



**National  
Housing  
Trust**

*...the key to your home*

Annual Report & Financial Statements  
2020/2021

Your Home  
is Our Mission.





## Mission & Vision

### Vision 2021



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



### Mission



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



## Core Values



### Innovation

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



### Excellence

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



### Professionalism

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



### Accountability

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



### Caring

To treat all persons fairly and with respect.



### Integrity

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



### Teamwork

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

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## Letter to the Prime Minister



July 30, 2021

The Most Hon. Andrew Holness, ON, PC, MP  
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, 2021, and a copy of its Statement of Accounts at March 31, 2021, duly certified by the Auditors.

Yours respectfully,

A blue ink signature of Lennox Channer, written in a cursive style.

Lennox Channer  
Chairman

# 7 Year Statistical Summary

| Year Ended March 31, 2021                     | 2021<br>\$'000 | 2020<br>\$'000 | 2019<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Total Assets**</b>                         | 310,529,511    | 301,771,168    | 283,847,100    | 275,535,254    | 254,462,806    | 236,965,897    | 220,950,445    |
| Inventories                                   | 34,428,814     | 25,513,803     | 16,819,342     | 11,911,675     | 8,403,520      | 6,988,501      | 8,303,657      |
| Loans Receivable**                            | 238,500,659    | 248,769,632    | 231,301,002    | 222,052,812    | 206,056,713    | 192,964,602    | 180,909,435    |
| Refundable Contributions                      | 126,244,906    | 117,547,009    | 107,965,077    | 99,168,539     | 91,251,418     | 87,816,287     | 80,658,857     |
| <b>Accumulated Profit**</b>                   | 153,975,141    | 159,183,416    | 151,210,484    | 147,361,777    | 137,930,098    | 127,552,754    | 121,669,927    |
| <b>Results From Operations</b>                |                |                |                |                |                |                |                |
| Total Operating Income***                     | 29,110,180     | 34,792,966     | 36,358,162     | 32,005,523     | 33,803,379     | 27,127,142     | 26,954,190     |
| Operating Expenditure**                       | 10,704,759     | 9,411,673      | 8,505,103      | 7,284,503      | 6,526,598      | 5,638,683      | 4,968,250      |
| Net Profit/(loss) After Taxation***           | 6,905,964      | 18,620,782     | 23,747,627     | 20,951,054     | 24,173,070     | 18,119,330     | 18,668,454     |
| <b>Financial Ratios</b>                       |                |                |                |                |                |                |                |
| Average Interest on Loans*                    | 3.6%           | 4.4%           | 4.8%           | 4.8%           | 4.9%           | 5.1%           | 4.9%           |
| Yield on Investments %                        | 4.5%           | 7.1%           | 5.6%           | 6.4%           | 6.6%           | 7.1%           | 7.5%           |
| Efficiency Ratio %                            | 200.3%         | 105.4%         | 87.3%          | 68.7%          | 69.6%          | 61.5%          | 61.5%          |
| Return on Capital**                           | 4.1%           | 11.3%          | 14.6%          | 13.2%          | 16.5%          | 13.7%          | 14.4%          |
| Return on Assets**                            | 2.3%           | 6.4%           | 8.5%           | 7.9%           | 9.8%           | 8.2%           | 8.7%           |
| <b>Other Information</b>                      |                |                |                |                |                |                |                |
| Annual Housing Expenditure                    | 48,069,340     | 41,574,028     | 37,514,043     | 28,426,546     | 22,392,706     | 17,899,900     | 20,001,448     |
| Contributions Received                        | 34,312,008     | 38,424,471     | 37,411,244     | 31,545,284     | 30,333,895     | 24,585,409     | 23,361,346     |
| Contributions Refunded (Cash)                 | 6,457,645      | 6,486,084      | 6,175,922      | 5,514,115      | 5,268,297      | 5,090,898      | 5,339,328      |
| Number of Mortgages Since Inception           | 214,077        | 207,036        | 199,782        | 192,544        | 186,210        | 180,646        | 174,768        |
| Number of Individual Benefits Since Inception | 225,557        | 218,516        | 211,262        | 204,024        | 197,690        | 192,126        | 186,248        |

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

\*\* Restated for 2019 and 2020

\*\*\* Restated for 2020



## Board of Directors



### **Mr. Lennox Channer (Chairman)**

Mr. Lennox Channer (Jr.) 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.

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



### **Mr. 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 various 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. Doran Evan Dixon, J.P.**

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 and the National Insurance Fund.

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



#### **Mr. O'Neil Wilton Grant**

O'Neil Grant currently serves as President of the Jamaica Civil Service Association (JCSA). Additionally, he is the 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 of 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.

## Board of Directors (continued)



### **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 28 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 serves 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.



### **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.

As at March 22, 2021,  
the Board welcomed three new members:



**Ms. Merle Donaldson**

Ms. Merle Donaldson holds an MBA in International Business and BSc. in Chemistry and Management from the University of the West Indies and a Postgraduate Diploma in Education and Training from the Vocational Training and Development Institute. She has also completed a Certificate in Board Directorship through the Commonwealth Association for Corporate Governance/Private Sector Organisation of Jamaica Training Programme.

Ms. Donaldson has over twenty years of experience in both the public and private sectors.



**Mr. Rohan James**

Mr. Rohan James is a Police Corporal with over twenty-five years illustrious service. He is an advocate of professional policing and police welfare. He is strident and fearless in pursuit of human rights. A team player and family man, he is a Christian with sound values and principles.

He has training in industrial relations and is a trained paralegal.



**Ms. Hope Wint**

Ms. Hope Wint is a Risk Management professional with over 26 years' experience in the financial services sector and is the Executive Director of the Prime Contact Secretariat at the Bank of Jamaica. She is a certified ISO31000 Lead Risk Manager; a designated Certified Financial Analyst (CFA); a Financial Risk Manager (FRM); and a member of the Association of Certified Anti-Money Laundering Specialists (ACAMS).

She is also a Jamaica Stock Exchange (JSE) Mentor for the Junior Market where she advises on the adequacy of procedures, systems and controls for the financial reporting, corporate governance, timely disclosures of information to the market, and general compliance to listed company requirements.

## Senior Executive Management Team



**Mr. Martin Miller**  
Managing Director



**Mr. Donald Moore**  
Senior General Manager,  
Construction & Development



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



**Mr. Neil Miller**  
Senior General Manager,  
Corporate Services



**Mr. Dwight Ebanks**  
Senior General Manager,  
Finance



**Mr. Gladstone Johnson**  
General Manager,  
Contribution Management





**Dr. Suzanne Wynter**  
General Manager,  
Loan Management



**Mrs. Joyce Simms-Wilson**  
General Manager,  
Marketing & Communication



**Mrs. Judith Larmond-Henry**  
General Counsel &  
Company Secretary



**Mrs. Lisa Myrie Davis**  
Chief Internal Auditor



**Mr. Leighton Palmer**  
Chief Information Officer



**Mr. Errol Holmes**  
General Manager,  
Business Process Optimisation

## Chairman & Managing Director's Report

### FELLOW CONTRIBUTORS,

This 2020-2021 financial year has been one like no other. We all have had to find new ways to live, work, and build. Despite changing and uncertain times, the National Housing Trust (NHT) remains resolute in its mission to build and expand communities across Jamaica by continuing to provide affordable and quality housing solutions.

**Mr. Lennox Channer**  
(Chairman)



**Mr. Martin Miller** – Managing Director

Since its inception 45 years ago, the National Housing Trust has completed approximately 110,000 housing solutions for its contributors. The challenges of the year just ended did not prevent the organisation from adding substantially to the existing stock of housing. In fact, despite an extremely testing year, we are pleased to announce that we have achieved and surpassed the goal, set five years ago, of starting 23,000 housing solutions by the end of the 2020/2021 financial year. The NHT has had 23,015 housing starts since the 2016/2017 financial year, when the organisation embarked on this voyage.

The COVID-19 pandemic has significantly disrupted construction activities, made it difficult for many households to pay for housing, and has generally thrown the lives of many of our mortgagors and contributors into disarray. It was with these challenges in mind, that the Trust swiftly responded with an array of measures aimed at providing relief to mortgagors and contributors, and ultimately, to improve affordability and increase access to housing. Consequently, the NHT undertook the following initiatives in 2020/21:

#### Reduced interest rates

The NHT reduced interest rates for new mortgagors by 1% in April 1, 2020. This measure assisted more Jamaicans in becoming homeowners with comfortable loan repayment arrangements, especially given the effects of the pandemic.

#### INTEREST RATES

| INCOME BAND (WEEKLY)            | Persons with Disabilities (Parents of Children with Disabilities) | New Mortgagors 55 years & older | Public Sector Workers | Regular |
|---------------------------------|---|---------------------------------|-----------------------|---------|
| <b>Minimum wage \$15,000.99</b> | 0%  | 0%                              | 0%                    | 0%      |
| <b>\$15,001 - \$30,000.99</b>   | 0%  | 0%                              | 0%                    | 0%      |
| <b>\$30,001 - \$42,000.99</b>   | 0%  | 0%                              | 1%                    | 2%      |
| <b>\$42,001 &amp; over</b>      | 2%  | 2%                              | 3%                    | 4%      |

Public sector workers continued to enjoy a 1% reduction in their applicable interest rate, while the rates for existing mortgagors were reduced by 0.5%.

#### Extended Housing Benefits to 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. 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. Thus, from April 1, 2020, contributors up to age 70 years have been able to access housing benefits from the Trust, subject to conditions.

## SPECIAL COVID-19 RELIEF MEASURES

### Special COVID-19 Moratorium

From April to September 2020 there was a temporary suspension of monthly mortgage payments. The moratorium was initially for a period of three (3) months for mortgagors with reduced income or no income due to the pandemic.

### Suspension of Late Fees

Mortgagors who were unable to make payments on time also received a reprieve for the period April to September 2020, with the suspension of the automatic billing of late fees.

### Loan Rescheduling Programme

The NHT's Fresh Start Rescheduling Facility, implemented in May 2020, provided relief for mortgagors who were experiencing challenges in making their mortgage payments and would have been further negatively impacted financially as a result of the pandemic. The special one-off arrangement allowed mortgagors to reschedule loans in arrears of 90 days or more as at February 29, 2020. This facility was extended to persons who submitted an application between April and September 2020. On a case-by-case basis, mortgagors were given the option to extend the tenure of the loan, reduce the interest rate, or a combination of both. These allowances improved their ability to service their loans. Approximately 2,000 applications have been processed under the programme, which expired September 30, 2020.

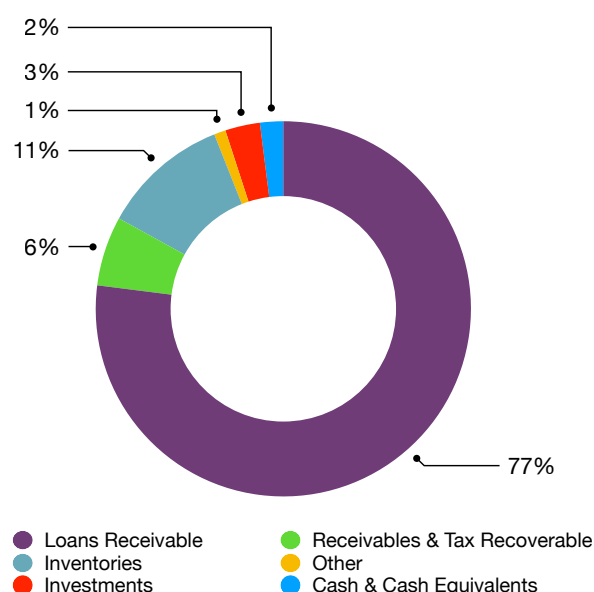
## PERFORMANCE REVIEW

### FINANCIAL MANAGEMENT

#### Total Assets

Similar to the previous financial year, the NHT recorded 3% growth in total assets during 2020/2021. A significant decline was observed in investment securities 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 \$310.5B.

Loan receivables totalled \$238.5B and accounted for 77% of total assets. This represents a 4% decline compared to the prior year's balance. Receivables and prepayments amounted to approximately \$11.0B, a notable increase of 79.2% over 2019/2020. The balance recoverable from the sale of a portion of the Joint Finance Mortgage (JFM) portfolio and Project Mobilization receivable accounted for the largest shares of receivables and prepayments with 43.2% and 26.7%, respectively.



**Asset Composition**



## Chairman & Managing Director's Report (continued)

As the Trust shifted its strategy from investing in the financial markets to investing in housing, investment securities declined 47.3%. However, short term deposits & resale agreements as well as cash and cash equivalents increased almost threefold, registering 273% and 296% growth, respectively. Conversely, the increased presence of NHT in the housing market led to a 34.9% growth in inventories amounting to \$34.4B. The value of housing under construction grew by 37.7%, moving from \$18.1B to \$24.9B. The value of housing units completed but not yet sold, more than doubled, registering \$2.8B compared to \$1.3B last year.

Employee benefit asset grew by 425% in 2020/2021 with a value of \$2.2B, up from \$412M last year. This sizable increase represents a significant recovery as it followed a 66.1% decline at the end of 2019/2020. The increase is due to a change in the financial assumptions used in the valuation for 2021.

### Income and Expenditure

The Trust recorded a surplus after tax of \$6.9B in the year under review, a significant decline (62.9%) from the \$18.6B in 2019/2020. Total income decreased to \$29.1B from \$34.8B in 2019/2020. Non-refundable employers' contributions, which is 69% of the total income, declined 5.9%, largely due to the impact of the pandemic on jobs and income. Interest revenue, which accounted for 27.5% of total income, declined significantly by 29.6%, amounting to \$8.01B. The major contributor to this fall in interest income was interest on mortgage loans, which totalled \$7.6B, compared to \$10.4B in 2019/2020. This result is attributable to the additional 1% reduction in mortgage interest rates effected April 2020, as well as the decrease in the size of the JFM portfolio. Interest on investments fell by 53.9% to \$0.45B due to the combination of declining interest rates and the reduction of investable funds resulting from increased construction activities. Approximately \$0.9B was earned from service charge on loans, gains on foreign exchange and loss on disposal of investment securities (net) fair value gain on investment securities,

dividends from equity investments, gains on projects and miscellaneous income (comprising penalty income, debt management fees), and peril and life insurance administrative fees.

Expenditure for the year amounted to \$22.6B up from \$16.2B in 2019/2020. A loss on partial disposal of the Joint Finance Mortgage portfolio amounting to \$12.4B accounted for the largest share of this year's expenditure with 55%. This was followed by operating expenses, which amounted to \$10.7B, a 13.7% increase over the previous year. Employee costs accounted for roughly 79% of operating expenses.

For the year under review, employee costs moved from \$7.0B in 2019/2020 to \$8.5B, a 21.3% increase. The main area of increase was employee benefits which increased by \$1.0B over the total for 2019/2020. The majority of this increase was due to a movement in the health expenses as a result of the valuation of the post retirement medical scheme for staff due to the February 2019 amendment in the plan.

The Trust saw a \$3.4B decrease in allowance for expected credit losses this year. This followed a \$3.8B increase in 2019/2020. Interest on employee contributions refunded amounted to \$1.8B for the year under review. This represents an 11.4% increase over the \$1.6B in 2019/2020.

## OPERATIONAL REVIEW

### KEY PERFORMANCE AREAS

#### • Contributions Collections

Contributions collected surpassed its 2020/2021 target by 11.5% or \$3.1B, amounting to \$34.3B. However, this amount represents a 10.7% decrease over the sums collected in 2019/2020. This decline in collections is reflective of the negative impact of the COVID-19 pandemic on contributor's income and employment.



## • Mortgage Collection

The organisation collected \$21.2B in loan repayments, \$0.8B more than budgeted, but, \$1.8B less than the previous year. The decline in sums collected is the combined result of the reduction in interest on loans, the disposal of a portion of the JFM portfolio, and the disruption in mortgage payments owing to loss of income and employment due to the pandemic.

## • Loans Created

A total of 8,697 loans were granted to contributors between April 2020 and March 2021, roughly 5% more than planned and marginally more (1%) than last year. The total of these loans was approximately \$40.0B. As is customary, main mortgage loans accounted for the vast majority (81%) of the loans granted for the year – 7,041 with a value of approximately \$30.4B. The Open Market and House Lot benefit types continued to do well, accounting for approximately 57% of the main mortgage loans written and just under a half (47%) of the total number of loans over the period.

| Loans Created (April 2020 – March 2021) |              |
|---|--------------|
| Benefit Type                            | Actual       |
| Build on Own Land                       | 437          |
| Construction Loan                       | 899          |
| Home Improvement                        | 119          |
| Fifteen Plus loans                      | 38           |
| Ten Plus loans                          | 557          |
| House Lot                               | 1,256        |
| Open Market Loan                        | 2,878        |
| Scheme Unit                             | 713          |
| Serviced Lot                            | 144          |
| <b>SUBTOTAL</b>                         | <b>7,041</b> |
| Solar Water Heater                      | 101          |
| Joint Finance Mortgage (JFM)            | 1,555        |
| <b>TOTAL</b>                            | <b>8,697</b> |

## • Housing Starts and Completions

### Housing Starts

Housing starts this year were severely impacted by restrictive measures brought on by the pandemic. Therefore, while starts exceeded the adjusted target set for 2020/2021 by 15.4% totalling 1,744 housing solutions, this number represented a 57% decline from the previous year which recorded 4,086 housing starts. This year's starts comprised construction on two housing developments and 1,642 individual projects (Build on Own Land, Construction Loan etc.). Notably, individual projects grew 4% over last year.

| Housing Starts (April 2020 – March 2021)         |               |              |
|--|---------------|--------------|
| Benefit Type                                     | Location      | Actual       |
| <b>Individual Benefits Loan</b>                  |               |              |
| Build on Own Land (BOL)                          |               | 346          |
| Construction Loan (CL)                           |               | 739          |
| Home Improvement (HI)                            |               | 557          |
| <b>NHT Developed Projects and Joint Ventures</b> |               |              |
| Malvern  | St. Elizabeth | 30           |
| <b>NHT Financed Projects</b>                     |               |              |
| Seascope   | Kingston      | 72           |
| <b>TOTAL</b>                                     |               | <b>1,744</b> |

### Housing Completions

Housing completions for 2020/2021 were also impacted by COVID-19 restrictions. The organisation completed 2,444 housing solutions during the year, just a slight decline (3%) over the 2019/2020 performance. Beneficiary construction projects amounted to 1,142 but unlike the previous year, account for less than half (47%) of housing completions. NHT projects inclusive of Joint Ventures, the Labour and Small Materials Programme, and the Community Renewal Programme delivered 1,070 solutions; 43% of the total.



## Chairman & Managing Director's Report (continued)

### Housing Completions (April 2020 – March 2021)

| Benefit Type | Location | Actual |
|--------------|----------|--------|
|--------------|----------|--------|

#### Individual Benefits Loan

|                   |  |     |
|-------------------|--|-----|
| Build on Own Land |  | 257 |
| Construction Loan |  | 572 |
| Home Owners' Loan |  | 401 |

#### NHT Developed Projects and Joint Ventures

|                     |            |     |
|---------------------|------------|-----|
| Perth 1 A           | Manchester | 112 |
| Hummingbird Meadows | Clarendon  | 80  |
| Jacksonville        | Clarendon  | 35  |
| Industry Cove       | Hanover    | 63  |
| Estuary 1           | St. James  | 225 |

#### GPP Projects

|            |               |     |
|------------|---------------|-----|
| Silver Sun | St. Catherine | 350 |
|------------|---------------|-----|

#### Labour and Small Materials Programme

|              |              |    |
|--------------|--------------|----|
| Yeast Plant  | Westmoreland | 2  |
| Masemure     | Westmoreland | 54 |
| Cashew Grove | St. James    | 26 |
| Monymusk     | Clarendon    | 35 |

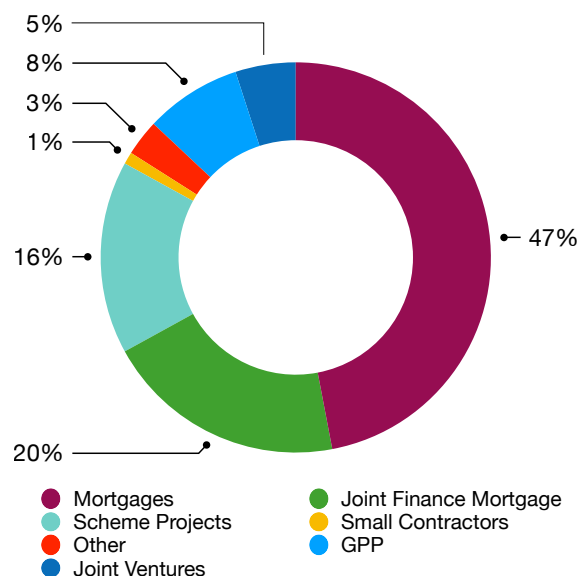
#### Community Renewal Programme

|               |           |    |
|---------------|-----------|----|
| Denham Town   | Kingston  | 28 |
| Juno Crescent | Clarendon | 64 |

#### NHT Financed Projects

|                   |         |     |
|-------------------|---------|-----|
| Winchester Estate | Hanover | 140 |
|-------------------|---------|-----|

**TOTAL** **2,444**



### Housing Expenditure

#### • Contribution Refunds

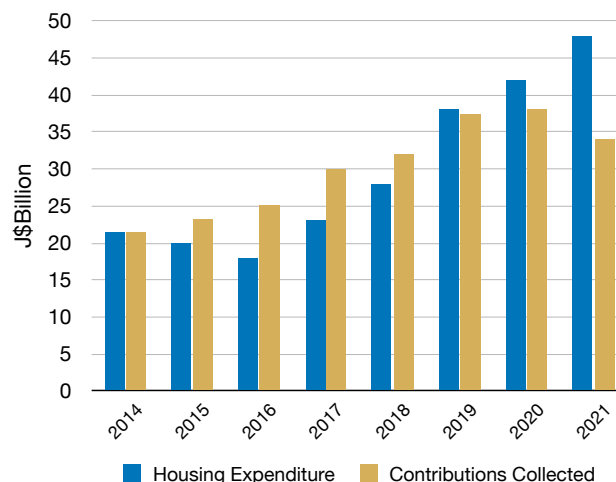
Employee contributions remitted to the NHT up to 2013 were refunded during the financial year under review. A total of 159,355 contributors were refunded amounting to roughly \$6.5B in cash, marginally less than that for the 2019/2020 period. When transfers to mortgagors' accounts (\$1.2B) are factored, the Trust paid out a total of \$7.7B in refunds for the year under review.

### OTHER OPERATIONAL AREAS

#### • Housing Expenditure

Housing expenditure for the year totalled \$48.1B, \$2B less than budgeted, but, 15% more than the figure expended the previous financial year. As is customary, loans to contributors (Individual benefits and the Joint Finance Mortgage Programme) account for the largest portion (67%) of housing expenditure. The sum of \$32.5B expended on mortgages represents a 7% increase over financial year 2019/20 while the \$15.5B used to finance construction activities and acquire land was 38% more than the previous year.

