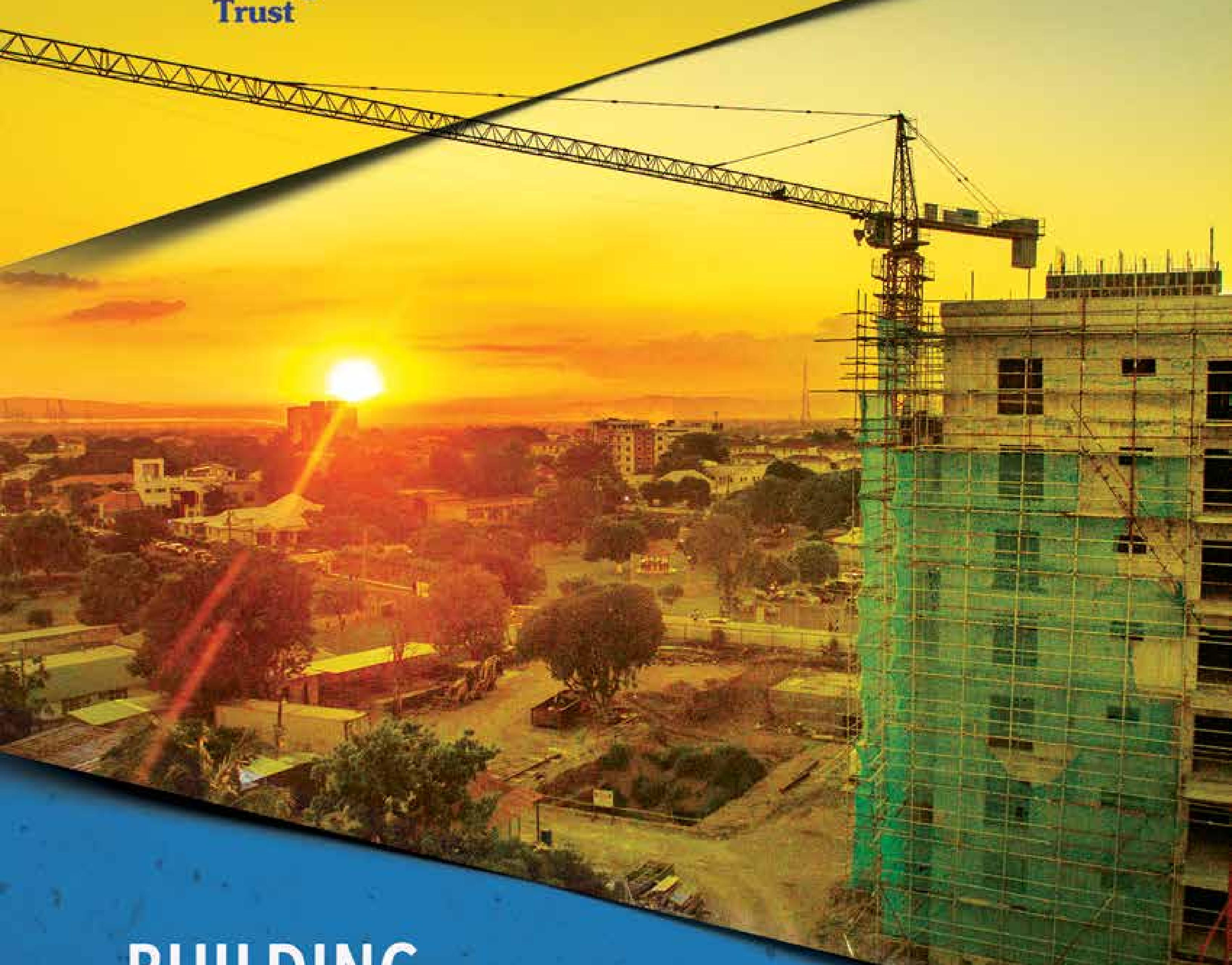
National Housing Trust

ANNUAL REPORT & FINANCIAL STATEMENTS 2019/20



BUILDING COMMUNITIES, HOUSING A NATION

NHT...the key to your home.

National Housing Trust

VISION

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

MISSION

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

TABLE OF CONTENTS

CORE VALUES

INNOVATION

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

EXCELLENCE

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

PROFESSIONALISM

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

ACCOUNTABILITY

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

CARING

To treat all persons fairly and with respect.

INTEGRITY

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

TEAMWORK

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

LETTER TO THE PRIME MINISTER

July 30, 2020

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

Dear Prime Minister,

In accordance with Paragraph 6 of the First Schedule, referred to in Section 3 of the National Housing Trust Act 1979, I have the pleasure to present the NHT report for the year ended March 31, 2020, and a copy of its Statement of Accounts at March 31, 2020, duly certified by the Auditors.

Yours respectfully,

Lennox Channer
Chairman

7 YEAR STATISTICAL SUMMARY

YEAR ENDED MARCH 31, 2019

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Total Assets	309,875,574	291,636,569	275,535,254	254,462,806	236,965,897	220,950,445	206,289,926
Inventories	25,513,803	16,819,342	11,911,675	8,403,520	6,988,501	8,303,657	8,822,275
Loans Receivable	256,874,038	239,090,471	222,052,812	206,056,713	192,964,602	180,909,435	166,336,403
Refundable Contributions	117,547,009	107,965,077	99,168,539	91,251,418	87,816,287	80,658,857	75,539,203
Accumulated Profit	167,287,822	158,999,953	147,361,777	137,930,098	127,552,754	121,669,927	115,120,488
Results From Operations							
Total Operating Income	34,960,563	36,358,162	32,005,523	33,803,379	27,127,142	26,954,190	22,604,097
Operating Expenditure	9,264,333	8,505,103	7,284,503	6,526,598	5,638,683	4,968,250	5,106,979
Net Profit/(loss) After Taxation	18,935,719	23,747,627	20,951,054	24,173,070	18,119,330	18,668,454	14,149,563
Financial Ratios							
Average Interest on Loans*	4.4%	4.8%	4.8%	4.9%	5.1%	4.9%	4.9%
Yield on Investments %	7.1%	5.6%	6.4%	6.6%	7.1%	7.5%	7.4%
Efficiency Ratio %	105.4%	87.3%	68.7%	69.6%	61.5%	61.5%	71.3%
Return on Capital	10.9%	14.2%	13.2%	16.5%	13.7%	14.4%	11.4%
Return on Assets	6.3%	8.4%	7.9%	9.8%	8.2%	8.7%	7.2%
Other Information							
Annual Housing Expenditure	41,574,028	37,514,043	28,426,546	22,392,706	17,899,900	20,001,448	21,485,419
Contributions Received	38,424,471	37,411,244	31,545,284	30,333,895	24,585,409	23,361,346	21,412,380
Contributions Refunded (Cash)	6,486,084	6,175,922	5,514,115	5,268,297	5,090,898	5,339,328	4,437,518
Number of Mortgages Since Inception	207,036	199,782	192,544	186,210	180,646	174,768	168,744
Number of Individual Benefits Since Inception	218,516	211,262	204,024	197,690	192,126	186,248	180,224

*Comprises all loan types: Mortgage, Institutional, Interim Financed etc.

BOARD OF DIRECTORS

Mr. Lennox Channer (Chairman)

Lennox Channer is the Group Vice President of Accounting & Administration at Jamaica Broilers Group Limited. He has also served in senior management positions at NCB, Digicel and Caribbean Bottlers (Jamaica) Limited. He is a Fellow of both the Association of Chartered Certified Accountants and the Institute of Chartered Accountants of Jamaica.

Mr. Channer is the former Chairman of NHT's Audit Committee and currently, serves as a member on JAMPRO's Finance and Procurement Sub-Committee.

A Munro College old boy, Mr. Channer was a 2002 Fulbright Scholar. He holds a B.Sc. in Actuarial Sciences from the University of the West Indies and a M.Sc. in Decision and Information Sciences from the University of Florida.

Mr. Martin Miller (Managing Director)

Martin Miller was appointed Managing Director of the National Housing Trust in early 2017 after acting in the position since August 2013. Before his appointment he served the Trust as Senior General Manager, Finance. He has been with the Trust since 1984 and has progressed through a variety of positions including that of Assistant General Manager, Treasury Management; General Manager, Finance and Accounting; as well as Chief Financial Officer.

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

Mr. Colin Barnett, JP

Colin Barnett is the Manager, Human Resource Development and Administration at Petrojam Limited with responsibility for human resources, records management and public relations.

He is a current Director and Past President of the Human Resource Management Association of Jamaica (HRMAJ). His other Board affiliations include Vice Chairman - Board of Management St. Hugh's High School, Jamaica Cricket Franchise Development Limited, Jamaica Cadet Committee, HR Committees of Cricket West Indies and Jamaica Cricket Association.

Colin Barnett holds an MBA in Human Resource Management, a BBA in Management and the international professional designation of Senior Human Resources Professional (SPHRi).

Mr. Barnett is the Chairman of the Governance Committee of the NHT's Board.

Mr. Doran Dixon, JP

Doran Dixon served as a Lecturer at the Mico University College and has over 32 years of experience in teaching. This two-time President of the Jamaica Teachers Association (JTA) also served as Regional Officer for the South Central Region of the JTA (Manchester, Clarendon & St. Elizabeth) and currently serves as Assistant Secretary General for Property & Business Services at the JTA. Mr. Dixon served as a member of the Teacher Services Commission and is currently a member of the National Council on Education.

He is a Certified Mediator and a sitting member of the Lay Magistrate Association of Jamaica and sits as a Judge in the Lay Magistrates Courts of Kingston & St. Andrew.

Mr Dixon chairs the Customer Relations Committee of the NHT's Board.

Senator Kavan Gayle, C.D.

Senator Kavan Gayle serves as an Executive of the Bustamante Industrial Trade Union (BITU) and was elected as President of the Union in 2007. A member of a Global Trade Union called Union Network International of the Americas, he was appointed to the Senate in 2012.

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

Senator Gayle chairs the Human Resource Management and Information Technology Committees of the NHT's Board.

Mr. O'Neil W Grant

O'Neil Grant currently serves as President of the Jamaica Civil Service Association (JCSA) since June 2011. Additionally, he is a Director of the Jamaica Cooperative Credit Union League, 1st Vice Chairman of the First Heritage Cooperative (FHC) Credit Union, Chairman of the FHC Foundation and Director of the FHC Investments Limited.

In the past, Mr. Grant has served as Honorary Treasurer of the JCSA; a Director at the Ministry of Agriculture; a Senior Director of Finance at the Rural Agricultural Development Authority; a Vice President of the Caribbean Public Services Association and the GSB Cooperative Credit Union between 2010 - 2012.

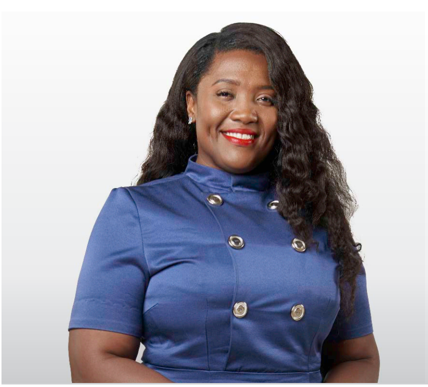
Mr. Grant is the Chairman of the Properties and Technical Committee of the NHT's Board.

Mrs. Nesta-Claire Hunter

Nesta-Claire Hunter was called to the bar in October 1993 and has served as an Attorney-at-Law for the past 27 years. She is currently a Partner in the law firm Ernest A. Smith and Company.

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

Mrs. Hunter is Chairman of the Board of Trustees of the NHT's Pension Plan.



Senator Kerensia Morrison

Senator Kerensia Morrison works as a Creative Director and Communication Consultant. Passionate about youth advocacy, community development, child welfare, gender and the environment, Senator Morrison is a political representative/ Caretaker.

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

Mr. Ryan Parkes

Ryan Parkes has extensive experience in Corporate and Retail Banking and is Chief of Business Banking & Public Sector Engagement at JN Bank Limited.

Mr. Parkes is currently a Director of the Jamaica Mortgage Bank Board and Chairman of its Audit and Finance Sub-Committee. He is also a Past President of the Optimist Club of Knutsford Circle.

Mr. Patrae Rowe

Patrae Rowe is a Detective Sergeant in the Jamaica Constabulary Force and currently serves as the Chairman of the Jamaica Police Federation.

The fourteen (14) year veteran of the Jamaica Constabulary Force has represented Jamaica in Brussels, Belgium to speak to the African Caribbean and Pacific (ACP) group of Countries on issues of Migration as Chairman for the Reintegration Sub-Committee for National Working Group on International Migration & Development of Jamaica and head of the Deportee Monitoring Unit in Jamaica. As chairman of the Police Federation, he is integrally involved in the strategic management of the Federation and is instrumental in negotiations between the Government of Jamaica and the Federation. Detective Sergeant Rowe previously held the post of General Secretary and Director of Legal Affairs of the Jamaica Police Federation.

Detective Sergeant Rowe is the holder of a Law Degree from the University of Technology and an Associate Degree in Criminal Justice from the National Police College of Jamaica.

Mr. Rowe chairs the Audit Committee of the NHT's Board.

Mr. Granville Valentine, C.D., JP

Granville Valentine is a Trade Unionist and Industrial Relations Consultant who has seen meteoric growth in the labour movement. He currently serves as the General Secretary for the National Workers Union and has worked with the union for the past 20 years.

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

Mr. Valentine is also the recipient of the Centennial Award for his noteworthy contribution to Labour & Industrial Relations by the Government of Jamaica and the International Labour Organization.

Mr. David P. Wan

David Wan works as an Executive in the financial services sector locally and internationally. He has served as Chief Executive Officer in Investment and Stock-broking, Life Insurance and Banking.

Mr. Wan has served on several boards in the banking and tertiary education sector as well as government financial restructuring agencies; and is now the President of the Jamaica Employers Federation. He serves as chairman of the Finance and Investment Committee of the NHT's Board.

SENIOR EXECUTIVE MANAGEMENT TEAM

Martin Miller
MANAGING DIRECTOR

Dr. Lanie-Marie Oakley Williams
Senior General Manager
Customer Relations Management

Donald Moore
Senior General Manager
Construction & Development

Neil Miller
Senior General Manager
Corporate Services

Errol Thompson
Senior General Manager
Finance

Judith Larmond Henry
General Manager
General Counsel & Company Secretary

Leighton Palmer
General Manager
Chief Information Officer

Lisa Myrie- Davis
General Manager
Chief Internal Auditor

Errol Holmes
General Manager
Business Process Optimization

Joyce Simms-Wilson
General Manager
Corporate Communications
and Marketing

Gladstone Johnson
General Manager
Contributions Management

Dr. Suzanne Wynter
General Manager
Loan Management

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Mr. Lennox Channer (Chairman)

Mr. Martin Miller (Managing Director)

Fellow Contributors,

The National Housing Trust was entrusted with the mission to add to and improve the existing stock of housing in Jamaica at inception 44 years ago. Since then, the organisation has completed 107,867 housing solutions for its contributors. Indeed, the Trust believes that every Jamaican should have access to safe, sustainable and affordable housing. Consequently, in the 2016/2017 financial year, the NHT ramped up construction activities with a goal of starting 23,000 housing solutions by the end of the 2020/2021 financial year. At the end of the 2019/2020 fiscal year, the Trust recorded 18,929 housing starts, requiring another 4,071 to achieve this goal. By prioritising construction of units, the Trust increased the proportion of total assets invested in housing from 84% in 2016 to 91% at the end of March 2020. This move signalled our commitment to further improving contributors' access to homeownership, in a secure environment.

The NHT's assessment of housing demand in Jamaica points to the need to increase the supply of housing solutions at the middle to lower priced segment of the market. As such, the Trust has enhanced its policies to ensure that the units constructed are affordable to contributors.

The NHT again, surpassed its key performance targets for the 2019/2020 financial year. The Trust continues to encounter challenges daily, but remains confident in surmounting these because of the quality of staff that it retains.

In furtherance of its commitment to improve affordability and increase access to housing, the NHT undertook the following initiatives in 2019/20:

Reduced interest rates

In keeping with the market trends of declining interest rates, the NHT reduced its rates for all mortgagors by 1% and widened the current income bands. In so doing, the ceiling of the lowest interest rate band was increased from $12,000 to $15,000 per week. The new income bands and interest rates are now as follows:

Weekly Income ($)	Interest Rates for New Applicants (%)			
	Regular	Public Sector Workers	New Mortgagors 55 years & Older	Persons With Disabilities
Minimum wage - 15,000.99	0	0	0	0
15,001.00 – 30,000.99	1	0	0	0
30,001.00 – 42,000.99	3	2	1	0
42,001.00 and over	5	4	3	3

Public sector workers will continue to enjoy a 1% reduction in their applicable interest rate.

Increased loan limits

In April 2019, the loan limit was increased to $6.5M from $5.5M to account for the increases in construction costs. This increase now means that persons who have acquired a Serviced Lot can now access an increased sum to assist with the erection of their house.

Intergenerational mortgage

With the hope of improving the lives of older members of its contributor population through homeownership, the intergenerational mortgage product was introduced in May 2019. The aim of the programme is for a younger sibling or child to agree to carry the mortgage obligation when the older mortgagor retires or dies. This product is only applicable to NHT Schemes.

PERFORMANCE REVIEW

Financial Management

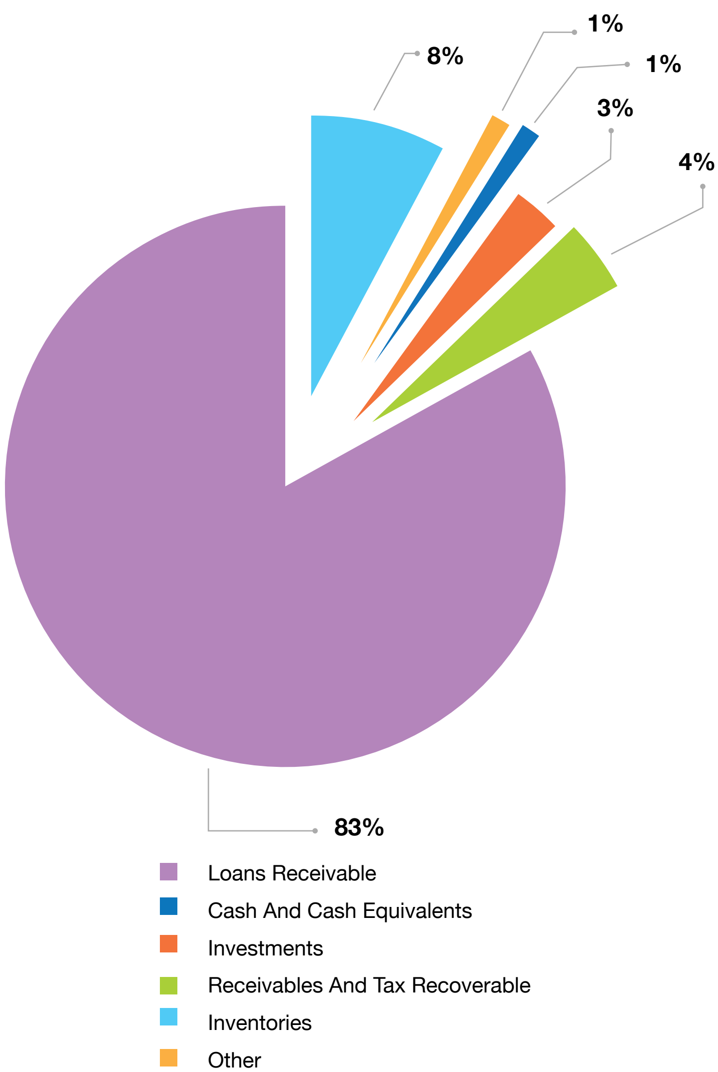
Total Assets

Similar to the previous financial year, the NHT recorded a growth in total assets of 6.25% during 2019/2020. Significant declines were observed in some asset classes as the NHT converted them to housing, in keeping with its thrust to start 23,000 solutions by the end of March 2021. The Trust ended the financial year with total assets valued at $309.9B.

Loan receivables totalled $256.9B and accounted for 82.9% of total assets. This represents an increase of 7.4% over the prior year's balance. Receivables and prepayments totalled $6.1B, an increase of 39.1% over 2018/2019. Sums paid as mobilisation on projects accounted for 72% of that amount.

As the Trust shifted its strategy from investing in the financial markets to investing in housing, investment securities, short term deposits and resale agreements and cash and cash equivalents declined by 45.5%, 56.5% and 51.9%, respectively. Conversely, the increased presence of NHT in the housing market led to a growth of 51.7% in inventories amounting to $25.5B. The value of housing under construction grew by 68.5%, moving from $10.7B to $18.1B. The value of housing units completed but not yet sold, increased almost threefold to $1.3B up from $497M last year.

There was a 66.1% decline in the employee benefit asset at the end of 2019/2020. This is due to declines in the fair value of plan assets at the time of valuation, which was during the onset of the COVID-19 pandemic. Some recoveries have been observed since.



