National Housing Trust

NHT 40 YEARS STRONG...

BUILDING COMMUNITIES, NOW AND BEYOND.

2016-2017 Annual Report and Financial Statements

VISION 2020

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

MISSION

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

CORE VALUES

INNOVATION

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

EXCELLENCE

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

PROFESSIONALISM

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

ACCOUNTABILITY

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

CARING

To treat all persons fairly and with respect.

INTEGRITY

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

TEAMWORK

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

TABLE of CONTENTS

Letter to the Prime Minister	4
Seven Year Statistical Summary	5
Milestones	6
Board of Directors	8
Senior Executive Management	11
Chairman and Managing Director's Report	12
Pictorial	23
Directors' Report	30
Audited Financial Statements	33
Directors' Compensation	108
Senior Executive Compensation	109
Administration	110

National Housing Trust

LETTER TO THE PRIME MINISTER

July 31, 2017

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

Dear Prime Minister,

In accordance with Section 3 First Schedule (no. 6) of the National Housing Trust Act 1979, I have the pleasure to present the NHT report for the year ended March 31, 2017, and a copy of its Statement of Accounts at March 31, 2017, duly certified by the Auditors.

Yours respectfully,

Ambassador Dr. Nigel Clarke
Chairman

7 YEAR STATISTICAL SUMMARY

Year Ended March 31, 2017

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Total Assets	254,462,806	236,965,897	220,950,445	206,289,926	194,612,864	177,463,065	155,566,439
Inventories	8,403,520	6,988,501	8,303,657	8,822,275	11,372,815	9,902,862	8,380,924
Loans Receivable	206,056,713	192,964,602	180,909,435	166,336,403	148,065,717	129,364,036	110,276,274
Refundable Contributuions*	91,251,418	87,816,287	80,658,857	75,539,203	67,971,646	62,177,515	56,286,861
Accumulated Profit*	137,930,098	127,552,754	121,669,927	115,120,488	113,353,683	100,626,763	87,756,967
Results From Operations							
Total Operating Income	34,102,959	27,127,142	26,954,190	22,604,097	22,800,802	21,089,237	19,119,432
Operating Expenditure	6,526,598	5,638,683	4,968,250	5,106,979	4,290,512	4,165,473	4,168,474
Net Profit After Taxation*	24,173,070	18,119,330	18,668,454	14,149,563	14,458,141	13,871,239	12,233,004
Financial Ratios							
Average Interest on Loans**	4.9%	4.9%	4.9%	4.9%	4.8%	4.7%	4.4%
Yield on Investments %*	6.5%	7.5%	7.5%	7.4%	8.4%	7.6%	8.9%
Efficiency Ratio %	69.9%	63.5%	61.5%	71.3%	60.6%	75.9%	79.6%
Return on Capital	16.5%	13.2%	14.4%	11.4%	12.5%	13.6%	13.9%
Return on Assets	9.8%	7.9%	8.7%	7.2%	7.8%	8.3%	8.4%
Other Information							
Annual Housing Expenditure	22,392,706	17,737,663	20,001,448	21,485,419	22,607,055	24,256,512	21,209,341
Contributions Received	29,712,643	24,585,409	23,361,346	21,412,380	19,901,498	19,505,023	18,526,158
Contributions Refunded	5,268,293	5,090,898	5,339,328	4,437,518	3,908,254	3,253,025	2,874,123
Number of Mortgages Created Since Inception	186,210	180,646	174,768	168,744	160,937	153,087	145,424
Number of Individual Benefits Provided Since Inception	197,690	192,126	186,248	180,224	172,420	164,570	156,907

** Restated for 2014 & 2015

MILESTONES

1976 –2016

The National Housing Trust (NHT) was established January 1976 to improve the supply of housing for our nation. At 40 years old, the NHT celebrates its role as a nation builder, evidenced by the nearly two hundred thousand (197,690) mortgages provided since inception, and the financing of over 95,000 housing solutions. To date, the organization continues to be a dominant player in the market overall and a beacon of hope to many.

NHT: Highlights of a 40-Year Journey

1976 The National Housing Trust was established. The first loan beneficiaries were selected on July 1 of that year.

1979-80 NHT began to offer loans on concessionary terms to persons with disabilities.

1983-84 The first payments of contributors' refunds were made.

1986 NHT celebrated its 10th anniversary. Asset growth was dramatic, reflecting the organisation's prudent financial management. Total assets moved from $53.6 million at the end of NHT's first year of operations to top the billion-dollar mark in 1986.

1988-89 The total value of housing loans disbursed by the Trust in any one year, reached the billion-dollar mark for the first time.

1989-90 The largest single housing project to be built in Jamaica was started at the Greater Portmore Scheme in St. Catherine. Ten thousand units were built in this scheme over four years.

1992-93 NHT Best Schemes Competition was launched.

1996 NHT celebrated its 20th anniversary and awarded its 50,000th mortgage.

1997-98 The NHT Citizens' Charter was formally launched.

1998-99 The Trust received the Jamaica Employers' Federation Award for Public Sector leadership.

1999-2000 NHT received the Caribbean Employers' Federation Award for " Innovative Human Resource and Industrial Relations Practices".

2000 Participation in the Relocation 2000 Programme aimed at resettling households in targeted squatter communities.

2000 The NHT entered a partnership (Sugar Workers' Housing Programme – SWHP), with the Government of Jamaica and Trade Unions representing sugar workers, for the provision of low cost housing for sugar workers.

2002 Completion and official opening of Emancipation Park.

2003 Introduction of Inner City Housing Programme. The programme is part of a broader urban renewal effort and aims to improve the living conditions and quality of life of residents in selected inner city areas.

2003 Introduction of the Joint Mortgage Financing Programme (JFMP) allowing contributors the option of applying directly to participating institutions for loans financed by the NHT.

2010 The NHT introduced Home Grants of up to $1.5 million to successful applicants with weekly incomes less than $10,001.

2011 The NHT won the Prime Minister's Trophy for the Best Customer Service Entity in the public sector for 2010-2011.

2012 Launch of First Step Housing Product geared towards low income earners.

2013 The Trust again wins the Prime Minister's Trophy for the Best Customer Service Entity in the Public Sector.

2013 The NHT launched its online scheme application system. The launch coincided with the sale of housing solutions at Sandhills Vista, Hellshire, making the scheme the first for which applications were submitted online.

2014 "NHT on Wheels", a mobile office, was launched to serve Jamaicans in rural communities.

2014 The NHT online payment system was launched and the organization now accepts payments of mortgages as well as self-employed and voluntary contributions via this medium.

2014 The organization won the Human Resource Management Association of Jamaica (HRMAJ) Innovative Award for its "Go Green" project, which is about making a positive impact on the environment by efficiently using energy, natural and other resources in daily operations.

2015 NHT increased loan ceiling for new contributors making purchases in new developments or doing new construction. This was accompanied by a 1% reduction in interest rate for all categories of new borrowers.

2016 The NHT makes sweeping adjustments to its Home Grant policy to impact more low income earners.

BOARD OF DIRECTORS

Mr. Martin Miller
Managing Director

Mr. David P. Wan

Mrs. Nesta-Claire Hunter

Ambassador
Dr. Nigel Clarke
Board Chairman

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

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

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

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

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

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

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

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

MRS. NESTA-CLAIRE HUNTER has served as an Attorney-at-Law for the past 23 years and is currently a Partner in the Ernest A. Smith and Company Law Firm.

Mrs. Hunter specializes in Litigation- civil and family matters at the Supreme Court and Court of Appeal as well as Legal Conveyancing. She also serves as Chairman of the Marcus Garvey Technical High School.

Mr. Granville Valentine | Ms. Anthonette Patterson Bartley | Mr. Ryan Parkes | Ms. Deborah A. Newland | Sen. Kavan Gayle, O.D.

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

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

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

MR. RYAN PARKES has extensive experience in Corporate and Retail Banking and is a Senior Corporate Banking Manager in the Corporate Banking Division of First Global Bank Limited.

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

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

A practicing Attorney-at-Law with over 23 years experience in management, legal and corporate governance in both the private and public sectors. Ms. Newland has served as member and Chairman on several Government Boards.

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

Mr. Gayle is a former board member of the 4H Clubs, SCH Holdings and the Jamaica Productivity Centre.

Mr. O'neil Wilton Grant | Mr. Jeffery McGowan Hall | Sen. Kerensia Morrison | Mr. Doran Evan Dixon, JP | Mr. Lennox Channer

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

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

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

Mr. Hall is the Chairman of Scotiabank Group in Jamaica, Scotia Investments, Kingston Wharves Limited and the Banana Group. He also serves as Director of Blue Power Group.

In the past he has served as a Director of the Jamaica Stock Exchange and the Bank of Jamaica (Jamaica's central bank).

SENATOR KERENSIA MORRISON works as a Creative Writer and Director at Jamaica National, where she is responsible for exploring the various communication strategy and techniques to achieve maximum results. Passionate about youth advocacy, community development, child welfare, gender and environment, Senator Morrison is a Member of Parliament/Caretaker.

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

MR. DORAN EVAN DIXON, JP, currently serves as a Lecturer and has over 32 years of experience in teaching education. This two time President of the Jamaica Teachers Association is also a Certified Mediator at the Resident Magistrate Court.

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

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

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

CO-OPTED MEMBERS

The following persons were co-opted to the Board during the year:

- **MR GARY-VAUGHN WHITE** - Finance & Investment Committee (August 2016)
- **MR JUSTIN NAM** - Finance & Investment Committee (August 2016)
- **MR RICARDO CASE** - HRM & Information Technology Committee (November 2016)

SENIOR EXECUTIVE MANAGEMENT

Judith Larmond-Henry
General Counsel & Company Secretary

Lisa Myrie Davis
Chief Internal Auditor

Errol Thompson
Senior General Manager Finance

Errol Holmes
General Manager Human Resources Management

Leighton Palmer
Chief Information Officer

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

Martin Miller
Managing Director

Donald Moore
Senior General Manager Construction & Development

Neil Miller
Senior General Manager Corporate Services

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Ambassador
Dr. Nigel Clarke
Board Chairman

Martin Miller
Managing Director

Dear Contributors:

The year 2016 ushered in the 40-Year milestone of the National Housing Trust and on behalf of the Board of Directors, Management and Staff, we wish to thank you, for your support, on the journey you travelled with us, throughout the years.

As an organization, we marked the occasion with much thanksgiving and introspection, as we reflected on our contribution to the nation and specifically, to you, our contributors. In this regard, and as promised in last year's Annual Report, a strategic review was embarked upon during the year. This was aimed at evaluating our achievements and better aligning the organization's vision and strategies with its mandate, as we seek to become more relevant to you and other stakeholders. This review will be completed in the 2017-18 Financial Year.

While the anniversary year has ended, we have not relieved ourselves of the knowledge that more needs to be done to help you achieve your goals and dreams of home ownership. The review, and operationalization of its output, will take us beyond the 2017/18 fiscal year, but even before that time, we have already begun delivering on our promise of starting 15,000 housing solutions by 2020. We acknowledge that this is an ambitious target. It challenges us to double our usual output per year over the next three years. We view this however, as a challenge that must be confronted in order to create the impact we all desire.

We expect to achieve this target through a mix of NHT directed and joint financing projects. In this regard, over three thousand solutions were started during the year, under NHT directed projects, which included 1,792 Serviced Lots in Westmoreland, St. James and St. Catherine. Several other parishes will also be impacted as the projects unfold.

On the financing side, we will continue to assess and make adjustments to our policies to improve your affordability. During the year, several of these adjustments were made, which were effected July 1, 2016 and related to the following areas:

Income Bands/Interest Rates – The NHT increased the limits of the (four-tiered) income bands, which had the respective interest rates reduced in a previous round of changes in 2015. The recent changes resulted in:

1. new borrowers earning between minimum wage and $12,000 weekly being able to obtain loans at 0%
2. access to more funds, in general.

The following table illustrates the changes:

Adjusted Income Bands/Interest Rates

TABLE 1

Current Weekly Income Bands	Previous Weekly Income Bands	Interest Rate
Minimum Wage ($6,200.00) - $7,500.00	Minimum Wage ($6,200.00) - $12,000.00	0%
$7,501.00 - $10,000.00	$12,001.00-$20,000.00	2%
$10,001.00-$20,000.00	$20,001.00-$30,000.00	4%
$20,001.00 and above	$30,001.00 and above	6%

Special groups continued to benefit from further interest rate reductions, namely a 2% discount for persons with disabilities and senior citizens, and a 1% discount for public sector workers.

Home Grant – Three changes were made to this programme. The limit was increased from $1.2M to $1.5M; new applicants earning up to $12,000.00 weekly are now eligible (previously the amount was $10,000.00 weekly); and the qualifying number of years of contributions was reduced from ten (10) to seven (7) years.

House Lot Loan – This loan limit was increased to $2M, up from $1.5M. The change affects new borrowers purchasing land on the open market.

The organization projects to provide mortgages at a total value of $17.8B in the 2017/18 period, to further support these adjustments, which will benefit more persons and especially those in the lower income category.

Overall, this characterizes the way we want to move ahead, not just in achieving the immediate goals that have been set, but in meeting our long term commitment to you for at least another forty years.

We are confident, from what we have already accomplished, that our renewed efforts will take us along a path that will yield the results we seek.

FINANCIAL MANAGEMENT REVIEW

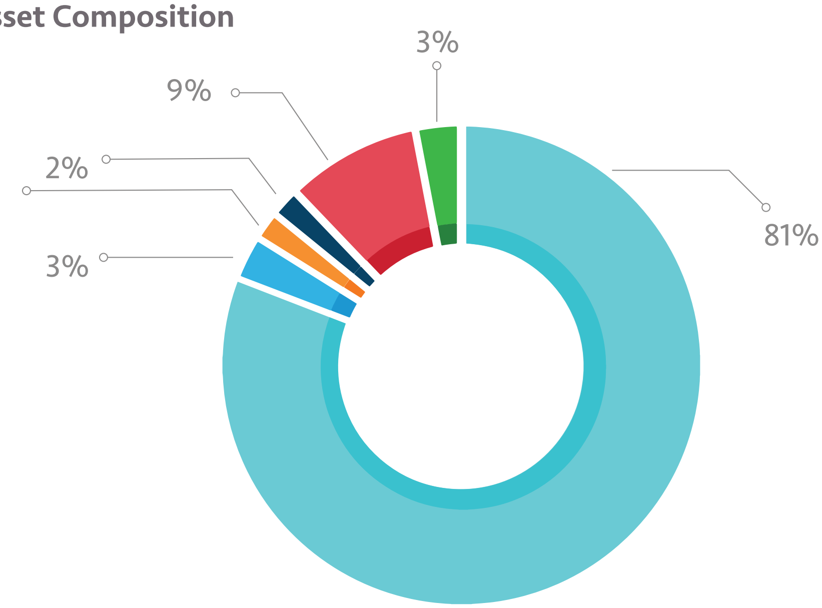
PERFORMANCE REVIEW 2016/17

For the current period under review, the organization performed well in most areas and exceeded all five of its Key Performance Indicators: Contributions Collections, Mortgage Collections, Loans Created, Housing Completions and Operating Expenditure. Improved efficiencies and prudent financial management are largely responsible for this outcome.