### Housing Expenditure vs. Contributions Collected



## SPECIAL PROJECTS

### Refurbishing of Police Stations

Some \$136M was expended in 2020/2021 on the rehabilitation of police stations across the island. This expenditure facilitated the completion of the Port Antonio station, continued construction in Buff Bay, Olympic Gardens, and the Special Operations Unit (Mobile Reserve) in Kingston and St. Andrew. Police stations in Savanna-la-mar, Frome, Little London, Lacovia, Anchovy, and Stony Hill to the date of writing, remain in the planning stage, while the project in Port Maria remains on hold.

### Community Renewal

For the 2020/2021 period, ten (10) communities were identified for upgrade works and are currently at varying stages of completion. Of the ten (10) communities that benefitted from this programme, six (6) were in the parishes of Kingston and St. Andrew – Denham Town, Juno, Majesty Gardens Phase 1A, Maxfield Park, Rasta City, St. Paul's Lane, and Mona Common. The other communities are located in the parishes of Clarendon, St. Mary and St. James. An estimated \$245.8M was spent on the Community Renewal Programme for 2020/2021.

### Renovation of Infirmaries

In 2020/2021, five (5) infirmaries were targeted by the NHT for refurbishment. Infirmaries in St. James, St. Elizabeth, Westmoreland and Portland are under construction. Meanwhile, plans are underway for the renovation of the Parent Overnight Suite at the Bustamante Hospital for Children. Under this programme, a total of \$49.9M was spent in 2020/2021.

### NHT Scheme Upgrade Programme

During 2020/2021 some 70 upgrade projects were tackled in a number of NHT schemes across the 14 parishes, and are at varying stages of completion. Of the 70 projects, 11 were completed during the period.

Approximately \$213M was spent on scheme upgrades in 2020/2021 – \$60M less than that spent in the previous year.

### Research and Development

An estimated \$24.8M was spent on Research and Development projects in 2020/2021. Under this programme, a Photovoltaic System (solar) was installed at NHT's head office, and the completion of a Bamboo Processing Plant in Peckham, Clarendon was achieved. An LED Lighting and Occupancy Sensors project is currently being undertaken at the Head Office, while research into bamboo's inclusion in the NHT's goal for more affordable housing construction is currently in the planning stage.

## SOCIAL DEVELOPMENT PROGRAMMES

The National Housing Trust remains proud of its commitment to not only providing housing solutions but also supporting the development of wholesome, sustainable communities. Through our Social Development Department, staffed by a small cadre of tireless social workers, the organisation partners with government and non-government organisations to build the capacity of the community based organisations in our various schemes. The following programmes were implemented in 2020/2021:

### Job Readiness and Training Programme

During 2020/2021, the Trust in partnership with the Ministry of Labour and Social Security, provided 123 beneficiaries with valuable skills necessary for success in the world of work through a job readiness and training programme. This programme took place between October 5 and October 9, 2020.

### Social Venture Project

Under the Social Venture Project, eighteen (18) schemes were awarded funds toward projects that are income earning and benefit their community. Angels



## Chairman & Managing Director's Report (continued)

Grove was one such community which benefitted from this programme. Angels Grove received funding for equipment to upgrade their grounds; this equipment will also be rented to earn funds for the community.

### Summer Camps

The NHT held five (5) summer camps across three (3) parishes – St. Ann, Clarendon, and St. James during 2020. At the camps children were taught music, chess, and robotics.

### Environment Management Initiatives

Under the environment management initiatives, fifteen (15) clubs which had become dormant due to restrictive pandemic measures were revitalised with the assistance of the NHT. These clubs engaged in a variety of activities including greenhouse construction and commercialisation, as well as the supply of inputs for small hotels.

### Staff

As the ensuing pandemic disrupted life as we knew it, NHT staff continued to make great sacrifices to balance their health while keeping the organization running. We did not remain unscathed however, and we said goodbye to a few colleagues as a result of the pandemic and other circumstances. While we mourned with their families and loved ones we reflected on the contributions that each person made to the NHT body.

As we continue to navigate our new reality together, the Board and Leadership of the NHT is particularly grateful for the dedication and resolve of the staff during the past year and look forward to their continued efforts.

## THE YEAR AHEAD

As the NHT continues to deliver on our strategic imperatives in the coming financial year, additional measures to benefit our contributors who have been negatively impacted by the COVID-19 pandemic will be implemented. Two of these initiatives are:

### Relief for Unemployed Contributors

As part of the COVID-19 relief effort, contributors who have been unemployed for a period of twelve months or more will be allowed to access their contributions refund one year in advance from July 2021. This initiative will expire in July 2022.

### Extension of Cash Refunds

Since 2016, approximately 26,300 public sector mortgagors have been receiving their contribution refunds in cash annually. This differs from the regular practice where cash payment of contribution refunds is not made to mortgagors, but instead, credited to their mortgage accounts once an application for same is made. This initiative was first implemented in response to the wage freeze in the Public Sector and was due to end in 2021. However, given the impact of COVID-19, the cash refund will be granted to eligible public sector workers until April 2022.

The NHT will continue to identify ways to produce more units for its contributors at lower costs, while finding ways to improve its service offering. Our housing programme will be bolstered by research into new building systems and collaboration with public and private sector interests. This will enable the Trust to underwrite just over 10,000 loans to contributors in 2021/2022.

We look forward to serving you in the coming year.

**Lennox Channer** – Chairman

**Martin Miller** – Managing Director



## Corporate Governance

The Board of the National Housing Trust is committed to transparency and a strong sense of fiduciary and social responsibility. The organization is governed by the NHT Act of 1979; and, in the main, is guided by the Corporate Governance Framework for Public Bodies (CGFPB); the Public Bodies Management and Accountability Act (PBMA); the Financial Administrative and Audit Act; and the Ministry of Finance Circulars. The Prime Minister, who is the portfolio minister for the organization, spearheads the appointment of the Board, which is done every three years, or as dictated by other exigencies. The current Board will begin its first year in the 2021/2022 period.

### COMPOSITION OF THE BOARD

The composition of the Board ranges between 9 to 17 members, inclusive of a Chairman. For the financial year, the Board had 12 directors, inclusive of the Managing Director and the new Chairman appointed in July 2018. The names and accompanying biographies are shown elsewhere in this report. There are seven (7) 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 |
| <b>Audit Committee</b>                       | <ul style="list-style-type: none"> <li>Assesses the adequacy and scope of arrangements for the internal and external audit of the accounts of the NHT;</li> <li>Examines the reports of internal and external auditors in relation to such accounts;</li> <li>Ascertains what action has been taken in respect of recommendations contained in such reports.</li> </ul>  | Quarterly            |
| <b>Customer Relations Committee</b>          | <ul style="list-style-type: none"> <li>Reviews and recommends requests from contributors for variations to policies to support their acquisition of housing solutions.</li> <li>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.</li> <li>Promotes the development of housing communities through monitoring the provision of support services.</li> </ul>  | Monthly              |
| <b>Finance and Investment Committee</b>      | <ul style="list-style-type: none"> <li>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;</li> <li>Acts in an advisory capacity to the Board of Directors on the overall financial condition of the NHT;</li> <li>Reviews the short term and long term financing arrangements of the NHT;</li> <li>Monitors to ensure compliance with and adherence to the Corporate Plan;</li> <li>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.</li> <li>Leads the strategic direction of the NHT in the management of material business risks;</li> <li>Direct and oversee the establishment and implementation of an enterprise risk management framework;</li> <li>Reviews the effectiveness of the risk management framework in identifying and managing risks and controlling internal processes.</li> <li>Formulates strategies for improving the NHT's financial position that will facilitate the maximization of revenue inflows.</li> <li>Reviews the annual Budgets of the NHT.</li> </ul> | Monthly              |

## Corporate Governance (continued)

| Sub-Committees of the NHT Board of Directors (continued) |   |                        |
|--|---|------------------------|
| Sub-Committee  | Major Responsibilities  | Frequency of Meeting   |
| <b>Governance Committee</b>                              | <ul style="list-style-type: none"> <li>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.</li> </ul>  | Quarterly <sup>1</sup> |
| <b>HRM and Information Technology Committee</b>          | <ul style="list-style-type: none"> <li>Guides the Board and contributes to strategic policy deliberations, thereby ensuring the optimization of NHT's human capital.</li> <li>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.</li> <li>Reviews, evaluates and recommends strategies for the technological direction of the NHT.</li> </ul> | Monthly <sup>2</sup>   |
| <b>Properties and Technical Committee</b>                | <ul style="list-style-type: none"> <li>Promotes housing projects to such extent as may from time to time be approved by the Minister;</li> <li>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;</li> <li>Encourages and stimulates improved methods of production of houses.</li> </ul>  | 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 2020/21 period shows a total of twelve (12) Board meetings held with attendance as shown in the table:

| BOARD ATTENDANCE          |                             |
|---------------------------|-----------------------------|
| Chairman/ Director        | Number of meetings attended |
| Mr. Lennox Channer        | 12/12                       |
| Mr. Collin Barnett        | 12/12                       |
| Mr. Doran Dixon           | 12/12                       |
| Senator Kavan Gayle       | 12/12                       |
| Mr. O'Neil Grant          | 12/12                       |
| Mrs. Nesta- Claire Hunter | 11/12                       |
| Mr. Martin Miller         | 12/12                       |
| Senator Kerensia Morrison | 5/12                        |
| Mr. Ryan Parkes           | 6/12                        |
| Mr. Patrae Rowe           | 12/12                       |
| Mr. Granville Valentine   | 8/12                        |
| Mr. David Wan             | 10/12                       |



1. The Charter stipulates that meetings be held quarterly or more frequently as may be determined. During the 2020/21 period it was determined that the Committee should meet on a monthly basis thereby resulting in five meetings.

2. The Charter stipulates that meetings be held monthly however, a subsequent decision by the Committee, based on the matters to be deliberated, reduced the frequency to four meetings for the year.



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

| SUB- COMMITTEE MEETING ATTENDANCE |                     |                                   |                                     |                          |                                  |                                       |                             |
|-----------------------------------|---------------------|-----------------------------------|-------------------------------------|--------------------------|----------------------------------|---------------------------------------|-----------------------------|
| Directors                         | Audit Committee (4) | Customer Relations Committee (10) | Finance & Investment Committee (11) | Governance Committee (5) | HRM & Information Technology (4) | Properties & Technical Committee (10) | JFMP Disposal Committee (3) |
| Mr. Collin Barnett                | 3/4                 |                                   |                                     | 5/5*                     | 4/4                              |                                       |                             |
| Mr. Doran Dixon                   |                     | 10/10*                            | 9/10                                | 5/5                      |                                  |                                       |                             |
| Senator Kavan Gayle               | 3/4                 |                                   |                                     |                          | 4/4                              |                                       |                             |
| Mr. O'Neil Grant                  | 2/4                 |                                   |                                     |                          |                                  | 10/10                                 | 3/3                         |
| Mrs. Nesta-Claire Hunter          |                     | 10/10                             |                                     | 4/5                      |                                  |                                       |                             |
| Mr. Martin Miller                 | 3/4                 | 10/10                             | 10/10                               | 5/5                      | 3/4                              | 10/10                                 | 3/3                         |
| Senator Kerensia Morrison         |                     |                                   |                                     |                          | 2/4                              | 9/10                                  |                             |
| Mr. Ryan Parkes                   |                     | 9/10                              | 6/10                                |                          | 0/4                              | 5/10                                  |                             |
| Mr. Patrae Rowe                   | 4/4                 |                                   |                                     |                          |                                  |                                       |                             |
| Mr. Granville Valentine           | 4/4                 | 8/10                              |                                     |                          | 2/4                              | 9/10                                  |                             |
| Mr. David Wan                     |                     |                                   | 10/10*                              |                          |                                  | 10/10                                 | 3/3                         |
| Mr. Gary-Vaughn White (co-opted)  |                     |                                   | 10/10                               |                          |                                  |                                       |                             |
| Mr. Ricardo A. Case (co-opted)    |                     |                                   |                                     |                          | 2/4                              |                                       |                             |
| Mr. Peter Jervis (co-opted)       |                     |                                   |                                     |                          |                                  | 5/10                                  |                             |

\* Denotes Committee Chairman



## **Corporate Governance** (continued)

### **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 oversees 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 end of 2020, Pricewaterhouse Coopers was appointed Auditor for a period of three years.



# Pictorial

## HANDOVER:

### SilverSun Estate

One Hundred and Ninety (190) Two Bedroom Units were handed over to beneficiaries at the SilverSun Estate development in Inwood, St. Catherine. Nestled in the St. Catherine plains, SilverSun boasts its accessibility to urban cities while still offering the serenity of country style living.



Joining the Prime Minister and Minister with portfolio responsibility for the NHT, The Most Honorable Andrew Holness for the ceremonial ribbon cutting are from left: Member of Parliament St. Catherine South Central, Dr. Andrew Wheatley; NHT Board Chairman Lennox Channer; SilverSun beneficiary Treveen Palmer-Miller and Chairman of WIHCON Peter Melhado.



From Left: Senior General Manager of Construction and Development Donald Moore; Deputy Managing Director WIHCON Marvin Campbell; Managing Director WIHCON Delroy Alcott; Chairman of WIHCON Peter Melhado, Director WIHCON Joseph M. Matalon; NHT Board Chairman Lennox Channer, and Managing Director of the NHT Martin Miller were all present at the Handing Over Ceremony of SilverSun Estate.



**PICTORIAL**  
(continued)

**HANDOVER:** **SilverSun Estate** (continued)



*Prime Minister, The Most Hon. Andrew Holness gleefully handing over the keys to a beneficiary for his new home.*





## HANDOVER:

### Windcrest Hills

Seventy (70) Serviced Lots were handed over to beneficiaries at Windcrest Hills located in Hellshire, St. Catherine.

BELOW: New Serviced Lot beneficiaries receive their letters of possession from Prime Minister, the Most Honourable Andrew Holness and NHT Board Chairman Lennox Channer.



ABOVE: Prime Minister the Most Hon. Andrew Holness greets Minister of Housing, Urban Renewal, Environment and Climate Change, The Hon. Parnell Charles Jr. and NHT Board Chairman Lennox Channer.



ABOVE: New mortgagor Troy Smith delivers the vote of thanks on behalf of the Windcrest Hills beneficiaries.



# Directors' Report

## 1. Statement of Profit or Loss and Other Comprehensive Income for Year ended March 31, 2021.

|  | Notes       | 2021<br>\$'000 | 2020<br>\$'000 |
|--|-------------|----------------|----------------|
| Non-refundable employers' contributions                                      | 2(c),28(f)  | 20,193,771     | 21,464,658     |
| Interest revenue:  |             |                |                |
| Loans  | 28(a)       | 7,572,087      | 10,423,473     |
| Investment securities  | 28(a)       | 447,616        | 970,776        |
|  |             | 8,019,703      | 11,394,249     |
| Bonus on employees' contributions  | 28(b)       | (1,816,826)    | (1,631,329)    |
| Net interest revenue   |             | 6,202,877      | 9,762,920      |
| Fair value gains on investment securities (net)                              | 28(c)       | 105,128        | 26,923         |
| (Loss)/Gain on disposal investment securities (net)                          | 28(c)       | (727,727)      | 449,606        |
| Dividends from equity investments  | 28(a)       | 10,891         | 36,369         |
| Service charge on loans to beneficiaries                                     | 10(q)       | 704,442        | 669,623        |
| Gains on sale of housing solutions (net of allowance for impairment)         | 12(b)       | 367,304        | 17,339         |
| Foreign exchange gain (net)  |             | 133,062        | 479,052        |
| Miscellaneous income   | 25          | 303,606        | 255,147        |
|  |             | 7,099,583      | 11,696,979     |
|  |             | 27,293,354     | 33,161,637     |
| Operating expenses   | 28(d), 37   | 10,704,759     | 9,411,673      |
| (Decrease)/Increase in allowance for expected credit losses (net)            | 28(e)       | (3,380,053)    | 3,756,811      |
| Special subsidies and grants   | 26          | 927,953        | 970,945        |
| Subsidy on peril and life administrative fees                                |             | -              | 446,012        |
| Government levies  |             | 57,549         | 20,243         |
| Loss on partial disposal of the Joint Finance Mortgage Programme receivables | 10(k)(iii)) | 12,415,358     | -              |
| Share of losses of associate   | 14          | 60,154         | 9,888          |
|  |             | 20,785,720     | 14,615,572     |
| <b>Profit Before Taxation</b>  |             | 6,507,634      | 18,546,065     |
| Taxation credit (charge)   | 27(c)       | 398,330        | 74,717         |
| <b>Profit for the Year</b>   | 37          | 6,905,964      | 18,620,782     |
| <b>Other comprehensive (loss)/income:</b>                                    |             |                |                |
| <i>Items that will never be reclassified to profit or loss:</i>              |             |                |                |
| Remeasurement loss on defined benefit plan                                   | 15          | 2,119,710      | (1,067,129)    |
| Deferred tax on remeasurement gain/loss on defined benefit plan              | 20          | (529,927)      | 266,782        |
| <b>Other comprehensive loss for the year, net of tax</b>                     |             | 1,589,783      | (800,347)      |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                               |             | 8,495,747      | 17,820,435     |

## 2. The Board of Directors

Mr. Lennox Channer, Chairman

Mr. Martin Miller, Managing Director

Mr. Colin Barnett, J.P.\*

Mr. Doran Dixon, J.P.

Ms. Merle Donaldson

Senator Kavan Gayle, C.D.

Mr. O'Neil Grant

Mrs. Nesta-Claire Hunter

Mr. Rohan James

Senator Kerensia Morrison\*\*

Mr. Ryan D. Parkes\*

Mr. Patrae Rowe\*

Mr. Granville Valentine, C.D., J.P.

Mr. David Wan\*

Ms. Hope Wint

*\*tenure ended March 21, 2021*

*\*\*tenure ended September 3, 2020*

## Co-opted Board Members

Ricardo Case

Peter Jervis

Gary-Vaughn White

## 3. The Auditors

Effective December 20, 2020, Pricewaterhouse Coopers, was appointed auditor 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 2020/21.





# Audited **Financials**



# Contents

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## Independent auditor's report

To the Board of Directors of National Housing Trust

### Report on the audit of the financial statements

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#### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of National Housing Trust (the Trust) as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### What we have audited

The Trust's financial statements comprise:

- the statement of financial position as at 31 March 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in accumulated fund for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

---

#### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Trust in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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#### Other information

Management is responsible for the other information. The other information comprises the National Housing Trust Annual Report (Annual Report) (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

---

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

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

---

### **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.

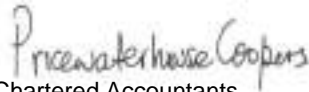
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 achieves fair presentation.

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



Chartered Accountants  
Kingston, Jamaica  
30 July 2021



# National Housing Trust

## Statement of Financial Position

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

|   |              | <b>2021</b>        | <b>Restated</b>    | <b>Restated</b>    |
|---|--------------|--------------------|--------------------|--------------------|
|   |              | <b>\$'000</b>      | <b>2020</b>        | <b>2019</b>        |
|   |              |                    | <b>\$'000</b>      | <b>\$'000</b>      |
| <b>Assets</b>                                 | <b>Notes</b> |                    |                    |                    |
| Cash and cash equivalents                     | 6            | 6,944,867          | 1,752,711          | 3,647,689          |
| Receivables and prepayments                   | 7            | 10,977,617         | 6,126,907          | 4,405,128          |
| Short term deposits and resale agreements     | 8            | 2,861,977          | 768,159            | 1,767,868          |
| Non-Current assets held for sale              |              | -                  | -                  | 1,940              |
| Investment securities                         | 9            | 4,320,593          | 8,205,658          | 15,068,156         |
| Taxation recoverable                          | 27(a)        | 7,318,799          | 7,230,647          | 7,076,672          |
| Loans receivable                              | 10,37        | 238,500,659        | 248,769,632        | 231,301,002        |
| Inventories                                   | 12           | 34,428,814         | 25,513,803         | 16,819,342         |
| Intangible assets                             | 13           | 2,655              | 9,505              | 20,514             |
| Investments in associate                      | 14           | 1,131,338          | 1,119,371          | 1,113,398          |
| Employee benefits asset                       | 15           | 2,166,979          | 412,426            | 1,216,791          |
| Property, plant and equipment                 | 16           | 1,875,213          | 1,862,349          | 1,408,600          |
| <b>Total assets</b>                           |              | <b>310,529,511</b> | <b>301,771,168</b> | <b>283,847,100</b> |
| <b>Liabilities and Accumulated Fund</b>       |              |                    |                    |                    |
| <b>Liabilities</b>                            |              |                    |                    |                    |
| Payables and accruals                         | 17           | 8,937,111          | 7,522,823          | 5,618,298          |
| Provisions                                    | 18           | 250,511            | 207,075            | 202,137            |
| Refundable contributions                      | 19           | 126,244,906        | 117,547,009        | 107,965,077        |
| Taxation payable                              | 27(b)        | 6,472,138          | 6,472,138          | 6,472,138          |
| Deferred tax liabilities                      | 20           | 141,124            | 9,527              | 351,026            |
| Employee benefits obligation                  | 15           | 2,004,911          | 1,316,234          | 962,497            |
|   |              | <b>144,050,701</b> | <b>133,074,806</b> | <b>121,571,173</b> |
| <b>Accumulated Fund</b>                       |              |                    |                    |                    |
| Mortgage subsidy reserve                      | 21           | 3,919,758          | 3,919,758          | 3,919,758          |
| Peril reserve                                 | 22           | 4,335,963          | 4,037,046          | 3,718,737          |
| Loan loss reserve                             | 10(u),23     | 4,247,948          | 1,556,142          | 3,426,948          |
| Accumulated profit                            | 37           | 153,975,141        | 159,183,416        | 151,210,484        |
|   |              | <b>166,478,810</b> | <b>168,696,362</b> | <b>162,275,927</b> |
| <b>Total liabilities and accumulated fund</b> |              | <b>310,529,511</b> | <b>301,771,168</b> | <b>283,847,100</b> |

Approved for issue by the Board of Directors on 26 July 2021 and signed on its behalf by:



**Lennox Channer -**

**Chairman**



**Martin Miller - Managing Director**

The accompanying notes on pages 37 to 148 form an integral part of these financial statements.

