is still in advanced negotiations with prospective partners to finance and implement the 623 solutions at Shooters Hill in Portmore, St. Catherine.
- HAJ is considering sale of the Hopewell Farms property in Hanover.
- The Fast Track housing programme was discontinued, resulting in the elimination of Hague Cave Island and Reddington as major projects for the financial year.
- In October 2017, HAJ commenced the construction of 168 of the 600 proposed serviced lots at Luana 4 (Phase 2). Construction of the remaining 432 lots will commence in the 2018/2019 financial year.

- HAJ has not been successful in identifying a joint venture partner for the construction of 752 housing solutions at Grange Pen (Greenfield). In the meantime, we have advanced the construction of 535 serviced lots at the adjacent brownfield site at Grange Pen. This project should be put to tender upon the finalization of the funding arrangement with TEF.
- Belle Air 3 Houses – 15 3-bedroom units have been started of the 170 remaining lots in the Savannah. We are also in dialogue with prospective partners to complete construction on the remaining 155 lots which shall include a mix of three-bedroom detached units as well as two-bedroom townhouses and detached units.

TABLE 11: Planned Housing Deliveries FY 2017/18

NO.	Project	Number of Solutions Planned	Number of Deliveries for Financial Year	Actual Deliveries
1	Reid's Pen	80	80	-
TOTAL		80	80	—

- HAJ targeted completion of construction of 80 townhouse units at Reid's Pen in Portmore St. Catherine as its major deliverable for the 2017/2018 financial year. However, the Agency terminated discussions with its prospective partner, Pavement and Structures towards the end of the financial year.
- The Agency is now re-structuring the project and has issued an invitation for pre-qualification of contractors to re-design and construct the development.

INTERNAL AUDIT – 2018

Internal Audit has a risk-based focus on building shareholder value. It focuses on value by assessing business and operational risks and identifying opportunities.

The Internal Audit function reports to the Audit Committee on the examination and evaluation of the business processes. The function also has a formal Charter that describes its purpose, authority and responsibility. Its audit plan is approved annually by the Audit Committee and covers operational, financial, compliance and process improvement reviews. During the year a number of these reviews were conducted and resulted in enhanced risk identification, assessment and mitigation.



Jamaica Land Titling Programme & Community Development

In 2017/18 the Agency issued a total of 486 Registered Certificates of Title to residents of former Operation PRIDE schemes island-wide. The projection of 1,000 titles delivered was unrealized and has remained as the new target for 2018/19.

With greater and more focused community engagement by the revamped Community Development department, supported by a vigorous media campaign on titling, it is expected that this target will be achieved.



SENIOR EXECUTIVE COMPENSATION
TABLE 12: HAJ's Senior Executive Compensation for the period April 1, 2017 to March 31, 2018

	Position of Senior Executive	Year Ending	Salary	Gratuity	Travelling Allowance or Value of Assignment of Motor Vehicle	Pension or Other Retirement Benefits	Other Allowances [Clothing]	Non-Cash Benefits	Total
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
1	Managing Director	Mar 2018	9,056,732.16	2,117,581.26	120,000.00	None	60,000.00	None	11,354,313.42
2	Director, Technical Services		493,056.11		111,802.00	None		None	604,858.11
3	Senior Manager, Finance & Information	Mar 2018	4,520,427.56		1,367,424.46	None	60,000.00	None	5,947,852.02
4	Senior Manager, Internal Audit	Mar 2018	4,882,061.50	1,141,489.20	1,367,424.46	None	60,000.00	None	7,450,975.16
5	Senior Manager, Human Resources & Administration	Mar 2018	4,520,427.56		1,367,424.46	None	60,000.00	None	5,947,852.02
6	Senior Manager, Legal Services & Company Secretariat	Mar 2018	2,475,665.81		744,325.64	None		None	3,219,991.45
7	Senior Manager, Sales & Services	Mar 2018	3,968,111.98		1,367,424.46	None	60,000.00	None	5,395,536.44
8	Senior Manager, Public Relation	Mar 2018	536,394.31		223,604.00	None		None	759,998.30
9	Senior Manager, Community Dev	Mar 2018	355,130.04		111,802.00	None		None	466,932.04
10	Senior Manager, Proj Imp./Engineering	Mar 2018	4,562,704.90		1,367,424.46	None	60,000.00	None	5,990,129.36

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Pictorial Highlights



Ground breaking Ceremony with Prime Minister the Most Honourable Andrew Holness, for the Luana Gardens Housing Development in St. Elizabeth.



Title recipient from the community of Norwood, St. James receives his title from the previous Minister of Housing Dr. Horace Chang.



M.P. Floyd Green and Mayor of St. Elizabeth His Worship Mayor Derrick Sangster receive cheques from the Chairman of HAJ Mr. Norman Brown and Managing Director Mr. Gary Howell



Community Walk through with members of the HAJ and the then Minister of Housing Dr. Horace Chang.



HAJ staff participants at the 2018 Sigma Corporate Run.



Managing Director, Mr. Gary Howell, showcasing his painting skills at the St. Benedict's Primary School Labour Day Project put on by the HAJ.

In loving memory of

Ms. Hedy Ross

*a dear friend and colleague,
Acting Team Leader, Sales & Services*

March 19, 1953 – January 13, 2018



*When someone you cherish becomes a memory,
that memory becomes a
treasure.*

GONE TOO SOON...

FINANCIAL •————• **STATEMENTS**

HOUSING AGENCY OF JAMAICA
LIMITED
FINANCIAL STATEMENTS
MARCH 31, 2018



KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
HOUSING AGENCY OF JAMAICA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Housing Agency of Jamaica Limited ("the company"), set out on pages 5 to 49, which comprise the statement of financial position as at March 31, 2018, the statements of profit or loss and other comprehensive income, changes in equity 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 company as at March 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies 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 Company 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HOUSING AGENCY OF JAMAICA LIMITED

Report on the Audit of the Financial Statements (Continued)

Material uncertainty relating to going concern

We draw attention to note 2(b) to the financial statements. The note indicates that the company had an accumulated deficit of \$2,211,754,000 (2017: \$2,946,664,000) as at the reporting date, which is due to significant losses in the past. This indicates the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern, although the company had reported a profit for year ended March 31, 2018. Our opinion has not been modified in respect of this matter.

Emphasis of matter

We draw attention to note 1 to the financial statements, which states that the financial statements have been prepared on the basis of the merged operations of the entities mentioned in that note, although the formalities of the transfer to the company of ownership of loans receivable (note 6) and loans payable (note 16) have not been effected. Our opinion has not been modified in respect of this matter.

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 Jamaican Companies 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HOUSING AGENCY OF JAMAICA LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement 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 company'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 company'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 company 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.

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HOUSING AGENCY OF JAMAICA LIMITED

Report on additional matters as required by the Jamaican Companies 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.

In our opinion, 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 Jamaican Companies Act in the manner required.

A handwritten signature of the KPMG firm, written in a cursive style.


Chartered Accountants
Kingston, Jamaica

June 29, 2018

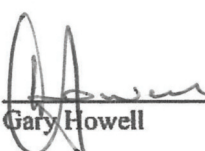
HOUSING AGENCY OF JAMAICA LIMITED**Statement of Financial Position**
March 31, 2018

	<u>Notes</u>	<u>2018</u> \$'000	<u>2017</u> \$'000
ASSETS			
Cash and cash equivalents	4	183,246	204,335
Resale agreements	5	552,161	302,797
Loans receivable	6	401,510	541,232
Other receivables	7	169,501	101,295
Land and housing development projects:			
Operation PRIDE	8(a)	1,733,384	1,774,185
Jamaica Economical Housing	9(a)	5,364,400	6,645,404
Other development projects	10(a)	3,376,592	3,442,904
Land inventory	11	1,699,267	1,471,486
Income tax recoverable		19,175	11,230
Investment securities	12	281	202
Intangible asset	13	1,769	4,026
Property, plant and equipment	14	<u>56,615</u>	<u>56,696</u>
		<u>13,557,901</u>	<u>14,555,792</u>
LIABILITIES			
Deposits by purchasers:			
Operation PRIDE	8(b)	1,009,170	971,380
Jamaica Economical Housing	9(b)	492,238	482,182
Other development projects	10(d)	1,682,111	1,705,233
Trade and other payables	15	693,275	789,893
Loans payable	16	2,397,591	2,772,969
Deferred credit	17	5,763,034	7,170,255
Taxation payable		<u>71,750</u>	<u>23,138</u>
		<u>12,109,169</u>	<u>13,915,050</u>
EQUITY			
Share capital	18	-	-
Reserve fund	19	629,159	629,159
Capital reserve	20	1,286,429	1,286,429
Fair value reserve	21	436	356
Contributed capital	22	1,744,462	1,671,462
Accumulated deficit		<u>(2,211,754)</u>	<u>(2,946,664)</u>
		<u>1,448,732</u>	<u>640,742</u>
		<u>13,557,901</u>	<u>14,555,792</u>

The financial statements on pages 5 to 49 were approved for issue by the Board of Directors on June 29, 2018 and signed on its behalf by:



Norman Brown Chairman



Gary Howell Managing Director

The accompanying notes form an integral part of the financial statements

HOUSING AGENCY OF JAMAICA LIMITED

Statement of Profit or Loss and Other Comprehensive Income Year ended March 31, 2018

