Building Jamaica. One community at a time.

BUILDING COMMUNITIES. BUILDING JAMAICA.

Annual Report **2016/2017**

Vision

The Market Leader providing affordable, innovative and environmentally friendly housing solutions and services.

Mission

The HAJ provides affordable housing solutions and services to potential homeowners and agencies through product innovation, excellent customer service and strategic partnerships delivered by highly motivated employees.

HOUSING agency of JAMAICA LIMITED

Building Jamaica. One community at a time.

Core Values

I ***CARE***, together we care.

I ntegrity
C are
A ccountability
R espect
E xcellence

HAJ HOUSING *agency of* JAMAICA LIMITED

Building Jamaica. One community at a time.

CONTENTS

Who we Are

CORPORATE PROFILE

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

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

HAJ's main activities include property development, the construction and sale of housing solutions for low to middle income earners and the regularization of tenure on land through titling services.

HAJ's main operational functions are discharged as follows:

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

CORPORATE INFORMATION

Registered Office

13 Caledonia Avenue
Kingston 5
Tel: (876) 968-7536-9; 968-7522-4
Fax: (876) 929-5908
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www.facebook.com/HousingAgencyofJamaica
@HousingAgencyJA
@Housing AgencyJA

Branches

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

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

Auditors

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

Message from the

CHAIRMAN OF THE BOARD

The Board has now been in office for its first full year, over which period the Agency's strategic action plan has been operationalized. The top priority was to complete projects which are resulting in the organization's profitability. Accordingly, Whitehall 3 in Westmoreland is close to delivery while Hills of Boscobel in St. Mary and Luana Gardens in St. Elizabeth were completed.

The Agency completed and had a successful launch of its eighty (80) unit St. Ann development, The Vistas at Runaway Bay, which has significantly enhanced our standing in the marketplace. The Agency continues to seek a suitable partner to undertake development of the Bernard Lodge Estates in St Catherine. It is worthy of note that some progress had been recorded on the Green Pond project in St. James.

New projects, namely Shooter's Hill and Reid's Pen, both located in St. Catherine, as well as Vernon Drive, St James are at various stages of the planning process.

Brownfield settlements whose residents have been living for many years with inadequate infrastructure and without legal tenure, have received renewed attention. The Agency executed a programme of educational and informational community meetings, to sensitize householders on the vital need to acquire registered land titles. The programme was rolled out in sections of Norwood and Grange Pen in Montego Bay. The impact has been positive as payments from lot holders have significantly increased as more persons become qualified to receive their titles.

The Board of Directors recognizes that Brownfield settlements, of which Operation PRIDE communities constitute a very sizeable percentage, make up a significant segment of the population, and are in need of urgent regularization and upgrade.

This imperative includes the construction or rehabilitation of much-needed physical infrastructure as well as the delivery of registered land titles to qualified residents who have paid for their lots.

Housing Agency of Jamaica is the only entity with the mandate and skill sets to address this massive task, which if left unattended, will only worsen widespread unplanned development, with its attendant social ills of rising crime, poor sanitation and abysmal housing stock.

The Agency remains committed to this mission in the months and years ahead. While results have been mixed, overall progress has been made. The Agency is improving its efficiency and is more stable financially. In the face of the challenges which remain, we can look to the future with optimism.

Norman Brown
Chairman

The Board

OF DIRECTORS

Members of the Board as at March 31, 2017:

- **Norman Brown** - *Chairman*
- **Sylvester Tulloch** - *Vice Chairman*
- **Gary Howell** - *Managing Director*
- **Fay Hutchinson**
- **Ian Johnson**
- **Sonia McFarlane**
- **Reverend Conrad Pitkin**
- **Doreen Prendergast**
- **Joseph Shoucair**
- **Wayne Strachan**
- **John Valentine**
- **Davion Vassell**
- **Robert Lawrence**

Standing from left to right: John Valentine, Robert Lawrence, Sylvester Tulloch, Joseph Shoucair, Wayne Strachan, Ian Johnson and Doreen Prendergast, Seated from left to right: Gary Howell, Sonia McFarlane, Norman Brown and Fay Hutchinson (Absent: Reverend Conrad Pitkin, & Davion Vassell).

Board of DIRECTORS' REPORT

Financial Overview

Housing Agency of Jamaica Limited's objective continued to be to stabilize its financial status by reducing debt, increasing liquidity and improving profitability.

The Agency showed good signs of recovery in FY 2016/2017 by producing net profits on its operations of $183.723M before taxation. This is in stark contrast to the loss shown in the previous year of $885.287M.

Project Starts & Deliveries

While 1665 starts and 430 deliveries were planned for the year, these targets remained unmet at year end. Targets were unfulfilled as the Company concentrated its energies on completing projects which were started and had stalled or were incomplete, namely the Hills of Boscobel, Luana Gardens, Whitehall Phase 3, and Belle Air 3, Savannah Cluster Phase 1.

It is expected that the Agency will substantially fulfil these targets in the next financial year, specifically by:

- Finalizing sales of housing and lot solutions in Belle Air Phases 2 & 3;
- Closing sales of housing solutions in Hills of Boscobel and lots in Boscobel View;
- Commencing development of Greenfield housing projects in Reid's Pen and Shooter's Hill, St. Catherine;
- Operationalizing Public-Private Partnership arrangements to implement housing development projects (Bernard Lodge).

Land Titling Programme

The land titling programme continued this year, with educational forums to explain to residents of informal communities, the necessity of securing their land titles. This effort encouraged numbers of lot holders to arrange payments of outstanding amounts and receive their titles. As a consequence, the Agency was able to deliver in excess of 600 titles to qualified residents this year.

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

During financial year 2017/2018 projections are that over 1,000 titles will be transferred to lot-holders on Operation PRIDE lands. Projected financial targets for FY 2017/2018 are:

a. To earning a net profit of $863.08M, showing a significant improvement in the Company's performance.
b. To finance project implementation in the amount of $657.8M.
c. To meet General Administration costs of $453.5M.
d. To repay the NHT a minimum of $1,378M for Construction and PRIDE loans.
e. To pay the NHT $44.8M for the release of titles (set-offs) on mortgage shortfalls.
f. To pay down the Agency's Accounts Payable liabilities and Legal Claims of $36M.

The Board anticipates continued stabilization of the Agency's financial position and further improvement in operational efficiencies in the year ahead.

Corporate

GOVERNANCE

Summary of Board and Board Responsibilities

The Board is responsible for directing, guiding and overseeing the conduct of the Housing Agency of Jamaica Limited whilst adhering to the highest standards of responsibility, ethics and integrity to achieve business success.

The Corporate Governance Policy sets out the principles relevant to the operation of the Board and delineates the functions of the Board and those of the management.

Board Composition

As at March 31, 2017 there are twelve (12) non-executive members in addition to the Managing Director. The members were appointed by Cabinet Decisions No. 12/16 dated 18th April 2016 and No. 30/16 dated September 12, 2016.

The members of the board are:

- **Norman Brown** - *Businessman (Chairman)*
- **Sylvester Tulloch** – *Land Developer (Vice Chairman)*
- **Gary Howell** – *Managing Director*
- **Fay Hutchinson** – *Insurance Executive*
- **Ian C. Johnson** – *Commissioned Land Surveyor*
- **Robert Lawrence** – *Former Banker and IT Specialist*
- **Sonia McFarlane** – *Chartered Accountant*
- **Reverend Conrad Pitkin** – *Minister of Religion*
- **Doreen Prendergast** – *Chief Technical Director, Ministry of Economic Growth and Job Creation (Water and Housing)*
- **Joseph Shoucair** – *Attorney-at-Law (Acting Company Secretary)*
- **Wayne Strachan** – *Chartered Accountant*
- **John Valentine** – *Businessman*
- **Davion Vassell** – *Attorney-at-Law,*

Committees of the Board

The Board Charter provides for four (4) Committees to which members were named:

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

Finance Committee

The Finance Committee comprised two (2) Board members:

- Robert Lawrence (Chair)
- Wayne Strachan

This committee met six (6) times during the 2016/2017 financial year.

Projects and Planning Committee

The Projects and Planning Committee comprised five (5) Board members:

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

The Committee met ten (10) times during the 2016/2017 financial year.

Audit Committee

The Audit Committee comprised three (3) Board members:

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

The Committee met five (5) times during the 2016/2017 financial year.

Strategic Planning & Organizational Structure Committee

The Strategic Planning Committee comprised six (6) members:

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

The Committee met ten (10) times during the 2016/2017 financial year.

The Board met for a total of thirteen (13) sessions throughout the year in addition to a two-day Corporate Retreat held October 12 -13, 2016.

