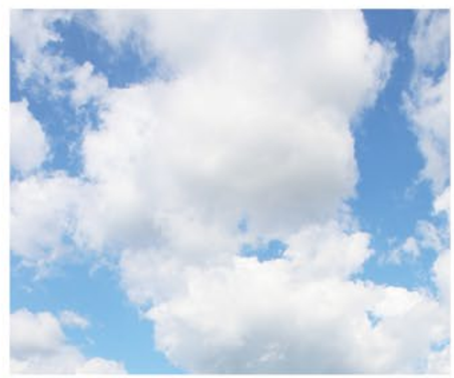
BUILDING JAMAICA. ONE COMMUNITY AT A TIME

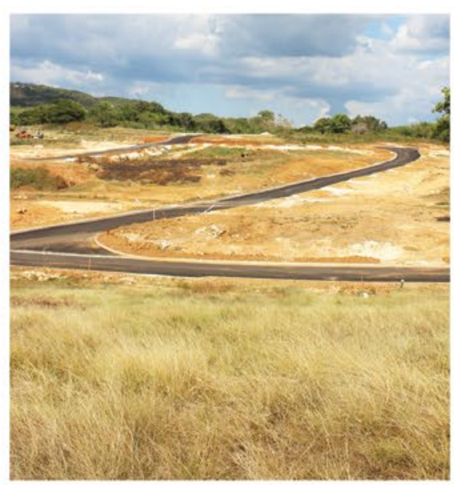
ANNUAL REPORT

2018 | 2019

HOUSING AGENCY OF JAMAICA LIMITED

HAJ





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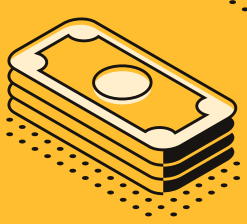
HAJ HOUSING agency of JAMAICA LIMITED

Building Jamaica. One community at a time.

OUR VISION

"To be the market leader in providing affordable, innovative and environmentally friendly housing solutions and services."



OUR MISSION

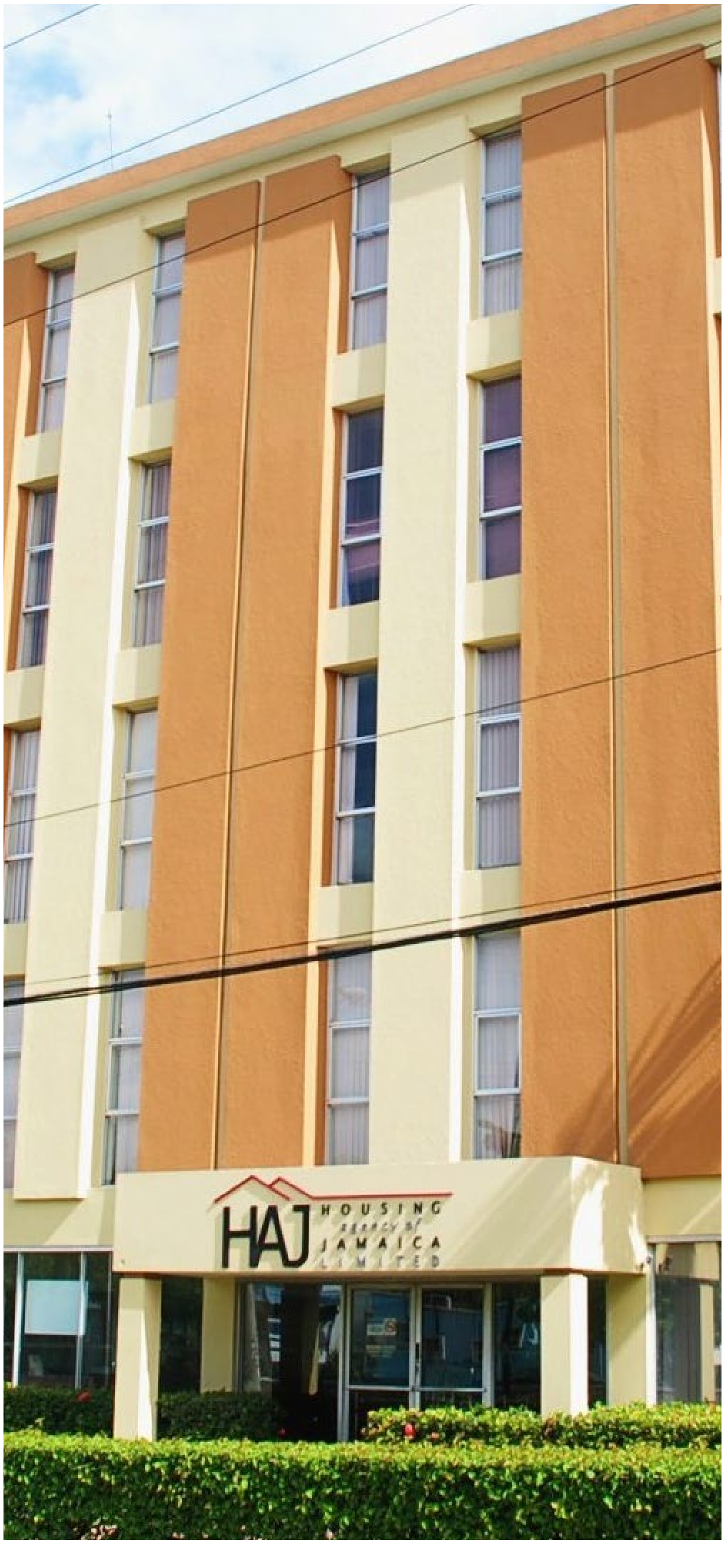
"To contribute to the improved quality of life through social transformation by providing affordable housing solutions, services and security of tenure while maintaining financial viability."

CORE VALUES

HAJ HOUSING agency of JAMAICA LIMITED

Building Jamaica. One community at a time.

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 **(CHFC),** the National Housing Corporation Limited **(NHC)** and Operation PRIDE. The entity changed its name from the National Housing Development Corporation Limited to Housing Agency of Jamaica Limited **(HAJL)** in September 2008.

HAJ is a wholly owned, self-funding government entity and falls under the portfolio responsibility of the Ministry of Economic Growth and Job Creation. 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 the following departments; Human Resources and Administration, 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

T: (876) 968-7536-9; 968-7522-4
F: (876) 929-5908

info@haj.gov.jm www.hajl.gov.jm
/HousingAgencyofJamacia
@HousingAgencyJA
@HousingAgencyJA
@HousingAgencyJA

AUDITORS

KPMG
The Victoria Mutual
Building 6 Duke Street
Kingston

T: (876) 922-6640
F: (876) 922-7198

BRANCHES

ST. JAMES
Albion Road
Montego Bay, St. James

T: (876) 940-2559-60; 940-5539
F: (876) 940-0311

WESTMORELAND
Barracks Road
Savanna-la-Mar, Westmoreland

T: (876) 918-3370
F: (876) 918-3332

HAJ HOUSING agency of JAMAICA LIMITED
Building Jamaica. One community at a time.

MESSAGE FROM THE CHAIRMAN

The Board has completed its third year in office and our policies have led to the consolidation of the Agency's financial position. The strategy of the Board was to bring stability to the operations of the Agency and this has borne fruit, resulting in the organization strengthening its position to confront the challenges of a fast-changing and highly competitive housing marketplace.

The Agency projects that in the year ahead a number of projects will be under construction, including:

- Catherine Estates (formerly Bernard Lodge), St. Catherine
- Rhyne Park, St. James
- Shooter's Hill, St. Catherine
- Grange Pen (Brownfield), St. James and
- Mona, St. Andrew

Catherine Estates, Rhyne Park and Shooter's Hill will be Joint Venture projects, while Grange Pen will be grant funded. The Agency intends to finance the Mona development from its own resources.

NORMAN BROWN

As the main government agency which regularizes non-formal populations across the island, HAJ continues to use a portion of its surpluses to build much-needed infrastructure in these areas. Whitehall Phase 1 (brownfield) benefitted from the completion of formal electricity supply installation, while a section of Phase 2 was close to completion at the end of the period.

The Agency's work over time continues to gradually assist in enhancing civic pride and social well- being in the informal communities under its remit. The Board will persist in its efforts to secure sources of concessionary financing to assist in funding the massive requirements of social housing. We are committed to staying the course and utilizing partnerships and collaborations to meet the needs of the Jamaican people.

I extend my thanks on behalf of the Board of Directors, to the Most Honourable Prime Minister and the Honourable Minister, for the opportunity to serve the Jamaican people.

Norman Brown
Chairman

THE BOARD OF DIRECTORS

STANDING FROM LEFT TO RIGHT:

Gary Howell*, Wayne Strachan, Robert Lawrence, Sylvester Tulloch, Steven Fong-Yee, Ian Johnson and John Valentine

SEATED FROM LEFT TO RIGHT:

Doreen Prendergast, Fay Hutchinson, Norman Brown (Chairman), Reverend Conrad Pitkin and Sonia McFarlane

ABSENT:

Joseph Shoucair, Davion Vassell & Cleveland Stewart

Note: *Gary Howell is the Managing Director

CORPORATE GOVERNANCE

SUMMARY OF STRUCTURE OF THE BOARD AND BOARD RESPONSIBILITIES

The Housing Agency of Jamaica is fully committed to transparency, accountability, ensuring the adoption and implementation of the best practices in corporate governance. We are committed to sound principles and processes to ensure that the HAJ is effectively managed in the best interest of our valued customers and the Government of Jamaica.

The Board and management play a crucial role in managing and operating HAJ's business with the highest standards of responsibility, ethics and integrity. Thus, the Board expects each director as well as each member of senior management to lead by example in a culture that fosters integrity, honesty, respect, judgement, and managerial courage. Moreover, the Board anticipates each director and each member of senior management to adhere to the policies in HAJ's Code of Conduct and to act ethically and professionally at all times.

The Board of Directors is committed to the achievement of business success and the enhancement of long-term value with the highest standards of integrity and ethics. As such, the Board has adopted these vital principles to provide an effective corporate governance framework for Housing Agency of Jamaica, desiring to reflect a set of core values that provide the foundation for HAJ's governance and management systems

The Board of Directors oversees the implementation and execution of the Agency's Strategic Plan and initiatives for the HAJ.

THE ROLE OF THE BOARD

The Board directs, guides and oversees the conduct of HAJ's business and ensures that the interests of the Government and people of Jamaica are being served. The chief responsibilities of the Board are embedded 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

THE ROLE OF MANAGING DIRECTOR AND SENIOR MANAGEMENT

The role of the Managing Director is clearly defined in such a unique manner to separate it from the role of the Chairman who is charged with overseeing the Agency's strategic policy direction. Conversely, it is the responsibility of management to conduct HAJ's business and affairs in an effective, responsible and ethical manner that is consistent with the principles and direction established by the Board. In carrying out that responsibility, management is concerned with the following:

- Organizing management
- Strategic and operational planning and implementation
- Managing risk
- Financial reporting

The Board and management are fully committed to achieving best practice in corporate governance. To this end, the principles, practices and processes at HAJ have been established to ensure that the Agency is managed properly and held to the highest ethical standards.

BOARD COMPOSITION

During the period April 1, 2018 to March 31, 2019, the Board was composed of fourteen (14) non- executive directors.

The Board is chaired by an independent Chairman, Mr. Norman Brown and is composed of directors with diverse skill sets, experiences and backgrounds to provide sound strategic direction for the Agency.

After completing two years of service to the Housing Agency of Jamaica Limited the Members of the Board were re-appointed for three (3) years vide Cabinet Decisions No.18/18 dated May 21, 2018.