	Notes	2018 \$'000	2017 \$'000
INCOME FROM LENDING AND DEVELOPMENT			
Lending and borrowing:			
Interest income from mortgage loans		49,608	71,740
Interest income from other loans		-	77
		49,608	71,817
Fees and interest expense on loans payable		(29,467)	(43,790)
Net income from lending and borrowing		20,141	28,027
Sale of houses and lots		1,599,343	887,820
Cost of sales		(387,636)	(523,942)
Net profit from sale of houses and lots		1,211,707	363,878
Profit from lending and development		1,231,848	391,905
Other income:			
Fees for servicing loans		17,017	14,646
Interest income from resale agreements		16,352	11,306
Gain on disposal of property, plant and equipment		304	405
Foreign currency gains		3,308	2,690
Recoveries on projects closed in previous years		-	5,045
Recoveries for titles provided in closed brownfield projects		12,820	12,280
Recoveries of impairment adjustments, net	23(b)	-	232,784
Sundry		80,534	25,569
Total other income		130,335	304,725
Profit from lending and development and other income		1,362,183	696,630
EXPENSES AND OTHER LOSSES			
Administrative and general expenses	23(a)	(467,768)	(478,929)
Maintenance of closed projects		(44,174)	(33,978)
Impairment losses, net	23(b)	(39,354)	-
Total operating expenses and other losses		(551,296)	(512,907)
Profit before taxation	24	810,887	183,723
Taxation	25	(75,977)	(23,138)
Profit after taxation		734,910	160,585
OTHER COMPREHENSIVE INCOME			
Item that may be transferred to profit or loss in future			
Change in fair value of investment securities		80	93
Total comprehensive income for the year		734,990	160,678

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

HOUSING AGENCY OF JAMAICA LIMITED

Statement of Changes in Equity Year ended March 31, 2018

	Share capital \$'000 (Note 18)	Reserve fund \$'000 (Note 19)	Capital reserve \$'000 (Note 20)	Fair value reserve \$'000 (Note 21)	Contributed capital \$'000 (Note 22)	Accumulated deficit \$'000	Total \$'000
Balances at March 31, 2016	-	629,159	1,286,429	263	1,671,462	(3,107,249)	480,064
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	160,585	160,585
Other comprehensive income:							
Change in fair value of investments securities	-	-	-	93	-	-	93
Total comprehensive income for the year	-	-	-	93	-	160,585	160,678
Balances at March 31, 2017	-	629,159	1,286,429	356	1,671,462	(2,946,664)	640,742
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	734,910	734,910
Other comprehensive income:							
Change in fair value of available-for-sale investments	-	-	-	80	-	-	80
Total comprehensive income for the year	-	-	-	80	-	734,910	734,990
Transactions with owners of the company							
Derecognition of land [note 11(e)]	-	-	-	-	(97,000)	-	(97,000)
Land received from Government [note 11 (f)]	-	-	-	-	170,000	-	170,000
	-	-	-	-	73,000	-	73,000
Balances at March 31, 2018	-	629,159	1,286,429	436	1,744,462	(2,211,754)	1,448,732

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

HOUSING AGENCY OF JAMAICA LIMITED

Statement of Cash Flows Year ended March 31, 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Profit after taxation		734,910	160,585
Adjustments:			
Interest income		(65,960)	(83,123)
Interest expense		29,467	43,792
Amortisation	13	2,257	2,072
Depreciation	14	7,384	8,151
Gain on disposal of property, plant and equipment		(304)	(405)
Impairment losses/(recoveries)	23(b)	39,354	(232,784)
Taxation	25	<u>75,977</u>	<u>23,138</u>
		823,085	(78,574)
Changes in operating assets and liabilities:			
Loans receivable		145,628	173,118
Other receivables		(99,573)	(16,342)
Operation PRIDE development projects		(40,687)	212
Jamaica Economical Housing projects		1,281,004	1,274,607
Other development projects		141,788	383,447
Land inventory		(154,781)	71
Deposits by purchasers		24,724	153,919
Income tax recoverable		(7,945)	(2,695)
Trade and other payables		(112,205)	(53,740)
		2,001,038	1,834,023
Interest received		58,081	86,427
Income tax paid		(27,365)	-
Interest paid		(13,880)	(20,685)
Net cash provided by operating activities		<u>2,017,874</u>	<u>1,899,765</u>
Cash flows from investing activities			
Resale agreements		(249,364)	(115,076)
Acquisition of intangible assets	13	-	(6,097)
Acquisition of property, plant and equipment	14	(7,304)	(3,630)
Proceeds of sale of property, plant and equipment		<u>304</u>	<u>423</u>
Net cash used in investing activities		(256,364)	(124,380)
Cash flows from financing activities			
Loans payable		(375,378)	(412,164)
Deferred credit		(1,407,221)	(1,224,356)
Net cash used in financing activities		(1,782,599)	(1,636,520)
Net (decrease)/increase in cash and cash equivalents		(21,089)	138,865
Cash and cash equivalents at beginning of year		<u>204,335</u>	<u>65,470</u>
Cash and cash equivalents at end of year	4	<u><u>183,246</u></u>	<u><u>204,335</u></u>

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

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements
March 31, 2018

1. Identification

Housing Agency of Jamaica Limited (“the company”) is incorporated and domiciled in Jamaica. The company is wholly-owned by the Government of Jamaica through the Ministry of Housing. Its registered office is located at 13 Caledonia Avenue, Kingston, Jamaica, which is also its principal place of business.

Consequent upon a Cabinet decision dated April 20, 1998, the operations of Caribbean Housing Finance Corporation Limited (CHFC), The National Housing Corporation Limited (NHC) and Operation PRIDE (Programme for Resettlement and Integrated Development Enterprises) were transferred to the company on May 1, 1998, on which date, the assets and liabilities of those entities were also taken over by the company (see note 20). These financial statements have been prepared on the basis that the company owns such assets and is liable for such loans although formal transfer to the company of ownership of loans receivable (note 6) and loans payable (note 16) has not been effected.

The main activities of the company comprise development of lots; construction of houses and related infrastructure; sale of those houses and lots; administering loans secured by first mortgages on freehold properties; and performing administrative services on behalf of other mortgagees and property developers.

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

New and amended standards that became effective during the year

Certain new and amended standards came into effect during the financial year under review. The company has assessed them and has adopted those which are relevant to its financial statements, viz:

- Amendments to IAS 7, *Statement of Cash Flows*, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.
- Amendments to IAS 12, *Income Taxes*, clarifies the following:
 - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
 - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

2. Statement of compliance and basis of preparation (Continued)

(a) Statement of compliance (continued)

New and amended standards that became effective during the year (continued)

- Amendments to IAS 12, *Income Taxes* (continued)
 - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
 - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
 - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of these amendments did not result in any change to the amounts recognised or disclosed in these financial statements.

New and amended standards and interpretations not yet effective

At the date of authorisation of the financial statements, certain new, revised and amended standards and interpretations were in issue but were not yet effective for the current year and which the company has not early-adopted. The company has assessed all such new standards, amendments and interpretations with respect to its operations and has determined that the following may be relevant:

- The company is required to adopt IFRS 9, *Financial Instruments* from April 1, 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their contractual cash flows. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Based on its preliminary assessment, the company does not believe that the new classification requirements will have a material impact on its accounting for receivables, securities purchased under resale agreements and investments. However, the company is still in the process of its assessment and the final impact has not yet been determined.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)

March 31, 2018

2. Statement of compliance and basis of preparation (Continued)

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued)

- IFRS 9, *Financial Instruments* (continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

- (i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- (ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The company believes that impairment losses are likely to increase and become more volatile for assets in the scope of IFRS 9 impairment model. However, the company is still in the process of determining the likely financial impact on its financial statements.

IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The company is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial applications.
 - The determination of the business model within which a financial asset is held.
 - The designation of certain investments in equity investments not held for trading as at FVOCI.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

2. Statement of compliance and basis of preparation (Continued)

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued)

- The company is required to adopt IFRS 15, *Revenue from Contracts with Customers* from April 1, 2018. The standard established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11, *Construction Contracts* and IFRIC 13, *Customer Loyalty Programmes*.

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

Management has assessed that the main impact of this standard is in respect of the company's fee income and development projects. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of fees. However, management has not yet completed its assessment on its income from development contracts and the financial impact is not yet determined.

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

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

The company is assessing the impact that this standard will have on its 2020 financial statements.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

2. Statement of compliance and basis of preparation (Continued)

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued)

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The company is assessing the impact that the interpretation will have on its 2019 financial statements.

- IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing.

If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)

March 31, 20182. Statement of compliance and basis of preparation (Continued)

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued)

- IFRIC 23, *Uncertainty Over Income Tax Treatments* (continued)
 - IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding
 - judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
 - assumptions and other estimates used; and
 - potential impact of uncertainties that are not reflected in the financial statements.

The company is assessing the impact that the interpretation will have on its 2020 financial statements.

- Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

(i) Prepayment features with negative compensation:

Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

(ii) Modifications to financial liabilities:

If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The company is assessing the impact that the amended standard will have on its 2020 financial statements.

(b) Basis of preparation

The financial statements are prepared on the historical cost basis, except for investment securities, which are carried at fair value.