Attendance at Board and Committee Meetings for the period April 1, 2016 to March 31, 2017 is shown below:

Committees	Board Meeting	Strategic Planning & Organizational Structure Committee	Finance Committee	Planning & Projects Committee	Audit Committee	Total
No of meetings for the year	13	10	6	10	5	44
Norman Brown	13	10				23
Fay Hutchinson	10				4	14
Ian C. Johnson	1					1
Robert Lawrence	9	2	6			17
Sonia McFarlane	12				5	17
Rev. Conrad Pitkin	10	9				19
Doreen Prendergast	12			10		22
Joseph Shoucair	12	8		6		26
Wayne Strachan	7		6			13
Sylvester Tulloch	11	9		10		30
John Valentine	11	1		9		21
Davion Vassell	3				1	4

Table 1

Directors' Compensation

The following table shows total remuneration for Board Directors during the period under review:

Position of Directors	Fees ($)	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle ($)/	Honoraria ($)	All other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Director 1	407,100.00	456,840.00			863,940.00
Director 2	193,000.00	338,400.00			531,400.00
Director 3	160,500.00	13,160.00			173,660.00
Director 4	203,100.00	16,920.00			220,020.00
Director 5	208,300.00	-			208,300.00
Director 6	236,400.00	-			236,400.00
Director 7	243,200.00	-			243,200.00
Director 8	119,900.00	-			119,900.00
Director 9	62,900.00	-			62,900.00
Director 10	318,900.00	-			318,900.00
Director 11	201,500.00	-			201,500.00
Total	**2,354,800.00**	**825,320.00**			**3,180,120.00**

Table 2

Managing

DIRECTOR'S REPORT 2016/2017

"HAJ Committed To Providing Affordable Housing"

I am pleased to deliver the Managing Director's Report for 2016/2017 fiscal year, in what can only be described as a much improved year for the Housing Agency, in terms of its performance.

The primary focus of the Management Team was to complete outstanding projects and return the Agency to profitability. In large measure, this objective has been achieved and the foundation for future growth has been strengthened this year.

The year witnessed changes in the management structure, which saw second tier Managers being invited to act in Senior Management positions. The new Management Team re-energized efforts to build relationships with key stakeholders to good effect, while reviving and managing the advancement of earlier stalled projects.

Despite the challenges during the 2016/2017 year, HAJ generated revenues in excess of $1.2B. The performance for the period ending March 31, 2017 was encouraging, compared with the previous year's results. The Agency realized a profit of $183M before taxation and at the same time was able to pay down some of its long outstanding creditors.

Housing Agency of Jamaica Limited (HAJ) continues to contribute to the country's efforts in providing registered land titles to Jamaicans. This year, over 600 titles were issued to households in a number of communities. During the next fiscal year, these efforts will be significantly increased with the planning of a number of titling forums aimed at educating Jamaicans on the importance of acquiring a land title.

I would like to thank the Minister, Board of Directors, Permanent Secretary and the entire HAJ team for their efforts in moving the Company forward during a challenging period, and for proving that "together we can achieve anything we put our mind to." We are committed to achieving even more in the coming year.

Gary Howell
Managing Director

Senior

MANAGEMENT TEAM

Members of the Senior Management Team for FY 2016/2017:

- **Gary Howell** – *Managing Director*
- **Garfield Sewell** – *Senior Manager, Finance & Information*
- **Colin Henriques** – *Senior Manager, Project Implementation*
- **Richard Jones** – *Manager, Public Relations & Marketing*
- **Lorenzo Sandford** – *Acting Senior Manager, Sales & Services*
- **Joan Sicard** – *Senior Manager, Internal Audit*
- **Arlene Smith** – *Senior Manager, Human Resources & Administration*

Standing from left to right: Garfield Sewell, Collin Henriques, Richard Jones, and Lorenzo Sandford. Seated left to right: Joan Sicard, Gary Howell, Arlene Smith.

Corporate

STRATEGY

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

Initiatives	Outcomes	Actual	Upcoming Strategies
1. Finalize Public Private Partnerships (PPPs), Joint venture or Definitive Agreements.	Deliver 2,950 housing solutions by March 31, 2018.	No PPPs were signed during the reporting period.	The Agency continues to purse PPP arrangements with prospective parties.
2. Intensify Titling Programmes.	Issue 3,000 titles by March 31, 2018.	The reporting period, the Agency issued 607 titles with the balance to come be completed by March 2018.	The Agencies is executing a title drive and seeking additional grant funds in order to increase the issuance of titles.
3. Implement policy and procedures regarding design and implementation which will mitigate against project delays and increased costs.	Undertake business re-engineering processes by June 30, 2016.	The theoretical requirements of this task have been completed. The implementation of the newly proposed process is on-going.	The Technical Services Department will work closely with Human resources to implement the documented changes required.
4. Improve internal procedures to reduce processing times such as the Housing Act approval process and the processing of sales agreements.	Update internal processes, manuals and policies by June 30, 2016.	The update of internal Manuals & Policies 50% complete.	To be completed by the 3rd quarter of 2017/18 Financial Year.

Table 3

Review of

OPERATIONS

Financial Status

Operating Revenue for the financial year ended March 31, 2017 was a profit of $183.723M before taxation. This profit relates to the Agency's ability to finalised sales of solution in housing projects such as Hill of Boscobel, Boscobel View, Luana and Bell Air. Operating expenses saw some decline to $478.929M from $484.929M in 2015/16.

However, net assets increased to $640.742M from $480.064M recorded in the previous year. As a result accumulated losses were reduced to $2.947B from $3.107B in 2015/2016.

Cash equivalents and securities purchased under resale agreement stands at $507.13M as at March 31, 2017. This is a significant improvement when compare to $253.19M at the end of 2015/2016.

Five-Year Financial Highlights

	2013	2014	2015	2016	2017
Net Assets ($'000)	2,513,216	1,904,418	1,365,323	480,064	640,742
Net Profit/(Loss) before taxation ($'000)	(119,397)	(608,788)	(539,099)	(885,287)	183,723

Table 4

Sales Portfolio

Sales collections for the year amounted to $1,029,203,410.57. This reflects a variance of $216,761,885.43 below the budgeted collections of $1,245,965,296. The primary reason for this variance is the late start with the sale of The Savannah units and issues relating to Whitehall Phase 3.

Summary of Sales Collection - April 1, 2016 to March 31, 2017

PROJECTS	TOTAL VALUE ($)
BELLE AIR 3	$200,613,809
HILLS OF BOSCOBEL	$312,656,746
WHITEHALL 3	$62,075,511
LUANA GARDENS	$240,921,836
GREEN POND GROVE	$43,980,798
THE SAVANNAH	$102,194,710
OTHER PROJECTS	$66,760,000
TOTAL	**$1,029,203,410.57**

Table 5

Comparison of Sales Collections on Greenfield/Open Market Projects FY 2014/2015 to FY 2016/2017

PROJECTS	FY 014/2015	FY 2015/2016	FY 2016/2017
BELLE AIR 3	$78,123,111	$181,906,625.04	$200,613,809
HILLS OF BOSCOBEL	$159,943,552	$234,895,340.00	$312,656,746
WHITEHALL 3	$156,288,051	$14,183,074.43	$62,075,511
LUANA GARDENS	$0	$37,084,260.83	$240,921,836
GREEN POND GROVE	$0	$0	$43,980,798
THE SAVANNAH	$0	$0	$102,194,710
OTHER PROJECTS	$105,297,365	$112,981,505.70	$66,760,000
TOTAL	**$499,652,079**	**581,050,806.00**	**$1,029,203,410.57**

Table 6

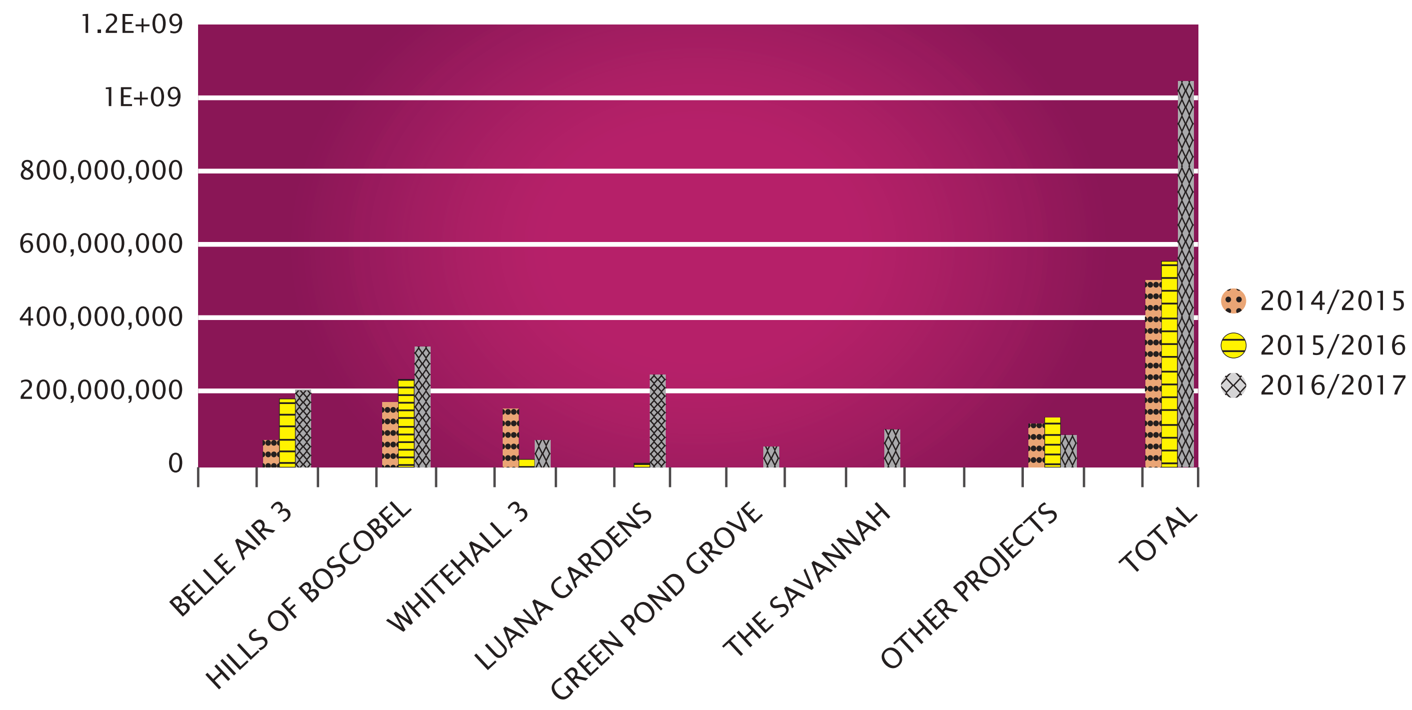


Figure 1

Mortgage Portfolio

As at March 31, 2017, Housing Agency of Jamaica Limited's mortgage portfolio comprised 5,703 mortgages with an asset value of $831,415,055 as detailed below:

PORTFOLIO	# OF MORTGAGES	PRINCIPAL BALANCE $	MONTHLY INSTALLMENT $
HAJL	38	42,715,285	947,019
USAID	1,580	219,723,709	2,809,869
GREATER PORTMORE	2,379	373,326,757	14,396,134
REFINANCE	17	19,172,337	418,692
MINISTRY OF FINANCE	480	31,543,613	281,394
MINISTRY OF ECONOMIC GROWTH & JOB CREATION	1,002	20,423,155	305,824
OPERATION PRIDE	195	124,255,783	1,299,681
KINGSTON PORTWORKERS/JMB	12	254,416	4,403
	5,703	831,415,055	20,463,016

Table 7

Summary of Mortgage Portfolio as at March 31, 2016

PORTFOLIO	# OF MORTGAGES	PRINCIPAL BALANCE $	MONTHLY INSTALLMENT $
HAJL	50	49,090,164	981,799
USAID	1,614	221,727,138	2,849,001
GREATER PORTMORE	2,932	532,708,099	16,800,100
REFINANCE	18	20,273,456	421,456
MINISTRY OF FINANCE	480	31,588,487	280,327
MINISTRY OF ECONOMIC GROWTH & JOB CREATION	1,048	21,199,130	326,845
OPERATION PRIDE	208	133,596,827	1,388,679
KINGSTON PORTWORKERS/JMB	14	277,478	5,124
	6,364	1,010,460,779	23,053,331

Table 8

Tables 7 & 8 indicate that the number of accounts decreased by 661, moving from 6,364 at April 1, 2016 to 5,703 as at April 1, 2017. The principal balance also decreased by $179,045,724 for the same period.

The following table is a summary of the arrears for the periods March 31, 2016 and March 31, 2017:

PORTFOLIO	Arrears as at March 31, 2016 ($)	Arrears as at March 31, 2017 ($)	Variance ($)
HAJL	5,716,040	4,296,622	1,419,418
USAID	546,856,222	573,565,340	(26,709,118)
GREATER PORTMORE	26,735,280	29,140,574	(2,405,294)
REFINANCE	33,940,335	35,937,219	(1,996,884)
MINISTRY OF FINANCE	67,827,889	71,053,026	(3,225,137)
MINISTRY OF ECONOMIC GROWTH & JOB CREATION	69,048,970	70,052,051	(1,003,081)
OPERATION PRIDE	66,724,103	70,401,874	(3,677,771)
KINGSTON PORTWORKERS/JMB	863,890	881,695	(17,805)
	817,712,729	855,328,401	(37,615,672)

Table 9

With the exception of the HAJL Schemes, the above table reflects increased arrears balances for the other seven (7) schemes.

The overall increase in arrears of $37,615,672 was due largely to the increased arrears in the USAID schemes.

Projects Portfolio

Housing Solutions Starts

The Agency was projected to commence starts to approximately 1665 housing solutions for the 2016/2017 financial year as per the targets outlined in our Corporate Plan (2016-2019). However, a strategic decision was taken by management to remove projects such as Penwood Road, Non Pariel and Hague Cave Island from the strategic objectives for the year in order to narrow the Agency's focus on completing critical projects such as Savannah Phase 1 at the Vistas at Runaway Bay (Belle Air III – houses). The completion of that project and subsequent sales was notably responsible for the improved financial positioning of the Agency towards the end of the year. The projects which have been put on hold will be later re-assessed to be reintegrated to the strategic targets of the company.

HAJ is still in the process of identifying suitable partners to develop housing solutions at Shooters Hill, Hopewell Farms, Bernard Lodge and Reid's Pen, Grange Pen and Vernon Drive.

The Agency is finalizing negotiations with the contractor to commence Phase 2 of Luana 4.

Housing Solutions - Starts (2016/2017) - Table 1

PROJECT	FUNDING 1	LOCATION	NO. OF SOLUTIONS
SHOOTER'S HILL (PHASE 1)	PPP	ST. CATHERINE	200
REID'S PEN	NHT	ST. CATHERINE	80
PENWOOD ROAD	TBD	ST. ANDREW	47
NON-PARIEL	TEF	WESTMORELAND	115
BERNARD LODGE	PPP	ST. CATHERINE	292
HOPEWELL FARMS	NHT	HANOVER	200
LUANA 4	TBD	ST. ELIZABETH	200
HAGUE CAVE ISLAND	TBD	TRELAWNY	278
REDDINGTON	TBD	ST MARY	153
BELLE AIR III (HOUSES)	NHT	ST. ANN	100
TOTAL			1,665

PPP - The Agency's Public Private Partnership Programmes where the Agency partners with a private sector developer who would typically lead the development process (plan, design, finance, build, and sell the housing solutions). The Agency would make land available for the project;

JV - The Agency's Joint Venture Facilitation Programmes where the Agency is more involved in the project and in most cases where the lands are privately-owned. The Agency may lead the housing development process;

Loan refers to construction loan financing.
T.E.F. refers to the Ministry of Tourism and Entertainment's Tourism Enhancement Fund.

Fast-track - A national policy to fast track the development and delivery of low income housing solutions to eligible persons by obtaining relevant Ministerial approval. This programme is not currently active.

Housing Solutions - Planned Deliveries

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

The Agency anticipates the resolution of outstanding issues with the contractor to complete Green Pond.

Housing Solutions – Planned Deliveries (2016/2017) – Table 2

PROJECT	FUNDING	LOCATION	NO. OF SOLUTIONS
BELLE AIR PHASE III (HOUSES)	TBD	ST. ANN	200
BERNARD LODGE	PPP	ST. CATHERINE	80
GREEN POND	PPP	ST. JAMES	100
BELLE AIR III (HOUSES)	TBD	ST. ANN	50
TOTAL			430

Internal Audit

The Internal Audit function is guided by a Charter which underpins it objectivity and independence. The Charter is established in accordance with the authoritative guidance pronounced by the Institute of Internal Auditors (IIA).

The Department supports the Agency in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the company's governance, risk management and internal control.

The Department reports to the Board through the Audit Committee. The terms of reference and annual audit plans for the Department were approved by the Audit Committee at the beginning of the year 2016/17. Throughout the year, the Committee reviewed the internal audit plans and its achievements against those plans. The Committee considered the results of the audits undertaken by the Audit Department and the adequacy of management's response to matters raised, including the time taken to resolve those matters.

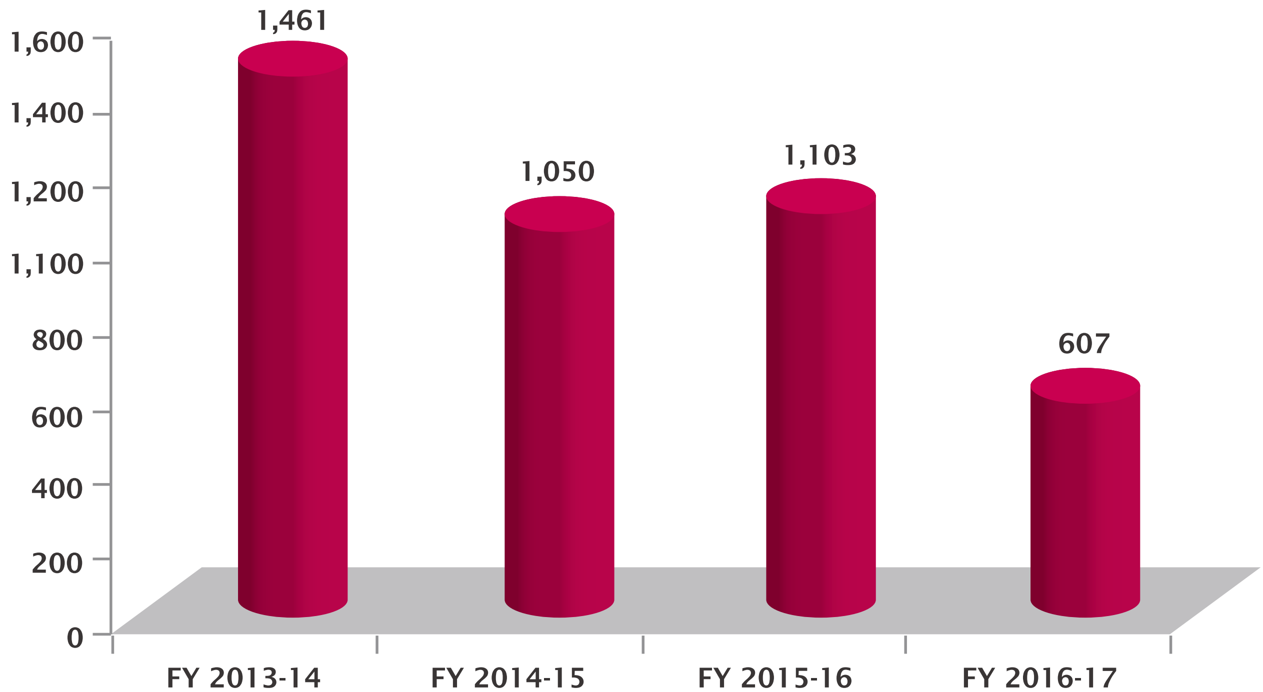
Jamaica Land Titling Programme

The Agency continues to hold fast its commitment to "Build Jamaica. One community at a time." This commitment to play a significant part in nation building is embedded in Jamaica's 2030 Vision of making Jamaica "the place of choice to live, work, raise families and do business". This is executed through the Community Development arm of the Agency.