Income and Expenditure

The Trust recorded a surplus of $18.9B in the year under review, down 20.3% from $23.7B in 2018/2019. Total operating income decreased 3.8% to $35.0B from $36.4B in 2018/19. Non-refundable employers' contributions, which is 61.4% of the total income, increased marginally by 1.0%. Interest revenue accounted for 32.6% of total income and declined by 9.6%, amounting to $11.4B. Interest on mortgage loans totalled $10.4B, down from $11.4B for 2018/19, a result of the 1% reduction in mortgage interest rates effected April 2019. Interest on investments fell by 22.1% due to the combination of declining interest rates and the reduction of investable funds resulting from increased construction activities.

Approximately $2.1B was earned from service charge on loans, gains on foreign exchange and disposal of investment securities and, miscellaneous income (comprising penalty income, debt management fees, peril and life insurance administrative fees). The NHT subsidised peril and life insurance administrative fees of $446.0M during 2019/2020.

Expenditure for the year amounted to $16.1B up from $12.1B in 2018/2019. Operating expenses, which accounted for 57.5% of the total increased by $759.2M or 8.9% over the previous year. Employee costs account for 75.3% of operating expenses.

For the year under review, employee costs increased by 13.0% owing to:

- increase in salaries and benefits as per the collective bargaining agreement.
- increase in the staff pension plan and post-retirement medical scheme

A sum of $3.8B, up from $0.5B in 2018/2019 was expensed as increase in allowance for expected credit losses. The shift in standards from IAS 39 to IFRS 9 meant that the Trust was now required to adjust impairment allowances for all credit loss exposures from loan origination, based on the deterioration of credit risk since the initial recognition. This was a change in methodology from one where the recognition of credit loss was triggered by an event subsequent to loan origination. Additionally, the expected impact of the COVID-19 pandemic triggered an increase in this allowance, which accounted for 26% of expenditure.

Interest on contributions collected amounted to $1.6B for the year under review. This represents a decline of 9.4% from the $1.8B paid in 2018/2019.

OPERATIONAL REVIEW

Key Performance Areas

- **Contributions Collection**

  Contributions collected surpassed its 2019/2020 target by 6.2% or $2.4B amounting to $38.4B. The amount represents a 2.7% or $1.0B increase over the sums collected in 2018/2019. The surplus can be attributed to growth in the Tourism and BPO sectors (pre-Covid-19) and improved contribution compliance efforts.

- **Mortgage Collection**

  The organisation collected $22.9B in loan repayments, $476M more than budgeted and $104M less than the previous year. The reduction in interest rates of one percent on all loans led to the decline in sums collected. Less than budgeted collections for the Combined Mortgage Portfolio, Institutional Loans and the Joint Finance Mortgage Portfolio were offset by the higher than anticipated repayments of Main Mortgage loans.

- **Loans Created**

  A total of 8,600 loans were granted to contributors between April 2019 and March 2020, 5.7% more than planned and 1.1% more than last year. As is customary, main mortgage loans account for the majority (84.3%) of the loans granted for the year – 7,254 with a value of approximately $23.2B. The total value of the loans written during the year was $30.3B. The Open Market and House Lot benefit types continued to do well, accounting for over 60% of the main mortgage loans written and just over a half of the total number of loans over the period.

Loans Created (April 2019 – March 2020)

Benefit Type	Actual	Budgeted
Build on Own Land	461	422
Construction Loan	915	1,143
Open Market	3,365	2,898
Scheme	203	191
Serviced Lots	47	32
Fifteen Plus	725	342
Home Improvement	142	260
House Lot	1,396	1,124
SUBTOTAL	7,254	6,412
Joint Finance Mortgage (JFM)	1,187	1,339
Solar Water Heater	159	10
TOTAL	8,600	7,761

- **Housing Starts & Completions**

  Housing Starts

  Housing starts exceeded targets by 6.8% totalling 4,086 housing solutions. These starts comprised construction on 10 housing developments and 1,573 individual projects (Build on Own Land, Construction Loan etc.).

  During the year the NHT entered into agreements with private developers for 6 projects, in 5 parishes, comprising 1,668 units. These projects accounted for 802 starts for the year and fall under the NHT's Guaranteed Purchase Programme (GPP). NHT developed projects contributed 37% to the total number of starts.

Housing Starts April 2019 – March 2020

Benefit Type	Location	Actual
Individual Benefits Loan		
Build on Own Land (BOL)		334
Construction Loan (CL)		752
Home Improvement (HI)		487
NHT Developed and Joint Venture Projects		
Twickenham Phase 4	St. Catherine	110
Perth Phase 2	Manchester	1,406
GPP Projects		
The Orchards Phase 3	St. Catherine	214
Mercury Gardens 2	St. Catherine	50
Out of the Blue	St. Ann	200
Linvale	St. Ann	52
Roseneath	Kingston	140
Orinduik Estate	St. James	146
Inner City Program		
Juno Crescent	Clarendon	64
White Wing	St. Andrew	131
Total		**4,086**

- **Housing Completions**

  The organisation completed 2,521 housing solutions during the year, a 20% improvement over the 2018/2019 performance. Beneficiary construction projects amounted to 1,363 and continue to account for the majority (54%) of housing completions. NHT projects inclusive of Joint Ventures and the Labour and Small Materials programme delivered 968 solutions; 38% of the total.

Housing Completions April 2019 – March 2020

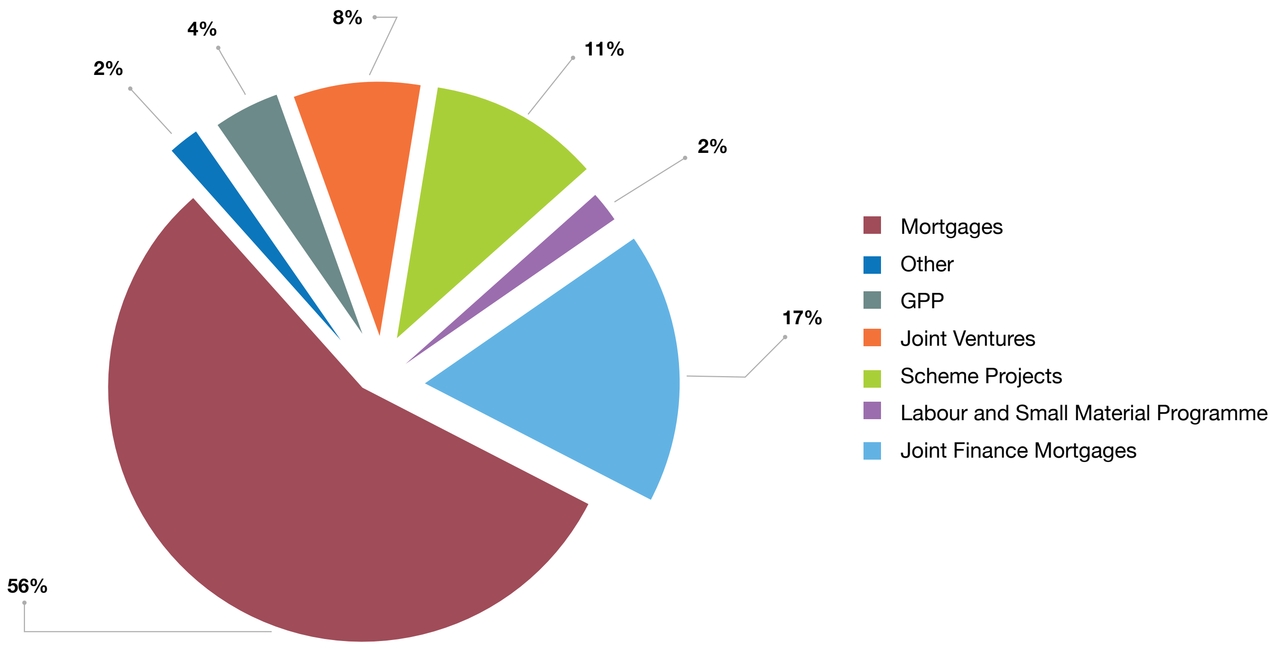
Benefit Type	Location	Actual
Individual Benefits Loan		
Build on Own Land (BOL)		299
Construction Loan (CL)		644
Home Improvement (HI)		420
NHT Developed and Joint Venture Projects		
Barham	Westmoreland	32
Darliston	Westmoreland	29
Savannah Park	Westmoreland	13
Shrewsbury	Westmoreland	23
Hellshire 2	St. Catherine	92
Hellshire 3	St. Catherine	113
Mary's Field	St. Catherine	30
Hummingbird Phase 1	Clarendon	10
Moneymusk 2	Clarendon	116
The Estuary 1	St. James	417
Labour and Small Materials Programme		
Masemure	Westmoreland	43
Jacksonville	Clarendon	50
NHT Financed Projects		
Winchester Estate	Hanover	190
Total		**2,521**

Other Operational Areas

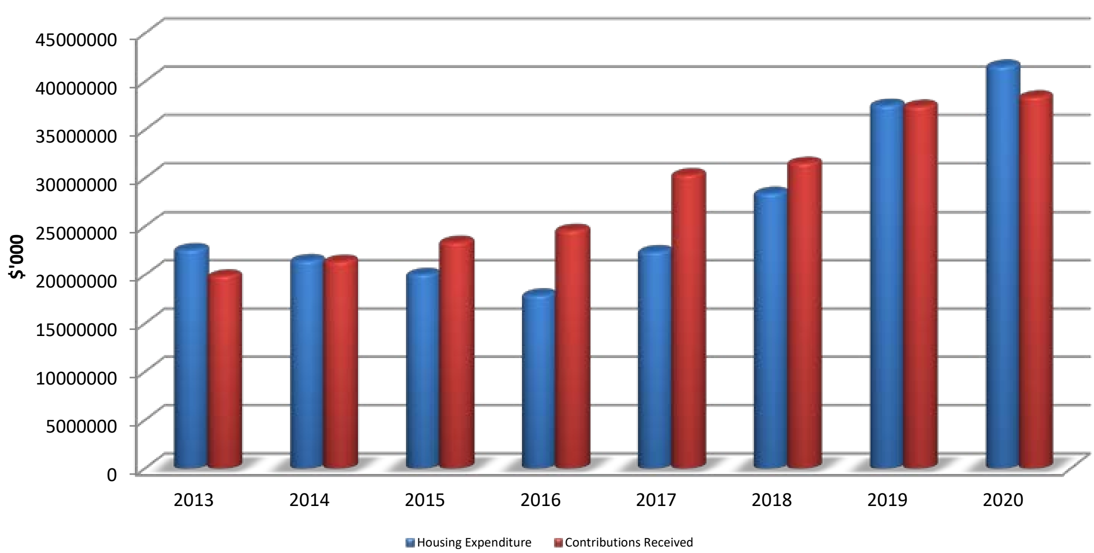
- **Housing Expenditure**

  Consistent with NHT's increased presence in the housing market, housing expenditure for 2019/2020 was $41.6B, a 10.8% increase over 2018/2019 and 46.2%more than the sum expended in 2017/2018. The amount expended was 92% of the budgeted sum and 107% of contributions collected for the year. Mortgage financing (Individual benefits and Joint Mortgage Financing) of $30.3B was 7% more than budgeted and 73% of total housing expenditure. The sum of $11.2B that was used to finance construction projects and land acquisition in 2019/2020 was similar to the $11.4B spent in the prior year.

Housing Expenditure April 2019 – March 2020



Housing Expenditure vs Contributions Collected



- **Contribution Refunds**

  Employee contributions remitted to the NHT up to 2012 were refunded during the financial year under review. A total of 166,588 contributors were refunded amounting to $7.6B, a decrease of 3.1% from the amount paid last year. Cash refund for 2019/2020 was $6.5B or 5.0% more than sums paid out for 2018/2019.

SPECIAL PROJECTS

NHT Scheme Upgrade Programme

Since the commencement of the programme, 71 projects of the 100 targeted were identified for implementation and are at varying stages of completion. Of this number, seven schemes have multiple projects being undertaken. A total of $593.7M has been disbursed for the commencement and execution of works. Of this amount $272.9M was spent in 2019/2020, just $21M less than the amount spent the previous year. There are projects in each of the 14 parishes.

Refurbishing of Police Stations

Construction works continued on five (5) police stations: Port Maria, Olympic Gardens, Port Antonio, Buff Bay and the Special Operations (Mobile Barracks) Unit. Architectural designs are being undertaken for Savanna-la-mar, Frome, Anchovy, Little London, Lacovia and Stony Hill police stations. A sum of $100M was expended in 2019/2020 for this programme.

Renovation of Infirmaries & Solar Panelling Programme

The scope of works under this programme extends to the redevelopment of five (5) infirmaries and the installation of solar panels in thirteen (13) infirmaries in conjunction with the Ministry of Local Government and Community Development. The five infirmaries: St. Elizabeth, Manchester, St. James, Westmoreland and Portland are at varying stages of completion and to date a total of $117.5M has been spent, of which $57.5M was spent in 2019/2020.

STAFF ACTIVITIES

Once again, our sporting teams dominated the Business House arena in a successful 2019/2020 season. Victory was again celebrated by the NHT Netball team, as they secured yet another undefeated season; retaining their title as champions of the Business House Rally, Open League, and Senior A competitions respectively. On the international scene, we once again netted the Florida Netball Classics Trophy, amongst some of netballs finest teams, with an undefeated tournament for the 2019 season.

Our Footballers kept us at the edge of our seats with a nail biting 2-1 overtime win against RJR Gleaner in the finals of the 2019 Business House Knockout Competition. The football team must be applauded for their relentless efforts throughout the season which allowed them to nab yet another trophy for the NHT.

Equally, lets also commend our basketball team for their unyielding effort in making it to another Business House Basketball Finals. The best of 5 season was tied 1-1 before it prematurely ended due to the global pandemic.

THE YEAR AHEAD

NHT's Project 23,000 which was started in 2016/2017, has formed a solid foundation and has created improved access to affordable housing. This drive to start 23,000 solutions has triggered increased expenditure and provided a fillip to residential construction in Jamaica. The Trust also improved several communities occupied by contributors, while strengthening its approach to addressing the needs of low-income earners. This year's housing expenditure has been the largest in the history of the NHT, and 91% of the Trust's total assets is held in housing and we expect this to grow to 93% at the end of 2020/21.

In furtherance of its mandate, the NHT intends to start 1,671 housing solutions mainly in Kingston and St. Andrew, St. Elizabeth and St. James. It is expected that by the end of the year, 5,902 solutions will be completed. Major projects to be delivered are The Estuary in St. James, Colbeck Castle and SilverSun in St. Catherine, Winchester Estates in Hanover and Perth in Manchester.

Other initiatives to be undertaken in 2020/21 include:

Interest rate reduction

A further reduction in interest rates will take effect at the beginning of the 2020/21 financial year. Interest rates on all new loans will be reduced by 1% and by 0.5% for existing loans. The former is expected to benefit an estimated 7,000 new mortgagors and the latter over 100,000 existing mortgagors. The new interest rates are as follows:

Income Band	New Mortgagors	Existing Mortgagors
Minimum wage - $15,000.99	0%	0%
$15,001.00 – $30,000.99	0%	0.5%
$30,001.00 – $42,000.99	2%	2.5%
$42,001.00 and over	4%	4.5%

The interest rate discounts offered to mortgagors over 55, disabled mortgagors and public sector workers will be maintained. Additionally, the interest rates discounts offered to disabled mortgagors will be extended to include mortgagors who are parents of disabled children.

Housing Benefits for Contributors over 65 years

The NHT recognizes that increasingly, persons are living and working beyond the age of 65 years. Currently, individuals over the age of 65 years are not required to contribute to the Trust and are not allowed to access housing benefits. The NHT Act, however, makes provision for individuals who would not, ordinarily, be liable to pay contributions, to do so voluntarily and thereby qualify for benefits. These individuals or groups are classified as Voluntary Contributors. Contributors aged 65 years and over, will be designated as Voluntary Contributors and therefore be able to access housing benefits with tenures extending up to age 70.

Peril Insurance Coverage for Matured Loans

Currently, mortgagors benefit from lower premium rates based on economies of scale, since the NHT negotiates rates on the basis of its large property portfolio. This insurance coverage is discontinued for properties once the loan matures. The NHT intends to establish a special arrangement whereby, following maturity of the loan, the insurance arrangement at special rates may be continued. The cost savings will enable beneficiaries to continue the protection of their properties in a period of life when their earning power may be at its lowest.

Special Relief for Mortgagors

As Jamaica continues to grapple with the effects of the global pandemic COVID-19, the NHT is offering some relief to its mortgagors whose incomes have been affected. These mortgagors may apply for special assistance including a moratorium. Additionally, for the first six months of the financial year (April – September 2020), all late fees will be suspended for accounts in arrears less than 90 days. Since February 29, 2020, mortgagors with loan accounts in arrears more than 90 days, and where the property was not in the process of being disposed of, benefited from relief to include rescheduling their mortgages or reduced interest rates.

As always, we thank you our contributors for our continued growth and success. We intend to continue building communities and housing our nation - exploring new avenues to increase the supply of affordable housing and to give each contributor a chance to achieve their dream of homeownership.

CORPORATE GOVERNANCE REPORT

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

COMPOSITION OF THE BOARD

The composition of the Board ranges between 9 to 17 members, inclusive of a Chairman. The current Board has 12 directors, 11 of which were appointed September 9, 2019. The Managing Director, was appointed to the Board on February 10, 2020. There are six (6) sub-committees of the Board, as shown in the following table:

SUB-COMMITTEES OF THE NHT BOARD OF DIRECTORS

Sub-Committee	Major Responsibilities	Frequency of Meeting
Audit Committee	- Assesses the adequacy and scope of arrangements for the internal and external audit of the accounts of the NHT; - Examines the reports of internal and external auditors in relation to such accounts; - Ascertains what action has been taken in respect of recommendations contained in such reports.	**Quarterly**
Customer Relations Committee	- Reviews and recommends requests from contributors for variations to policies to support their acquisition of housing solutions; - Accepts and makes recommendations to the Board regarding any issues emanating from such policies and strategies which have been implemented or proposed by the Customer Relations Management Division (CRM), through NHT's Leadership Team; - Promotes the development of housing communities through monitoring the provision of support services.	**Bi-monthly**
Finance and Investment Committee	- Examines in depth, as appropriate, in association with other Committees, the sources and uses of funds to improve the efficiency and effectiveness of the provision of housing solutions and the long-term viability of the NHT; - Acts in an advisory capacity to the Board of Directors on the overall financial condition of the NHT; - Reviews the short term and long term financing arrangements of the NHT; - Monitors to ensure compliance with and adherence to the Corporate Plan; - Ensures that there is full compliance and adherence with the "Government of Jamaica's" ("GOJ") Procurement Guidelines and Policies in observance of sound business practices on a fair, competitive and transparent basis; - Leads the strategic direction of the NHT in the management of material business risks; - Direct and oversee the establishment and implementation of an enterprise risk management framework; - Reviews the effectiveness of the risk management framework in identifying and managing risks and controlling internal processes; - Formulates strategies for improving the NHT's financial position that will facilitate the maximization of revenue inflows; - Reviews the annual Budgets of the NHT.	**Bi-monthly**

Governance Committee	- Ensures that the NHT operates within the framework of good corporate governance in keeping with the requirements of the Corporate Governance Framework for Public Bodies (CGFPB) and the Public Bodies Management and Accountability (PBMA) Act. It is noted that good corporate governance promotes fairness, transparency, accountability and efficiency and the NHT as an important entity within the public sector is committed to displaying leadership in this area.	**Quarterly**
HRM and Information Technology Committee	- Guides the Board and contributes to strategic policy deliberations, thereby ensuring the optimization of NHT's human capital. - Guides and supports Human Resource policy formulation, implementation and evaluation in general, including but not limited to the provisions of the Human Resource Strategic Plan. The Plan constitutes a framework for the Committee's deliberations and includes policies and strategies relating to recruitment, selection, training and development of employees of the NHT; - Reviews, evaluates and recommends strategies for the technological direction of the NHT.	**Quarterly**
Property and Technical Committee	- Promotes housing projects to such extent as may from time to time be approved by the Minister; - Makes available to such contributors as may be prescribed, in such manner and on such terms and conditions as may be prescribed, loans to assist in the purchase, building, maintenance, repair or improvement of houses; - Encourages and stimulates improved methods of production of houses.	**Monthly**

OPERATION OF THE BOARD

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

Attendance is registered by the physical presence of Directors or by their communication via teleconferencing. The record for the 2019/20 period shows a total of eleven (11) Board meetings held with attendance as follows:

BOARD ATTENDANCE

Chairman/ Director	Number of meetings attended
Mr. Lennox Channer	11/11
Mr. Colin Barnett*	7/11
Mr. Doran Dixon	11/11
Sen. Kavan Gayle	9/11
Mr. O'Neil Grant	10/11
Mrs. Nesta- Claire Hunter	9/11
Sen. Kerensia Morrison	4/11
Mr. Ryan Parkes	5/11
Mr. Patrae Rowe*	8/11
Mr. Granville Valentine	10/11
Mr. David Wan	8/11
Mr. Martin Miller	11/11

* These Directors were appointed to the Board of Directors on September 9, 2019.