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 20182. Statement of compliance and basis of preparation (Continued)

(b) Basis of preparation (continued)

(i) Functional and presentation currency

The financial statements are presented in Jamaica dollars, which is the functional currency of the company. The financial statements are presented in thousands of dollars ('000) unless otherwise stated.

(ii) Going concern

The preparation of the financial statements in accordance with IFRS assumes that the company will continue operations for the foreseeable future. This means, in part, that the statements of profit or loss and other comprehensive income and financial position assume no intention or necessity to liquidate or curtail the scale of operations and to discharge liabilities in the ordinary course of business. This is commonly referred to as the going concern basis.

The company reported a profit of \$734,910,000 (2017: \$160,585,000) for the year and, as at the reporting date. However due to losses in the past, the company has an accumulated deficit of \$2,211,754,000 (2017: \$2,946,664,000).

The ability of the company to sustain profitability and to generate the incremental cash flows to meet its significant debt service obligations and other costs, is therefore dependent on its ability to successfully minimise costs and increase sale of lots and units. These conditions indicate the existence of a material uncertainty that may cast doubt on the ability of the company to continue as a going concern.

The Board of Directors of the company has made the financial stability of the company a priority and has developed a strategic plan to achieve this objective. The company's management has prepared a budget which represents the plans to make the company profitable, including generating sufficient cash flow to meet its liabilities. These plans reflect the following:

- (a) Greenfield housing solutions such as Reid's Pen, Luana, Mona and phase two of Savannah, Belle Air Phase3 will ensure continuous financial profitability and liquidity in the foreseeable future. Project financing will be provided from Public Private Partnerships (PPP), other private sector agencies and with the Government of Jamaica agencies that are all involved in the housing sector.
- (b) Finalised sales of housing solutions from the Jamaica Economic Housing Projects to generate sufficient cash flows to be utilised by the company to reduce debt and plan future projects. Grant funding for Jamaica Economic Housing Project was provided by Ministry of Finance.
- (c) The Company will continue repayment of construction loans by the National Housing Trust (NHT), the company's main source of financing, for Greenfield developments. This will provide the company with access to future construction loan financing.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

2. Statement of compliance and basis of preparation (Continued)

(b) Basis of preparation (continued)

(ii) Going concern (continued)

- (d) The development of Brownfield infrastructure projects such as Grange Pen and Retirement is a priority for the Agency next financial year. Funding of the Agency's Brownfield developments will be facilitated by grants from various sources such as the Tourism Enhancement Fund.
- (e) The continuous realignment of administration costs to become more project specific and to improve risk management.
- (f) The Company will complete sale of the mortgage portfolio to NHT as a part of its long term strategy and focus on the core business of infrastructure development

On the basis of the foregoing, the Board of Directors and Officers are of the view that they will be able to raise a substantial portion of the funding required for normal operations, and, accordingly, believe that the preparation of the financial statements on the going concern basis continues to be appropriate.

(c) Estimates critical to reported amounts, and judgements made in applying accounting policies

The preparation of the financial statements to conform to IFRS requires management to make estimates, based on assumptions and judgements. Management also makes judgements, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

The estimates, and the assumptions underlying them, as well as the judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates that could cause a significant adjustment to the carrying amounts of assets and liabilities in the next financial year and judgements that have a significant effect on the amounts recognised in the financial statements, include the following:

(i) Key sources of estimation uncertainty

Estimates that had a significant effect on these financial statements or that give rise to a significant risk of material adjustment in the next financial year relate to the following:

(1) *Loans and other receivables*

In determining amounts to be recorded for impairment of loans and other receivables, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

2. Statement of compliance and basis of preparation (Continued)

- (c) Estimates critical to reported amounts, and judgements made in applying accounting policies (continued)

- (i) Key sources of estimation uncertainty (continued)

(1) *Loans and other receivables* (continued)

Management also makes estimates of the likely estimated future cash flows from impaired receivables, as well as the timing of cash flows. If the receivables are individually significant, the amount and timing of cash flows are estimated for each receivable individually.

Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by placing each receivable or group of receivables in a class according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics.

(2) *Land and housing development projects*

The recoverability of project costs is determined principally on the basis of expected recovery from sale of lots and housing units. An estimate is made of expected proceeds of sales, based on the location of projects and on certain assumptions, including assumptions about market demand and current market prices. Where management expects that a project will not be successfully completed, the carrying amount is fully written off.

Because there may be significant differences between actual outcomes and the assumptions made by management in estimating the likelihood of successful completion of projects, the costs to complete the projects, the expected sales proceeds, and other relevant factors, the carrying amounts of projects, based on such estimates, may change significantly from one reporting date to the next.

The use of assumptions makes uncertainty inherent in such estimates.

- (ii) Critical judgements in applying the company's accounting policies

Management is sometimes required to make judgements in applying IFRS. For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. There were no critical judgements in applying the company's accounting policies.

- (d) Comparative information

Wherever necessary, the comparative figures are reclassified to conform to the current year's presentation.

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 20183. Significant accounting policies

(a) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits.

Cash equivalents comprise short-term highly liquid investments 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 cash commitments. These include collections held in trust for mortgagors and property developers, short-term deposits and other monetary investments with original maturities of three months or less from the acquisition date.

Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are measured at amortised cost.

(b) Investment securities

Investment securities, which comprise investments in equity securities, are classified as available-for-sale and are measured at fair value, with any resultant gain or loss being recognised in other comprehensive income, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Management determines the appropriate classification of investments at the time of purchase.

(c) Loans and other receivables

Loans and other receivables are measured at amortised cost, less impairment losses.

(d) Trade and other payables

Trade and other payables are measured at amortised cost.

(e) Property, plant and equipment

Items of property, plant and equipment, except freehold land, are measured at cost, or valuation, less accumulated depreciation and impairment losses. Freehold land is measured at cost less impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied in the part will flow to the company and its cost can be reliably measured. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss.

Property, plant and equipment are depreciated on the straight-line method at annual rates to write down each part of an item of property, plant and equipment to its estimated residual value at the end of its expected useful life. The estimated useful lives are as follows:

Freehold buildings	40 years
Computers	3 - 5 years
Office furniture and fixtures	5 - 10 years
Motor vehicles	3 - 4 years
Equipment	5 - 10 years

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

3. Significant accounting policies (Continued)

(e) Property, plant and equipment (continued)

The depreciation method, useful lives and residual values are reassessed at each reporting date.

(f) Intangible assets

Intangible assets, comprising software, is measured at cost less accumulated amortisation and impairment losses. The expected useful life of software is three (3) years from acquisition date.

(g) Revenue recognition

Revenue is income that arises in the course of the ordinary activities of the company.

- (i) Income from the sale of properties is recognised when full sale consideration has been received, or is reasonably expected to be received, and on execution of transfer or on receipt by the company of a firm undertaking from a financial institution on behalf of the purchasers, whichever is earlier.

The sale of a housing unit is recorded when significant risks and rewards of ownership have been transferred to the buyer. Cost of sales, including land, is computed on an average cost basis.

- (ii) Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to its carrying amount. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

(h) Operation PRIDE development projects

Operation PRIDE development projects consist principally of expenditure related to infrastructure development on land provided by the Government of Jamaica to the company for the purpose. Before the take-over of the projects by the company, monies were advanced to various Industrial and Provident Societies for expenditure on the projects. It is intended that project costs be recovered from the sale of lots at prices determined by the company.

Costs accumulated on each project are kept under review by the company, and, should it become reasonably certain that a project will not come to fruition, or project costs will exceed amounts considered recoverable from subsequent sale of serviced lots to beneficiaries, a provision is made for impairment.

(i) Jamaica Economical Housing development projects

Jamaica Economical Housing development projects are carried at the expenditure to date on certain former Operation PRIDE projects which were transferred to the Chinese Cluster Programme. In assessing the recoverability of the amount expended to date, account is taken of the grant funding provided by Government of Jamaica [notes 9(c) and 17] and of the anticipated proceeds of sales to be received from customers. Any expenditure in excess of these amounts is provided for.

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 20183. Significant accounting policies (Continued)

(j) Other development projects in progress

Other Development projects in progress consist of costs incurred to date on various housing ("green field") projects and are recognised at cost less provision for impairment. Costs include the cost of land, construction material, labour and an appropriate proportion of relevant overheads.

(k) Land inventory

Land held for development includes land which has been contributed by Government of Jamaica. These lands are initially recognised at fair value determined by professional property valuers, for housing development projects (and treated as a capital contribution). An amount equivalent to the fair value at the date of contribution is recognised as a capital grant and presented as contributed capital (note 22). After initial recognition, land inventory is carried at cost.

(l) Foreign currencies

Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(m) Loans receivable

Loans receivable are measured net of allowances for credit losses.

Loans receivable are initially recognised at cost, which is the cash given to originate the loan including any transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

(n) Impairment of financial assets

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

An allowance for loan impairment is established if there is objective evidence that the company will not be able to collect all amounts due according to the original contractual terms of the loan. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the original effective interest rate of the loan.

A loan is classified as impaired when, in management's opinion, taking into account all relevant factors, including prevailing and anticipated business and economic conditions and collateral held, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the contractually required payments of the principal and interest.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

3. Significant accounting policies (Continued)

(n) Impairment of financial assets (continued)

The impairment assessment is done on a collective basis, based on the location of schemes.

No provision is made on certain loans which are funded by USAID as the Government of Jamaica has provided a guarantee to the company in respect of the collection of these loans.