## National Housing Trust

### Statement of Profit or Loss and other Comprehensive Income

**Year ended 31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

|  | Notes       | 2021<br>\$'000 | Restated<br>2020<br>\$'000 |
|--|-------------|----------------|----------------------------|
| Non-refundable employers' contributions                                      | 2(c),28(f)  | 20,193,771     | 21,464,658                 |
| Interest revenue:  |             |                |                            |
| Loans  | 28(a)       | 7,572,087      | 10,423,473                 |
| Investment securities  | 28(a)       | 447,616        | 970,776                    |
|  |             | 8,019,703      | 11,394,249                 |
| Bonus on employees' contributions  | 28(b)       | (1,816,826)    | (1,631,329)                |
| Net interest revenue   |             | 6,202,877      | 9,762,920                  |
| Fair value gains on investment securities (net)                              | 28(c)       | 105,128        | 26,923                     |
| (Loss)/Gain on disposal investment securities (net)                          | 28(c)       | (727,727)      | 449,606                    |
| Dividends from equity investments  | 28(a)       | 10,891         | 36,369                     |
| Service charge on loans to beneficiaries                                     | 10(q),37    | 704,442        | 669,623                    |
| Gains on sale of housing solutions (net of allowance for impairment)         | 12(b)       | 367,304        | 17,339                     |
| Foreign exchange gain (net)  |             | 133,062        | 479,052                    |
| Miscellaneous income   | 25          | 303,606        | 255,147                    |
|  |             | 7,099,583      | 11,696,979                 |
|  |             | 27,293,354     | 33,161,637                 |
| Operating expenses   | 28(d),37    | 10,704,759     | 9,411,673                  |
| (Decrease)/Increase in allowance for expected credit losses (net)            | 28(e)       | (3,380,053)    | 3,756,811                  |
| Special subsidies and grants   | 26          | 927,953        | 970,945                    |
| Subsidy on peril and life administrative fees                                |             | -              | 446,012                    |
| Government levies  |             | 57,549         | 20,243                     |
| Loss on partial disposal of the Joint Finance Mortgage Programme receivables | 10(k)(iii)) | 12,415,358     | -                          |
| Share of losses of associate   | 14          | 60,154         | 9,888                      |
|  |             | 20,785,720     | 14,615,572                 |
| <b>Profit Before Taxation</b>  |             | 6,507,634      | 18,546,065                 |
| Taxation credit  | 27(c)       | 398,330        | 74,717                     |
| <b>Profit for the Year</b>   | 37          | 6,905,964      | 18,620,782                 |
| <b>Other comprehensive (loss)/income:</b>                                    |             |                |                            |
| <i>Items that will never be reclassified to profit or loss:</i>              |             |                |                            |
| Remeasurement gain /(loss) on defined benefit plan                           | 15          | 2,119,710      | (1,067,129)                |
| Deferred tax on remeasurement gain /(loss) on defined benefit plan           | 20          | (529,927)      | 266,782                    |
| <b>Other comprehensive income for the year, net of tax</b>                   |             | 1,589,783      | (800,347)                  |
| <b>Total Comprehensive Income for the year</b>                               | 37          | 8,495,747      | 17,820,435                 |

The accompanying notes on pages 37 to 148 form an integral part of these financial statements.

## National Housing Trust

### Statement of Changes in Accumulated Fund

**Year ended 31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

|   | Note    | Mortgage<br>subsidy<br>reserve<br>\$'000 | Peril<br>reserve<br>\$'000 | Loan loss<br>reserve<br>\$'000 | Accumulated<br>profit<br>\$'000 | Total<br>\$'000    |
|---|---------|--|----------------------------|--------------------------------|---------------------------------|--------------------|
| <b>Balance at 1 April 2019 as previously reported</b> | 37      | 3,919,758                                | 3,718,737                  | 3,426,948                      | 158,999,953                     | 170,065,396        |
| Adjustments in respect of prior year restatement      | 37      | -  | -                          | -                              | (7,789,469)                     | (7,789,469)        |
| Balance as at 1 April 2019, as restated               | 37      | 3,919,758                                | 3,718,737                  | 3,426,948                      | 151,210,484                     | 162,275,927        |
| Total comprehensive income for the year               |         |  |                            |                                |                                 |                    |
| Profit for the year, as restated                      | 37      | -  | -                          | -                              | 18,620,782                      | 18,620,782         |
| Other comprehensive income for the year               |         | -  | -                          | -                              | (800,347)                       | (800,347)          |
| Transfer to consolidated fund                         | 24      | -  | -                          | -                              | (11,400,000)                    | (11,400,000)       |
| Other Transfers                                       |         | -  | 318,309                    | (1,870,806)                    | 1,552,497                       | -                  |
| <b>Balance at 31 March 2020, as restated</b>          | 37      | 3,919,758                                | 4,037,046                  | 1,566,142                      | 159,183,416                     | 168,696,362        |
| Total comprehensive income for the year               |         |  |                            |                                |                                 |                    |
| Profit for the year                                   |         | -  | -                          | -                              | 6,905,964                       | 6,905,964          |
| Other comprehensive income for the year               |         | -  | -                          | -                              | 1,589,783                       | 1,589,783          |
| (FRAN) – National Debt Exchange                       | 9 (iii) |  |                            |                                | 686,701                         | 686,701            |
| Transfer to consolidated fund                         | 24      | -  | -                          | -                              | (11,400,000)                    | (11,400,000)       |
| Other Transfers                                       |         | -  | 298,917                    | 2,691,806                      | (2,990,723)                     | -                  |
| <b>Balance at 31 March 2021</b>                       |         | <b>3,919,758</b>                         | <b>4,335,963</b>           | <b>4,247,948</b>               | <b>153,975,141</b>              | <b>166,478,810</b> |

The accompanying notes on pages 37 to 148 form an integral part of these financial statements.

# National Housing Trust

## Statement of Cash Flows

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

|  |             |                | Restated       |
|--|-------------|----------------|----------------|
|  | Notes       | 2021<br>\$'000 | 2020<br>\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |             |                |                |
| Profit for the year                                      | 37          | 6,905,964      | 18,620,782     |
| Adjustments to profit for the year                       | 36, 37      | 3,150,523      | (10,174,197)   |
|  |             | 10,056,487     | 8,446,585      |
| Increase in operating assets and liabilities:            |             |                |                |
| Receivables and prepayments                              |             | (21,785)       | (2,226,869)    |
| Loans receivable, net of repayments and recoveries       | 37          | (29,573,630)   | (20,025,695)   |
| Inventories (net)  | 37          | (8,879,533)    | (8,758,090)    |
| Employers benefit contributions                          | 15          | (269,201)      | (249,577)      |
| Taxation recoverable                                     | 27          | (88,152)       | (153,975)      |
| Payables and accruals                                    |             | 1,414,288      | 1,904,525      |
| Cash used in operations                                  |             | (27,361,526)   | (21,063,096)   |
| Dividends received                                       |             | 10,891         | 36,369         |
| Interest received  |             | 8,523,662      | 11,940,299     |
| Contributions from employees                             | 37          | 14,118,237     | 16,959,813     |
| Refund of employees' contributions                       | 37          | (6,457,645)    | (6,486,084)    |
| Cash (used in)/provided by operating activities          |             | (11,166,381)   | 1,387,301      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |             |                |                |
| Acquisition of resale agreements                         |             | (4,865,007)    | (1,377,325)    |
| Proceeds on encashment of resale agreements              |             | 2,820,679      | 2,505,406      |
| Acquisition of investment securities                     |             | (569,230)      | (76,927)       |
| Proceeds on encashment of investment securities          |             | 4,527,562      | 7,629,807      |
| Proceeds from sale of loans receivable                   | 10(k)(iii)) | 26,182,185     | -              |
| Acquisition of intangible assets                         | 13          | (4,198)        | -              |
| Acquisition of property, plant and equipment             | 16          | (284,879)      | (616,168)      |
| Investments in associate (net)                           | 14          | (72,121)       | (15,861)       |
| Proceeds on disposal of non-current assets held-for-sale |             | -              | 28,889         |
| Cash provided by investing activities                    |             | 27,734,991     | 8,077,821      |
| <b>CASH FLOWS FROM FINANCING ACTIVITY</b>                |             |                |                |
| Transfer to consolidated fund                            | 24          | (11,400,000)   | (11,400,000)   |
| <b>INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b> |             |                |                |
|  |             | 5,168,610      | (1,934,878)    |
| <b>OPENING CASH AND CASH EQUIVALENTS</b>                 |             |                |                |
|  |             | 1,752,405      | 3,643,648      |
| Effect of foreign exchange rate changes                  |             | 17,748         | 43,635         |
| <b>CLOSING CASH AND CASH EQUIVALENTS</b>                 |             |                |                |
|  | 6           | 6,938,763      | 1,752,405      |

The accompanying notes on pages 37 to 148 form an integral part of these financial statements.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 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

#### *National Housing Trust (Special Provisions) Act, 2013 and 2017*

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.



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Contributions and Benefits

- (a) The Act requires certain employed persons and their employers, and self-employed persons to make contributions to the Trust
- (b) The benefits (as defined in the Act) in relation to contributions made by employed and self-employed persons are:
  - (i) loans for housing acquisition or improvement
  - (ii) contribution refunds including bonuses awarded in the eighth year after the first contribution year and annually thereafter for each successive year in which contributions were made (see Note 19(a)) and; 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 and Basis of Preparation

#### (a) 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.

#### (b) 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 is measured using the projected unit credit method, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### **Standards, interpretations and amendments to published standards effective in the current year**

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Trust has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following:

**Amendment to IFRS 3 'Business Combination'** (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Statement of Compliance and Basis of Preparation (Continued)

#### (b) Basis of preparation (continued)

**Amendment to IAS 1 and IAS 8, (effective for annual periods beginning on or after 1 January 2020).**

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The Trust has determined that adoption of the new standard did not have a significant impact on the financial statements.

**Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39 – (effective for annual periods beginning on or after 1 January 2020)**

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving LIBOR-based contracts, the reliefs will affect companies in all industries. There was no impact to the Trust on adoption of this standard.

**Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020)**

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the Framework. There was no impact to the Trust on adoption of this standard.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Statement of Compliance and Basis of Preparation (Continued)

#### (b) Basis of preparation (continued)

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Trust**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the Trust's accounting periods beginning on or after 1 April 2021 or later periods but were not effective at the statement of financial position date. The Trust has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

**Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions, (effective for annual periods beginning on or after 1 June 2020).** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment has no significant impact to the Trust.

**Amendments to IAS 1, Presentation of financial statements on classification of liabilities, (effective for annual periods beginning on or after 1 January 2023).** These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Statement of Compliance and Basis of Preparation (Continued)

#### (b) Basis of preparation (continued)

**A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16, (effective for annual periods beginning on or after 1 January 2022).** Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. The Trust is currently assessing the impact of future adoption of the new standard on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Trust.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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### 4. Summary of Significant Accounting Policies

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

#### (a) Foreign currencies

##### 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.

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.

Foreign exchange gains and losses that relates to borrowings are presented in the statement of profit or loss within finance cost. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example translation differences on non monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and transaction differences on non monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income.



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (b) 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:

- i. In the principal market for the asset or liability, or
- ii. 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:

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

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (b) 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.

#### (c) 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 32.

#### **Financial assets**

##### (i) 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (c) Financial instruments (continued)

##### *Financial assets (continued)*

##### (i) 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 marketplace (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.



# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (c) Financial instruments (continued)

##### *Financial assets (continued)*

##### (i) 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 collateralised 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 service fee is charged to beneficiaries and added to the loan amount when granting new mortgages. The fees are amortized over the life of the loan using the effective interest rate method.

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (c) Financial instruments(continued)

##### *Financial asset (continued)*

##### (i) 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.

##### (ii) Impairment of financial assets measured at amortised cost

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL'). In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in 'stage 3'.

In assessing whether the life-time credit risk on a financial instrument has increased significantly since initial recognition, the Trust considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (c) Financial instruments (continued)

##### *Financial assets (continued)*

##### (ii) Impairment of financial assets measured at amortised cost (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 determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether: contractual payments of either principal or interest are past due for 90 days or more; there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and the financial asset is otherwise considered to be in default. If such unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

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.

##### Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience, but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (c) Financial instruments (continued)

##### *Financial assets (continued)*

##### (ii) Impairment of financial assets measured at amortised cost (continued)

PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

##### Forward looking information

The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three-year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (c) Financial instruments (continued)

##### *Financial assets (continued)*

##### (ii) Impairment of financial assets measured at amortised cost (continued)

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

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

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

The loan loss allowance that is in excess of IFRS requirements is treated as an appropriation of undistributed profit and included in a loan loss reserve (Note 23).

Financial assets measured at amortized cost recognize impairment gains and losses in the statement of profit and loss. When the asset is sold, the cumulative gain or loss is reclassified to investment income. Interest income, dividend income and gains and losses arising from changes in fair value are included in investment income.

Interest income and interest earned on assets measured at fair value through profit and loss. Interest income is earned based on the effective interest rate based on the carrying amount before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the effective interest rate.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (c) Financial instruments (continued)

##### *Financial assets (continued)*

##### (iii) 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:

- (a) The rights to receive cash flows from the asset have expired or;
- (b) 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.

#### **Financial liabilities**

##### *Classification and measurement of financial liabilities*

Financial liabilities are classified as financial liabilities at fair value through income and financial liabilities at amortised cost. Financial liabilities at amortised cost are initially measured at fair value net of transaction cost and are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on the effective interest basis, except for short term liabilities when the recognition of interest would be immaterial. The Trust financial liabilities at amortised cost 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Significant of Significant Accounting Policies (Continued)

#### (c) Financial instruments (continued)

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

#### (d) Taxation

Income tax expense represents current and deferred tax.

##### *Current tax*

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

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

##### *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (d) 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.

#### (e) 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (f) Intangible assets

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 three (3) years) 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.

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 amortization 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.

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



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (g) 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.

#### (h) 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 reliably.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (h) 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% (2020: 7.9%). Employees have the option of contributing an additional 7.1% (2020: 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 fulltime employees and pensioners retiring after May 1, 2007. The Trust pays the full cost of benefits for the pensioners. During the year 2019/220, the trust amended the plan to include coverage for spouses of retirees to cover all or a portion of the spousal cost based on the years of service of the retiree at the date of retirement. Benefits are paid for the life of the retiree and the employee pays the full cost of the retiree's benefits. The plan is open to new members. 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (h) 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.

#### (i) 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.

#### (j) 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (j) 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.

#### (k) 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (l) 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.

#### (m) 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (n) 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.



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (o) Bonus on employees' contributions

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

#### (p) Leases

The Trust leases various offices with rental contract term between 3-5 years. 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 has applied the lease recognition exemptions for these leases as these contracts include termination clauses without significant penalty. Lease payments on short term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

##### *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 "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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (p) Leases (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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Summary of Significant Accounting Policies (Continued)

#### (q) Special subsidies and grants

The home grant is a special offer of up to \$2.5 million, to the Trust contributors earning less than \$15, 000 per week, and who do not yet own a home, which is recognized as expense when incurred. A maximum provision of 20% of post-tax surplus is computed to facilitate this initiative.

### 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.

#### *Security - loans receivable*

As indicated in Note 10(t), there are impaired loans held by the Trust amounting to approximately \$52.73 billion (2020: \$52.47 billion) for which impairment provisions for IFRS purposes amounted to approximately \$4.09 billion (2020: \$8.04 billion) in respect of loans to beneficiaries, developers, agencies and other institutions approved by the Trust (Note 10(p)). There are additional prudential provisions (loan loss reserve) for mortgage loans (with the exception of loans to developers) through an appropriation of accumulated profit of \$4.25 billion (2020: \$1.56 billion) (Note 10(u)). Management believes, based on experience, that ultimately outstanding amounts and accumulated interest will be recovered through the realisation of securities, although, as disclosed in Note 11, at year-end the Trust did not hold title deeds to properties securing mortgages and amounts due from developers totaling approximately \$18.57 billion (2020: \$14.75 billion).

#### *Litigations and claims*

As detailed in Note 35, 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. In-house Counsel awaits a new date for judicial review in respect of this matter.

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

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Critical Accounting Judgements and Estimates (Continued)

#### Critical judgements in applying accounting policies (continued)

##### *Business model assessment*

Classification and measurement of financial assets depend 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 whether a prospective change to the classification of those assets is required.

##### *Business model assessment – Joint Finance Mortgage Programme (JFMP)*

This programme is 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. 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. These financial assets are measured at amortized cost.

The business model is classified as 'hold to collect' as the objective is to hold the financial assets to collect their contractual cash flows, rather than with a view to selling the assets to generate cash flows. However, in accordance with IFRS 9 B4.1.3, although the objective of an entity's business model may be to hold financial assets in order to collect contractual cash flows, the entity need not hold all of those instruments until maturity. Thus an entity's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future. During the year, the Trust sold a portion of the portfolio to participating institutions under the JFMP. In assessing the need for a change in business model, the Trust considered the nature, frequency and significance of the sale and whether or not there was an in fact or in substance change to the business model for the JFMP portfolio. On the basis that there has been no formal change to the business model, and that the transaction was a singular special purpose transaction, and not consequent on a new strategic initiative, the Trust concluded that there was no business model change and therefore continues to measure the JFMP portfolio at amortised cost, under the hold to collect model.

#### 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 ECL 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.

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Critical Accounting Judgements and Estimate (Continued)

#### Key sources of estimates (continued)

##### *Impairment losses on financial assets (continued)*

The Trust's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

In determining ECL, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

- Establishing staging

The Trust uses credit ratings as a measure to assess default risk. For large debtors such as governments and large corporations, the Trust uses PD derived from transition matrices published by external rating agencies. The main rating agencies employed by the Trust are Standard and Poor's Global Ratings (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch). If rating scores are available from both S&P and Moody's, an average of the scores will be used.

For local institutions with large parent companies that have been rated by international rating agencies, the rating of the parent company is applied. For institutions not covered by the rating agencies, the Trust uses its own internal rating system.

For lending balances, in assessing whether there is significant increase in credit risk, delinquency status is used as the primary indicator. This is a common approach for balances such as loans or receivables. The credit risk of these assets increases when the balances go into delinquency, and the risk level is directly affected by the movement in the delinquency status.

The Trust follows the stage migration criteria below:

| Portfolio                                 | Stage 1 to Stage 2   | Stage 2 to Stage 3  | Stage 1 to Stage 3   |
|---|--|---|--|
|   | Financial instruments that have deteriorated in credit quality, beyond an acceptable limit, since initial recognition.   | Financial instruments that had deteriorated further in credit quality and have objective evidence of a credit loss event. | Financial instrument currently in stage 1 that experiences an objective occurrence of a credit loss. |
| Investments, deposits and corporate loans | For assets initially rated AAA to BBB- (Investment Grade), 3 notch downgrade or movement outside of investment grade.<br>For assets originated between BB+ and B-, 2 notch downgrade.<br>For assets originated between CCC+ and worse, 1 notch downgrade | Current rating of selective default (SD)/ default (D) or missed principal and/or coupon payments for over 30 days         | Missed principal and/or coupon payments for over 30 days   |
| Mortgage loans                            | When a balance reaches 30 days past due, it is presumed that a significant increase in credit risk has occurred since initial recognition (i.e. the asset is presumed to be in Stage 2 and is subject to lifetime ECL).                                  | Current rating of SD or default D or 90 days past due payment   | 90 days past due payment   |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Critical Accounting Judgements and Estimate (Continued)

#### Key sources of estimates (continued)

Assets will move from Stage 3 to Stage 2 once the credit ceases to be in default and the debtor has demonstrated ability to meet their obligations. Once the credit quality further improves, an asset moves from Stage 2 to Stage 1.

#### Forward looking information

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Caribbean markets. Management assesses data sources from local governments, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to forecast up to three years and subsequently the long term average performance is then used for the remaining life of the product. These projections are reassessed on an annual basis.

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

#### Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made (see Notes 20 and 27).

#### Peril insurance

The Trust maintains a reserve equivalent to the insurance policy deductible limit of US\$30 million (2020: 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 30(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 22).



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Critical Accounting Judgements and Estimate (Continued)

#### Key sources of estimates (continued)

##### *Employee benefits - pension and post-retirement medical obligations*

As disclosed in Note 15, the Trust operates a defined- benefit pension plan and provides post- retirement medical benefits. The amounts shown in the statement of financial position are subject to estimates such as discount rates, future rates of salary increase 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 with reference to the market yields of Government of Jamaica bonds. A working group of accountants and actuaries meet to set and agree on this rate for use by all companies that disclose IAS 19 liabilities.

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

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

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

##### *Fair value of investment securities - \$1.58 billion (2020: \$2.38 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 32).

##### *Service charge on loans to beneficiaries*

These charges are amortised over the life of the loan using the effective interest rate method. The amount amortised during the year was approximately \$704.44 million (2020: \$669.62 million) (Note 10(q)).

##### *Fair value of Loans Receivable*

The Trust as stated in Note 1a makes loans available only to its contributors. As mentioned in Note 4(b), 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 between market participants at the measurement date. A market participant is a buyer and seller in the principal market for the asset or liability where they are independent of each other, they are able to enter into a transaction for the asset or liability, they are motivated but not forced to enter into a transaction for the asset or liability and they are knowledgeable about the asset or liability and the transaction using all available information.

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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#### 5. Critical Accounting Judgements and Estimate (Continued)

##### Key sources of estimates (continued)

##### *Fair value of Loans Receivable (Continued)*

For Loans Receivable, the Trust is assumed to operate in a principal market for its wide range of loan products, occupying a significant portion of the market share of total mortgages in the country. The loan products offered by the Trust are different from those offered by other financial institutions as they are targeted solely for its contributors, primarily those in the lower income bands, with specific interest rates tied to each income band. The interest rates are, therefore, considered market rates for this segment of the market. These loan products include Open Market loans, which are disbursed based on current valuation reports for the respective properties, Build on Own Land, Home Improvement and Construction loans, which are disbursed based on current market prices for construction inputs and Scheme and Serviced Lots, which are priced based on the average value of at least two current valuation reports for the respective properties done externally by certified valuers.

Consequently, the Trust assumes that at initial recognition, the amount disbursed for loans is measured at fair value as the rates are considered market rates for our segment of the market. The subsequent carrying value is measured at amortised cost less Expected Credit Loss.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 6. Cash and Cash Equivalents

|  | 2021<br>\$'000   | 2020<br>\$'000   |
|--|------------------|------------------|
| Jamaican dollars deposits (a)                                  | 3,153,014        | -                |
| Resale agreements  |                  |                  |
| - Jamaica dollar (b)   | 2,603,576        | -                |
| - United States dollar (c)                                     | 348,848          | 578,772          |
| Bank balances (d)  | 834,645          | 1,167,299        |
| Cash in hand   | 6,669            | 6,664            |
|  | <u>6,946,752</u> | <u>1,752,735</u> |
| Allowance for ECL (e)  | (1,885)          | (24)             |
| Cash and cash equivalents, per statement of financial position | 6,944,867        | 1,752,711        |
| Less interest receivable                                       | (7,989)          | (330)            |
| Add allowance for ECL  | 1,885            | 24               |
| Cash and cash equivalents, per statement of cash flows         | <u>6,938,763</u> | <u>1,752,405</u> |

(a) These represent deposits which bear interest at rates ranging between 2.40% and 3.75% per annum. As at March 31, 2021, the interest receivable included in those deposits amounted to approximately \$3.01 million.

(b) These represent resale agreements which bear interest at rates ranging from 2.65% to 3.20% per annum and were fully backed by Government of Jamaica securities. At March 31, 2021, the interest receivable included in those agreements amounted to approximately \$3.58 million.

(c) These resale agreements of US\$2.37 million (2020: US\$4.27 million) bear interest at rates ranging from 3.00% to 3.75% (2020: 3.25% to 3.85%) per annum, mature within one to three months (2020: 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 22). The nominal value of the underlying securities at March 31, 2021 was US\$2.49 million (2020: US\$4.49 million). At March 31, 2021, the interest receivable included in these instruments amounted to approximately \$1.40 million (2020: \$0.33 million).