TOTAL ASSETS

At the end of the year, total assets were approximately $254.5B, 7.4% higher than last year. Loans receivables, at $206B (81%), continued to account for the largest share; the amount was an increase of 6.7% over the previous year. Inventories, which ended the year 20.2% higher than last year, had a net increase of approximately $1.4B; the result of increases in housing under

FIGURE 1 Asset Composition



construction of $1.4B along with land acquisition of $1.3B on one hand; and a reduction in completions not yet allocated of $1.2B, on the other (Figure One).

INCOME AND EXPENDITURE

Total income for the year was $34.1B or 25.7% more than the same period last year. Non-refundable employers' contributions increased 36% from $13.9B to $18.8B. This increase, along with a 113.4% increase in miscellaneous income, was largely responsible for the upward movement in total income. Notably, the increase in miscellaneous income was due to the write off of certain refundable contributions for the period 1999-2007, for which no claims have been made and the identity of the contributors were unknown. Following these adjustments, surplus of $24.2B, at the end of the year, was 33.7% higher than the previous year.

Total interest revenue, of approximately $11.4B, accounted for a third of total income – interest on loans was $9.7B, while interest on investment was $1.7B. This performance reflected an overall increase in interest revenue of 6% over the previous period due mainly to growth in the mortgage portfolio. Other sources of income included service charge on loans to beneficiaries of $1.3B, which was 15% more than last year.

On the expenditure side, operating expenses increased 16% to $6.5B due mainly to adjustments to salaries and employee benefits, arising from the 2016/17 signed Heads of Agreement. Subsidies and grants, scheme planning and social development expenses also increased during the year.

OPERATIONAL REVIEW

CONTRIBUTIONS MANAGEMENT

CONTRIBUTIONS REFUNDS

For the 2016/17 fiscal year, contributions paid in the years 2008 and earlier were refunded to 165,289 contributors at a value of $5.4B; 17% more than the amount paid out last year. These returns are evidence of an efficient service delivery process, significantly enhanced by the NHT's Online Application System (OAS). Contributors have grown to appreciate the ease with which applications can now be made and refunds collected, using the system.

Contributions Collections

Collections of $29.7B were 12% above target for the period and 21% more than last year. The performance was attributable to several new and existing initiatives including:

1. Hosting of sensitization sessions for employers and employees. The effort contributed to an increase in non-refundable employers' contribution of approximately $4.9B.

2. Continuation of the Internal Litigation Project, which yielded $305.4M of the total.

3. Introduction of the Contribution Arrears Programme (CAP) in the last quarter of the year, which also made an impact with close to

$20.0M being collected towards the end of the financial year.

Mortgage Collections

Mortgage Collections ended the year with $20.1B, 7% more than the $18.75B reported in the same period last year. The amount was also 0.5% above the current target of $20.0B. The overall improved performance of this portfolio was supported by the implementation of the Debt Management Software and the previously introduced Portfolio Management Initiatives, which target various areas of the loan servicing process.

Collectively, these initiatives brought greater efficiencies to the process resulting in the uptick in collections.

The mortgage portfolio grew by approximately 7% to end the year with 108,309 accounts and a payoff balance of $162B.

Loans Created

For its Main Mortgage Portfolio, the NHT created 5,564 loans, approximately 9% over the projected 5,082 for the year, but 2% below what was achieved the previous year. Solar Water Heater loans and the Joint Finance Mortgage Programme (JFMP) accounted for a further 948 (Table Two).

TABLE 2

Loans Created: April 2016 to March 2017

Benefit Type	Actual
Main Mortgage:	
Build-on-Own-Land (BOL)	383
Construction Loan (CL)	812
Home Improvement (HI)	270
House Lot (HL)	1,011
Serviced Lot (SL)	33
Open Market (OM)	2,817
Scheme (SCH)	168
First Step	37
15 Plus	33
Subtotal	**5,564**
Other Loans:	
Solar Water Heater (SWH)	137
JFMP	811
Subtotal:	**948**
TOTAL	**6,510**

CONSTRUCTION REVIEW

Housing Completions

A total of 1,451 completions were recorded for the period. This was 31 completions more than the year's projection of 1,420; and approximately 207 more than the number achieved last year. Build-on-Own Land and Homeowner's loans were responsible for the increase, with higher than projected outputs (Table Three).

TABLE 3

Housing Completions as at March 2017

Benefit Type	Actual
Individual Benefits Loans:	
Build-on-Own-Land (BOL) Loan	264
Construction Loan	592
Homeowner's Loan	356
First Step (BOL)	26
First Step (NHT Projects)	67
Subtotal	**1,305**
NHT Developed & Joint Venture Projects:	
Granville	25
Subtotal	**25**
NHT Financed Projects	
The Meadows of Irwin	64
Heathfield Palms Estate	57
Subtotal	**121**
TOTAL	**1,451**

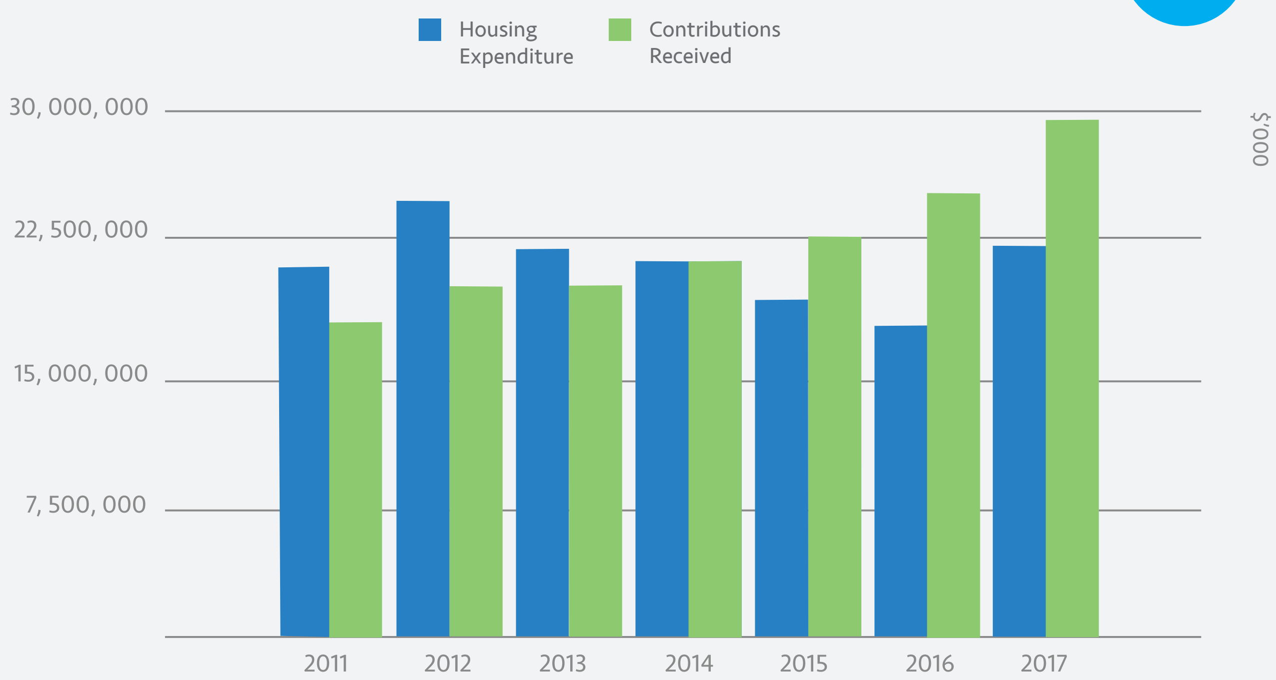
Housing Expenditure

For the year, housing expenditure of $22.4B was 75% of contributions and 92% of the housing budget ($24.4B). The less than projected expenditure was a result of some projects not starting on schedule and/or meeting lower than projected targets, due to various emerging issues during the construction process.

Compared to the last financial year however, the total spent in the current period, was approximately 24% more (Figure Two).

Housing Expenditure vs Contributions Collected

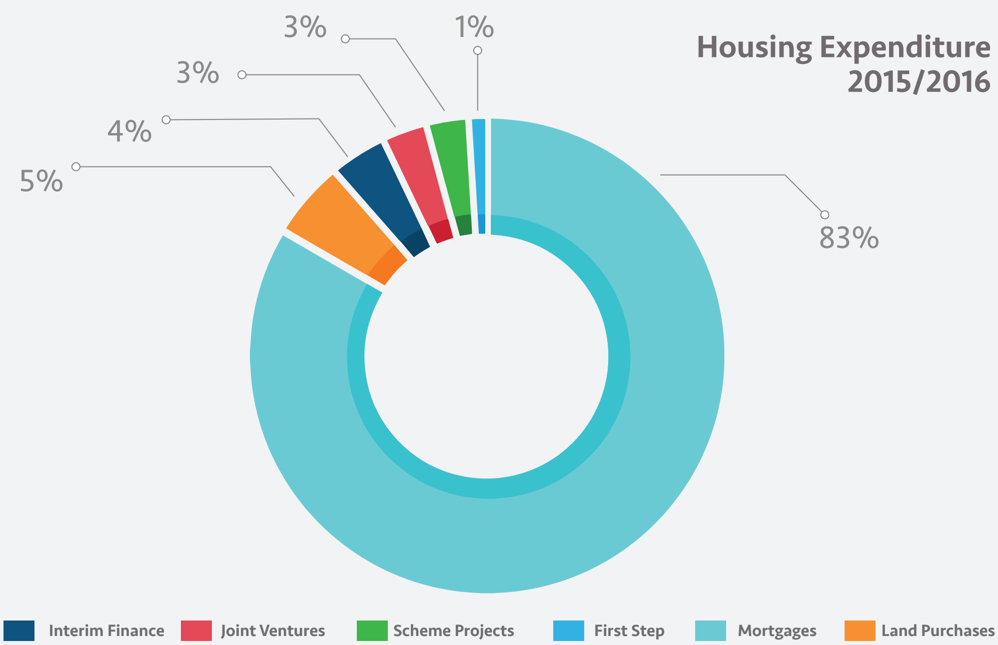
FIGURE 2



Similar to previous years, mortgage financing (individual loans) accounted for the largest portion of housing expenditure at 83%. On the construction side, NHT projects (including First Step), accounted for a further 4% of the budget, followed by Interim Financed and Joint Venture projects, with a total of 7%. Provisional sums (including land purchase), along with Institutional and other loans accounted for the remaining 6% (Figure Three).

Housing Expenditure 2015/2016

FIGURE 3



OTHER OPERATIONAL AREAS

Social Development

The Social Development department continued to be an impactful force in the communities they serve with two notable undertakings during the year. The biennial Best Schemes Competition, launched September 2016, at the Jamaica Conference Centre, took on a special look for the organization's anniversary year. Dubbed the "40th Anniversary Competition", its special feature was the inclusion of a Social Venture Challenge, alongside the Entrepreneurial Challenge, which provided a pool of $21M for capacity building, prize monies, specialized workshops, and the pilot of an NHT Community Governance Index. The competition will culminate in 2017.

Prime Minister & Minister with portfolio responsibility for the NHT, The Most Honourable Andrew Holness, at ease at the launch ceremony for the Best Schemes Competition. The Prime Minister was the keynote speaker. Joining him were (from left) NHT's Board Chairman, Ambassador, Dr. Nigel Clarke and Minister Without Portfolio with resposibility for Housing, Dr the Honourable Horace Chang.

Section of the audience in attendance at the Launch. Over 400 guests were present, including over 300 community members.

The second undertaking was the groundbreaking NHT/Scientific Research Council (SRC) Green Technology Competition, the objectives of which are to:

1. Derive economic benefits for community clubs, through the use of environmentally friendly practices within communities e.g., composting.
2. Have youth develop an appreciation for entrepreneurial possibilities and the environment.
3. Improve youth engagement with science through the Competition from the opportunity to observe technology and its impact on plants.

A total of 37 community social enterprises were fielded for the competition, which involved taking participants through a series of workshops aimed at, among other things, building and improving their knowledge and skills of organic compost development; and planting and cultivating of seedlings of various produce. Judged by the SRC team, the participants showed their efforts in all the areas and have been able to produce high quality products for all the respective areas. The competition will continue into the ensuing period, with a fireless cook-off slated for July 2017.

Human Resources Management

For its part, the NHT undertook several activities during the year toward the implementation of the Human Capital Management Enterprise System (HCMES), an exernally driven initiative under the Public Sector Transformation Programme. The system is one of four (4) projects to be implemented under the government's broader HRM Transformation Programme. Integrated with payroll, it is expected to improve the management of HR and payroll data.

Other activities undertaken by the department included staff training and development in several areas. Focus was given to strengthening core competencies in loan processing across the Branch Network and procurement procedures. As the organization continues its thrust to bring more solutions to market, the former was undertaken in anticipation of the increased customer flow for new loans.

The Training unit also worked alongside several projects during the year to assist with preparing staff to work with the systems/initiatives once they became operational. Two notable initiatives were the implementation of the Debt Management Software, which is to help in the management of the arrears portfolio; and the government driven "Doing Business in Jamaica" project, where staff, particularly in the compliance area, were trained in the procedures of the new tax payment system.

Fortieth (40th) Anniversary Flashback

Several activities were undertaken during the year, in recognition of the Trust's 40 years of existence. Two church services were held in Kingston and Mandeville as the management and staff paused to give thanks for the institution. They were joined by Minister with portfolio for the NHT, Prime Minister, the Most Honourable Andrew Holness, as well as Board members, past and present. A funday and Long Service Awards Ceremony were also held to recognize and thank staff for the part they have played and continue to play in the growth and development of the organization.

Our customers were also recognized as we celebrated with them under the theme "An Evening with the NHT." All Branches and Service Centres treated customers to an informative, service oriented and entertaining package for a day. This was facilitated in collaboration with our business partners, including the Registrar General's Department (RGD); Tax Administration of Jamaica (TAJ); National Insurance Scheme (NIS); Parish Council; and Fire Brigade. Together, they delivered several value added services via exhibitor booths on the day. Amid a celebratory atmosphere, the events were further marked with cake cutting, giveaways, live performances and marching bands and guests being honoured.