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

Where collection of interest income is considered doubtful, i.e., the financial asset is impaired, the financial asset is written down to its recoverable amount and interest income thereon is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. Future interest receipts are taken into account in estimating future cash flows from the instrument; if no contractual interest payments are expected to be collected, then the only interest income recognised is the unwinding of the discount on those cash flows expected to be received.

(i) Calculation of recoverable amount

The recoverable amount of the company's loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of loans and receivables and securities is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For all other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

3. Significant accounting policies (Continued)

(n) Impairment of financial assets (continued)

(ii) Reversals of impairment (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(o) Impairment of non-financial assets

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current income tax is the expected tax payable on the income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using enacted tax rates in existence at the reporting date.

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

(q) Employee benefits

Employee benefits comprise all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, NIS contributions, annual vacation leave, sick leave, education cost reimbursements, and non-monetary benefits, such as medical care and housing; they also include post-employment benefits, such as pensions and medical care and termination benefits.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

3. Significant accounting policies (Continued)

(q) Employee benefits (continued)

(i) General benefits

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-retirement benefits are accounted for as described in (ii) below. Other long-term benefits, including termination benefits, which arise when either (1) the employer decides to terminate an employee's employment before the normal retirement date, or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned and charged as an expense, unless not considered material, in which case they are charged when they fall due.

(ii) Post-retirement benefits

The company participates in a defined-contribution pension scheme (see note 30), the assets of which are held separately from those of the company. Obligations for contributions are recognised as an expense in profit or loss when due.

(r) Loans payable

Loans payable is recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, loans payable is stated at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on the effective interest basis.

(s) Deferred credit

Grant funding received to finance certain development projects is shown as deferred credit in the statement of financial position. When the related project expenditure is incurred it is carried as development in progress; when the development is completed and the housing solutions (lots or houses and related infrastructure) are sold or otherwise handed over to beneficiaries, a relevant portion of the development and construction expenditure is transferred to profit or loss, and an equivalent amount transferred from deferred credit to profit or loss.

The amounts received are presented as a liability as it is the company's policy to regard itself as obligated to the donor until each relevant project is completed in accordance with the donor's stipulations, at which time a qualifying amount is transferred to profit or loss.

(t) Resale agreements

Resale agreements represent purchase of securities by the company under agreements to resell them on specified dates at specified prices. Under collateralised resale agreements, the company obtains securities on terms which permit it to repledge or resell them to others.

Resale agreement are accounted for as short-term collateralised lending, are classified as loans and receivables, and are carried in the statement of financial position at amortised cost.

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

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)

March 31, 2018

4. Cash and cash equivalents

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Collections held in trust for mortgagees and property developers	107	107
Cash in hand	158	58
Cash at bank	<u>182,981</u>	<u>204,170</u>
	<u>183,246</u>	<u>204,335</u>

5. Resale agreements

At March 31, 2018, the fair value of securities collateralising resale agreements was \$599,154,000 (2017: \$319,768,000).

6. Loans receivable

The formalities of the transfer to the company of ownership of some loans receivable are still in process (see note 1). Loans receivable comprise:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Residential mortgage loans [see (a) below]:		
Principal	452,286	603,093
Interest receivable	<u>109,113</u>	<u>101,636</u>
	<u>561,399</u>	<u>704,729</u>
Staff loans at 3%:		
Residential mortgage loans	3,433	4,167
Other loans	<u>13,027</u>	<u>3,470</u>
	16,460	7,637
Less: Unamortised discount on staff loan	<u>(2,486)</u>	<u>(1,617)</u>
	<u>13,974</u>	<u>6,020</u>
Other long-term loans [see (b) below]	11,648	14,422
Infrastructure development loan [see (c) below]	<u>170,651</u>	<u>170,650</u>
	<u>182,299</u>	<u>185,072</u>
Gross loans receivable	<u>757,672</u>	<u>895,821</u>
Less: Allowance for impairment:		
Residential mortgage loans	(99,762)	(99,762)
Interest receivable	(81,689)	(80,117)
Other long-term loans	(4,060)	(4,060)
Infrastructure development loan	<u>(170,651)</u>	<u>(170,650)</u>
	<u>(356,162)</u>	<u>(354,589)</u>
Net loans receivable	<u>401,510</u>	<u>541,232</u>

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 20186. Loans receivable (Continued)

- (a) The residential mortgage loans, secured by first mortgages on houses, are as follows:

		<u>2018</u>	<u>2017</u>
		<u>\$'000</u>	<u>\$'000</u>
10%	Ten year loans	503	528
6%-19%	Twenty – Twenty-five years loans	323,532	467,575
4%-10%	Thirty and forty years loans [see (i) below]	<u>128,251</u>	<u>134,990</u>
		<u>452,286</u>	<u>603,093</u>

The Government of Jamaica has guaranteed the reimbursement to the company of any losses suffered as a result of failure of mortgagors under the Basic Shelter Programme to repay their loans. No provision for loan losses has, therefore, been made for amounts up to \$15,000,000 (2017: \$15,000,000) in the aggregate as recovery up to that amount is expected from the Government of Jamaica.

- (b) Other long-term loans bear interest ranging from 10% to 13% per annum, and are repayable from the date of disbursement in equal instalments over twenty five years.
- (c) This represents two unsecured loans that were provided for infrastructure development and are repayable on completion of the projects concerned. One loan bears interest at a floating rate of 2% above the average Treasury Bill rate, adjusted every 90 days, and the other loan bears interest at 20% per annum.
- (d) Loans receivable, before inclusion of unamortised discount on staff loans, are due for collection from the reporting date as follows:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 3 months	63,408	65,433
Over 3 months to 1 year	172,003	171,853
Over 1 year to 3 years	60,847	51,064
Thereafter	<u>463,900</u>	<u>609,090</u>
	<u>760,158</u>	<u>897,440</u>

- (e) The credit quality of loans receivable as at the reporting date is measured by the extent to which the loans are past due, as follows:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Not past due	358,382	501,524
Past due 0-30 days	8,978	8,824
Past due 31-60 days	11,656	11,484
Past due 61-90 days	42,118	39,807
Over 90 days	<u>339,024</u>	<u>335,801</u>
	<u>760,158</u>	<u>897,440</u>

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 20186. Loans receivable (Continued)

(f) Allowance for impairment – loans receivable:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
At beginning of the year	354,589	361,428
Impairment loss/(recovery) [note 23(b)]	<u>1,573</u>	<u>(6,839)</u>
At end of the year	<u>356,162</u>	<u>354,589</u>

7. Other receivables

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
National Housing Trust (NHT)	40,099	40,099
Amounts due from sale of properties	202,204	101,737
Interest receivable	9,637	9,235
Staff loans and advances	4,608	796
Other accounts receivable and advances	<u>43,330</u>	<u>48,036</u>
Gross receivables	<u>299,878</u>	<u>199,903</u>
Less: Allowance for impairment:		
National Housing Trust	(40,099)	(40,099)
Amounts due from sale of properties	(41,551)	(15,892)
Interest receivable	(7,217)	(7,885)
Other accounts receivable and advances	<u>(41,510)</u>	<u>(34,732)</u>
Total allowance for impairment	<u>(130,377)</u>	<u>(98,608)</u>
Net receivables	<u>169,501</u>	<u>101,295</u>

The movement in the allowance for impairment is as follows:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
At beginning of the year	98,608	98,968
Impairment loss/(recovery) [note 23(b)]	<u>31,769</u>	<u>(360)</u>
At the end of the year	<u>130,377</u>	<u>98,608</u>

8. Operation PRIDE

(a) Expenditure on Operation PRIDE Projects

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
At start of year	3,316,720	3,316,931
Expenditure during the year	44,866	12,040
Transfer of cost relating to lots sold	<u>(4,179)</u>	<u>(12,251)</u>
At end of year	3,357,407	3,316,720
Less: Allowance for impairment [see (c) below]	<u>(1,624,023)</u>	<u>(1,542,535)</u>
Net development expenditure	<u>1,733,384</u>	<u>1,774,185</u>

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 20188. Operation PRIDE (Continued)

(b) Deposits by purchasers

	<u>2018</u> \$'000	<u>2017</u> \$'000
At beginning of year	971,380	976,600
Collections during the year	37,790	38,203
Transfer of collection relating to lots sold	<u>-</u>	<u>(43,423)</u>
At end of year	<u>1,009,170</u>	<u>971,380</u>

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

	<u>2018</u> \$'000	<u>2017</u> \$'000
At beginning of year	1,542,535	1,674,779
Impairment loss/(recovery) [note 23(b)]	<u>81,488</u>	<u>(132,244)</u>
At end of year	<u>1,624,023</u>	<u>1,542,535</u>

9. Jamaica Economical Housing

(a) Project expenditure

	<u>2018</u> \$'000	<u>2017</u> \$'000
At start of year	6,645,404	7,920,011
Expenditure during the year	362,711	158,454
Transfer of costs relating to units and lots sold	<u>(1,643,715)</u>	<u>(1,433,061)</u>
At end of year	<u>5,364,400</u>	<u>6,645,404</u>

The specific projects involved are as follows:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Belle Air 1, 2 and 3	4,046,525	5,303,690
Mount Edgecombe 4 and 5	1,121,806	1,122,065
Luana Gardens	<u>196,069</u>	<u>219,649</u>
	<u>5,364,400</u>	<u>6,645,404</u>

These projects, which were previously under Operation PRIDE, are now being financed under the Chinese Cluster programme. Under this programme, the Government of Jamaica, from the proceeds of a loan obtained from the Export Import Bank of China, makes grants to the company to finance these projects [see notes 9(c) and 17].