(d) Bank balances include foreign currency deposits of approximately \$55.48 million (US\$0.383 million) (2020: \$331.68 million (US\$2.45 million)) at an interest rates ranging from 0.01% to 0.15% (2020: 0.08% to 2.07%) per annum. During the year, the foreign currency deposits were designated to fund the Trust's peril reserve (Note 22).

(e) Movement in allowance for ECL

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Balance at beginning of the year                           | 24             | 258            |
| Increase/(Decrease) in allowance for the year (Note 28(e)) | 1,861          | (234)          |
| Balance at the end of the year                             | <u>1,885</u>   | <u>24</u>      |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 7. Receivables and Prepayments

|   | <b>2021</b>       | <b>2020</b>        |
|---|-------------------|--------------------|
|   | <b>\$'000</b>     | <b>\$'000</b>      |
| Staff loans   | 1,659,231         | 1,619,185          |
| Mortgage litigation receivable                                      | 145,535           | 156,609            |
| Death claims recoverable  | 404,911           | 260,553            |
| Prepayments   | 114,389           | 80,888             |
| NWC/Greenpond - sewage infrastructure receivable                    | 47,859            | 57,129             |
| Mortgage loan fees receivable                                       | 78,418            | 111,028            |
| JFMP sales receivables (a),10(k)(iii))                              | 4,744,504         | -                  |
| JPSCo refundable deposit  | 52,067            | -                  |
| Taxes recoverable - other (b)                                       | 225,968           | 225,968            |
| Project mobilisation receivable - Guaranteed Purchase Programme (c) | 2,921,076         | 3,194,075          |
| Advances for the construction of housing units (d)                  | 1,199,185         | 1,243,283          |
| Other   | 190,407           | 190,180            |
|   | <u>11,783,550</u> | <u>7,138,898</u>   |
| Allowance for ECL (see Note below)                                  | <u>(805,933)</u>  | <u>(1,011,991)</u> |
|   | <u>10,977,617</u> | <u>6,126,907</u>   |
| Classified as:  |                   |                    |
| Current   | 5,232,425         | 4,494,422          |
| Non-current   | <u>5,745,192</u>  | <u>1,632,485</u>   |
|   | <u>10,977,617</u> | <u>6,126,907</u>   |

#### Movement in allowance for ECL

|   | <b>2021</b>      | <b>2020</b>      |
|---|------------------|------------------|
|   | <b>\$'000</b>    | <b>\$'000</b>    |
| Balance at beginning of the year              | 1,011,991        | 506,901          |
| (Decrease)/Increase in allowance for the year | <u>(206,058)</u> | <u>505,090</u>   |
| Balance at end of the year                    | <u>805,933</u>   | <u>1,011,991</u> |
| Comprising:                                   |                  |                  |
| Mortgage litigation receivable                | 145,535          | 156,609          |
| Mortgage loan fees receivable                 | 78,418           | 111,028          |
| Guarantee Purchase Programme                  | 442,419          | 604,793          |
| Other   | <u>139,561</u>   | <u>139,561</u>   |
|   | <u>805,933</u>   | <u>1,011,991</u> |

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 7. Receivables and Prepayments (Continued)

- (a) This represents balance recoverable from the sale of a portion of the Joint Finance Mortgage Programme (JFMP) which was liquidated in June 2021.
- (b) 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 the property tax charges for the year. This request was granted and executed by the Tax Administration of Jamaica's property tax unit during the year ended March 31, 2015.
- (c) The Trust entered into guaranteed purchase agreements with developers for the purchase of housing units for sale to its beneficiaries. At the end of the financial year, there were agreements for the purchase of 1,635 2-bedroom units and 1 3- bedroom unit (2020: 1,634 2-bedroom units and 34 3-bedroom units).
- (d) 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

|                                   | 2021<br>\$'000   | 2020<br>\$'000 |
|-----------------------------------|------------------|----------------|
| Jamaican dollar deposits (a)      | 802,543          | -              |
| United States dollar deposits (b) | 2,059,465        | 768,193        |
| Allowance for ECL (c)             | (31)             | (34)           |
|                                   | <u>2,861,977</u> | <u>768,159</u> |

- (a) These represent agreements with maturity of one to five months' deposits and bear interest at rates ranging between 3.00% and 3.75% per annum. As at March 31, 2021, the interest receivable included in those deposits amounted to approximately \$2.54 million.
- (b) These instruments totaling approximately US\$13.98 million (2020: US\$5.67 million) mature within one to three months (2020: one to three months) after year-end with interest rates ranging between 3.00% and 4.00% (2020: 3.05% and 3.90%) per annum and are designated to fund the Trust's peril reserve (Note 22). As at March 31, 2021, the interest receivable included in these balances amounted to \$13.08 million (2020: \$7.24 million).

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Short Term Deposits and Resale Agreements (Continued)

(c) Movement in allowance for ECL

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Balance at the beginning of the year                     | 34             | 23             |
| Increase/Decrease in allowance for the year (Note 28(e)) | (3)            | 11             |
| Balance at the end of the year                           | 31             | 34             |

### 9. Investment Securities

|   | 2021<br>\$'000   | 2020<br>\$'000   |
|---|------------------|------------------|
| <b>Securities at fair value through profit or loss (FVTPL)</b>  |                  |                  |
| National Road Operating & Construction Company (NROCC) 4.50% Infrastructure Inflation Indexed Bond (i)  | 1,579,157        | 2,051,905        |
| Pooled Investment Funds: Sagcor Jamaica Limited - Universal Investment Policy   | -                | 324,334          |
| Quoted equity securities - Jamaica and Barbados Stock Exchanges (ii)  | 1,372,145        | 1,327,612        |
| Total FVTPL   | 2,951,302        | 3,703,851        |
| <b>Securities measured at amortised cost</b>  |                  |                  |
| Euro Bonds with nominal values of US\$619,048 (2020: \$714,285) held at interest rate(s) of 8.125% (2020:8.12%) per annum maturing in 2021/2022 to 2027/2028 (2020: 2020/2021 to 2027/2028 (ii) | 86,776           | 92,842           |
| GOJ Fixed Rate Accreting Notes (FRAN) at interest rate of 10% per annum, maturing 2028/2029 ((ii), (iii), (v))  | 695,044          | 4,455,895        |
| BOJ USD Indexed bond US\$4,000,000 at interest rate of 3.75% per annum, maturing 2023/2024 ((ii), (iv))   | 591,169          | -                |
|   | 1,372,989        | 4,548,737        |
| Allowance for expected credit losses (vi)   | (3,698)          | (46,930)         |
| Total amortised cost, net of ECL  | 1,369,291        | 4,501,807        |
| <b>Total Investment Securities</b>  | <b>4,320,593</b> | <b>8,205,658</b> |
| Classified as:  |                  |                  |
| Current   | 1,409,354        | 1,735,842        |
| Non-current   | 2,911,239        | 6,469,816        |
|   | <b>4,320,593</b> | <b>8,205,658</b> |



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Investment Securities (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 bonds with a nominal value of \$120 million at a valuation of \$530.32 million.

As at March 31, 2021, interest receivable included in these balances amounted to \$10.61 million (2020: \$13.27 million). The inflation adjustment to principal for the year amounted to \$60.23 million (2020: \$171.12 million).

- (ii) These investment securities are designated to fund the Trust's peril reserve (Note 22).
- (iii) On February 12, 2013, the Government of Jamaica (GOJ) announced a National Debt Exchange (NDX) offer initiated through the Ministry of Finance and Planning with an expiration date of February 21, 2013. The NDX involved a par-for-par exchange of certain domestic debt instruments ("old notes") or in the case of Fixed Rate Accreting Notes (FRAN), an \$80 FRAN for each \$100 of old notes issued by the GOJ for new longer dated debt instruments ("new notes"). The new notes had a variety of payment terms, including but not limited to fixed and variable rates in Jamaica dollars, CPI-indexed in Jamaica dollars and fixed rates in United States dollars. Participation in the NDX was voluntary and open to Jamaican resident holders.

With the FRAN, the \$20 foregone will accrete until it is fully recovered prior to maturity, starting in 2015/16. During the year, an additional \$15.45 million (2020: \$251.85 million) was accreted and the Trust completed the sale of FRAN with a nominal value of \$3.625 billion at a valuation of \$3.412 billion (80% of nominal based on accretion).

Of this investment, nominal value of \$671.88 million (2020: \$2.5 billion) has been designated to fund the Trust's peril reserve (Note 22).

- (iv) Bank of Jamaica US Dollar Index Bond value US\$4 million (202: NIL) purchased in October 2020 with maturity 2023/2024 (2020: Nil). Applicable interest rate fixed at 3.75% (2020: Nil)
- (v) At March 31, 2021, interest receivable included in debt securities amounted to \$25.98 million (2020: \$58.71 million).
- (vii) Movement in allowance for ECL:

|  | <b>2021</b>   | <b>2020</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Balance at the beginning of the year                       | 46,930        | 35,067        |
| (Decrease)/Increase in allowance for the year (Note 28(e)) | (43,232)      | 11,863        |
| Balance at the end of the year                             | <u>3,698</u>  | <u>46,930</u> |

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 10. Loans Receivable

|  | 2021<br>\$'000      | 2020<br>\$'000     |
|--|---------------------|--------------------|
| (a) Loans to beneficiaries selected by: the Trust (g)                                  |                     |                    |
| Mortgage loans (h)   | 225,380,232         | 206,118,049        |
| Loans for which mortgage processing is incomplete (i)                                  | 7,571,472           | 6,086,333          |
| Loans through joint venture programme (j)  | 52                  | 103                |
|  | <u>232,951,756</u>  | <u>212,204,485</u> |
| Allowance for ECL (p)  | <u>(2,184,344)</u>  | <u>(4,992,509)</u> |
|  | 230,767,412         | 207,211,976        |
| Unexpired service charges (q)  | <u>(10,465,677)</u> | <u>(9,675,409)</u> |
|  | <u>220,301,735</u>  | <u>197,536,567</u> |
| (a) Loans on behalf of beneficiaries selected by: Agencies approved by: the Trust (l): |                     |                    |
| Jamaica Teachers' Association Housing Co-operative Limited ((k)(i))                    | 3,851               | 4,476              |
| Housing Agency of Jamaica (HAJ): Repayable in 10 years at 0% per annum ((k)(ii))       | 46,983              | 46,983             |
| Joint financing mortgage programme ((k)(iii))  | 13,737,743          | 47,641,308         |
| Special loans to churches through joint financing -Hurricane Ivan (k)(iv)              | 24,744              | 52,378             |
| Housing micro finance loan programme ((k)(v))  | 360,650             | 290,173            |
| St Andrew High School for Girls (k)(vi))   | 43,031              | 44,064             |
| National Water Commission (k)(vii))  | 215,347             | -                  |
| Other institutions   | <u>107,851</u>      | <u>116,572</u>     |
|  | 14,540,200          | 48,195,954         |
| Allowance for ECL (p)  | <u>(255,841)</u>    | <u>(623,214)</u>   |
|  | 14,284,359          | 47,572,740         |
| Balance carried forward  | <u>234,586,094</u>  | <u>245,109,307</u> |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Loans Receivable (Continued)

|                                       | <b>2021</b>   | <b>Restated</b> |
|---------------------------------------|---------------|-----------------|
|                                       | <b>\$'000</b> | <b>2020</b>     |
|                                       | <b>\$'000</b> | <b>\$'000</b>   |
| Balance brought forward               | 234,586,094   | 245,109,307     |
| (b) Loan financing to developers (l)  | 2,530,620     | 2,598,228       |
| Allowance for ECL (p)                 | (818,822)     | (1,683,912)     |
|                                       | 1,711,798     | 914,316         |
| (c) University of the West Indies (m) |               |                 |
| Loan 1                                | 397,688       | 397,690         |
| Loan 2                                | 1,841,122     | 1,841,122       |
|                                       | 2,238,810     | 2,238,812       |
| Allowance for ECL (p)                 | (660,357)     | (487,385)       |
|                                       | 1,578,453     | 1,751,427       |
| (d) Jamaica College Trust (n)         | 37,919        | 39,243          |
| Allowance for ECL (p)                 | (4,294)       | (7,278)         |
|                                       | 33,625        | 31,965          |
| (e) SCJ Holdings Limited (o)          | 500,000       | 500,000         |
| Allowance for ECL (p)                 | (162,884)     | (250,212)       |
|                                       | 337,116       | 249,788         |
| Interest receivable                   | 253,573       | 712,829         |
| Total                                 | 238,500,659   | 248,769,632     |
| Classified as:                        |               |                 |
| Current                               | 259,994       | 9,448,787       |
| Non-current                           | 238,240,665   | 239,320,845     |
|                                       | 238,500,659   | 248,769,632     |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Loans Receivable (Continued)

- (g) The rates of interest payable on these loans to beneficiaries range from 0% to 5.5% (2020: 0% to 6%) 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 \$225.38 billion (2020: \$206.12 billion) include loans totaling \$7.57 billion (2020: \$6.19 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 joint venture programme are loans granted to beneficiaries who are in a position to obtain additional funds from their employers to enable them to purchase housing units.

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

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

- (i) This loan to Jamaica Teachers' Association Housing Co-operative Limited (JTAHC) is secured by the assignment to the Trust of mortgages in the name of JTAHC and the title deeds to the relevant properties were deposited with the Trust. The loan is repayable over a period of 25 years, which commenced July 1, 2000, with interest rates ranging from 3% to 18% per annum.
- (ii) This loan is repayable in monthly instalments over a 25year period which commenced January 1, 2001 with chargeable interest at 5% per annum payable in monthly instalments from January 1, 1997. The interest rate was revised in 2014/2015 and 2017/2018 to 3% and 0% respectively. The loan is secured by the transfer of mortgages by Housing Agency of Jamaica (HAJ) to the Trust.

During the year 2020, the Trust executed an agreement with HAJ for the amount to be recovered by way of receipt of land. Transfer is expected to be completed by March 31, 2022.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Loans Receivable (Continued)

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

(iii) 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.

In 2020 Management organized the sale of part of the portfolio to each of the participating institutions for the purchase of their interest. The terms of the agreements provided for a discount on the agreed carrying principal balance. Interest was charged on any outstanding payment at a rate of 3% per annum.

The negotiated discount was based on each Participating Institution loan portfolio profile in consideration to but not limited to the following: general market conditions, liquidity risks, GOJ yield curve, other risks considerations, amongst other factors. The discount on the transaction was recoded at \$12.42B or 28.73% of the value of the mortgages sold.



## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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#### 10. Loans Receivable (Continued)

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

(iv) 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 total loan to the participating institutions is for a period of fifteen (15) years with interest 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.

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.

(v) Housing Micro Finance Loan Programme

The Trust entered into an agreement with participating institutions to provide funds to low income contributors with their housing needs. The maximum loan amount of \$850,000 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.

(vi) 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.



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Loans Receivable (Continued)

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

(vii) National Water Commission

During the year the Trust entered into an institutional loan agreement with the NWC in the amount of \$221.5 million for a period of 10 years at an interest rate of 0%. The purpose of the loan was to finance the expansion of infrastructure works in support to the Estuary development and the areas affected.

(l) Loan financing to developers

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

(m) University of the West Indies (UWI)

#### Loan 1

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

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:

- a. 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.
- b. 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Loans Receivable (Continued)

#### (m) University of the West Indies (UWI) (continued)

The security for the advance is:

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

During the year the Trust approved a six (6) month moratorium on both loans. Details of the restructuring includes the rescheduling of the loans, which includes the frontloading of principal arrears of \$167.70 million to be recovered over the existing loan tenure.

#### (n) Jamaica College Trust

The Trust entered into an agreement with the Jamaica College Trust (JCT) in 2012 to make the 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 with Interest on the loan 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.

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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#### **10. Loans Receivable (Continued)**

(o) 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 ended March 2020, approval was granted for a further 1-year extension at an interest rate of 7% per annum.

The Trust is advanced in finalizing an agreement which will see the outstanding balance liquidated by a transfer of lands to the Trust. This is expected to be completed by March 31, 2022.

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 10. Loans Receivable (Continued)

(p) The movement in the allowance for ECL is as follows:

|  | Loans       | Development<br>Financing | Agencies  | Other   | Total       |
|--|-------------|--------------------------|-----------|---------|-------------|
|  | \$'000      | \$'000                   | \$'000    | \$'000  | \$'000      |
| Balance at April 1, 2019   | 3,214,455   | 1,588,122                | 401,801   | 232,297 | 5,436,675   |
| Increase in allowance for the year<br>(Note 28)                        | 1,850,288   | 95,790                   | 339,884   | 512,578 | 2,798,540   |
| Recovery on charge off loans<br>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   |
| Decrease in allowance for the year<br>(Note 28)                        | (1,982,818) | (865,090)                | (367,373) | 82,660  | (3,132,621) |
| Recovery on charge off loans<br>previously written off during the year | 612,577     | -                        | -         | -       | 612,577     |
| Net Charge off/Write-off during the<br>year                            | (1,437,924) | -                        | -         | -       | (1,437,924) |
| Balance at March 31, 2021  | 2,184,344   | 818,822                  | 255,841   | 827,535 | 4,086,542   |

(q) Unexpired service charge on loans to beneficiaries:

|                                  | 2021<br>\$'000 | Restated<br>2020<br>\$'000 |
|----------------------------------|----------------|----------------------------|
| Balance at beginning of the year | 9,675,409      | 9,085,106                  |
| Additions during the year        | 1,494,710      | 1,259,906                  |
| Amortisation to profit or loss   | (704,442)      | (669,623)                  |
| Balance at end of the year       | 10,465,677     | 9,675,409                  |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Loans Receivable (Continued)

#### (r) 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. 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. 86.51% (2020: 86.50%) of the loans to beneficiaries which are neither past due nor impaired are considered to be of good quality.

The JFMP accounts for 94.48% (2020: 98.85%) of the gross total category of loans to beneficiaries selected by agencies of the Trust and 4.68% (2020: 18.50%) of the total loans receivable (net of allowance for impairment). There is no 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.

#### (s) Past due loans

Included in the Trust's loans to beneficiaries balance are debtors with a carrying amount of \$52.73 billion (2020: approximately \$52.47 billion) which are past due at the reporting date.

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 10. Loans Receivable (Continued)

##### (t) Loans past due and impaired

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

|                   | <b>2021<br/>\$'000</b>   | <b>2020<br/>\$'000</b>   |
|-------------------|--------------------------|--------------------------|
| Current - 30 days | 874,795                  | 3,157,124                |
| 31 -90 days       | 29,214,452               | 26,875,050               |
| Over 90 days      | <u>22,644,566</u>        | <u>22,437,716</u>        |
|                   | <u><b>52,733,813</b></u> | <u><b>52,469,890</b></u> |

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.

##### (u) Allowance for impairment

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

|  | <b>2021<br/>\$'000</b>  | <b>2020<br/>\$'000</b>  |
|--|-------------------------|-------------------------|
| Prudential allowance set by management   | 7,515,668               | 7,916,740               |
| Total IFRS general allowances on mortgage loans (10 p)                                 | <u>3,267,720</u>        | <u>6,360,598</u>        |
| Excess over IFRS allowances on mortgage loans reflected in loan loss reserve (Note 23) | <u><b>4,247,948</b></u> | <u><b>1,556,142</b></u> |

##### (v) 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, 2021, loans totaling \$14.36 billion (2020: \$1.53 billion) were renegotiated which would have otherwise been past due or impaired.



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 11. Status of Securities for Financing for Developers and Loans to Beneficiaries

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

|   | 2021<br>\$'000 | 2020<br>\$'000 |
|---|----------------|----------------|
| (i) Loans through joint venture   |                |                |
| mortgage programme (Note 10(j))   | 52             | 103            |
| (ii) Other loans (Note 11(a))   |                |                |
| Mortgage loans to beneficiaries:  |                |                |
| • Schemes for which splintering of parent titles is in process or has not yet commenced | 9,106,974      | 6,191,669      |
| • Schemes for which mortgage processing is incomplete and land titles are not available | 7,571,472      | 6,086,333      |
| • Non-scheme loans (Note 11(b))   | 1,075,376      | 783,187        |
|   | 17,753,822     | 13,061,189     |
| Financing for housing construction projects   | 818,822        | 1,683,912      |
|   | 18,572,644     | 14,745,101     |
| Total   | 18,572,696     | 14,745,204     |

- (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.

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 12. Inventories

|  | <b>2021</b>              | <b>2020</b>              |
|--|--------------------------|--------------------------|
|  | <b>\$'000</b>            | <b>\$'000</b>            |
| Land held for housing development                    | 6,478,132                | 6,120,518                |
| Housing under construction                           | 24,869,041               | 18,058,966               |
| Housing units completed but not allocated            | 2,751,750                | 1,283,394                |
| Inner City Housing Project (Note 12(a))              | 650,716                  | 406,988                  |
| Guaranteed housing project                           | 2,048                    | 2,288                    |
|  | <u>34,751,687</u>        | <u>25,872,154</u>        |
| Less: Allowances for impairment losses and subsidies | <u>(322,873)</u>         | <u>(358,351)</u>         |
|  | <u><u>34,428,814</u></u> | <u><u>25,513,803</u></u> |

The movement in the allowance for impairment is as follows:

|  | <b>2021</b>           | <b>2020</b>           |
|--|-----------------------|-----------------------|
|  | <b>\$'000</b>         | <b>\$'000</b>         |
| At beginning of year                             | 358,351               | 294,722               |
| (Decrease)/Increase in allowance during the year | <u>(35,478)</u>       | <u>63,629</u>         |
| At end of year                                   | <u><u>322,873</u></u> | <u><u>358,351</u></u> |

#### (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.

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 12. Inventories (Continued)

(b) (Gains) on sale of housing solutions during the year amounted to:

|   | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Sale of units   | (6,706,414)   | (1,291,302)   |
| Cost of units sold                                    | 6,325,995     | 1,203,538     |
| Net gain on disposal of units                         | (380,419)     | (87,764)      |
| Impairment (Write-back of) allowance charged for year | (35,478)      | 63,629        |
| Loss on Trust projects                                | 48,593        | 6,796         |
| Gains on projects                                     | (367,304)     | (17,339)      |

#### 13. Intangible Assets

|                              | <b>2021</b>   | <b>2020</b>   |
|------------------------------|---------------|---------------|
|                              | <b>\$'000</b> | <b>\$'000</b> |
| <b>Cost</b>                  |               |               |
| At the beginning of the year | 217,946       | 217,946       |
| Additions                    | 4,198         | -             |
| At the end of the year       | 222,144       | 217,946       |
| <b>Amortisation</b>          |               |               |
| At the beginning of the year | 208,441       | 197,432       |
| Charge for the year          | 11,048        | 11,009        |
| At the end of the year       | 219,489       | 208,441       |
| <b>Carrying amount</b>       | <b>2,655</b>  | <b>9,505</b>  |

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.