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

SUB- COMMITTEE MEETING ATTENDANCE

Director	Audit Committee (3)	Customer Relations Committee (8)	Finance & Investment Committee (9)	Governance Committee (5)	HRM & Information Technology (5)	Properties & Technical Committee (8)
Mr. Colin Barnett				4/5*	2/5	
Mr. Doran Dixon		7/8*	9/9	4/5		
Sen. Kavan Gayle	2/3				5/5*	
Mr. O'Neil Grant	2/3					8/8*
Mrs. Nesta- Claire Hunter		7/8		1/5	2/5	4/8
Sen. Kerensia Morrison					2/5	4/8
Mr. Ryan Parkes			5/9		0/5	6/8
Mr. Patrae Rowe[1]	1/3*	4/8				
Mr. Granville Valentine		3/8			2/5	6/8
Mr. David Wan			9/9*			4/8
Mr. Martin Miller	3/3	7/8	9/9	5/5	5/5	8/8
Mr. Gary-Vaughn White (Co-opted)			7/9			
Mr. Ricardo Case (Co-opted)					3/5	
Mr. Peter Jervis[2] (Co-opted)						3/8
Mr. Justin Nam[3] (Co-opted)			1/9			

*Denotes Committee Chairman

Notes:

1. Appointed to the Audit Committee November 29, 2019.
2. Co-opted to the Board November 20, 2019.
3. Resigned October 17, 2019.
4. Mr. Colin Barnett and Mr. Patrae Rowe were appointed to the Board of Directors on September 9, 2019.

DIRECTORS' INDEMNITY

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

INTERNAL AUDIT

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

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

RISK MANAGEMENT

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

EXTERNAL AUDIT

External Auditors provide another means of independent and objective evaluation of the organization's operations, helping to ensure its integrity and financial prudence. They receive direct oversight from the Audit Sub-Committee, which reviews and makes recommendations for their appointment. At the beginning of the 2017/18 financial year, Ernst & Young were appointed Auditors for a period of three years.

PICTORIAL

GROUND BREAKING

PERTH ESTATE

On April 11, 2019, The NHT broke ground at its Perth Estate development in Manchester. The development will consist of a mixture of 2 bedroom units and Serviced Lots.

Member of Parliament for Central Manchester Pete
Bunting: Minister without Portfolio in the Ministry o
Economic Growth and Job Creation Hon. Pearnel C
Jr., NHT Board Chairman Lennox Channer, and Ma
Director Martin Miller perform the symbolic ground
gesture.

SILVERSUN ESTATE

The NHT was pleased to break ground for the 190 two bedroom units of SilverSun Estate in St. Catherine on April 24, 2019.

Joining the Prime Minister and Minister with Portfolio responsibility for the NHT, the Most Hon. Andrew Holness for the symbolic groundbreaking gesture are from left: His Worship the Mayor of Spanish Town, Councillor Norman Scott, WIHCON Chairman Peter Melhado, Minister without Portfolio in the Ministry of Economic Growth and Job Creation Hon. Pearnel Charles Jr., Managing Director Martin Miller, Member of Parliament for St. Catherine South Central Dr. Andrew Wheatley and NHT Board Director David Wan.

Right: The Most Hon. Andrew Holness along with WIHCON Chairman Peter Melhado, Managing Director Martin Miller and Chairman of ICD Joseph Matalon (background) listens to a presentation by WIHCON CEO Delroy Alcott.

Directo
Develo
Comm
represe

HUMMINGBIRD MEADOWS

The groundbreaking ceremony for Hummingbird Meadows Phase 2, Clarendon was held on May 31, 2019. The development will comprise 336 units and 70 Serviced Lots.

The Most Hon. Andrew H
gesture at Hummingbird
Parliament for Clarendon
Member of Parliament of
Managing Director Martin

Prime Minister, the Most Hon. Andrew Holness addressing the audience at Hummingbird Meadows.

The Most Hon. Andrew Holness shares a joke with Member of Parliament of South Eastern Clarendon Hon. Rudyard Spencer, Member of Parliament for Clarendon Central Hon. Michael Henry and Custos Rotulorum of Clarendon, Hon. William Shagoury.

er
of
Charles
anaging
lbreaking

Above: from left: Managing Director Martin Miller, Senior General Manager for Construction and Development, Donald Moore and Minister without Portfolio in the Ministry of Economic Growth and Job Creation Hon. Pearnel Charles Jr. share an interesting discussion at the groundbreaking ceremony of Perth Estate.

Member of Parliament for Central Manchester Hon. Peter Bunting shares some key insights with Managing Director Martin Miller at the groundbreaking ceremony for Perth Estate.

Minister without Portfolio in the Ministry of Economic Growth addressing the audience at Perth

r David Wan, Senior General Manager for Construction and pment, Donald Moore and General Manager, Corporate unications and Marketing Joyce Simms-Wilson greet an ICD entative at the groundbreaking ceremony for SilverSun Estate.

olness (centre) performs a symbolic groundbreaking Meadows. Joining him are from left Member of Central Hon. Michael Henry, Director Doran Dixon, South Eastern Clarendon Hon. Rudyard Spencer, Miller.

TWICKENHAM GLADES

Ground was broken for 110 single- storey two-bedroom duplex units on August 30, 2019 in Spanish Town, St. Catherine.

Prime Minister the Most Hon. Andrew Holness participates in the symbolic groundbreaking at Twickenham Glades along with from left: Managing Director Martin Miller, Member of Parliament for St. Catherine Eastern, Hon. Denise Daley and Board Chairman Lennox Channer.

Members of the Twickenham Park community and other guests.

Board Chairman Lennox Channer greets Peter Taylor, Project Manager.

HAND OVER

SPANISH RIDGE

Thirty-seven (37) units were handed over to beneficiaries at the Spanish Ridge development in Kitson Town, St. Catherine, on July 26, 2019. These units comprised of eighteen (18) two-bedroom houses, twelve (12) one-bedroom houses and seven (7) Serviced Lots.

Joining the Prime Minister and Minister with Portfolio responsibility for the NHT, the Most Hon. Andrew Holness for the ceremonial ribbon cutting are from left: NHT Board Chairman Lennox Channer: Managing Director Martin Miller: Member of Parliament for West Central St. Catherine, Dr. The Hon. Christopher Tufton and Spanish Ridge beneficiary Kayla-Jo Allen.

Prime Minister the Most Hon. Andrew Holness is welcomed with handshakes and smiles by from left: Member of Parliament for West Central St. Catherine, Dr. The Hon. Christopher Tufton: NHT Board Chairman Lennox Channer: and Managing Director, Martin Miller.

Prime Minister, The Most Honourable Andrew Holness presents beneficiaries with the keys to their new home.

Beneficiaries of Spanish Ridge pose with the Most Hon. Andrew Holness, Member of Parliament Dr. Christopher Tufton, Managing Director Martin Miller and Chairman Lennox Channer.

SHREWSBURY AND DARLISTON

On December 4, 2019 NHT handed over twenty three (23) housing units to beneficiaries at the Shrewsbury Development in Petersfield and twenty nine units (29) to beneficiaries at Darliston Grove in the parish of Westmoreland.

Member of Parliament for Westmoreland Eastern, Luther Buchanan, addressing the audience at the handing over ceremony.

Joining the Prime Minister with Portfolio responsibility for the NHT, the Most Hon. Andrew Holness for the ceremonial ribbon cutting are from left: Managing Director Martin Miller: Minister without Portfolio in the Ministry of Economic Growth and Job Creation, The Hon. Pearnel Charles Jr., Member of Parliament for Westmoreland Eastern, Luther Buchanan, Angella James – Gentles (wife of a Darliston beneficiary), and Director Nesta- Claire Hunter.

Joyful beneficiaries display their keys with Prime Minister, the Most Hon. Andrew Holness.

Beneficiaries of both the Shrewsbury and Darliston Grove developments.

NHT IN THE COMMUNITY

In June 2019, the NHT's Social Development Department through their Sports for Community Development programme introduced the game of Chess to several NHT communities islandwide. Below are scenes from the Longville and Angels communities

NHT, in partnership with the Social Development Commission, launched a T20 Cricket competition for its schemes. Below are scenes from the finals held on August 25, 2019. Finalists were from the communities of Longville, Bushy Park, Angels and Old Harbour Mews.

MUSIC SUMMER CAMP AT ALPHA

NHT SCHOLARSHIP

The NHT provides annual scholarships for University of Technology Students in the disciplines of Construction, Urban Planning, Business Administration and Accounting.

STAFF ACTIVITIES

NHT STAFF MEETING AND EMPLOYEE AWARDS CEREMONY

Chairman Lennox Channer presents Manchester Branch with the Branch of the Year award.

Chairman Lennox Channer presents Portland Service Centre with the Service Centre of the Year award

Senior General Managers Errol Thompson and Dr. Lanie Oakley-Williams present Shaniek Robinson with the Branch Network Employee of the Year award

Senior General Managers Errol Thompson and Dr. Lanie Oakley-Williams present Janet Hartley – Millwood with the Branch Manager of the Year award

2019 Business House Football Champions

MANAGING DIRECTOR'S AWARDS

Managing Director Martin Miller presents Brian Saunders, Senior Project Manager with the MD's Award for Excellence

Senior General Manager Donald Moore presents Patrick Allen, Insurance Officer with the MD's Award for Excellence

Managing Director Martin Miller presents Janeal Bryan, Accounting Officer with the MD's Award for Excellence

Senior General Manager Neil Miller presents Norris Rainford (Decease) of the Westmoreland Branch with the Helping Hands Award

Dr. Lanie Oakley-Williams congratulates Everton Campbell of the Emancipation Park on his Helping Hands Award

SPORTS

NHT A – 2019 Business House Netball & Florida Classics Champions

DIRECTORS' REPORT

1. **Statement of Profit or Loss and Other Comprehensive Income for Year Ended March 31, 2020**

	2020 $'000	2019 $'000
Non-refundable employers' contributions	21,464,658	21,244,950
Interest revenue:		
- Loans	10,423,473	11,354,647
- Investment securities	970,776	1,246,883
	11,394,249	12,601,530
Bonus on employees' contributions	(1,631,329)	(1,800,103)
Net interest revenue	9,762,920	10,801,427
Fair value gains on investment securities (net)	26,923	683,355
Gains on disposal investment securities (net)	449,606	-
Dividends from equity investments	36,369	34,064
Service charge on loans to beneficiaries	837,220	676,664
Gains on projects (including allowance for impairment)	17,339	32,350
Foreign exchange gain (net)	479,052	112,950
Peril and life insurance administrative fees recovered	-	379,096
Miscellaneous	255,147	593,203
	11,864,576	13,313,109
	33,329,234	34,558,059
Operating expenses	9,264,333	8,505,103
Increase in allowance for expected credit losses (net)	3,756,811	528,297
Loss on disposal of investment securities (net)	-	1,749
Special subsidies and grants	970,945	1,059,123
Subsidy on peril and life administrative fees	446,012	-
Government levies	20,243	95,765
Share of losses of associate	9,888	71,311
	14,468,232	10,261,348

PROFIT BEFORE TAXATION	18,861,002	24,296,711
Taxation	74,717	(549,084)
PROFIT FOR THE YEAR	18,935,719	23,747,627
Other comprehensive (loss)/ income:		
Items that will never be reclassified to profit or loss:		
- Remeasurement loss on defined benefit plan	(1,067,129)	(654,843)
- Deferred tax on remeasurement loss on defined benefit plan	266,782	163,711
	(800,347)	(491,132)
Other comprehensive loss for the year, net of tax	(800,347)	(491,132)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	18,135,372	23,256,495

2. The Board of Directors

Mr. Lennox Channer, Chairman
Mr. Martin Miller, Managing Director
Mr. Colin Barnett, JP
Mr. Doran Evan Dixon, JP
Senator Kavan Gayle, CD
Mr. O'Neil Wilton Grant
Mrs. Nesta-Claire Hunter
Senator Kerensia Morrison
Mr. Ryan D. Parkes
Mr. Patrae Rowe
Mr. Granville Valentine, CD, JP
Mr. David P. Wan

Co-opted Board Members

Gary-Vaughn White
Peter Jervis
Ricardo Case

3.The Auditors

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

4. The Employees

The Directors wish to thank the management and staff of the Trust for their hard work during fiscal year 2019/2020.

National Housing Trust

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

CONTENTS

Building a better working world

Ernst & Young Chartered Accountants
8 Oliver Road, Kingston 8
Jamaica W.I.

Tel: 876 925 2501
Fax 876 755 0413
http://www.ey.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of National Housing Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Housing Trust ("the Trust"), which comprise the statement of financial position as at March 31, 2020, the statements of profit or loss and other comprehensive income, changes in accumulated fund and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at March 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the National Housing Trust Act ("the Act").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Board of Directors of National Housing Trust (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

Building a better working world

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Board of Directors of National Housing Trust (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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 National Housing Trust Act in the manner required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

July 30, 2020

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

	Notes	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	6	1,752,711	3,647,689
Receivables and prepayments	7	6,126,907	4,405,128
Short term deposits and resale agreements	8	768,159	1,767,868
Non-current assets held for sale	9	-	1,940
Investment securities	10	8,205,658	15,068,156
Taxation recoverable	28(a)	7,230,647	7,076,672
Loans receivable	11	256,874,038	239,090,471
Inventories	13	25,513,803	16,819,342
Intangible assets	14	9,505	20,514
Investments in associate	15	1,119,371	1,113,398
Employee benefits asset	16	412,426	1,216,791
Property, plant and equipment	17	1,862,349	1,408,600
Total assets		309,875,574	291,636,569
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Payables and accruals	18	7,522,823	5,618,298
Provisions	19	207,075	202,137
Refundable contributions	20	117,547,009	107,965,077
Taxation payable	28(b)	6,472,138	6,472,138
Deferred tax liabilities	21	9,527	351,026
Employee benefits obligation	16	1,316,234	962,497
		133,074,806	121,571,173
ACCUMULATED FUND			
Mortgage subsidy reserve	22	3,919,758	3,919,758
Peril reserve	23	4,037,046	3,718,737
Loan loss reserve	11(v),24	1,556,142	3,426,948
Accumulated profit		167,287,822	158,999,953
		176,800,768	170,065,396
Total liabilities and accumulated fund		309,875,574	291,636,569

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

The financial statements were approved for issue by the Board of Directors on July 30, 2020 and signed on its behalf by:

Lennox Channer - Chairman

Martin Miller – Managing Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

	Notes	2020 $'000	2019 $'000
Non-refundable employers' contributions	2(c),29(f)	21,464,658	21,244,950
Interest revenue:			
- Loans	29(a)	10,423,473	11,354,647
- Investment securities	29(a)	970,776	1,246,883
		11,394,249	12,601,530
Bonus on employees' contributions	29(b)	(1,631,329)	(1,800,103)
Net interest revenue		9,762,920	10,801,427
Fair value gains on investment securities (net)	29(c)	26,923	683,355
Gains on disposal investment securities (net)	29(c)	449,606	-
Dividends from equity investments	29(a)	36,369	34,064
Service charge on loans to beneficiaries	11(r)	837,220	676,664
Gains on projects (net of allowance for impairment)	13(b)	17,339	32,350
Foreign exchange gain (net)		479,052	112,950
Peril and life insurance administrative fees recovered		-	379,096
Miscellaneous	26	255,147	593,203
		11,864,576	13,313,109
		33,329,234	34,558,059
Operating expenses	29(d)	9,264,333	8,505,103
Increase in allowance for expected credit losses (net)	29(e)	3,756,811	528,297
Loss on disposal of investment securities (net)	29(c)	-	1,749
Special subsidies and grants	27	970,945	1,059,123
Subsidy on peril and life administrative fees		446,012	-
Government levies		20,243	95,765
Share of losses of associate	15	9,888	71,311
		14,468,232	10,261,348
PROFIT BEFORE TAXATION		18,861,002	24,296,711
Taxation credit (charge)	28(c)	74,717	(549,084)
PROFIT FOR THE YEAR	29	18,935,719	23,747,627
Other comprehensive (loss)/income:			
Items that will never be reclassified to profit or loss:			
- Remeasurement loss on defined benefit plan	16(c)	(1,067,129)	(654,843)
- Deferred tax on remeasurement loss on defined benefit plan	21	266,782	163,711
		(800,347)	(491,132)
Other comprehensive loss for the year, net of tax		(800,347)	(491,132)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,135,372	23,256,495

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

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

	Notes	Mortgage subsidy reserve $'000	Peril reserve $'000	Loan loss reserve $'000	Accumulated profit $'000	Total $'000
Balance at April 1, 2018		3,754,599	3,777,426	3,484,290	147,192,586	158,208,901
Total comprehensive						
Profit for the year		-	-	-	23,747,627	23,747,627
Other comprehensive loss for the year		-	-	-	(491,132)	(491,132)
Total comprehensive income for the year		-	-	-	23,256,495	23,256,495
Recognised directly in accumulated fund:						
Transfer to consolidated fund	25	-	-	-	(11,400,000)	(11,400,000)
Transfers	22,23,24	165,159	(58,689)	(57,342)	(49,128)	-
Balance at March 31, 2019		3,919,758	3,718,737	3,426,948	158,999,953	170,065,396
Total comprehensive						
Profit for the year		-	-	-	18,935,719	18,935,719
Other comprehensive loss for the year		-	-	-	(800,347)	(800,347)
Total comprehensive income for the year		-	-	-	18,135,372	18,135,372
Recognised directly in accumulated fund:						
Transfer to consolidated fund	25	-	-	-	(11,400,000)	(11,400,000)
Transfers	22,23,24	-	318,309	(1,870,806)	1,552,497	-
Balance at March 31, 2020		3,919,758	4,037,046	1,556,142	167,287,822	176,800,768

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

STATEMENT OF CASH FLOW

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		18,935,719	23,747,627
Adjustments to profit for the year	37	(10,341,794)	(14,377,008)
		8,593,925	9,370,619
Increase in operating assets			
Receivables and prepayments		(2,226,869)	(2,895,074)
Employers benefit contributions	16	(249,577)	(218,031)
Increase in operating liabilities:			
Payables and accruals		1,904,525	109,978
Cash provided by operations		8,022,004	6,367,492
Dividends received		36,369	34,064
Interest received		11,940,299	12,613,917
Tax paid		(153,975)	(233,734)
Cash provided by operating activities		19,844,697	18,781,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of resale agreements		(1,377,325)	(2,486,900)
Proceeds on encashment of resale agreements		2,505,406	7,893,872
Acquisition of investment securities		(76,927)	(2,176,844)
Proceeds on encashment of investment securities		7,629,807	4,258,005
Loans receivable, less recoveries		(20,173,035)	(20,137,827)
Increase in inventories (net)		(8,758,090)	(4,906,812)
Acquisition of property, plant and equipment	17	(616,168)	(155,559)
Investments in associate (net)	15	(15,861)	(77,994)
Proceeds on disposal of non-current assets held-for-sale		28,889	-
Cash used in investing activities		(20,853,304)	(17,790,059)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employees		16,959,813	16,166,294
Refund of employees' contributions		(6,486,084)	(6,175,922)
Transfer to consolidated fund	25	(11,400,000)	(11,400,000)
Cash used in financing activities		(926,271)	(1,409,628)
DECREASE IN CASH AND CASH EQUIVALENTS		(1,934,878)	(417,948)
OPENING CASH AND CASH EQUIVALENTS		3,643,648	4,059,657
Effect of foreign exchange rate changes		43,635	1,939
CLOSING CASH AND CASH EQUIVALENTS	6	1,752,405	3,643,648

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

1 **IDENTIFICATION**

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

The functions of the Trust are:

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

(i) promoting housing projects to such extent as may, from time to time, be approved by the Minister responsible for the Trust.

(ii) making loans available to contributors to assist in the purchase, building, maintenance, repair or improvement of houses; and

(iii) encouraging and stimulating improved methods of production of houses.

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

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

I. to provide for:

(i) development projects undertaken by the Trust;

(ii) social services and physical infrastructure for communities developed under the projects;

II. to administer and invest the moneys of the Trust;

III. to enter into loan agreements with borrowers;

IV. to receive and administer funds entrusted to the Trust in accordance with the provisions of the Act:

V. to make refunds and grants to contributors or any category thereof, on such terms and conditions as may be prescribed;

VI. to re-finance from time to time, subject to such restrictions and conditions as may be prescribed, mortgages held by members of any prescribed category of contributors; and

VII. to do such other things as may be advantageous, necessary or expedient for or in connection with the proper performance of its functions under this Act.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

2 **CONTRIBUTIONS AND BENEFITS**

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

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

(i) loans for housing acquisition or improvement;
(ii) contribution refunds including bonuses awarded in the eighth year after the first contribution year and annually thereafter for each successive year in which contributions were made (see Note 20(a)) and;
(iii) contribution refunds in the event of death, invalidity and other circumstances prescribed.

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

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

3.1 **Statement of compliance**

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

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

<u>Current year changes</u>
The Trust applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after April 1, 2019. The Trust has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 *Leases*
This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of "low value" assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

This standard did not have any impact on the financial statements of the Trust as based on the Trust's assessment, the existing leases were classified as short-term leases due to the application of the lease recognition exemptions as the contracts include termination clauses without significant penalty.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

3.1 **Statement of compliance (continued)**

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

Current year changes (continued)

Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (continued)
The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

These amendments had no impact on the financial statements of the Trust.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

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

The Trust determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Trust considered whether it has any uncertain tax positions but has determined, based on its level of tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

3.1 **Statement of compliance (continued)**

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

Current year changes (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

These amendments had no impact on the Trust's financial statements, as the Trust did not have any plan amendments, curtailment or settlement during the year.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments had no impact on the Trust's financial statements as the Trust's currently applies equity accounting in recording its interest in Associate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

3.1 **Statement of compliance (continued)**

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

Current year changes (continued)

Annual Improvements 2015-2017 Cycle (issued in December 2017)
These improvements include:

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

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

  These amendments had no impact on the Trust's financial statements.