The Members of the Board including the Managing Director are listed as follows:

1. Mr. Norman Brown, Businessman, Chairman
2. Mr. Sylvester Tulloch, Land Developer, Vice Chairman
3. Mr. Stephen Fong-Yee, Engineer
4. Mr. Gary Howell, Managing Director
5. Mrs. Faye Hutchinson, Insurance Executive
6. Mr Ian C. Johnson, Commissioned Land Surveyor
7. Mr. Robert Lawrence, Former Banker and IT Specialist
8. Ms. Sonia McFarlane, Chartered Accountant
9. Bishop Conrad Pitkin, Minister of Religion and HR Specialist
10. Mrs. Doreen Prendergast, Chief Technical Director, Ministry of Economic Growth and Job Creation
11. Mr. Joseph Shoucair, Attorney-at-Law
12. Mr. Cleveland Stewart, Chartered Secretary
13. Mr. Wayne Strachan, Chartered Accountant
14. Mr. Davion Vassell, Attorney-at-Law
15. Mr. John Valentine, Businessman

BOARD TALENT DIVERSITY

The Board is composed of directors with diverse skill sets, experiences and backgrounds to provide sound strategic direction for the Agency. The Board and management work collaboratively to create and execute the Agency's corporate strategy by actively contributing their professional expertise and experience to ensure that the Agency is effectively and efficiently contributing to the Jamaica's housing sector and overall development. The skill sets include:

i. Project Management
ii. Infrastructure Financing
iii. Engineering
iv. Housing Development
v. Mortgage Financing
vi. Economics
vii. Banking
viii. Accounting and Auditing
ix. Information Technology
x. Legal
xi. Insurance

MEET OUR DIRECTORS

Mr. Norman Brown, Businessman - Chairman

Mr. Norman Brown is an ingenious businessman who possesses over seventeen (17) years of experience in logistics and distribution. He is currently in his final year at the Mona School of Business where he is completing his MBA in International Business Management.

Mr. Brown has been the Chairman of Housing Agency of Jamaica Limited since 2016 and also holds various crucial positions including that of a National Solid Waste Management Authority (NSWMA) director since 2016, where he chairs the Audit Committee. He is also Chairman of the Board of Governors for Glendevon Primary & Junior High School and is a member of the St. James Lay Magistrates Association. Mr. Brown has been appointed to all of these critical and prominent roles because he possesses great organizational skills, exceptional time management skills and a reputation of getting the job done.

Mr. Sylvester Tulloch, Land Developer - Vice Chairman

Mr. Sylvester Tulloch is a trained Teacher, Banker, Real Estate Developer, Construction Expert and Entrepreneur. He holds a Bachelor of Science in Economics (Hons.) and a Master's in Business Administration, M.B.A.

Mr. Tulloch is the Chairman of Mico Foundation. He is also a Pastoral Assistant at Phillippo Baptist Church and has served on the Board of Housing Agency of Jamaica since 2016.

He loves music and sports, especially football. So great is his love for football that he is an avid benefactor to Mount Pleasant Football Team.

Mr. Gary Howell - Managing Director

Mr. Gary Howell is the Managing Director of the Housing Agency of Jamaica (HAJ). He has worked with Agency for twenty-five (25) years and is a Licensed Real

Estate Agent and has experience in Financial Accounting. He holds a Master's in Business Administration (MBA) and is also a certified Realtor Associate.

Mr. Howell is a Deacon and Board Member of the Kingston Open Bible Church and the Men of Vision Department.

In his spare time, he enjoys playing football and volleyball.

Mrs. Faye Hutchinson, BSc. - Insurance Executive

Mrs. Faye Hutchinson studied at the University of the West Indies where she earned a Bachelor of Science in Management Studies. She is a Justice of the Peace. She currently serves as Chair of the Local Government Services Commission, Deputy Chair of the Board of Airports Authority and is also a Director on the Boards of the Passport, Immigration, and Citizenship Agency (PICA) and Housing Agency of Jamaica Limited.

Mrs. Hutchinson possesses extensive experience and knowledge in the area of Insurance. She is the Executive Insurance Advisor at Guardian Life Limited and has been the number #1 Agent for the past three years. She currently qualifies for the "Million Dollar Round Table" which is The Premier Association of Financial Professionals, comprised of more than 72,000 of the world's leading life insurance and financial services professionals from more than 500 companies in 70 nations and territories.

She believes in giving through serving and is actively involved in working with the elderly. Additionally, she enjoys reading motivational books and travelling which she developed as a result of being a former stewardess.

Mr. Ian C. Johnson - Commissioned Land Surveyor

Mr. Ian Charles Johnson has been commissioned as a Land Surveyor by the Land Surveyors Board of Jamaica since 1983. He has over thirty-four (34) years of experience in the field of Land Surveying. He is a founding partner in the Land Surveying Firm known as Masters Johnson & Associates since 1985.

Mr. Johnson holds a Diploma in Land Surveying with College of Arts, Science and Technology since 1979, (now University of Technology).

Mr. Johnson has held various positions including that of a member of the Land Surveyors Association of Jamaica. He was approved by the Land Surveyors Board of Jamaica as a Principal for training student surveyors on attachment to be examined for a commission. Additionally, he has served as lecturer to final year students in Land Surveying at the University of Technology. He also serves on the Board of Housing Agency of Jamaica.

He has a keen interest in current affairs. He is fascinated with motor sports and thus enjoys motoring. He also has a vast appreciation for Freemasonry.

Miss Sonia McFarlane - Chartered Accountant

Miss McFarlane comes to us with over thirty (30) years of experience in auditing and other related areas. She has managed various audits in the financial, manufacturing, service, public bodies and retail sector. She has also managed audits of various internationally funded projects/programmes. Her consulting experience involves business valuations, business plans, IPOs, due diligence, man power audits, feasibility studies and other business support services.

Miss McFarlane is the International Financial Reporting Standards (IFRS) Country leader for Chartered Accountants Binder Dijker Otte (BDO). She has also served in several pivotal roles such as:

- President and Treasurer of First Heritage Co-operative Credit Union (formerly Churches Credit Union).
- Member of the Audit Practice Committee of the Institute of Chartered Accountants of Jamaica.
- Chairman of the board of the Students Accountancy Training Consortium Limited for several years.
- Chairman of the Audit Committee of the Housing Agency of Jamaica.
- Member of the Strata Appeals Tribunal.
- Member of the board of trustees of Churches Co-operative Credit Union Retirement Scheme.
- Treasurer of the Lions Club of Kingston.

Mrs. Doreen Prendergast - Chief Technical Director, Ministry of Economic Growth and Job Creation (Water and Housing)

Mrs. Doreen Prendergast has been employed in the Public Service for the past 32 years, sixteen of which have been at the senior management level. During this time, she has managed and directed the Policy, Standard and Monitoring Division under the former Ministry of Environment and Housing and the Housing Solutions Division under the former Ministries of Environment and Housing; Water and Housing, and Transport, Works and Housing.

She is currently the Chief Technical Director with responsibility for Water, Works and Housing within the Ministry of Economic Growth and Job Creation with responsibility for approximately 180 staff members and 20 Agencies.

Mrs. Prendergast is also a teacher and civil servant who is trained in the areas of Geography; Urban and Regional Planning; Environmental Planning and Management; Policy Development; Project Management and Public Sector Leadership.

She also has a vast understanding and appreciation of the Public Service environment and more intimately, the work environment of the Ministry and the related portfolio agencies.

She is a mother, a Christian, former athlete, netballer, fitness enthusiast who enjoys reading, cooking, dancing and travelling.

Mr. Joseph Shoucair - Attorney-at-Law

Mr. Shoucair served as Counsel for the National Commercial Bank for twenty two (22) years. He is a Senior Attorney-at-Law who completed his legal studies at the Norman Manley Law School and was called to the Jamaican Bar in 1976.

He has an enormous amount of experience which has allowed him to hold key positions such as:

- Managing Director of SCJ Holdings
- Chairman of the Board – Transport Authority
- Chairman- Bernard Lodge Master Plan Enterprise Team

He has been a director on the board of Housing Agency of Jamaica since 2016 and serves in numerous capacities in the public and private sectors.

Mr. Wayne Strachan, FCA; FCCA; MBA - Chartered Accountant

Mr. Wayne Strachan has vast experience in the field of Accounting. He is a Fellow of the Institute of Chartered Accountants of Jamaica (ICAJ) and a Fellow of the Association of Chartered Certified Accountants of England (ACCA). He also holds a Masters of Business Administration (MBA) with the Manchester School of Business.

Mr. Strachan worked at PricewaterhouseCoopers for over ten (10) years where he held various positions including that of Assistant Manager, Assurance and Business Advisory Services. He later joined Courts (Jamaica) Limited in October 2001. He has held various positions including that of Financial Controller

/Company Secretary. In January 2005, he became an entrepreneur by forming the partnership – Baker Tilly Strachan Lafayette, where he is currently a full time practitioner.

Mr. Strachan is the Past President of the Rotary Club of St. Andrew – 2016/17. He currently serves on the Board of Housing Agency of Jamaica and St. Joseph's Hospital.

Mr. John F. Valentine, B.Sc. - Businessman

Mr. John Valentine has extensive experience spanning over 35 years in the concrete industry. He is currently the Managing Director of Jamaica Pre-Mix Concrete Limited and Director of Jamaica Aggregates Limited and Surrey Paving Aggregate Limited. He serves on a number of bodies including Executive Council of the Incorporated Master Builders Association. He has also been a director on the Board of Housing Agency of Jamaica Limited since 2016.

He has a Bachelor of Science Degree in Construction Management from the Florida International University.

Mr. Stephen Fong Yee - Engineer

Mr. Steven Fong-Yee is a Civil Engineer as well as a Hotelier. He holds a Bachelor of Science in Civil Engineering and is a renowned member of the Jamaica Institute of Engineers.

Mr. Fong-Yee holds various positions including that of Deputy Chairman of the National Water Commission (NWC) and Director of Jamaica Business Development Corporation (JBDC) and Micro Investment Development Agency (MIDA). He currently serves on the Board of Housing Agency of Jamaica.

He has an acute interest in equestrian sports and aviation.

BOARD SUB-COMMITTEES

MEMBERS' MAJOR RESPONSIBILITIES AND KEY RESPONSIBILITIES

At HAJ, the Board delegates its powers and authorities periodically through four (4) sub-Committees:

- Finance and Information Committee
- Projects and Planning Committee Audit Committee
- Strategic Planning and Human Resource Committee

Each of these Committees is composed primarily of non-executive Directors with approved Charters to guide the roles and responsibilities. The Committees report to the Board at least once per month following each monthly meeting.

The Board Sub-Committees provide oversight in the specific areas and ensure that the operational efficiency is managed through the careful handling of specific issues with the relevant expertise.

Each of these sub-Committees has its duties and authorities set out in its own Terms of Reference, which are entrenched within the Corporate Governance Charter.

Finance and Information Committee

The Finance Committee comprised three (3) Directors and the Managing Director

- Robert Lawrence (Chair)
- Wayne Strachan
- John Valentine
- Gary Howell (Managing Director)

Major Responsibilities

1. Recommends to the Board of Directors, any and all strategies, plans, policies and actions related to corporate finance
2. Assesses the capital structure plans and strategies and specific equity or debt financings;
3. Assesses the capital expenditure plans and strategies
4. Manages the cash management plans
5. Approves the strategic and financial investment plans and strategies and specific investments

Key Activities during 2018/19

- Reviewed Corporate Plan and Budget.
- Scheduling of regular meetings at least once each month, in conjunction with the regularly scheduled meetings of the Board of Directors.
- Maintaining regular Minutes and Reports for presentation to the Board of Directors.
- Reviewing and making recommendations for strengthening the Agency's internal IT processes.
- Assessing the effectiveness of the internal IT Applications and making appropriate recommendations.

This committee met eight (8) times during the 2018/2019 financial year.

NOTE: Includes attendees from the Management team; Finance Committee (Senior Manager, Finance & Information & Senior Accountants)

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

Major Responsibilities

1. Establish performance measures and control systems for project resources

2. Review strategic options and plans for portfolio sustainability and Corporate financial benefit
3. Ensure that the strategic planning aligns the projects portfolio with the Government's Shelter Strategy and the Company's mandate, vision, mission and goals.
4. Ensure that the Corporation's contracting policies and planning and development standards comply with regulatory requirements and best practice standards
5. Ensures portfolio viability and development models are pursued
6. The Committee met twelve (12) times during the 2018/2019 financial year.

Key Activities during 2018/19

- Scheduling of regular meetings at least once each month, in conjunction with the regularly scheduled meetings of the Board of Directors.
- Review and approval of contract awards recommended by the Procurement Committee and submits such awards for final approval by the Board of Directors.
- Reviews and approves all building Project Proposals for further submission to the Board of Directors.
- Maintains Minutes and Reports for submission to the Board ofDirectors.

This committee met ten (10) times during the 2018/2019 financial year.