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 14. Investments in Associate

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Cost of investments                              | 490            | 490            |
| Loans (including accrued interest) (Note 14(b)): |                |                |
| Opening advances                                 | 1,834,061      | 1,818,200      |
| Advances during the year (net)                   | 72,121         | 15,861         |
| Total advances                                   | 1,906,182      | 1,834,061      |
| Provision for impairment loss                    | (383,969)      | (383,969)      |
|  | 1,522,213      | 1,450,092      |
| Share of associate's losses:                     |                |                |
| Balance at beginning of year                     | (331,211)      | (321,323)      |
| Share of loss for the year                       | (60,154)       | (9,888)        |
| Balance at end of year                           | (391,365)      | (331,211)      |
|  | 1,131,338      | 1,119,371      |

Advances during the year relates to working capital and loans.

(a) Details of the associate as at March 31, 2021 are as follows:

| Name of associate  | Place of<br>Incorporation<br>and operation | Proportion of<br>voting<br>ownership | Proportion of<br>voting<br>ownership<br>power held | Principal Activities            |
|--|--|--------------------------------------|--|---------------------------------|
| Harmonisation Limited  | Jamaica                                    | 49.50%                               | 49.50%   | Land investment and development |
| (i) Wholly-owned subsidiary  | Jamaica                                    |                                      |  | Rental of resort accommodation  |
| (ii) 49% Associated Company  | Jamaica                                    |                                      |  | Property development            |
|  |  |                                      | (Unaudited)  | (Audited)                       |
|  |  |                                      | 2021<br>\$'000                                     | 2020<br>\$'000                  |
| Total assets   |  |                                      | 2,768,073  | 2,707,581                       |
| Total liabilities  |  |                                      | (3,559,709)  | (3,378,676)                     |
| Net liabilities  |  |                                      | (791,636)  | (768,121)                       |
| Trust's share of associate's net liabilities                       |  |                                      | (391,860)  | (380,220)                       |
| Revenue  |  |                                      | 9,660  | 124,145                         |
| Loss for the year  |  |                                      | (118,552)  | (23,327)                        |
| Trust's share of associate's loss for the year, net of adjustments |  |                                      | (58,683)   | (11,547)                        |

Land, which has a value of \$3.05 billion (2020: \$2.76 billion), is included in total assets at a cost of \$95.86 million.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 14. 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.

### 15. Employee Benefits

The Trust operates two post-retirement employee benefit arrangements:

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

#### *Staff pension plan*

The Trust operates a defined benefit pension plan for qualified employees. The plan is administered by Trustees, who are assisted by an independent plan administrator, Employee Benefits Administrator Limited, a wholly owned subsidiary of Sagicor Life Jamaica Limited. The fund 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 market risk such as inflation, interest rate risk, currency risk and exposed to changes in the life expectancy of pensioners. As the plan assets include investments in quoted equities, the plan is exposed to equity price 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% (2020: 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, 2021, the Trust contributed at a rate of 7.9% (2020: 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.

During the year 2019/2020, the Trust amended the plan to include coverage for spouses of retirees to cover all or a portion of the spousal cost based on the years of service of the retiree at the date of retirement. Benefits are paid for the life of the retiree and the employer pays the full cost of the retiree's benefits. The plan is open to new members.

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

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Employee Benefits (Continued)

(a) Staff pension plan and medical benefits scheme

|   | 2021<br>%             | 2020<br>%             |
|---|-----------------------|-----------------------|
| Key assumptions   |                       |                       |
| - Expected salary increases                             | 6.5                   | 7.0                   |
| - Discount rate   | 8.5                   | 7.5                   |
| - Long term rate of inflation                           | 5.5                   | 4.0                   |
| - Medical inflation rate                                | 6.5                   | 6.5                   |
|   | <b>2021<br/>Years</b> | <b>2020<br/>Years</b> |
| Demographic assumptions                                 |                       |                       |
| Average liability duration for each category of member: |                       |                       |
| - Staff pension scheme                                  |                       |                       |
| Active members  | 17.1                  | 20.8                  |
| Deferred pensioners                                     | 0.9                   | 1.1                   |
| Pensioners  | 0.0                   | 7.4                   |
| All participants  | 15.6                  | 18.6                  |
| - Post-retirement medical benefit scheme                |                       |                       |
| Active members  | 23.0                  | 29.3                  |
| Pensioners  | 10.5                  | 11.4                  |
| All participants  | 21.9                  | 28.2                  |

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

| Attained age | 2021  |         | 2020  |         |
|--------------|-------|---------|-------|---------|
|              | Males | Females | Males | Females |
| 20           | 0.347 | 0.139   | 0.406 | 0.162   |
| 25           | 0.427 | 0.155   | 0.484 | 0.173   |
| 30           | 0.405 | 0.204   | 0.452 | 0.218   |
| 35           | 0.477 | 0.271   | 0.523 | 0.286   |
| 40           | 0.561 | 0.362   | 0.628 | 0.396   |

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

|   | Staff pension Plan |             | Medical benefit scheme |             |
|---|--------------------|-------------|------------------------|-------------|
|   | 2021               | 2020        | 2021                   | 2020        |
|   | \$'000             | \$'000      | \$'000                 | \$'000      |
| Present value of obligation   | (8,651,019)        | (9,608,147) | (2,004,911)            | (1,316,234) |
| Fair value of plan assets   | 10,817,998         | 10,020,573  | -                      | -           |
| Net asset/(liability) recognised in statement of financial position | 2,166,979          | 412,426     | (2,004,911)            | (1,316,234) |



# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Employee Benefits (Continued)

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

|   | Staff pension plan |                | Medical benefit scheme |                |
|---|--------------------|----------------|------------------------|----------------|
|   | 2021<br>\$'000     | 2020<br>\$'000 | 2021<br>\$'000         | 2020<br>\$'000 |
| Balance at beginning of year            | 412,426            | 1,216,791      | (1,316,234)            | (962,497)      |
| Included in profit or loss:             |                    |                |                        |                |
| Current service cost                    | (394,926)          | (233,094)      | (115,244)              | (106,068)      |
| Interest cost                           | (698,368)          | (632,515)      | (98,515)               | (67,375)       |
| Past service cost                       | -                  | -              | (734,399)              | -              |
| Expenses                                | (27,313)           | (31,455)       | -                      | -              |
| Interest on plan assets                 | 745,730            | 729,957        | -                      | -              |
|   | (374,877)          | (167,107)      | (948,158)              | (173,443)      |
| Included in other comprehensive income: |                    |                |                        |                |
| Experience adjustments                  | (85,373)           | (199,389)      | 41,890                 | (28,303)       |
| Changes in financial assumptions        | 2,039,737          | (156,780)      | 311,330                | (158,075)      |
| Remeasurement of plan assets            | (75,841)           | (524,582)      | -                      | -              |
| Changes in Demographic assumptions      | (12,907)           | -              | (99,126)               | -              |
|   | 1,865,616          | (880,751)      | 254,094                | (186,378)      |
| Employer's contributions                | 263,814            | 243,493        | 5,387                  | 6,084          |
| Balance at end of year                  | 2,166,979          | 412,426        | (2,004,911)            | (1,316,234)    |

(i) Amount recognised in profit or loss:

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| - Staff pension plan (net)             | (374,877)      | (167,107)      |
| - Post-retirement medical scheme (net) | (948,158)      | (173,443)      |
|  | (1,323,035)    | (340,550)      |

Amount recognised in other comprehensive income:

|                                  |           |             |
|----------------------------------|-----------|-------------|
| - Staff pension plan             | 1,865,616 | (880,751)   |
| - Post-retirement medical scheme | 254,094   | (186,378)   |
|                                  | 2,119,710 | (1,067,129) |

(b) Movement in fair value of pension plan assets

|   | 2021<br>\$'000 | 2020<br>\$'000 |
|---|----------------|----------------|
| Fair value of plan assets at beginning of year    | 10,020,573     | 9,650,326      |
| Contributions                                     | 533,164        | 489,733        |
| Administrative expenses                           | (27,313)       | (31,455)       |
| Benefits paid                                     | (378,315)      | (293,405)      |
| Interest income on plan assets                    | 745,730        | 729,957        |
| Remeasurement (loss)/gain on plan assets included | (75,841)       | (524,582)      |
| Fair value of plan assets at end of year          | 10,817,998     | 10,020,573     |

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 15. 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 |        |            |        |
|--|--------------------|--------|------------|--------|
|  | 2021               |        | 2020       |        |
|  | \$'000             | %      | \$'000     | %      |
| <u>Pooled Investment Funds</u>             |                    |        |            |        |
| Equity                                     | 452,927            | 4.19   | 547,564    | 5.47   |
| Fixed income                               | 379                | 0.00   | 31,327     | 0.31   |
| Mortgage and Real Estate                   | 1,462              | 0.01   | 467        | 0.00   |
|  | 454,768            | 4.20   | 579,358    | 5.78   |
| <u>Self-directed Funds</u>                 |                    |        |            |        |
| GOJ securities                             | 3,775,059          | 34.90  | 3,608,847  | 36.01  |
| Pooled funds                               | 2,988,567          | 27.63  | 3,016,631  | 30.11  |
| Corporate funds                            | 198,247            | 1.83   | 176,551    | 1.76   |
| Equity                                     | 1,281,652          | 11.85  | 1,081,611  | 10.79  |
| Repurchase agreements                      | 7,800              | 0.07   | -          | -      |
| Other                                      | 68,314             | 0.63   | 159,409    | 1.59   |
|  | 8,319,639          | 76.91  | 8,043,049  | 80.26  |
| <u>Pooled Pension Investment Portfolio</u> |                    |        |            |        |
| Fixed income                               | 608,783            | 5.63   | 419,460    | 4.19   |
| Equity                                     | 490,595            | 4.53   | 329,578    | 3.29   |
| US\$ Fixed Income                          | 311,008            | 2.87   | 210,328    | 2.10   |
| Real Estate                                | 536,203            | 4.96   | 371,990    | 3.71   |
| Cash Management                            | 97,001             | 0.90   | 66,810     | 0.67   |
|  | 2,043,590          | 18.89  | 1,398,166  | 13.96  |
| Closing fair value of plan assets          | 10,817,997         | 100.00 | 10,020,573 | 100.00 |

(e) Movement in the present value of the obligation

|                                    | Staff Pension Plan |                |
|------------------------------------|--------------------|----------------|
|                                    | 2021<br>\$'000     | 2020<br>\$'000 |
| Balance at the beginning of year   | 9,608,147          | 8,433,535      |
| Current service costs              | 394,926            | 233,094        |
| Interest costs                     | 698,368            | 632,515        |
| Employees' contribution            | 269,348            | 246,240        |
| Benefits paid                      | (378,315)          | (293,406)      |
| Actuarial gains arising from       |                    |                |
| Experience adjustments             | 85,373             | 199,389        |
| Changes in financial assumptions   | (2,039,737)        | 156,780        |
| Changes in demographic assumptions | 12,907             | -              |
| Balance at end of year             | 8,651,019          | 9,608,147      |

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 15. Employee Benefits (Continued)

(e) Movement in the present value of the obligation

|                                    | <b>Medical benefit scheme</b> |                  |
|------------------------------------|-------------------------------|------------------|
|                                    | <b>2021</b>                   | <b>2020</b>      |
|                                    | <b>\$'000</b>                 | <b>\$'000</b>    |
| Balance at the beginning of year   | 1,316,233                     | 962,497          |
| Current service costs              | 115,244                       | 106,068          |
| Interest costs                     | 98,815                        | 67,375           |
| Benefits paid                      | (5,387)                       | (6,084)          |
| Past service costs                 | 734,399                       | -                |
| Actuarial gains arising from       |                               |                  |
| Experience adjustments             | (41,890)                      | 28,303           |
| Changes in financial assumptions   | (311,330)                     | -                |
| Changes in demographic assumptions | 99,126                        | 158,075          |
| Balance at end of year             | <u>2,004,911</u>              | <u>1,316,233</u> |



## National Housing Trust

### Notes to the Financial Statement

31 March 2021

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#### 15. Employee Benefits (Continued)

##### (f) Sensitivity analyses

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

|                                | 31 March 2021         |                    |                    |                    |                        |                    |
|--------------------------------|-----------------------|--------------------|--------------------|--------------------|------------------------|--------------------|
|                                | 1% movements in       |                    |                    |                    |                        |                    |
|                                | Health inflation rate |                    | Discount rate      |                    | Salary escalation rate |                    |
|                                | Increase<br>\$'000    | Decrease<br>\$'000 | Increase<br>\$'000 | Decrease<br>\$'000 | Increase<br>\$'000     | Decrease<br>\$'000 |
| Impact on                      |                       |                    |                    |                    |                        |                    |
| Staff pension plan             | -                     | -                  | (1,153,075)        | 1,507,527          | 846,533                | (715,846)          |
| Post-retirement medical scheme | 483,261               | (374,153)          | (365,101)          | 478,159            | -                      | -                  |
|                                |                       |                    |                    |                    |                        |                    |
|                                | 31 March 2020         |                    |                    |                    |                        |                    |
|                                | 1% movements in       |                    |                    |                    |                        |                    |
|                                | Health inflation rate |                    | Discount rate      |                    | Salary escalation rate |                    |
|                                | Increase<br>\$'000    | Decrease<br>\$'000 | Increase<br>\$'000 | Decrease<br>\$'000 | Increase<br>\$'000     | Decrease<br>\$'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            | -                      | -                  |

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.

## National Housing Trust

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31 March 2021

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#### 15. Employee Benefits (Continued)

(g) Summary of five-year trend

|      |   |                        |                        |                        |                        |                        |
|------|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| (i)  | Staff pension plan  |                        |                        |                        |                        |                        |
|      | <b>Disclosure Items</b>   | <b>2021<br/>\$'000</b> | <b>2020<br/>\$'000</b> | <b>2019<br/>\$'000</b> | <b>2018<br/>\$'000</b> | <b>2017<br/>\$'000</b> |
|      | Present value of defined benefit obligation                     | 8,651,019              | 9,608,147              | 8,433,535              | 6,865,414              | 5,234,423              |
|      | Fair value of plan assets                                       | 10,817,998             | 10,020,573             | 9,650,326              | 8,459,075              | 6,949,957              |
|      | Surplus in the Plan   | (2,166,979)            | (412,426)              | (1,216,791)            | (1,593,661)            | (1,715,534)            |
|      | Remeasurements on defined benefit obligation – loss             | 1,941,457              | (356,169)              | (792,719)              | (935,543)              | (751,077)              |
|      | Remeasurements arising on plan assets - (loss)/gain             | (75,841)               | (524,582)              | 153,447                | 672,450                | 149,350                |
| (ii) | Medical benefit scheme  |                        |                        |                        |                        |                        |
|      | <b>Disclosure Items</b>   | <b>2021<br/>\$'000</b> | <b>2020<br/>\$'000</b> | <b>2019<br/>\$'000</b> | <b>2018<br/>\$'000</b> | <b>2017<br/>\$'000</b> |
|      | Present value of defined benefit obligation/deficit in the Plan | 2,004,911              | 1,316,234              | 962,497                | 814,868                | 589,004                |
|      | Remeasurements on defined benefit obligation                    | (254,094)              | 186,378                | 15,571                 | 114,304                | 106,059                |
|      | Loss/(Gain) due to experience                                   | (41,890)               | 28,303                 | (146,064)              | 118,109                | (24,531)               |
|      | Loss/(Gain) due to changes in financial Assumptions             | (311,330)              | 158,075                | 161,635                | (3,805)                | 67,276                 |
|      | Loss/(Gain) due to changes in demographic assumptions           | 99,126                 | -                      | -                      | -                      | 63,314                 |

(h) The Trust expects to make a contribution of \$262.19 million (2020: \$270.80 million) to the defined benefit plan during the next financial year.

## National Housing Trust

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(expressed in Jamaican dollars unless otherwise indicated)

#### 16. Property, Plant and Equipment

|                            | Land<br>Improvement<br>and buildings | Furniture<br>fixtures,<br>artwork<br>and other<br>equipment | Computer<br>equipment | Motor<br>vehicles | Advance<br>on assets<br>(Note 16(c)) | Construction in<br>progress Note<br>16(d)) | Total     |
|----------------------------|--------------------------------------|---|-----------------------|-------------------|--------------------------------------|--|-----------|
|                            | \$'000                               | \$'000  | \$'000                | \$'000            | \$'000                               | \$'000                                     | \$'000    |
| Cost -                     |                                      |   |                       |                   |                                      |  |           |
| At 1 April 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)                             | -  | -         |
| Adjustment (Note 16(a))    | -                                    | -   | -                     | -                 | (4,899)                              | -  | (4,899)   |
| Write offs (Note 16 (b))   | -                                    | (4,560)   | (348)                 | -                 | -                                    | -  | (4,908)   |
| Disposals                  | -                                    | (2,158)   | (35,316)              | -                 | -                                    | -  | (37,474)  |
| At 31 March 2020           | 1,894,258                            | 738,651   | 716,863               | 68,669            | 140,699                              | 154,121                                    | 3,713,261 |
| Additions                  | 1,317                                | 32,986  | 70,004                | -                 | 48,957                               | 131,615                                    | 284,879   |
| Transfers                  | 55,443                               | 6,443   | 3,035                 | -                 | (64,921)                             | -  | -         |
| Adjustment                 | -                                    | (627)   | -                     | -                 | (44,847)                             | (59,094)                                   | (104,568) |
| Disposals                  | -                                    | -   | -                     | (6,458)           | -                                    | -  | (6,458)   |
| 31 March 2021              | 1,951,018                            | 777,453   | 789,902               | 62,211            | 79,888                               | 226,642                                    | 3,887,114 |
| Accumulated Depreciation - |                                      |   |                       |                   |                                      |  |           |
| At 1 April 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   |
| Adjustment (Note 16(a))    | -                                    | (41)  | -                     | -                 | -                                    | -  | (41)      |
| Write offs (Note 16 (b))   | -                                    | (4,271)   | (348)                 | -                 | -                                    | -  | (4,619)   |
| Relieved on disposals      | -                                    | (2,138)   | (35,014)              | -                 | -                                    | -  | (37,152)  |
| At 31 March 2020           | 582,573                              | 596,362   | 613,636               | 58,341            | -                                    | -  | 1,850,912 |
| Charge for the year        | 45,681                               | 45,515  | 70,642                | 5,609             | -                                    | -  | 167,447   |
| Relieved on disposals      | -                                    | -   | -                     | (6,458)           | -                                    | -  | (6,458)   |
| 31 March 2021              | 628,254                              | 641,877   | 684,278               | 57,492            | -                                    | -  | 2,011,901 |
| Net Book Value -           |                                      |   |                       |                   |                                      |  |           |
| At 31 March 2021           | 1,322,764                            | 135,576   | 105,624               | 4,719             | 79,888                               | 226,642                                    | 1,875,213 |
| At 31 March 2020           | 1,311,685                            | 142,289   | 103,227               | 10,328            | 140,699                              | 154,121                                    | 1,862,349 |

## National Housing Trust

### Notes to the Financial Statement

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#### 16. 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:

|  |                |
|--|----------------|
| Land improvement and buildings             | 15 to 40 years |
| Furniture and fixtures and other equipment | 5 to 8 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:

|  | <b>2021</b>    | <b>2020</b>    |
|--|----------------|----------------|
|  | <b>\$'000</b>  | <b>\$'000</b>  |
| Buildings/related infrastructure         | 217,143        | 217,143        |
| Furniture, fixtures and office equipment | 168,020        | 166,559        |
| Artwork                                  | 13,931         | 13,931         |
|  | <u>399,094</u> | <u>397,633</u> |

#### 17. Payables and Accruals

|   | <b>2021</b>      | <b>2020</b>      |
|---|------------------|------------------|
|   | <b>\$'000</b>    | <b>\$'000</b>    |
| Accounts payable and accruals (a)           | 2,943,638        | 2,947,436        |
| Scheme deposits                             | 90,419           | 92,624           |
| Statutory and other payroll deductions      | 102,269          | 93,543           |
| Retention payable                           | 1,215,539        | 627,063          |
| GCT payable                                 | 2,618,680        | 2,021,325        |
| Withholding Tax Specified Services          | 1,828            | 2,149            |
| Sums withheld for modification of covenants | 211,849          | 191,203          |
| Peril insurance claims (Note 30(b)(i))      | 77,167           | 30,056           |
| Beneficiaries mortgage refunds payable      | 724,860          | 690,481          |
| Other payables                              | <u>950,862</u>   | <u>826,943</u>   |
|   | <u>8,937,111</u> | <u>7,522,823</u> |

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



# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Provisions

|   | Sunday Claims (a) |                | Employee Benefits (b) |                | Total          |                |
|---|-------------------|----------------|-----------------------|----------------|----------------|----------------|
|   | 2021<br>\$'000    | 2020<br>\$'000 | 2021<br>\$'000        | 2020<br>\$'000 | 2021<br>\$'000 | 2020<br>\$'000 |
| Balances at beginning of the year         | 40,000            | 40,000         | 167,075               | 162,137        | 207,075        | 202,137        |
| Recognised in profit or loss for the year | -                 | -              | 43,436                | 4,938          | 43,436         | 4,938          |
| Balance at end of the year                | 40,000            | 40,000         | 210,511               | 167,075        | 250,511        | 207,075        |

(a) Sundry claim represents the provision for the settlement of a legal claim against the Trust (Note 35).

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

### 19. Refundable Contributions

|   | Currently Due | 2021<br>Not Yet Due | Total       | 2020<br>Total |
|---|---------------|---------------------|-------------|---------------|
|   | \$'000        | \$'000              | \$'000      | \$'000        |
| Contributions refundable                                | 28,134,056    | 91,686,125          | 119,820,181 | 111,063,992   |
| Bonus accrued (Note 19(a))                              | 2,610,097     | 3,814,628           | 6,424,725   | 6,483,017     |
|   | 30,744,153    | 95,500,753          | 126,244,906 | 117,547,009   |
| Represented by:   |               |                     |             |               |
| Savings accounts  |               |                     |             |               |
| Principal   | 28,134,056    | -                   | 28,134,056  | 24,098,282    |
| Interest  | 2,610,097     | -                   | 2,610,097   | 2,601,405     |
|   | 30,744,153    | -                   | 30,744,153  | 26,699,687    |
| Time accounts   |               |                     |             |               |
| Principal   | -             | 68,287,317          | 68,287,317  | 60,886,042    |
| Interest  | -             | 4,830,707           | 4,830,707   | 4,208,063     |
|   | -             | 73,118,024          | 73,118,024  | 65,094,105    |
| Total for which personal accounts are established       | 30,744,153    | 73,118,024          | 103,862,177 | 91,793,792    |
| Balances for which no personal accounts are established | -             | 22,382,729          | 22,382,729  | 25,753,217    |
| Total refundable employee contributions                 | 30,744,153    | 95,500,753          | 126,244,906 | 117,547,009   |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 19. Refundable Contributions (Continued)

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

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, 577,423 (2020: 478,005) individual (time) accounts totaling \$13.92 billion (2020: \$9.92 billion) were created.