- IFRS 11 Joint Arrangements
  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

  The amendments clarify that the previously held interests in that joint operation are not remeasured.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

3.1 **Statement of compliance (continued)**

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

Current year changes (continued)

Annual Improvements 2015-2017 Cycle (issued in December 2017) (continued)

- IAS 12 Income Taxes (continued)
  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

  This amendment has no impact on the Trust's financial statements.

- IAS 23 Borrowing costs
  The amendments clarify that an entity treats as part of general borrowings any borrowings original made to develop a qualifying asset when substantially all of the activities necessary to prepare the asset for it intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not applicable to the Trust.

Future changes
The standards and interpretations that are issued, but not yet effective at March 31, 2020 are disclosed below. The Trust intends to adopt these standards, if applicable, when they become effective.

Classification of Liabilities as Current or Non-current Amendments to IAS 1 (Effective 1 January 2022)
In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments also clarify that the requirements for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date. These amendments are not expected to have any impact on the financial statements of the Trust.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

3.1 **Statement of compliance (continued)**

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

Future changes (continued)

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The directors and management have not yet assessed the impact of the application of this standard on the Trust's financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

3.1 **Statement of compliance (continued)**

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

Future changes (continued)

IAS 1 and IAS 8 - *Definition of Material - Amendments to IAS 1 and IAS 8*
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2020 and are not expected to have any impact on the financial statements of the Trust.

IFRS 3 *Business Combination - Definition of a Business - Amendments to IFRS 3*
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 with earlier application permitted. The amendments are not expected to have any impact on the financial statements of the Trust.

The Conceptual Framework for Financial Reporting
This Framework is effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

3.1 **Statement of compliance (continued)**

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

Future changes (continued)

The Conceptual Framework for Financial Reporting (continued)
The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts. provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

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

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7
The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9
The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

3.1 **Statement of compliance (continued)**

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

Future changes (continued)

Interest Rate Benchmark Reform (IBOR) - Amendments to IFRS 9, IAS 39 and IFRS 7 (continued)
The amendments to IFRS 9 (continued)
Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessment when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

The fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedging items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

3.1 **Statement of compliance (continued)**

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

Future changes (continued)

Interest Rate Benchmark Reform (IBOR) - Amendments to IFRS 9, IAS 39 and IFRS 7 (continued)
The amendments to IAS 39
The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedge cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.

- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. These amendments are effective for annual periods beginning on or after January 1, 2020. The directors and management have not yet assessed the impact of these amendments on the Trust's financial statements.

3.2 **Basis of preparation**

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

3.3 **Functional currency**

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.1 **Fair value measurement (continued)**

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

4.2 **Financial instruments**

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

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

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

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

4.2.1 ***Financial assets***

a) Classification and measurement

The Trust's financial assets are classified, at initial recognition, and subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Trust's business model for managing them.

With the exception of receivables that do not contain a significant financing component or for which the Trust has applied the practical expedient, the Trust initially measures a financial asset at its fair value plus in the case of a financial assets not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Trust has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (continued)**

4.2.1 ***Financial assets (continued)***

a) Classification and measurement (continued)

The Trust's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Trust commits to purchase or sell the asset.

For purposes of subsequent measurement, the Trust's financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss (FVTPL) (debt and equity instruments)

Financial assets at amortised cost (debt instruments)
The Trust measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (continued)**

4.2.1 ***Financial assets (continued)***

a) Classification and measurement (continued)

Financial assets at amortised cost (debt instruments) (continued)

The Trust's financial assets at amortised cost includes cash and cash equivalents, receivables, short-term deposits, resale agreements, certain investment securities and loans receivable.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (continued)**

4.2.1 ***Financial assets (continued)***

a) Classification and measurement (continued)

Financial assets at fair value through profit or loss (FVTPL) (debt and equity instruments)
Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Trust had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognised as dividends from equity investments in the statement of profit or loss when the right of payment has been established.

b) Impairment of financial assets

The Trust recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Trust expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of exposure, irrespective of the timing of the default (a lifetime ECL).

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Trust compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Trust considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (continued)**

4.2.1 ***Financial assets (continued)***

b) Impairment of financial assets (continued)

The estimation of credit exposure for risk management purposes requires the use of complex models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of defaults correlations between counterparties. The measurement of expected credit losses is a function of:

- Probability of default - an estimate of the likelihood of default over a given time horizon;
- Loss given default - an estimate of the loss arising in the case where a default occurs at a given time; and
- Exposure of default - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

The Trust considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Trust may also consider a financial asset to be in default when internal and external information indicates that the Trust is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Trust.

Write-offs are made when all or part of a loan is deemed uncollectible or is forgiven. Write-offs are charged against previously established provisions for credit losses and reduces the principal amount of a loan.

Recoveries in part or in full of the amounts previously written-off are credited to the provision for credit losses in arriving at net profit or loss.

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

(i) the total mortgage loans receivable, less loan financing to developers, and IFRS provision, and
(ii) the total arrears for over 90 days for which allowances are made (Note 11(u)).

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (continued)**

4.2.1 ***Financial assets (continued)***

c) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Trust's statement of financial position) when:

(i) The rights to receive cash flows from the asset have expired or;
(ii) The Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Trust has transferred substantially all the risks and rewards of the asset, or (b) the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Trust continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Trust also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust could be required to repay.

4.2.2 ***Financial liabilities***

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

Derecognition of financial liabilities

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

(a) Payables and accruals

These are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.2 **Financial instruments (continued)**

4.2.2 ***Financial liabilities (continued)***

(b) Refundable Contributions

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

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

4.3 **Taxation**

Income tax expense represents current and deferred tax.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.3 **Taxation (continued)**

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

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

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

The Trust offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

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

4.4 **Inventories**

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4.5 **Intangible assets**

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.6 **Investments in associate**

An associate is an entity over which the Trust has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is its power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Trust's investment in its associate is accounted for under the equity method.

Under the equity method, the investment in associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Trust's shares of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Trust's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of these investments is presented as part of the Trust's OCI. In addition, where there is a change recognised in equity of the associate, the Trust recognises its share of any change, when applicable, in the statement of changes in equity. Unrealised gains or losses resulting from transactions between the Trust and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Trust's share of profit or loss of the associate is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests of the associate.

After application of the equity method, the Trust determines whether it is necessary to recognise an impairment loss on its investment in its associate. If at the end of the reporting period, there is objective evidence that the investment in the associate is impaired, the Trust calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the statement of profit or loss within 'Share of the profit/losses of associate'.

Where financial information to record the investment under the equity method is not readily available, the investment in associate is recorded at cost.

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

4.7 **Employee benefits**

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.7 **Employee benefits (continued)**

Defined benefit plan
The Trust has established a defined-benefit pension plan for its employees who have met certain minimum requirements. The plan's assets are separately held and the plan is funded by employee contributions of 5% of pensionable salaries and employer contributions of 7.9% (2019: 7.9%). Employees have the option of contributing an additional 7.1% (2019: 7.1%).

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.7 **Employee benefits (continued)**

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

4.8 **Property, plant and equipment**

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

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

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

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

4.9 **Impairment of tangible and intangible assets**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.9 **Impairment of tangible and intangible assets (continued)**

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

4.10 **Provisions**

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

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

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

Restructurings

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

Litigations and claims

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.11 **Peril reserve**

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

4.12 **Related party**

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Trust expects to be entitled in exchange for those goods or services. The Trust has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.14 **Bonus on employees' contributions**

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

4.15 **Leases**

Policy effective April 1, 2019
The Trust assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Trust as a lessee
The Trust applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Trust recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying assets is available for use). The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial lease liabilities recognized, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Trust at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies at 4.9 "Impairment of tangible and intangible assets".

Lease liabilities
At the commencement date of the lease, the Trust recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Trust and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.15 **Leases (continued)**

Policy effective April 1, 2019 (continued)

The Trust as a lessee (continued)
Lease liabilities (continued)
In calculating the present value of lease payments, the Trust uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low-value assets
The Trust applies the short term lease recognition exemption to its short term leases (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Trust as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy prior to April 1, 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

4 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4.15 **Leases (continued)**

Policy prior to April 1, 2019 (continued)

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

4.16 **Foreign currencies**

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

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

5 **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

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

Critical judgements in applying accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

5 **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**

Critical judgements in applying accounting policies (continued)

Security - loans receivable
As indicated in Note 11(u), there are impaired loans held by the Trust amounting to approximately $54.67 billion (2019: $53.87 billion) for which impairment provisions for IFRS purposes amounted to approximately $8.04 billion (2019: $5.44 billion) in respect of loans to beneficiaries, developers, agencies and other institutions approved by the Trust (Note 11(q)). There are additional prudential provisions (loan loss reserve) for mortgage loans through an appropriation of accumulated profit of $1.56 billion (2019: $3.43 billion) (Note 11(v)). Management believes, based on experience, that ultimately outstanding amounts and accumulated interest will be recovered through the realisation of securities, although, as disclosed in Note 12, at year-end the Trust did not hold title deeds to properties securing mortgages and amounts due from developers totalling approximately $14.75 billion (2019: $12.77 billion).

Litigations and claims
As detailed in Note 36, the Trust has recorded a provision of $40 million relating to a judgement handed down by the Court in respect of a developer's claim. A judicial review is set for July 29-30, 2020 in respect of this matter.

In making this judgement, management considered the relevant facts and the opinion of the Trust's in-house Counsel.

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Trust determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Trust monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Trust's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Key sources of estimates

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

Impairment losses on financial assets
The measurement of expected credit loss allowance for financial assets not measured at fair value through profit or loss requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

5 **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**

Key sources of estimates (continued)

Impairment losses on financial assets (continued)
The Trust's expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- The Trust's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the expected credit loss models
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

For known impaired receivables, the Trust also considers the estimated recoverable amount, which is the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The Trust regularly reviews its internal models in the context of actual loss experience and adjust when necessary.

Investment in associate
The Trust's share of associate's profits or losses (Note 15(a)) is based on available financial statements of the associate. The associate's audited financial statements, which usually become available after issuing the Trust's financial statements, may differ significantly from the unaudited figures.

Income taxes
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made (see Notes 21 and 28). A change of ±10% in the final tax outcome of these estimates would have the effect of approximately $7.47 million (2019: $54.91 million) increase/decrease in the current and deferred tax provisions.

Peril insurance
The Trust maintains a reserve equivalent to the insurance policy deductible limit of US$30 million (2019: US$30 million) to settle insurance claims by mortgage beneficiaries. Generally, claims are not booked immediately upon notification but are accounted for when the claims have been processed and a liability by the Trust is established (see Note 31(b)(i)). Experience has shown that these amounts are usually insignificant to the operations of the Trust, unless there is a one-off significant event such as a natural disaster, in which case, an estimate of potential liability is assessed and booked. This reserve is fully funded by certain securities denominated in Jamaican and United States dollars included in cash and cash equivalents, resale agreements and investment securities (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

5 **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**

Key sources of estimates (continued)

Employee benefits – pension and post-retirement medical obligations
As disclosed in Note 16, the Trust operates a defined-benefit pension plan and provides post-retirement medical benefits. The amounts shown in the statement of financial position are subject to estimates such as discount rates, future rates of salary increases and the mortality rates in respect of the pension plan, as well as inflation rates and rates of increases in medical costs for the post-retirement medical plan.

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

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

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

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

Details of sensitivity analyses in respect of the defined benefit plans are disclosed at Note 16(f).

Fair value of investment securities – $2.38 billion (2019: $4.55 billion)
In the absence of quoted prices in an active market, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Trust (Note 33).

Service charge on loans to beneficiaries
These charges are amortised on the straight-line basis over two years which is the average time frame, as estimated by the Trust, where expenses directly related to these charges are incurred. The amount amortised during the year was approximately $837.22 million (2019: $676.66 million) (Note 11(r)).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

6 CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Jamaican dollars deposits (Note 6(a))	-	901,812
Resale agreements:		
- Jamaica dollar (Note 6(b))	-	651,285
- United States dollar (Note 6(c))	578,772	329,896
Bank balances (Note 6(d))	1,167,299	1,758,340
Cash in hand	6,664	6,614
	1,752,735	3,647,947
Allowance for expected credit losses (Note 6(e))	(24)	(258)
Cash and cash equivalents	1,752,711	3,647,689
Less interest receivable	(330)	(4,299)
Add allowance for expected credit losses	24	258
Cash and cash equivalents, per statement of cash flows	1,752,405	3,643,648

(a) There represented deposits which bore interest at rates ranging between 2.85% and 3.10% per annum and matured in April 2019. As at March 31, 2019, the interest receivable included in those deposits amounted to approximately $1.81 million.

(b) These represented resale agreements which bore interest at rates ranging from 2.75% to 3.10% per annum, matured in April 2019 and were fully backed by Government of Jamaica securities. The nominal value of the underlying securities at March 31, 2019 was $0.68 billion. At March 31, 2019, the interest receivable included in those agreement amounted to approximately $1.29 million.

(c) These resale agreements of US$4.27 million (2019: US$2.61 million) bear interest at rates ranging from 3.25% to 3.85% (2019: 2.70% to 3.00%) per annum, mature within one to two months (2019: one to two months) of year end and are fully backed by Government of Jamaica securities and are designated to fund the Trust's peril reserve (Note 23). The nominal value of the underlying securities at March 31, 2020 was US$4.49 million (2019: US$2.83 million). At March 31, 2020, the interest receivable included in these instruments amounted to approximately $0.33 million (2019: $1.20 million).

(d) Bank balances include foreign currency deposits of approximately $331.68 million (US$2.45 million) (2019: $367.31 million (US$2.90 million)) at an interest rates ranging from 0.08% to 2.07% (2019: 0.01% to 0.15%) per annum. During the year, the foreign currency deposits were designated to fund the Trust's peril reserve (Note 23).

(e) Movement in allowance for expected credit losses

	2020 $'000	2019 $'000
Balance at beginning of the year	258	355
Decrease in allowance for the year (Note 29(e))	(234)	(97)
Balance at the end of the year	24	258

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

7 RECEIVABLES AND PREPAYMENTS

	2020 $'000	2019 $'000
Staff loans	1,619,185	1,327,193
Mortgage litigation receivable	156,609	100,353
Death claims recoverable	260,553	177,318
Prepayments	80,888	63,563
NWC/Greenpond – sewage infrastructure receivable	57,129	65,952
Mortgage loan fees receivable	111,028	139,116
Taxes recoverable – other (Note 7(a))	225,968	225,968
Project mobilisation receivable - Guaranteed Purchase Programme (Note 7(b))	3,194,075	1,700,000
- Other (Note 7(c))	1,243,283	922,181
Other	190,180	190,385
	7,138,898	4,912,029
Allowance for expected credit losses (see Note below)	(1,011,991)	(506,901)
	6,126,907	4,405,128
Classified as:		
Current	4,494,422	3,048,242
Non-current	1,632,485	1,356,886
	6,126,907	4,405,128

<u>Movement in allowance for expected credit losses</u>

	2020 $'000	2019 $'000
Balance at beginning of the year	506,901	265,984
Increase in allowance for the year	505,090	240,917
Balance at end of the year	1,011,991	506,901
Comprising:		
Mortgage litigation receivable	156,609	100,353
Mortgage loan fees receivable	111,028	139,116
Guarantee Purchase Programme	604,793	127,871
Other	139,561	139,561
	1,011,991	506,901

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

7 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

(b) The Trust entered into six (6) (2019: one (1)) guaranteed purchase agreements between March 2019 and December 2019 (2019: March 2019) with developers for the purchase of units. The first advance payment of $1.7 billion was made during 2018/2019. Additional amounts totalling $1.49 billion was disbursed during the year. The developments will comprise of 1,634 2-bedroom units and 34 3-bedroom units (2019: 1,200 2-bedroom units). The Trust holds as security a guarantee issued by an insurance company equivalent to the project mobilization amount.

(c) This represents advances made at the start of a housing project to approved contractors for the construction of housing units. Each project advance represents 10% of the total contract value. The contract determines the repayment terms and amount. The advance is fully recovered before completion of the project.

8 SHORT TERM DEPOSITS AND RESALE AGREEMENTS

	2020 $'000	2019 $'000
United States dollar deposits (Note 8(a))	768,193	1,767,891
Allowance for expected credit losses (Note 8(b))	(34)	(23)
	768,159	1,767,868

(a) These instruments totalling approximately US$5.67 million (2019: US$13.98 million) mature within one to three months (2019: one to six months) after year-end with interest rates ranging between 3.05% and 3.90% (2019: 2.20% and 4.15%) per annum and are designated to fund the Trust's peril reserve (Note 23). As at March 31, 2020, the interest receivable included in these balances amounted to $7.24 million (2019: $12.99 million). The fair value of the underlying securities at March 31, 2020 was US$7.47 million (2019: US$18.10 million). The underlying securities include Government of Jamaica fixed and variable rate Notes as well as Bank of Jamaica certificates of deposits.

(b) Movement in allowance for expected credit losses

	2020 $'000	2019 $'000
Balance at the beginning of the year	23	5,741
Increase/(Decrease) in allowance for the year (Note 29(e))	11	(5,718)
Balance at the end of the year	34	23

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

9 NON-CURRENT ASSET HELD FOR SALE

Land and building acquired in the year 1995 was transferred to non-current asset held-for-sale during 2018/2019 following the commitment of the Trust to sell property located at Lot 47 Manchester Avenue, May Pen, Clarendon. The sale was completed in July 2019 for $32 million.

	2020 $'000	2019 $'000
Net book value (Note 17)		
Land	-	500
Building	-	1,440
	-	1,940

10 INVESTMENT SECURITIES

	2020 $'000	2019 $'000
Securities at fair value through profit & loss (FVTPL) (Note 10(a))	3,703,851	6,510,675
Securities measured at amortised cost (Note 10(b))	4,501,807	8,557,481
	8,205,658	15,068,156
Classified as:		
Current	1,735,842	3,122,011
Non-current	6,469,816	11,946,145
	8,205,658	15,068,156

(a) Securities at fair value through profit or loss (FVTPL)

	2020 $'000	2019 $'000
National Road Operating & Construction Company (NROCC) 4.50% Infrastructure Inflation Indexed Bond (Note 10(a)(i))	2,051,905	4,205,320
Pooled Investments Funds		
Sagicor Jamaica Limited – Universal Investment Policy	324,334	346,680
Equity securities		
Quoted - Jamaica and Barbados Stock Exchanges	1,327,612	1,958,675
	3,703,851	6,510,675

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

10 **INVESTMENT SECURITIES (CONTINUED)**

(a) Securities at fair value through profit or loss (FVTPL) (continued)

(i) Inflation Indexed Bonds represents National Road Operating & Construction Company Limited (NROCC) 4.5% Real Return Bonds. They are denominated in Jamaican dollars and mature on February 6, 2032. Interest on the Bonds is paid semi-annually in arrears and is accrued at a rate of 4.5% per annum on the inflation adjusted principal. Under the terms of the agreement, the principal is adjusted for inflation on the Jamaican "All Group" Consumer Price Index (CPI). The principal and interest are paid by the Government of Jamaica. The Trust has the option to convert the bonds to NROCC shares at redemption. During the year, the Trust completed the sale of nominal value of $530 million at a valuation of $2.29 billion.

As at March 31, 2020, interest receivable included in these balances amounted to $13.27 million (2019: $25.99 million). The inflation adjustment to principal for the year amounted to $171.12 (2019: $91.09 million).

(b) Securities at amortised cost

	2020 $'000	2019 $'000
Euro Bonds with nominal values of US$714,285 (2019: $14,431,524) held at interest rate(s) of 8.12% (2019:8.00% to 9.37%) per annum maturing in 2020/2021 to 2027/2028 (2019: 2024/2025 to 2038/2039 (Note 10(b)(i))	92,842	2,082,364
Treasury bills at interest rates of 1.85% to 2.00% per annum, maturing 2019/2020 (Note 10(b)(vi))	-	199,312
University of the West Indies ("UWI") Senior Secured Corporate Notes at interest rate of 5.67%, maturing 2019 to 2020 (Note 10(b)(ii),(vi))	-	21,395
GOJ Variable Rate Benchmark Notes at interest rate of 4.63% per annum maturing 2024/2025 (Note 10(b)(vi))	-	100,145
GOJ Fixed Rate Accreting Notes (FRAN) at interest rate of 10% per annum, maturing 2028/2029 (Note 10(b)(i),(iii))	4,455,895	4,375,738
Bank of Jamaica Certificates of Deposits US$14,341,246 with nominal values of US$14,209,500 at interest rates of 3.55% to 5.50% per annum, maturing 2019/2020 to 2023/24 (Note 10(b)(i),(vi))	-	1,813,594
	4,548,737	8,592,548
Allowance for expected credit losses (Note 10(b)(v))	(46,930)	(35,067)
	4,501,807	8,557,481

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

10 **INVESTMENT SECURITIES (CONTINUED)**

(b) Securities at amortised cost (continued)

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

(ii) These notes were secured by:

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

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

With the FRAN, the $20 foregone will accrete until it is fully recovered prior to maturity, starting in 2015/16. Principal accreted to date amounts to $251.85 million (2019: $201.48 million).