The refurbishing of Curphey Home was the signature project and special highlight of the year. The facility, established in 1957, is home to indigent ex-service men and women who have experienced challenges with housing for various reasons. The home has the capacity to accommodate 35 residents; the current cohort includes World War 2 veterans.

The NHT gave priority consideration to the project as a way of saying thank you to a special set of contributors, some of whom have been with the organization since its inception. This "legacy project" will not just serve the current residents, but will remain a gift to the Jamaica Legion[1] and by extension the Jamaica Defense Force (JDF), to assist other service men and women who may have future challenges.

Together with the Engineering Regiment of the JDF, the NHT renovated the building, provided furnishings and replaced appliances at the facility.
The 2017/18 financial year will be marked by our

[1] *Jamaica Legion – Organization that manages Curphey Home. Inaugurated October 1949.*

THE YEAR AHEAD 2017/18

continued efforts to meet the housing needs of contributors. Additional policy adjustments will be unveiled in the first half of the year (July 1, 2017) and these will further target low income earners. More ground will also be broken as we move to improve the performance of the construction portfolio. Table Four highlights projects for the upcoming period:

Projections for Housing Solutions – 2017/18

FIGURE 4

Parish	Project Name	Number of Solutions
St James	Friendship	1,500
Manchester	Perth 2 Villages	1,314
Clarendon	Monymusk 2	344
St. Catherine	Hellshire Phase 2	95
Clarendon	Longville 2A	85
Hanover	Industry Cove	64
Westmoreland	Barham	38

The year ahead will bring its own opportunities and challenges, but we remain confident that our sustained focus and dedication will help us achieve our mutual goals. We will do this cognizant of the hope and trust that have been invested in us and the assurance of the unwavering support of our management and staff.

PICTORIAL
The Year in Review

THANKSGIVING SERVICE

Thanksgiving Service: Two Thanksgiving Services were held with current and past staff and board members in attendance.

Prime Minister and Minister with portfolio responsibility for the NHT, the Most Honourable Andrew Holness seen here with Mr. David Wan, NHT Board Member.

From Left: Mrs. Judith Larmond-Henry, Company Secretary; Mr. Martin Miller, Managing Director; Mr. Granville Valentine, Board Member; Mr. Donald Moore, Senior General Manager (SGM), Construction & Development; and Mr. Easton Douglas, former Board Chairman.

Dr. Horace Chang, Minister with portfolio responsibility for Housing, addressing the congregation at the church service in Mandeville.

Section of the congregation showing several staff members at the service at the Open Bible Church. Front Row (seated from left): Mr. Earl Samules, former Managing Director; Mr. Leighton Palmer, Chief Information Officer; Mr. Errol Thompson, SGM, Finance; Mr. Neil Miller, SGM, Corporate Services; Mr. Donald Moore, SGM, Construction & Development; Dr. Lanie-Marie Oakley Williams, SGM Operations; and Mrs. Judith Larmond-Henry, Company Secretary.

LONG SERVICE AWARDS CEREMONY

Long Service Award Ceremony: The ceremony was held to honour employees with 15 or more years of service. The event took place at the Pegasus Hotel, New Kingston.

The Prime Minister and Managing Director share a moment with the group of employees that has served between 35-40 years. From left: Junior Folkes, Keith Clarke, Joan Waller-Walker, Noileen Junor and James Hewell.

Chairman of the NHT, Ambassador, Dr. Nigel Clarke, makes a presentation to Keith Clarke for 35 years of service.

Managing Director, Martin Miller (1st right), pause for the lens with awardees from the group of employees that has served between 30-34 years. From left: Howard Hill, Ingrid Yearde, Glendon Stephenson, Janet Hartley-Millwood, Georgia Waller, Ann Vidal and Joan Lee.

Prime Minister, the Most Honourable Andrew Holness, making his address at the ceremony

Director, Ryan Parkes, making a presentation to Victoria Gibbs, representative of the group with 20-24 years of service.

Marlon Burrell receiving a token from Board Member, Senator Kerensia Morrison, on behalf of the group being honoured for 25-29 years of service.

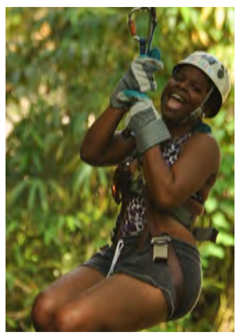
Director, Doran Dixon makes his presentation to Maureen Simpson, who represented the cohort with 15-19 years of service.

FUNDAY

The event took place at Chukka Cove in Trelawny. Staff participated in several activities.

Tubing

Women's Lime and Spoon race



The males and females take on the Challenge Course.

Men's flat race.

Women's flat race.

Male & Female Three Legged race

WELFARE

Curphey Home – 40th Anniversary Project: Highlight of the 40th Anniversary Year, the Home was refurbished during the year.

Prime Minister, the Most Honourable Andrew Holness, being given a tour of the newly refurbished facilities.

The Prime Minister unveiling plaque symbolizing the relationship between the Trust and the Institution. Looking on are (from left): Michael Stewart, MP, Manchester Southern; Retired Lt. Col. Andrew Sewell, Chairman, Jamaica Legion; Doran Dixon, NHT Board Member; Martin Miller, Managing Director, NHT; Major Gen. Rocky Meade, Chief of Defence Staff; and Mr. Horatio Baxter, WW2 Veteran and oldest resident at the Home.

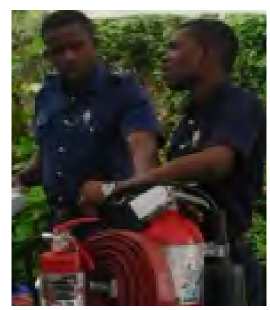
Above: Prime Minister Holness taking time to greet some of the residents. Accompanying him (left) is Mrs Christine Senior, Chairperson, Local Management Committee of the Home.

CUSTOMER SERVICE

Customer Service – "An Evening with the NHT": Customers were treated to a mix of service and entertainment across the Branches. The following photos highlight some of the activities.

Mr. Dameon McNally (left) is seen here with Ms. Ketrion Verisales (right), Supervisor for the St. Mary Service Centre. Both are joined, for the cutting of the Anniversary cake, by (from left) student of Port Maria High; Denese Morrison, Regional Manager, JCDC; Ivel McKenzie, Nashville Serviced Lot beneficiary; and Acting Superintendent of Police for St. Mary Dwight Powell.

Mr. Dameon McNally (right), Regional Manager for St. Ann and St. Mary, is joined by a student of St. Ann's Bay Primary School and customers, in the cutting of the Anniversary Cake at the St. Ann Branch Office.



Some of our partners who helped to make "An Evening with the NHT" a pleasure and a success. Shown here are representatives from – the Fire Brigade (left); Tax Administration (top left); Jamaica Agricultural Society (top right); and Scotiabank (right).

St Thomas Service Center celebrates. A section of the audience enjoy performances from St Thomas Technical High School's Kumina Group and singing duo of students of the Paul Bogle High School. Supervisor, Cotchesta Watson is also joined by customers in the cutting of the anniversary cake.

GROUND-BREAKING

Six (6) groundbreaking ceremonies were undertaken in the last quarter of the year, as the organization stepped up its efforts to improve the number of solutions it provides for its contributors. Four of the groundbreakings were in the parish of Westmoreland. St. James and St. Catherine were the other two parishes where work is set to begin.

Prime Minister and Portfolio Minister with responsibility for the NHT, the Most Hon. Andrew Holness, is flanked by (from left) Martin Miller, Managing Director, NHT; Ambassador, Dr. Nigel Clarke, NHT Board Chairman; Dr. Christopher Tufton, Min. of Health and MP for West Central, St. Catherine; and the Hon. Rev. Jefferey McKenzie, Custos of Catherine.

They were breaking ground at Mary's Field in Kitson Town St. Catherine, for the development of 37 serviced lots.

Peter Melhado, Chairman, WIHCON (right) briefing the team as they get ready to break ground at Friendship Phase 1 in St. James. From left are: Dr. Horace Chang, Minister with Portfolio responsibility for Housing; Marlene Malahoo Forte, Attorney General and MP for West Central St. James; NHT's Board Chairman and the Prime Minister.

The sub-division, to be called "The Estuary", is to accommodate 1,500 one bedroom detached units.

Prime Minister, Andrew Holness, addressing the audience at the groundbreaking ceremony for Shrewsbury in Westmoreland. Sixty-one (61) housing solutions are to be undertaken in this development.

DIRETORS' REPORT

1. **Statement of Profit and Loss and Other Comprehensive Income for Year Ended March 31, 2017**

	2017	2016
Non-refundable employers' contributions	18,800,568	13,874,895
Interest revenue:		
- Loans	9,716,403	9,210,118
- Investments	1,637,988	1,489,867
	11,354,391	10,699,985
Bonus on employees' contributions	(1,575,836)	(1,537,559)
Net interest revenue	9,778,555	9,162,426
Gains on indexed bonds	97,601	135,015
Gains on disposal of available-for-sale securities	78,621	119,302
Dividends from equity investments	24,953	25,573
Service charge on loans to beneficiaries	1,291,759	1,121,489
Miscellaneous	2,455,066	1,150,883
	13,726,555	11,714,688
	32,527,123	25,589,583
Operating expenses	6,526,598	5,638,683
Increase in allowance for impairment on loans receivable	229,626	268,227
Loss/(gains) on projects (including allowance for impairment)	15,400	(88,546)
Special subsidies and grants	420,520	374,239
Government levies	30,923	30,867
Share of losses of associate	44,014	29,992
	7,267,081	6,253,462
PROFIT BEFORE TAXATION	25,260,042	19,336,121
Taxation	(1,068,972)	(1,216,791)
PROFIT FOR THE YEAR	24,173,070	18,119,330
Other comprehensive income:		
Item that may be reclassified to profit or loss:		
- Gains on available-for-sale financial assets	1,032,430	603,929
Items that will never be reclassified to profit or loss:		
- Contribution shortage on annual returns	(5)	(256)
- Remeasurement (loss)/gains on defined benefit plan	(707,785)	15,694
- Deferred tax on remeasurement (loss)/gains on defined benefit plan	176,946	(3,924)
- Reduction in deferred tax liability on revaluation of property, plant and equipment	758	758
	(530,086)	12,272
Other comprehensive income for the year, net of tax	502,344	616,201
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	24,675,414	18,735,531

DIRETORS' REPORT CONT'D

2. **The Board of Directors**
   Ambassador Dr. Nigel Clarke, Chairman
   Anthonette Patterson Bartley
   David Wan
   Deborah Newland
   Doran Dixon
   Granville Valentine
   Jeffrey Hall
   Senator Kavan Gayle
   Senator Kerensia Morrison
   Lennox Channer
   Nesta-Claire Hunter
   O'Neil Grant
   Ryan Parkes

   Co-opted Board Members
   Gary-Vaughn White
   Justin Nam
   Ricardo Case

3. **The Auditors**
   Effective January 2015, KPMG, Chartered Accountants, were appointed auditors for a period of three years.

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

FINANCIAL STATEMENTS
YEAR ENDED
MARCH 31, 2017

YEAR ENDED
MARCH 31, 2017

CONTENTS

Independent Auditors' Report - to the directors	**35**
FINANCIAL STATEMENTS	
Statement of Financial Position	**38**
Statement of Profit and Loss and Other Comprehensive Income	**39**
Statement of Changes in Accumulated Fund	**40**
Statement of Cash Flows	**41**
Notes to the Financial Statements	**42**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Housing Trust

Report on the Financial Statements

Opinion

We have audited the financial statements of National Housing Trust ("the Trust"), set out on pages 38 to 102, which comprise the statement of financial position as at March 31, 2017, the statements of profit or loss and other comprehensive income, changes in accumulated fund and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at March 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the National Housing Trust Act ("the Act").

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors
National Housing Trust

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors
National Housing Trust

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

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

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

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

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

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

June 15, 2017

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

	Notes	2017	2016
ASSETS			
Cash and cash equivalents	6	5,404,634	4,371,459
Receivables and prepayments	7	1,489,712	1,285,395
Resale agreements	8	4,084,008	3,227,850
Investment securities	9	18,307,987	17,363,999
Taxation recoverable	28(a)	6,512,191	6,190,242
Loans receivable	10	206,056,713	192,964,602
Inventories	12	8,403,520	6,988,501
Intangible assets	13	5,931	2,810
Investments in associate	14	1,073,038	1,062,785
Employee benefits asset	15	1,715,534	2,094,494
Property, plant and equipment	16	1,409,538	1,413,760
Total assets		254,462,806	236,965,897
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Payables and accruals	17	4,157,714	3,483,629
Provisions	18	114,982	145,371
Refundable contributions	19	91,251,418	87,816,287
Deferred tax liability	20	618,767	797,587
Employee benefits obligation	15	589,004	405,974
Taxation payable	28(b)	4,697,192	3,609,104
		101,429,077	96,257,952
ACCUMULATED FUND			
Fair value and other reserves	21	2,936,020	1,902,837
Mortgage subsidy reserve	22	3,378,598	2,866,217
Peril reserve	23	3,831,324	3,640,884
Loan loss reserve	24	4,957,689	4,745,253
Accumulated profit		137,930,098	127,552,754
		153,033,729	140,707,945
Total liabilities and accumulated fund		254,462,806	236,965,897

The financial statements, on pages 38 to102, were approved for issue on June 15, 2017 by the Board of Directors and signed on its behalf by:

Ambassador Dr. Nigel Clarke - Chairman

Martin Miller – Managing Director

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
MARCH 31, 2017

(Epressed in thousands of Jamaica dollars unles ortherwise stated

	Notes	2017	2016
Non-refundable employers' contributions	2(c)	18,800,568	13,874,895
Interest revenue:			
- Loans	29(a)	9,716,403	9,210,118
- Investments	29(a)	1,637,988	1,489,867
		11,354,391	10,699,985
Bonus on employees' contributions	29(b)	(1,575,836)	(1,537,559)
Net interest revenue		9,778,555	9,162,426
Gains on inflation indexed bonds	29(c)	97,601	135,015
Gains on disposal of available-for-sale securities	29(c)	78,621	119,302
Dividends from equity investments	29(a)	24,953	25,573
Service charge on loans to beneficiaries	10(p)	1,291,759	1,121,489
Miscellaneous	26	2,455,066	1,150,883
		13,726,555	11,714,688
		32,527,123	25,589,583
Operating expenses	29(d)	6,526,598	5,638,683
Increase in allowance for impairment on loans receivable	10(o)	229,626	268,227
Loss/(gains) on projects (including allowance for impairment)	12(b)	15,400	(88,546)
Special subsidies and grants	27	420,520	374,239
Government levies		30,923	30,867
Share of losses of associate	14	44,014	29,992
		7,267,081	6,253,462
PROFIT BEFORE TAXATION		25,260,042	19,336,121
Taxation	28(c)	(1,086,972)	(1,216,791)
PROFIT FOR THE YEAR	29	24,173,070	18,119,330
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
- Gains on available-for-sale financial assets	21	1,032,430	603,929
Items that will never be reclassified to profit or loss:			
- Contribution shortage on annual returns	21	(5)	(256)
- Remeasurement (loss)/gains on defined benefit plan	15(c)	(707,785)	15,694
- Deferred tax on remeasurement (loss)/gains on defined benefit plan	20	176,946	(3,924)
- Reduction in deferred tax liability on revaluation of property, plant and equipment	20	758	758
		(530,086)	12,272
Other comprehensive income for the year, net of tax		502,344	616,201
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		24,675,414	18,735,531