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 20189. Jamaica Economical Housing (Continued)

(b) Deposits by purchasers

	<u>2018</u> \$'000	<u>2017</u> \$'000
At beginning of year	482,182	373,256
Collections during the year	1,160,609	606,537
Transfer of collection relating to lots sold	(1,150,553)	(497,611)
At end of year	<u>492,238</u>	<u>482,182</u>

(c) Grant funding received

	<u>2018</u> \$'000	<u>2017</u> \$'000
At beginning of year	5,861,844	7,093,303
Grant funding drawn down during the year	-	578,666
Grant funding utilised during the year	(1,599,059)	(1,810,125)
At end of year (note 17)	<u>4,262,785</u>	<u>5,861,844</u>

10. Other development projects

(a) Expenditure on projects

	<u>2018</u> \$'000	<u>2017</u> \$'000
Accumulated expenditure at start of year	3,659,522	3,733,011
Expenditure during the year	191,435	450,453
Transfer of costs relating to units and lots sold	(333,223)	(523,942)
Accumulated expenditure at end of year	3,517,734	3,659,522
Less: Allowance for impairment [see (b) below]	(141,142)	(216,618)
Net development in progress	<u>3,376,592</u>	<u>3,442,904</u>

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

	<u>2018</u> \$'000	<u>2017</u> \$'000
At beginning of the year	216,618	346,805
Amount written off during the year	-	(36,846)
Impairment recovery [note 23(b)]	(75,476)	(93,341)
At end of the year	<u>141,142</u>	<u>216,618</u>

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 201810. Other development projects (Continued)

(c) The specific projects involved are as follows:

		<u>2018</u>	<u>2017</u>
		<u>\$'000</u>	<u>\$'000</u>
Boscobel 2	[see (i) below]	186,956	474,188
Whitehall	[see (ii) below]	3,008,709	2,909,918
Frazers and Ebony View	[see (iii) below]	30,798	30,093
Other development costs	[see (iv) below]	<u>291,271</u>	<u>245,323</u>
		<u>3,517,734</u>	<u>3,659,522</u>

- (i) The development is being financed by a 9% loan from National Housing Trust and is secured by the housing units being constructed. The loan is expected to be repaid from the sale of these units.
- (ii) The development is being financed by a 9% loan from National Housing Trust and is secured by the housing units being constructed. The loan is expected to be repaid from the sale of these units.
- (iii) This represents costs incurred to date on developments under joint venture arrangements.
- (iv) This represents developments by the company at Porto Bello 2, Grange Pen, Greater Retirement, Bernard Lodge, Shooters, Eden Park II, West Albion 2, Mona, Portmore Villa 2B and Bourkesfield.

(d) Deposits by purchasers

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
At beginning of year	1,705,233	1,655,021
Collections during the year	238,878	938,032
Deposits relating to units transferred to beneficiaries	(262,000)	(887,820)
At end of year	<u>1,682,111</u>	<u>1,705,233</u>

11. Land inventory

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of year	1,471,486	1,471,557
Development costs transferred	(59,219)	(71)
Land derecognised [see note (e)]	(97,000)	-
Land received during the year [see note (f)]	<u>384,000</u>	<u>-</u>
Balance at end of year	<u>1,699,267</u>	<u>1,471,486</u>
Broken down as follows:		
Lands held for development [see (a) below]	1,555,347	1,276,202
Pre-construction costs [see (b) below]	-	51,364
Jointly controlled operations in progress [see (c) below]	<u>143,920</u>	<u>143,920</u>
	<u>1,699,267</u>	<u>1,471,486</u>

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 201811. Land inventory (Continued)

- (a) This represents lands acquired through the Ministry of Housing and with funds from Tourism Enhancement Fund, as well as lands contributed by Government of Jamaica for the development of housing projects (see note 22).
- (b) This represents pre-construction costs of development of lands held for the purpose stated in (a) immediately above.
- (c) This represents amounts expended in respect of Bushy Park 2, Luana 2 and Porto Bello 2 which are being developed under jointly controlled operations as follows:

For these projects, surpluses or losses are shared 50:50. The joint ventures for the Bushy Park 2 and Luana 2 developments are with the National Housing Trust, while that for the Porto Bello 2 development is with Herzog (Jamaica) Limited.

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Land contributed	91,500	91,500
Cash expenditure	<u>52,420</u>	<u>52,420</u>
	<u>143,920</u>	<u>143,920</u>

For these projects, surpluses or losses are shared 50:50. The joint ventures for the Bushy Park 2 and Luana 2 developments are with the National Housing Trust, while that for the Porto Bello 2 development is with Seal Investments Limited.

- (d) Titles to all land held for developments are registered in the name of the Minister of Housing, a corporation sole, who holds them on behalf of the company.
- (e) Shooters, St Ann had been given to the Agency by UDC in exchange for the upgrading of an informal community. However, after feasibility studies were done, the project was abandoned, as the results were not favourable. This led to the lands being returned to UDC. The financial statements is just now being adjusted to reflect the derecognition of the land asset.
- (f) During the financial year the company recognized three lands in its books totalling \$384,000,000.00 as follows:

	<u>2018</u>
	\$'000
Mosquito Cove	170,000
Bernard Lodge	156,000
Reid's Pen (see note 15 a)	<u>58,000</u>
	<u>384,000</u>

Mosquito Cove land received from MEGJC for the purpose of increasing company's capital base. Hence this was recognized under contributed capital. (see note 22).

Bernard Lodge land received from MEGJC as a government grant to subsidize the financial performance of the "Bernard Lodge Project" (see note 17).

Reid's Pen was received from MEGJC and the value of the Land is to be reimbursed from proceeds of sale units in the development of the land.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 201812. Investment securities

	<u>2018</u> \$'000	<u>2017</u> \$'000
Available-for-sale:		
Quoted equity	<u>281</u>	<u>202</u>

13. Intangible asset - software

	<u>2018</u> \$'000	<u>2017</u> \$'000
Cost:		
At beginning of year	33,846	27,749
Additions	<u>-</u>	<u>6,097</u>
At end of year	<u>33,846</u>	<u>33,846</u>
Amortisation:		
At beginning of year	29,820	27,748
Charge for the year	<u>2,257</u>	<u>2,072</u>
At end of year	<u>32,077</u>	<u>29,820</u>
Net book value	<u>1,769</u>	<u>4,026</u>

14. Property, plant and equipment

	<u>Freehold land and buildings</u> \$'000	<u>Computers</u> \$'000	<u>Office furniture and fixtures</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Equipment</u> \$'000	<u>Total</u> \$'000
Cost:						
March 31, 2016	68,993	21,312	12,233	14,670	20,216	137,424
Additions	-	286	304	1,500	1,540	3,630
Disposals	<u>-</u>	<u>(738)</u>	<u>(607)</u>	<u>(693)</u>	<u>-</u>	<u>(2,038)</u>
March 31, 2017	68,993	20,860	11,930	15,477	21,756	139,016
Additions	-	3,695	740	-	2,869	7,304
Disposals	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(952)</u>	<u>-</u>	<u>(960)</u>
March 31, 2018	<u>68,993</u>	<u>24,555</u>	<u>12,662</u>	<u>14,525</u>	<u>24,625</u>	<u>145,360</u>
Depreciation:						
March 31, 2016	25,921	16,079	9,852	10,197	14,140	76,189
Charge for the year	1,263	1,739	440	2,725	1,984	8,151
Eliminated on disposals	<u>-</u>	<u>(728)</u>	<u>(599)</u>	<u>(693)</u>	<u>-</u>	<u>(2,020)</u>
March 31, 2017	27,184	17,090	9,693	12,229	16,124	82,320
Charge for the year	1,276	1,444	455	2,216	1,993	7,384
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(952)</u>	<u>-</u>	<u>(959)</u>
March 31, 2018	<u>28,460</u>	<u>18,534</u>	<u>10,141</u>	<u>13,493</u>	<u>18,117</u>	<u>88,745</u>
Net book values:						
March 31, 2018	<u>40,533</u>	<u>6,021</u>	<u>2,521</u>	<u>1,032</u>	<u>6,508</u>	<u>56,615</u>
March 31, 2017	<u>41,809</u>	<u>3,770</u>	<u>2,238</u>	<u>3,248</u>	<u>5,630</u>	<u>56,696</u>
March 31, 2016	<u>43,072</u>	<u>5,233</u>	<u>2,381</u>	<u>4,473</u>	<u>6,076</u>	<u>61,235</u>

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 201814. Property, plant and equipment (continued)

Freehold land and buildings include land costing \$12,455,000 (2017: \$12,455,000). A revaluation of certain company's furniture and fixtures by Baird and Henderson Valuers Limited in November 2005 resulted in adjustments to the carrying value of these assets; the revaluation amount was deemed to be the assets' cost (note 20).