One of Jamaica's national goals under Vision 2030 is for Jamaicans to be empowered to achieve their fullest potential; with one of the national outcomes tied to this goal speaks to our children receiving world-class education and training. In today's society, education and training (particularly tertiary education) can be quite costly to the extent that it often becomes a prohibitive factor towards enabling our children to achieve world-class/university level education. However, legal land ownership can be one of the catalysts to the national outcome of ensuring that our children achieve world-class/university level education and training. When parents or family members become legal land owners this result in a significant increase in their net worth which automatically places them in a much better position to obtain educational loans to enable children in the family to obtain university level education and training. This represents just one of the many ways in which Housing Agency of Jamaica's land titling programme is making a positive contribution to nation building and national outcomes. To this end, Housing Agency of Jamaica stands proud of its achievements in the area of empowering Jamaicans through legal land ownership.

Throughout the 2016/2017 financial year, the Agency issued in excess of 600 Certificates of Title to beneficiaries in 44 Operation PRIDE schemes across the island. This effectively means that over the past four years, the Agency has issued over 4,200 land titles to proud Operation Pride beneficiaries. The graph below shows the number of titles issued annually over the past four years under the Agency's accelerated land titling programme in Operation Pride communities across the island.

Operation Pride Land Title Issued FY 2013/2014 - 2016/2017



Some of the Operation PRIDE communities involved in the land titling programme include Spanish Villas & Gravel Heights, St. Catherine; Bedward Gardens & St. Benedict's Heights, St. Andrew; Lilliput, Norwood, Flankers & Retirement 1 & 2, St. James; Boscobel View, St. Mary; and, Mammee Bay, St. Ann.

In the upcoming financial year 2017/2018, the Agency will continue to acidulously push to make as many Operation PRIDE beneficiaries as possible legal land owners. The Agency is projected to issue in excess of 1,000 Certificates of Title over the period. The Agency will continue to engage the communities using various medium as well as through strategic partnerships with various stakeholders.

Senior Executive

COMPENSATION

HAJ's Senior Executive Compensation for the period April 1, 2016 to March 31, 2017

Position of Senior Executive	Year Ending	Salary ($)	Gratuity ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Pension or Other Retire-ment Benefits	Other Allowances [Clothing] ($)	Non-Cash Benefits ($)	Total
Managing Director	31-Mar-17	8,224,175.38	4,713,694.79	120,000.00	None	60,000.00	None	13,117,870.17
Director, Technical Services	31-Mar-17	1,334,588.01	-	335,406.00	None	60,000.00	None	1,729,994.01
Senior Manager, Finance & Information	31-Mar-17	4,223,401.82	1,146,177.92	1,341,624.00	None	60,000.00	None	6,771,203.74
Senior Manager, Internal Audit	31-Mar-17	4,565,956.80	1,341,624.00	1,117,761.46	None	60,000.00	None	7,085,342.26
Senior Manager, Human Resources & Administration	31-Mar-17	3,020,188.23	-	1,001,412.20	None		None	4,021,600.43
Senior Manager, Legal Services & Company Secretariat	31-Mar-17	4,046,714.55	1,774,538.06	1,309,556.90	None	60,000.00	None	7,190,809.51
Senior Manager, Sales & Services	31-Mar-17	3,928,327.58	1,405,001.20	1,351,520.91	None	60,000.00	None	6,744,849.69
Senior Manager, Proj Imp./Engineering	31-Mar-17	3,922,398.09	-	1,336,818.20	None	60,000.00	None	5,319,216.29

Table 10

List of Tables
AND FIGURES

Financial

STATEMENTS

FY 2016/2017

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
HOUSING AGENCY OF JAMAICA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Housing Agency of Jamaica Limited ("the company"), set out on pages 5 to 46, which comprise the statement of financial position as at March 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at March 31, 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 Jamaican Companies Act.

Basis for Opinion

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

To the Members of
HOUSING AGENCY OF JAMAICA LIMITED

Report on the Audit of the Financial Statements (Continued)

Emphasis of matters

Without modifying our opinion:

(a) We draw attention to note 2(b) to the financial statements. The note indicates that the company had an accumulated deficit of $2,946,664,000 (2016: $3,107,249,000) as at the reporting date, which is due to significant losses in the past. This indicates the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern, although the company had reported a profit for year ended March 31, 2017.

(b) We draw attention to note 1 to the financial statements, which states that the financial statements have been prepared on the basis of the merged operations of the entities mentioned in that note, although the formalities of the transfer to the company of ownership of loans receivable (note 6) and loans payable (note 16) have not been effected, as management is of the view that such transfer would be of no economic benefit to the company.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HOUSING AGENCY OF JAMAICA LIMITED

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HOUSING AGENCY OF JAMAICA LIMITED

Report on additional matters as required by the Jamaican Companies Act

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

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG
Chartered Accountants
Kingston, Jamaica

June 30, 2017

HOUSING AGENCY OF JAMAICA LIMITED

Statement of Financial Position
March 31, 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Cash and cash equivalents	4	296,197	77,606
Resale agreements	5	210,935	175,586
Loans receivable	6	541,232	710,480
Other receivables	7	101,295	84,897
Land and housing development projects:			
Operation PRIDE	8(a)	1,774,185	1,642,152
Jamaica Economical Housing	9(a)	6,645,404	7,920,011
Other development projects	10(a)	3,442,904	3,733,011
Land inventory	11	1,471,486	1,471,557
Income tax recoverable		11,230	8,535
Investment securities	12	202	108
Intangible asset	13	4,026	1
Property, plant and equipment	14	56,696	61,235
		14,555,792	15,885,179
LIABILITIES			
Deposits by purchasers:			
Operation PRIDE	8(b)	977,959	1,012,791
Jamaica Economical Housing	9(b)	475,603	337,064
Other development projects	10(d)	1,705,233	1,655,021
Trade and other payables	15	789,893	820,495
Loans payable	16	2,772,969	3,185,133
Deferred credit	17	7,170,255	8,394,611
Taxation payable		23,138	-
		13,915,050	15,405,115
EQUITY			
Share capital	18	-	-
Reserve fund	19	629,159	629,159
Capital reserve	20	1,286,429	1,286,429
Fair value reserve	21	356	263
Contributed capital	22	1,671,462	1,671,462
Accumulated deficit		(2,946,664)	(3,107,249)
		640,742	480,064
		14,555,792	15,885,179

The financial statements on pages 5 to 46 were approved for issue by the Board of Directors on June 30, 2017 and signed on its behalf by:

________________ Chairman
Norman Brown

________________ Managing Director
Gary Howell

The accompanying notes form an integral part of the financial statements

HOUSING AGENCY OF JAMAICA LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2017

	Notes	2017 $'000	2016 $'000
INCOME FROM LENDING AND DEVELOPMENT			
Lending and borrowing:			
Interest income from mortgage loans		71,740	88,948
Interest income from other loans		77	335
		71,817	89,283
Fees and interest expense on loans payable		(43,790)	(41,152)
Net income from lending and borrowing		28,027	48,131
Sale of houses and lots	10(d)	887,820	382,450
Cost of sales	10(a)	(523,942)	(211,751)
Net profit from sale of houses and lots		363,878	170,699
Profit from lending and development		391,905	218,830
Other income:			
Fees for servicing loans		14,646	6,827
Interest income from resale agreements		11,306	13,637
Gain on disposal of property, plant and equipment		405	6
Foreign currency gains		2,690	1,393
Recoveries on projects closed in previous years		5,045	5,568
Recoveries for titles provided in closed brownfield projects		12,280	28,039
Write-off of project related expenses	15(a)	-	130,986
Recoveries of impairment adjustments, net	23(b)	232,784	-
Sundry		25,569	14,580
Total other income		304,725	201,036
Profit from lending and development and other income		696,630	419,866
EXPENSES AND OTHER LOSSES			
Administrative and general expenses	23(a)	(478,929)	(484,929)
Maintenance of closed projects		(33,978)	(64,986)
Impairment losses, net	23(b)	-	(755,238)
Total operating expenses and other losses		(512,907)	(1,305,153)
Profit/(loss) before taxation	24	183,723	(885,287)
Taxation	25	(23,138)	-
Profit/(loss) after taxation		160,585	(885,287)
OTHER COMPREHENSIVE INCOME			
Item that may be transferred to profit or loss in future			
Change in fair value of investment securities		93	28
Total comprehensive profit/(loss) for the year		160,678	(885,259)