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

STATEMENT OF CHANGES IN ACCUMILATED FUNDS
YEAR ENDED MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

	Notes	Fair value and other reserves	Mortgage subsidy reserve	Peril reserve	Loan loss reserve	Accumulated profit	Total
Balance at March 31, 2015		1,298,406	2,315,927	3,434,649	4,603,135	121,669,927	133,322,044
Total comprehensive							
Profit for the year		-	-	-	-	18,119,330	18,119,330
Other comprehensive income for the year		604,431	-	-	-	11,770	616,201
Total comprehensive income for the year		604,431	-	-	-	18,131,100	18,735,531
Recognised directly in accumulated fund:							
Transfer to consolidated fund	25(i)	-	-	-	-	(11,400,000)	(11,400,000)
Effect of National Debt Exchange (FRAN)		-	-	-	-	50,370	50,370
Transfers	22,23,24	-	550,290	206,235	142,118	(898,643)	-
Balance at March 31, 2016		1,902,837	2,866,217	3,640,884	4,745,253	127,552,754	140,707,945
Total comprehensive							
Profit for the year		-	-	-	-	24,173,070	24,173,070
Other comprehensive income for the year		1,033,183	-	-	-	(530,839)	502,344
Total comprehensive income for the year		1,033,183	-	-	-	23,642,231	24,675,414
Recognised directly in accumulated fund:							
Transfer to consolidated fund	25(i)	-	-	-	-	(11,400,000)	(11,400,000)
Special distribution	25(ii)	-	-	-	-	(1,000,000)	(1,000,000)
Effect of National Debt Exchange (FRAN)		-	-	-	-	50,370	50,370
Transfers	22,23,24	-	512,381	190,440	212,436	(915 257)	-
Balance at March 31, 2017		2,936,020	3,378,598	3,831,324	4,957,689	137,930,098	153,033,729

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

STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		24,173,070	18,119,330
Adjustments to profit for the year	37	(13,997,812)	(9,010,754)
		10,175,258	9,108,576
Increase in operating assets			
Receivables and prepayments		(262,780)	(76,908)
Employees benefit contributions		(188,112)	(153,507)
Increase in operating liabilities:			
Payables and accruals		674,085	202,773
Cash provided by operations		10,398,451	9,080,934
Interest received		11,430,485	10,433,706
Dividends received		24,953	25,573
Tax paid		(321,949)	(273,168)
Cash provided by operating activities		21,531,940	19,267,045
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of resale agreements		(12,649,803)	(6,505,328)
Proceeds on encashment of resale agreements		11,814,846	4,497,999
Acquisition of investment securities		(3,119,960)	(3,660,885)
Proceeds on encashment of investment securities		3,646,777	1,732,485
Loans receivable, less recoveries		(12,068,873)	(11,009,606)
(Increase)/decrease in inventories (net)		(1,506,639)	1,287,675
Acquisition of intangible assets	13	(6,996)	-
Acquisition of property, plant and equipment	16	(106,572)	(81,099)
Investments in associate		(54,267)	-
Proceeds on disposal of property, plant and equipment		-	2,664
Cash used in investing activities		(14,051,487)	(13,736,095)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employees		11,533,327	10,710,514
Refund of employees' contributions		(5,268,297)	(5,090,898)
Transfer to consolidated fund		(11,400,000)	(11,400,000)
Special distribution		(1,000,000)	-
Cash used in financing activities		(6,134,970)	(5,780,384)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,345,483	(249,434)
OPENING CASH AND CASH EQUIVALENTS		4,361,973	4,737,176
Effect of foreign exchange rate changes		(327,327)	(125,769)
CLOSING CASH AND CASH EQUIVALENTS	6	5,380,129	4,361,973

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

1 **IDENTIFICATION**

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

The functions of the Trust are:

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

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

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

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

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

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

I. to provide for:

(i) development projects undertaken by the Trust;

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

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

III. to enter into loan agreements with borrowers;

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

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

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

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

National Housing Trust (Special Provisions) Act, 2013

In addition to the functions specified in (a) and (b) above, the Trust may provide financing up to a maximum annual amount of eleven billion, four hundred million dollars for the fiscal consolidation in respect of each financial year ending respectively, on

- March 31, 2014
- March 31, 2015
- March 31, 2016 and
- March 31, 2017

Financing provided may be by way of distribution, grant or otherwise as the Minister responsible for Finance may determine.

2 **CONTRIBUTIONS AND BENEFITS**

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

(Epressed in thousands of Jamaica dollors unles ortherwise stated

2 **CONTRIBUTIONS AND BENEFITS (CONT'D)**

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

(i) loans for housing acquisition or improvement;

(ii) contribution refunds including bonuses awarded in the eighth year after the first contribution year and annually thereafter for each successive year in which contributions were made [see note 19(a)] and;

(iii) contribution refunds in the event of death, invalidity and other circumstances prescribed.

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

3. **BASIS OF PREPARATION**

3.1 Statement of compliance

The Trust's financial statements as at and for the year ended March 31, 2017 (the reporting date) have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant requirements of the National Housing Trust Act.

New and amended standards that became effective during the year:

Certain new and amended standards came into effect during the current financial year. None of these new and amended standards had a material impact on the amounts and disclosures in the Trust's financial statements.

New and amended standards in issue but not yet effective:

At the date of approval of these financial statements, certain new and amended standards have been issued which are not yet effective for the current year and which the Trust has not early-adopted. The Trust has assessed the relevance of all such new and amended standards with respect to its operations and has determined that the following are likely to have an effect on the financial statements:

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

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

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- IFRS 9*, Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

3.1 Statement of compliance (cont'd)

New and amended standards in issue but not yet effective: (cont'd)

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

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases, based on IAS 17 lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  (i) the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

  (ii) a deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.

  (iii) Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

  (iv) An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

  (v) Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The Trust is assessing the impact that these new standards and amendments will have on its financial statements when they are adopted.

3.2 Basis of measurement

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

3.3 Functional currency

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

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Financial instruments

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

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

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

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

4.1.1 *Financial assets*

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

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

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

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

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

A financial asset is classified as held for trading if:

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

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

4.1 **Financial instruments (Cont'd)**

4.1.1 ***Financial assets (Cont'd)***

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

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

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

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

b) Loans and receivables

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

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

Cash and cash equivalents

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

Resale agreements

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

Loans receivable and service charge on loans

Loans receivable

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

Service charge on loans to beneficiaries

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.1 Financial instruments (Cont'd)

4.1.1 *Financial assets (Cont'd)*

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

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

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

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

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

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

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

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

d) Impairment of financial assets

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

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

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

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

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

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

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

4.1 **Financial instruments (Cont'd)**

4.1.1 ***Financial assets (Cont'd)***

d) Impairment of financial assets (Cont'd)

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

Loans receivable

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

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

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

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

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

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

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

Renegotiated loans

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

Other

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

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

4.1 **Financial instruments (Cont'd)**

4.1.1 ***Financial assets (Cont'd)***

d) Impairment of financial assets (Cont'd)

Other (cont'd)

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

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

e) Derecognition of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.1 Financial instruments (Cont'd)

4.1.2 *Financial liabilities*

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

Derecognition of financial liabilities

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

(a) Accounts payable and accruals

Accounts payable are measured at amortised cost.

(b) Provisions

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

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

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

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.

(c) Refundable Contributions

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

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

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.2 Taxation

Income tax expense represents current and deferred tax.

Current tax

Current tax is based on taxable surplus for the year. Taxable surplus differs from 'surplus 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 at the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus. Deferred tax liabilities are generally recognised for taxable temporary differences. Deferred tax assets are generally recognised for deductible temporary differences to the extent that it is probable that taxable surplus 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 surplus nor the accounting surplus.

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 surplus 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 surplus will be available to allow all or part of the asset 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 at the reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Trust expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

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

4.3 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.

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

4.4 **Intangible assets**

4.4.1 Internally-generated intangible assets and research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Trust's development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:

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

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

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

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

4.4.2 Intangible assets acquired separately

Intangible assets acquired separately are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is determined on the same basis as for internally-generated intangible assets.

4.4.3 Derecognition of intangible assets

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

4.5 **Investments in associate**

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

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

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

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

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

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

4.6 **Employee benefits**

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

Defined benefit plan
The Trust has established a defined-benefit pension plan for its employees who have met certain minimum requirements. The plan's assets are separately held and the plan is funded by employee contributions of 5% of pensionable salaries (with the option of contributing an additional 6.5%) and employer contributions of 8.2% (2016 8.2%).

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.7 Property, plant and equipment

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

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

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

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

4.8 Impairment of tangible and intangible assets

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

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

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

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

4.9 Peril reserve

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 **Related party**

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

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

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

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

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

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

4.11 **Revenue recognition**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Revenue recognition (cont'd)

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

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

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

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

4.12 Bonus on employees' contributions

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

4.13 Leases

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

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

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

4.14 Foreign currencies

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

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

(Epressed in thousands of Jamaica dollors unles ortherwise stated

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 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.

Litigations and claims

As detailed in note 36, arising from the decision of the Privy Council that the developer was not entitled to compound interest of $214 million and that the issue of an appropriate simple interest rate be remitted to the Arbitrator for consideration, the Trust has recorded a provision of $13 million.

In making this judgement, management considered the relevant facts and the opinion of its attorneys.

Security - loans receivable

As indicated in note 10(s), there are impaired loans held by the Trust amounting to approximately $18.17 billion (2016: $18.93 billion) for which impairment provisions for IFRS purposes amounted to approximately $1.68 billion (2016: $1.50 billion) in respect of loans to beneficiaries and developers approved by the Trust. There are additional prudential provisions (loan loss reserve) through an appropriation of accumulated surplus of $4.96 billion (2016: $4.75 billion). Management believes, based on experience, that ultimately outstanding amounts and accumulated interest will be recovered through the realisation of securities, although, as disclosed in note 11, at year-end the Trust did not hold title deeds to properties securing mortgages and amounts due from developers totalling approximately $4.87 billion (2016: $4.62 billion).

Key sources of estimates

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

Impairment losses on loans and advances

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

In respect of loans to beneficiaries, the value of the security used in the determination of the estimated recoverable amounts is based on proxy values determined by the Trust's Private Treaty Unit, which values take account of factors such as past real estate sales of houses of similar size and location. If the proxy values determined by the Trust's Private Treaty Unit differ by ±10% from those used in determining recoverable amounts, the portion of loans to beneficiaries considered unsecured would decrease/increase by $221.8 million/$311.7 million, respectively (2016: $205.2 million/$285.7 million, respectively).

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

To the extent that the expected future cash flows in respect of the affected mortgage loans to beneficiaries differs by ±1%, the resulting allowance for impairment would be estimated to be $25.7 million lower or $26.4 million greater (2016: $20.4 million lower or $24.1 million greater).

5 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made (see notes 20 and 28). A change of ±10% in the final tax outcome of these estimates would have the effect of approximately $108.85 million (2016: $137.84 million) increase/decrease in the current and deferred tax provisions.

Investment in associate

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

Peril insurance

The Trust maintains a reserve equivalent to the insurance policy deductible limit of US$30 million (2016: US$30 million) to settle insurance claims by mortgage beneficiaries. Generally, claims are not booked immediately upon notification but are accounted for when the claims have been processed and a liability by the Trust is established [see note 31(b)(i)]. Experience has shown that these amounts are usually insignificant to the operations of the Trust, unless there is a one-off significant event such as a natural disaster, in which case, an estimate of potential liability is assessed and booked. This reserve is funded by certain securities denominated in United States dollars included in cash and cash equivalents, resale agreements and investment securities (note 23).

Employee benefits – pension obligation

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

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

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

For the benefit plan, the benefit is derived using information supplied by the Trust and the Fund managers in relation to full members of the plan.

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

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

Fair value of investment securities

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

Service charge on loans to beneficiaries

These charges are amortised on the straight-line basis over two years which is the average time frame, as estimated by the Trust, where expenses directly related to these charges are incurred. The amount amortised during the year was approximately $1.29 billion (2016: $1.12 billion).

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

6 CASH AND CASH EQUIVALENTS

	2017	2016
Resale agreements:		
- Jamaica dollar (a)	4,494,310	2,379,331
- United States dollar (b)	65,275	123,172
Bank balances (c)	838,495	1,863,904
Cash in hand	6,554	5,052
Cash and cash equivalents	5,404,634	4,371,459
Less interest receivable	(24,505)	(9,486)
Cash and cash equivalents, per statement of cash flows	5,380,129	4,361,973

(a) These resale agreements bear interest at rates ranging from 5.75% to 7.20% (2016: 5.25% to 6.10%) per annum and are fully backed by Government of Jamaica securities. At March 31, 2017, the interest receivable included in these agreements amounted to approximately $24.31 million (2016: $9.33 million). The nominal value of the underlying securities at March 31, 2017 was $4.69 billion (2016: $2.49 billion).

(b) These resale agreements of US$0.51 million (2016: US$1.01 million) bear interest at rates ranging from 1.70% to 1.75% (2016: 1.75% to 2.05%) per annum, are fully backed by Government of Jamaica securities and are designated to fund the Trust's peril reserve (note 23). At March 31, 2017, the interest receivable included in these instruments amounted to approximately $0.20 million (2016: $0.16 million). The nominal value of the underlying securities at March 31, 2017 was US$0.53 million (2016: US$1.06 million).

(c) Bank balances include foreign currency deposits of approximately $19.28 million (US$0.15 million) [2016: $23.91 million (US$0.20 million)] at an interest rate of 0.5% (2016: 0.5%) per annum.