NOTE: Includes attendees from the Management team; Projects and Planning (Director of Technical Services, Senior Manager, Project Implementation, Senior Manager Sales & Research, Senior, Manager Legal Services & Corporate Secretariat & Senior, Manager Finance & Information)

Audit Committee

The Audit Committee comprised three (3) Directors:

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

Major Responsibilities

External Audit

1. Recommending for appointing, retaining, replacing, compensating and overseeing the work of the

independent audit firm, which shall report to, and be directly accountable to, the Committee

2. Reviewing annually with the Independent auditors and management of the Company the scope and general extent of the proposed audit.
3. Reviewing, at least annually, and seeking to assure the independence of the independent auditors. Pre-approving all audits and permitted non-audit services to be performed by the independent auditors.
4. Discussing with the independent auditors the matters required to be discussed by Statement on Accounting Standards relating to the conduct of the audit.
5. Reviewing any problems or difficulties encountered by the independent auditors during the course of the audit, including those that the independent auditors would be required to disclose to the Committee.

Financial Statements and Reporting

1. Reviewing and discussing with Management and the independent auditors the Agency's accounting and financial reporting policies and practices, including any significant changes. This includes consideration of alternative accounting treatments, significant estimates and judgments, as well as a review of the quality and acceptability of such accounting and reporting policies and practices.
2. Reviewing and discussing with management, the independent auditors and the Internal Auditor significant risks and exposures to the company and the steps management has taken to minimize or manage such risks.

Key Activities during 2018/2019

- Reviewing the annual audited financial statements, including management's discussion and analysis, with the independent auditors and appropriate management representatives, and recommending to the Board inclusion of the financial statements in the Agency's Annual Report.
- Reviewing the disclosures made by the Managing Director and the Chief Financial Officer in connection including disclosures to the Committee of
  - Significant deficiencies in the design or operation of internal controls,
  - Significant changes in internal controls.

The Committee met three (3) times during the 2018/2019 financial year.

NOTE: Includes attendees from the Management team; Audit committee (Senior Manager, Internal Audit & Senior Internal Auditor)

Strategic Planning & Organizational Structure Committee

The Strategic Planning Committee comprised five (5) Directors and the Managing Director:

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

Major Responsibilities

3. Oversight of the Strategic alignment of corporate vision, values, goals and objectives
4. Monitoring organizational structure, planning, controlling and coordinating systems.
5. Monitoring performance management, compensation and reward systems

Key Activities during 2018/19

- Scheduling of regular meetings at least once each month, in conjunction with the regularly scheduled meetings of the Board of Directors.
- Reviewing internal policies and ensuring same are in line with regulatory requirements and making recommendation to the Board for approval.
- Making recommendations for strengthening existing internal control mechanisms.
- Providing oversight for the Organizational Structure and legal claims by making needed recommendations
- Maintaining proper Minutes and Reports for submission to the Board of Directors.

The committee met for a total of twelve (12) sessions throughout the year.

NOTE: Includes attendees from the Management team; Strategic Planning & Organizational Structure Committee (Senior Manager Legal & Corporate Secretariat)

Table 1: **Attendance at Board and Committee Meetings for the period April 1, 2018 to March 31, 2019**

	BOARD	FINANCE	PROJECTS & PLANNING	AUDIT[1]	STRATEGIC PLANNING AND ORGANIZATIONAL STRUCTURE	TOTAL
NO. OF MEETINGS FOR THE YEAR	*9	8	10	3	12	42
Norman Brown (Chairman)	9	N/A*	N/A*	N/A*	12	21
Bishop Conrad Pitkin	8	N/A*	N/A*	N/A*	11	19
Davion Vassell	0	N/A*	N/A*	1	N/A*	1
Doreen Prendergast	8	N/A*	7	N/A*	N/A *	15
Fay Hutchinson	8	N/A*	N/A*	2	N/A*	10
Ian C. Johnson	4	N/A*	7	N/A*	N/A*	11
John Valentine	7	2	4	N/A*	N/A*	13
Joseph Shoucair	5	N/A*	6	N/A*	9	20
Robert Lawrence	8	7	N/A*	1	9	25
Sonia McFarlane	9	N/A*	N/A*	3	N/A*	12
Sylvester Tulloch	9	N/A*	10	N/A*	11	30
Wayne Strachan	7	7	N/A*	1	N/A*	15
Gary Howell	9	7	9	1	12	38
Stephen Fong-Yee	9	N/A*	8	N/A*	N/A*	17
Cleveland Stewart	1	N/A*	N/A*	0	N/A*	1

Board Meetings: Every 3rd Thursday Strategic Planning: Every 2nd Tuesday
Projects & Planning Meetings: Every 1st Thursday Audit Meetings: First Tuesday of each Month
N/A*: Director is not a member of this Committee
Board did not meet in May & June as Cabinet decision on new Board appointments was being awaited AUDIT1: committee hosted joint meeting on June 19

The Board Meetings for the stated period were diligently attended by most members.

Finance

This Committee has only four (4) members: Mr. Gary Howell, Mr. Wayne Strachan, Mr. Robert Lawrence and Mr. John Valentine. Eight (8) meetings were held for this Committee. All eight (8) meetings were well attended by the Board of Directors.

Projects and Planning

This Committee meeting is held consistently. The intricacies of its tasks and objectives necessitate a focused and proactive meeting strategy and is usually well attended by the Board of Directors.

Audit

The meetings for this Committee although not as frequently held are normally well attended by the Board of Directors.

Strategic Planning and Human Resource

This meeting was adequately attended by most of the Committee members.

DIRECTORS' COMPENSATION

TABLE 2: Directors compensation for April 1, 2018 to March 31, 2019

Name & 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 ($)
BROWN, NORMAN *(Chairman)*	333,500.00	351,360		1,607,069.62	2,291,929.62
HUTCHINSON, FAYE	132,700.00	8,460.00			141,160.00
LAWRENCE, ROBERT	254,600.00	25,400.00			280,000.00
MCFARLANE, SONIA	172,000.00				172,000.00
PITKIN, CONRAD	187,900.00	334,440.00		565,002.18	1,087,342.18
SHOUCAIR, JOSEPH	166,600.00				166,600.00
STRACHAN, WAYNE	153,200.00				153,200.00
TULLOCH, SYLVESTER	296,000.00				296,000.00
VALENTINE, JOHN	132,500.00				132,500.00
VASSELL, DAVION	6,900.00				6,900.00
PRENDERGAST, DOREEN	160,300.00				160,300.00
JOHNSON, IAN	118,300.00				118,300.00
STEWART, CLEVELAND*	28,000.00				28,000.00
FONG YEE, STEPHEN	166,600.00				166,600.00
TOTAL	**2,209,100.00**	**719,660.00**		**2,172,071.80**	**5,200,831.80**

Notes

**Indicates remuneration for Audit meeting attended on March 29, 2017 Where a non-cash benefit is received (e.g. lodgings for Directors who live out of town), the value of that benefit shall be quantified and stated in the appropriate column above*

MANAGING DIRECTORS' REPORT

With the passage of another year I take pleasure in presenting the Managing Director's Report for the 2018/19 fiscal year. The Agency made a significant act in finalizing the sale of its mortgage portfolio to complete its transition from providing mortgages, to focusing on its core functions of housing development and regularizing informal settlements.

We are pleased to report that the company achieved a profit before tax of $497.38M. This is above the revised projection of $185M and was largely due to the gain from the sale of the mortgage portfolio.

A major focus this year was to complete Phase 2 Luana Gardens, St. Elizabeth, composed of 189 serviced lots and to sell those solutions. As a consequence, and given other constraints, new starts planned for this year – Bernard Lodge (re-named Catherine Estates) & Shooters Hill (St. Catherine), Rhyne Park & Grange Pen Brownfield (St. James) and Mona (St. Andrew), were re- scheduled to 2019/20. Luana Gardens Phase 3 comprising 400 solutions is in an advanced planning stage and will be market-ready for the next financial year.

GARY HOWELL

Worthy of note, is the work done by the Technical Services Department in re-starting and taking to an advanced stage, the previously inactive fifteen (15) 3-bedroom bungalows at the Vistas at Runaway Bay development. Procurement processes for the $1B Grange Pen Brownfield development were completed, while the process for the Mona project was substantially advanced. Technical Services facilitated further training of its staff in Microsoft Projects, Contract Administration as well as Team Building to enhance its technical capacity.

The Legal Department made note-worthy efforts and successfully obtained approvals for Joint Venture agreements for the Bernard Lodge project (re-named Catherine Estates) with China Harbour Engineering Co. (CHEC), and for Rhyne Park with the Henan Fifth Construction Group.

The year was also marked by the activities of the Public Relations and Marketing team in raising the profile of the Agency. Digital and traditional media platforms were effectively utilized to execute an impactful public relations campaign. Radio and television interviews (RJR's Hotline series, JIS's Think Tank, TVJ's Smile Jamaica, CVM's Get the Facts), Public Service Announcements, and a real-life radio drama series highlighting the importance of residents acquiring title in an informal community, positively kept the Agency in the public mind. The 10-year Anniversary of the re-branded HAJ which fell in September was celebrated fittingly, while the year was capped off with the ground-breaking ceremony marking the start of the Grange Pen Brownfield development.

With the advent of the Community Development Department this year, our informal community operations saw heightened, more focused activity. The Community Development team embarked on Project 150, which targeted door to door visits to 150 households in 16 communities by each of the Land Titling officers. This intensified effort yielded results as payment inflows increased and 451 titles were processed for issuance.

As part of the drive, community meetings were held in a number of HAJ schemes, to educate residents on the importance of completing payments of the discounted prices for their lots and receiving titles.

The example of persons who were compliant and benefitted was used to convince others to acquire their titles and embrace a culture of formal land ownership. This pain-staking work of changing the mind-set of informality to one which accepts the need for security of tenure, is being carried forward.

As the main government agency which regularizes non-formal populations across the island, HAJ continues to use a portion of its surpluses to build much-needed infrastructure in these areas. Whitehall Phase 1 (brownfield) benefitted from the completion of installation of formal electricity supply, while a section of Phase 2 was close to completion at the end of the period.

The Agency's work over time continues to gradually assist in bringing order and facilitate positive social interaction in the informal communities for which it is responsible. The Board will persist in its efforts to secure sources of concessionary financing to assist in funding the massive requirements of social housing. We are committed to staying the course and utilizing partnerships and collaborations to meet the needs of the people of Jamaica.

Gary Howell
Managing Director

SENIOR MANAGEMENT TEAM

Members of the Senior Management Team for FY 2018/2019:

GARY HOWELL
Managing Director

ROSEMARIE BROWN
Director, Technical Services

STACY-ANN DEWAR
Senior Manager, Legal Services & Corp. Secretariat

GARFIELD SEWELL
Senior Manager, Finance & Information

COLIN HENRIQUES
Senior Manager, Project Implementation

RICHARD JONES
Senior Manager, Public Relations & Marketing

JOAN SICARD
Senior Manager, Internal Adult

LORENZO SANDFORD
Senior Manager, Sales & Services

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	RESULTS	UPCOMING STRATEGIES
6. Leverage Joint Venture Agreements and Public Private Partnerships (PPPs) to maximize the resource capabilities of the Agency to execute projects	Deliver 680 solutions by March 31, 2019	HAJ targeted finalizing the JV Agreements for three key projects during the 2018/2019 financial year: ▪ Bernard Lodge (now Catherine Estates), St. ▪ Catherine ▪ Shooters Hill, St. ▪ Catherine ▪ Rhyne Park, St. ▪ James These projects have a combined total yield of 3027 solutions. HAJ obtained Cabinet Approval for Catherine Estates before year's end. The Agency however continues to negotiate terms of the JV Agreement. Rhyne Park and Shooters Hill were approved in the first quarter of 2019/2020.	Sign an execute existing JV Arrangements at Catherine Estates, Shooters Hill and Rhyne Park Commence construction of the 3027 solutions Identify Partners for upcoming projects at: ▪ Grange Pen (Greenfield) ▪ Reid's Pen, St. Catherine ▪ Hampstead Park, St. Andrew
7. Increase the Agency's impact in the provision of brownfield housing solutions through intensifying the issuance of titles under the National Land Titling Programme	Issue 1000 titles by March 31, 2019	Upon a mid-year review, the Agency took a decision to revise its titling target to 500 titles issued. The Agency met 44% of this target. This shift was also supported by the Board's decision during quarter three (Q3) to shift the focus of our outputs from an increase in income to the issuance of titles. The Agency had exceeded its projected income by $26.4 Million.	In the 2019/2020 financial year, the Agency will be targeting the issuance of 600 titles through direct contact with households in 15 key communities. The Agency is also exploring alternative approaches including grant funding and other key partnerships to increase the issuance of titles.
8. 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.	Business re- engineering process. .	Management continues to work closely with our Parent Ministry (MEGJC) and the Ministry of Finance to implement changes.
9. Consistently review and upgrade the Agency's internal procedures to improve the Agency's operations and efficiency	Update internal processes, manuals and policies by June 30, 2019.	Internal Policy review process is on-going. Policy Review Committee established.	Continued monitoring of updated operational procedures, adjustments made where needed. Bolster the capacities of Technical Services through strategic talent acquisition.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Certificate of Title under the Registration of Titles Law, Chapter 340
HAJ HOUSING agency of JAMAICA LIMITED
Building Jamaica. One community at a time.
now the proprietor of an estate
I OWN MY PIECE OF JAMAICA

REVIEW OF OPERATIONS

FINANCIAL STATUS

Net Operating revenue for the financial year ended March 31, 2019 was a profit of $497,383M.