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

HOUSING AGENCY OF JAMAICA LIMITED

Statement of Changes in Equity
Year ended March 31, 2017

	Share capital $'000 (Note 18)	Reserve fund $'000 (Note 19)	Capital reserve $'000 (Note 20)	Fair value reserve $'000 (Note 21)	Contributed capital $'000 (Note 22)	Accumulated deficit $'000	Total $'000
Balances at March 31, 2015	-	629,159	1,286,429	235	1,671,462	(2,221,962)	1,365,323
Total comprehensive income for the year							
Loss for the year	-	-	-	-	-	(885,287)	(885,287)
Other comprehensive income:							
Change in fair value of available-for-sale investments	-	-	-	28	-	-	28
Total comprehensive loss for the year	-	-	-	28	-	(885,287)	(885,259)
Balances at March 31, 2016	-	629,159	1,286,429	263	1,671,462	(3,107,249)	480,064
Total comprehensive income for the year	-	-	-	-	-	160,585	160,585
Profit for the year							
Other comprehensive income:							
Change in fair value of investments securities	-	-	-	93	-	-	93
Total comprehensive profit for the year	-	-	-	93	-	160,585	160,678
Balances at March 31, 2017	-	629,159	1,286,429	356	1,671,462	(2,946,664)	640,742

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

HOUSING AGENCY OF JAMAICA LIMITED

Statement of Cash Flows
Year ended March 31, 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Profit/(loss) after taxation		160,585	(885,287)
Adjustments:			
Interest income		(83,123)	(102,920)
Interest expense		43,792	41,152
Amortisation	13	2,072	504
Depreciation	14	8,151	7,898
Gain on disposal of property, plant and equipment		(405)	(6)
Impairment (recoveries)/losses	23(b)	(232,784)	755,238
Taxation	25	23,138	-
		(78,574)	(183,421)
Changes in operating assets and liabilities:			
Loans receivable		173,118	195,146
Other receivables		(16,342)	(20,692)
Operation PRIDE development projects		212	(28,217)
Jamaica Economical Housing projects		1,274,607	(855,636)
Other development projects		383,447	(154,740)
Land inventory		71	(21)
Deposits by purchasers		153,919	133,422
Income tax recoverable		(2,695)	7,002
Trade and other payables		(53,740)	(36,189)
		1,834,023	(943,346)
Interest received		86,427	104,507
Interest paid		(20,685)	(21,901)
Net cash provided/(used) by operating activities		1,899,765	(860,740)
Cash flows from investing activities			
Resale agreements		(35,350)	4,994
Acquisition of intangible assets	13	(6,097)	-
Acquisition of property, plant and equipment	14	(3,630)	(18,924)
Proceeds of sale of property, plant and equipment		423	6
Net cash used by investing activities		(44,654)	(13,924)
Cash flows from financing activities			
Loans payable		(412,164)	(234,214)
Deferred credit		(1,224,356)	1,044,242
Net cash (used)/provided by financing activities		(1,636,520)	810,028
Net increase/(decrease) in cash and cash equivalents		218,591	(64,636)
Cash and cash equivalents at beginning of year		77,606	142,242
Cash and cash equivalents at end of year	4	296,197	77,606

1. Identification

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

Consequent upon a Cabinet decision dated April 20, 1998, the operations of Caribbean Housing Finance Corporation Limited (CHFC), The National Housing Corporation Limited (NHC) and Operation PRIDE (Programme for Resettlement and Integrated Development Enterprises) were transferred to the company on May 1, 1998, on which date, the assets and liabilities of those entities were also taken over by the company (see note 20). These financial statements have been prepared on the basis that the company owns such assets and is liable for such loans although formal transfer to the company of ownership of loans receivable (note 6) and loans payable (note 16) has not been effected, as management is of the view that the transfer of ownership would be of no economic benefit to the company.

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

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements as at reporting date, are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and comply with the relevant provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to its financial statements. None of them had any significant effect on the amounts and disclosures in the financial statements.

New and amended standards issued but not yet effective

At the date of authorisation of these financial statements, certain new and amended standards and interpretations were in issue but were not yet effective and had not been early-adopted by the company.

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

(a) Statement of compliance (continued)

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

The company has assessed them and has determined that the following may be relevant to its operations and are likely to have an impact in the foreseeable future:

(i) IFRS 15, *Revenue from Contracts with Customers*, effective for annual reporting 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 IFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

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

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.

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

(ii) 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 the 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 though 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.

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

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

(a) Statement of compliance (continued)

New amended standards issued but not yet effective (continued)

The company has assessed them and has determined that the following may be relevant to its operations and are likely to have an impact in the foreseeable future (continued):

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

- The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
- A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
- Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
- An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
- Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The company is assessing the impact that this amendment will have on its 2018 financial statements.

(iv) *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.

The company is assessing the impact that this amendment will have on its 2018 financial statements.

(b) Basis of preparation

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

(i) Functional and presentation currency

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

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

(b) Basis of preparation (continued)

(ii) Going concern

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

The company reported a profit of $183,723,000 (2016:loss of $885,287,000) for the year and, as at the reporting date. However due to losses in the past, the company had an accumulated deficit of $2,946,664,000 (2016: $3,107,249,000).

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

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

(i) Financially profitable Greenfield housing solutions such as Reid's Pen, Shooter's Hill and phase two of Savannah, Belle Air Phase3 are projected to commence in 2017/2018 financial year, in partnership with both the private sector and with the Government of Jamaica agencies that are involved in the housing sector.

(ii) Finalised sales of housing solutions from the Jamaica Economic Housing Projects to generate sufficient cash flows to be utilised by the company to reduce debt and plan future projects. Grant funding for Jamaica Economic Housing Project was provided by Ministry of Finance.

(iii) The Company will continue repayment of construction loans by the National Housing Trust (NHT), the company's main source of financing, for Greenfield developments. This will provide the company with access to future construction loan financing.

(iv) Advance the development of Brownfield infrastructure projects such as Grange Pen, Norwood, and Flankers as well as Retirement. Funding of the company's Brownfield developments will be facilitated by grants from various sources such as the Tourism Enhancement Fund and the Jamaica Social Investment Fund (JSIF).

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

(b) Basis of preparation (continued)

(ii) Going concern (continued)

(v) The continuous realignment of administration costs to become more project specific and to improve risk management.

(vi) The Company has permission from the Government of Jamaica to sell specific parcels of land to provide significant working capital support which will be used to complete on-going developments for immediate sale. The sale of parcels of lands is far advance.

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

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

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

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

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

(i) Key sources of estimation uncertainty

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

(1) Loans and other receivables

In determining amounts to be recorded for impairment of loans and other receivables, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the likely estimated future cash flows from impaired receivables, as well as the timing of cash flows. If the receivables are individually significant, the amount and timing of cash flows are estimated for each receivable individually.

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

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

(i) Key sources of estimation uncertainty (continued)

(1) Loans and other receivables (continued)

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

(2) Land and housing development projects

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

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

The use of assumptions makes uncertainty inherent in such estimates.

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

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

3. Significant accounting policies

(a) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits.

3. Significant accounting policies (Continued)

(a) Cash and cash equivalents (continued)

Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments. These include collections held in trust for mortgagors and property developers, short-term deposits and other monetary investments with original maturities of three months or less from the acquisition date.

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

Cash and cash equivalents are carried at amortised cost.

(b) Investment securities

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

(c) Loans and other receivables

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

(d) Trade and other payables

Trade and other payables are measured at amortised cost.

(e) Property, plant and equipment

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

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

3. Significant accounting policies (Continued)

(e) Property, plant and equipment (continued)

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

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

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

(f) Intangible assets

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

(g) Revenue recognition

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

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

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

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

(h) Operation PRIDE development projects

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

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

3. Significant accounting policies (Continued)

(i) Jamaica Economical Housing development projects

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

(j) Other development projects in progress

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

(k) Land inventory

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

(l) Foreign currencies

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

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

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

(m) Loans receivable

Loans receivable are measured net of allowances for credit losses.

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

(n) Impairment of financial assets

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

3. Significant accounting policies (Continued)

(n) Impairment of financial assets (continued)

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

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

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

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

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

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

(i) Calculation of recoverable amount

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

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

3. Significant accounting policies (Continued)

(n) Impairment of financial assets (continued)

(ii) Reversals of impairment

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

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

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

(o) Impairment of non-financial assets

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

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

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

(p) Income tax

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

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

3. Significant accounting policies (Continued)

(p) Income tax (continued)

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

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

(q) Employee benefits

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

(i) General benefits

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

(ii) Post-retirement benefits

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

(r) Loans payable

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

3. Significant accounting policies (Continued)

(s) Deferred credit

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

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

(t) Resale agreements

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

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

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

4. Cash and cash equivalents

	2017	2016
	$'000	$'000
Collections held in trust for mortgagees and property developers	107	107
Other cash and bank balances	296,090	77,499
	296,197	77,606

5. Resale agreements

At March 31, 2017, the fair value of securities collateralising resale agreements was $223,169,389 (2016: $184,267,734).