### 20. Deferred Tax (Assets) Liabilities

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

|  | Balance at<br>April 1, 2020<br>\$'000 | Recognised<br>in income<br>(Note 27)<br>\$'000 | 2021<br>Recognised in<br>other<br>comprehensive<br>income<br>\$'000 | Balance at<br>March 31,<br>2021<br>\$'000 |
|--|---------------------------------------|--|---|---|
| Interest payable                             | (7,335)                               | 21,908   | -   | 14,573                                    |
| Employee benefits (liability) asset<br>(net) | (225,952)                             | (263,459)                                      | 529,927   | 40,516                                    |
| Accelerated capital allowances               | 9,849                                 | 27,081   | -   | 36,930                                    |
| Interest receivable                          | 198,562                               | (122,853)                                      | -   | 75,709                                    |
| Share of net assets of associate             | (16,322)                              | (15,039)                                       | -   | (31,361)                                  |
| Unrealised foreign exchange gains            | 49,134                                | (45,807)                                       | -   | 3,327                                     |
| Rental income receivable                     | 1,590                                 | (161)  | -   | 1,429                                     |
| Other  | 1                                     | -  | -   | 1   |
| Net liabilities/(assets)                     | 9,527                                 | (398,330)                                      | 529,927   | 141,124                                   |

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Deferred Tax (Assets) Liabilities (Continued)

|   | Balance at<br>April 1, 2019<br>\$'000 | Recognised in<br>income (Note<br>28(c))<br>\$'000 | 2020<br>Recognised in<br>other<br>comprehensive<br>income<br>\$'000 | Balance at<br>March 31, 2020<br>\$'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                                |
| 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                                  |

### 21. 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 who 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 \$390,442,000 (2020: \$320,121,000) (Note 26).

### 22. Peril Reserve

The Trust's insurance policy deductible is US\$30 million (2020: 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 30(b)(i)).

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

|  | 2021<br>US\$'000 | 2021<br>JMD\$'000 | 2020<br>US\$'000 | 2020<br>JMD\$'000 |
|--|------------------|-------------------|------------------|-------------------|
| Cash and cash equivalents (US\$ denominated) (Notes 6(c) and 6(d))           | 2,775            | 402,311           | 6,725            | 910,452           |
| Resale agreements (US\$ denominated) (Note 8(b))                             | 14,203           | 2,059,446         | 5,674            | 768,159           |
| Security at amortised cost (US\$ denominated) (Note 9(ii))                   | 4,663            | 676,071           | 686              | 92,842            |
| Securities at amortised cost and at FVPL(J\$ denominated) (Note 9 (i),(iii)) | 25,135           | 3,644,575         | 18,465           | 2,499,053         |
|  | 46,776           | 6,782,403         | 31,550           | 4,270,506         |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 23. Loan Loss Reserve

This reserve represents the excess of the provision for loan losses, determined using management's prudential estimate of the greater of 3% of the total mortgage loans (less loan financing to developers) receivable, net of IFRS allowance, and the total arrears for over 90 days, for which allowances are made, over the amounts determined under IFRS (Note 10(u))

During the year, there was an increase of \$2.69 billion (2020: a decrease of \$1.87 billion) 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.

### 24. 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 and in December 2020 for five (5) years up to 2025/2026.

### 25. Miscellaneous Income

|                       | <b>2021</b>    | <b>2020</b>    |
|-----------------------|----------------|----------------|
|                       | <b>\$'000</b>  | <b>\$'000</b>  |
| Penalty income        | 20,393         | 58,130         |
| Debt management fees  | 53,157         | 103,230        |
| Rental income         | 24,907         | 26,618         |
| Other interest income | 15,261         | 14,678         |
| Others                | 22,831         | 52,491         |
|                       | <u>136,549</u> | <u>255,147</u> |



## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 26. Special Subsidies and Grants

|                                     | <b>2021<br/>\$'000</b> | <b>2020<br/>\$'000</b> |
|-------------------------------------|------------------------|------------------------|
| Special projects:                   |                        |                        |
| Inner City Housing Project          | 22,091                 | 12,125                 |
| Emancipation Park                   | 94,478                 | 113,906                |
| Grants:                             |                        |                        |
| Mortgage subsidy (Note 21)          | 390,442                | 320,121                |
| Property maintenance - Orange Grove | 4,859                  | 12,335                 |
| Community infrastructure upgrade    | 212,899                | 272,985                |
| Police stations refurbishing        | 136,346                | 100,160                |
| Infirmarys refurbishing             | 49,906                 | 57,551                 |
| Bamboo processing                   | 3,610                  | -                      |
| Others                              | 13,322                 | 81,762                 |
|                                     | <u>927,953</u>         | <u>970,945</u>         |

#### 27. Taxation

|                                      |                        |                        |
|--------------------------------------|------------------------|------------------------|
| (a) Taxation recoverable             | <b>2021<br/>\$'000</b> | <b>2020<br/>\$'000</b> |
| Balance at the beginning of the year | 7,230,647              | 7,076,672              |
| Additions during the year            | <u>88,152</u>          | <u>153,975</u>         |
| Balance at the end of the year       | <u>7,318,799</u>       | <u>7,230,647</u>       |

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

|                                      |                        |                        |
|--------------------------------------|------------------------|------------------------|
|                                      | <b>2021<br/>\$'000</b> | <b>2020<br/>\$'000</b> |
| Balance at the beginning of the year | 6,472,138              | 6,472,138              |
| Current tax charge for the year      | <u>-</u>               | <u>-</u>               |
| Balance at the end of the year       | <u>6,472,138</u>       | <u>6,472,138</u>       |

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 27. Taxation (Continued)

- (c) Recognised in profit or loss for the year  
(i) The taxation charge for the year comprises

|                        | <b>2021</b>      | <b>2020</b>     |
|------------------------|------------------|-----------------|
|                        | <b>\$'000</b>    | <b>\$'000</b>   |
| Deferred tax (Note 20) | <u>(398,330)</u> | <u>(74,717)</u> |

Subject to the agreement of the Commissioner General Tax administration of Jamaica, tax losses of approximately \$11,327,101,212 (2020: \$3,539,167,383) are available indefinitely to set off against future taxable profits.

- (ii) Reconciliation of effective tax rate

|   | <b>2021</b>      | <b>2020</b>       |
|---|------------------|-------------------|
|   | <b>\$'000</b>    | <b>\$'000</b>     |
| Profit before taxation                          | <u>6,507,634</u> | <u>18,546,065</u> |
| Expected tax at domestic income tax rate of 25% | 1,626,909        | 4,636,516         |
| Tax effect of amounts not deductible            | 41,861           | 850,582           |
| Tax effect of income not subject to tax         | (5,077,875)      | (5,511,302)       |
| Net effect of other charges and allowances      | 179,000          | (164,312)         |
| Tax effect of tax losses not recognized         | <u>2,831,775</u> | <u>113,799</u>    |
| Taxation charge                                 | <u>(398,330)</u> | <u>(74,717)</u>   |

#### 28. Profit for The Year

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

|   | <b>2021</b>      | <b>2020</b>       |
|---|------------------|-------------------|
|   | <b>\$'000</b>    | <b>\$'000</b>     |
| (a) Revenue on financial assets:          |                  |                   |
| Financial assets at amortised cost        |                  |                   |
| - Unimpaired loans                        | 7,572,087        | 8,840,557         |
| - Other                                   | <u>-</u>         | <u>1,582,916</u>  |
|   | <u>7,572,087</u> | <u>10,423,473</u> |
| Interest income on investment securities: |                  |                   |
| - at fair value through profit and loss   | 72,663           | 190,479           |
| - at amortised cost                       | <u>374,953</u>   | <u>780,297</u>    |
|   | <u>447,616</u>   | <u>970,776</u>    |
| Total interest income                     | 8,019,703        | 11,394,249        |
| Dividends                                 | <u>10,891</u>    | <u>36,369</u>     |
|   | <u>8,030,594</u> | <u>11,430,618</u> |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 28. Profit for The Year (Continued)

(b) Bonus on employees' contributions:

|                 | <b>2021</b>      | <b>2020</b>      |
|-----------------|------------------|------------------|
|                 | <b>\$'000</b>    | <b>\$'000</b>    |
| Saving accounts | 465,222          | 414,871          |
| Time accounts   | 1,351,604        | 1,216,458        |
|                 | <u>1,816,826</u> | <u>1,631,329</u> |

(c) Gain/ (loss) on financial assets

|  | <b>2021</b>      | <b>2020</b>    |
|--|------------------|----------------|
|  | <b>\$'000</b>    | <b>\$'000</b>  |
| (i) Gains/(losses) on investment securities          |                  |                |
| At fair value through profit and loss:               |                  |                |
| Inflation indexed bond                               | 60,595           | 78,855         |
| Pooled investment fund                               | -                | (22,346)       |
| Equity securities                                    | 44,533           | (29,586)       |
|  | <u>105,128</u>   | <u>26,923</u>  |
| (ii) Gain/Loss) on disposal of investment securities |                  |                |
| At fair value through profit and loss (equity)       | -                | (40,702)       |
| At amortised cost                                    | (727,727)        | 490,308        |
|  | <u>(727,727)</u> | <u>449,606</u> |

(d) Expenses by nature

|  | <b>2021</b>       | <b>2020</b>      |
|--|-------------------|------------------|
|  | <b>\$'000</b>     | <b>\$'000</b>    |
| Audit Fees -                               |                   |                  |
| Current year                               | 9,819             | 10,275           |
| Prior year                                 | 3,241             | 910              |
| Depreciation                               | 167,443           | 156,950          |
| Amortisation of intangible assets          | 11,048            | 11,009           |
| Employees costs (Note 34)                  | 8,469,741         | 6,980,454        |
| Office rental, maintenance and security    | 357,293           | 338,793          |
| Electricity and telephone                  | 195,634           | 200,488          |
| Scheme expenses                            | 237,724           | 212,206          |
| Data processing – licences and maintenance | 237,777           | 223,243          |
| Irrecoverable general consumption tax      | 186,761           | 190,635          |
| Others                                     | 828,274           | 1,086,710        |
|  | <u>10,704,759</u> | <u>9,411,673</u> |



## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 28. Profit for The Year (Continued)

(e) Allowance for expected credit loss

|   | <b>2021</b>        | <b>2020</b>      |
|---|--------------------|------------------|
|   | <b>\$'000</b>      | <b>\$'000</b>    |
| Cash and cash equivalents (Note 6(e))                 | 1,861              | (234)            |
| Receivables (Note 7)                                  | (206,058)          | 505,090          |
| Short term deposits and resale agreements (Note 8(c)) | (3)                | 11               |
| Investment securities (Note 9(b)(vi))                 | (43,232)           | 11,863           |
| Loans receivable (Note 10(p))                         | (3,132,621)        | 2,798,540        |
| Loans receivable direct write-offs                    | -                  | 441,541          |
|   | <u>(3,380,053)</u> | <u>3,756,811</u> |

(f) Non-refundable employers' contribution

During the year, no payment was received for contribution arrears (including interest) (2020: \$2.38 billion) 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).

#### 29. 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:

|  | <b>Loans granted</b> |               | <b>Advances net of share of losses</b> |               | <b>Balance owed including interest</b> |               |
|--|----------------------|---------------|--|---------------|--|---------------|
|  | <b>2021</b>          | <b>2020</b>   | <b>2021</b>                            | <b>2020</b>   | <b>2021</b>                            | <b>2020</b>   |
|  | <b>\$'000</b>        | <b>\$'000</b> | <b>\$'000</b>                          | <b>\$'000</b> | <b>\$'000</b>                          | <b>\$'000</b> |
| Key management personnel                 | 50,537               | 68,779        | -                                      | -             | 163,324                                | 140,270       |
| Board of Directors and Committee members | -                    | -             | -                                      | -             | 7,118                                  | 11,560        |
| Investments in associate (Note 15)       | -                    | -             | 11,967                                 | 5,943         | 1,131,338                              | 1,119,371     |



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 29. 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:

|  | 2021<br>\$'000 | 2020<br>\$'000 |
|--|----------------|----------------|
| Board of Directors and Committee members |                |                |
| Directors' fee                           | 2,795          | 2,520          |
| Director's remuneration                  | 31,207         | 29,777         |
|  | <u>34,002</u>  | <u>32,297</u>  |
| Other key management personnel           |                |                |
| Salaries and other benefits              | 187,958        | 181,641        |
| Post-employment benefits                 | 12,610         | 12,632         |
|  | <u>200,568</u> | <u>194,273</u> |
|  | <u>234,570</u> | <u>226,570</u> |

### 30. Commitments and Contingencies

#### (a) Commitments

|  | 2021<br>\$'000    | 2020<br>\$'000    |
|--|-------------------|-------------------|
| (i) Commitment contracted for:   |                   |                   |
| Financing house construction and acquisition of houses for allocation to beneficiaries | 32,559,429        | 40,878,634        |
| Purchase of land   | 1,141,253         | 1,097,054         |
| Inner City Housing Project   | 1,638,949         | 1,719,417         |
| Property, plant and equipment  | -                 | 58,498            |
|  | <u>35,339,631</u> | <u>43,753,603</u> |

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 30. Commitments and Contingencies (Continued)

|  | 2021<br>\$'000    | 2020<br>\$'000    |
|--|-------------------|-------------------|
| (ii) Authorised and approved but not contracted for: |                   |                   |
| Computer software development                        | 80,000            | 25,011            |
| Office refurbishing                                  | 416,500           | 295,140           |
| Construction contracts under negotiation             | 1,660,000         | 649,396           |
| Mortgage subsidy                                     | 350,000           | 300,000           |
|  | <u>2,506,500</u>  | <u>1,269,547</u>  |
| (iii) Authorised and approved but not yet disbursed: |                   |                   |
| Loans to beneficiaries                               | <u>15,516,502</u> | <u>14,182,484</u> |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 30. Commitments and Contingencies (Continued)

#### (b) Contingencies

##### (i) *Peril insurance claims*

The Trust's self-insured retention on its peril insurance cover is US\$30 million (J\$4.34 billion) (2020: US\$30 million (J\$4.04 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 22).

At year-end, claims made by beneficiaries provided for but not yet processed by the Trust amounted to approximately \$77.17 million (2020: \$30.06 million) (Note 17).

##### (ii) *Litigation*

The Trust is involved in litigations in the normal course of operations. Management believes that, liabilities, if any, arising from such litigations will not have a material adverse effect on the financial position of the Trust (See also Note 35).

##### (iii) *Taxation*

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 of 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.

### 31. 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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% (2020: 5%) higher/lower, profit for the year ended March 31, 2021 would increase/decrease by \$68.61 million (2020: profit for the year would increase/decrease by \$66.38 million) as a result of the changes in fair values of the Trust's equity securities.

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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        |                  |               |                  |
|---|---------------|------------------|---------------|------------------|
|   | 2021          |                  | 2020          |                  |
|   | US\$'000      | J\$'000          | US\$'000      | J\$'000          |
| Cash and cash equivalents                 | 2,775         | 402,311          | 6,726         | 910,452          |
| Short term deposits and resale agreements | 14,203        | 2,059,446        | 5,674         | 768,159          |
| Investment securities                     | 4,663         | 676,071          | 686           | 92,842           |
|   | <u>21,641</u> | <u>3,137,828</u> | <u>13,086</u> | <u>1,771,453</u> |

The exchange rate of the United States dollar in relation to the Jamaica dollar was US\$1 to J\$145 (2020: US\$1 to J\$135.39).

##### Foreign currency sensitivity analysis

The following table details the Trust's sensitivity to a 2% revaluation and 6% devaluation (2020: 2% 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.

|                               | 2021                       |                            | 2020                       |                            |
|-------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                               | 2%                         | 6%                         | 2%                         | 6%                         |
|                               | Revaluation of the J\$'000 | Devaluation of the J\$'000 | Revaluation of the J\$'000 | Devaluation of the J\$'000 |
| Effect on profit for the year | <u>(62,757)</u>            | <u>188,270</u>             | <u>(35,429)</u>            | <u>106,287</u>             |



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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 increased during the current period mainly due to an increase in holdings of foreign currency investments. The analysis is done on the same basis as for 2020 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.

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. Financial Instruments and Financial Risk Management (Continued)

#### Financial risk management policies and objectives (continued)

##### (a) Market risk (continued)

###### (iii) Interest rate risk(continued)

|   | 2021                         |                                    |                           |                           |                                 | Total<br>\$'000 | Weighted<br>effective<br>interest<br>rate<br>% |
|---|------------------------------|------------------------------------|---------------------------|---------------------------|---------------------------------|-----------------|--|
|   | Within 3<br>months<br>\$'000 | Within<br>3-12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over<br>5 years<br>\$'000 | Non-rate<br>sensitive<br>\$'000 |                 |  |
| <b>Assets</b>                             |                              |                                    |                           |                           |                                 |                 |  |
| Cash and bank balances                    | 6,938,198                    | -                                  | -                         | -                         | 6,669                           | 6,944,867       | 2.95   |
| Receivables                               | 15,611                       | 4,766,001                          | 867,915                   | 757,016                   | 995,293                         | 7,401,836       | 3.06   |
| Short term deposits and resale agreements | 2,761,619                    | 100,358                            | -                         | -                         | -                               | 2,861,977       | 3.65   |
| Investment securities                     | 12,703                       | 24,506                             | 629,690                   | 2,281,549                 | 1,372,145                       | 4,320,593       | 4.97   |
| Loans receivable                          | 171,529                      | 88,465                             | 2,764,150                 | 235,476,515               | -                               | 238,500,659     | 3.38   |
| Total assets                              | 9,899,660                    | 4,979,330                          | 4,261,755                 | 238,515,080               | 2,374,107                       | 260,029,932     |  |
| <b>Liabilities</b>                        |                              |                                    |                           |                           |                                 |                 |  |
| Payables                                  | -                            | -                                  | -                         | -                         | 4,158,626                       | 4,158,626       | -  |
| Refundable contributions                  | 712,593                      | 15,382,197                         | 33,299,129                | 76,850,987                | -                               | 126,244,906     | 2.70   |
| Total liabilities                         | 712,593                      | 15,382,197                         | 33,299,129                | 76,850,987                | 4,158,626                       | 130,403,532     |  |
| <b>Net interest rate sensitivity gap</b>  | 9,187,067                    | (10,402,867)                       | (29,037,374)              | 161,664,093               | (1,784,519)                     | 129,626,400     |  |
| <b>Cumulative gap</b>                     | 9,187,067                    | (1,215,800)                        | (30,253,174)              | 131,410,919               | 129,626,400                     |                 |  |



## National Housing Trust

### Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

#### 31. 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 | Within 3 -12 months | 1 to 5 years | Over 5 years | Non-rate sensitive | Total       | Weighted effective interest rate |
|   | \$'000          | \$'000              | \$'000       | \$'000       | \$'000             | \$'000      | %                                |
| <b>Assets</b>                             |                 |                     |              |              |                    |             |                                  |
| Cash and cash equivalents                 | 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    | 235,449,932  | -                  | 248,769,632 | 3.38                             |
| Total assets                              | 10,478,426      | 761,797             | 4,799,312    | 242,623,834  | 6,652,842          | 265,316,211 |                                  |
| <b>Liabilities</b>                        |                 |                     |              |              |                    |             |                                  |
| 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                             |
| Total liabilities                         | 914,071         | 18,420,115          | 29,009,141   | 69,203,682   | 3,228,429          | 120,775,438 |                                  |
| <b>Net interest rate sensitivity gap</b>  | 9,564,355       | (17,658,318)        | (24,209,829) | 173,420,152  | 3,424,413          | 144,540,773 |                                  |
| <b>Cumulative gap</b>                     | 9,564,355       | (8,093,963)         | (32,303,792) | 141,116,360  | 144,540,773        |             |                                  |

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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.

###### *Reposessed collateral*

From time to time, the Trust's takes possession of collateral held as security. These reposessed 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 reposessed assets in its operations.

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

|                        | 2021           |                                 | 2020           |                                 |
|------------------------|----------------|---------------------------------|----------------|---------------------------------|
|                        | Carrying Value | Sum of Latest Valuation Reports | Carrying Value | Sum of Latest Valuation Reports |
|                        | \$'000         | \$'000                          | \$'000         | \$'000                          |
| Residential properties | 1,782,588      | 4,544,172                       | 3,141,607      | 12,911,228                      |

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.

# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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:

|                             | 2021<br>\$'000 | 2020<br>\$'000 |
|-----------------------------|----------------|----------------|
| Government of Jamaica (GOJ) | 2,358,902      | 6,553,712      |
| Bank of Jamaica (BOJ)       | 589,545        | -              |
| Others                      | 9,800,175      | 2,514,206      |
| Total                       | 12,748,622     | 9,067,918      |

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.

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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)

Underpinning the ECL are the key macroeconomic variables which are expected to have a significant impact on credit risk. Included were those found to be most closely correlated with losses such that changes in the macroeconomic variables would directly impact PDs, EADs and LGDs. Reflected in the scenarios are assumptions of Unemployment Rate of 8.9% (2020: 7.3%), Gross Domestic Product growth rate of 9.9% (2020:0.7%), Net International Reserves US\$3.23B (2020: US\$3.24B) and Inflation (point to point) 5.2% (2020: 4.8%).

| Economic factor           | Scenarios | Expected state for next 12 months |                |
|---------------------------|-----------|-----------------------------------|----------------|
|                           |           | March 31, 2021                    | March 31, 2020 |
| Unemployment Rate         | Base      | Stable                            | Negative       |
|                           | Upside    | Positive                          | Stable         |
|                           | Downside  | Negative                          | Negative       |
| Gross Domestic Product    | Base      | Negative                          | Negative       |
|                           | Upside    | Positive                          | Positive       |
|                           | Downside  | Negative                          | Negative       |
| Net International Reserve | Base      | Positive                          | Positive       |
|                           | Upside    | Negative                          | Positive       |
|                           | Downside  | Negative                          | Negative       |
| Inflation                 | Base      | Stable                            | Stable         |
|                           | Upside    | Stable                            | Stable         |
|                           | Downside  | Stable                            | 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.

The weightings assigned to each economic scenario as at March 31, 2021 and 2020 for deposits, investments and loans were 40%, 25% and 35% for base case, upside and downside, respectively.



## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 31. 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 maximum exposure to credit risks on these assets.