Total Operating expense was $604M and when compared to the previous financial year's ($551M) represents a $53M increase. This is as a result of increased maintenance of closed projects amounting to $106M as compared to 44M in the previous year.

The total asset of the Agency was $12.1B as at March 31, 2019.

Table 4: Five Year Financial Highlights

	2015	2016	2017	2018	2019
Net Assets ($'000)	1,365,323	480,064	640,742	1,448,732	2,030,822
Profit /(Loss) before Tax ($'000)	(539,099)	(885,287)	183,723	810,887	497,383

Five Year Financial Highlights ($'000)

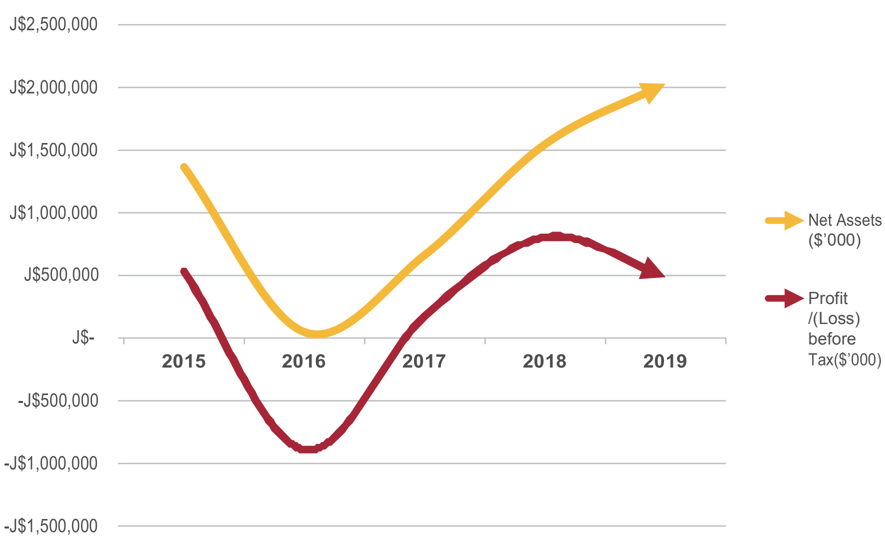

Figure 1 – Graph showing Comparison of the five year financial highlights from financial year ended March 31 2015 to March 31 2019

SALES PORTFOLIO

Sales collections for the year amounted to $905,038,804. This reflects a variance of $1,581,560,305 below the budgeted collections of $2,486,599,109. The primary reasons for this variance are issues relating to the Savannah, Whitehall Phases 3 and 4, as well as closures for Luana 4 Phase 2.

Table 5: Summary of Sales Collection - April 1, 2018 to March 31, 2019

PROJECTS	TOTAL VALUE ($)
BELLE AIR 3	273,595,985
HILLS OF BOSCOBEL	41,425,417
WHITEHALL 3	304,553,202
LUANA 4, Ph. 2	56,951,392
GREEN POND GROVE	12,443,168
THE SAVANNAH	175,833,825
OTHER PROJECTS	40,235,815
TOTAL	**$905,038,804**

Table 6: Comparison of Sales Collections on Greenfield/Open Market Projects FY 2015/2016 to FY 2018/2019

PROJECTS	FY 2016/2017	FY 2017/2018	FY 2018/2019
BELLE AIR 3	$200,613,809	$267,855,312	$273,595,985
HILLS OF BOSCOBEL	$312,656,746	$171,420,673	$41,425,417
WHITEHALL 3	$62,075,511	$116,409,170	$304,553,202
LUANA 4, Ph. 2	$240,921,836	$32,366,000	$56,951,392
GREEN POND GROVE	$43,980,798	$6,475,500	$12,443,168
THE SAVANNAH	$102,194,710	$851,845,553	$175,833,825
OTHER PROJECTS	$66,760,000	$40,826,414	$40,235,815
TOTAL	**$1,029,203,410**	**$1,487,198,622**	**$905,038,804**

Comparison of Sales Collections on Greenfield/Open Market Projects FY 2015/2016 to FY 2018/2019

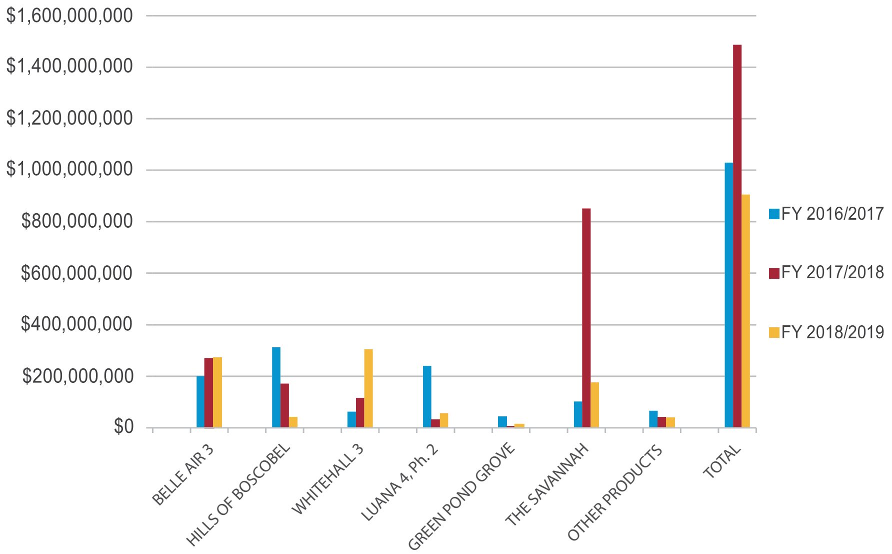

Figure 2 – Graph showing Comparison of Sales collection on Greenfield/Open Market Projects for financial year 2016/17 to 2018/19

PROJECTS PORTFOLIO

Table 7: HOUSING SOLUTIONS – PLANNED DELIVERIES

No	Project	Location	No of Solutions	Actual Deliveries
1	Green Pond	St. James	100	Nil
2	Savannah Phases 1 & 2	St. Ann	15	Nil
3	Luana 4 Phase 2	St. Elizabeth	196	196
	TOTAL		**311**	**196**

The Agency projected the delivery of 311 solutions and delivered 196 in Luana 4 Phase 2, by year- end. Outstanding issues with the contractor at Green Pond resulted in the 100 solutions not being delivered as scheduled, while delivery of the 15 solutions at Savannah Phases 1 & 2 was hampered by the extent of the defects which had to be rectified.

TABLE 8: PLANNED HOUSING STARTS

No	Project	Location	Funding Source	No. of Solutions	Planned Start for FY 18/19	Actual Solutions
1	Shooters Hill	St. Catherine	PPP	623	200	Nil
2	Bernard Lodge	St. Catherine	PPP	1650	400	Nil
3	Rhyne Park	St. James	PPP	754	200	Nil
4	Grange Pen (Brownfield)	St. James	TEF	535	530	Nil
5	Mona, Section 1	St. Andrew	HAJ	50	50	Nil
	TOTAL			**3612**	**1,380**	**Nil**

The multiple challenges encountered in starting these projects, resulting in the re-scheduling of the 1,380 planned starts, must be noted.

- Extensive inter-agency discussions and protracted negotiations delayed the start of Shooter's Hill, Bernard Lodge (now re-named Catherine Estates) and Rhyne Park projects beyond the year-end.
- Grange Pen (Brownfield) had to await the confirmation of funds availability and,
- The Mona, Section 1 development awaits Cabinet decision.

Nevertheless, the Agency remains confident in the likelihood of these projects being commenced in the New Year.

INTERNAL AUDIT

Internal audit's mission is to ensure that the company has effective governance and management around its risks.

The Internal Audit Department is guided by a Charter, which underpins its objectivity and independence and provides a functional framework for the establishment and performance of the Department.

The internal audit function reports to the Audit Committee which is committed to assist the Board of Directors of the integrity of the financial statements of the Agency, the effectiveness of the internal controls over financial reporting and the performance of internal audit function.

During the year 2018/19 the Audit Committee focused on the rate of implementation and compliance with audit recommendations. Approximately 70% of key audit recommendations were implemented.

LAND TITLING PROGRAMME

A major focus of HAJ is the regularization of informal settlements. During the course of the year the Agency launched an initiative called Project 150. The activities of Project 150 targeted specified communities through the intervention of Land Titling Officers. The initiative has been partially successful as the Agency has noticed an increase in payments. However, for the upcoming year there will be a refocus on strategizing how best to issue titles currently in the possession of the Agency.

This is to be complemented with the continuation of educational efforts combined with a multi- platform media campaign to heighten public awareness, served to promote the land titling programme this year. During the course of the reporting year the Agency processed 415 titles for issuance. In addition to the issuance of titles, the Agency has started to collect psychosocial data on the communities HAJ currently serves. This will allow internal and external stakeholders to better understand the most effective ways to invest in and serve the Agency's subject communities.

TABLE 9: Titling Programme/Other Brownfield Monthly Revenue Tracking (Apr'18-Mar'19)

Titling Programme/Other Brownfield Monthly Revenue Tracking (Apr'18-Mar'19)						
Month	Actual Collections ($)	Projected Collections ($)	Accumulated Actual Collections ($)	Accumulated Projected Collections ($)	Monthly Variance ($)	Accumulated Variance ($)
April	6,774,275	2,368,756	6,774,275	2,368,756	4,405,519	4,405,519
May	3,711,252	2,023,731	10,485,527	4,392,487	1,687,521	6,093,040
June	3,417,940	2,307,294	13,903,467	6,699,781	1,110,646	7,203,686
July	1,945,126	2,342,913	15,848,594	9,042,694	(397,787)	6,805,900
August	3,942,332	2,760,000	19,790,925	11,802,694	1,182,332	7,988,231
September	4,428,526	3,127,700	24,219,451	14,930,394	1,300,826	9,289,057
October	9,441,866	4,471,394	33,661,317	19,401,788	4,970,472	14,259,529
November	4,913,860	3,727,775	38,575,176	23,129,563	1,186,085	15,445,613
December	2,543,571	3,997,494	41,118,747	27,127,057	(1,453,923)	13,991,690
January	19,260,045	5,056,075	60,378,793	32,183,132	14,203,970	28,195,661
February	3,700,004	5,527,669	64,078,797	37,710,801	(1,827,665)	26,367,996
March	4,758,980	4,289,700	68,837,777	42,000,501	469,280	26,837,276

SENIOR EXECUTIVE COMPENSATION

TABLE 10: **HAJ's Senior Executive Compensation for the period April 1, 2018 to March 31, 2019**

	Name & Position of Senior Executive	Financial 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	**Gary Howell,** Managing Director	Mar 2019	9,071,718.12	2,260,517.99	120,000.00	None	60,000.00	None	11,512,236.11
2	**Rose-Marie Brown,** Director, Technical Services	Mar 2019	6,035,006.77		1,542,864.00	None	60,000.00	None	7,637,870.77
3	**Garfield Sewell,** Senior Manager, Finance & Information	Mar 2019	4,823,996.39	2,285,849.73	1,542,864.00	None	60,000.00	None	8,712,710.12
4	**Joan SicardSenior** Manager, Internal Audit	Mar 2019	4,914,110.96	1,210,549.30	1,542,864.00	None	60,000.00	None	7,727,524.26
5	**Arlene Smith,** Senior Manager, Human Resources & Administration	Mar 2019	4,721,678.77	2,229,251.03	1,542,864.00	None	60,000.00	None	8,553,793.80
6	**Stacy-Ann Dewar** Senior Manager & Company Secretary Legal Services & Corporate Secretariat	Mar 2019	4,550,546.93		1,542,864.00	None	60,000.00	None	6,153,410.93
7	**Lorenzo Sandford** Senior Manager, Sales to & Services	Mar 2019	4,071,460.13		1,542,864.00	None	60,000.00	None	5,674,324.13
8	**Richard Jones** Senior Manager, Public Relation	Mar 2019	4,527,907.44		1,542,864.00	None	60,000.00	None	6,130,771.44
9	**Nakia McMorris** Senior Manager, Community Dev.	Mar 2019	4,346,791.68	1,070,252.58	1,542,864.00	None	60,000.00	None	7,019,908.26
10	**Colin Henriques** Senior Manager, Project Implementation Engineering	Mar 2019	4,527,907.44		1,542,864.00	None	60,000.00	None	6,130,771.44

Notes

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.