6. Loans receivable

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

	2017 $'000	2016 $'000
Residential mortgage loans [see (a) below]:		
Principal	603,093	779,860
Interest receivable	101,636	94,580
	704,729	874,440
Staff loans at 3%:		
Residential mortgage loans	4,167	5,365
Other loans	3,472	4,812
	7,639	10,177
Less: Unamortised discount on staff loan	(1,617)	(2,573)
	6,022	7,604
Other long-term loans [see (b) below]	14,422	19,214
Infrastructure development loan [see (c) below]	170,650	170,650
	185,072	189,864
Gross loans receivable	895,823	1,071,908
Less: Allowance for impairment:		
Residential mortgage loans	(99,762)	(104,188)
Infrastructure development loan	(170,650)	(170,650)
Other long-term loans	(4,060)	(9,537)
Interest receivable	(80,117)	(77,053)
	(354,589)	(361,428)
Net loans receivable	541,232	710,480

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

		2017 $'000	2016 $'000
10%	Ten year loans	528	547
6%-19%	Twenty – Twenty-five years loans	467,575	636,835
4%-10%	Thirty and forty years loans [see (i) below]	134,990	142,478
		603,093	779,860

(i) The Government of Jamaica has guaranteed the reimbursement to the company of any losses suffered as a result of failure of mortgagors under the Basic Shelter Programme to repay their loans. No provision for loan losses has, therefore, been made for amounts up to $15,000,000 (2016: $15,000,000) in the aggregate as recovery up to that amount is expected from the Government of Jamaica.

6. Loans receivable (Continued)

(b) Other long-term loans bear interest ranging from 10% to 13% per annum, and are repayable from the date of disbursement in equal instalments over twenty five years.

(c) This represents two unsecured loans that were provided for infrastructure development and are repayable on completion of the projects concerned. One loan bears interest at a floating rate of 2% above the average Treasury Bill rate, adjusted every 90 days, and the other loan bears interest at 20% per annum.

(d) Loans receivable, before inclusion of unamortised discount on staff loans, are due for collection from the reporting date as follows:

	2017 $'000	2016 $'000
Within 3 months	65,433	69,776
Over 3 months to 1 year	171,853	171,673
Over 1 year to 3 years	51,064	52,151
Thereafter	609,090	780,881
	897,440	1,074,481

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

	2017 $'000	2016 $'000
Not past due	501,524	681,885
Past due 0-30 days	8,824	8,736
Past due 31-60 days	11,484	11,409
Past due 61-90 days	39,807	37,725
Over 90 days	335,801	334,726
	897,440	1,074,481

(f) Allowance for impairment – loans receivable:

	2017 $'000	2016 $'000
At beginning of the year	361,428	358,127
Impairment (recovery)/loss [note 23(b)]	(6,839)	3,301
At end of the year	354,589	361,428

7. Other receivables

	2017 $'000	2016 $'000
National Housing Trust (NHT)	40,099	40,099
Amounts due from sale of properties	101,737	78,259
Interest receivable	9,235	8,547
Staff loans and advances	796	54
Other accounts receivable and advances	48,036	56,906
Gross receivables	199,903	183,865
Less: Allowance for impairment:		
National Housing Trust	(40,099)	(40,099)
Amounts due from sale of properties	(15,892)	(17,794)
Interest receivable	(7,885)	(7,885)
Other accounts receivable and advances	(34,732)	(33,190)
Total allowance for impairment	(98,608)	(98,968)
Net receivables	101,295	84,897

The movement in the allowance for impairment is as follows:

	2017 $'000	2016 $'000
At beginning of the year	98,968	70,283
Impairment (recovery)/loss [note 23(b)]	(360)	28,685
At the end of the year	98,608	98,968

8. Operation PRIDE

(a) Expenditure on Operation PRIDE Projects

	2017 $'000	2016 $'000
At start of year	3,316,931	3,288,714
Expenditure during the year	12,040	28,217
Transfer of cost relating to lots sold	(12,251)	-
At end of year	3,316,720	3,316,931
Less: Allowance for impairment [see (c) below]	(1,542,535)	(1,674,779)
Net development expenditure	1,774,185	1,642,152

8. Operation PRIDE (Continued)

(b) Deposits by purchasers

	2017 $'000	2016 $'000
At beginning of year	1,012,791	960,476
Collections during the year	768	52,315
Transfer of collection relating to lots sold	(35,600)	-
At end of year	977,959	1,012,791

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

	2017 $'000	2016 $'000
At beginning of year	1,674,779	1,095,990
Impairment (recovery)/loss [note 23(b)]	(132,244)	578,789
At end of year	1,542,535	1,674,779

9. Jamaica Economical Housing

(a) Project expenditure

	2017 $'000	2016 $'000
At start of year	7,920,011	7,064,375
Expenditure during the year	158,454	855,636
Transfer of costs relating to units and lots sold	(1,433,061)	-
At end of year	6,645,404	7,920,011

The specific projects involved are as follows:

	2017 $'000	2016 $'000
Belle Air 1, 2 and 3	5,303,690	5,702,228
Mount Edgecombe 4 and 5	1,122,065	1,112,994
Luana Gardens	219,649	1,104,789
	6,645,404	7,920,011

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

9. Jamaica Economical Housing (Continued)

(b) Deposits by purchasers

	2017 $'000	2016 $'000
At beginning of year	337,064	333,698
Collections during the year	138,539	3,366
At end of year	475,603	337,064

(c) Grant funding received

	2017 $'000	2016 $'000
At beginning of year	7,093,303	6,145,108
Grant funding drawn down during the year	578,666	1,359,354
Grant funding utilized during the year	(1,810,125)	(411,159)
At end of year (note 17)	5,861,844	7,093,303

10. Other development projects

(a) Expenditure on projects

	2017 $'000	2016 $'000
Accumulated expenditure at start of year	3,733,011	3,722,734
Expenditure during the year	450,453	568,833
Transfer of costs relating to units and lots sold	(523,942)	(211,751)
Accumulated expenditure at end of year	3,659,522	4,079,816
Less: Allowance for impairment [see (b) below]	(216,618)	(346,805)
Net development in progress	3,442,904	3,733,011

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

	2017 $'000	2016 $'000
At beginning of the year	346,805	202,342
Amount written off during the year	(36,846)	-
Impairment (recovery)/loss [note 23(b)]	(93,341)	144,463
At end of the year	216,618	346,805

10. Other development projects (Continued)

(c) The specific projects involved are as follows:

		2017 $'000	2016 $'000
Boscobel 2	[see (i) below]	474,188	846,366
Whitehall	[see (ii) below]	2,909,918	2,959,179
Frazers and Ebony View	[see (iii) below]	30,093	29,452
Other development costs	[see (iv) below]	245,323	244,819
		3,659,522	4,079,816

(i) The development is being financed by a 9% loan from National Housing Trust and is secured by the housing units being constructed. The loan is expected to be repaid from the sale of these units.

(ii) The development is being financed by a 9% loan from National Housing Trust and is secured by the housing units being constructed. The loan is expected to be repaid from the sale of these units.

(iii) This represents costs incurred to date on developments under joint venture arrangements.

(iv) This represents developments by the company at Porto Bello 2, Grange Pen, Greater Retirement, Bernard Lodge, Shooters, Eden Park II, West Albion 2, Mona, Portmore Villa 2B and Bourkesfield.

(d) Deposits by purchasers

	2017 $'000	2016 $'000
At beginning of year	1,655,021	1,577,280
Collections during the year	938,032	460,191
Deposits relating to units transferred to beneficiaries	(887,820)	(382,450)
At end of year	1,705,233	1,655,021

11. Land inventory

	2017 $'000	2016 $'000
Balance at beginning of year	1,471,557	1,471,536
Development costs transferred	(71)	-
Development costs incurred	-	21
Balance at end of year	1,471,486	1,471,557
Broken down as follows:		
Lands held for development [see (a) below]	1,276,202	1,276,202
Pre-construction costs [see (b) below]	51,364	51,435
Jointly controlled operations in progress [see (c) below]	143,920	143,920
	1,471,486	1,471,557

11. Land inventory (Continued)

(a) This represents lands acquired through the Ministry of Housing and with funds from Tourism Enhancement Fund, as well as lands contributed by Government of Jamaica for the development of housing projects (see note 22).

(b) This represents pre-construction costs of development of lands held for the purpose stated in (a) immediately above.

(c) This represents amounts expended in respect of Bushy Park 2, Luana 2 and Porto Bello 2 which are being developed under jointly controlled operations as follows:

	2017	2016
	$'000	$'000
Land contributed	91,500	91,500
Cash expenditure	52,420	52,420
	143,920	143,920

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

(d) Titles to all land held for developments are registered in the name of the Minister of Housing, a corporation sole, who holds them on behalf of the company.

12. Investment securities

	2017	2016
	$'000	$'000
Available-for-sale:		
Quoted equity	202	108

13. Intangible asset - software

	2017	2016
	$'000	$'000
Cost:		
At beginning of year	27,749	27,749
Additions	6,097	-
At end of year	33,846	27,749
Amortisation:		
At beginning of year	27,748	27,244
Charge for the year	2,072	504
At end of year	29,820	27,748
Net book value	4,026	1

14. Property, plant and equipment

	Freehold land and buildings	Computers	Office furniture and fixtures	Motor vehicles	Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
March 31, 2015	56,091	20,752	11,135	14,670	15,996	118,644
Additions	12,902	692	1,110	-	4,220	18,924
Disposals	-	(132)	(12)	-	-	(144)
March 31, 2016	68,993	21,312	12,233	14,670	20,216	137,424
Additions	-	286	304	1,500	1,540	3,630
Disposals	-	(738)	(607)	(693)	-	(2,038)
March 31, 2017	68,993	20,860	11,930	15,477	21,756	139,016
Depreciation:						
March 31, 2015	24,873	13,787	9,413	7,566	12,796	68,435
Charge for the year	1,048	2,424	451	2,631	1,344	7,898
Eliminated on disposals	-	(132)	(12)	-	-	(144)
March 31, 2016	25,921	16,079	9,852	10,197	14,140	76,189
Charge for the year	1,263	1,739	439	2,725	1,985	8,151
Eliminated on disposals	-	(728)	(599)	(693)	-	(2,020)
March 31, 2017	27,184	17,090	9,692	12,229	16,125	82,320
Net book values:						
March 31, 2017	41,809	3,770	2,238	3,248	5,630	56,696
March 31, 2016	43,072	5,233	2,381	4,473	6,076	61,235
March 31, 2015	31,218	6,965	1,722	7,104	3,200	50,209

Freehold land and buildings include land costing $12,455,000 (2016: $12,455,000). A revaluation of certain company's furniture and fixtures by Baird and Henderson Valuators Limited in November 2005 resulted in adjustments to the carrying value of these assets; the revaluation amount was deemed to be the assets' cost (note 20).