15. Trade and other payables

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Accrued charges	53,368	68,726
Interest payable	65,769	50,182
Staff related accruals and statutory payroll liabilities	20,428	14,577
Project related expenses [see (a) below]	73,343	161,264
Due to related parties for land purchased	242,561	184,561
Refunds due to depositors for cancelled sales contracts	82,590	67,680
Mortgage instalments received in advance	83,587	133,639
Provision legal claims	56,301	97,614
Other payables	<u>15,328</u>	<u>11,650</u>
	<u>693,275</u>	<u>789,893</u>

(a) During the year the company has recognized land with a forced sale value of \$58,000,000 from Ministry of Economic Growth & Job Creation (MEGJC) and this amount is payable on demand.

16. Loans payable

The formalities of the transfer to the company of the obligation under certain loans payable are still in process (see note 1); the loans payable are nevertheless included in these financial statements, as follows:

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
National Housing Trust ("NHT"):		
5% loan [see (a) below]	441,511	441,511
8% loan [see (b) below]	33,902	33,880
3% loan [see (c) below]	31,120	31,120
3% loan [see (d) below]	201,640	206,830
3% loan [see (e) below]	81,585	146,390
8% loan [see (f) below]	-	22
9% loan [see (g) below]	63,930	70,964
9% loan [see (h) below]	428,649	464,170
5% loan [see (i) below]	7,615	7,615
9% loan [see (j) below]	431,019	687,137
5% loan [see (k) below]	<u>568,555</u>	<u>575,265</u>
Balance brought forward	<u>2,289,526</u>	<u>2,664,904</u>

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)

March 31, 201816. Loans payable (continued)

	<u>2018</u> \$'000	<u>2017</u> \$'000
Balance carried forward	2,289,526	2,664,904
Ministry of Housing and Water		
4 - 8% [see (l) below]	188	188
Ministry of Finance and the Public Service [see (m) below]	100	100
Accountant General [see (n) below]	107,777	107,777
	<u>2,397,591</u>	<u>2,772,969</u>
Comprising - current and past due portions	1,846,183	1,971,873
- long-term portions	<u>551,408</u>	<u>801,096</u>
	<u>2,397,591</u>	<u>2,772,969</u>

- (a) This loan, which is secured by mortgages on those units, relates to the construction of housing under the Greater Portmore Project (GPP). The principal amount of the loan, together with deferred interest of 3% per annum, was rolled over into a twenty five-year loan on which interest accrues at 5% per annum.
- (b) This loan relates to the construction of 279 units in the GPP in a joint venture with NHT. The principal amount of the loan, which is secured by mortgages on those units, is repayable over fifteen years, with interest payable monthly at 8% per annum.
- (c) This loan is guaranteed by the Government of Jamaica and the repayment period was extended to 15 years, commencing May 2002 and ending in May 2017. No payments were made during the year and the balance is expected to be settled on transfer of the mortgage loan portfolio to NHT.
- (d) This loan is secured by a letter of undertaking from the Ministry of Finance and the Public Service as well as GPP and Operation PRIDE mortgages. The loan was obtained specifically to fund Operation PRIDE projects and is due for repayment in 2018.
- (e) This loan is secured by \$1.405 billion of GPP mortgages, and the repayment period was extended to 20 years commencing August 2002; it is now scheduled to end in 2022.
- (f) This is a revolving loan, secured by the deposit of splinter titles for the Whitehall 2 and Eden Park land development. It was specifically obtained to fund new Operation PRIDE projects. The loan was repaid in April 2017.
- (g) This loan is secured by a first legal mortgage over the project lands and was obtained to finance the Stadium Gardens Phase 3 development project. The interest rate is 9% per annum; it is expected to be repaid from sales proceeds.
- (h) This loan is secured by a first legal mortgage over certain project lands and was obtained to finance the Whitehall 3 development project. The interest rate is 9% per annum. The loan is expected to be repaid from sales proceeds.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

16. Loans payable (Continued)

- (i) This loan is secured by a first legal mortgage over certain project lands and was obtained to finance the Westmeade development project. The interest rate is 5% per annum. The loan is expected to be repaid from sales proceeds.
- (j) This loan is secured by a first legal mortgage over certain project lands and was obtained to finance the 'Hills of Boscobel' development project. The loan is expected to be repaid from sales proceeds.
- (k) This loan was obtained for nine months to finance the Whitehall 3 housing development. The loan bears an interest rate of 5% and was due for repayment in September 2014. The project was not completed on time and the loan repayment was subsequently aligned to mortgage proceeds from finalise sale. NHT will continue to accrue interest until loan is fully paid.
- (l) The loans are secured by mortgages and has no repayment period.
- (m) The loan, which was secured by mortgages, is repayable to the Ministry of Finance and the Public Service. The interest rate, repayment date and other provisions of the loan have not yet been determined.
- (n) This represents amounts paid on the company's behalf by the Accountant General ("AG") on the Commonwealth Development Corporation loan. This loan from the AG is interest-free and the repayment date has not been fixed.

17. Deferred credit

	2018				
	<u>TEF</u> \$'000	<u>UDC</u> \$'000	<u>JEHP</u> \$'000	<u>GOJ - Other</u> \$'000	<u>Total</u> \$'000
At beginning of year	306,018	238,490	5,861,844	763,903	7,170,255
Grant received during the year	75,184	-	-	156,000	231,184
Grant utilized during the year	(39,346)	-	-	-	(39,346)
Grant set off against cost of sales	-	-	(1,599,059)	-	(1,599,059)
At end of year	<u>341,856</u>	<u>238,490</u>	<u>4,262,785</u>	<u>919,903</u>	<u>5,763,034</u>
	2017				
	<u>TEF</u> \$'000	<u>UDC</u> \$'000	<u>JEHP</u> \$'000	<u>GOJ - Other</u> \$'000	<u>Total</u> \$'000
At beginning of year	291,337	238,490	7,093,303	771,481	8,394,611
Funds received during the year	59,372	-	578,666	(1,316)	636,722
Funds set off against cost of sales	(44,691)	-	(1,810,125)	(6,262)	(1,861,078)
At end of year	<u>306,018</u>	<u>238,490</u>	<u>5,861,844</u>	<u>763,903</u>	<u>7,170,255</u>

Deferred credit refers to grant funding received from the Tourism Enhancement Fund ("TEF"), Government of Jamaica ("GOJ") and Urban Development Corporation ("UDC") to assist in the funding of certain 'brownfield' project.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)

March 31, 201817. Deferred credit (continued)

GOJ entered into a Framework Agreement with the Government of China (“GOC”) under which GOC made a loan to GOJ at a concessionary rate of interest. GOJ then gave the proceeds of this loan as a grant to the company for the development of housing solutions under the Chinese Cluster Programme [see note 9 for information on Jamaica Economical Housing Project (JEHP)].

18. Share capital

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Authorised, issued and fully paid:		
200 ordinary shares of no par value	-	-

The actual amount is \$200; it is shown as Nil due to rounding, these financial statements are presented to the nearest thousand dollars.

19. Reserve fund

Pursuant to Article 98 of the company’s Articles of Association, the company transfers to reserve fund a percentage of profits after tax, if any, each year. The percentage to be transferred is determined at the discretion of the directors. There was no transfer for the year (2017: Nil).

The reserve fund may only be utilized for the purposes set out in the Articles, namely, meeting contingencies, repairing or maintaining any work connected with the business of the company, equalizing dividends and making distributions by way of special dividends or bonuses. It may also be used for other purposes for which the profits of the company may lawfully be applied.

20. Capital reserve

This comprises (1) the net surplus of the book values of assets over liabilities transferred to the company by the entities mentioned in note 1 and (2) adjustments arising from revaluation of certain property, plant and equipment (note 14).

21. Fair value reserve

Fair value reserve represents cumulative unrealised fair value gains, net of losses, on available-for-sale investment securities, net of deferred tax, if any, which are carried until the investment securities are derecognised or impaired.

22. Contributed capital

This represents the value of lands contributed by Government of Jamaica for housing development projects [note 11(a), (e), (f)].

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 201823. Expenses and other losses

(a) Administrative and general expenses

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Audit fees	6,177	4,950
Building maintenance and electricity	54,060	48,180
Depreciation and amortisation	9,641	10,222
Directors' travel and other expenses	4,208	2,149
Directors' fees	2,411	2,289
General expenses	2,559	2,341
Insurance	6,170	5,076
Legal and other professional fees	5,364	39,486
Donations and subscriptions	1,307	1,871
Promotions and publications	7,269	2,532
Staff costs (note 26)	337,528	334,365
Stationery and data processing	13,161	9,950
Telephone and postage	10,786	9,141
Travelling and motor vehicle	<u>7,127</u>	<u>6,377</u>
	<u>467,768</u>	<u>478,929</u>

(b) Impairment losses/(recovery)

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Loans receivable [note 6(f)]	1,573	(6,839)
Other receivables (note 7)	31,769	(360)
Operation PRIDE projects [note 8(c)]	81,488	(132,244)
Other development projects [note 10(b)]	<u>(75,476)</u>	<u>(93,341)</u>
Impairment losses/(recovery), net	<u>39,354</u>	<u>(232,784)</u>

24. Profit for the year

The following are among the items that have been charged in arriving at the profit for the year:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Directors' Fees [note 27(e)]	2,411	2,289
Management remuneration [included in staff costs see note 26]	11,354	12,998
Auditors' remuneration	6,177	4,950
Depreciation and amortisation	<u>9,641</u>	<u>10,222</u>

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 201825. Income tax

- (i) Income tax is based on the profit for the period, adjusted for tax purposes, computed at the rate of 25% and comprises:

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Current income tax expense @ 25%	73,285	23,138
Under-provision of prior year income tax	<u>2,692</u>	<u>-</u>
	<u>75,977</u>	<u>23,138</u>

- (ii) The effective tax rate is 9% (2017: 13%) of pre-tax results compared to a statutory rate of 25% (2017: 25%):

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Profit before income tax	<u>810,887</u>	<u>183,723</u>
Expected tax at 25%	202,722	45,931
Disallowed items (net)	(10,752)	3,593
Employer Tax Credit	(22,700)	(277)
Under-provision of prior year income tax	2,692	-
Tax losses utilised	<u>(95,985)</u>	<u>(26,109)</u>
	<u>75,977</u>	<u>23,138</u>

Taxation losses, subject to agreement by the Commissioner General, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to approximately \$5,722,182,000 (2017: \$6,117,978,000) as at the reporting date. While tax losses may still be carried forward indefinitely, the amount that can be utilised in any one year is restricted to 50% of the chargeable income for that year.