7 RECEIVABLES AND PREPAYMENTS

	2017	2016
Staff loans	739,557	622,399
Mortgage litigation receivable (a)	63,578	54,339
Death claims recoverable	201,985	127,731
Prepayments	48,307	41,121
NWC/Greenpond – Sewage Infrastructure receivable	82,348	90,918
Mortgage loan fees receivable (a)	151,300	100,652
Receivable on sale of land	11,676	11,676
Other litigation receivable (a) and [Note 36(ii)]	-	144,660
Taxes recoverable – other (b)	225,968	225,968
Other	184,973	172,109
	1,709,692	1,591,573
Less provision for impairment (see note below)	(219,980)	(306,178)
	1,489,712	1,285,395

Movement in provision for impairment

	2017	2016
Balance at beginning of the year	306,178	371,360
Decrease for the year	(86,198)	(65,182)
Balance at end of the year	219,980	306,178

(a) Included in the above balances are allowances for impairment in respect of mortgage litigation receivable, mortgage loan fees receivable and other litigation receivable.

(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 current year property tax charges. This request was granted and executed by the Tax Administration of Jamaica's property tax unit.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

8 RESALE AGREEMENTS

	2017	2016
Jamaica dollar deposits (a)	1,186,851	-
Jamaica dollar repurchase agreements (b)	2,653,667	2,827,630
United States dollar deposits (c)	243,490	400,220
	4,084,008	3,227,850

(a) These agreements mature within one to six months after year-end, with interest rates ranging between 6.25% to 7.25% per annum. As at March 31, 2017, the interest receivable included in these balances amounted to $16.85 million (2016: $Nil). There was no specific securities assigned to these investments.

(b) These instruments mature within one to four months (2016: one to three months) after year-end with interest rates ranging between 6.20% to 7.20% (2016: 5.75% to 6.80%) per annum. As at March 31, 2017, the interest receivable included in these balances amounted to $13.67 million (2016: $27.63 million). The fair value of the underlying securities at March 31, 2017 was US$2.80 million (2016: US$3.01 million).

(c) These instruments totalling approximately US$1.89 million (2016: US$3.27 million) mature within one to four months (2016: one to four months) after year-end with interest rates ranging between 1.70% to 2.25% (2016: 2.35% to 2.60%) per annum and are designated to fund the Trust's peril reserve (note 23). As at March 31, 2017, the interest receivable included in these balances amounted to $0.58 million (2016: $1.15 million). The fair value of the underlying securities at March 31, 2017 was US$2 million (2016: US$3.46 million).

9 INVESTMENT SECURITIES

	2017	2016
Available-for-sale securities		
Inflation Indexed Bond carried at amortised cost (a)	3,886,202	3,787,942
Various securities carried at fair value (b)	14,421,785	13,576,057
	18,307,987	17,363,999

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

As at March 31, 2017, interest receivable included herein amounted to $26.06 million (2016: $25.40 million). The inflation adjustment to principal for the year amounted to $97.60 million (2016: $135.01 million).

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

9 INVESTMENT SECURITIES (CONT'D)

(b) Various securities comprise:

	2017	2016
Pooled Investment Funds		
Sagicor Life of Jamaica Limited – Universal Investment policy	293,353	260,824
Equities		
Quoted equities	1,111,703	751,341
	1,405,056	1,012,165
Debt securities		
Euro Bonds US$15,479,720 (2016: US$14,784,429) held at interest rates of 8.00% to 9.375% per annum maturing in 2021/22 to 2038/39 (i)	2,760,763	2,074,545
Treasury bills at interest rates of 5.85% to 7.00% per annum, maturing 2017/18	579,389	241,993
Bank of Jamaica variable rate Certificates of Deposit at interest rates of 6.63% per annum, maturing 2017/18	220,409	1,178,432
National Water Commission ("NWC") Variable Rate Corporate Notes (2016: interest rate of 7.98% per annum, Matured October 2016) (ii)	-	12,426
University of the West Indies ("UWI") Senior Secured Corporate Notes at interest rate of 8.82% per annum, maturing 2017/18 to 2019/2020 (iii)	107,234	150,223
GOJ Fixed Rate Benchmark Notes at interests rate of 7.50% to 8.60% per annum (2016: 7.50% per annum) (2016: maturing 2017/18) maturing 2017/18 to 2021/22 (iv)	501,481	449,144
GOJ Fixed Rate Accreting Notes (FRAN) at interest rate of 10% per annum, maturing 2028/29 (iv)	4,738,820	4,317,242
Bank of Jamaica Certificates of Deposits US$19,989,500 (2016:US$15,515,160) at interest rates of 3.55% to 5.50% per annum, maturing 2018/19 to 2023/24 (i)	2,535,429	1,949,770
Bank of Jamaica Fixed Rate Certificates of Deposits at interest rates of 6.50% to 7.10% per annum, maturing 2017/18	622,150	1,046,807
Bank of Jamaica Fixed Rate US$ Indexed Note (2016: US$1,653,000 at interest rates of 1.50% per annum, maturing 2016/17) (i)	-	235,391
GOJ Benchmark Notes US$7,314,575 at interest rate of 5.25% (2016: 5.25%) per annum, maturing 2019/2020 to 2020/21 (i)	951,054	907,919
	13,016,729	12,563,892
	14,421,785	13,576,057

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

(ii) The notes were unsecured obligations of the NWC. However, the Government of Jamaica had unconditionally guaranteed the due and punctual payment of interest and principal as and when they become due and to the extent not paid by NWC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

9 **INVESTMENT SECURITIES (Cont'd)**

(b) Various securities (Cont'd)

(iii) These notes are secured by:

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

(iv) 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 $50.37 million was accreted. (2016: $1 per unit or $50.37 million accreted).

(v) At March 31, 2017, interest receivable included in debt securities amounted to $142.03 million (2016: $197.22 million).

10 **LOANS RECEIVABLE**

	2017	2016
(a) Loans to beneficiaries selected by the Trust (f)		
Mortgage loans (g)	162,208,483	152,408,534
Loans for which mortgage processing is incomplete (h)	3,844,932	3,648,473
Loans through financial institutions (i)	146,770	280,137
Loans through joint venture programme (j)	202	657
	166,200,387	156,337,801
Less: Allowance for impairment (o)	(1,185,591)	(1,019,202)
	165,014,796	155,318,599
Less: Unexpired service charges (p)	(916,872)	(1,579,536)
Balance c/f	164,097,924	153,739,063

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

10 **LOANS RECEIVABLE (Cont'd)**

	2017	2016
Balance b/f	164,097,924	153,739,063
(b) Loans on behalf of beneficiaries selected by Agencies approved by the Trust (k):		
Jamaica Teachers' Association Housing Co-operative Limited (k)(i)	8,818	10,032
Housing Agency of Jamaica (HAJ):		
Repayable in 10 years at 3% per annum (k)(ii)	441,511	441,511
Repayable in 10 years at 3% per annum (k)(iii)	139,952	201,618
Repayable in 10 years at 3% per annum (k)(iv)	31,120	31,120
Repayable in 10 years at 3% per annum (k)(v)	203,636	207,359
Repayable in 10 years at 3% per annum (k)(vi)	33,902	33,902
Repayable in 3 years at 8% per annum (k)(vii)	-	7,440
Joint financing mortgage programme (k)(viii)	33,866,125	31,141,297
Special loans through joint financing – Hurricane Ivan (k)(ix)	836	836
Special loans to churches through joint financing – Hurricane Ivan (k)(x)	127,381	150,003
Jamaica Defence Force (k)(xi)	14,469	23,386
Other institutions	156,742	120,971
	35,024,492	32,369,475
(c) Loan financing to developers (l)	3,876,779	3,697,974
Less: Allowance for impairment (o)	(493,603)	(477,732)
	3,383,176	3,220,242
(d) University of the West Indies		
Loan 1 (m)	428,899	462,479
Loan 2 (m)	1,883,760	1,894,846
	2,312,659	2,357,325
(e) Jamaica College Trust (n)	42,570	43,710
Interest receivable	1,195,892	1,234,787
Total	206,056,713	192,964,602

(Epressed in thousands of Jamaica dollors unles ortherwise stated

10 **LOANS RECEIVABLE (Cont'd)**

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

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

(g) Mortgage loans of $162.21 billion (2016: $152.41 billion) include loans totalling $401.38 million (2016: $352.58 million) relating to certain schemes for which parent titles have been or will be surrendered to the Registrar of Titles in order for the splinter titles to be prepared. The Trust is taking steps to ensure that all splinter titles are received for such schemes.

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

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

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

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

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

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

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

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

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

The loan is secured by:

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

10 **LOANS RECEIVABLE (Cont'd)**

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

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

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

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

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

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

The loan is secured by:

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

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

(vii) During 2009, the Trust provided an amount of $120 million under a Revolving Loan facility for the purpose of providing housing solutions under the HAJ Operation PRIDE portfolio.

The loan was settled during the year and was secured by:

- Deposit of splinter titles for the Portmore Villas Project or any other project approved by the Trust/with the Trust to cover the loan amount of $120 million, together with an excess equivalent to 15% of the loan amount.
- Assignment of all rights, title and interest in the securities.
- Promissory note evidencing each disbursement.

(Epressed in thousands of Jamaica dollors unles ortherwise stated

10 **LOANS RECEIVABLE (Cont'd)**

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

(viii) Joint financing mortgage programme

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

The participating institutions include:

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

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.

(ix) Special loans through joint financing – Hurricane Ivan

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

The participating institutions include:

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

In May 2016, Sagicor Bank was introduced as a new participating institution.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

10 **LOANS RECEIVABLE (Cont'd)**

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

(ix) Special loans through joint financing – Hurricane Ivan (Cont'd)

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

The obligations of the participating institutions are secured by:

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

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

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

The participating institutions include:

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

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

The obligations of the participating institutions are secured by:

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

(xi) Jamaica Defence Force (JDF)

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

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

10 **LOANS RECEIVABLE (Cont'd)**

(l) Loan financing to developers

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

(m) University of the West Indies (UWI)

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

The security for the loan is:

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

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

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

The security for the advance is:

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

(n) Jamaica College Trust

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

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

The obligations of the participating institution are secured by:

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

10 **LOANS RECEIVABLE (Cont'd)**

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

	Mortgage Loans	Development Financing	Total
Balance at April 1, 2015	787,350	451,683	1,239,033
Increase in allowance for the year	242,178	26,049	268,227
Write-off during the year	(10,326)	-	(10,326)
Balance at March 31, 2016	1,019,202	477,732	1,496,934
Increase in allowance for the year	180,290	49,336	229,626
Write-off during the year	(13,901)	(33,465)	(47,366)
Balance at March 31, 2017	1,185,591	493,603	1,679,194

(p) Unexpired service charge on loans to beneficiaries:

	2017	2016
Balance at beginning of the year	1,579,536	2,112,544
Additions during the year	629,095	588,481
Amortisation to profit or loss	(1,291,759)	(1,121,489)
Balance at end of the year	916,872	1,579,536

(q) Approval process and quality of receivables

Before approving a loan, the Trust uses an evaluation system to assess the potential borrowers' eligibility in order to determine if they satisfy the qualifying requirements for a loan from the Trust, and to determine the maximum amount of loan they can afford to borrow from the Trust. For institutional loans, the process involves a comprehensive analysis of the institution's financial standing and its ability to fund its portion of the proposed development (where applicable). The Trust places strict limits on the percentage of the total development cost that it is willing to finance. This is 83% (2016: 80%) of the loans to beneficiaries which are neither past due nor impaired and are considered to be of good quality.

Of the total category of loans to beneficiaries selected by agencies of the Trust, joint financing mortgage programme accounts for 96.69% (2016: 96.21%) and 16.44% (2016: 16.14%) of the total loans receivable. There is no other loan category with a balance that represents more than 5% of the total loan balance.

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

(r) Past due loans

Past due but not impaired

Included in the Trust's loans to beneficiaries balance are debtors with a carrying amount of approximately $10.53 billion (2016: $12.10 billion) which are past due at the reporting date and for which the Trust has not made an impairment allowance, as there has not been a significant change in the beneficiaries' credit quality and the amounts are still considered fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

10 LOANS RECEIVABLE (Cont'd)

(r) Past due loans (cont'd)

Past due but not impaired (cont'd)

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

	2017	2016
30 – 60 days	6,538,818	7,271,984
61 – 90 days	3,992,941	4,830,965
	10,531,759	12,102,949

(s) Loans past due and impaired

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

	2017	2016
91 – 180 days	4,529,281	4,762,883
181 – 360 days	5,930,819	6,910,939
Over 360 days	7,710,836	7,259,695
Total impaired loans	18,170,936	18,933,517

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

(t) Allowance for impairment

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

	2017	2016
Prudential allowance set by management	6,143,280	5,764,455
IFRS allowances:		
Specific allowances	1,175,283	1,010,073
General allowances	10,308	9,129
Total IFRS allowances (o)	1,185,591	1,019,202
Excess over IFRS allowances reflected in loan loss reserve (note 24)	4,957,689	4,745,253

(u) Loans to beneficiaries renegotiated

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

As at March 31, 2017, loans totalling $1.57 billion (2016: $1.16 billion) were renegotiated which would have otherwise been past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

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

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

		2017	2016
(i)	Loans through joint venture mortgage programme [note 10(j)]	202	657
(ii)	Other loans (a)		
	Mortgage loans to beneficiaries:		
	- Schemes for which splintering of parent titles is in process or has not yet commenced	401,381	352,575
	- Schemes for which mortgage processing is incomplete and land titles are not available	3,844,932	3,648,473
	- Non-scheme loans (b)	133,565	136,527
		4,379,878	4,137,575
	Finance for housing construction projects	493,602	477,732
		4,873,480	4,615,307
	Total	4,873,682	4,615,964

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

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

12 INVENTORIES

	2017	2016
Land held for housing development	4,685,127	3,372,451
Housing under construction	3,335,036	1,980,010
Housing units completed but not allocated	661,944	1,851,542
Inner City Housing Project (a)	58,637	30,102
	8,740,744	7,234,105
Less: Allowances for impairment losses and subsidies	(337,224)	(245,604)
	8,403,520	6,988,501

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

12 INVENTORIES (Cont'd)

The movement in the allowance for impairment is as follows:

	2017	2016
At beginning of year	245,604	218,123
Increase in allowance during the year	91,620	30,610
Amounts written-back	-	(3,129)
At end of year	337,224	245,604

(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 two and three bedroom apartments. The units are sold by the Trust to qualified borrowers. The Trust provides a substantial subsidy and recoups the balance of the investment through the granting of mortgages.