15. Trade and other payables

	2017	2016
	$'000	$'000
Accrued charges	68,726	90,978
Interest payable	50,182	28,036
Staff related accruals and statutory payroll liabilities	14,577	26,689
Project related expenses [see (a) below]	161,264	194,089
Due to related parties for land purchased	184,561	184,683
Refunds due to depositors for cancelled sales contracts	67,680	63,874
Mortgage instalments received in advance	133,639	134,634
Provision legal claims	97,614	83,304
Other payables	11,650	14,208
	789,893	820,495

(a) During the previous year an amount of $130,986,000 was written back from project expenses as it related to retention payments owed to a contractor for closed projects, that the Government of Jamaica paid during the year.

16. Loans payable

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

		2017	2016
		$'000	$'000
National Housing Trust ("NHT"):			
5% loan	[see (a) below]	441,511	441,511
8% loan	[see (b) below]	33,880	33,902
3% loan	[see (c) below]	31,120	31,120
3% loan	[see (d) below]	206,830	211,590
3% loan	[see (e) below]	146,390	195,799
8% loan	[see (f) below]	22	9,084
9% loan	[see (g) below]	70,964	73,598
9% loan	[see (h) below]	464,170	499,882
5% loan	[see (i) below]	7,615	9,005
9% loan	[see (j) below]	687,137	1,006,101
5% loan	[see (k) below]	-	(2)
3.25% loan	[see (l) below]	575,265	537,808
		2,664,904	3,049,398
Ministry of Housing and Water			
4 - 8% [see (m) below]		188	188
Ministry of Finance and the Public Service [see (n) below]		100	100
Alliance Finance Limited [see note (o) below]		-	298
Accountant General [see note (p) below]		107,777	107,777
National Commercial Bank Jamaica Limited [see (q) below]		-	27,372
		2,772,969	3,185,133
Comprising	- current and past due portions	1,971,873	2,455,872
	- long-term portions	801,096	729,261
		2,772,969	3,185,133

(a) This loan, which is secured by mortgages on those units, relates to the construction of housing under the Greater Portmore Project (GPP). The principal amount of the loan, together with deferred interest of 3% per annum, was rolled over into a twenty five-year loan on which interest accrues at 5% per annum.

(b) This loan relates to the construction of 279 units in the GPP in a joint venture with NHT. The principal amount of the loan, which is secured by mortgages on those units, is repayable over fifteen years, with interest payable monthly at 8% per annum.

(c) This loan is guaranteed by the Government of Jamaica and the repayment period was extended to 15 years, commencing May 2002 and ending in May 2017.

16. Loans payable (Continued)

(d) This loan is secured by a letter of undertaking from the Ministry of Finance and the Public Service as well as GPP and Operation PRIDE mortgages. The loan was obtained specifically to fund Operation PRIDE projects and is due for repayment in 2018.

(e) This loan is secured by $1.405 billion of GPP mortgages, and the repayment period was extended to 20 years commencing August 2002; it is now scheduled to end in 2022.

(f) This is a revolving loan, secured by the deposit of splinter titles for the Whitehall 2 and Eden Park land development. It was specifically obtained to fund new Operation PRIDE projects. The loan is being repaid from sales proceeds.

(g) This loan is secured by a first legal mortgage over the project lands and was obtained to finance the Stadium Gardens Phase 3 development project. The interest rate is 9% per annum; it is expected to be repaid from sales proceeds.

(h) This loan is secured by a first legal mortgage over certain project lands and was obtained to finance the Whitehall 3 development project. The interest rate is 9% per annum. The loan is expected to be repaid from sales proceeds.

(i) This loan is secured by a first legal mortgage over certain project lands and was obtained to finance the Westmeade development project. The interest rate is 5% per annum. The loan is expected to be repaid from sales proceeds.

(j) This loan is secured by a first legal mortgage over certain project lands and was obtained to finance the 'Hills of Boscobel' development project. The loan is expected to be repaid from sales proceeds.

(k) The loan was repaid in March 2016.

(l) This loan was obtained for nine months to finance the Whitehall 3 housing development. The loan bears an interest rate of 5% and was due for repayment in September 2014. The project was not completed on time and the loan repayment was subsequently aligned to mortgage proceeds from finalise sale. NHT will continue to accrue interest until loan is fully paid.

(m) The loans were secured by mortgages and has no repayment period.

(n) The loan, which was secured by mortgages, is repayable to the Ministry of Finance and the Public Service. The interest rate, repayment date and other provisions of the loan have not yet been determined.

(o) This was insurance premium financing for Peril Insurance. Bearing interest at 4.35% per annum the loan was repaid in June 2016.

(p) This represents amounts paid on the company's behalf by the Accountant General ("AG") on the Commonwealth Development Corporation loan. This loan from the AG is interest-free and the repayment date has not been fixed.

16. Loans payable (Continued)

(q) This was a six-month working capital overdraft facility in the amount of $150 million, bearing interest at 11.75%. It was approved for the period March 17, 2014 to September 17, 2014, to be repaid from cash inflows. The Ministry of Finance and Planning granted approval for the extension of the facility for six months, to be repaid in a lump sum on March 31, 2015, but only $5million was repaid. Effective November 18, 2014, the overdraft facility was restructured into a loan, bearing interest at 11.75%, secured by the company's Mona Lands, having a value of $388 million, and with repayment scheduled to be made by April 1, 2016. The overdraft facility which was restructured into a loan, bearing interest at 11.75%, secured by the company's Mona Lands, having a value of $388 million was fully repaid on April 28, 2016.

17. Deferred credit

	2017				
	TEF $'000	UDC $'000	JEHP $'000	GOJ - Other $'000	Total $'000
At beginning of year	485,571	238,490	7,093,303	577,247	8,394,611
Funds received during the year	8,534	-	578,666	(1,431)	585,769
Funds set off against cost of sales	-	-	(1,810,125)	-	(1,810,125)
At end of year	494,105	238,490	5,861,844	575,816	7,170,255

	2016				
	TEF $'000	UDC $'000	JEHP $'000	GOJ - Other $'000	Total $'000
At beginning of year	412,800	238,490	6,145,108	553,971	7,350,369
Funds received during the year	72,771	-	1,359,354	23,276	1,455,401
Funds set off against cost of sales	-	-	(411,159)	-	(411,159)
At end of year	485,571	238,490	7,093,303	577,247	8,394,611

Deferred credit refers to grant funding received from the Tourism Enhancement Fund ("TEF"), Government of Jamaica ("GOJ") and Urban Development Corporation ("UDC") to assist in the funding of certain 'brownfield' projects (see notes 9).

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

18. Share capital

	2017 $'000	2016 $'000
Authorised, issued and fully paid:		
200 ordinary shares of no par value	-	-

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

19. Reserve fund

Pursuant to Article 98 of the company's Articles of Association, the company transfers to reserve fund a percentage of profits after tax, if any, each year. The percentage to be transferred is determined at the discretion of the directors. In view of the loss for the year, there was no transfer (2016: no transfer).

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

20. Capital reserve

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

21. Fair value reserve

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

22. Contributed capital

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

23. Expenses and other losses

(a) Administrative and general expenses

	2017 $'000	2016 $'000
Audit fees	4,950	4,950
Building maintenance and electricity	48,180	48,462
Depreciation and amortisation	10,222	8,402
Directors' travel and other expenses	2,149	276
Directors' fees	2,289	668
General expenses	2,341	9,729
Insurance	5,076	8,902
Legal and other professional fees	39,486	39,544
Donations and subscriptions	1,871	600
Promotions and publications	2,532	9,483
Staff costs (note 26)	334,365	329,674
Stationery and data processing	9,950	8,933
Telephone and postage	9,141	8,546
Travelling and motor vehicle	6,377	6,760
	478,929	484,929

23. Expenses and other losses (Continued)

(b) (Recovery)/impairment losses

	2017 $'000	2016 $'000
Loans receivable [note 6(f)]	(6,839)	3,301
Other receivables (note 7)	(360)	28,685
Operation PRIDE projects [note 8(c)]	(132,244)	578,789
Other development projects [note 10(b)]	(93,341)	144,463
(Recovery)/impairment losses, net	(232,784)	755,238

24. Profit/(loss) for the year

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

	2017 $'000	2016 $'000
Directors' Fees [note 27(e)]	2,289	668
Management remuneration [included in staff costs see note 26]	12,998	9,373
Auditors' remuneration	4,950	4,950
Depreciation and amortisation	10,222	8,402

25. Income tax

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

	2017 $'000	2016 $'000
Current income tax expense @ 25%	23,138	-

(ii) The effective tax rate is 12.59% (2016: Nil%) of pre-tax results compared to a statutory rate of 25% (2016: 25%):

	2017 $'000	2016 $'000
Profit/(loss) before income tax	183,725	(885,287)
Expected tax at 25%	45,931	(221,322)
Disallowed expenses	3,593	16,176
Employer Tax Credit	(277)	-
Tax losses utilised	(26,109)	-
Deferred tax on tax losses not recognised	-	205,146
	23,138	-

25. Income tax (Continued)

Taxation losses, subject to agreement by the Commissioner General, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to approximately $6,117,978,000 (2016: $6,222,411,000) as at the reporting date. While tax losses may still be carried forward indefinitely, the amount that can be utilised in any one year is restricted to 50% of the chargeable income for that year.