Of this investment, nominal value of $2.5 billion (2019: $Nil) has been designated to fund the Trust's peril reserve (Note 23)

(iv) At March 31, 2020, interest receivable included in debt securities amounted to $58.71 million (2019: $97.91 million).

(v) Movement in allowance for expected credit losses

	2020 $'000	2019 $'000
Balance at the beginning of the year	35,067	76,512
Increase/(Decrease) in allowance for the year (Note 29(e))	11,863	(41,445)
Balance at the end of the year	46,930	35,067

(vi) These investments were encashed during the year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

11 LOANS RECEIVABLE

	2020 $'000	2019 $'000
(a) Loans to beneficiaries selected by the Trust (Note 11(g))		
Mortgage loans (Note 11(h))	206,118,049	188,655,236
Loans for which mortgage processing is incomplete (Note11(i))	6,086,333	6,514,903
Loans through financial institutions (Note 11(j))	-	1,452
Loans through joint venture programme (Note 11(k))	103	104
	212,204,485	195,171,695
Allowance for expected credit losses (Note 11(q))	(4,992,509)	(3,214,455)
	207,211,976	191,957,240
Unexpired service charges (Note 11(r))	(1,571,003)	(1,295,637)
	205,640,973	190,661,603
(b) Loans on behalf of beneficiaries selected by Agencies approved by the Trust (Note 11(l)):		
Jamaica Teachers' Association Housing Co-operative Limited (Note 11(l)(i))	4,476	5,428
Housing Agency of Jamaica (HAJ):		
Repayable in 10 years at 0% per annum (Note 11(l)(ii))	46,983	441,511
Repayable in 10 years at 0% per annum (Note 11(l)(iii))	-	31,120
Repayable in 10 years at 0% per annum (Note 11(l)(iv))	-	97,045
Repayable in 10 years at 0% per annum (Note 11(l)(v)	-	33,902
	46,983	603,578
Joint financing mortgage programme (Note 11(l)(vi))	47,641,308	42,487,455
Special loans to churches through joint financing – Hurricane Ivan (Note 11(l)(vii))	52,378	78,620
Jamaica Defence Force (Note 11(l)(viii))	-	7
Housing micro finance loan programme (Note 11(l)(ix))	290,173	151,294
St Andrew High School for Girls (Note 11(l)(x))	44,064	-
Other institutions	116,572	130,315
	48,195,954	43,456,697
Allowance for expected credit losses (Note 11(q))	(623,214)	(401,801)
	47,572,740	43,054,896
Balance carried forward	253,213,713	233,716,499

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

11 **LOANS RECEIVABLE (CONTINUED)**

	2020 $'000	2019 $'000
Balance brought forward	253,213,713	233,716,499
(c) Loan financing to developers (Note 11(m))	2,598,228	3,306,094
Allowance for expected credit losses (Note 11(q))	(1,683,912)	(1,588,122)
	914,316	1,717,972
(d) University of the West Indies (Note 11(n))		
Loan 1	397,690	397,690
Loan 2	1,841,122	1,809,126
	2,238,812	2,206,816
Allowance for expected credit loss (Note 11(q))	(487,385)	(191,705)
	1,751,427	2,015,111
(e) Jamaica College Trust (Note 11(o))	39,243	40,504
Allowance for expected credit loss (Note 11(q))	(7,278)	(2,983)
	31,965	37,521
(f) SCJ Holdings Limited (Note 11(p))	500,000	500,000
Allowance for expected credit loss (Note 11(q))	(250,212)	(37,609)
	249,788	462,391
Interest receivable	712,829	1,140,977
Total	256,874,038	239,090,471
Classified as:		
Current	9,448,787	10,207,922
Non-current	247,425,251	228,882,549
	256,874,038	239,090,471

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

11 **LOANS RECEIVABLE (CONTINUED)**

(g) The rates of interest payable on these loans to beneficiaries range from 1% to 7% up to April 2019 and 0% to 6% effective May 2019 (2019: 1% to 7%) except for new mortgagors aged 55 years or more who access their loans at rates 2% lower than the rate they would normally receive based on their income bands.

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

(h) Mortgage loans of $206.12 billion (2019: $188.66 billion) include loans totalling $6.19 billion (2019: $5.09 billion) relating to certain schemes for which parent titles have been or will be surrendered to the Registrar of Titles in order for the splinter titles to be prepared. The Trust is taking steps to ensure that all splinter titles are received for such schemes.

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

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

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

Under this programme the Trust and the participating employer provide financing on an equal basis equivalent to ninety percent (90%) of the sale price of the units with the employee paying a deposit of 10% (see Note 12(i)).

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

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

(ii) This loan was repayable in monthly instalments over a 25 year period which commenced January 1, 2001. Interest was chargeable at 5% per annum and was payable in monthly instalments from January 1, 1997. The loan was secured by the transfer of mortgages by Housing Agency of Jamaica (HAJ) to the Trust. During 2014/2015 the interest rate on the loan was revised from 5% to 3% per annum, with monthly repayment of $4.50 million up to 2025, consequent on a request by HAJ. Interest rate was further reduced to 0% during 2017/2018. During the year, the Trust executed an agreement with HAJ for amount to be recovered by way of receipt of land. Transfer is expected to be completed by March 31, 2021.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

11 **LOANS RECEIVABLE (CONTINUED)**

(l) Loans to beneficiaries selected by agencies approved by the Trust (continued)

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

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

This loan was secured by a letter of undertaking from the Ministry of Finance and Planning, which had undertaken to repay the full amount of principal, plus interest, if the HAJ was unable to do so. Interest rate was further reduced to 0% during 2017/2018.

During 2018/2019 the Trust finalised arrangements for the transfer of mortgage loans from the HAJ in partial settlement of the loan balance.

As at March 31, 2019, a full provision was in place for the outstanding loan balance. During the year, the Board of Directors approved the write-off of the remaining loan balance.

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

During 2007/2008, the interest rate on the loan was reduced from 8% to 3% per annum with repayments extended to the year 2025, consequent on a request by HAJ to reschedule the loan. Interest rate was further reduced to 0% during 2017/2018.

During 2018/2019 the Trust finalised arrangements for the transfer of mortgage loans from the HAJ in partial settlement of the loan balance.

The loan was secured by:

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

During the year, the Board of Directors approved the write-off of the remaining loan balance.

(v) The loan was for the sum of $88.71 million for the purpose of co-financing 279 mortgages in the Greater Portmore Project. The loan was for a period of 15 years and the principal was repayable in 180 equal monthly instalments. Interest was repayable monthly in arrears on the first business day in each calendar month and payments commenced August 2002. Interest was charged at 8% per annum or such other rate as the Trust may from time to time notify the HAJ. The loan was secured by mortgage over land at Barrett Hall Estates registered at Volume 1308 Folio 438. During 2014/2015, the interest rate on the loan was reduced from 8% to 3% per annum with monthly repayment of $0.34 million to 2025 consequent on a request by HAJ to reschedule the loan. The interest rate was further reduced to 0% during 2017/2018. During 2018/2019 the Trust finalised arrangements for the transfer of mortgage loans from the HAJ in partial settlement of the loan balance. During the year, the Board of Directors approved the write-off of the remaining loan balance.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

11 **LOANS RECEIVABLE (CONTINUED)**

(I) Loans to beneficiaries selected by agencies approved by the Trust (continued)

(vi) Joint financing mortgage programme

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

The participating institutions include:

- JN Bank Limited
- The Victoria Mutual Building Society
- First Caribbean International Bank
- Sagicor Life Jamaica Limited
- Scotia Jamaica Building Society
- Sagicor Bank Jamaica Limited
- National Commercial Bank Jamaica Limited
- Scotiabank Jamaica Limited
- First Global Bank Limited
- JMMB Bank Jamaica Limited

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

The obligations of the participating institutions are secured by:

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

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

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

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

The existing participating institution is Victoria Mutual Building Society. JN Bank Limited closed its facility with the Trust during 2018/2019.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

11 **LOANS RECEIVABLE (CONTINUED)**

(l) Loans to beneficiaries selected by agencies approved by the Trust (continued)

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

The obligations of the participating institutions are secured by:

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

(viii) Jamaica Defence Force (JDF)

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

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

The loan was settled during the year.

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

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

The obligations of the participating institutions are secured by:

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

The approved participating institutions are as follows:

- Educom Cooperative Credit Union
- Community & Workers of Jamaica (C&WJ) Cooperative Credit Union
- Jamaica Police Cooperative Credit Union
- Lascelles Cooperative Credit Union
- Public Sector Cooperative Credit Union

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

11 **LOANS RECEIVABLE (CONTINUED)**

(l) Loans to beneficiaries selected by agencies approved by the Trust (continued)

(x) St Andrew High School for Girls
The loan is for a sum of $45 million for the purchase of land to construct dorm facilities. The loan is for a period of 15 years at interest rate of 5% per annum in 180 equal monthly instalments commencing December 1, 2019. The loan is secured by duplicate certificate of title.

(m) Loan financing to developers

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

(n) University of the West Indies (UWI)

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

In July 2012, the Trust approved a reduction of the interest rate in the loan from 8% per annum to 5% per annum. The other terms and conditions of the agreement remain unchanged.

The security for the loan is:

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

Loan 2
The loan in the sum of $1.40 billion was disbursed in June 2011 for the construction of student housing. This graduated loan is for a period of 25 years at an interest rate of 8% per annum. The repayment will increase by 3% per annum for the first nine (9) years, thereafter; it will be based on the straight-line method.

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

The security for the advance is:

(i) Leasehold mortgage in respect to land contained in Volume 1065 Folio 940.
(ii) Assignment of rental and/or payments arising from the use of units constructed with the loan, which payments are due to the borrower from the occupiers of the 600 single and double bedrooms and shared facilities, which have been constructed for the use by the undergraduate students and are

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

(o) Jamaica College Trust

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

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

The obligations of the participating institution are secured by:

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

(p) SCJ Holdings Limited

This represents a loan of $500 million disbursed in June 2018. The loan was for a period of 1 year at 0% interest. The loan is secured by land.

During the year, approval was granted for a further 1 year extension at an interest rate of 7% per annum.

(q) The movement in the allowance for expected credit losses is as follows:

	Mortgage Loans $'000	Development Financing $'000	Agencies $'000	Other $'000	Total $'000
Balance at April 1, 2018	2,521,930	2,065,704	420,657	195,461	5,203,752
Increase/(Decrease) in allowance for the year	740,138	(423,478)	(18,856)	36,836	334,640
Recovery on charge off loans previously written off	38,891	-	-	-	38,891
Write-off during the year	(86,504)	(54,104)	-	-	(140,608)
Balance at March 31, 2019	3,214,455	1,588,122	401,801	232,297	5,436,675
Increase in allowance for the year	1,850,288	95,790	339,884	512,578	2,798,540
Recovery on charge off loans previously written off	33,816	-	-	-	33,816
Write-off during the year	(106,050)	-	(118,471)	-	(224,521)
Balance at March 31, 2020	4,992,509	1,683,912	623,214	744,875	8,044,510

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

11 **LOANS RECEIVABLE (CONTINUED)**

(r) Unexpired service charge on loans to beneficiaries:

	2020 $'000	2019 $'000
Balance at beginning of the year	1,295,637	1,038,779
Additions during the year	1,112,586	933,522
Amortisation to profit or loss	(837,220)	(676,664)
Balance at end of the year	1,571,003	1,295,637

(s) Approval process and quality of receivables

Before approving a loan, the Trust uses an evaluation system to assess the potential borrowers' eligibility in order to determine if they satisfy the qualifying requirements for a loan from the Trust, and to determine the maximum amount of loan they can afford to borrow from the Trust. For institutional loans, the process involves a comprehensive analysis of the institution's financial standing and its ability to fund its portion of the proposed development (where applicable). The Trust places strict limits on the percentage of the total development cost that it is willing to finance. 86.50% (2019: 86.22%) of the loans to beneficiaries which are neither past due nor impaired are considered to be of good quality.

The joint financing mortgage programme accounts for 98.85% (2019: 97.77%) of the gross total category of loans to beneficiaries selected by agencies of the Trust and 18.50% (2019: 17.77%) of the total loans receivable (net of allowance for impairment). There is no other loan category with a balance that represents more than 5% of the total loan balance.

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

(t) Past due loans

Included in the Trust's loans to beneficiaries balance are debtors with a carrying amount of $51.46 billion (2019: approximately $52.07 billion) which are past due at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

11 **LOANS RECEIVABLE (CONTINUED)**

(u) Loans past due and impaired

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

	2020 $'000	**2019 $'000**
Current – 30 days	3,209,311	1,798,238
31 – 90 days	28,105,998	31,904,136
Over 90 days	23,359,269	20,171,307
	54,674,578	53,873,681

The movement in ECL of the portfolio is driven by the size of the portfolio, movements between stages as a result of change in credit risk and general economic conditions adjusted for forward looking factors.

(v) Allowance for impairment

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

	2020 $'000	**2019 $'000**
Prudential allowance set by management	7,916,740	7,275,501
Total IFRS general allowances on mortgage loans (Note 11(q))	6,360,598	3,848,553
Excess over IFRS allowances on mortgage loans reflected in loan loss reserve (Note 24)	1,556,142	3,426,948

(w) Loans to beneficiaries renegotiated

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

As at March 31, 2020, loans totalling $1.53 billion (2019: $649.44 million) were renegotiated which would have otherwise been past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

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

		2020 $'000	2019 $'000
(i)	Loans through joint venture mortgage programme (Note 11(k))	103	104
(ii)	Other loans (Note 12(a))		
	Mortgage loans to beneficiaries:		
	- Schemes for which splintering of parent titles is in process or has not yet commenced	6,191,669	5,094,384
	- Schemes for which mortgageg processing is incomplete and land titles are not available	6,086,333	6,514,903
	- Non-scheme loans (Note 12(b))	783,187	661,534
		13,061,189	12,270,821
	Finance for housing construction projects	1,683,912	502,724
		14,745,101	12,773,545
	Total	14,745,204	12,773,649

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

13 **INVENTORIES**

	2020 $'000	2019 $'000
Land held for housing development	6,120,518	5,695,085
Housing under construction	18,058,966	10,716,099
Housing units completed but not allocated	1,283,394	496,972
Inner City Housing Project (Note 13(a))	406,988	205,908
Guaranteed housing project	2,288	-
	25,872,154	17,114,064
Allowances for impairment losses and subsidies	(358,351)	(294,722)
	25,513,803	16,819,342

The movement in the allowance for impairment is as follows:

	2020 $'000	2019 $'000
At beginning of year	294,722	295,577
Increase/(Decrease) in allowance during the year	63,629	(855)
At end of year	358,351	294,722

(a) Inner City Housing Project

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

13 **INVENTORIES (CONTINUED)**

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

	2020 $'000	**2019 $'000**
Sale of units	(1,291,302)	(3,271,174)
Cost of units sold	1,203,536	3,137,080
Net gain on disposal of units	(87,766)	(134,094)
Impairment (Write-back of) allowance charged for year	63,629	(855)
Loss on Trust projects	6,798	62,599
Litigation expenses (Note 19(a))	-	40,000
Gains on projects	(17,339)	(32,350)

14 **INTANGIBLE ASSETS**

	2020 $'000	**2019 $'000**
Cost		
At the beginning of the year	217,946	189,001
Transfer from property, plant and equipment (Note 17)	-	28,945
At the end of the year	217,946	217,946
Amortisation		
At the beginning of the year	197,432	185,452
Charge for the year	11,009	11,980
At the end of the year	208,441	197,432
Carrying amount	9,505	20,514

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

15 INVESTMENTS IN ASSOCIATE

	2020 $'000	2019 $'000
Cost of investments	490	490
Loans (including accrued interest) (Note 15(b)):		
Opening advances	1,818,200	1,740,206
Advances during the year (net)	15,861	77,994
Total advances	1,834,061	1,818,200
Provision for impairment loss	(383,969)	(383,969)
	1,450,092	1,434,231
Share of associate's losses:		
Balance at beginning of year	(321,323)	(250,012)
Share of loss for the year	(9,888)	(71,311)
Balance at end of year	(331,211)	(321,323)
	1,119,371	1,113,398

(a) Details of the associate as at March 31, 2020 are as follows:

Name of associate	Place of Incorporation and operation	Proportion of ownership	Proportion of voting power held	Principal Activities
Harmonisation Limited	Jamaica	49.50%	49.50%	Land investment and development
(i) Wholly-owned subsidiary – Silver Sands Estate Limited	Jamaica			Rental of resort accommodation
(ii) 49% associated company – Harmony Cove Limited	Jamaica			Property development

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

	(Unaudited) 2020 $'000	(Audited) 2019 $'000
Total assets	2,707,581	2,701,853
Total liabilities	(3,475,702)	(3,346,606)
Net liabilities	(768,121)	(644,753)
Trust's share of associate's net liabilities	(380,220)	(319,153)
Revenue	124,145	15,802
Loss for the year	(23,327)	(125,323)
Trust's share of associate's loss for the year, net of adjustments	(11,547)	(62,035)

Land, which has a value of $2.75 billion (2019: $2.27 billion), is included in total assets at a cost of $119 million.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

15 **INVESTMENTS IN ASSOCIATE (CONTINUED)**

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

16. **EMPLOYEE BENEFITS**

The Trust operates two post-retirement employee benefit arrangements:

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

Staff pension plan

The Trust operates a defined benefit pension plan for qualified employees. The plan is administered by Trustees, who are assisted by an independent plan administrator, Employee Benefits Administrator Limited, a wholly-owned subsidiary of Sagicor Life Jamaica Limited. The fund managers are Sagicor Life Jamaica Limited and Victoria Mutual Pensions Management. The plan is regulated by the Financial Services Commission (FSC). The Trustees include representatives from the employer, members and pensioners of the plan.

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

The plan is exposed to inflation, interest rate risk and changes in the life expectancy of pensioners. As the plan assets include investments in quoted equities, the plan is exposed to market risk. The plan is funded by contributions from the employees and the Trust. The employees contribute at a rate of 5% of pensionable salaries. An additional optional contribution of up to 7.1% (2019: 7.1%) of pensionable salaries may be made. In accordance with the rules of the plan, the employer contributes the balance of the costs of benefits under the plan as determined by actuarial valuation up to a maximum rate so that the total contribution (employee and employer) sum to 20% of pensionable salaries. As at March 31, 2020, the Trust contributed at a rate of 7.9% (2019: 7.9%) of pensionable salaries. Benefits are determined on a prescribed basis and are payable at a rate of 2% of the pensionable salary (salary in the 12 month period immediately preceding the date of termination) for all pensionable service. Normal retirement is age 65 for males and 60 for females hired prior to June 1, 1990 or at age 65 for females hired on or after June 1, 1990.