(b) Loss/(gains) on inventory projects during the year amounted to:

	2017	2016
Sale of units	(1,365,850)	(2,028,774)
Cost of units sold	1,278,864	1,877,298
Net gain on disposal of units	(86,986)	(151,476)
Impairment allowance charged for year	91,620	30,610
Loss on Trust projects	10,766	25,867
Litigation expenses	-	6,453
	15,400	(88,546)

13 INTANGIBLE ASSETS

	2017	2016
Cost		
At the beginning of the year	182,005	182,005
Additions for the year	6,996	-
At the end of the year	189,001	182,005
Amortisation		
At the beginning of the year	179,195	173,326
Charge for the year	3,875	5,869
At the end of the year	183,070	179,195
Carrying amount	5,931	2,810

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

13 INTANGIBLE ASSETS (CONT'D)

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

14 INVESTMENTS IN ASSOCIATE

	2017	2016
Cost of investments	490	490
Loans (including accrued interest) (b)	1,597,944	1,597,944
Advances during the year	54,267	-
Provision for impairment loss	(383,969)	(383,969)
	1,268,242	1,213,975
Share of associate's losses:		
Balance at beginning of year	(151,680)	(121,688)
Share of loss for the year	(44,014)	(29,992)
Balance at end of year	(195,694)	(151,680)
	1,073,038	1,062,785

(a) Details of the associate as at March 31, 2017 are as follows:

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

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

	(Unaudited) 2017	(Audited) 2016
Total assets	2,571,193	2,575,106
Total liabilities	(2,965,543)	(2,891,751)
Net liabilities	(394,350)	(316,645)
Trust's share of associate's net liabilities	(195,203)	(156,739)
Revenue	12,243	15,053
Loss for the year	(77,706)	(83,092)
Trust's share of associate's loss for the year, net of adjustments	(38,464)	(41,131)

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

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

15 EMPLOYEE BENEFITS ASSET

The Trust operates two post-retirement employee benefit arrangements:

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

Staff pension plan

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

Medical benefits scheme

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

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

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

	Staff pension plan		Medical benefit scheme	
	2017	2016	2017	2016
Financial assumptions				
Discount rate	9.50%	9.00%	9.50%	9.00%
Future salary increases	6.50%	5.50%	-	-
Future pension increases	3.25%	2.75%	-	-
Price inflation (CPI)	6.50%	5.50%	6.50%	5.50%
Health cost inflation	-	-	1.50%	1.50%

	2017 Years	2016 Years
Demographic assumptions		
Average liability duration for each category of member:		
- Staff pension scheme		
Active members	19.4	18.1
Deferred pensioners	2.0	2.9
Pensioners	13.4	12.9
All participants	18.0	16.9
- Post-retirement medical benefit scheme		
Active members	24.2	23.5
Pensioners	12.5	12.1
All participants	23.0	22.6

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

15 EMPLOYEE BENEFITS ASSET (CONT'D)

(a) (Cont'd)

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

Attained age	Males	Females
20	0.326	0.196
25	0.525	0.210
30	0.714	0.279
35	0.758	0.371
40	0.891	0.501

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

	Staff pension plan		Medical benefit scheme	
	2017	2016	2017	2016
Present value of obligation	(5,234,423)	(4,012,020)	(589,004)	(405,974)
Fair value of plan assets	6,949,957	6,106,514	-	-
Net asset/(liability) recognised in statement of financial position	1,715,534	2,094,494	(589,004)	(405,974)

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

	Staff pension plan		Medical benefit scheme	
	2017	2016	2017	2016
Balance at beginning of year	2,094,494	1,926,137	(405,974)	(308,778)
Included in profit or loss:				
current service cost	(138,026)	(120,581)	(42,171)	(35,818)
interest cost	(356,335)	(316,916)	(36,463)	(29,282)
past service cost	-	(74,595)	-	(10,576)
Expenses	(20,130)	(17,175)	-	-
interest on plan assets	550,808	506,903	-	-
	36,317	(22,364)	(78,634)	(75,676)
Included in other comprehensive income:				
experience adjustments	(529,085)	(141,773)	-	-
changes in financial assumptions	(236,050)	(75,120)	-	-
remeasurement of plan assets	149,350	255,197	(106,058)	(22,610)
changes in demographic assumptions	14,058	-	-	-
	(601,727)	38,304	(106,058)	(22,610)
Employer's contributions	186,450	152,417	1,662	1,090
Balance at end of year	1,715,534	2,094,494	(589,004)	(405,974)

(i) Amount recognised in profit or loss:

	2017	2016
- Staff pension plan	(36,317)	22,364
- Post-retirement medical scheme	78,634	75,676
	42,317	98,040

Amount recognised in other comprehensive income:

	2017	2016
- Staff pension plan	(601,727)	38,304
- Post-retirement medical scheme	(106,058)	(22,610)
	(707,785)	15,694

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

15 EMPLOYEE BENEFITS ASSET (CONT'D)

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

	2017	2016
Movement in fair value of pension plan assets		
Fair value of plan assets at beginning of year	6,106,514	5,239,343
Contributions	341,692	272,630
Benefits paid	(178,277)	(150,384)
Interest income on plan assets	550,808	506,903
Administrative fees	(20,130)	(17,175)
Remeasurement gain on plan assets included in other comprehensive income	149,350	255,197
Fair value of plan assets at end of year	6,949,957	6,106,514

	Staff pension plan			
	2017		2016	
Pooled Investment Funds				
Equity	422,363	6.08	303,083	4.96
Fixed income	63,505	0.91	176,771	2.89
Mortgage and Real Estate	215,912	3.10	264,125	4.33
	701,780	10.09	743,979	12.18
Segregated funds				
GOJ securities	3,226,738	46.43	3,098,375	50.74
Resale agreements	-	-	218,950	3.59
Corporate bonds	121,700	1.75	1,777,651	29.11
Equity	2,824,905	40.65	95,526	1.56
Other	74,834	1.08	172,033	2.82
	6,248,177	89.91	5,362,535	87.82
Closing fair value of plan assets	6,949,957	100.00	6,106,514	100.00

(e) Movement in the present value of obligation

	2017 $'000	2016 $'000
Balance at beginning of year	4,012,020	3,313,206
Current service costs	138,026	120,581
Interest cost	356,335	316,916
Employees' contribution	155,242	120,213
Benefits paid	(178,277)	(150,384)
Past service cost	-	74,595
Actuarial gains arising from		
Experience adjustments	529,085	141,773
Changes in financial assumptions	236,050	75,120
Changes in demographic assumptions	(14,058)	-
Balance at end of year	5,234,423	4,012,020

(Epressed in thousands of Jamaica dollors unles ortherwise stated

15 **EMPLOYEE BENEFITS ASSET (Cont'd)**

(f) Sensitivity analyses

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

	March 31, 2017							
	1% movements in							
	Health inflation rate		Discount rate		Salary escalation rate		Pension increases	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on:								
- Staff pension plan	-	-	(791,783)	1,041,688	567,939	(476,043)	386,486	(336,687)
- Post-retirement medical scheme	147,853	(113,937)	(111,757)	147,229	-	-	-	-

	March 31, 2016							
	1% movements in							
	Health inflation rate		Discount rate		Salary escalation rate		Pension increases	
Sensitivity level	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on:								
- Staff pension plan	-	-	(572,475)	766,816	409,554	(339,150)	281,578	(243,672)
- Post-retirement medical scheme	100,075	(77,391)	(75,580)	99,110	-	-	-	-

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.

(i) The Trust expects to make a contribution of $177.28 million (2016: $151.93 million) to the defined benefit plan during the next financial year.

(Epressed in thousands of Jamaica dollors unles ortherwise stated

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and other equipment	Computer equipment	Motor vehicles	Advance on assets	Construction in progress	Total
Cost or deemed cost							
March 31, 2015	1,622,114	561,020	594,252	38,341	9,226	44,830	2,869,783
Additions	-	17,002	24,224	8,497	26,286	5,090	81,099
Transfers	-	965	364	-	(1,329)	-	-
Adjustments	(346)	-	-	-	(878)	-	(1,224)
Disposals	-	(2,872)	(56,243)	(7,970)	-	-	(67,085)
March 31, 2016	1,621,768	576,115	562,597	38,868	33,305	49,920	2,882,573
Additions	-	39,949	30,311	19,950	16,362	-	106,572
Transfers	-	6,524	14,404	-	(20,928)	-	-
Adjustments	-	-	157	3,028	(4,899)	-	(1,714)
Disposals	-	(9,693)	(28,777)	-	-	-	(38,470)
March 31, 2017	1,621,768	612,895	578,692	61,846	23,840	49,920	2,948,961
Depreciation							
April 1, 2015	383,708	470,720	546,094	26,584	-	-	1,427,106
Charge for the year	45,192	27,113	29,849	6,614	-	-	108,768
Impairment loss	-	9	-	-	-	-	9
Adjustments	(1)	-	(16)	-	-	-	(17)
Eliminated on disposals	-	(2,870)	(56,213)	(7,970)	-	-	(67,053)
March 31, 2016	428,899	494,972	519,714	25,228	-	-	1,468,813
Charge for the year	40,376	24,785	34,130	9,038	-	-	108,329
Impairment loss	-	285	-	-	-	-	285
Adjustments	-	24	-	442	-	-	466
Eliminated on disposals	-	(9,693)	(28,777)	-	-	-	(38,470)
March 31, 2017	469,275	510,373	525,067	34,708	-	-	1,539,423
Net Book Values							
March 31, 2017	1,152,493	102,522	53,625	27,138	23,840	49,920	1,409,538
March 31, 2016	1,192,869	81,143	42,883	13,640	33,305	49,920	1,413,760

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

16 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

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

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

	2017	2016
Buildings/related infrastructure	217,143	217,143
Furniture, fixtures and office equipment	162,269	160,423
Artwork	13,931	13,931
	393,343	391,497

17 PAYABLES AND ACCRUALS

	2017	2016
Accounts payable and accruals*	1,788,099	1,581,192
Scheme deposits	99,810	88,234
Statutory and other payroll deductions	69,185	56,664
Retention payable	222,459	187,458
GCT payable	756,695	572,282
Withholding Tax Specified Services	2,091	671
Sums withheld for modification of covenants	162,901	153,702
Other payables	1,039,404	816,429
Peril insurance claims [note 31(b)(i)]	17,070	26,997
	4,157,714	3,483,629

*The above balances primarily comprise amounts outstanding for purchases and other on-going operational costs.

18 PROVISIONS

	Sundry claims (a)		Employee Benefits (b)		Total	
	2017	2016	2017	2016	2017	2016
Balances at beginning of the year	49,831	109,126	95,540	84,050	145,371	193,176
Recognised in profit or loss for the year	(36,831)	(59,295)	6,442	11,490	(30,389)	(47,805)
Balance at end of the year	13,000	49,831	101,982	95,540	114,982	145,371

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

18 PROVISIONS (CONT'D)

(a) Sundry claim represents the (write back)/provision for the settlement of a legal claim against the Trust [note 36(i)].

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

19 REFUNDABLE CONTRIBUTIONS

	2017			2016
	Currently Due	Not Yet Due	Total	Total
Contributions refundable	19,471,047	65,700,598	85,171,645	81,936,010
Bonus accrued (a)	2,540,553	3,539,220	6,079,773	5,880,277
	22,011,600	69,239,818	91,251,418	87,816,287
Represented by:				
Savings Accounts				
Principal	13,258,186	-	13,258,186	13,708,830
Interest	90,007	-	90,007	93,376
	13,348,193	-	13,348,193	13,802,206
Time Accounts				
Principal	-	40,333,133	40,333,133	30,937,438
Interest	-	2,801,495	2,801,495	3,322,549
	-	43,134,628	43,134,628	34,259,987
Total for which personal accounts are established	13,348,193	43,134,628	56,482,821	48,062,193
Balances for which no personal accounts are established (b)	8,663,407	26,105,190	34,768,597	39,754,094
Total refundable employee Contributions	22,011,600	69,239,818	91,251,418	87,816,287

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

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

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

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

The Trust has implemented a number of strategies to address this problem. During the current financial year, 845,267 (2016: 464,043) individual (time) accounts totalling $16.65 billion (2016: $9 billion) were created.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

20 DEFERRED TAX LIABILITY

Deferred tax liability is attributable to the following:

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

	2016			
	Balance at April 1, 2015	Recognised in income	Recognised in other comprehensive income	Balance at March 31, 2016
Interest payable	(51,393)	11,276	-	(40,117)
Employee benefits asset (net)	404,341	13,867	3,924	422,132
Accelerated depreciable charges	(4,790)	(1,012)	-	(5,802)
Revaluation of properties	22,745	-	(758)	21,987
Interest receivable	301,227	66,342	-	367,569
Interest receivable and share of net assets of association	36,059	(7,498)	-	28,561
Unrealised foreign exchange gains	3,970	(2,948)	-	1,022
Rental income receivable	6,252	(4,178)	-	2,074
Other assets	2,319	(2,158)	-	161
Net liabilities	720,730	73,691	3,166	797,587

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

21 FAIR VALUE AND OTHER RESERVES

	Other Reserves			
	Fair value reserve	Unallocated contributions reserve	Property revaluation reserve	Total
Balances at March 31, 2015	377,497	711,711	209,198	1,298,406
Net increase in fair value of available-for-sale investments	724,615	-	-	724,615
Impairment loss on available-for-sale equity investments charged to income	(1,384)	-	-	(1,384)
Gain on disposal of investment securities transferred to profit for loss	(119,302)	-	-	(119,302)
Contribution shortage on annual return	-	(256)	-	(256)
Deferred tax arising on revaluation of property, plant and equipment (note 20)	-	-	758	758
Balances at March 31, 2016	981,426	711,455	209,956	1,902,837
Net increase in fair value of available-for-sale investments	1,111,051	-	-	1,111,051
Gain on disposal of investment securities transferred to profit or loss	(78,621)	-	-	(78,621)
Contribution shortage on annual return	-	(5)		(5)
Deferred tax arising on revaluation of property, plant and equipment (note 20)	-	-	758	758
Balances at March 31, 2017	2,013,856	711,450	210,714	2,936,020

22 MORTGAGE SUBSIDY RESERVE

In July 2010, the Trust implemented a Mortgage Subsidy Programme for applicants who fall within those income bands which are charged 1% to 3% interest, and have been contributing to the Trust for a minimum of 10 years. The Trust approves a maximum of 20% of its quarterly surplus after tax to be used to finance the Mortgage Subsidy Programme. The utilisation of the subsidy is dependent on the eventual successful completion of the application process by contributors. The actual take up of the subsidy by eligible contributors during the year amounted to $218.63 million (2016: $232.02 million) (note 27).

23 PERIL RESERVE

The Trust's insurance policy deductible is US$30 million (2016: US$30 million), i.e., peril insurance claims up to this amount will be for the account of the Trust (claims over this amount will be for the account of the insurer) [note 31(b)(i)].

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

	2017	2016
Cash and cash equivalents [note 6(b)]	506	1,008
Resale agreements [note 8(b)]	1,888	3,270
Available-for-sale securities [note 9(b)(i)]	45,020	41,139
	47,414	45,417

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

24 LOAN LOSS RESERVE

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

During the year, an increase of $212.44 million (2016: $142.12 million) was made to the loan loss reserve, to cover any losses that may arise from the loans referred to above as well as other mortgage loans [note 11(a)].