2. Other Allowances (including laundry, entertainment, housing, utility, etc.)

3. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

LIST OF TABLES & FIGURES

FINANCIAL STATEMENTS

MARCH 31, 2019

HAJ HOUSING agency of JAMAICA LIMITED

KPMG

KPMG
Chartered Accountants
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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 63, which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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.

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 $1,697,429,000 (2018: $2,212,639,000) 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, 2019. 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

KPMG

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.

KPMG

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)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Report on additional matters as required by the 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.

KPMG
Chartered Accountants
Kingston, Jamaica

July 18, 2019

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2019

	Notes	March 31, 2019 $'000	Restated* March 31, 2018 $'000	Restated* March 31, 2017 $'000
ASSETS				
Cash and cash equivalents	5	63,243	183,246	204,335
Resale agreements	6	125,211	552,160	302,797
Loans receivable	7	12,071	401,510	541,232
Other receivables	8	126,914	169,501	101,295
Land and housing development projects:				
Operation PRIDE	9(a)	1,726,695	1,733,384	1,774,185
Jamaica Economical Housing	10(a)	4,572,217	5,343,807	6,645,404
Other development projects	11(a)	3,590,524	3,397,186	3,442,904
Land inventory	12	1,766,967	1,699,267	1,471,486
Income tax recoverable		48,897	46,540	11,230
Investment securities	13	346	281	202
Intangible asset	14	2,158	1,769	4,026
Property, plant and equipment	15	71,662	56,615	56,696
		12,106,905	13,585,266	14,555,792
LIABILITIES				
Deposits by purchasers:				
Operation PRIDE	9(b)	1,065,947	1,009,170	971,380
Jamaica Economical Housing	10(b)	282,798	492,238	482,182
Other development projects	11(d)	1,943,028	1,682,111	1,705,233
Trade and other payables	16	715,944	693,275	789,893
Loans payable	17	1,280,630	2,397,591	2,772,969
Deferred credit	18	4,787,736	5,763,034	7,170,255
		10,076,083	12,037,419	13,891,912
EQUITY				
Share capital	19	-	-	-
Reserve fund	20	629,159	629,159	629,159
Capital reserve	21	1,286,429	1,286,429	1,286,429
Fair value reserve	22	501	436	356
Contributed capital	23	1,812,162	1,744,462	1,671,462
Accumulated deficit		(1,697,429)	(2,112,639)	(2,923,526)
		2,030,822	1,547,847	663,880
		12,106,905	13,585,266	14,555,792

The financial statements on pages 5 to 63 were approved for issue by the Board of Directors on July 18, 2019 and signed on its behalf by:

Chairman — Norman Brown

Managing Director — Gary Howell

*See note 33

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

MARCH 31, 2019

	Notes	2019 $'000	Restated* 2018 $'000
INCOME FROM LENDING AND DEVELOPMENT			
Lending and borrowing:			
Interest income from mortgage loans		4,187	49,608
Fees and interest expense on loans payable		(854)	(29,467)
Net income from lending and borrowing		3,333	20,141
Sale of houses and lots		726,551	1,599,343
Cost of sales		(324,208)	(387,636)
Net profit from sale of houses and lots		402,343	1,211,707
Profit from lending and development		405,676	1,231,848
Other income:			
Fees for servicing loans		23,134	17,017
Interest income from resale agreements		7,690	16,352
Gain on disposal of property, plant and equipment		-	304
Foreign currency gains		7,375	3,308
Recoveries for titles provided in closed brownfield projects		9,958	12,820
Gain on sale of mortgage portfolio	24	463,021	-
Recoveries of impairment adjustments, net	25(b)	96,556	-
Sundry		87,855	80,534
Total other income		695,589	130,335
Profit from lending and development and other income		1,101,265	1,362,183
EXPENSES AND OTHER LOSSES			
Administrative and general expenses	25(a)	(497,536)	(467,768)
Maintenance of closed projects		(106,307)	(44,174)
Loss on disposal of property, plant and equipment		(39)	-
Impairment losses, net	25(b)	-	(39,354)
Total operating expenses and other losses		(603,882)	(551,296)
Profit for the year	26	497,383	810,887
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Equity investments at FVOCI – net change in fair value		65	80
Total comprehensive Income		497,448	810,967

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

STATEMENT OF CHANGES IN EQUITY

MARCH 31, 2019

	Share capital $'000 (Note 19)	Reserve fund $'000 (Note 20)	Capital reserve $'000 (Note 21)	Fair value reserve $'000 (Note 22)	Contributed capital $'000 (Note 23)	Accumulated deficit $'000	Total $'000
Balances at March 31, 2017							
As previously reported	-	629,159	1,286,429	356	1,671,462	(2,946,664)	640,742
Prior year adjustments [note 33(i)]	-	-	-	-	-	23,138	23,138
As restated	-	629,159	1,286,429	356	1,671,462	(2,923,526)	663,880
Total comprehensive income for the year							
Profit for the year, as restated [note 33 (ii)]	-	-	-	-	-	810,887	810,887
Other comprehensive income:							
Change in fair value of investments securities	-	-	-	80	-	-	80
Total comprehensive income for the year	-	-	-	80	-	810,887	810,967
Transactions with owners of the company							
Derecognition of land [note 12(d)]	-	-	-	-	(97,000)	-	(97,000)
Land received from Government [note 12 (e)]	-	-	-	-	170,000	-	170,000
	-	-	-	-	73,000	-	73,000
Balances at March 31, 2018	-	629,159	1,286,429	436	1,744,462	(2,112,639)	1,547,847
Adjustments on the initial application of IFRS 9 (note 3)	-	-	-	-	-	(82,173)	(82,173)
Adjusted balance as at April 1, 2018	-	629,159	1,286,429	436	1,744,462	(2,194,812)	1,465,674
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	497,383	497,383
Other comprehensive income:							
Change in fair value of investments securities	-	-	-	65	-	-	65
Total comprehensive income for the year	-	-	-	65	-	497,383	497,448
Transactions with owners of the company							
Land received from Government [note 12 (e)]	-	-	-	-	67,700	-	67,700
Balances at March 31, 2019	-	629,159	1,286,429	501	1,812,162	(1,697,429)	2,030,822

STATEMENT OF CASH FLOWS

MARCH 31, 2019

	Notes	2019 $'000	Restated* 2018 $'000
Cash flows from operating activities			
Profit for the year		497,383	810,887
Adjustments:			
Interest income		(11,877)	(65,960)
Interest expense		854	29,467
Amortisation	14	1,719	2,257
Depreciation	15	6,861	7,384
Gain on transfer of mortgage loan portfolio	24	(463,021)	-
Loss/(gain) on disposal of property, plant and equipment		39	(304)
Impairment (recoveries)/losses	25(b)	(96,556)	39,354
		(64,598)	823,085
Changes in operating assets and liabilities:			
Loans receivable		5,439	145,628
Other receivables		38,205	(99,573)
Operation PRIDE development projects		(24,095)	(40,687)
Jamaica Economical Housing projects		771,590	1,281,004
Other development projects		(78,331)	141,788
Land inventory		-	(154,781)
Deposits by purchasers		108,254	24,724
Income tax recoverable		(2,357)	(7,945)
Trade and other payables		18,438	(112,205)
		772,545	2,001,038
Interest received		25,989	58,081
Income tax paid		-	(27,365)
Interest paid		(854)	(13,880)
Net cash provided by operating activities		797,680	2,017,874
Cash flows from investing activities			
Resale agreements		426,950	(249,364)
Acquisition of intangible assets	14	(2,108)	-
Acquisition of property, plant and equipment	15	(22,034)	(7,304)
Proceeds of sale of property, plant and equipment		87	304
Net cash provided by/(used in) investing activities		402,895	(256,364)
Cash flows from financing activities			
Loans payable		(345,280)	(375,378)
Deferred credit		(975,298)	(1,407,221)
Net cash used in financing activities		(1,320,578)	(1,782,599)
Net decrease in cash and cash equivalents		(120,003)	(21,089)
Cash and cash equivalents at beginning of year		183,246	204,335
Cash and cash equivalents at end of year	5	63,243	183,246

See note 33(ii)

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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 21). These financial statements were 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 7) and loans payable (note 17) had not been effected. During the year, the Housing Agency of Jamaica (HAJ) sold some of the loans portfolio to National Housing Trust (NHT) (note 24).

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.

This is the first set of the company's annual financial statements in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* has been applied. Changes to accounting policies are described in note 3.

(b) Basis of preparation

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

New and amended standards and interpretations issued but are not yet effective

At the date of authorisation of these financial statements, certain new and amended standards and interpretations were in issue but were not yet effective and had not been early-adopted by the company. The company has assessed their relevance with respect to its operations and has determined that the following may have an effect on its financial statements

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

(b) Basis of preparation (continued)

New and amended standards and interpretations issued but are not yet effective (continued)

- IFRS 16 *Leases,* replaces existing leases guidance, including IAS 17, *Leases*, IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

  IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items 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.

  The company is required to adopt IFRS 16, from April 1, 2019 and is assessing the impact that this standard will have on its 2020 financial statements.

- Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January1, 2019, clarify 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 standard will have on its 2020 financial statements.

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

(b) Basis of preparation (continued)

New and amended standards and interpretations issued but are not yet effective (continued)

- Amendments to References to Conceptual Framework in IFRS Standards is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;

  - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.

  - A new control-based approach to de-recognition will allow an entity to derecognize an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

  The company is assessing the impact that the amendments will have on its 2021 financial statements.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The company does not expect the amendment to have a significant impact on its financial statements.

2. 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 $497,383,000 (2018: $810,887,000) for the year and, as at the reporting date. However due to losses in the past, the company has an accumulated deficit of $1,697,429,000 (2018: $2,112,639,000)

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 will continue the strategic plan that was successful over the last two years to achieve this objective. The company’s management has prepared a new budget which represents a continuation of the strategic plans to make the company profitable, including generating sufficient cash flow to meet its liabilities. These plans reflect the following:

(a) Commence and complete Greenfield solutions such as Mona and Savannah Phase two. This will ensure continuous financial profitability and liquidity in the foreseeable future. These will be funded by a combination of internal funds and debt financing.

(b) Commence Public Private Partnerships (PPP) such as Catherine Estate (Bernard Lodge), Shooter’s Hill and Rhyne Park for this financial year. Participation in these PPP will earn the company significant income and ensure adequate liquidity for the foreseeable future.

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

(b) Basis of preparation (continued)

(ii) Going concern (continued)

(c) Advance the completion of Brownfield project such as Grange Pen is the priority of the company for this financial year. Tourism Enhancement Funds (TEF) is providing project financing. The funding is a grant to the company and will ensure the proceeds from finalised sales are available for liquidity support.