Medical benefits scheme

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

As at the reporting date, an actuarial valuation was done for the plan and the medical benefit scheme by GFRAM Consulting , using the Projected Unit Credit Method. The results of the valuation are included below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

16 **EMPLOYEE BENEFITS (CONTINUED)**

(a) Staff pension plan and medical benefits scheme

	2020 %	2019 %
Key assumptions		
- Expected salary increases	7.0	6.0
- Discount rate	7.5	7.0
- Long term rate of inflation	4.0	3.0
- Medical inflation rate	6.5	5.5

	2020 Years	2019 Years
Demographic assumptions		
Average liability duration for each category of member:		
- Staff pension scheme		
Active members	20.8	18.3
Deferred pensioners	1.1	1.2
Pensioners	7.4	8.0
All participants	18.6	16.8
- Post-retirement medical benefit scheme		
Active members	29.3	28.6
Pensioners	11.4	11.2
All participants	28.2	28.4

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

	2020		2019	
Attained age	Males	Females	Males	Females
20	0.406	0.162	0.406	0.162
25	0.484	0.173	0.484	0.173
30	0.452	0.218	0.452	0.218
35	0.523	0.286	0.523	0.286
40	0.628	0.396	0.628	0.396

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

	Staff pension plan		Medical benefit scheme	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Present value of obligation	(9,608,147)	(8,433,535)	(1,316,234)	(962,497)
Fair value of plan assets	10,020,573	9,650,326	-	-
Net asset/(liability) recognised in statement of financial position	412,426	1,216,791	(1,316,234)	(962,497)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

16 **EMPLOYEE BENEFITS (CONTINUED)**

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

	Staff pension plan		Medical benefit scheme	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Balance at beginning of year	1,216,791	1,593,661	(962,497)	(814,868)
Included in profit or loss:				
Current service cost	(233,094)	(57,686)	(106,068)	(74,482)
Interest cost	(632,515)	(514,906)	(67,375)	(60,987)
Expenses	(31,455)	(28,636)	-	-
Interest on plan assets	729,957	649,010	-	-
	(167,107)	47,782	(173,443)	(135,469)
Included in other comprehensive income:				
Experience adjustments	(199,389)	(528,999)	(28,303)	146,064
Changes in financial assumptions	(156,780)	(263,720)	(158,075)	(161,635)
Remeasurement of plan assets	(524,582)	153,447	-	-
	(880,751)	(639,272)	(186,378)	(15,571)
Employer's contributions	243,493	214,620	6,084	3,411
Balance at end of year	412,426	1,216,791	(1,316,234)	(962,497)

(i) Amount recognised in profit or loss:

	2020 $'000	**2019 $'000**
- Staff pension plan	(167,107)	47,782
- Post-retirement medical scheme	(173,443)	(135,469)
	(340,550)	(87,687)

Amount recognised in other comprehensive income:

- Staff pension plan	(880,751)	(639,272)
- Post-retirement medical scheme	(186,378)	(15,571)
	(1,067,129)	(654,843)

(d) Movement in fair value of pension plan assets

	2020 $'000	**2019 $'000**
Fair value of plan assets at beginning of year	9,650,326	8,459,075
Contributions	489,733	576,275
Benefits paid	(324,861)	(187,481)
Interest income on plan assets	729,957	649,010
Remeasurement (loss)/gain on plan assets included in other comprehensive income	(524,582)	153,447
Fair value of plan assets at end of year	10,020,573	9,650,326

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

16 **EMPLOYEE BENEFITS (CONTINUED)**

(d) Movement in fair value of pension plan assets (continued)

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

	Staff pension plan			
	2020		2019	
	$'000	%	$'000	%
Pooled Investment Funds				
Equity	547,564	5.47	659,971	6.84
Fixed income	31,327	0.31	22	0.00
Mortgage and Real Estate	467	0.00	62,844	0.65
	579,358	5.78	722,837	7.49
Self-directed Funds				
GOJ securities	3,608,847	36.01	3,479,777	36.06
Pooled funds	3,016,631	30.11	3,644,922	37.77
Corporate bonds	176,551	1.76	229,000	2.37
Equity	1,081,611	10.79	652,746	6.76
Other	159,409	1.59	70,171	0.73
	8,043,049	80.26	8,076,616	83.69
Pooled Pension Investment Portfolio				
Fixed income	419,460	4.19	253,984	2.63
Equity	329,578	3.29	214,102	2.22
US$ Fixed income	210,328	2.10	126,158	1.31
Real Estate	371,990	3.71	214,476	2.22
Cash Management	66,810	0.67	42,153	0.44
	1,398,166	13.96	850,873	8.82
Closing fair value of plan assets	10,020,573	100.00	9,650,326	100.00

(e) Movement in the present value of obligation

	2020 $'000	2019 $'000
Balance at beginning of year	8,433,535	6,865,414
Current service costs	233,094	57,686
Interest cost	632,515	514,906
Employees' contribution	246,240	361,655
Benefits paid	(293,406)	(158,845)
Actuarial gains arising from		
Experience adjustments	199,389	528,999
Changes in financial assumptions	156,780	263,720
Balance at end of year	9,608,147	8,433,535

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

16 **EMPLOYEE BENEFITS (CONTINUED)**

(f) Sensitivity analyses

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

	March 31, 2020					
	1% movements in					
	Health inflation rate		Discount rate		Salary escalation rate	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000	$'000	$'000
Impact on:						
- Staff pension plan	-	-	(1,448,987)	1,892,368	1,079,993	(912,083)
- Post-retirement medical scheme	164,086	(136,707)	(307,612)	434,844	-	-

	March 31, 2019					
	1% movements in					
	Health inflation rate		Discount rate		Salary escalation rate	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000	$'000	$'000
Impact on:						
- Staff pension plan	-	-	(1,249,549)	1,640,584	957,063	(806,048)
- Post-retirement medical scheme	322,109	(230,525)	(227,737)	321,016	-	-

No sensitivities are provided for pension increases as upon retirement from the Plan, annuities are purchased by the retirees and exit from the Plan is effected. Accordingly, there is no further obligation by the Plan.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

16 **EMPLOYEE BENEFITS (CONTINUED)**

(g) Summary of five-year trend

(i) Staff pension plan

Disclosure Items	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Present value of defined benefit obligation	9,608,147	8,433,535	6,865,414	5,234,423	4,012,020
Fair value of plan assets	10,020,573	9,650,326	8,459,075	6,949,957	6,106,514
Surplus in the Plan	(412,426)	(1,216,791)	(1,593,661)	(1,715,534)	(2,094,494)
Remeasurements on defined benefit obligation – loss	(356,169)	(792,719)	(935,543)	(751,077)	(216,893)
Remeasurements arising on plan assets – gain/ (loss)	(524,582)	153,447	672,450	149,350	255,197

(ii) Medical benefit scheme

Disclosure Items	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Present value of defined benefit obligation/Deficit in the Plan	1,316,234	962,497	814,868	589,004	405,974
Remeasurements on defined benefit obligation	186,378	15,571	114,304	106,059	22,610
- Loss/(Gain) due to experience	28,303	(146,064)	118,109	(24,531)	6,770
- Loss/(Gain) due to changes in financial assumptions	158,075	161,635	(3,805)	67,276	17,242
- Loss/(Gain) due to changes in demographic assumptions	-	-	-	63,314	(1,402)

(h) The Trust expects to make a contribution of $270.80 million (2019: $299.01 million) to the defined benefit plan during the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

17 **PROPERTY, PLANT AND EQUIPMENT**

	Land, land improvement and buildings $'000	Furniture, fixtures, artwork and other Equipment $'000	Computer equipment $'000	Motor vehicles $'000	Advance on assets (Note 17(c)) $'000	Construction In progress (Note 17(d)) $'000	Total $'000
Cost or Deemed Cost							
April 1, 2018	1,621,768	651,771	593,187	61,824	100,555	51,972	3,081,077
Additions	1,589	43,516	43,289	-	60,565	6,600	155,559
Transfers	4,640	27,201	33,527	680	(66,048)	-	-
Adjustments (Note 17(a))	2	(3,353)	-	-	(20,476)	(31,931)	(55,758)
Transfer to intangible assets (Note 14)	-	-	-	-	(28,945)	-	(28,945)
Disposals	-	(3,057)	(402)	-	-	-	(3,459)
Transfer to asset held for sale (Note 9)	(4,100)	-	-	-	-	-	(4,100)
March 31, 2019	1,623,899	716,078	669,601	62,504	45,651	26,641	3,144,374
Additions	247,664	28,741	78,276	-	134,007	127,480	616,168
Transfers	22,695	550	4,650	6,165	(34,060)	-	-
Adjustments (Note 17(a))	-	-	-	-	(4,899)	-	(4,899)
Write offs (Note 17(b))	-	(4,560)	(348)	-	-	-	(4,908)
Disposals	-	(2,158)	(35,316)	-	-	-	(37,474)
March 31, 2020	1,894,258	738,651	716,863	68,669	140,699	154,121	3,713,261
Depreciation							
April 1, 2018	506,211	530,122	520,843	39,116	-	-	1,596,292
Charge for the year	37,000	37,013	60,938	9,730	-	-	144,681
Adjustments (Note 17(a))	-	(10)	4	6	-	-	-
Eliminated on disposals	-	(2,821)	(218)	-	-	-	(3,039)
Transfer to asset held for sale (Note 9)	(2,160)	-	-	-	-	-	(2,160)
March 31, 2019	541,051	564,304	581,567	48,852	-	-	1,735,774
Charge for the year	41,522	38,508	67,431	9,489	-	-	156,950
Adjustments (Note 17(a))	-	(41)	-	-	-	-	(41)
Write offs (Note 17(b))	-	(4,271)	(348)	-	-	-	(4,619)
Eliminated on disposals	-	(2,138)	(35,014)	-	-	-	(37,152)
March 31, 2020	582,573	596,362	613,636	58,341	-	-	1,850,912
Net Book Values							
March 31, 2020	1,311,685	142,289	103,227	10,328	140,699	154,121	1,862,349
March 31, 2019	1,082,848	151,774	88,034	13,652	45,651	26,641	1,408,600

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

(a) These represent adjustments arising from management's reconciliation exercise of the property, plant and equipment register conducted during the year.

(b) These represent damaged assets which were written off during the year.

(c) These represent partial fulfilment of purchase of assets not yet put to use by the Trust.

(d) This represents amounts related to the construction of an office building in May Pen.

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

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

Land, artwork and construction in progress are not depreciated.

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

	2020 $'000	**2019 $'000**
Buildings/related infrastructure	217,143	217,143
Furniture, fixtures and office equipment	166,559	165,927
Artwork	13,931	13,931
	397,633	397,001

18 **PAYABLES AND ACCRUALS**

	2020 $'000	**2019 $'000**
Accounts payable and accruals (Note 18(a))	2,947,436	1,754,413
Scheme deposits	92,624	163,451
Statutory and other payroll deductions	93,543	82,478
Retention payable	627,063	466,359
GCT payable	2,021,325	1,435,696
Withholding Tax Specified Services	2,149	2,261
Sums withheld for modification of covenants	191,203	170,622
Peril insurance claims (Note 31(b)(i))	30,056	40,862
Other payables	1,517,424	1,502,156
	7,522,823	5,618,298

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

19 PROVISIONS

	Sundry Claims (Note 19(a))		Employee Benefits (Note 19(b))		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balances at beginning of the year	40,000	-	162,137	130,032	202,137	130,032
Recognised in profit or loss for the year	-	40,000	4,938	32,105	4,938	72,105
Balance at end of the year	40,000	40,000	167,075	162,137	207,075	202,137

(a) Sundry claim represents the provision for the settlement of a legal claim against the Trust (Note 36).

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

20 REFUNDABLE CONTRIBUTIONS

	2020			2019
	Currently Due $'000	Not Yet Due $'000	Total $'000	Total $'000
Contributions refundable	24,098,282	86,965,710	111,063,992	101,511,402
Bonus accrued (Note 20(a))	2,601,405	3,881,612	6,483,017	6,453,675
	26,699,687	90,847,322	117,547,009	107,965,077
Represented by:				
Savings accounts				
Principal	24,098,282	-	24,098,282	21,634,501
Interest	2,601,405	-	2,601,405	2,588,860
	26,699,687	-	26,699,687	24,223,361
Time accounts				
Principal	-	60,886,042	60,886,042	59,387,925
Interest	-	4,208,063	4,208,063	3,903,214
	-	65,094,105	65,094,105	63,291,139
Total for which personal accounts are established	26,699,687	65,094,105	91,793,792	87,514,500
Balances for which no personal accounts are established (Note 20(b))	-	25,753,217	25,753,217	20,450,577
Total refundable employee contributions	26,699,687	90,847,322	117,547,009	107,965,077

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

20 **REFUNDABLE CONTRIBUTIONS (CONTINUED)**

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

The Trust complied with the requirement for creation of personal accounts for employed persons who made contributions up to December 31, 2018 (2018: December 31, 2017) within the one year period stipulated by the Act. During the current financial year, 478,005 (2019: 636,161) individual (time) accounts totalling $9.92 billion (2019: $13.50 billion) were created.

21 **DEFERRED TAX (ASSETS) LIABILITIES**

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

	2020			
	Balance at April 1, 2019 $'000	**Recognised in income (Note 28(c)) $'000**	**Recognised in other comprehensive income $'000**	**Balance at March 31, 2020 $'000**
Interest payable	(58,676)	51,341	-	(7,335)
Employee benefits (liability) asset (net)	63,576	(22,746)	(266,782)	(225,952)
Accelerated capital allowances	25,663	(15,814)	-	9,849
Interest receivable	314,041	(115,479)	-	198,562
Interest receivable and share of net assets of associate	(13,850)	(2,472)	-	(16,322)
Unrealised foreign exchange gains	18,626	30,508	-	49,134
Rental income receivable	1,648	(58)	-	1,590
Other	(2)	3	-	1
Net liabilities (assets)	351,026	(74,717)	(266,782)	9,527

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

21 DEFERRED TAX (ASSETS) LIABILITIES (CONTINUED)

	2019			
	Balance at April 1, 2018 $'000	**Recognised in income (Note 28(c)) $'000**	**Recognised in other comprehensive income $'000**	**Balance at March 31, 2019 $'000**
Interest payable	(34,799)	(23,877)	-	(58,676)
Employee benefits asset (net)	194,701	32,586	(163,711)	63,576
Accelerated capital allowances	16,026	9,637	-	25,663
Interest receivable	316,813	(2,772)	-	314,041
Interest receivable and share of net assets of associate	3,978	(17,828)	-	(13,850)
Unrealised foreign exchange gains	45,954	(27,328)	-	18,626
Rental income receivable	677	971	-	1,648
Other	(2)	-	-	(2)
Net liabilities	543,348	(28,611)	(163,711)	351,026

22 MORTGAGE SUBSIDY RESERVE

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

As of July 2017, applicants earning $12,000 or less weekly and have been contributing to the Trust for a minimum of 7 years may be eligible for a maximum subsidy of $2.50 million. The actual take up of the subsidy by eligible contributors during the year amounted to $320.12 million (2019: $351.58 million) (Note 27).

23 PERIL RESERVE

The Trust's insurance policy deductible is US$30 million (2019: US$30 million), i.e., peril insurance claims up to this amount will be for the account of the Trust (claims over this amount will be for the account of the insurer) (Note 31(b)(i)).

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

	2020 US$'000	**2019 US$'000**
Cash and cash equivalents (US$ denominated) (Notes 6(c) and 6(d))	6,725	2,609
Resale agreements (US$ denominated) (Note 8(a))	5,674	13,950
Security at amortised cost (US$ denominated) (Note 10(b))	686	-
Securities at amortised cost (J$ denominated) (Note 10(b)(iii))	18,465	30,808
	31,550	47,367

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

24 **LOAN LOSS RESERVE**

This reserve represents the excess of the provision for loan losses, determined using management's prudential estimate of the greater of 3%:

- of the total mortgage loans (less loan financing to developers) receivable, net of IFRS allowance, and
- the total arrears for over 90 days, for which allowances are made,

over the amounts determined under IFRS (Note 11(v)).

During the year, there was a decrease of $1.87 billion (2019: a decrease of $57.34 million) in the loan loss reserve. This reserve is to cover any losses that may arise from the loans referred to above as well as other mortgage loans.

25 **DISTRIBUTION**

Transfer to Consolidated Fund

This represents transfers made to the Government of Jamaica through the Ministry of Finance and the Public Service based on the amendment to the National Housing Trust Act (the Act) under which the Trust was required to transfer up to a maximum of $11.40 billion to the Consolidated Fund for each of four years up to 2016/2017.

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

26 **MISCELLANEOUS INCOME**

	2020 **$'000**	**2019** **$'000**
Penalty income	58,130	34,560
Debt management fees	103,230	110,342
Write back of accrued charges on stalled computer software infrastructure project	-	203,954
Others	93,787	244,347
	255,147	593,203

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

27 SPECIAL SUBSIDIES AND GRANTS

	2020 $'000	2019 $'000
Special projects:		
Inner City Housing Project	12,125	18,387
Emancipation Park (net of recoveries of $5.19 million (2019: $7.01 million))	113,906	135,338
Grants:		
Mortgage subsidy (Note 22)	320,121	351,579
Property maintenance – Orange Grove	12,335	12,869
Community infrastructure upgrade	272,985	294,270
Police stations refurbishing	100,160	173,548
Infirmaries refurbishing	57,551	60,000
Others	81,762	13,132
	970,945	1,059,123

28 TAXATION

(a) Taxation recoverable

	2020 $'000	2019 $'000
Balance at the beginning of the year	7,076,672	6,842,938
Additions during the year	153,975	233,734
Balance at the end of the year	7,230,647	7,076,672

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

(b) Taxation payable

	2020 $'000	2019 $'000
Balance at the beginning of the year	6,472,138	5,894,443
Current tax charge for the year	-	577,695
Balance at the end of the year	6,472,138	6,472,138

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

28 **TAXATION (CONTINUED)**

(c) Recognised in profit or loss for the year

(i) The taxation charge for the year comprises:

	2020 $'000	2019 $'000
Current tax	-	577,695
Deferred tax (Note 21)	(74,717)	(28,611)
	(74,717)	549,084

There was no current tax charge for the year.

Subject to the agreement of the Commissioner General, Tax Administration of Jamaica, tax losses of approximately $140.255 million are available indefinitely for set off against future taxable profits.

(ii) Reconciliation of effective tax rate:

	2020 $'000	2019 $'000
Profit before taxation	18,861,002	24,296,711
Expected tax at domestic income tax rate of 25%	4,715,251	6,074,178
Tax effect of amounts not deductible	850,582	108,502
Tax effect of income not subject to tax	(5,511,302)	(5,509,218)
Net effect of other charges and allowances	(164,312)	(124,378)
Tax effect of tax losses not recognised	35,064	-
Taxation charge	(74,717)	549,084

29 **PROFIT FOR THE YEAR**

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

(a) Revenue on financial assets:

	2020 $'000	2019 $'000
Financial assets at amortised cost:		
- Rescheduled loans	-	35,661
- Unimpaired loans	8,840,557	10,485,928
- Other	1,582,916	833,058
	10,423,473	11,354,647
Interest income on investment securities:		
- at fair value through profit and loss	190,479	182,687
- at amortised cost	780,297	1,064,196
	970,776	1,246,883
Total interest income	11,394,249	12,601,530
Dividends	36,369	34,064
	11,430,618	12,635,594

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

(b) Bonus on employees' contributions:

	2020 $'000	**2019 $'000**
- Savings accounts	414,871	398,322
- Time accounts	1,216,458	1,401,781
	1,631,329	1,800,103

(c) Gain/(Loss) on financial assets

	2020 $'000	**2019 $'000**
(i) Gains/(Losses) on investment securities		
At fair value through profit and loss		
- Inflation indexed bond	78,855	135,366
- Pooled investment fund	(22,346)	6,752
- Equity securities	(29,586)	541,237
	26,923	683,355
(ii) Gain/(Loss) on disposal of investment securities:		
- at fair value through profit and loss (equity)	(40,702)	-
- at amortised cost	490,308	(1,749)
	449,606	(1,749)

(d) Expenses by nature:

	2020 $'000	**2019 $'000**
Audit fees - current year	10,275	9,880
- prior year	910	748
Depreciation	156,950	144,681
Amortisation of intangible assets	11,009	11,980
Employees costs (Note 35)	6,980,454	6,180,024
Office rental, maintenance and security	338,793	314,086
Electricity and telephone	200,488	184,556
Scheme expenses	212,206	446,256
Data processing – licences and maintenance	223,243	225,846
Irrecoverable General Consumption Tax	190,635	160,988
Others	939,370	826,058
	9,264,333	8,505,103

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

(e) Allowance for expected credit loss

	2020 $'000	2019 $'000
Cash and cash equivalents (Note 6(e))	(234)	(97)
Receivables (Note 7)	505,090	240,917
Short term deposits and resale agreements (Note 8(b))	11	(5,718)
Investment securities (Note 10(b)(v))	11,863	(41,445)
Loans receivable (Note 11(q))	2,798,540	334,640
Loans receivable direct write-offs	441,541	-
	3,756,811	528,297

(f) Non-refundable employers' contributions

During the year, based on a Memorandum of Understanding between the Trust and the Government of Jamaica (GOJ), acting through the Ministry of Finance and the Public Service (MOFPS), the GOJ paid contribution arrears (including interest) in the amount of $2.38 billion (2019: $1.70 billion).

30 **RELATED PARTY BALANCES/TRANSACTIONS**

Operating transactions

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

	Loans granted		Advances net of share of losses		Balance owed Including interest	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Key management personnel	68,779	18,908	-	-	140,270	97,114
Board of Directors and Committee members	-	-	-	-	11,560	5,585
Investments in associate (Note 15)	-	-	5,943	6,683	1,119,371	1,113,398

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

30 RELATED PARTY BALANCES/TRANSACTIONS (CONTINUED)

Compensation of key management personnel

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

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

	2020 $'000	2019 $'000
Board of Directors and Committee members:		
Directors' fees	2,520	3,170
Director's remuneration	29,777	29,781
Other key management personnel:		
Salaries and other benefits	181,641	163,021
Post-employment benefits	12,632	11,559
	194,273	174,580
	226,570	207,531

31 COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2020 $'000	2019 $'000
(i) Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	40,878,634	21,255,107
Purchase of land	1,097,054	1,037,000
Inner City Housing Project	1,719,417	1,372,749
Property, plant and equipment	58,498	-
	43,753,603	23,664,856
(ii) Authorised and approved but not contracted for -		
Computer software development	25,011	39,560
Office refurbishing	295,140	534,229
Construction contracts under negotiation	649,396	-
Mortgage subsidy	300,000	560,192
	1,269,547	1,133,981
(iii) Authorised and approved but not yet disbursed -		
Loans to beneficiaries	14,182,484	12,053,909

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

31 **COMMITMENTS AND CONTINGENCIES**

(b) Contingencies

(i) *Peril insurance claims*
The Trust's self-insured retention on its peril insurance cover is US$30 million (J$4.04 billion) (2019: US$30 million (J$3.71 billion)). Should a catastrophic event occur such as a hurricane or an earthquake, the Trust will be liable to meet the cost of damage up to the aggregate amount of the retention for any one or several events in the given period. The Trust is insured for full value on all earthquake perils and for all other perils above the Self Insurance Retention (Note 23).

At year-end, claims made by beneficiaries provided for but not yet processed by the Trust amounted to approximately $30.06 million (2019: $40.86 million) (Note 18).