Deferred tax asset have not been recognised in respect of the following items, as management does not expect that in the foreseeable future sufficient taxable profits will be available against which the asset will be utilised.

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Tax losses	1,430,545	1,529,494
Deductible temporary difference	<u>14,709</u>	<u>31,961</u>
	<u>1,445,254</u>	<u>1,561,455</u>

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 201826. Staff costs and numbers

The average number of persons employed full-time during the year was 100 (2017: 101). The costs for these employees were as follows:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Compensation:		
Salaries	212,395	226,685
Statutory payroll contributions	25,033	27,380
Pension scheme contributions (note 30)	13,405	14,589
Other benefits	<u>69,111</u>	<u>48,573</u>
	319,944	317,227
Other costs:		
Training and development	3,087	5,653
Staff welfare	<u>14,497</u>	<u>11,485</u>
	<u>337,528</u>	<u>334,365</u>

27. Related party balances and transactions(a) Definition of a related party

A related party is a person or entity that is related to the company.

- (i) A person or a close member of that person's family is related to the company if that person:
 - (1) has control or joint control over the company;
 - (2) has significant influence over the company; or
 - (3) is a member of the key management personnel of the company.
- (ii) An entity is related to the company if any of the following conditions applies:
 - (1) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
 - (6) The entity is controlled, or jointly controlled by a person identified in (i).
 - (7) A person identified in (i)(1) 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).
 - (8) The entity or any member of a group of which it is a part providing key management services to the League or to the parent of the League;

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

27. Related party balances and transactions (continued)

A related party transaction is a transfer of resources, services or obligations between the company and related parties, regardless of whether a price is charged.

(b) Identity of related party

The company has related party relationships with government ministries, fellow government agencies and key management personnel.

(c) The statement of financial position includes the following balances with related parties in the ordinary course of business:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Trade and other receivables:		
National Housing Trust	40,099	40,099
Ministry of Water and Housing	11,191	<u>15,301</u>
Loans receivable:		
Ministry of Finance and Planning	<u>7</u>	<u>7</u>
Operation PRIDE:		
Ministry of Water and Housing	<u>461,602</u>	<u>462,339</u>
Other development project costs:		
Ministry of Water and Housing	30,798	30,093
Tourism Enhancement Fund	172,516	156,591
Urban Development Corporation	<u>256,514</u>	<u>256,514</u>
Trade and other payables:		
Inland Revenue	10,272	7,944
National Housing Trust	1,391	860
Ministry of Water and Housing	182,890	183,244
Bay Farm	1,402	1,395
Jamaica Mortgage Bank	1,402,356	1,372,671
National Land Agency	<u>10,000</u>	<u>10,000</u>
Loans payable (note 16):		
Ministry of Water and Housing	188	188
National Housing Trust	2,289,526	2,664,904
Accountant General of Jamaica	107,777	107,777
Ministry of Finance	<u>100</u>	<u>100</u>

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

27. Related party balances and transactions (continued)

- (d) The statement of profit or loss and other comprehensive income includes the following income earned, and expenses incurred, in transactions with related parties, in the ordinary course of business:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Income:		
Fees for servicing loans		
Ministry of Water and Housing	<u>17,017</u>	<u>13,345</u>
Expense:		
Fees and interest expense on loans		
National Housing Trust	<u>28,985</u>	<u>42,010</u>

- (e) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director. The directors and two senior executives of the company are its "key management" personnel. Compensation for such persons was as follows:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Directors' Fees (note 24)	2,411	2,289
Management remuneration	11,354	12,998
Other key management personnel - short-term employee benefits (included in staff costs)	<u>35,784</u>	<u>29,456</u>
	<u>49,549</u>	<u>44,743</u>

28. Financial risk management

- (a) Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the company's exposure to each of the above-listed risks, the company's objectives, policies and processes for measuring and managing each risk, and the company's management of capital. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board of Directors through its three committees - Audit, Finance and Projects - is responsible for monitoring compliance with the company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the company. All committees report regularly to the Board on their activities.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

28. Financial risk management (continued)

(a) Overview (continued)

Assistance is received in these functions from Internal Audit, which undertakes periodic reviews of risk management controls and procedures.

(b) Credit risk:

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the company's lending activities and deposits with other financial institutions. There is also credit risk exposure in respect of off-balance sheet financial instruments, such as loan commitments and guarantees, which expose the company to similar risks as loans and are managed in the same manner. Balances arising from these activities include loans receivable, other receivables, cash and cash equivalents and resale agreements.

(i) Loans receivable:

The management of credit risk in respect of loans is executed by the management of the company. The management of credit risk, particularly as it relates to managing delinquent loans, is delegated to the Finance Committee. Management is responsible for formulating credit policies, reviewing and assessing credit risk and limiting concentration of exposure to counterparties. Lending activity is confined to either 'brown-field' or 'green-field' loans. 'Brown-field' loans are those in schemes which are heavily squatted and in volatile areas, while 'green-field' loans are not.

Collateral and other credit enhancements held against financial assets

The company holds collateral against credits to borrowers, primarily in the form of mortgages over properties. Estimates of fair values are based on the value of collateral assessed at the time of borrowing and are generally not updated except when credits to borrowers are individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements.

The fair value of collateral held against loans to borrowers is not readily available.

Impaired loans receivable

Impaired loans receivable are loans for which the company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the company believes that impairment is not appropriate based on the quality and value of security available or the stage of collection of amounts owed to the company.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

28. Financial risk management (continued):

(b) Credit risk (continued)

(i) Loans receivable (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrowers' financial position and where the company has made concessions that it would not otherwise consider. Once the loan is restructured, it is classified and monitored. The company had no renegotiated loans receivable at the reporting date (2017: none).

Allowances for impairment

The company establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a portfolio basis in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The company writes off a loan (and any related allowances for impairment) when it determines that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

(ii) Cash and cash equivalents and resale agreements:

The company limits its exposure to credit risk on cash and cash equivalents and resale agreements by investing only in liquid assets with counterparties that have high credit ratings. Therefore, management does not expect any counterparty to fail to meet its obligations. Collateral is held for all resale agreements.

(iii) Exposure to credit risk:

The company's exposure to credit risk is geographically concentrated based on the location of the properties held as collateral against loans, as follows:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Loans receivable from purchasers of housing solutions in:		
Green-field projects	297,656	429,221
Brown-field projects	<u>103,854</u>	<u>112,011</u>
	<u>401,510</u>	<u>541,232</u>

HOUSING AGENCY OF JAMAICA LIMITEDNotes to the Financial Statements (Continued)
March 31, 201828. Financial risk management (Continued)

(b) Credit risk (continued):

(iii) Exposure to credit risk (continued)

The carrying amount of financial assets recorded in the financial statements (net of impairment losses), represents the company's maximum exposure to credit risk, without taking account of the value of any collateral held.

There has been no change in the nature of the company's exposure to credit risk or the manner in which it measures and manages the risk.

(c) Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its financial liabilities as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities.

The following table presents the undiscounted contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	2018				
	1 to 3 <u>months</u> \$'000	3 to 12 <u>months</u> \$'000	Over 12 <u>months</u> \$'000	Contractual <u>cash flows</u> \$'000	Carrying <u>amount</u> \$'000
Trade and other payables	335,665	122,185	235,425	693,275	693,275
Deposits by purchasers	3,183,519	-	-	3,183,519	3,183,519
Loans payable	<u>41,190</u>	<u>1,625,927</u>	<u>730,474</u>	<u>2,397,591</u>	<u>2,397,591</u>
	<u>3,560,064</u>	<u>1,748,112</u>	<u>965,899</u>	<u>6,274,385</u>	<u>6,274,385</u>
	2017				
	1 to 3 <u>months</u> \$'000	3 to 12 <u>months</u> \$'000	Over 12 <u>months</u> \$'000	Contractual <u>cash flows</u> \$'000	Carrying <u>amount</u> \$'000
Trade and other payables	327,140	290,571	172,182	789,893	789,893
Deposits by purchasers	3,158,795	-	-	3,158,795	3,158,795
Loans payable	<u>47,231</u>	<u>2,022,933</u>	<u>776,029</u>	<u>2,846,193</u>	<u>2,772,969</u>
	<u>3,533,166</u>	<u>2,313,504</u>	<u>948,211</u>	<u>6,794,881</u>	<u>6,721,657</u>

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued) March 31, 2018

28. Financial risk management (Continued)

(c) Liquidity risk (continued)

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

(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk exposures are measured using sensitivity analysis.