25 DISTRIBUTIONS

(i) Transfer to consolidated fund

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

(ii) Special distribution

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

26 MISCELLANEOUS INCOME

	2017	2016
Refundable contribution*	1,500,842	-
Penalty income	141,745	96,034
Debt management fees	106,598	100,541
Peril and life insurance administrative fees	166,174	289,326
Others	240,127	383,356
	2,455,066	1,150,883

* During the year, the Board approved the write-off of certain refundable contributions that were refundable for the periods 1999 to 2007, for which no claims have been made and the identities of the contributors were unknown.

27 SPECIAL SUBSIDIES AND GRANTS

	2017	2016
Special projects:		
Inner City Housing Project	15,111	909
Emancipation Park [net of recoveries of $5.19 million (2016: $5.193 million)]	92,834	86,501
Grants:		
Mortgage Subsidy (note 22)	218,628	232,026
Property maintenance – Orange Grove	7,092	17,454
Others	86,855	37,349
	420,520	374,239

28 TAXATION

(a) Taxation recoverable

	2017	2016
Balance at the beginning of the year	6,190,242	5,917,074
Additions during the year	321,949	273,168
Balance at the end of the year	6,512,191	6,190,242

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.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

28 **TAXATION (cont'd)**

(b) Taxation payable

	2017	2016
Balance at the beginning of the year	3,609,104	2,466,004
Current tax charge for the year	1,088,088	1,143,100
Balance at the end of the year	4,697,192	3,609,104

(c) Recognised in profit or loss for the year

(i) The taxation charge for the year comprises:

	2017	2016
Current tax	1,088,088	1,143,100
Deferred tax (note 20)	(1,116)	73,691
	1,086,972	1,216,791

(ii) Reconciliation of effective tax rate:

	2017	2016
Profit before taxation	25,260,040	19,336,121
Expected tax at domestic income tax rate of 25%	6,315,010	4,834,030
Tax effect of amounts not deductible	27,199	27,188
Tax effect of income not subject to tax	(5,276,779)	(3,669,161)
Net effect of other charges and allowances	21,542	24,734
Taxation charge	1,086,972	1,216,791

29 **PROFIT FOR THE YEAR**

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

(a) Revenue on financial assets:

	2017	2016
Financial assets at amortised cost:		
- Rescheduled loans	51,826	45,009
- Unimpaired loans	9,664,577	9,165,109
	9,716,403	9,210,118
Interest income on investments:		
- Available-for-sale investment securities	1,466,296	1,321,472
- Fair value through profit or loss investment securities	171,692	168,395
	1,637,988	1,489,867
	11,354,391	10,699,985
Dividends	24,953	25,573
	11,379,344	10,725,558

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

29 **PROFIT FOR THE YEAR (cont'd)**

(b) Bonus on employees' contributions:

	2017	2016
- Savings accounts	(431,382)	(404,811)
- Time accounts	(1,144,454)	(1,132,748)
	(1,575,836)	(1,537,559)

(c) Gain on financial assets

	2017	2016
(i) Gains on indexed bonds	97,601	135,015
(ii) Gain on disposal of available-for-sale securities Equity securities	78,621	119,302

(d) Expenses by nature:

	2017	2016
Audit fees	9,991	10,317
Depreciation	108,797	108,750
Impairment of property, plant and equipment	284	9
Amortisation of intangible assets	3,875	5,869
Employees costs (note 35)	4,396,867	3,890,585
Office rental, maintenance and security	269,442	243,264
Electricity and telephone	163,638	140,339
Site expenses	285,562	208,687
Data processing – Licences and maintenance	217,075	241,475
Irrecoverable General Consumption Tax	154,384	144,389
Others	916,683	644,999
	6,526,598	5,638,683

30 **RELATED PARTY BALANCES/TRANSACTIONS**

Operating transactions

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

	Loans granted		Balance owed (including interest)	
	2017	2016	2017	2016
Key management personnel	17,934	1,370	73,158	71,427
Board of Directors and Committee members	-	-	6,204	8,201

Compensation of key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

30 RELATED PARTY BALANCES/TRANSACTIONS (CONT'D)

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

	2017	2016
Board of Directors and Committee members:		
Directors' fees	2,131	2,363
Directors' remuneration	25,158*	16,361
Other key management personnel:		
Salaries and other benefits	100,635	86,032
Post-employment benefits	6,896	5,711
	107,531	91,743
	134,820	110,467

* Directors remuneration for the current year includes retroactive payments.

31 COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2017	2016
(i) Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	11,903,392	8,399,166
Purchase of land	382,917	1,607,917
Inner City Housing Project	225,085	223,907
	12,511,394	10,230,990

	2017	2016
(ii) Authorised and approved but not contracted for -		
Computer software development	13,000	25,000
Office refurbishing	137,700	55,300
Construction contracts under negotiation	788,118	138,648
Mortgage subsidy	791,742	784,290
	1,730,560	1,003,238

31 COMMITMENTS AND CONTINGENCIES

(b) Contingencies

(i) *Peril insurance claims*

The Trust's self-insured retention on its peril insurance cover was US$30 million (J$3.83 billion) [2016: US$30 million (J$3.64 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 was insured for full value on all earthquake perils and for all other perils above the Self Insurance Retention (note 23).

At year-end, claims made by beneficiaries provided for but not yet processed by the Trust amounted to approximately $17.1 million (2016: $27.0 million) (note 17).

(ii) *Litigation*

The Trust is involved in litigations in the normal course of operations. Management believes that, apart from the matters referred to in note 36, liabilities, if any, arising from such litigations will not have a material adverse effect on the financial position of the Trust.

(iii) T*axation*

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

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

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

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

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

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

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

Financial risk management policies and objectives

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

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

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

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

The Finance Committee, Audit Committee, Risk management and Information Systems Committee, Technical Committee, HRM, Communication and Governance Committee, Diaspora Committee and the Internal Audit Department.

Finance and Investment Committee

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

Audit Committee

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

HRM and Information Technology Committee

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

Properties and Technical Committee

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

Customer Relations and Governance Committee

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

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

The Internal Audit Department

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

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

(a) Market risk

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

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

Management of market risk

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

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

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

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

(i) Equity price sensitivity analysis

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

If quoted equity prices had been 10% (2016: 10%) higher/lower, fair value and other reserves in accumulated fund for the year ended March 31, 2017 would increase/decrease by $111.17 million (2016: $75.13 million) as a result of the changes in fair values of the available-for-sale securities.

(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.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

At March 31, 2017, the carrying amounts of the Trust's foreign currency denominated financial assets were as follows:

	Assets	
	2017	2016
	US$	US$
Cash and bank balances	808	115
Resale agreements	1,894	3,281
Investment securities	48,605	42,368
	51,307	45,764

The exchange rate of the United States dollar in relation to the Jamaica dollar was US$1 to J$128.53 (2016: US$1 to J$121.97).

Foreign currency sensitivity analysis

The following table details the Trust's sensitivity to a 1% revaluation and 6% devaluation (2016: 1% revaluation and 6% devaluation) of the Jamaica dollar against the United States dollar. The change in the sensitivity rates below are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	201		2016	
	6% revaluation of the US$	1% devaluation of the US$	6% revaluation of the US$	1% devaluation of the US$
Effect on profit for the year	374,835	(62,472)	310,058	(51,676)

The Trust's sensitivity to foreign currency has increased during the current period mainly due to the growth in holdings of foreign currency investments. The analysis is done on the same basis as for 2015 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 surplus 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.

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(iii) Interest rate risk (cont'd)

	2017						
	Within 3 months	Within 3-12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total	Weighted effective interest rate %
Assets:							
Cash and bank balances	4,559,585	-	-	-	845,049	5,404,634	6.22
Receivables	7,357	30,112	667,155	164,071	395,048	1,263,743	2.49
Resale agreements	3,344,674	739,334	-	-	-	4,084,008	6.49
Investment securities	1,192,220	976,325	3,163,559	11,570,828	1,405,055	18,307,987	6.29
Loans receivable	9,594,241	1,180,670	3,625,132	191,656,670	-	206,056,713	4.78
Total assets	18,698,077	2,926,441	7,455,846	203,391,569	2,645,152	235,117,085	
Liabilities							
Payables	-	-	-	-	3,100,314	3,100,314	
Refundable contributions	2,223,000	19,788,600	28,282,296	40,957,522	-	91,251,418	3.61
	2,223,000	19,788,600	28,282,296	40,957,522	3,100,314	94,351,732	
Net interest rate sensitivity gap	16,475,077	(16,862,159)	(20,826,450)	162,434,047	(455,162)	140,765,353	
Cumulative gap	16,475,077	(387,082)	(21,213,532)	141,220,515	140,765,353		

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(iii) Interest rate risk (Cont'd)

	2016						
	Within 3 months	Within 3-12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total	Weighted effective interest rate %
Assets:							
Cash and bank balances	2,502,502	-	-	-	1,868,957	4,371,459	5.38
Receivables	7,644	21,793	358,040	117,406	554,544	1,059,427	1.96
Resale agreements	3,150,957	76,893	-	-	-	3,227,850	5.64
Investment securities	1,583,675	1,746,920	4,129,435	8,891,794	1,012,175	17,363,999	6.63
Loans receivable	9,926,675	204,756	2,970,152	179,863,019	-	192,964,602	4.90
Total assets	17,171,453	2,050,362	7,457,627	188,872,219	3,435,676	218,987,337	
Liabilities							
Payables	-	-	-	-	2,679,629	2,679,629	-
Refundable contributions	2,874,951	16,705,006	47,106,477	21,129,853	-	87,816,287	3.42
	2,874,951	16,705,006	41,106,477	21,129,853	2,679,629	90,495,916	
Net interest rate sensitivity gap	14,296,502	(14,654,644)	(39,648,850)	167,742,366	756,047	128,491,421	
Cumulative gap	14,296,502	(358,142)	(40,006,992)	127,735,374	128,491,421	-	

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates from non-derivative instruments at the reporting date. For floating rate assets, the analysis is prepared assuming the amount of assets held at the reporting date was held throughout the year. For Jamaica dollar instruments, a 100 basis points increase and a 100 basis points decrease (2016: 100 basis points increase and 100 basis points decrease) and for US$ denominated instruments, a 100 basis points increase and a 50 basis points decrease (2016: 100 basis points increase and 50 basis points decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and 100 basis points lower (2016: 100 basis points higher and 100 basis points lower) for Jamaica dollar instruments and 100 basis points higher and 50 basis points lower (2016: 100 basis points higher and 50 basis points) for US$ denominated instruments and all other variables were held constant, the Trust's:

- profit for the year ended March 31, 2017 would increase by $89.2 million (2016: $70.2 million) or decrease by $87.6 million (2016: $67.6 million). This is mainly attributable to the Trust's exposure to interest rates on its variable rate investment securities.

- fair value and other reserves would increase by $912.8 million or decrease by $904.4 million (2016: increase by $935.0 million or decrease by $925.1 million), mainly as a result of the changes in the fair value of available-for-sale variable rate instruments.

- cashflows from floating rate assets would increase by $3.3 million or decrease by $3.3 million (2016: increase by $13.3 million or decrease by $13.3 million), mainly as a result of the changes in the weighted average coupon rate earned of 7.34% (2016: 6.54%) on available-for-sale variable rate instruments.

(b) Credit risk

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

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

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(b) Credit risk (Cont'd)

(i) Loans receivable

The Trust has a significant credit risk exposure in respect of loans to beneficiaries and financial institutions, and advances to developers for housing construction. The Trust establishes policies and procedures which govern standards for granting loans and the process of continuous monitoring and measurement in relation to delinquency and debt recovery management.

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

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

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

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

Collateral

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

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

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(b) Credit risk (Cont'd)

(i) Loans receivable (Cont'd)

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

	2017	2016
Properties	62,412,534	76,012,180

Repossessed collateral

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

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

	2017		2016	
	Carrying Value	Value of Collateral	Carrying Value	Value of Collateral
Residential properties	2,197,784	9,189,979	2,165,593	9,567,069

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

(ii) Investment securities, 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 fulfill their financial obligations to the Trust as they fall due.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(b) Credit risk (Cont'd)

(ii) Investment securities, resale agreements and cash and cash equivalents (Cont'd)

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

	2017	2016
Government of Jamaica (GOJ)	13,417,710	11,791,211
Bank of Jamaica (BOJ)	3,377,989	4,410,400
Others	10,155,883	6,892,731
Total	26,951,582	23,094,342

(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.

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(c) Liquidity risk (Cont'd)

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

As at March 31, 2017:		Contractual cash flows				
	Carrying value	Within 3 Months	Within 3-12 Months	1 to 5 Years	Over 5 Years	Total
Liabilities						
Payables and accruals	3,100,314	3,100,314	-	-	-	3,100,314
Refundable Contributions	91,251,418	2,496,000	22,241,547	30,853,414	42,557,099	98,148,060
Total liabilities	94,351,732	5,596,314	22,241,547	30,853,414	42,557,099	101,248,374

As at March 31, 2016:		Contractual cash flows				
	Carrying value	Within 3 Months	Within 3-12 Months	1 to 5 Years	Over 5 Years	Total
Liabilities						
Payables and accruals	2,679,629	2,679,629	-	-	-	2,679,629
Refundable Contributions	87,816,287	3,228,015	18,746,493	51,010,758	21,924,564	94,909,830
Total liabilities	90,495,916	5,907,644	18,746,493	51,010,758	21,924,564	97,589,459

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Capital risk management

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

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

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

33 FAIR VALUES

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

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

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

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

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

	2016			
	Level 1	Level 2	Level 3	Carrying amount
Assets measured at fair value:				
- Available-for-sale securities note 9(b)	751,341	12,674,502	150,214	13,576,057

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

33 **FAIR VALUES (Cont'd)**

Valuation techniques and significant unobservable inputs (Cont'd)

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

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

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

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

(ii) The carrying values of loans receivable (after deductions of provision for impairment), bonus to employees not yet due and refundable contributions not yet due are assumed to approximate their fair values based on the fact that there will be no discount or premium on settlement.

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale unlisted shares	Securities at-FVTPL debt securities	Total
At March 31, 2015	193,181	3,652,017	3,845,198
Total gains or losses:			
- in profit or loss	-	135,925	135,925
- in other comprehensive income	(110)	-	(110)
Disposals/settlements	(42,857)	-	(42,857)
Transfers out of level 3	-	(3,787,942)	(3,787,942)
At March 31, 2016	150,214	-	150,214
Loss included in other comprehensive income	(123)	-	(123)
Disposals/settlements	(42,857)	-	(42,857)
At March 31, 2017	107,234	-	107,234

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

There were no transfer between levels during the year.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

34 OPERATING LEASE ARRANGEMENTS

The Trust as a lessee

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

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

	2017	2016
Within one year	21,432	20,081

The Trust as a lessor

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

The property rental income earned by the Trust from these properties in the period amounted to $2.85 million (2016: $2.12 million).