(ii) *Litigation*
The Trust is involved in litigations in the normal course of operations. Management believes that, liabilities, if any, arising from such litigations will not have a material adverse effect on the financial position of the Trust (See also Note 36).

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

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

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

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

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

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives

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

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Board of Directors risk management mandate is principally carried out through: The Finance and Investment Committee, Audit Committee, Human Resource Management (HRM) and Information Technology Committee, Properties and Technical Committee, Customer Relations Committee, Governance Committee and the Internal Audit Department.

Finance and Investment Committee

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

Audit Committee

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

HRM and Information Technology Committee

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

Properties and Technical Committee

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

Customer Relations Committee

This committee has been established to:-

a) Review and recommend requests from contributors for variations to policies to support their acquisition of housing solutions.

b) Accept and make recommendations to the Board of Directors regarding any issues emanating from such policies and strategies which have been implemented or proposed by the Customer Relations Management Division (CRM) through the Trust's Leadership Team.

c) Review requests for the "write off" of receivables of loan balances and requests for loan accounts to be placed in "charge-off".

d) Promote the development of housing communities through monitoring the provision of support services.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)
Governance Committee
This committee has been established primarily to make recommendations to the Board of Directors, on an ongoing basis, concerning corporate governance in general and regarding the Board of Directors stewardship role in the management of the Trust; including the role and responsibility of the Board of Directors and the recommendations of appropriate policies and procedures for Board of Directors to carry out their duties with due diligence and compliance with all legal requirements.

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

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

(a) Market risk

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

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

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

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

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

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

(i) Equity price sensitivity analysis

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

If quoted equity prices had been 5% (2019: 10%) higher/lower, profit for the year ended March 31, 2020 would increase/decrease by \$66.38 million/\$132.76 million (2019: profit for the year would increase/decrease by \$195.87 million) as a result of the changes in fair values of the Trust's equity securities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

(ii) Foreign currency risk

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

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

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

At year end, the carrying amounts of the Trust's foreign currency denominated financial assets were as follows:

	Assets			
	2020		2019	
	US$'000	J$'000	US$'000	J$'000
Cash and bank balances	6,726	910,452	5,513	697,206
Resale agreements	5,674	768,159	13,980	1,767,891
Investment securities	686	92,842	30,808	3,895,958
	13,086	1,771,453	50,301	6,361,055

The exchange rate of the United States dollar in relation to the Jamaica dollar was US$1 to J$135.39 (2019: US$1 to J$126.46).

Foreign currency sensitivity analysis
The following table details the Trust's sensitivity to a 2% revaluation and 6% devaluation (2019: 4% revaluation and 6% devaluation) of the Jamaica dollar against the United States dollar. The change in the sensitivity rates below are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	2020		2019	
	2% revaluation of the J$'000	6% devaluation of the J$'000	4% revaluation of the J$'000	6% devaluation of the J$'000
Effect on profit for the year	(35,429)	106,287	(254,442)	381,663

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

Foreign currency sensitivity analysis (continued)
The Trust's sensitivity to foreign currency has decreased during the current period mainly due to a decrease in holdings of foreign currency investments. The analysis is done on the same basis as for 2019 and assumes that all other variables, in particular interest rates, remain constant.

(iii) Interest rate risk

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

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

Management of interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	2020						
	Within 3 months $'000	**Within 3 - 12 months $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Non-rate sensitive $'000**	**Total $'000**	**Weighted effective interest rate %**
Assets:							
Cash and bank balances	910,452	-	-	-	842,259	1,752,711	3.81
Receivables	7,290	21,639	880,733	751,752	4,158,637	5,820,051	3.07
Short term deposits and resale agreements	768,159	-	-	-	-	768,159	3.68
Investment securities	8,403	75,493	47,666	6,422,150	1,651,946	8,205,658	8.42
Loans receivable	8,784,122	664,665	3,870,913	243,554,338	-	256,874,038	3.38
Total assets	10,478,426	761,797	4,799,312	250,728,240	6,652,842	273,420,617	
Liabilities							
Payables	-	-	-	-	3,228,429	3,228,429	
Refundable contributions	914,071	18,420,115	29,009,141	69,203,682	-	117,547,009	2.82
	914,071	18,420,115	29,009,141	69,203,682	3,228,429	120,775,438	
Net interest rate sensitivity gap	9,564,355	(17,658,318)	(24,209,829)	181,524,558	3,424,413	152,645,179	
Cumulative gap	9,564,355	(8,093,963)	(32,303,792)	149,220,766	152,645,179		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

	2019						
	Within 3 months $'000	Within 3 - 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-rate sensitive $'000	Total $'000	Weighted effective interest rate %
Assets:							
Cash and bank balances	2,250,303	-	-	-	1,397,386	3,647,689	2.92
Receivables	6,051	30,208	779,210	577,676	2,722,452	4,115,597	3.10
Short term deposits and resale agreements	1,685,507	82,361	-	-	-	1,767,868	2.90
Investment securities	315,959	500,697	1,476,992	10,469,153	2,305,355	15,068,156	6.10
Loans receivable	10,110,919	97,003	3,229,097	225,653,452	-	239,090,471	4.48
Total assets	14,368,739	710,269	5,485,299	236,700,281	6,425,193	263,689,781	
Liabilities							
Payables	-	-	-	-	2,987,162	2,987,162	-
Refundable contributions	798,091	17,631,485	27,452,746	62,082,755	-	107,965,077	2.88
	798,091	17,631,485	27,452,746	62,082,755	2,987,162	110,952,239	
Net interest rate sensitivity gap	13,570,648	(16,921,216)	(21,967,447)	174,617,526	3,438,031	152,737,542	
Cumulative gap	13,570,648	(3,350,568)	(25,318,015)	149,299,511	152,737,542		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates from non-derivative instruments at the reporting date. For floating rate assets, the analysis is prepared assuming the amount of assets held at the reporting date was held throughout the year. For Jamaica dollar instruments, a 100 basis points increase and a 100 basis points decrease (2019: 100 basis points increase and 100 basis points decrease) and for US$ denominated instruments, a 100 basis points increase and a 100 basis points decrease (2019: 100 basis points increase and 100 basis points decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and 100 basis points lower (2019: 100 basis points higher and 100 basis points lower) for Jamaica dollar instruments and 100 basis points higher and 100 basis points lower (2019: 100 basis points higher and 100 basis points lower) for US$ denominated instruments and all other variables were held constant, the Trust's profit for the year ended March 31, 2020 would increase by $Nil (2019: $1.21 million) or decrease by $Nil (2019: $1.21 million). This is mainly attributable to the Trust's exposure to interest rates on its variable rate investment securities.

(b) Credit risk

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

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

The Trust assesses the probability of default of individual counterparties using ratings agencies, however for those not covered by the rating agency, the Trust uses its own internal rating system.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

The Trust's internal classification is as follows:

Rating	Description	
A	Low risk	- excellent credit history
B	Standard risk	- generally abides by credit terms
C	Past due but not impaired	- late paying with increased credit risk
D	Credit impaired	- default

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to revision. The credit quality review process allows the Trust to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

(i) Loans receivable

The Trust has a significant credit risk exposure in respect of loans to beneficiaries and financial institutions, and advances to developers for housing construction. At March 31, 2020, the total credit risk exposure for loans receivable amounted to $256.87 billion (2019: $239.09 billion). The Trust establishes policies and procedures which govern standards for granting loans and the process of continuous monitoring and measurement in relation to delinquency and debt recovery management.

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

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

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

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

Impairment assessment of loans receivables is analysed at Note 32(b)(iv) below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(i) Loans receivable (continued)

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

Repossessed collateral

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

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

	2020		2019	
	Carrying Value $'000	**Value of Collateral $'000**	**Carrying Value $'000**	**Value of Collateral $'000**
Residential properties	3,141,607	12,911,228	4,093,093	15,140,075

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

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

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

	2020 $'000	2019 $'000
Government of Jamaica (GOJ)	6,553,712	10,943,457
Bank of Jamaica (BOJ)	-	1,808,534
Others	2,514,206	5,419,753
Total	9,067,918	18,171,744

Impairment assessments of investment securities, short term deposits and resale agreements and cash and cash equivalents receivables are analysed at Note 32(b)(iv) below.

(iii) Impairment of financial assets - cash and cash equivalents, receivables, short term deposits and resale agreements, investment securities and loans receivable.

The Trust applies the 'three stage' model under IFRS 9 in measuring the expected credit losses on the financial assets above, and makes estimations about likelihood of defaults occurring. This is measured using the Probability of default (PD), Exposure at default (EAD) and Loss given default (LGD) for a portfolio of assets.

- Probability of default – This is an estimate of the likelihood of default over a given time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations.
- Exposure at default – This is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- Loss given default – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets - cash and cash equivalents, receivables, short term deposits and resale agreements, investment securities and loans receivable (continued)

The ‘three stage’ model is used to categorise financial assets according to credit quality as follows:

- Stage 1 – financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. This ECL is measured using a 12 month ECL, which represents the probability that the financial asset will default within the next 12 months.
- Stage 2 – financial assets with a significant increase in credit risk (SICR) since initial recognition, but not credit impaired. The ECL is measured using Lifetime ECL.
- Stage 3 – financial assets that have an objective evidence of impairment, or their estimate of credit worthiness has deteriorated to the point of becoming non-performing. The ECL is measured using a Lifetime ECL.

Transfer between stages
Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 to stage 1 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment. This assessment is done on a case-by-case basis.

Forward Looking Information
The assessment of SICR and the calculation of ECL both incorporate forward looking information that is available without undue cost or effort. The Trust uses an economic projection model to develop a forward-looking lifetime PD. Historical macroeconomic data is used as a base to forecast future data. The model is adjusted for current data that will impact on the future performance of targeted variables. The forward looking factor is based on forecasts of the relevant macroeconomic variables namely, unemployment rates, growth in gross domestic product, net international reserves and inflation rate.

When incorporating macroeconomic forecasts into the determination of expected credit losses, the Trust considers the availability of the information and its relevance for each specific financial instrument or group of financial instruments. Information that is relevant for one financial instrument may not be relevant, or as relevant, for other financial instruments depending on the specific drivers of credit risk.

Upside and downside scenarios are set relative to the base case scenario, derived from reasonably possible alternative macroeconomic conditions. The weightings assigned to each economic scenario are listed below.

	March 31, 2020	
Base	**Upside**	**Downside**
35%	15%	50%

	March 31, 2019	
Base	**Upside**	**Downside**
70%	15%	15%

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(iii) Impairment of financial assets - cash and cash equivalents, receivables, short term deposits and resale agreements, investment securities and loans receivable (continued)

An additional layer of provision was thought prudent to account for the estimated impact of the Coronavirus (COVID 19) on the Trust's mortgage portfolio, which is the most susceptible of the financial assets. The regression analysis which was used in developing the PD showed that unemployment levels was a significant predictor of default for the Trust. The available data on the performance of loans subsequent to year end is yet to show a significant change in mortgage arears, and as such, the use of expected levels of unemployment as a gauge for increased credit risk represents the best basis for adjustment for COVID19.

The assessment of projected change in employment levels took the form of an industry by industry analysis, where key players in each sector of the economy provided forecasts of the employment levels in their respective industry on a quarterly basis for 2020/2021. This information was supplemented with information from Tax Administration Jamaica, as well as internal data. When these changes were applied, the resultant rate was then used to increase the ECL which resulted from the 'three stage' model above.

The most significant year end assumptions used in determining the ECL as at the reporting date are set out below.

Economic factor	Scenarios	Expected state for next 12 months	
		March 31, 2020	March 31, 2019
Unemployment Rate	Base	Stable	Positive
	Upside	Stable	Positive
	Downside	Negative	Stable
Gross Domestic Product	Base	Negative	Stable
	Upside	Stable	Stable
	Downside	Negative	Stable
Net International Reserve	Base	Stable	Positive
	Upside	Positive	Positive
	Downside	Negative	Stable
Inflation	Base	Negative	Negative
	Upside	Stable	Stable
	Downside	Negative	Negative

The value of each scenario, that is, base, upside and downside for each macroeconomic variable, is determined by management's judgement. Each of these is then multiplied by its individual weighting based on its scenario. The total probability weighting result is determined through the sum of all four outcomes outlined in the table above.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(iv) Credit risk exposure – financial assets subject to impairment

The following tables contain an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognized. The gross carrying amounts of investments below represent the Trust's maximum exposure to credit risks on these assets.

Cash and cash equivalents (excluding cash on hand) (at amortised cost)

	ECL Staging Stage 1 12-month ECL $'000	March 31, 2020 Total $'000	March 31, 2019 Total $'000
Credit grade:			
Investment	1,173,963	1,173,963	680,418
Non-investment	572,108	572,108	2,960,915
Gross carrying amount	1,746,071	1,746,071	3,641,333
Loss allowance	(24)	(24)	(258)
Carrying amount	1,746,047	1,746,047	3,641,075

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(iv) Credit risk exposure – financial assets subject to impairment (continued)

Short term deposits and resale agreements (at amortised cost)

	ECL Staging Stage 1 12-month ECL $'000	March 31, 2020 Total $'000	March 31, 2019 Total $'000
Credit grade:			
Non-investment	768,193	768,193	1,767,891
Gross carrying amount	768,193	768,193	1,767,891
Loss allowance	(34)	(34)	(23)
Carrying amount	768,159	768,159	1,767,868

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(iv) Credit risk exposure – financial assets subject to impairment (continued)

	Receivables (at amortised cost)			
	ECL Staging		March 31,	March 31,
	Stage 1	Stage 3	2020	2019
	12-month ECL	life-time ECL	Total	Total
	$'000	$'000	$'000	$'000
Standard risk	1,494,075	1,700,000	3,194,075	1,700,000
Not rated	3,230,769	407,198	3,637,967	2,922,498
Gross carrying amount	4,724,844	2,107,198	6,832,042	4,622,498
Loss allowance	(282,901)	(729,090)	(1,011,991)	(506,901)
Carrying amount	4,441,943	1,378,108	5,820,051	4,115,597

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(iv) Credit risk exposure – financial assets subject to impairment (continued)

	Debt securities (at amortised cost)		
	ECL Staging	March 31,	March 31,
	Stage 1	2020	2019
	12-month ECL	Total	Total
	$'000	$'000	$'000
Credit grade:			
Non-investment	4,548,737	4,548,737	8,571,153
Not rated	-	-	21,395
Gross carrying amount	4,548,737	4,548,737	8,592,548
Loss allowance	(46,930)	(46,930)	(35,067)
Carrying amount	4,501,807	4,501,807	8,557,481

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(iv) Credit risk exposure – financial assets subject to impairment (continued)

	Loans receivable (at amortised cost)				
	ECL Staging			March 31, 2020	March 31, 2019
	Stage 1 12-month ECL $'000	Stage 2 life-time ECL $'000	Stage 3 life-time ECL $'000	Total $'000	Total $'000
Development financing	1,112,398	-	1,490,438	2,602,836	3,311,566
Agencies	49,997,389	-	-	49,997,389	43,575,403
Other	680,956	-	2,550,231	3,231,187	2,798,354
Standard Risk – Mortgage:					
Current: 0-30 days	137,079,298	21,373,929	3,209,311	161,662,538	147,467,686
Past due over 30 days but less than 90 days	12,818,513	14,695,413	592,072	28,105,998	31,904,136
Credit impaired over 90 days	-	-	19,318,600	19,318,600	15,470,001
Gross carry amount	201,688,554	36,069,342	27,160,652	264,918,548	244,527,146
Loss allowance	(1,049,208)	(1,189,866)	(5,805,436)	(8,044,510)	(5,436,675)
Carrying amount	200,639,346	34,879,476	21,355,216	256,874,038	239,090,471

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(v) Loss allowances

The following tables contain an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognised. The gross carrying amount of financial assets below represents the Trust's maximum exposure to credit risk on these assets.

	Cash and cash equivalent (at amortised cost)		
	Loss allowances movement		
	ECL staging		
	Stage 1		
	12-month ECL	Total	Total
	2020	2020	2019
	$'000	$'000	$'000
Loss Allowance at beginning of year	258	258	355
Transfers:			
New financial assets originated or purchased	24	24	258
Financial assets fully derecognised during the period	(258)	(258)	(355)
Loss Allowances at end of year	24	24	258

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(v) Loss allowances (continued)

	Short term deposits and resale agreements (at amortised cost) Loss allowances movement		
	ECL staging Stage 1 12-month ECL 2020 $'000	Total 2020 $'000	Total 2019 $'000
Loss Allowance at beginning of year	23	23	5,741
Transfers:			
New financial assets originated or purchased	34	34	23
Financial assets fully derecognised during the p	(23)	(23)	(5,741)
Loss Allowance at end of year	34	34	23

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(v) Loss allowances (continued)

	Debt securities (at amortised cost)			
	Loss allowances movement			
	ECL staging			
	Stage 1 12-month ECL 2020 $'000	Stage 3 life-time ECL 2020 $'000	Total 2020 $'000	Total 2019 $'000
Loss Allowance at beginning of year	24,482	10,585	35,067	76,512
Transfers:				
New financial assets originated or purchased	27,910	-	27,910	6,789
Financial assets fully derecognised during the peri	(5,462)	(10,585)	(16,047)	(33,799)
Changes in inputs in ECL calculations	-	-		(14,435)
Loss Allowances at end of year	46,930	-	46,930	35,067

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(vi) Loss allowances (continued)

	Receivables (at amortised cost)			
	Loss allowances movement			
	ECL staging			
	Stage 1 12-month ECL 2020 $'000	Stage 3 life-time ECL 2020 $'000	Total 2020 $'000	Total 2019 $'000
Loss Allowance at beginning of year	127,871	379,030	506,901	265,984
Transfers:				
New financial assets originated or purchased (net)	155,030	350,060	505,090	240.917
Loss Allowances at end of year	282,901	729,090	1,011,991	506,901

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(v) Loss allowances (continued)

	Loans receivable (at amortised cost)				
	Loss allowances movement				
	ECL staging				
	Stage 1 12-month ECL 2020 $'000	Stage 2 life-time ECL 2020 $'000	Stage 3 life-time ECL 2020 $'000	Total 2020 $'000	Total 2019 $'000
Loss Allowance at beginning of year	495,390	1,169,739	3,771,546	5,436,675	5,203,752
Transfers:					
Changes in principal and interest	553,818	20,127	2,033,890	2,607,835	232,923
Loss Allowances at end of year	1,049,208	1,189,866	5,805,436	8,044,510	5,436,675

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(vi) IFRS 9 carrying values

	Cash and cash equivalents (excluding cash on hand) (at amortised cost)		
	ECL staging		
	Stage 1		
	12-month ECL	Total	Total
	2020	2020	2019
	$'000	$'000	$'000
Gross carrying amount at beginning of year	3,641,333	3,641,333	4,059,410
Changes in principal and interest	(1,895,262)	(1,895,262)	(418,077)
Gross carrying amount at end of year	1,746,071	1,746,071	3,641,333

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(vi) IFRS 9 carrying values (continued)

	Short term deposits and resale agreements (at amortised cost)		
	ECL staging		
	Stage 1 12-month ECL 2020 $'000	Total 2020 $'000	Total 2019 $'000
Gross carrying amount at beginning year	1,767,891	1,767,891	7,181,665
New financial assets originated or purchased	(999,698)	(999,698)	(5,413,774)
Gross carrying amount at end of year	768,193	768,193	1,767,891

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(vi) IFRS 9 carrying values (continued)

	Receivables (at amortised cost)			
	ECL staging			
	Stage 1 12-month ECL 2020 $'000	Stage 3 life-time ECL 2020 $'000	Total 2020 $'000	Total 2019 $'000
Gross carrying amount at beginn	4,243,468	379,030	4,622,498	1,738,901
New financial assets originated (net	481,376	1,728,168	2,209,544	2,883,597
Gross carrying amount at end of	481,376	2,107,198	6,832,042	4,622,498

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(vi) IFRS 9 carrying values (continued)

	Debt securities (at amortised cost)			
	ECL staging			
	Stage 1 12-month ECL 2020 $'000	Stage 3 life-time ECL 2020 $'000	Total 2020 $'000	Total 2019 $'000
Gross carrying amount at beginning of year	8,571,153	21,395	8,592,548	10,050,307
Transfers:				
New financial assets originated				2,012,906
Financial assets fully derecognised during the period	-	(21,395)	(21,395)	(4,030,855)
Changes in principal and interest	(4,263,186)	-	(4,263,186)	(124,033)
Foreign exchange adjustments	240,770	-	240,770	684,223
Gross carrying amount at beginning of year	4,548,737	-	4,548,737	8,592,548

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

(vi) IFRS 9 carrying values (continued)

	Loans receivables (at amortised cost)				
	ECL staging				
	Stage 1 12-month ECL $'000	Stage 2 life-time ECL $'000	Stage 3 life-time ECL $'000	Total $'000	Total $'000
Gross carrying amount at beginning of year	181,384,382	38,794,866	24,347,898	244,527,146	227,256,564
Transfers:					
Changes in principal and interest	20,304,172	(2,725,524)	2,812,754	20,391,402	17,270,582
Gross carrying amount at end of year	201,688,554	36,069,342	27,160,652	264,918,548	244,527,146

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(c) Liquidity risk

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

Management of liquidity risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Financial risk management policies and objectives (continued)

(c) Liquidity risk (continued)

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

As at March 31, 2020:

		Contractual cash flows				
	Carrying value	Within 3 Months	Within 3-12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities						
Payables and accruals	3,228,429	862,167	2,366,262	-	-	3,228,429
Refundable contributions	117,547,009	1,026,326	20,682,235	31,646,335	71,912,971	125,267,867
Total liabilities	120,775,438	1,888,493	23,048,497	31,646,335	71,912,971	128,496,296

As at March 31, 2019:

		Contractual cash flows				
	Carrying value	Within 3 Months	Within 3-12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities						
Payables and accruals	2,987,162	808,898	2,178,264	-	-	2,987,162
Refundable contributions	107,965,077	896,102	19,796,755	29,948,450	64,498,278	115,139,585
Total liabilities	110,952,239	1,705,000	21,975,019	29,948,450	64,498,278	118,126,747

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

Capital risk management

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

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

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

33 **FAIR VALUES**

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

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

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

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

	2020			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Carrying Amount $'000**
Assets measured at fair value:				
- Securities at fair value through profit and loss (Note 10(a))	1,327,612	324,334	2,051,905	3,703,851

	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Carrying Amount $'000**
Assets measured at fair value:				
- Securities at fair value through profit and loss (Note 10(a))	1,958,675	346,680	4,205,320	6,510,675

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

33 **FAIR VALUES (CONTINUED)**

Valuation techniques and significant unobservable inputs

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Inflation Indexed Bond	- Adjust the nominal value of the principal, based on the current applicable CPI, in accordance with the terms of the bond to generate the current inflation adjusted principal of the bond - Project the coupon at the next coupon payment date using the inflation adjusted principal as at the valuation date - Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids) - Using this yield, determine price Using accepted formula - Apply price to estimate fair value.	Not applicable	Not applicable
Pooled investment funds	- Determined by the pooled fund manager based on the market value of the underlying assets in the Fund	Not applicable	Not applicable

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

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

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

Reconciliation of Level 3 fair value measurements of financial assets

	Debt Securities at FVTPL $'000
At April 1, 2018	4,069,954
Gains included in profit or loss:	
- Fair value gains on investment securities (Note (29(c))	135,366
At March 31, 2019	4,205,320
Gains included in profit or loss:	
- Fair value gains on investment securities (Note (29(c))	78,855
Disposals/settlements	(2,232,270)
At March 31, 2020	2,051,905

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

34 LEASES

The Trust as a lessee

The Trust has lease contracts for properties used in its operations. Lease terms are between 3 and 5 years. These contracts include extension and termination clauses. The Trust has applied the lease recognition exemptions for these leases as these contracts include termination clauses without significant penalty.