(i) Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The company is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar. The currency giving rise to this risk is primarily the United States dollars (US\$).

The company's exposure to foreign currency risk at the reporting date was as follows:

	<u>2018</u> US\$'000	<u>2017</u> US\$'000
Cash and cash equivalents	<u>1,056</u>	<u>859</u>

Sensitivity to exchange rate movements

A one percent (2017: 1 percent) strengthening of the Jamaica dollar against the US dollar at March 31, 2018 would have decreased loss for the year by \$1,322,000 (2017: \$1,098,000).

A six percent (2017: 6 percent) weakening of the value of the Jamaica dollar against the US dollar at March 31, 2017 would have increased profit for the year by \$7,931,000 (2017: \$6,585,000).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis as for 2017.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

28. Financial risk management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk:

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial assets matching, as far as possible, fixed rate financial liabilities.

The following tables summarise the carrying amounts of financial assets and liabilities to arrive at the company's interest rate gap based on the earlier of contractual repricing and maturity dates:

	2018				
	Within 3 months \$'000	3 to 12 months \$'000	Over 12 months \$'000	Non-rate sensitive \$'000	Total \$'000
Cash and cash equivalents	183,246	-	-	-	183,246
Resale agreement	552,161	-	-	-	552,161
Loans receivable	-	-	401,510	-	401,510
Other receivables	-	-	-	169,501	169,501
Investment securities	-	-	-	281	281
Total financial assets	<u>735,407</u>	<u>-</u>	<u>401,510</u>	<u>169,782</u>	<u>1,306,699</u>
Trade and other payables	-	-	-	(693,275)	(693,275)
Deposits by purchasers	-	-	-	(3,183,519)	(3,183,519)
Loans payable	(41,190)	(1,625,927)	(730,474)	-	(2,397,591)
Total financial liabilities	<u>(41,190)</u>	<u>(1,625,927)</u>	<u>(730,474)</u>	<u>(3,876,794)</u>	<u>(6,274,385)</u>
Total interest rate gap	<u>694,217</u>	<u>(1,625,927)</u>	<u>(328,964)</u>	<u>(3,707,012)</u>	<u>(4,967,686)</u>
Cumulative gap	<u>694,217</u>	<u>(931,710)</u>	<u>(1,260,674)</u>	<u>(4,967,686)</u>	<u>-</u>
	2017				
	Within 3 months \$'000	3 to 12 months \$'000	Over 12 months \$'000	Non-rate sensitive \$'000	Total \$'000
Cash and cash equivalents	204,335	-	-	-	204,335
Resale agreement	302,797	-	-	-	302,797
Loans receivable	-	-	541,232	-	541,232
Other receivables	-	-	-	101,295	101,295
Investment securities	-	-	-	202	202
Total financial assets	<u>507,132</u>	<u>-</u>	<u>541,232</u>	<u>101,497</u>	<u>1,149,861</u>
Trade and other payables	-	-	-	(789,893)	(789,893)
Deposits by purchasers	-	-	-	(3,158,795)	(3,158,795)
Loans payable	(47,231)	(1,949,709)	(776,029)	-	(2,772,969)
Total financial liabilities	<u>(47,231)</u>	<u>(1,949,709)</u>	<u>(776,029)</u>	<u>(3,948,688)</u>	<u>(6,721,657)</u>
Total interest rate gap	<u>459,901</u>	<u>(1,949,709)</u>	<u>(234,797)</u>	<u>(3,847,191)</u>	<u>(5,571,796)</u>
Cumulative gap	<u>459,901</u>	<u>(1,498,808)</u>	<u>(1,724,605)</u>	<u>(5,571,796)</u>	<u>-</u>

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

28. Financial risk management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued):

Average effective yields by the earlier of the contractual re-pricing and maturity dates.

	2018			
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 12 months
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Cash and cash equivalents	-	1.00-3.00	-	-
Loans receivable	-	-	-	4.00-12.00
Loans payable	<u>3.00-6.00</u>	<u>3.00-6.00</u>	<u>3.00-9.00</u>	<u>3.00-9.00</u>
	2017			
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 12 months
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Cash and cash equivalents	-	1.00-3.00	-	-
Loans receivable	-	-	-	4.00-12.00
Loans payable	<u>3.00-6.00</u>	<u>3.00-6.00</u>	<u>3.00-9.00</u>	<u>3.00-9.00</u>

Sensitivity to interest rate movements

The company materially contracts financial assets and liabilities at fixed rates for the duration of the term. It does not account for any financial assets or liabilities at fair value, except for investments, which are insignificant. Therefore, a change in interest rates at the reporting date would not affect profit or loss or the fair value of the company's financial instruments.

(iii) Equity price risk:

Equity price risk arises from investment securities held by the company. The primary goal of management is to maximise investment returns. The securities are listed on the Jamaica Stock Exchange.

The company's holding of equity securities is insignificant and therefore equity price risk is negligible.

There was no change during the year in the nature of the company's exposure to market risks or the manner in which it measures and manages the risk.

The company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide benefits for stakeholders and to maintain a strong capital base to support the development of its business. The company defines its capital base as share capital, reserves and retained earnings. The company has no externally imposed capital requirements.

There were no changes in the company's approach to capital management during the year.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)

March 31, 2018

29. Fair values

(a) Definition of fair value and fair value hierarchy

The company's accounting policies on measurement and disclosure require the measurement of fair values for financial assets and financial liabilities. 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.

When measuring fair value of an asset or liability, where a quoted market price is available, fair value is computed by the company using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments. Where a quoted market price is not available, fair value is computed using alternative techniques, making use of available input data; the company uses observable data as far as possible. Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

Level 1 refers to financial assets and financial liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 refers to financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair

values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3 refers to financial assets and financial liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Cash and cash equivalents, resale agreements, other receivables, and trade and other payables are considered to approximate their carrying values, due to their short-term nature.

Loans receivable are considered to approximate the carrying amounts as coupon rates are generally comparable to market yields on similar loans at the reporting date.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)

March 31, 201829. Fair values (continued):

(a) Definition of fair value and fair value hierarchy

Loans payable fair value is not practicably determinable as market information for most of the loans payable of the type the company has is not readily ascertainable and building of a model is not a practical alternative for the company.

(b) Valuation techniques for financial assets and financial liabilities

Type	Valuation technique
Investment securities	Quoted bid price at the reporting date

(c) Accounting classifications and fair values:

The following table shows the classification of financial assets and its carrying amounts.

Where the carrying amounts of financial assets and financial liabilities are measured at fair value, their levels in the fair value hierarchy are also shown. Where the carrying amounts of financial assets and financial liabilities are not measured at fair value, and those carrying amounts are a reasonable approximation of fair value, fair value information (including amounts, and levels in the fair value hierarchy) is not disclosed.

	2018		<u>Fair value</u>
	<u>Carrying amount</u>		
	Available-	<u>Total</u>	
	<u>for-sale</u>	<u>Total</u>	<u>Level 1</u>
	\$'000	\$'000	\$'000
Financial asset measured at fair value:			
Investment securities	<u>281</u>	<u>281</u>	<u>281</u>
	2017		<u>Fair value</u>
	<u>Carrying amount</u>		
	Available-	<u>Total</u>	
	<u>for-sale</u>	<u>Total</u>	<u>Level 1</u>
	\$'000	\$'000	\$'000
Financial asset measured at fair value:			
Investment securities	<u>202</u>	<u>202</u>	<u>202</u>

30. Employee benefit obligation

The company provides for post-retirement pension benefits through a defined-contribution pension scheme, administered by a life assurance company. Employees of the company who have satisfied certain minimum service requirements are eligible to become members of the scheme. The scheme is funded by contributions from the company and employees in accordance with the rules of the scheme.

HOUSING AGENCY OF JAMAICA LIMITED

Notes to the Financial Statements (Continued)
March 31, 2018

30. Employee benefit obligation (continued)

Under this scheme, retirement benefits will comprise an annuity of such amount as may be purchased by the sum of the members' and company's contributions, together with credited interest thereon, and, therefore, the company has no further liability to fund benefits.

The company's contribution for the year amounted to \$13,405,466 (2017: \$14,589,271) (note 26).

The company, at its own discretion, also provides post-retirement medical benefits to certain selected retirees. The company's future obligations are considered by the directors to be insignificant. No amount were recognised at the reporting date in respect of post retirement medical benefits (2017: Nil).

31. Contingencies

As at the reporting date, the company was contingently liable in respect of the following:

- (a) Various claims, disputes and legal proceedings, which occur as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its legal advisors, it is probable that a payment will be made by the company and the amount can be reasonably estimated.

In respect of claims asserted against the company, which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the company which is immaterial to both the financial position and financial performance.

- (b) There are several claims which have been brought against the company in respect of damages for alleged breach of contract and other matters. In the unlikely event that claims should be successful, the company has made provisions of approximately \$56,300,920 (2017: \$97,613,809).




HOUSING AGENCY OF JAMAICA LIMITED


13 Caledonia Avenue, Kingston 5


Tel: (876) 968-7522-4 or (876) 968-7536-9

Fax: 929-5908

Email: Info@hajl.gov.jm

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