(d) Complete all existing projects and finalise sales in Savannah Phase one 15 (3 bedroom) units, Whitehall Phase three and Green Pond (PPP). This will again provide adequate liquidity to further reduce loan obligations and financing of future projects

(e) Continuous sales of housing solutions from projects under the Jamaica Economic Housing Programme will generate sufficient cash flows to be utilised by the company to reduce debt and assist with financing future projects. Grant funding for Jamaica Economic Housing Project was provided by Ministry of Finance.

(f) The company's loan obligations to the National Housing Trust (NHT) will continue to decline rapidly as existing projects are finalised. This will provide the company with the ability to access project financing in the future. NHT is the company's main source of project financing, for Greenfield developments.

(g) Cost containment strategy is now implemented to compliment the continuous realignment of the organisation structure to become more project specific that will ensure the most effective and efficient usage of existing resources.

(h) The company has completed the transfer of the mortgage portfolio to NHT as part consideration for the institutional loan portfolio. This is in line with the company's debt reduction strategy and long term strategy of focusing on the core business of infrastructure development.

On the basis of the foregoing, the Board of Directors and Officers are of the view that, the strategy that was implemented is achieving the intended objectives. The company is on a clear path of sustainable profitability resulting improved liquidity. The current financial position greatly facilitates the raising of substantial funding that may be required for normal operations, and accordingly, believe that the preparation of the financial statements on the going concern basis continues to be appropriate.

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

(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:

Applicable to 2019 only:

(1) *Allowance for impairment losses*

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainly inherent in such estimates.

Applicable to 2018 and 2019:

(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.

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)

Applicable to 2018 and 2019 (continued):

(2) *Land and housing development projects (continued)*

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.

3. Changes in significant accounting policies

The company has initially adopted IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* from April 1, 2018.

A number of other new standards were also effective from April 1, 2018 but they do not have a material effect on the company's financial statements.

Due to the transition method chosen by the company in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The adoption of IFRS 15 did not impact the timing or amount of income with customers and the related assets and liabilities recognised by the company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

3. Changes in significant accounting policies (continued)

The Company has initially adopted IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* from April 1, 2018. (continued)

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets;
- additional disclosures related to IFRS 9 [see notes 4(a),4(m) and 29(b)];
- additional disclosures related to IFRS 15 [see note 4(f)].

Except for the changes below, the company has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

IFRS 9, *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, *Financial Instruments: Recognition and Measurement.* The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1, *Presentation of Financial Statements*, which require separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method.

Additionally, the company has adopted consequential amendments to IFRS 7, *Financial Instruments: Disclosures* that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the company's accounting policies and the full impact resulting from its adoption of IFRS 9 are summarised below.

The impact, net of tax, of transition to IFRS 9 on the opening retained earnings due to impairment of financial assets is as follows:

	Accumulated Deficit $'000
Closing balance under IAS 39 (March 31, 2018)	2,112,639
Recognition of expected credit losses under IFRS 9	82,173
Opening balance under IFRS 9 (April 1, 2018)	2,194,812

3. Changes in accounting policies (continued)

IFRS 9, *Financial Instruments* (continued)

Classification of financial assets and financial liabilities

IFRS 9 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). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the company classifies financial instruments under IFRS 9, see note 4(a).

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at April 1, 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at April 1, 2018 relates solely to the new impairment requirements. There is no change to classification of financial liabilities.

	Note	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at March 31, 2018	Re-measurement	IFRS 9 carrying amount at April 1, 2019
				$'000	$'000	$'000
Financial assets						
Cash and cash equivalents	(a)	Loans and receivables	Amortised cost	183,246	-	183,246
Resale agreements	(a)	Loans and receivables	Amortised cost	552,161	-	552,161
Investment securities	(b)	Available-for-sale	FVOCI-equity instrument	281	-	281
Loan receivable	(a)	Loans and receivables	Amortised cost	401,510	(82,173)	319,337
Other receivables	(a)	Loans and receivables	Amortised cost	169,501	-	169,501
				1,306,699	(82,173)	1,224,526

(a) Cash and cash equivalents, resale agreements and loan receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of $82,173,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at April 1, 2018 on transition to IFRS 9.

3. Changes in accounting policies (continued)

IFRS 9, *Financial Instruments* (continued)

Classification of financial assets and financial liabilities (continued)

(b) These equity securities represent investments that the company intends to hold for the long term strategic purposes. As permitted by IFRS 9, the company has designated these investments at the date of intial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

Impairment of financial assets

IFRS 9 replace the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

For assets in the scope of the IFRS 9 impairment model, impairment loses are generally expected to increase and become more volatile. The company has determined that application to IFRS 9's impairment requirements at April 1, 2018 results in an additional allowance for impairment as follow:

	$'000
Loss allowance at March 31, 2018 under IAS 36	356,162
Impairment recognised at January 1, 2018 on:	
Residential and mortgage loans	82,173
Loss allowance at April 1, 2018 under IFRS 9	438,335

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at April 1, 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

4. Significant accounting policies

The company has consistently applied as the following accounting policies to all periods presented in the financial statements, except as mentioned note 3.

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, resale agreements, investment securities, loan receivables and other receivables. Financial liabilities include deposits by purchasers, trade and other payables and loans payable.

Policy applicable from April 1, 2018

Financial assets

Initial recognition and measurement

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as "Held to collect" and measured at amortised cost.

Amortised cost represents the net present value ("NPV") of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Resale agreements
- Loan receivables
- Other receivables

Due to their short-term nature, the company initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

Business model assessment:

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

4. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policy applicable from April 1, 2018 (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

Business model assessment (continued):

- how the performance of the portfolio is evaluated and reported to the Assessment whether contractual cash flows are solely payments of principal and interest;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers the following:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- leverage features, that modify consideration of the time value of money such as periodic reset of interest rates;
- prepayment and extension features; and

4. Significant accounting policies (continued)

(a) Financial instruments (continued)

Policy applicable from April 1, 2018 (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

Business model assessment (continued):

- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual parmount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Subsequent measurement and gains and losses

Financial assets at FVOCI (2018: Available-for-sale)	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

4. Significant accounting policies (continued)

(a) Financial instruments

Policy applicable from April 1, 2018 (continued)

Financial assets (continued)

Subsequent measurement and gains and losses (continued)

Financial assets at amortised cost (2018: loans and receivables)	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, interest income foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are measured as at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognised in the profit or loss.

All financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gain or loss on de-recognition is also recognised in in the profit or loss.

Policy applicable before April 1, 2018

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.

Loans and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

4. Significant accounting policies (continued)

(b) 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.

Cash and cash equivalents are measured at amortised cost.

(c) Trade and other payables

Trade and other payables are measured at amortised cost.

(d) 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

The depreciation method, useful lives and residual values are re-assessed at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

4. Significant accounting policies (continued)

(e) 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.

(f) Revenue recognition

Policy applicable after April 1, 2018

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

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition under IFRS 15 (applicable from April 1, 2018)**
Income from the sale of properties	The company develop and sell properties. Performance obligation is satisfied upon provision and submission of all the required documents for the transfer of title. Sale prices are based on pre agreed amount.	Revenue from sale of properties is recognised when the company transfers control of property to a customer at the amount to which the company expected to be entitled. Based on the nature of the sale, revenue is recognised at a point in time.
Rental income	The company rents its 1st floor and rentals are charged on monthly basis and are based on fixed rates agreed. Invoices are generated monthly and payable within 30 days.	Revenue from rental is recognised over time as the services are provided.
Fees for servicing loan	The company charges fee from the customers for document handling are based on fixed rates agreed. Invoices are generated at the time of service provided and payable on sight.	Revenue is recognised over time as the services are provided.

4. Significant accounting policies (continued)

(f) Revenue recognition (continued)

Policy applicable before April 1, 2018

(i) Income from the sale of properties

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

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 subsequentlyFees and commission

(iii) Fees and commission income

Fees and commission income are recognised on the accrual basis when the service has been provided. Fees and commission arising from negotiating or participating in the negotiation of a transaction are recognised on completion of the underlying transaction.

(iv) Rental income

Rental income is recognised on the accrual basis.

(g) 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.

4. Significant accounting policies (continued)

(h) 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 10(c) and 18] and of the anticipated proceeds of sales to be received from customers. Any expenditure in excess of these amounts is provided for.

(i) Other development projects in progress

Other Development projects in progress consist of costs incurred to date on various housing ("Greenfield") 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.

(j) 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 valuators, 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 23). After initial recognition, land inventory is carried at cost.

(k) 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.

(l) 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.

4. Significant accounting policies (continued)

(m) Impairment of financial assets

Policy applicable from April 1, 2018

The company recognises loss allowances for ECL on:

- financial assets measured at amortised cost; and
- equity investments measured at FVOCI

The company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

4. Significant accounting policies (continued)

(m) Impairment of financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the company on terms that the company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be a credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit impaired even when the regulatory definition of default is different.

4. Significant accounting policies (continued)

(m) Impairment of financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Credit-impaired financial assets (continued)

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for equity securities measured at FVOCI, the loss allowance charged to profit or loss and is recognised in other comprehensive income.

Write-off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

Policy applicable before April 1, 2018

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.

4. Significant accounting policies (continued)

(m) Impairment of financial assets (continued)

Policy applicable before April 1, 2018 (continued)

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.

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.

4. Significant accounting policies (continued)

(m) Impairment of financial assets (continued)

Policy applicable before April 1, 2018 (continued)

(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 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.

(n) 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.

(o) 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.

4. Significant accounting policies (continued)

(o) Income tax (continued)

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.

(p) 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.

(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 31), 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.

4. Significant accounting policies (continued)

(q) 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.

(r) 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.

(s) Resale agreements

Resale agreements represent purchase of securities by the company under agreements to resell them on specified dates at specified prices. Under collaterialised 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 amortised cost (2018: 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.

5. Cash and cash equivalents

	2019 $'000	2018 $'000
Collections held in trust for mortgagees and property developers	107	107
Cash in hand	158	158
Cash at bank	62,978	182,981
	63,243	183,246

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

6. Resale agreements

At March 31, 2019, the fair value of securities collateralising resale agreements was $143,673,000 (2018: $599,154,000).

7. Loans receivable

The formalities of the transfer to the company of ownership of some loan receivable are still in progress (see note 1). However during the year mortgage loan amounting to $304M were sold to NHT as part of an arrangement between the company and NHT (see note 24).

Loans receivable comprise:

	2019 $'000	2018 $'000
Residential mortgage loans [see (a) below]:		
Principal	144,382	452,286
Interest receivable	98,273	109,113
	242,655	561,399
Staff loans at 3%:		
Residential mortgage loans	833	3,433
Other loans	13,401	13,027
	14,234	16,460
Less: Unamortised discount on staff loan	(2,163)	(2,486)
	12,071	13,974
Other long-term loans [see (b) below]	10,453	11,648
Infrastructure development loan [see (c) below]	170,651	170,651
	181,104	182,299
Gross loans receivable	435,830	757,672
Less: Allowance for impairment:		
Residential mortgage loans	(144,382)	(99,762)
Interest receivable	(98,273)	(81,689)
Other long-term loans	(10,453)	(4,060)
Infrastructure development loan	(170,651)	(170,651)
	(423,759)	(356,162)
Net loans receivable	12,071	401,510

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

7. Loans receivable (continued)

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

		2019 $'000	2018 $'000
10%	Ten year loans	503	503
6%-19%	Twenty – Twenty-five years loans	35,811	323,532
4%-10%	Thirty and forty years loans	108,068	128,251
		144,382	452,286

(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:

	2019 $'000	2018 $'000
Within 3 months	11,226	63,408
Over 3 months to 1 year	113,437	172,003
Over 1 year to 3 years	27,475	60,847
Thereafter	285,855	463,900
	437,993	760,158

(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:

	2019 $'000	2018 $'000
Not past due	22,728	358,382
Past due 0-30 days	6,911	8,978
Past due 31-60 days	7,747	11,656
Past due 61-90 days	35,795	42,118
Over 90 days	364,812	339,024
	437,993	760,158

7. Loans receivable (continued)

(f) Allowance for impairment – loans receivable:

	2019 $'000	2018 $'000
At beginning of the year	356,162	354,589
IFRS 9 transition adjustments (note 3)	82,173	-
Write - offs	(13,440)	-
Impairment (recovery)/ loss [note 25(b)]	(1,136)	1,573
At end of the year	423,759	356,162