At the reporting date, the Trust had future minimum lease payments as follows:

	2020 $'000	2019 $'000
Within one year	19,090	12,501
1 to 5 Years	4,658	15,309
	23,748	27,810

The Trust as a lessor

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

The property rental income earned by the Trust from these properties in the period amounted to $12.62 million (2019: $7.93 million).

Maintenance charges received on these properties in the period amounted to $15.75 million (2019: $13.35 million).

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

	2020 $'000	2019 $'000
Within one year	13,298	8,302
1 to five years	58,013	36,340
Over 5 years	16,052	10,169
	87,363	54,811

35 OTHER DISCLOSURES – EMPLOYEES' COSTS

	2020 $'000	2019 $'000
Salaries and wages including statutory contributions	5,451,146	4,926,039
Employee benefits (Note 16(c)(i))	340,550	87,687
Other staff costs	1,188,758	1,166,298
	6,980,454	6,180,024

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

36 **LITIGATION AND CLAIM**

Developer's claim

The claimant/property owner filed an application for injunction preventing the Trust from constructing a drain through their property, which was heard in May, June and December 2013. The Court denied the claimant's application for an injunction in December 2014 and trial of the substantive issue was set for December 2015. The trial of this matter began on September 19, 2016 and concluded on November 4, 2016. Judgement was handed down in favour of the claimant. The Trust filed an appeal and awaits the hearing.

On May 30, 2019 the claimant applied for leave to seek an Order to quash the action of the Minister taken on February 24, 2016 to confirm an order under the Flood Water Control Act appointing the Trust; the undertakers for a Flood Water Control Scheme. The claimant applied for leave, without notice, and without either the Minister or the Trust being heard. The Trust applied and succeeded in being joined as a party directly affected by the suit. The Trust also appealed against the Judge's Order that the decision of the Minister be stayed and that the Judge should revoke the grant of leave to apply for judicial review. On October 10, 2019 the Judge refused to revoke the decision to grant leave for judicial review but agreed to rescind the decision for a stay against the Minister's Order. This meant that the Trust was free to complete the works to construct the drain on the claimant's land. The hearing date set for judicial review is July 29-30, 2020.

Management, based on the facts and the opinion of its Counsel, has made provisions based on its best judgement of the likely liability resulting from the litigation and claims.

However, the ultimate outcome of the matter cannot be determined at this time and should the Trust be unsuccessful in its challenge and in the mediation process, an adjustment may be required to the amounts provided in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

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

	Notes	2020 $'000	2019 $'000
Increase in/(Write back of) provisions for losses on projects	13(b)	63,629	(855)
Increase in provisions on loans receivable	11(q)	2,798,540	334,640
Provision for expected credit losses – receivables	7	505,090	240,917
Write back of provision for expected credit losses – cash and cash equivalents	29(e)	(234)	(97)
Provision for/(write back of) expected credit losses – short-term deposits and repurchase agreements	29(e)	11	(5,718)
Provision for/(write back of) expected credit losses – investment securities	29(e)	11,863	(41,445)
Bonus on employees' contributions	29(b)	1,631,329	1,800,103
Adjustments to contribution collections (net)		(2,523,126)	(2,993,937)
Depreciation	17	156,950	144,681
Loss on disposal of property, plant and equipment		322	420
Adjustments to property, plant and equipment	17	4,858	55,758
Write off of property, plant and equipment	17	289	-
Gain on disposal of non-current asset held-for-sale		(26,949)	-
Service charges amortised	11(r)	(837,220)	(676,664)
Intangible assets amortised	14	11,009	11,980
Fair value gain on investment securities (net)	29(c)	(26,923)	(683,355)
(Gain)/Loss on disposal of investment securities (net)	29(c)	(449,606)	1,749
Employee benefit charge (net)	16	340,550	87,687
Dividend income	29(a)	(36,369)	(34,064)
Interest income	29(a)	(11,394,249)	(12,601,530)
Foreign exchange adjustment		(511,667)	(709,778)
Share of losses of associates	15	9,888	71,311
Tax (credit) expense	28(c)	(74,717)	549,084
Provisions charged during the year	19	4,938	72,105
Adjustments to reconcile profit for the year to cash flows from operating activities		(10,341,794)	(14,377,008)

38 SUBSEQUENT EVENT (CORONAVIRUS (COVID 19))

On January 30, 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (COVID 19) constituted a 'Public Health Emergency of International Concern'. This global outbreak, and the response of governments worldwide to it, has disrupted supply chains and activities across a range of industries. The full extent of the impact of COVID 19 on the Trust's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Trust's contributors, mortgagors, investments, employees and vendors/suppliers, all of which are uncertain.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

38 **SUBSQUENT EVENT – CORONAVIRUS (COVID 19) (CONTINUED)**

Due to the anticipated impact of COVID 19 on the economy, the Government of Jamaica has announced measures and initiatives which the Trust implemented effective April 1, 2020 to help its mortgagors who have been affected along with the aim of stimulating the housing economy. The initiatives announced were as follows:

- A reduction of 1% in interest rates for new mortgagors and 0.5% for existing mortgagors.
- Expansion of the Intergenerational Mortgage Programme to include other loan products such as open market purchases and construction loans.
- The extension of the Disability facility to include parents of children with disability.
- Contributors who are age 65 and older will be designated as Voluntary Contributors and therefore will be able to access housing benefits with tenures extending up to 60 years.
- A special arrangement for mortgagors whose mortgage has matured to continue benefitting from the Trust's peril insurance in a period of life when their earning power may be at its lowest.
- Moratorium for mortgagors whose income has been affected as a result of COVID 19.
- For the next six months there will be a suspension of all late fees for accounts with arrears less than 90 days.
- Mortgagors with loan accounts in arrears of 90 days or more as at February 29, 2020 and where there is no sales contract in place will be able to benefit from relief such as rescheduling of mortgages or reduction in interest rates.

In light of the initiatives mentioned above the Trust has made some assumptions in order to account for the resultant effects in the financial year 2020/2021 as follows:

- Decline in contribution collections by $7 billion or 19% due to unemployment levels across major sectors such as tourism, financial institutions and construction. It is expected that there will be a decline in these sectors during the first and second quarters with a gradual return to normalcy in the third and fourth quarter.
- Reduction in mortgage repayments by $2 billion or 8% due to increased unemployment and relaxation of arrears management and reduction in interest rates.
- Reduction in new loans by 3,240 or 23% due to the expected decline in walk in customers as less priority will be placed on home ownership due to loss of income.
- Reduction in operating expenses by $0.6 billion or 6%. Areas expected to be impacted includes Staff Travelling (expected reduction in travelling in first and second quarter), Public Relations (reduction in ground breaking and handing over ceremonies), Community Education (reduction in activities in first and second quarter) and Consultancy Fees (removal of all new projects).
- Decline in revenue by $6 billion or 16% due to the net of expected reduction in non-refundable contribution (19%), interest on loans receivables (11%) and investment income (30%).

To date there has been no material impact on the operations of the Trust.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

(Expressed in Jamaica dollars unless otherwise stated)

The movement on contributions is as follows:

	2020		2019	
	Refundable Employees' Contributions Not Yet Due $'000	Non-Refundable Employers' Contributions $'000	Refundable Employees' Contributions Not Yet Due $'000	Non-Refundable Employers' Contributions $'000
Balance at beginning of year	79,876,901	186,638,897	74,268,354	165,393,947
Collections during the year				
- Employed	16,009,531	22,121,721	14,490,872	21,124,490
- Self-employed	950,282	-	1,675,422	-
Contributions relating to time maturities transferred to cash grants	(8,574,815)	-	(7,738,379)	-
Interest capitalised	(1,390,254)	-	1,173,900	-
Collections relating to time maturities transferred to cash grants	(1,478,341)	-	(2,375,902)	-
Adjustments and reclassification	(1,572,406)	(657,063)	(1,617,366)	120,460
Balance at end of year	86,965,710	208,103,555	79,876,901	186,638,897

DIRECTORS' COMPENSATION – 2019 to 2020

Position of Director	Fees $	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle $	Honoraria $	All Other Compensation including Non-Cash Benefits As applicable $	Total $
Lennox Channer, Chairman	218,500.00				218,500.00
Anthonette Patterson-Bartley, Director*	62,500.00				62,500.00
Colin Barnett, Director	118,300.00				118,300.00
David Wan, Director	224,500.00				224,500.00
Deborah Newland, Director*	28,000.00				28,000.00
Doran Dixon, Director	280,300.00	334,063.18			614,363.18
Granville Valentine, Director	188,100.00				188,100.00
Jeffery Hall, Director*	51,000.00				51,000.00
Kavan Gayle, Director	180,800.00				180,800.00
Kerensia Morrison, Director	90,500.00				90,500.00
Nesta Clair Hunter, Director	197,100.00				197,100.00
Oneil Grant, Director	213,200.00				213,200.00
Patrae Rowe ,Director	104,700.00				104,700.00
Ryan Parkes, Director	125,000.00				125,000.00
Martin Miller, Managing Director					
CO-OPTED MEMBERS:					
Gary-Vaughn White	62,100.00				62,100.00
Justin Nam	6,900.00				6,900.00
Ricardo Case	13,800.00				13,800.00
Peter Jervis	20,700.00				20,700.00
TOTAL					**2,520,063.18**

Term ended July 31, 2019

SENIOR EXECUTIVE COMPENSATION – 2019 to 2020

Position of Senior Executive	Salary $	Gratuity Or Performance Incentive $	Travel. Allowance 0r Value of Assigned M/V. $	Lunch & Clothing Benefits $	Total $
MARTIN MILLER Managing Director	23,515,675	3,499,506	2,280,373	481,402	29,776,957
ERROL THOMPSON SGM - Finance	14,356,974	2,247,999	1,697,148	470,321	18,772,442
DONALD MOORE SGM - Construction & Dev.	15,301,665	2,021,663	1,888,974	516,383	19,728,685
NEIL MILLER SGM - Corporate Ser.	14,672,680	2,151,862	1,761,434	481,402	19,067,378
LANIE-MARIE OAKLEY-WILLIAMS SGM - Cust. Relations	14,569,011	2,259,131	1,834,810	481,402	19,144,354
JUDITH LARMOND HENRY GM - Company Secretariat	12,543,530	1,777,399	1,722,862	481,402	16,525,193
LISA MYRIE-DAVIS Chief Int. Auditor	9,873,154	1,349,113	1,697,148	481,402	13,400,817
LEIGHTON PALMER Chief Inf. Officer	10,451,412	1,336,024	1,845,829	481,402	14,114,667
ERROL HOLMES GM - Business Process Opt.	11,699,539	1,882,234	1,928,199	481,402	15,991,374
JOYCE SIMMS-WILSON GM - Marketing & Comm.	11,224,171	1,653,873	1,787,416	481,402	15,146,862
GLADSTONE JOHNSON GM - Contributions Mngmt.	11,811,910	1,932,377	1,787,416	481,402	16,013,105
SUZANNE WYNTER GM Loan Management	9,873,154	1,684,374	1,697,148	481,402	13,736,078
Total	**159,892,874**	**23,795,556**	**21,928,758**	**5,800,724**	**211,417,912**

ADMINISTRATION

MANAGING DIRECTOR
Martin Miller

SENIOR GENERAL MANAGERS

Neil Miller	- Corporate Services
Donald Moore	- Construction & Development
Dr. Lanie-Marie Oakley Williams	- Customer Relations Management
Errol Thompson	- Finance

GENERAL MANAGERS

Errol Holmes	- Business Process Optimization
Gladstone Johnson	- Contributions Management
Judith Larmond Henry	- Company Secretariat & Legal Services
Lisa Myrie-Davis	- Internal Audit
Leighton Palmer	- Information Services
Joyce Simms-Wilson	- Corporate Communications and Marketing
Dr. Suzanne Wynter	- Loan Management

ASSISTANT GENERAL MANAGERS

Jacqueline Aris	- Procurement and Contract Management
Dave Campbell	- Financial Reporting and Cost Management
Camille Chevannes	- Legal Conveyancing & Mortgage Registry
Keith Clarke	- Special Project Department
Dwight Ebanks	- Treasury Management
Maxine Hart	- Project Implementation Office
Dameon McNally	- Compliance
Vincent Mitchell	- Project Appraisal Management (Acting)
Helen Pitterson	- Company Secretariat & Legal Services
Donnetta Russell	- Human Capital Management
Michael Taylor	- Project Management
Judith Thompson-Newsome	- Branch Network
Elton Vassell	- Loan Recovery, Settlement & Accounting
Vencot Wright	- Corporate and Business Strategy

MANAGERS

Sharon Babolal Chin	- Project Portfolio Management
Herman Baker	- Industrial Relations & Staff Benefits, HRM
Dionne Barrett	- Procurement
Cecelia Bell	- Marketing
Dwayne Berbick	- Corporate and Public Affairs
Richard Blackwood	- Management Support
Everton Boothe	- Loan Portfolio Management
Judith Brown	- Accounts Payable & Payroll
Percival Cunningham	- Technical Support, Information Systems
Kareen Daley	- Application Development & Support
Clive Davis	- Project Appraisal Management
Joan Dennis	- Project Management, NHT Developed Projects
Harvey Hall	- Business Analysis
Ransford Hamilton	- Property Management
Dian Isaacs	- Risk and Insurance Management
Jacqueline Johnson	- Special Projects
Rohan Jones	- Information Systems Security
Sherene Lalah	- Financial Reporting
Nadine Longmore	- Smith- IT Sourcing & Projects
Steve McDonald	- Contributions Refund
Karlene Morgan	- Advertising and Communication
Paul Oliver	- Loan Accounting
Aubyn Perkins	- Interim Finance Scheme

Brian Saunders - Project Management, Special Projects
Richard Schloss - Project Management, Joint Venture (Acting)
Kepton Smith - Daily Intake Construction
Dr. Sherene Smith - Corporate Governance Compliance
Philbert Solomon - Receivables and Data Capture
Oran St. John - Contributor Accounts
Sheryl Stewart - Planning & Research
Gillian Warren - Customer Care
Ricardo Williams - Internal Audit
Wendy-Jo Williams - Social Development

BRANCH NETWORK:
MANAGERS

Lorna Bernard - Kingston & St. Andrew
Morcelle Brown - Customer Service, Kingston & St. Andrew
Gail Dorah - St. Ann
Narvia Drummond -Melbourne - Clarendon
Donovan Evans - St. James
Janet Hartley Millwood - St. Catherine
Corine Henry - New Loans, Kingston & St. Andrew
Eric McLeish - Manchester
Dahlia Williams - Westmoreland

SENIOR CUSTOMER SERVICE REPRESENTATIVES

Sancia Cornwall - St. Elizabeth
Karen Forbes-Rodney - Portland
Althea Green - Trelawny
Nichole Howden - Hanover
Ketrion Verisales - St. Mary
Cotchesta Watson - St. Thomas

LEGAL TEAM:
Legal Services

Keisha Diego-Grey
Sheron Green Brown
Nadine Taylor
Dawn Walker

LEGAL CONVEYANCING

Andrew Antonio
Alayne Bennett
Sharon Blair
Marisa Forbes Spencer
Carol Higgins
Enis Levy
Tashia Madourie
Jefferine Stubbs-Ruddock
Marilyn Walker
Georgia Waller

MEMORIAL

Mitzie Clarke

A Wonderful Friend and Colleague

It is with deep sadness that the National Housing Trust (NHT) family, marks the untimely passing of our dear friend and colleague, Mitzie Clarke.

Mitzie joined the NHT in 2003 as a Project Officer and had an immediate positive impact on the then Inner City Housing Project Unit. During her 16-year journey with the NHT, she demonstrated her ability to take on complex tasks while she served in the Urban Renewal Department and ultimately as Project Manager in the Construction and Development Department.

In the words of her colleagues, she was very focused and hardworking yet friendly and with a great sense of humour. She wasn't afraid of challenges and at the time of her passing, was assigned to one of the largest housing projects being undertaken by the NHT.

A team player and a problem solver; Mitzie was easy to work with. She exuded humility, kindness, gentleness, generosity, respect, passion and insight.

Outside of work, she was adventurous and loved spending time with her children.

The board of directors, management and staff of the NHT, express our sincerest condolences to Mitzie's family, friends and loved ones.

National Housing Trust

PHENOMENAL WOMAN, FRIEND & COLLEAGUE

Allison Beaumont-Smith

It is with deep sadness and regret that the NHT reflects on the passing of Allison Beaumont-Smith, who served the NHT as a senior manager in several departments including Customer Care, the Kingston & St. Andrew Branch and Marketing & Sales.

Allison had a passion for customer service and she was exceptional in her field, bringing people, systems, procedures and products together for winning outcomes. With this attitude, she provided the energy and impetus which led to the NHT achieving its first National Public Sector Customer Service Award in 2006.

She genuinely cared for people and in return, was well-respected and loved by customers and colleagues alike.

She was a sweet soul who brightened lives and brought out the best in those around her.

Our most sincere condolences to her family, friends and loved ones.

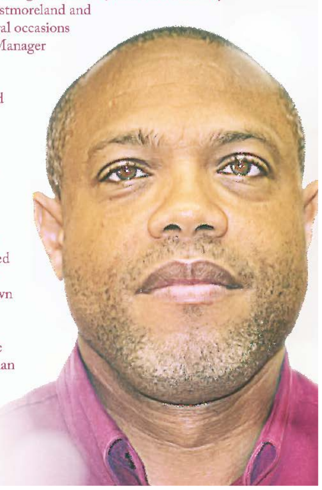
National Housing Trust

Norris Rainford

A beloved friend and colleague

The National Housing Trust (NHT) expresses profound sadness and regret at the untimely passing of Norris Rainford; a leader, a man of impeccable character, a beloved friend and colleague.

Norris served as a Branch Manager at the NHT, for almost 13 years from 2007 to 2020. He served firstly, as Manager of the St. James and Trelawny Regional Office and then at the Westmoreland and Hanover Regional Office. On several occasions he also acted as Assistant General Manager of the NHT Branch Network. His exceptional work ethic earned him commendations from customers and the respect and admiration of his peers.



Norris was a jovial, affable and fun-loving individual, even as he was a dedicated and reliable employee. His passion to serve and support was infectious and influenced those around him. He will be dearly missed by the entire staff of the NHT who were fortunate enough to have known him.

Our deepest condolences to his wife Lorraine, to his sons Josiah and Ethan and to his daughter Micah.

National Housing Trust

National Housing Trust

4 Park Boulevard, Kingston 5
Jamaica, W.I.

Tel: 929–6500–9
Email: info@nht.gov.jm
Web: www.nht.gov.jm