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

|                       | <b>ECL Staging<br/>Stage 1<br/>12-month ECL<br/>2021<br/>\$'000</b> | <b>ECL Staging<br/>Stage 1<br/>12-month ECL<br/>2020<br/>\$'000</b> |
|-----------------------|---|---|
| Credit grade          |   |   |
| Investment            | 920,340   | 1,173,963   |
| Non-investment        | 6,019,743   | 572,108   |
| Gross carrying amount | 6,940,083   | 1,746,071   |
| Loss allowance        | (1,885)   | (24)  |
| Carrying amount       | <u>6,938,198</u>  | <u>1,746,047</u>  |



## National Housing Trust

Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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<br>Stage 1<br>12-month ECL<br>2021<br>\$'000 | ECL Staging<br>Stage 1<br>12-month ECL<br>2020<br>\$'000 |
|-----------------------|--|--|
| Credit grade          |  |  |
| Investment            | 802,543  | -  |
| Non-investment        | 2,059,465  | 768,193  |
| Gross carrying amount | 2,862,008  | 768,193  |
| Loss allowance        | (31)   | (34)   |
| Carrying amount       | 2,861,977  | 768,159  |



## National Housing Trust

### Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

#### 31. 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<br>Stage 1<br>12-month ECL | ECL Staging<br>Stage 3<br>12-month<br>ECL | Total       |
|-----------------------|--|---|-------------|
|                       | 31 March 2021                          |   |             |
|                       | \$'000                                 | \$'000                                    | \$'000      |
| Standard risk         | 2,317,201                              | 603,875                                   | 2,921,076   |
| Not related           | 4,923,178                              | 363,514                                   | 5,286,692   |
| Gross carrying amount | 7,240,379                              | 967,389                                   | 8,207,768   |
| Loss allowance        | (267,888)                              | (538,045)                                 | (805,933)   |
| Net carrying amount   | 6,972,491                              | 429,344                                   | 7,401,835   |
|                       | 31 March 2020                          |   |             |
| Standard risk         | 1,494,075                              | 1,700,000                                 | 3,194,075   |
| Not related           | 3,230,769                              | 407,198                                   | 3,637,967   |
| Gross carrying amount | 4,724,844                              | 2,107,198                                 | 6,832,042   |
| Loss allowance        | (282,901)                              | (729,090)                                 | (1,011,991) |
| Net carrying amount   | 4,441,943                              | 1,378,108                                 | 5,820,051   |

## National Housing Trust

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(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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<br>Stage 1<br>12-month ECL<br>2021<br>\$'000 | ECL Staging<br>Stage 1<br>12-month ECL<br>2020<br>\$'000 |
|-----------------------|--|--|
| Credit grade          |  |  |
| Non-investment        | 1,372,989  | 4,548,737  |
| Gross carrying amount | 1,372,989  | 4,548,737  |
| Loss allowance        | (3,698)  | (46,930)   |
| Net carrying amount   | 1,369,291  | 4,501,807  |



## National Housing Trust

### Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

#### 31. 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)

|   | Loan receivables (at amortised cost) |               |               |             |
|---|--------------------------------------|---------------|---------------|-------------|
|   | ECL Staging                          |               |               | Total       |
|   | Stage 1                              | Stage 2       | Stage 3       |             |
|   | 12-month ECL                         | life-time ECL | life-time ECL |             |
|   | 31 March 2021                        |               |               |             |
|   | \$'000                               | \$'000        | \$'000        | \$'000      |
| Development financing                       | 481,846                              | -             | 2,066,588     | 2,548,434   |
| Agencies                                    | 12,212,014                           | -             | -             | 12,212,014  |
| Other                                       | 601,655                              | -             | 2,446,747     | 3,048,402   |
| Standard Risk- Mortgage:                    |                                      |               |               |             |
| Current 0-30 days                           | 166,029,675                          | 10,528,199    | 874,795       | 177,432,669 |
| Past due over 30 days but less than 90 days | 12,936,330                           | 15,903,170    | 374,952       | 29,214,452  |
| Credit impaired over 90 days                | -                                    | -             | 18,131,231    | 18,131,231  |
| Gross carrying amount                       | 192,261,519                          | 26,431,369    | 23,894,313    | 242,587,201 |
| Loss allowance                              | (324,055)                            | (1,146,870)   | (2,615,617)   | (4,086,542) |
| Net carrying amount                         | 191,937,464                          | 25,284,499    | 21,278,696    | 238,500,659 |

## National Housing Trust

Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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)

|   | Loan receivables (at amortised cost) |               |               |             |
|---|--------------------------------------|---------------|---------------|-------------|
|   | ECL Staging                          |               |               | Total       |
|   | Stage 1                              | Stage 2       | Stage 3       |             |
|   | 12-month ECL                         | life-time ECL | life-time ECL |             |
|   | 31 March 2020                        |               |               |             |
|   | \$'000                               | \$'000        | \$'000        | \$'000      |
| Development financing                       | 1,112,398                            | -             | 1,490,438     | 2,602,836   |
| Agencies                                    | 49,997,389                           | -             | -             | 49,997,389  |
| Other                                       | 680,956                              | -             | 2,550,231     | 3,231,187   |
| Standard Risk- Mortgage:                    |                                      |               |               |             |
| Current 0-30 days                           | 131,596,470                          | 20,957,039    | 3,157,124     | 155,710,633 |
| Past due over 30 days but less than 90 days | 12,303,384                           | 13,991,079    | 580,587       | 26,875,050  |
| Credit impaired over 90 days                | -                                    | -             | 18,397,047    | 18,397,047  |
| Gross carrying amount                       | 195,690,596                          | 34,948,118    | 26,175,427    | 256,814,142 |
| Loss allowance                              | (1,049,208)                          | (1,189,866)   | (5,805,436)   | (8,044,510) |
| Net carrying amount                         | 194,641,388                          | 33,758,252    | 20,369,991    | 248,769,632 |



## National Housing Trust

### Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

#### 31. 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<br>Stage 1<br>12-month<br>ECL<br>2021<br>\$'000 | ECL staging<br>Stage 1<br>12-month<br>ECL<br>2020<br>\$'000 |
|---|---|---|
| <b>Loss Allowance at beginning of year</b>            | 24  | 258   |
| New financial assets originated or purchased          | 4,287   | 24  |
| Financial assets fully derecognised during the period | (24)  | (258)   |
| Changes to input to ECL model                         | (2,402)   | -   |
| <b>Loss allowance at the end of the year</b>          | <u>1,885</u>  | <u>24</u>   |

## National Housing Trust

Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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 (amortised cost) Loss allowances movement

|   | ECL staging<br>Stage 1<br>12-month ECL<br>2021<br>\$'000 | ECL staging<br>Stage 1<br>12-month ECL<br>2020<br>\$'000 |
|---|--|--|
| <b>Loss Allowance at beginning of year</b>            | 34   | 23   |
| New financial assets originated or purchased          | 187  | 34   |
| Financial assets fully derecognised during the period | (34)   | (23)   |
| Changes in input to ECL model                         | (156)  | -  |
| <b>Loss Allowance at end of year</b>                  | <u>31</u>  | <u>34</u>  |



## National Housing Trust

### Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

#### 31. Financial Instruments and Financial Risk Management (Continued)

##### Financial risk management policies and objectives (continued)

##### (b) Credit risk (continued)

(vi) Loss allowances (continued)

##### Debt securities (at amortised cost) Loss allowances movement

|   | ECL staging<br>Stage 1<br>12-month<br>ECL<br>2021<br>\$'000 | ECL staging<br>Stage 1<br>12-month<br>ECL<br>2020<br>\$'000 |
|---|---|---|
| <b>Loss Allowance at beginning of year</b>            | 46,930  | 35,067  |
| New financial assets originated or purchased          | 1,623   | 27,910  |
| Financial assets fully derecognised during the period | (34,349)  | (16,047)  |
| Changes to ECL Model                                  | (10,506)  | -   |
| <b>Loss allowance at end of year</b>                  | <u>3,698</u>  | <u>46,930</u>   |



# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. Financial Instruments and Financial Risk Management (Continued)

#### Financial risk management policies and objectives (continued)

##### (b) Credit risk (continued)

##### (vii) Loss allowances (continued)

|   | Receivables (at amortised cost) |                                  |                  |
|---|---------------------------------|----------------------------------|------------------|
|   | Loss allowances movement        |                                  |                  |
|   | ECL staging                     |                                  |                  |
|   | Stage 1<br>12-month ECL         | Stage 3<br>life-time ECL<br>2021 | Total            |
|   | \$'000                          | \$'000                           | \$'000           |
| Loss Allowance at beginning of year                       | 282,901                         | 729,090                          | 1,011,991        |
| New financial assets fully derecognized during the period | (15,013)                        | (191,045)                        | (206,058)        |
| <b>Loss Allowances at end of year</b>                     | <b>267,888</b>                  | <b>538,045</b>                   | <b>805,933</b>   |
| <b>2020</b>   |                                 |                                  |                  |
| Loss Allowance at beginning of year                       | 127,871                         | 379,030                          | 506,901          |
| New financial assets originated or purchased (net)        | 155,030                         | 350,060                          | 505,090          |
| <b>Loss Allowances at end of year</b>                     | <b>282,901</b>                  | <b>729,090</b>                   | <b>1,011,991</b> |



## National Housing Trust

Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. Financial Instruments and Financial Risk Management (Continued)

#### Financial risk management policies and objectives (continued)

##### (b) Credit risk (continued)

(v) Loss allowances (continued)

|  | Loans receivable (amortised cost) |                                     |                             |                  |
|--|-----------------------------------|-------------------------------------|-----------------------------|------------------|
|  | Loss allowances movement          |                                     |                             |                  |
|  | ECL staging                       |                                     |                             |                  |
|  | Stage 1<br>12-month ECL           | Stage 2<br>life-time<br>ECL<br>2021 | Stage 3<br>life-time<br>ECL | Total            |
|  | \$'000                            | \$'000                              | \$'000                      | \$'000           |
| <b>Loss Allowance at beginning of year</b> | 1,049,208                         | 1,189,866                           | 5,805,436                   | 8,044,510        |
| Changes in principal and interest          | (183,269)                         | (208,518)                           | (2,949,890)                 | (3,341,677)      |
| New financial assets originated            | 160,955                           | -                                   | -                           | 160,955          |
| Write-off                                  | (386,998)                         | -                                   | -                           | (386,998)        |
| Changes in ECL model                       | 158,911                           | -                                   | (549,159)                   | (390,248)        |
| Transfers:                                 |                                   |                                     |                             |                  |
| Transfer from Stage 1 to Stage 2           | (148,328)                         | 148,328                             | -                           | -                |
| Transfer from Stage 1 to Stage 3           | (391,513)                         | -                                   | 391,513                     | -                |
| Transfer from Stage 2 to Stage 1           | 37,724                            | (37,724)                            | -                           | -                |
| Transfer from Stage 2 to Stage 3           | -                                 | (167,326)                           | 167,326                     | -                |
| Transfer from Stage 3 to Stage 1           | 27,365                            | -                                   | (27,365)                    | -                |
| Transfer from Stage 3 to Stage 2           | -                                 | 222,244                             | (222,244)                   | -                |
| <b>Loss Allowances at end of year</b>      | <b>324,055</b>                    | <b>1,146,870</b>                    | <b>2,615,617</b>            | <b>4,086,542</b> |

# National Housing Trust

Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

## 31. Financial Instruments and Financial Risk Management (Continued)

### Financial risk management policies and objectives (continued)

#### (b) Credit risk (continued)

(vi) Loss allowances (continued)

|   | Loans receivable (amortised cost) |                  |                  |                  |
|---|-----------------------------------|------------------|------------------|------------------|
|   | Loss allowances movement          |                  |                  |                  |
|   | ECL staging                       |                  |                  |                  |
|   | Stage 1                           | Stage 2          | Stage 3          | Total            |
|   | 12-month ECL                      | life-time ECL    | life-time ECL    |                  |
|   | 2020                              |                  |                  |                  |
|   | \$'000                            | \$'000           | \$'000           | \$'000           |
| <b>Loss Allowance at beginning of year</b>      | 495,390                           | 1,169,739        | 3,771,546        | 5,436,675        |
| Changes in principal and interest               | (25,712)                          | (49,089)         | 1,751,995        | 1,677,194        |
| Changes in ECL model                            | 108,299                           | -                | 1,095,574        | 1,203,873        |
| Financial assets derecognized during the period | (3,307)                           | (15,822)         | (254,103)        | (273,232)        |
| Transfers:                                      |                                   |                  |                  |                  |
| Transfer from Stage 1 to Stage 2                | (39,620)                          | 39,620           | -                | -                |
| Transfer from Stage 1 to Stage 3                | (11,305)                          | -                | (11,305)         | -                |
| Transfer from Stage 2 to Stage 1                | 274,810                           | (274,810)        | -                | -                |
| Transfer from Stage 2 to Stage 3                | -                                 | (142,163)        | 142,163          | -                |
| Transfer from Stage 3 to Stage 1                | 250,653                           | -                | (250,653)        | -                |
| Transfer from Stage 3 to Stage 2                | -                                 | 462,391          | (462,391)        | -                |
| <b>Loss Allowances at end of year</b>           | <b>1,049,208</b>                  | <b>1,189,866</b> | <b>5,805,436</b> | <b>8,044,510</b> |



## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 31. Financial Instruments and Financial Risk Management (Continued)

##### Financial risk management policies and objectives (continued)

##### (b) Credit risk (continued)

(vii) IFRS9 carrying values

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

|  | Stage 1<br>12-month<br>ECL<br>2021<br>\$'000 | Stage 1<br>12-month<br>ECL<br>2020<br>\$'000 |
|--|--|--|
| Gross carrying amount at beginning of year | 1,746,071                                    | 3,641,333                                    |
| Changes in principal and interest          | 5,194,012                                    | (1,895,262)                                  |
| Gross carrying amount at end of year       | <u>6,940,083</u>                             | <u>1,746,071</u>                             |

## National Housing Trust

Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. Financial Instruments and Financial Risk Management (Continued)

#### Financial risk management policies and objectives (continued)

#### (b) Credit risk (continued)

(viii) IFRS 9 carrying values (continued)

#### Short term deposits and resale agreements (at amortised cost)

|  | Stage 1<br>12-month<br>ECL<br>2021<br>\$'000 | Stage 1<br>12-month<br>ECL<br>2020<br>\$'000 |
|--|--|--|
| Gross carrying amount at beginning year      | 768,193                                      | 1,767,891                                    |
| New financial assets originated or purchased | 2,093,815                                    | (999,698)                                    |
| Gross carrying amount at end of year         | <u>2,862,008</u>                             | <u>768,193</u>                               |



## National Housing Trust

Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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<br>12-month<br>ECL | Stage 3 Life-<br>time ECL | Total     |
|--|----------------------------|---------------------------|-----------|
|  | 2021                       |                           |           |
|  | \$'000                     | \$'000                    | \$'000    |
| Gross carrying amount at beginning of year | 4,724,844                  | 2,107,198                 | 6,832,042 |
| New financial assets originated (net)      | 2,515,535                  | (1,139,809)               | 1,375,726 |
| Gross carrying amount at end of year       | 7,240,379                  | 967,389                   | 8,207,768 |
|  |                            |                           |           |
|  |                            | 2020                      |           |
| Gross carrying amount at beginning of year | 4,243,468                  | 379,030                   | 4,622,498 |
| New financial assets originated (net)      | 481,376                    | 1,728,168                 | 2,209,544 |
| Gross carrying amount at end of year       | 4,724,844                  | 2,107,198                 | 6,832,042 |

## National Housing Trust

Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. Financial Instruments and Financial Risk Management (Continued)

#### Financial risk management policies and objectives (continued)

##### (b) Credit risk (continued)

(vi) IFRS9 carrying values (continued)

#### Debt securities (at amortised cost)

|   | Stage 1<br>12-month<br>ECL<br>2021<br>\$'000 | Stage 1<br>12-month<br>ECL<br>2020<br>\$'000 |
|---|--|--|
| <b>Gross carrying amount at beginning of year</b>     | 4,548,737                                    | 8,592,548                                    |
| New financial assets originated                       | 591,169                                      | -  |
| Financial assets fully derecognised during the period | (3,763,349)                                  | (21,395)                                     |
| Changes in principal and interest                     | (28,075)                                     | (4,263,186)                                  |
| Foreign exchange adjustments                          | 24,507                                       | 240,770                                      |
| <b>Gross carrying amount at beginning of year</b>     | <b>1,372,989</b>                             | <b>4,548,737</b>                             |



## National Housing Trust

Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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                           |               |               | Total        |
|  | Stage 1                               | Stage 2       | Stage 3       |              |
|  | 12-month ECL                          | life-time ECL | life-time ECL |              |
|  | 2021                                  |               |               |              |
|  | \$'000                                | \$'000        | \$'000        | \$'000       |
| Gross carrying amount at beginning of year | 195,690,596                           | 34,948,118    | 26,175,427    | 256,814,142  |
| Changes in principal and interest          | (3,429,077)                           | (8,516,749)   | (2,281,115)   | (14,226,941) |
| Gross carrying amount at end of year       | 192,261,519                           | 26,431,369    | 23,894,313    | 242,587,201  |
|  | 2020                                  |               |               |              |
| Gross carrying amount at beginning of year | 176,491,157                           | 38,794,866    | 21,451,654    | 236,737,677  |
| Changes in principal and interest          | 19,199,439                            | (3,846,748)   | 4,723,773     | 20,076,465   |
| Gross carrying amount at end of year       | 195,690,596                           | 34,948,118    | 26,175,427    | 256,814,142  |



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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.



## National Housing Trust

### Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

#### 31. 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 31 March 2021      | Contractual cash flows      |                              |                                 |                           |                           |                 |
|--------------------------|-----------------------------|------------------------------|---------------------------------|---------------------------|---------------------------|-----------------|
|                          | Carrying<br>value<br>\$'000 | Within 3<br>Months<br>\$'000 | Within 3-12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over<br>5 Years<br>\$'000 | Total<br>\$'000 |
| Liabilities              |                             |                              |                                 |                           |                           |                 |
| Payables and accruals    | 4,158,626                   | 976,520                      | 3,182,105                       | -                         | -                         | 4,158,626       |
| Refundable contributions | 126,244,906                 | 800,104                      | 17,271,239                      | 36,326,322                | 78,271,966                | 132,669,631     |
| Total liabilities        | 130,403,532                 | 1,776,624                    | 20,453,344                      | 36,326,322                | 79,868,188                | 136,828,256     |
| As at 31 March 2020      |                             |                              |                                 |                           |                           |                 |
|                          | Carrying<br>value<br>\$'000 | Within 3<br>Months<br>\$'000 | Within 3-12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over<br>5 Years<br>\$'000 | Total<br>\$'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     |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 31. 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.

### 32. 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.

|  | 2021              |                   |                   | Carrying Amount<br>\$'000 |
|--|-------------------|-------------------|-------------------|---------------------------|
|  | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |                           |
| Investment securities:   |                   |                   |                   |                           |
| Securities at fair value through profit or loss (FVTPL) (Note 9) | 1,372,145         | -                 | 1,579,157         | 2,951,302                 |
|  |                   |                   |                   |                           |
|  | 2020              |                   |                   | Carrying Amount<br>\$'000 |
|  | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |                           |
| Investment securities:   |                   |                   |                   |                           |
| Securities at fair value through profit or loss (FVTPL) (Note 9) | 1,327,612         | 324,334           | 2,051,905         | 3,703,851                 |



# National Housing Trust

## Notes to the Financial Statement

31 March 2021

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### 32. Fair Values (Continued)

Reconciliation of Level 3 fair value measurements of financial assets:

|  | Debt Securities at FVTPL \$'000 |
|--|---------------------------------|
| <b>At April 1, 2019</b>                                  | 4,205,320                       |
| Gains included in profit or loss:                        |                                 |
| Fair value gains on investment securities (Note (28(c))) | 78,855                          |
| Disposals/settlements                                    | (2,232,270)                     |
| <b>At March 31, 2020</b>                                 | 2,051,905                       |
| Gains included in profit or loss:                        |                                 |
| Fair value gains on investment securities (Note (28(c))) | 60,595                          |
| Disposals/settlements                                    | (533,343)                       |
| <b>At March 31, 2021</b>                                 | 1,579,157                       |

#### 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   |
|-----------------------------------|---|---|---|
| Level 2 - 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  |
| Level 3 - Inflation Indexed Bond  | <ul style="list-style-type: none"> <li>- For unquoted government securities, management utilizes a discounted cash flow method obtained from utilizing the current CPI along with the current/applicable bond market yield curve to derive the contractual cash flows of the instrument to the next interest payment dates.</li> <li>- 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</li> <li>- Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids)</li> <li>- Using this yield, determine price using accepted formula</li> <li>- Apply price to estimate fair value</li> </ul> | The significant unobservable inputs is the CPI. Difficulty in estimating practical value beyond this point requires that management utilizing judgement and estimation, which is subject to high estimate uncertainties. The valuation judgement is based on the inability to forecast accurately that change in the inflation rate of the bond based on the possible changes to the CPI input. The valuation is sensitive to the aforementioned adjustments for the unobservable inputs. | An increase in the current CPI rate will ultimately result in an increase in the nominal value of the bond hence resulting in an increase in the fair value with all other factors remaining constant (a 7.5% increase in the CPI would result in fair value gains of \$118.47M). Likewise a decrease in the nominal value and subsequent decrease in fair value (a 5% decrease in CPI will result in a fair value loss of \$78.88M). |

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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#### **32. Fair Values (Continued)**

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

- a. 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.
- b. 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 (see Note 5 for the related discussion).



## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

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#### 33. 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:

|                 | <b>2021</b>   | <b>2020</b>   |
|-----------------|---------------|---------------|
|                 | <b>\$'000</b> | <b>\$'000</b> |
| Within one year | 24,291        | 19,090        |
| 1 to 5 Years    | 2,206         | 4,658         |
|                 | <u>26,497</u> | <u>23,748</u> |

##### *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 \$14.66 million (2020: \$12.62 million).

Maintenance charges received on these properties in the period amounted to \$15.75 million (2020: \$15.75 million).

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

|                 | <b>2021</b>    | <b>2020</b>   |
|-----------------|----------------|---------------|
|                 | <b>\$'000</b>  | <b>\$'000</b> |
| Within one year | 14,658         | 13,298        |
| 1 to five years | 67,077         | 58,013        |
| Over 5 years    | 19,364         | 16,052        |
|                 | <u>101,099</u> | <u>87,363</u> |

#### 34. Other Disclosures - Employees' Costs

|  | <b>2021</b>      | <b>2020</b>      |
|--|------------------|------------------|
|  | <b>\$'000</b>    | <b>\$'000</b>    |
| Salaries and wages including statutory contributions | 5,956,561        | 5,451,146        |
| Employee benefits (Note 15(c)(i))                    | 1,323,035        | 340,550          |
| Other staff costs                                    | 1,190,145        | 1,188,758        |
|  | <u>8,469,741</u> | <u>6,980,454</u> |

## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

#### 35. 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 of Transport Works and Housing 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, 2020 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 matter was fixed for Judicial Review on the 29<sup>th</sup> and 30<sup>th</sup> of July 2020 in open court. Nine Counsels (9) were involved and so the matter was in conflict with Practice Direction (no.5) and the dates vacated. New dates of October 13-15, 2020 were suggested but Lead Counsel for the Trust indicated that those dates were not convenient to him.

Since then, Counsel representing both parties have written to the Supreme Court to obtain new dates but to no avail.

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.



# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 36. Cash Flows

|   |        | 2021             | Restated<br>2020    |
|---|--------|------------------|---------------------|
|   | Notes  | \$'000           | \$'000              |
| <b>Adjustments to profit for the year:</b>  |        |                  |                     |
| Increase in (Write back of) provisions for losses on projects                                       | 12(b)  | (35,478)         | 63,629              |
| Increase in provisions on loans receivables   | 10(q)  | (3,132,621)      | 2,798,540           |
| Discount allowed on sale of JFMP  | 10     | 12,415,358       | -                   |
| Provision for expected credit losses receivables  | 7      | (206,058)        | 505,090             |
| Write back of provision for expected credit losses -cash and cash equivalents                       | 28 (e) | 1,861            | (234)               |
| Provision for (write back of) expected credit losses short- term deposits and repurchase agreements | 28 (e) | (3)              | 11                  |
| Provision for (write back of) expected credit losses short- investment securities                   | 28 (e) | (43,332)         | 11,863              |
| Bonus on employees' contributions   | 28 (b) | 1,816,826        | 1,631,329           |
| Adjustments to contribution collections (net)   |        | (779,521)        | (2,523,126)         |
| Depreciation  | 16     | 167,447          | 156,950             |
| (Gain)/Loss on disposal of property, plant and equipment  |        | -                | 322                 |
| Adjustments to property, plant and equipment  | 16     | 104,568          | 4,858               |
| Write off property, plant and equipment   | 16     | -                | 289                 |
| Gain on disposal of non-current asset held-for-sale   |        | -                | (26,949)            |
| Service charges amortised   | 10(r)  | (704,442)        | (669,623)           |
| Intangible assets amortised   | 14     | 11,048           | 11,009              |
| Fair value gain on investment securities (net)  | 28 (c) | (105,128)        | (26,923)            |
| (Gain)/Loss on disposal of investment securities (net)  | 28 (c) | 727,727          | (449,606)           |
| Employee benefit charge (net)   | 15     | 1,323,035        | 340,550             |
| Dividend income   | 28 (a) | (10,891)         | (36,369)            |
| Interest income   | 28 (a) | (8,019,703)      | (11,394,249)        |
| Foreign exchange adjustment   |        | (85,530)         | (511,667)           |
| Share of losses of associates   | 14     | 60,154           | 9,888               |
| Tax(credit)expense  | 28 (c) | (398,330)        | (74,717)            |
| Provisions charged during the year  | 18     | 43,436           | 4,938               |
|   |        | <u>3,150,523</u> | <u>(10,174,197)</u> |



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 37. Financial Effects of Restatement

The Trusts financial statements were restated to account for the following:

- (a) During the current financial year, the Trust commenced amortisation of the service fees charged to beneficiaries over the life of the loan, using the effective interest method, consistent with the requirements of IFRS 9. The amortisation of service fees was previously done on a straight-line basis over 2 years.

Consequent on the change, loans receivable and accumulated profit decreased by \$7.79 billion and \$8.10 billion as at March 31, 2019 and 2020, respectively.

- (i) The change in amortization method resulted in a decrease in service fee income of \$167.60 million.
  - (ii) Operating expenses increased by \$147.34 million in 2020 as certain operating expenses incurred which were being set off against service fee income, were reversed
- (b) In 2021, reclassifications of certain transactions were made between operating, investing and financing activities in the statement of cash flows. Loans receivables and inventories were reclassified from investing activities to operating activities, and contributions from employees and refund of employee's contributions were reclassified from financing activities to operating activities as these accounts relate to the Trust's main operations.

See Reconciliation of Statement of Cash Flows for the year-ended March 31, 2020 below for the restatements made for period March 31, 2020.



# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 37. Financial Effects of Restatement (Continued)

Below are the reconciliations of Statement of Financial Position as at March 31, 2019 and March 31, 2020, the Statement of Profit or Loss and Other Comprehensive Income for the year-ended March 31, 2020 and the Statement of Cash Flows for the year-ended March 31, 2020, as a result of prior year adjustments for service charge on loans to beneficiaries.

(a) Reconciliation of Statement of Financial Position as at March 31, 2019

| Explanation                                   | Previously<br>Reported<br>\$'000 | Effects of<br>Adjustment | Restated<br>\$'000 |
|---|----------------------------------|--------------------------|--------------------|
| <b>ASSETS</b>                                 |                                  |                          |                    |
| Cash and bank balances                        | 3,647,689                        | -                        | 3,647,689          |
| Receivables and prepayments                   | 4,405,128                        | -                        | 4,405,128          |
| Short term deposits and resale agreements     | 1,767,868                        | -                        | 1,767,868          |
| Non-current assets held for sale              | 1,940                            | -                        | 1,940              |
| Investment securities                         | 15,068,156                       | -                        | 15,068,156         |
| Taxation recoverable                          | 7,076,672                        | -                        | 7,076,672          |
| Loans receivable                              | 239,090,471                      | (7,789,469)              | 231,301,002        |
| Inventories                                   | 16,819,342                       | -                        | 16,819,342         |
| Intangible assets                             | 20,514                           | -                        | 20,514             |
| Investments in associates                     | 1,113,398                        | -                        | 1,113,398          |
| Employee benefits asset                       | 1,216,791                        | -                        | 1,216,791          |
| Property, plant and equipment                 | 1,408,600                        | -                        | 1,408,600          |
| <b>Total assets</b>                           | <b>291,636,569</b>               | <b>(7,789,469)</b>       | <b>283,847,100</b> |
| <b>LIABILITIES AND ACCUMULATED FUND</b>       |                                  |                          |                    |
| <b>LIABILITIES</b>                            |                                  |                          |                    |
| Payables and accruals                         | 5,618,298                        | -                        | 5,618,298          |
| Provisions                                    | 202,137                          | -                        | 202,137            |
| Refundable contributions                      | 107,965,077                      | -                        | 107,965,077        |
| Taxation payable                              | 6,472,138                        | -                        | 6,472,138          |
| Deferred tax liabilities                      | 351,026                          | -                        | 351,026            |
| Retirement benefit obligation                 | 962,497                          | -                        | 962,497            |
|   | <b>121,571,173</b>               | <b>-</b>                 | <b>121,571,173</b> |
| <b>ACCUMULATED FUND</b>                       |                                  |                          |                    |
| Mortgage subsidy reserve                      | 3,919,758                        | -                        | 3,919,758          |
| Peril reserves                                | 3,718,737                        | -                        | 3,718,737          |
| Loan loss reserve                             | 3,426,948                        | -                        | 3,426,948          |
| Accumulated profit                            | 158,999,953                      | (7,789,469)              | 151,210,484        |
|   | <b>170,065,396</b>               | <b>(7,789,469)</b>       | <b>162,275,927</b> |
| <b>Total liabilities and accumulated fund</b> | <b>291,636,569</b>               | <b>(7,789,469)</b>       | <b>283,847,100</b> |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 37. Financial Effects of Restatement (Continued)

(b) Reconciliation of Statement of Financial Position as at March 31, 2020

| Explanation                                   | Previously<br>Reported<br>\$'000 | Effects of<br>Adjustment | Restated<br>\$'000 |
|---|----------------------------------|--------------------------|--------------------|
| <b>ASSETS</b>                                 |                                  |                          |                    |
| Cash and bank balances                        | 1,752,711                        | -                        | 1,752,711          |
| Receivables and prepayments                   | 6,126,907                        | -                        | 6,126,907          |
| Short term deposits and resale agreements     | 768,159                          | -                        | 768,159            |
| Investment securities                         | 8,205,658                        | -                        | 8,205,658          |
| Taxation recoverable                          | 7,230,647                        | -                        | 7,230,647          |
| Loans receivable                              | a(i) 256,874,038                 | (8,104,406)              | 248,769,632        |
| Inventories                                   | 25,513,803                       | -                        | 25,513,803         |
| Intangible assets                             | 9,505                            | -                        | 9,505              |
| Investments in associates                     | 1,119,371                        | -                        | 1,119,371          |
| Employee benefits asset                       | 412,426                          | -                        | 412,426            |
| Property, plant and equipment                 | 1,862,349                        | -                        | 1,862,349          |
| <b>Total assets</b>                           | <b>309,875,574</b>               | <b>(8,104,406)</b>       | <b>301,771,168</b> |
| <b>LIABILITIES AND ACCUMULATED FUND</b>       |                                  |                          |                    |
| <b>LIABILITIES</b>                            |                                  |                          |                    |
| Payables and accruals                         | 7,522,823                        | -                        | 7,522,823          |
| Provisions                                    | 207,075                          | -                        | 207,075            |
| Refundable contributions                      | 117,547,009                      | -                        | 117,547,009        |
| Taxation payable                              | 6,472,138                        | -                        | 6,472,138          |
| Deferred tax liabilities                      | 9,527                            | -                        | 9,527              |
| Employee benefit obligation                   | 1,316,234                        | -                        | 1,316,234          |
|   | <b>133,074,806</b>               | <b>-</b>                 | <b>133,074,806</b> |
| <b>ACCUMULATED FUND</b>                       |                                  |                          |                    |
| Mortgage subsidy reserve                      | 3,919,758                        | -                        | 3,919,758          |
| Peril reserves                                | 4,037,046                        | -                        | 4,037,046          |
| Loan loss reserve                             | 1,556,142                        | -                        | 1,556,142          |
| Accumulated profit                            | 167,287,822                      | (8,104,406)              | 159,183,416        |
|   | <b>176,800,768</b>               | <b>(8,104,406)</b>       | <b>168,696,362</b> |
| <b>Total liabilities and accumulated fund</b> | <b>309,875,574</b>               | <b>(8,104,406)</b>       | <b>301,771,168</b> |



# National Housing Trust

## Notes to the Financial Statement

31 March 2021

(expressed in Jamaican dollars unless otherwise indicated)

### 37. Financial Effects of Restatement (Continued)

(c) Reconciliation of the Statement of Profit or Loss and other Comprehensive Income for the year-ended March 31, 2020

| Explanation  | Previously<br>Reported<br>\$'000 | Effects of<br>Adjustment | Restated<br>\$'000 |
|--|----------------------------------|--------------------------|--------------------|
| Non-refundable employers' contributions                              | 21,464,658                       | -                        | 21,464,658         |
| Interest revenue:  |                                  |                          |                    |
| - Loans  | 10,423,473                       | -                        | 10,423,473         |
| - Investments  | 970,776                          | -                        | 970,776            |
|  | 11,394,249                       | -                        | 11,394,249         |
| Bonus on employees' contributions                                    | (1,631,329)                      | -                        | (1,631,329)        |
| Net interest revenue   | 9,762,920                        | -                        | 9,762,920          |
| Fair value gains on investment securities (net)                      | 26,923                           | -                        | 26,923             |
| Gains on disposal of investment                                      | 449,606                          | -                        | 449,606            |
| Dividends from equity investments                                    | 36,369                           | -                        | 36,369             |
| Service charge on loans to beneficiaries                             | a(i) 837,220                     | (167,597)                | 669,623            |
| Gains on sale of housing solutions (net of allowance for impairment) | 17,339                           | -                        | 17,339             |
| Foreign exchange gain (net)  | 479,052                          | -                        | 479,052            |
| Miscellaneous  | 255,147                          | -                        | 255,147            |
|  | 11,864,576                       | (167,597)                | 11,696,979         |
|  | 33,329,234                       | (167,597)                | 33,161,637         |
| Operating expenses   | a(ii) 9,264,333                  | 147,340                  | 9,411,673          |
| Increase (Decrease) in allowance for expected credit loss (net)      | 3,756,811                        | -                        | 3,756,811          |
| Special subsidies and grants   | 970,945                          | -                        | 970,945            |
| Subsidy on peril and life insurance administrative fees              | 446,012                          | -                        | 446,012            |
| Government levies  | 20,243                           | -                        | 20,243             |
| Share of losses of associates  | 9,888                            | -                        | 9,888              |
|  | 14,468,232                       | 147,340                  | 14,615,572         |
| <b>Profit before Taxation</b>  | 18,861,002                       | (314,937)                | 18,546,065         |
| <b>TAXATION</b>  | 74,717                           | -                        | 74,717             |
| <b>SURPLUS FOR THE YEAR</b>  | 18,935,719                       | (314,937)                | 18,620,782         |
| <b>Other Comprehensive Income:</b>                                   |                                  |                          |                    |
| Re-measurement gains(losses) on defined benefit plan                 | (1,067,129)                      | -                        | (1,067,129)        |
| Deferred tax on remeasurement loss on defined benefit plan           | 266,782                          | -                        | 266,782            |
| Other comprehensive loss for the year, net of tax                    | (800,347)                        | -                        | (800,347)          |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                       | 18,135,372                       | (314,937)                | 17,820,435         |

# National Housing Trust

## Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

### 37. Financial Effects of Restatement (Continued)

(d) Reconciliation of Statement of Cash Flows for the year-ended March 31, 2020

| Explanation  | Previously<br>Reported | Effects of<br>Adjustment | Restated     |
|--|------------------------|--------------------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              | <b>\$'000</b>          |                          |              |
| Profit for the year (a)                                  | 18,935,719             | (314,937)                | 18,620,782   |
| Adjustments to profit for the year (a)                   | (10,341,794)           | 167,597                  | (10,174,197) |
|  | 8,593,925              | (147,340)                | 8,446,585    |
| Increase in operating assets and liabilities:            |                        |                          |              |
| Receivables and prepayments                              | (2,226,869)            | -                        | (2,226,869)  |
| Loans receivable, net of repayments and recoveries (b)   | -                      | (20,025,695)             | (20,025,695) |
| Increase in inventories (net) (b)                        | -                      | (8,758,090)              | (8,758,090)  |
| Employers benefit contributions                          | (249,577)              | -                        | (249,577)    |
| Taxation recoverable                                     | (153,975)              | -                        | (153,975)    |
| Payables and accruals                                    | 1,904,525              | -                        | 1,904,525    |
| Cash provided by operations                              | 7,868,029              | (28,931,125)             | (21,063,096) |
| Dividends received                                       | 36,369                 | -                        | 36,369       |
| Interest received  | 11,940,299             | -                        | 11,940,299   |
| Contributions from employees (b)                         | -                      | 16,959,813               | 16,959,813   |
| Refund of employees' contributions (b)                   | -                      | (6,486,084)              | (6,486,084)  |
| Cash provided by operating activities                    | 19,844,697             | (18,457,396)             | 1,387,301    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |                        |                          |              |
| Acquisition of resale agreements                         | (1,377,325)            | -                        | (1,377,325)  |
| Proceeds on encashment of resale agreements              | 2,505,406              | -                        | 2,505,406    |
| Acquisition of investment securities                     | (76,927)               | -                        | (76,927)     |
| Proceeds on encashment of investment securities          | 7,629,807              | -                        | 7,629,807    |
| Loans receivable, net of repayments and recoveries (b)   | (20,173,035)           | 20,173,035               | -            |
| Increase in inventories (net) (b)                        | (8,758,090)            | 8,758,090                | -            |
| Acquisition of property, plant and equipment             | (616,168)              | -                        | (616,168)    |
| Investments in associate (net)                           | (15,861)               | -                        | (15,861)     |
| Proceeds on disposal of non-current assets held-for-sale | 28,889                 | -                        | 28,889       |
| Cash (used in)/provided by investing activities          | (20,853,304)           | 28,931,125               | 8,077,821    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |                        |                          |              |
| Contributions from employees (b)                         | 16,959,813             | (16,959,813)             | -            |
| Refund of employees' contributions (b)                   | (6,486,084)            | 6,486,084                | -            |
| Transfer to consolidated fund                            | (11,400,000)           | -                        | (11,400,000) |
| Cash used in financing activities                        | (926,271)              | (10,473,729)             | (11,400,000) |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>             | (1,934,878)            | -                        | (1,934,878)  |
| <b>OPENING CASH AND CASH EQUIVALENTS</b>                 | 3,643,648              | -                        | 3,643,648    |
| Effect of foreign exchange rate changes                  | 43,635                 | -                        | 43,635       |
| <b>CLOSING CASH AND CASH EQUIVALENTS</b>                 | 1,752,405              | -                        | 1,752,405    |



## National Housing Trust

### Notes to the Financial Statement

**31 March 2021**

(expressed in Jamaican dollars unless otherwise indicated)

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#### **38. Subsequent Event- Sale of portion of Joint Finance Mortgage Programme**

Subsequent to March 31, 2021, the Trust approved an agreement for the sale of a portion of its JFMP portfolio to a financial institution amounting to approximately \$4 billion. The transaction was settled at a discount on June 30, 2021.

The negotiated discount was based on each Participating Institution loan portfolio profile in consideration to but not limited to following: general market conditions, liquidity risks, GOJ yield curve, other risks considerations, amongst other factors.

As at June 30, 2021, the closing balance on the JFMP loan portfolio was approximately \$10 billion. Therefore, the sale transaction is not expected to have a significant impact on the entire JFMP portfolio nor the Trust's viability.

In spite of this sale, the Trust has not changed its business model with regards to these loans, as the sale transactions are infrequent and were executed to meet urgent short-term cash liquidity needs.

To date, the Trust's is committed to the JFMP and continues to issue mortgages to its beneficiaries through this programme and hold those receivables in order to receive the future contractual cash flows to maturity.

# Directors' Compensation

| DIRECTORS' COMPENSATION 2020-2021       |            |  |                |   |              |
|---|------------|--|----------------|---|--------------|
| 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 (\$)   |
| <b>Lennox Channer, Chairman</b>         | 253,000.00 |  |                |   | 253,000.00   |
| <b>Colin Barnett, Director</b>          | 259,800.00 |  |                |   | 259,800.00   |
| <b>David Wan, Director</b>              | 323,800.00 |  |                |   | 323,800.00   |
| <b>Doran Dixon, Director</b>            | 388,868.00 |  |                |   | 388,868.00   |
| <b>Granville Valentine, Director</b>    | 256,900.00 |  |                |   | 256,900.00   |
| <b>Kavan Gayle, Director</b>            | 220,700.00 |  |                |   | 220,700.00   |
| <b>Kerensia Morrison, Director</b>      | 97,400.00  |  |                |   | 97,400.00    |
| <b>Nesta Claire Hunter</b>              | 229,700.00 |  |                |   | 229,700.00   |
| <b>Oneil Grant, Director</b>            | 287,400.00 |  |                |   | 287,400.00   |
| <b>Patrae Rowe, Director</b>            | 255,200.00 |  |                |   | 255,200.00   |
| <b>Ryan Parkes, Director</b>            | 139,000.00 |  |                |   | 139,000.00   |
| <b>Martin Miller, Managing Director</b> |            |  |                |   |              |
| <b>CO-OPTED MEMBERS:</b>                |            |  |                |   |              |
| <b>Gary-Vaughn White</b>                | 48,300.00  |  |                |   | 48,300.00    |
| <b>Ricardo Case</b>                     | 13,800.00  |  |                |   | 13,800.00    |
| <b>Peter Jarvis</b>                     | 20,700.00  |  |                |   | 20,700.00    |
| <b>TOTAL</b>                            |            |  |                |   | 2,794,568.00 |



## Senior Executive Compensation

### SENIOR EXECUTIVE COMPENSATION 2020-2021

| Position of Senior Executive                                  |                        | Salary (\$) | Gratuity or Performance Incentive (\$) | Travel. Allow. or Value of Assigned M/V. (\$) | Lunch & Clothing Benefits (\$) | Total (\$) |
|---|------------------------|-------------|--|---|--------------------------------|------------|
| <b>MANAGING DIRECTOR – Martin Miller</b>                      |                        | 24,319,884  | 4,119,104                              | 2,276,754                                     | 491,202                        | 31,206,944 |
| <b>SGM- FINANCE Errol Thompson</b>                            | Apr-Jun 2020           | 5,006,501   | 2,170,907                              | 688,698                                       | 186,487                        | 8,052,593  |
| <b>SGM-FINANCE Dwight Ebanks</b>                              | July 2020 - March 2021 | 8,255,080   | 1,533,473                              | 1,186,774                                     | 388,305                        | 11,363,631 |
| <b>SGM-CONSTRUCTION &amp; DEVELOPMENT Donald Moore</b>        |                        | 15,037,378  | 2,497,109                              | 1,876,567                                     | 491,202                        | 19,902,256 |
| <b>SGM - CORPORATE Services Neil Miller</b>                   |                        | 15,509,268  | 2,485,275                              | 1,752,488                                     | 491,202                        | 20,238,233 |
| <b>SGM - CUSTOMER RELATIONS Lanie-Marie Oakley-Williams</b>   |                        | 15,711,957  | 2,620,616                              | 1,845,702                                     | 491,202                        | 20,669,477 |
| <b>GM - COMPANY SECRETARIAT Judith Larmond Henry</b>          |                        | 13,042,150  | 1,912,084                              | 1,758,639                                     | 491,202                        | 17,204,075 |
| <b>CHIEF INTERNAL AUDITOR Lisa Myrie Davis</b>                |                        | 10,597,185  | 1,555,534                              | 1,697,148                                     | 491,202                        | 14,341,069 |
| <b>CHIEF INFORMATION OFFICER Leighton Palmer</b>              |                        | 10,238,826  | 1,514,414                              | 1,787,416                                     | 491,202                        | 14,031,858 |
| <b>GM - BUSINESS PROCESS OPTIMISATION Errol Holmes</b>        |                        | 12,160,513  | 2,157,886                              | 1,787,416                                     | 491,202                        | 16,597,017 |
| <b>GM - MARKETING &amp; COMMUNICATIONS Joyce Simms-Wilson</b> |                        | 10,968,286  | 1,900,516                              | 1,787,416                                     | 491,202                        | 15,147,420 |
| <b>GM - CONTRIBUTIONS MANAGEMENT Gladstone Johnson</b>        |                        | 11,351,969  | 2,012,816                              | 1,787,416                                     | 491,202                        | 15,643,403 |
| <b>GM LOAN MANAGEMENT Suzanne Wynter</b>                      |                        | 10,597,185  | 1,981,143                              | 1,697,148                                     | 491,202                        | 14,766,678 |



# Administration

## MANAGING DIRECTOR

Martin Miller

## SENIOR GENERAL MANAGERS

Dwight Ebanks – Finance

Neil Miller – Corporate Services

Donald Moore – Construction & Development

Dr. Lanie-Marie Oakley Williams – Customer Relations Management

## 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 Communication 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

Maxine Hart- Project Implementation Office

Dameon McNally- Compliance

Vincent Mitchell- Project Appraisal Management

Helen Pitterson- Company Secretariat & Legal Services

Donnetta Russell- Human Capital Management

Brian Saunders- Special Projects Department

Michael Taylor- Project Management

Judith Thompson- Newsome- Branch Network

Elton Vassell- Loan Recovery, Settlement and Accounting

Vencot Wright- Corporate and Business Strategy

## MANAGERS

Sharon Babolal Chin- Project Portfolio Management

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

Mark Hunter - Project Management, Special Projects (Acting)

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

Tashia McDonald- Industrial Relations & Staff Benefits, HRM

Karlene Morgan- Advertising and Communication

Paul Oliver- Loan Accounting

Aubyn Perkins- Interim Finance Scheme

Richard Schloss- Project Management, Joint Venture

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

Jason Thomas- Property Management

Jillian Warren- Customer Care

Ricardo Williams- Internal Audit

Wendy-Jo Williams- Social Development



# Administration

## BRANCH NETWORK

### MANAGERS

Lorna Bernard- Kingston & St. Andrew  
 Morcelle Brown- Customer Service, Kingston & St. Andrew  
 Theresia Daley- Westmoreland  
 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

### 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  
 Jefferine Stubbs- Ruddock  
 Marilyn Walker  
 Georgia Waller





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