8. Other receivables

	2019 $'000	2018 $'000
National Housing Trust (NHT)	40,099	40,099
Amounts due from sale of properties	77,535	202,204
Interest receivable	7,501	9,637
Staff loans and advances	589	4,608
Other accounts receivable and advances	118,711	43,330
Gross receivables	244,435	299,878
Less: Allowance for impairment:		
National Housing Trust	(40,099)	(40,099)
Amounts due from sale of properties	(14,251)	(41,551)
Interest receivable	(6,560)	(7,217)
Other accounts receivable and advances	(56,611)	(41,510)
Total allowance for impairment	(117,521)	(130,377)
Net receivables	126,914	169,501

The movement in the allowance for impairment is as follows:

	2019 $'000	2018 $'000
At beginning of the year	130,377	98,608
Write - offs	(1,659)	-
Impairment (recovery)/ loss [note 25(b)]	(11,197)	31,769
At the end of the year	117,521	130,377

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

9. Operation Pride

(a) Expenditure on Operation PRIDE Projects

	2019 $'000	2018 $'000
At start of year	3,357,407	3,316,720
Expenditure during the year	25,527	44,866
Transfer of cost relating to lots sold	(1,432)	(4,179)
At end of year	3,381,502	3,357,407
Less: Allowance for impairment [see (c) below]	(1,654,807)	(1,624,023)
Net development expenditure	1,726,695	1,733,384

(b) Deposits by purchasers

	2019 $'000	2018 $'000
At beginning of year	1,009,170	971,380
Collections during the year	62,172	37,790
Transfer of collection relating to lots sold	(5,395)	-
At end of year	1,065,947	1,009,170

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

	2019 $'000	2018 $'000
At beginning of year	1,624,023	1,542,535
Impairment loss [note 25(b)]	30,784	81,488
At end of year	1,654,807	1,624,023

10. Jamaica Economical Housing

(a) Project expenditure

	2019 $'000	2018 $'000
At start of year	5,343,807	6,645,404
Expenditure during the year	225,256	342,118
Transfer of costs relating to units and lots sold	(996,846)	(1,643,715)
At end of year	4,572,217	5,343,807

10. Jamaica Economical Housing (continued)

(a) Project expenditure (continued)

The specific projects involved are as follows:

	2019 $'000	2018 $'000
Belle Air 1, 2 and 3	3,290,250	4,046,525
Mount Edgecombe 4 and 5	1,135,372	1,121,806
Luana Gardens	146,595	175,476
	4,572,217	5,343,807

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 10(c) and 18].

(b) Deposits by purchasers

	2019 $'000	2018 $'000
At beginning of year	492,238	482,182
Collections during the year	397,037	1,160,609
Transfer of collection relating to lots sold	(606,477)	(1,150,553)
At end of year	282,798	492,238

(c) Grant funding received

	2019 $'000	2018 $'000
At beginning of year	4,262,785	5,861,844
Grant funding utilised during the year	(948,803)	(1,599,059)
At end of year (note 18)	3,313,982	4,262,785

11. Other development projects

(a) Expenditure on projects

	2019 $'000	2018 $'000
Accumulated expenditure at start of year	3,538,328	3,659,522
Expenditure during the year	353,606	212,029
Transfer of costs relating to units and lots sold	(275,275)	(333,223)
Accumulated expenditure at end of year	3,616,659	3,538,328
Less: Allowance for impairment [see (b) below]	(26,135)	(141,142)
Net development in progress	3,590,524	3,397,186

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

11. Other development projects (continued)

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

	2019 $'000	2018 $'000
At beginning of the year	141,142	216,618
Impairment recovery [note 25(b)]	(115,007)	(75,476)
At end of the year	26,135	141,142

(c) The specific projects involved are as follows:

		2019 $'000	2018 $'000
Boscobel 2	[see (i) below]	17,457	186,956
Luana 4 Ph 2	[see (ii) below]	188,360	20,954
Whitehall	[see (ii) below]	3,048,064	3,008,709
Frazers and Ebony View	[see (iii) below]	30,798	30,798
Other development costs	[see (iv) below]	331,980	291,271
		3,616,659	3,538,328

(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

	2019 $'000	2018 $'000
At beginning of year	1,682,111	1,705,233
Collections during the year	324,479	238,878
Deposits relating to units transferred to beneficiaries	(63,562)	(262,000)
At end of year	1,943,028	1,682,111

12. Land inventory

	2019 $'000	2018 $'000
Balance at beginning of year	1,699,267	1,471,486
Development costs transferred	-	(59,219)
Land derecognised [see (d) below]	-	(97,000)
Land received during the year [see (e),(f) below]	67,700	384,000
Balance at end of year	1,766,967	1,699,267
Broken down as follows:		
Lands held for development [see (a) below]	1,623,047	1,555,347
Jointly controlled operations in progress [see (b) below]	143,920	143,920
	1,766,967	1,699,267

(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 23).

(b) 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.

	2019 $'000	2018 $'000
Land contributed	91,500	91,500
Cash expenditure	52,420	52,420
	143,920	143,920

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.

(c) 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.

(d) In previous years Shooters, St Ann had been given to the company 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 in 2018.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

12. Land inventory (continued)

(e) During the financial year , the company recognised lands in its books totalling as follows:

	2019 $'000	2018 $'000
Luana Gardens[see (f) below]	67,700	-
Mosquito Cove	-	170,000
Bernard Lodge	-	156,000
Reid's Pen [see note 16(b)]	-	58,000
	67,700	384,000

Luana Gardens and Mosquito Cove lands were received from MEGJC for the purpose of increasing company's capital base. These amounts have therefore been recognised as contributed capital of the company. (see note 23).

Bernard Lodge land received from MEGJC as a government grant to subsidise the financial performance of the "Bernard Lodge Project" (see note 18).

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.

(f) As a part of an arrangement with NHT for transfer of mortgage portfolio and the loan liabilities of the company, it has been agreed to transfer the title of Luana Gardens land to NHT for a consideration of $70 million. However the transfer of the land to NHT is not yet complete. (See note 7, 12 and 24)

13. Investment securities

	2019 $'000	2018 $'000
Fair value through OCI (2018: Available-for-sale):		
Quoted equity	346	281

14. Intangible asset - software

	2019 $'000	2018 $'000
Cost:		
At beginning of year	33,846	33,846
Additions	2,108	-
At end of year	35,954	33,846
Amortisation:		
At beginning of year	32,077	29,820
Charge for the year	1,719	2,257
At end of year	33,796	32,077
Net book values	2,158	1,769

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15. Property, plant and equipment

	Freehold land and buildings $'000	Computers $'000	Office furniture and fixtures $'000	Motor vehicles $'000	Equipment $'000	Total $'000
Cost:						
March 31, 2017	68,993	20,860	11,930	15,477	21,756	139,016
Additions	-	3,695	740	-	2,869	7,304
Disposals	-	-	(8)	(952)	-	(960)
March 31, 2018	68,993	24,555	12,662	14,525	24,625	145,360
Additions	-	2,801	862	9,680	8,691	22,034
Disposals	-	(1,302)	(678)	-	(2,344)	(4,324)
March 31, 2019	68,993	26,054	12,846	24,205	30,972	163,070
Depreciation:						
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	-	-	(7)	(952)	-	(959)
March 31, 2018	28,460	18,534	10,141	13,493	18,117	88,745
Charge for the year	1,263	1,859	556	980	2,203	6,861
Eliminated on disposals	-	(1,297)	(557)	-	(2,344)	(4,198)
March 31, 2019	29,723	19,096	10,140	14,473	17,976	91,408
Net book values:						
March 31, 2019	39,270	6,958	2,706	9,732	12,996	71,662
March 31, 2018	40,533	6,021	2,521	1,032	6,508	56,615
March 31, 2017	41,809	3,770	2,237	3,248	5,632	56,696

Freehold land and buildings include land costing $12,455,000 (2018: $12,455,000). A revaluation of certain company's furniture and fixtures by Baird and Henderson Valuators 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 21).

16. Trade and other payables

	2019 $'000	2018 $'000
Payable to NHT [see (a) below]	70,000	-
Accrued charges	74,884	53,368
Interest payable	-	65,769
Staff related accruals and statutory payroll liabilities	18,757	20,428
Project related expenses	69,435	73,343
Due to related parties for land purchased [see (b) below]	247,470	242,561
Refunds due to depositors for cancelled sales contracts	80,381	82,590
Mortgage instalments received in advance	94,018	83,587
Provision legal claims	44,432	56,301
Other payables	16,567	15,328
	715,944	693,275

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16. Trade and other payables (continued)

(a) This represents the net payable balance to NHT as part of mortgage loan portfolio transfer [see notes 12(f) and 24]

(b) During the year 2018, the company has recognised 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.

17. 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:

		2019 $'000	2018 $'000
National Housing Trust ("NHT"):			
5% loan	[see (a) below]	-	441,511
8% loan	[see (b) below]	-	33,902
3% loan	[see (c) below]	-	31,120
3% loan	[see (d) below]	-	201,640
3% loan	[see (e) below]	-	81,585
9% loan	[see (f) below]	59,965	63,930
9% loan	[see (g) below]	273,846	428,649
5% loan	[see (h) below]	4,317	7,615
9% loan	[see (i) below]	358,338	431,019
5% loan	[see (j) below]	476,099	568,555
		1,172,565	2,289,526
Ministry of Housing and Water			
4 - 8% [see (k) below]		188	188
Ministry of Finance and the Public Service [see (l) below]		100	100
Accountant General [see (m) below]		107,777	107,777
		1,280,630	2,397,591
Comprising	- current and past due portions	1,172,752	1,846,183
	- long-term portions	107,878	551,408
		1,280,630	2,397,591

(a) This loan, which was 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. However the loan has been fully settled as part of the consideration for the sale of mortgage loan portfolio transfer to NHT (see note 24).

17. Loans payable (continued)

(b) This loan related to the construction of 279 units in the GPP in a joint venture with NHT. The principal amount of the loan, which was secured by mortgages on those units, was repayable over fifteen years, with interest payable monthly at 8% per annum. However the loan has been fully settled as part of the consideration for the sale of the mortgage loan portfolio to NHT (see note 24).

(c) This loan was guaranteed by the Government of Jamaica and the repayment period was extended to 15 years, commencing May 2002 and ending in May 2017. However the loan has been fully settled as part of the consideration for the sale of the mortgage loan portfolio to NHT (see note 24).

(d) This loan was 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. However the loan has been fully settled as part of the consideration for the sale of the mortgage loan portfolio to NHT (see note 24).

(e) This loan was secured by $1.405 billion of GPP mortgages, and the repayment period was extended to 20 years commencing August 2002. However the loan has been fully settled as part of the consideration for the sale of the mortgage loan portfolio to NHT (see note 24).

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) The loans are secured by mortgages and has no repayment period.

(l) 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.

(m) 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.

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18. Deferred credit

	2019				
	TEF $'000	UDC $'000	JEHP $'000	GOJ - Other $'000	Total $'000
At beginning of year	341,856	238,490	4,262,785	919,903	5,763,034
Grant utilised during the year	(26,496)	-	-	-	(26,496)
Grant set off against cost of sales	-	-	(948,802)	-	(948,802)
At end of year	315,360	238,490	3,313,983	919,903	4,787,736

	2018				
	TEF $'000	UDC $'000	JEHP $'000	GOJ - Other $'000	Total $'000
At beginning of year	306,018	238,490	5,861,844	763,903	7,170,255
Funds received during the year	75,184	-	-	156,000	231,184
Funds set off against cost of sales	(39,346)	-	-	-	(39,346)
Grant utilised during the year	-	-	(1,599,059)	-	(1,599,059)
At end of year	341,856	238,490	4,262,785	919,903	5,763,034

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.

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 10) for information on Jamaica Economical Housing Project (JEHP).

19. Share capital

	2019 $'000	2018 $'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.

20. 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 (2018: Nil).

20. Reserve fund (continued)

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.

21. 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 15).

22. Fair value reserve

Fair value reserve represents cumulative unrealised fair value gains, net of losses, on FVOCI (2018: available-for-sale) investment securities.

23. Contributed capital

This represents the value of lands contributed by Government of Jamaica for housing development projects [note 12(a), (d), (e)].