Deferred tax asset of $1,529,494,000 (2016: $1,555,603,000) in respect of taxation losses has not been recognised, as management does not expect that in the foreseeable future sufficient future taxable profits will be available against which the asset will be utilised.

26. Staff costs and numbers

The average number of persons employed full-time during the year was 101 (2016: 111). The costs for these employees were as follows:

	2017 $'000	2016 $'000
Compensation:		
Salaries	226,685	211,120
Statutory payroll contributions	27,380	25,890
Pension scheme contributions (note 30)	14,589	12,883
Other benefits	48,573	65,902
	317,227	315,795
Other costs:		
Training and development	5,653	3,694
Staff welfare	11,485	10,185
	334,365	329,674

27. Related party balances and transactions

(a) Definition of related party

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

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

(1) has control or joint control over the company;

(2) has significant influence over the company; or

(3) is a member of the key management personnel of the company.

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

(1) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

27. Related party balances and transactions (Continued)

(a) Definition of related party (continued)

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

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

(6) The entity is controlled, or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity or any member of a group of which it is a part providing key management services to the League or to the parent of the League;

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

(b) Identity of related party

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

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

	2017 $'000	2016 $'000
Trade and other receivables:		
National Housing Trust	40,099	40,100
Ministry of Water and Housing	15,301	3,590
Jamaica Mortgage Bank	(1,372,671)	(1,029,978)
Loans receivable:		
Ministry of Finance and Planning	7	7
Operation PRIDE:		
Ministry of Water and Housing	462,339	458,003
Other development project costs:		
Ministry of Water and Housing	30,093	29,452
Tourism Enhancement Fund	156,591	156,591
Urban Development Corporation	256,514	257,126
Trade and other payables:		
Inland Revenue	7,944	9,492
National Housing Trust	860	878
Ministry of Water and Housing	183,244	179,724
Bay Farm	1,395	1,049
National Land Agency	10,000	10,000

27. Related party balances and transactions (Continued)

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

	2017	2016
	\$'000	\$'000
Loans payable:		
Ministry of Water and Housing	188	188
National Housing Trust (note 16)	2,664,904	3,049,398
Accountant General of Jamaica	107,777	107,777

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

	2017	2016
	\$'000	\$'000
Income:		
Fees for servicing loans		
Ministry of Water and Housing	13,345	6,827
Expense:		
Fees and interest expense on loans		
National Housing Trust	42,010	29,454

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

	2017	2016
	\$'000	\$'000
Directors' Fees (note 24)	2,289	668
Management remuneration	12,998	9,373
Other key management personnel - short-term employee benefits (included in staff costs)	29,456	34,006
	44,743	44,047

28. Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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

28. Financial risk management (Continued)

(a) Overview (continued)

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

(b) Credit risk:

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

(i) Loans receivable:

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

Collateral and other credit enhancements held against financial assets

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

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

Impaired loans receivable

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

28. Financial risk management (Continued)

(b) Credit risk (continued):

(i) Loans receivable (continued):

Past due but not impaired loans

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

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrowers' financial position and where the company has made concessions that it would not otherwise consider. Once the loan is restructured, it is classified and monitored. The company had no renegotiated loans receivable at the reporting date (2016: none).

Allowances for impairment

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

Write-off policy

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

(ii) Cash and cash equivalents and resale agreements:

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

(iii) Exposure to credit risk:

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

	2017 $'000	2016 $'000
Loans receivable from purchasers of housing solutions in:		
Green-field projects	429,221	593,439
Brown-field projects	112,011	120,187
	541,232	713,626

28. Financial risk management (Continued)

(b) Credit risk (continued):

(iii) Exposure to credit risk (continued):

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

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

(c) Liquidity risk:

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

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

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

	2017				
	1 to 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Contractual cash flows $'000	Carrying amount $'000
Trade and other payables	327,140	290,571	172,182	789,893	789,893
Deposits by purchasers	3,158,795	-	-	3,158,795	3,158,795
Loans payable	47,231	2,022,933	776,029	2,846,193	2,772,969
	3,533,166	2,313,504	948,211	6,794,881	6,721,657

	2016				
	1 to 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Contractual cash flows $'000	Carrying amount $'000
Trade and other payables	323,042	331,799	165,654	820,495	820,495
Deposits by purchasers	3,004,876	-	-	3,004,876	3,004,876
Loans payable	47,380	2,298,473	839,280	3,185,133	3,185,133
	3,375,298	2,630,272	1,004,934	7,010,504	7,010,504

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

28. Financial risk management (Continued)

(d) Market risk:

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

(i) Currency risk

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

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

	2017 US$'000	2016 US$'000
Cash and cash equivalents	859	219

Sensitivity to exchange rate movements

A 1 percent (2016: 1 percent) strengthening of the Jamaica dollar against the US dollar at March 31, 2017 would have decreased loss for the year by $1,098,000 (2016: $266,000).

A 6 percent (2016: 15 percent) weakening of the value of the Jamaica dollar against the US dollar at March 31, 2017 would have increased loss for the year by $6,585,000 (2016: $1,253,000).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis as for 2016.

(ii) Interest rate risk:

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

28. Financial risk management (Continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

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

	2017				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	296,197	-	-	-	296,197
Resale agreement	210,935	-	-	-	210,935
Loans receivable	-	-	541,232	-	541,232
Other receivables	-	-	-	101,295	101,295
Investment securities	-	-	-	202	202
Total financial assets	507,132	-	541,232	101,497	1,149,861
Trade and other payables	-	-	-	(789,893)	(789,893)
Deposits by purchasers	-	-	-	(3,158,795)	(3,158,795)
Loans payable	(47,231)	(1,949,709)	(776,029)	-	(2,772,969)
Total financial liabilities	(47,231)	(1,949,709)	(776,029)	(3,948,688)	(6,721,657)
Total interest rate gap	459,901	(1,949,709)	(234,797)	(3,847,191)	(5,571,796)
Cumulative gap	459,901	(1,498,808)	(1,724,605)	(5,571,796)	-

	2016				
	Within 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Non-rate sensitive $'000	Total $'000
Cash and cash equivalents	77,606	-	-	-	77,606
Resale agreement	175,586	-	-	-	175,586
Loans receivable	-	-	710,480	-	710,480
Other receivables	-	-	-	84,897	84,897
Investment securities	-	-	-	108	108
Total financial assets	253,192	-	710,480	85,005	1,048,677
Trade and other payables	-	-	-	(820,495)	(820,495)
Deposits by purchasers	-	-	-	(3,004,876)	(3,004,876)
Loans payable	(47,381)	(2,298,473)	(839,279)	-	(3,185,133)
Total financial liabilities	(47,381)	(2,298,473)	(839,279)	(3,825,371)	(7,010,504)
Total interest rate gap	205,811	(2,298,473)	(128,799)	(3,740,366)	(5,961,827)
Cumulative gap	205,811	(2,092,662)	(2,221,461)	(5,961,827)	-

28. Financial risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

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

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

	2016			
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 12 months
	%	%	%	%
Cash and cash equivalents	-	1.00 - 3.00	-	-
Loans receivable	-	3.45 - 6.80	-	4.00 - 12.00
Loans payable	3.00 - 9.00	3.00 - 9.00	3.00 - 9.00	3.00 - 9.00

Sensitivity to interest rate movements

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

(iii) Equity price risk:

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

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

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

28. Financial risk management (continued)

(e) Capital management:

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

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

29. Fair values

(a) Definition of fair value and fair value hierarchy

The company's accounting policies on measurement and disclosure require the measurement of fair values for financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Level 2 refers to financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

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

29. Fair values (cont'd)

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

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

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

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

(b) Valuation techniques for financial assets and financial liabilities

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

(c) Accounting classifications and fair values:

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

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

	2017		
	Carrying amount		**Fair value**
	Available-for-sale $'000	Total $'000	Level 1 $'000
Financial asset measured at fair value:			
Investment securities	202	202	202

	2016		
	Carrying amount		**Fair value**
	Available-for-sale $'000	Total $'000	Level 1 $'000
Financial asset measured at fair value:			
Investment securities	108	108	108

30. Employee benefit obligation

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

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

The company's contribution for the year amounted to $14,589,271 (2016: $12,883,000) (note 26).

The company, at its own discretion, also provides post-retirement medical benefits to certain selected retirees. The company's future obligations are considered by the directors to be insignificant and the amount recognised at the reporting date in respect of the post retirement medical benefits is $Nil (2016: $Nil).

31. Contingencies

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

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

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

(b) There are several claims which have been brought against the company in respect of damages for alleged breach of contract and other matters. In the unlikely event that claims should be successful, the company has made provisions of approximately $97,613,809 (2016: $83,304,000).

HOUSING agency of JAMAICA LIMITED
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