Maintenance charges received on these properties in the period amounted to $11.42 million (2016: $10.80 million).

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

	2017	2016
Within one year	2,468	2,197
Within two to five years	12,601	11,214
Over 5 years	3,975	3,538
	19,044	16,949

35 OTHER DISCLOSURES – EMPLOYEES’ COSTS

	2017	2016
Salaries and wages including statutory contributions	3,660,088	3,257,123
Employee benefits (note 15)	42,317	98,040
Other staff costs	694,462	535,422
	4,396,867	3,890,585

(Epressed in thousands of Jamaica dollors unles ortherwise stated

36 LITIGATION AND CLAIMS

The Trust is involved in a litigation and claims with a developer some of which have been settled. The current positions are as follows:

(i) Privy Council's judgement

The Judicial Committee of the Privy Council on October 19, 2015 handed down its judgment in favour of the Trust. The Privy Council, in allowing the Trust's appeal and setting aside the Court of Appeal's decision, set aside the supplementary award of compound interest in the sum of $214,512,232, stating that the Arbitrator, in awarding compound interest, acted in excess of his jurisdiction. The matter was, therefore, remitted to the Arbitrator for the issue of an appropriate simple interest rate to be considered.

The Attested Copy Order was received from the Privy Council and demand made on the developer's bank to repay to the Trust the $214,512,232, pursuant to its Guarantee of March 3, 2014. Payment was received from the developer's bank on December 9, 2015.

The submissions on costs were filed in the Privy Council on December 2, 2015 and an Order dated November 3, 2016 was received.

Prior to completion of the arbitration proceedings, however, the parties entered into a settlement agreement whereby simple interest of $51,800,000 payable to the developer was calculated using Bank of Jamaica's annual average commercial banks domestic currency weighted loan interest rate for commercial credit.

The costs and interest payable by the developer to the Trust for the Supreme Court Costs (85%), Court of Appeal Costs and Privy Council Costs, pursuant to the Order of the Judicial Committee of the Privy Council dated November 3, 2016, were agreed in the sum of $38 million.

The costs were set-off against the interest payable and the net sum of $13 million is payable to the developer at March 31, 2017.

(ii) New arbitration proceedings

In March 2009, new arbitration proceedings commenced in respect of the re-measurement of works and final accounts on the project by the said developer. An award was made by the Arbitrators on October 7, 2009 in favour of the developer amounting to $144.6 million. The Trust appealed.

At a case management meeting in May 2010 prior to hearing of the appeal, it was agreed that the Trust would pay the sum of $144.6 million into an interest bearing account in the joint names of the Attorneys-at-Law.

Judgement was handed down in favour of the Trust on December 18, 2014 whereby the Court ordered that:

- The award dated October 7, 2009 was void, and be set aside,
- Costs to the National Housing Trust to be agreed or taxed.

The Trust has since been served with Notice of Appeal by the developer.

The appeal was scheduled for hearing on March 14, 2016, but due to the unavailability of Counsel, the matter was rescheduled for June 6, 2016.

Letter dated October 27, 2016 from lawyers of the Trust provided an update on the proceedings in the Court of Appeal. The Court ordered that the appeal and counter notice, both having been withdrawn, be dismissed. The position was that the Arbitration Award would be set aside pursuant to the Order of the Courts.

(Epressed in thousands of Jamaica dollors unles ortherwise stated

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

	2017	2016
Provisions for losses on projects	91,620	30,610
Provisions on projects written back	-	(3,129)
Increase in provisions on loans receivable	229,626	268,227
Bonus on employees' contributions	1,575,836	1,537,558
Contribution Incomplete records written-off	(1,500,842)	-
Adjustments to contribution collections (net)	(2,904,897)	-
Provision for other receivables	58,463	(1,993)
Depreciation	108,329	108,768
Impairment of property, plant and equipment	285	9
Gain on disposal of property, plant and equipment	-	(2,632)
Adjustments to property, plant and equipment	2,180	1,207
Service charges amortised	(1,291,759)	(1,121,489)
Intangible assets amortised	3,875	5,869
Loss on impairment of equity investment portfolio	-	(1,384)
Gain in revaluation of held for trading investment securities	(97,601)	(135,015)
Gain on disposal of investment securities	(78,621)	(119,302)
Employee benefit charge (net) (Note 15)	42,317	98,040
Dividend income	(24,953)	(25,573)
Interest Income	(11,354,391)	(10,699,985)
Foreign exchange adjustment	42,124	(149,518)
Share of losses of associates	44,014	29,992
Tax expense	1,086,972	1,216,791
Provisions charged during the year	(30, 389)	(47,805)
Adjustments to reconcile profit for the year to cash flows from operating activities	(13,997,812)	(9,010,754)

SUPPLEMENTARY INFORMATION

TO THE
FINICIAL STATEMENT
YEAR ENDED
MARCH 31, 2017

SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

The movement on contributions is as follows:

	2017		2016	
	Refundable Employees' Contributions Not Yet Due	Non-Refundable Employers' Contributions	Refundable Employees' Contributions Not Yet Due	Non-Refundable Employers' Contributions
Balance at beginning of year	64,832,074	129,064,634	59,859,667	115,189,739
Collections during the year				
- Employed	10,073,471	16,749,375	9,571,001	13,874,895
- Self-employed	1,459,856		1,139,513	
Contributions relating to time maturities transferred to cash grants	(6,958,798)	-	(6,592,097)	-
Interest capitalized	1,006,818	-	1,047,668	-
Collections relating to time maturities transferred to cash grants	(1,486,943)	-	(771,396)	-
Contribution Incomplete Records**	(1,500,842)	-	-	-
Adjustments and reclassification	(1,725,038)	2,051,193	577,718	-
Balance at end of year	65,700,598	147,865,202	64,832,074	129,064,634

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

SUPPLEMENTARY INFORMATION
YEAR ENDED
MARCH 31, 2017

(Epressed in thousands of Jamaica dollors unles ortherwise stated

INCOME TAX COMPUTATION

Surplus per accounts			25,260,039,727
Add:			
	Depreciation	108,796,714	
	Amortisation of intangible assets	3,875,035	
	Interest receivable as at 01/04/16	1,470,278,965	
	Rental income receivable as at 01/04/16	8,298,439	
	General provisions (mortgage loan) as at 31/03/16	10,308,083	
	Unrealised foreign exchange loss as at 31/03/16	4,087,981	
	Retirement Benefit Expense	42,317,000	
	Interest receivable NWC Green Pond as at 31/03/16	359,750	
	Interest payable on Refundable Contributions as at 31/03/17	6,079,773,132	
	Accrued vacation as at 31/03/17	101,982,000	
	Share of comprehensive losses of associates	44,014,285	
			7,874,091,384
			33,134,131,111
Less:	Non-refundable employers' contributions	18,800,568,333	
	Dividend income	24,953,074	
	Interest receivable as at 31/03/17	1,393,525,526	
	Rental income receivable as at 31/03/17	7,354,142	
	Contributions paid retirement benefits	188,112,000	
	Interest revenue on tax free investment (FVTPL security)	171,692,217	
	Fair value adjustment on tax free investment	97,600,919	
	Gain on disposal of investment security	78,621,256	
	Unrealised net foreign exchange gain (interest) as at 31/03/17	8,619,588	
	Foreign exchange gain capital as at 31/03/17	271,056,741	
	Income receivable NWC Greenpond	101,400	
	General provision (mortgage loan) as at 31/03/16	9,128,748	
	Interest payable on Refundable Contribution as at 31/03/16	5,880,276,088	
	Accrued vacation as at 31/03/16	95,540,000	
	Transfer of income from incomplete contribution records	1,500,841,838	
	Reversal on Interest: YP Seaton	161,781,726	
			28,689,773,596
			4,444,357,515
Less:	Capital allowances		
	Initial	9,327,008	
	Annual	82,410,515	
	Balancing	269,086	
			92,006,609
Taxable profit			4,352,350,906
Tax Payable:			
Income tax @ 25%			1,088,087,726

DIRECTORS' COMPENSATION
April 2016
to March 2017

Position of Director	Fees ($)	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Nigel Clarke – Chairman	184,000.00				184,000.00
BOARD MEMBERS:					
Anthonette Patterson-Bartley Director	104,500.00				104,500.00
David Wan - Director	191,900.00				191,900.00
Deborah Newland - Director	109,300.00				109,300.00
Doran Dixon - Director	315,797.00				315,797.00
Granville Valentine - Director	69,600.00				69,600.00
Jeffrey Hall - Director	69,800.00				69,800.00
Kavan Gayle - Director	245,200.00				245,200.00
Kerensia Morrison - Director	118,700.00				118,700.00
Lennox Channer - Director	120,800.00				120,800.00
Nesta-Claire Hunter - Director	146,500.00				146,500.00
O-Neil Grant - Director	152,400.00				152,400.00
Ryan Parkes - Director	229,100.00				229,100.00
Sonia Hyman (Former) Director	10,998.00				10,998.00
Martin Miller - Managing Director					
CO-OPTED MEMBERS:					
Gary-Vaughn White	20,700.00				20,700.00
Justin Nam	34,500.00				34,500.00
Ricardo Case	6,900.00				6,900.00
TOTAL	**$2,130,695**				**$2,130,695**

Note:

1. Sonia Hyman – though not a member of the current board, outstanding payment was made to Ms. Hyman in the current period.

SENIOR EXECUTIVE COMPENSATION
April 2016 to March 2017

Position of Senior Executive	Salary ($)	Gratuity or Performance Incentive ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances ($)	Non-Cash Benefits ($)	Total
Martin Miller[2] Managing Director	15,117,464	1,592,527	3,133,291			5,314,999	25,158,281
Donald Moore SGM, Construction & Development	9,379,721	1,105,371	1,431,888			1,619,943	13,536,923
Neil Miller[2] SGM, Corporate Services	9,342,596	1,184,627	1,341,624			4,311,342	16,180,189
Errol Thompson[2] SGM, Finance	9,334,771	1,204,656	1,431,888			4,348,375	16,319,690
Judith Larmond-Henry Company Secretary	8,168,397	1,047,143	1,341,624			1,127,907	11,685,071
Chief Internal Auditor							
Lisa Myrie-Davis	2,675,667		447,208				3,122,875
Lorna Walker[1]	5,253,348	907,572	894,416			3,242,733	10,298,069
Lanie-Marie Oakley Williams SGM, Customer Relations	9,379,721	1,204,656	1,431,888			1,619,943	13,636,208
GM – HRM							
Errol Holmes	3,343,993		1,006,218				7,687,626
Jeneita Towsend[1]	4,549,582	1,003,919	548,892			1,127,907	3,792,885
Leighton Palmer Chief Information Officer	7,652,719	923,647	1,431,888			1,127,907	11,136,161
TOTAL	**84,097,979**	**10,174,118**	**14,440,825**			**23,841,056**	**132,553,978**

Note:

1. Ms. Lorna Walker and Ms. Jeneita Townsend demitted office during the year.
2. Non-cash benefits include retroactive adjustments for periods 2013 - 2016.

ADMINISTRATION

MANAGING DIRECTOR
Martin Miller

SENIOR GENERAL MANAGERS
Neil Miller – Corporate Services
Donald Moore – Construction & Development
Dr. Lanie-Marie Oakley Williams – Customer Relations Management
Errol Thompson – Finance

GENERAL MANAGERS
Judith Larmond Henry – Company Secretariat & Legal Services
Lisa Myrie-Davis – Internal Audit
Leighton Palmer – Information Services
Errol Holmes – Human Resources Management

ASSISTANT GENERAL MANAGERS
Dave Campbell – Financial Reporting and Cost Management (Acting)
Camille Chevannes – Legal Conveyancing & Mortgage Registry
Maxine Hart – Project Management Office
Dian Isaacs – Corporate & Business Strategy (Acting)
Gladstone Johnson – Contributions Processing
Quinton Masters – Project Appraisal Management
Helen Pitterson – Company Secretariat & Legal Services
Hortense Rose – Corporate Communications
Joyce Simms-Wilson – Marketing and Sales (Acting)
Michael Taylor – Project Management
Judith Thompson Newsome – Branch Network (Acting)
Elton Vassell – Receivables, Banking & Investments
Suzanne Wynter – Loan Management

MANAGERS
Herman Baker - Industrial Relations & Staff Benefits, HRM
Richard Blackwood – Management Support, HRM
Everton Boothe – Loan Portfolio Management
Judith Brown – Accounts Payable & Payroll
Keith Clarke – Inner City Housing Programme
Percival Cunningham – Technical Support, Information Systems
Shani Dacres-Lovindeer – Project Management, Joint Venture
Kareen Daley – Application Development & Support
Clive Davis – Project Appraisal Management
Joan Dennis – Project Management, NHT Developed Projects
Dwight Ebanks – Investments
Clivia Green – Compliance
Harvey Hall – Business Analysis
Ransford Hamilton – Property Management
Cheryll Harris-Walder – Project Management, PMO

Rohan Jones – Information Systems Security
Paul Oliver – Loan Accounting
Donnetta Russell – Customer Care
Brian Saunders – Project Management, Special Projects
Philbert Solomon – Banking and Accounts Receivables
Audley Stewart – Contributor Accounts
Sheryl Stewart – Planning & Research (Acting)
Ricardo Williams – Internal Audit
Wendy-Jo Williams - Social

BRANCH NETWORK:

MANAGERS

Lorna Bernard – Kingston & St Andrew (Acting)
Morcelle Brown – Customer Service, Kingston & St Andrew
Narvia Drummond-Melbourne – Clarendon
Donovan Evans – St James (Acting)
Janet Hartley Millwood – St Catherine
Eric McLeish – Manchester
Dameon McNally – St Ann
Norris Rainford – Westmoreland
Ava-Ann Scott – New Loans, Kingston & St Andrew

SENIOR CUSTOMER SERVICE REPRESENTATIVES

Sancia Cornwall – St Elizabeth
Karen Forbes – Rodney – Portland
Althea Green – Trelawny
Nichole Howden – Hanover
Ketrion Verisales – St Mary
Cotchesta Watson – St Thomas

LEGAL TEAM:

LEGAL SERVICES
Sheron Green Brown
Donna Stephenson
Nadine Taylor
Dawn Walker

LEGAL CONVEYANCING

Alayne Bennett
Sharon Blair
Tashia Madourie
Marisa Forbes Spencer
Carol Higgins
Jefferine Stubbs-Rubbock
Mazielyn Walker