24. Gain on sale of mortgage portfolio

During the year the company approached NHT for the company to sell and NHT to purchase the mortgage loan portfolio of the company. The negotiation concluded with the agreement that proceed of the sale will be applied to the debts owed by the company to NHT. The agreement also resulted in the transfer of a piece of land owned by the company to NHT as consideration. The debt owed after the application of these proceeds was approved for write off. The arrangement which was finalised in February 2019 resulted in a net gain to the company of $463,021,000 as detailed below.

	$'000
Sale of loan portfolio to NHT [note 7(a)]	304,429
Settlement of loans payable to NHT as consideration [note 17 (a) – 17(e)]	(837,450)
	(533,021)
Transfer of land to NHT as additional consideration [notes 12(f) and 16(a)]	70,000
Net gain	(463,021)

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25. Expenses and other losses

(a) Administrative and general expenses

	2019 $'000	2018 $'000
Audit fees	5,069	6,177
Building maintenance and electricity	52,853	54,060
Depreciation and amortisation	8,580	9,641
Directors' travel and other expenses	3,834	4,208
Directors' fees [note 28(e)]	2,310	2,411
General expenses	844	2,559
Insurance	7,159	6,170
Legal and other professional fees	6,066	5,364
Donations and subscriptions	1,553	1,307
Promotions and publications	17,148	7,269
Staff costs (note 27)	360,513	337,528
Stationery and data processing	16,168	13,161
Telephone and postage	8,354	10,786
Travelling and motor vehicle	7,085	7,127
	497,536	467,768

(b) Impairment (recovery)/losses

	2019 $'000	2018 $'000
Loans receivable [note 7(f)]	(1,136)	1,573
Other receivables (note 8)	(11,197)	31,769
Operation PRIDE projects [note 9(c)]	30,784	81,488
Other development projects [note 11(b)]	(115,007)	(75,476)
Impairment (recovery)/losses, net	(96,556)	39,354

26. Profit for the year

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

	2019 $'000	2018 $'000
Directors' fees [note 28(e)]	2,310	2,411
Management remuneration (included in staff costs see note 27)	11,512	11,354
Auditors' remuneration	5,069	6,177
Depreciation and amortisation	8,580	9,641

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27. Staff costs and numbers

The average number of persons employed full-time during the year was 98 (2018: 100). The costs for these employees were as follows:

	2019 $'000	2018 $'000
Compensation:		
Salaries	203,103	212,395
Statutory payroll contributions	23,864	25,033
Pension scheme contributions (note 31)	11,019	13,405
Other benefits	100,007	69,111
	337,993	319,944
Other costs:		
Training and development	9,980	3,087
Staff welfare	12,540	14,497
	360,513	337,528

28. 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).

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28. Related party balances and transactions (continued)

(a) Definition of a related party (continued)

(ii) An entity is related to the company if any of the following conditions applies (continued):

(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 company or to the parent of the company;

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:

	2019 $'000	2018 $'000
Trade and other receivables:		
National Housing Trust	40,099	40,099
Ministry of Water and Housing	9,629	11,191
Loans receivable:		
Ministry of Finance and Planning	40,099	7
Operation PRIDE:		
Ministry of Water and Housing	461,602	461,602
Other development project costs:		
Ministry of Water and Housing	30,798	30,798
Tourism Enhancement Fund	172,574	172,516
Urban Development Corporation	256,573	256,514
Trade and other payables:		
Inland Revenue	8,431	10,272
National Housing Trust	823,635	1,391
Ministry of Water and Housing	184,300	182,890
Bay Farm	1,414	1,402
Jamaica Mortgage Bank	1,414,686	1,402,356
National Land Agency	10,000	10,000
Loans payable (note 17):		
Ministry of Water and Housing	(188)	(188)
National Housing Trust	(1,172,752)	(2,289,526)
Accountant General of Jamaica	(107,777)	(107,777)
Ministry of Finance	(100)	(100)

28. 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:

	2019 $'000	2018 $'000
Income:		
Fees for servicing loans		
Ministry of Water and Housing	23,134	17,017
Expense:		
Fees and interest expense on loans		
National Housing Trust	-	28,985

(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:

	2019 $'000	2018 $'000
Directors' Fees [note 25(a)]	2,310	2,411
Management remuneration	11,512	11,354
Other key management personnel - short-term employee benefits (included in staff costs)	63,741	35,784
	77,563	49,549

29. 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.

29. Financial risk management (continued)

(a) Overview (continued)

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.

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 'greenfield' loans. 'Brown-field' loans are those in schemes which are heavily squatted and in volatile areas, while 'greenfield' loans are not.

Credit quality analysis

The following table presents an analysis of the credit quality of loan receivables at amortised cost (2018: Loans and receivable). It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	2019			2018
	12 month ECL	Lifetime ECL credit impaired	Total	Loans and receivables
	$'000	$'000	$'000	$'000
Non-investment grade	12,071	423,759	435,830	757,672
Gross carrying amount	12,071	423,759	435,830	757,672
Loss allowance	-	(423,759)	(423,759)	(356,162)
Carrying amount	12,071	-	12,071	401,510

29. Financial risk management (continued)

(b) Credit risk (continued):

(i) Loans receivable (continued)

An impairment allowance of $242,655,000 in respect of Residential mortgage loan receivables was recognised as they are overdue for more than 90 days.

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.

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 (2018: none).

Allowances for impairment

From April 1, 2018, the company assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost. The ECL will be recognised in surplus before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Also, the measurement should consider the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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29. Financial risk management (Continued)

(b) Credit risk (continued):

(i) Loans receivable (continued):

Allowances for impairment (continued)

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not nonperforming. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not non-performing, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The company uses judgement when considering the following factors that affect the determination of impairment:

Assessment of Significant Increase in Credit Risk (SICR)

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the company's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be assessed on a collective basis, this would require the segmentation of credit exposure on the basis of shared credit risk characteristics. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

29. Financial risk management (Continued)

(b) Credit risk (continued):

(i) Loans receivable (continued):

Allowances for impairment (continued)

The company uses judgement when considering the following factors that affect the determination of impairment (continued):

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

The company applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The company uses three scenarios that are probability weighted to determine ECL: base, optimistic and pessimistic.

Expected Life

When measuring ECL, the company considers the maximum contractual period over which the company is exposed to credit risk. All contractual terms are considered when determining the expected life.

Loss allowance

The loss allowance recognised is analysed as follows:

	2019		2018
	Stage 3	Total	
	$'000	$'000	$'000
Balance at March 31, 2018	356,162	356,162	356,162
Remeasurement on April 1, 2018	82,173	82,173	-
Net remeasurement of loss Allowance	(14,576)	(14,576)	-
	423,759	423,759	356,162

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29. Financial risk management (Continued)

(b) Credit risk (continued):

(i) Loans receivable (continued):

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:

	2019	2018
	$'000	$'000
Loans receivable from purchasers of housing solutions in:		
Greenfield projects	12,071	297,656
Brownfield projects	-	103,854
	12,071	401,510

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.

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29. Financial risk management (Continued)

(c) Liquidity risk (continued):

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.

	2019				
	1 to 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Contractual cash flows $'000	Carrying amount $'000
Trade and other payables	356,820	125,893	233,231	715,944	715,944
Deposits by purchasers	3,291,772	-	-	3,291,772	3,291,772
Loans payable	81,167	1,010,231	189,232	1,280,630	1,280,630
	3,729,759	1,136,124	422,463	5,288,346	5,288,346

	2018				
	1 to 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Contractual cash flows $'000	Carrying amount $'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	41,190	1,625,927	730,474	2,397,591	2,397,591
	3,258,274	1,748,112	965,899	6,274,385	6,274,385

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.

29. Financial risk management (continued)

(d) Market risk (continued):

(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:

	2019 US$'000	2018 US$'000
Cash and cash equivalents	54	1,056

Sensitivity to exchange rate movements

A 4 percent (2018: 1 percent) strengthening of the Jamaica dollar against the US dollar at March 31, 2019 would decrease the profit for the year $275,000 (2018: $1,322,000)

A 6 percent (2018: 6 percent) weakening of the value of the Jamaica dollar against the US dollar at March 31, 2019 would increase profit for the year $413,000 (2018: $7,931,000).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis as for 2018.

(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.

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MARCH 31, 2019

29. Financial risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued):

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:

	2019				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	63,243	-	-	-	63,243
Resale agreement	125,211	-	-	-	125,211
Loans receivable	-	-	12,071	-	12,071
Other receivables	-	-	-	126,914	126,914
Investment securities	-	-	-	346	346
Total financial assets	188,454	-	12,071	127,260	327,785
Trade and other payables	-	-	-	(715,944)	(715,944)
Deposits by purchasers	-	-	-	(3,291,772)	(3,291,772)
Loans payable	(81,167)	(1,010,231)	(189,232)	-	(1,280,630)
Total financial liabilities	(81,167)	(1,010,231)	(189,232)	(4,007,716)	(5,288,346)
Total interest rate gap	107,287	(1,010,231)	(177,161)	(3,880,456)	(4,960,561)
Cumulative gap	107,287	(902,944)	(1,080,105)	(4,960,561)	-

	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	735,407	-	401,510	169,782	1,306,699
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	(41,190)	(1,625,927)	(730,474)	(3,876,794)	(6,274,385)
Total interest rate gap	694,217	(1,625,927)	(328,964)	(3,707,012)	(4,967,686)
Cumulative gap	694,217	(931,710)	(1,260,674)	(4,967,686)	-

29. 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.

	2019			
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 12 months
	%	%	%	%
Cash and cash equivalents	-	1.00-3.00	-	-
Loans receivable	-	-	-	4.00-12.00
Loans payable	3.00-6.00	3.00-6.00	3.00-9.00	3.00-9.00

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

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.

29. Financial risk management (continued)

(d) Market risk (continued)

(iii) Equity price risk (continued):

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.

30. 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.

30. Fair values (continued)

(a) Definition of fair value and fair value hierarchy (continued)

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.

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.

	2019		
	Carrying amount		Fair value
	FVOCI	Total	Level 1
	$'000	$'000	$'000
Financial asset measured at fair value:			
Investment securities	346	346	346

30. Fair values (continued)

(c) Accounting classifications and fair values (continued):

	2018		
	Carrying amount		Fair value
	Available-for-sale	Total	Level 1
	$'000	$'000	$'000
Financial asset measured at fair value:			
Investment securities	281	281	281

31. 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.

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 $11,019,000 (2018: $13,405,000) (note 27).

32. 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.

(b) 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.

(c) 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 $44,432,000 (2018: $56,301,000).

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MARCH 31, 2019

33. Correction of errors

During the year, the Commissioner, Tax Administration Jamaica indicated that the company is exempt from paying income tax in accordance with section 12(i) of the Income Tax Act. Reference was made that the company is not included in the exception list under sections 12(i) (b) and is therefore exempt from paying income tax on its income. Consequently, the financial statements were restated to show the impact of this pronouncement.

(i) Statement of Financial Position:

	Impact of correction of error		
	As previously Reported $'000	Adjustments $'000	As Restated $'000
April 1, 2017			
Total assets	14,555,792	-	14,555,792
Taxation payable	23,138	(23,138)	-
Others	13,891,912	-	13,891,912
Total liability	13,915,050	(23,138)	13,891,912
Accumulated deficit	(2,946,664)	23,138	(2,923,526)
Others	3,587,406	-	3,587,406
Total equity	640,742	23,138	663,880
March 31, 2018			
Income tax recoverable	19,175	27,365	46,540
Others	13,538,726	-	13,538,726
Total assets	13,557,901	27,365	13,585,266
Taxation payable	71,750	(71,750)	-
Others	12,037,419	-	12,037,419
Total liability	12,109,169	(71,750)	12,037,419
Accumulated deficit	(2,211,754)	99,115	(2,112,639)
Others	3,660,486	-	3,660,486
Total equity	1,448,732	99,115	1,547,847

(ii) Effects on statement of profit or loss for the year ended March 31, 2018:

	$'000
As previously reported	734,910
Adjustments	75,977
As restated	810,887

(iii) Other than restatement of comparatives for profit for the year and income tax charge by $75,977,000, there was no effect on the cash flows for the year ended March 31, 2018.