

AUDITOR GENERAL'S DEPARTMENT

FINANCIAL STATEMENTS ANALYSIS OF PUBLIC BODIES

HOUSING AGENCY OF JAMAICA LIMITED



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The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial Administration and Audit Act.

This report has been prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.



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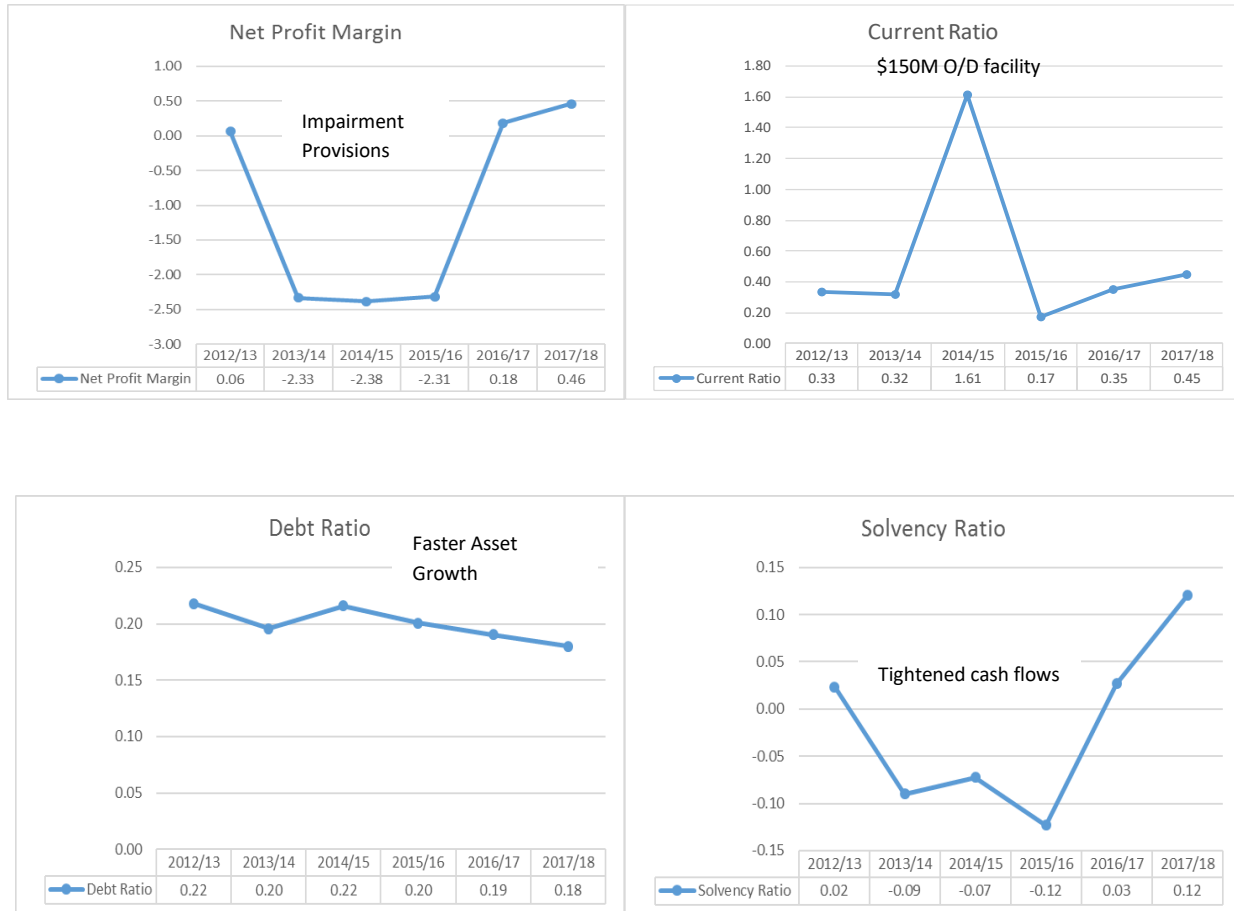
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Key Financial Ratios



FOREWORD

The analysis of the audited financial statements of Housing Agency of Jamaica Limited (HAJ) was undertaken to assist Parliament and the Public Accounts Committee (PAC) in their review of the financial performance of public bodies, in the context of the Fiscal Responsibility Framework. The Public Bodies Management and Accountability (PBMA) Act requires public entities to demonstrate prudent financial management of public resources.

HAJ recorded net profits in FY2016/17 and FY2017/18, following three consecutive years of net losses. Between FY2013/14 and FY2015/16, expenses significantly exceeded revenues, given persistent delays in completing projects. This also contributed to liquidity challenges, although more than 51 per cent of HAJ projects were financed by public sector grants. The turn-around in financial performance in FY2016/17 and FY2017/18 resulted from HAJ's strategic decision to focus on the completion of "stalled and incomplete projects" from previous periods. Consistent with industry norms, HAJ records revenue when properties are completed and sold, whereas costs are absorbed prior to sale. Sales revenue augmented by mortgage collections, are used to fund core operations, including development projects and the repayment of debt. At end FY2017/18, the National Housing Trust (NHT) held just over 95.0 per cent of HAJ's debt. In FY2014/15, in order to cover expenses HAJ secured an overdraft facility of \$150.0 million, which it later converted to a long-term loan, as it was unable to repay the facility within the stipulated time.

The HAJ has indicated its intention to fund all new Brownfield¹ projects using grants and public private partnerships (PPPs). In addition, at April 1, 2018, HAJ had transferred to the NHT, 1,863 mortgages with principal balances totalling \$374.0 million or approximately 93 per cent of total loan receivables. While I anticipate that these arrangements will enable a reduction in the entity's debt burden, I encourage HAJ to consider the recommendation in this report, aimed at continued improvement in financial performance.

Thanks to the management and staff of the HAJ for its cooperation and assistance given to my staff during the assignment.



Pamela Monroe Ellis, FCCA, FCA
Auditor General

¹ Land which is currently occupied and which is slated for development.

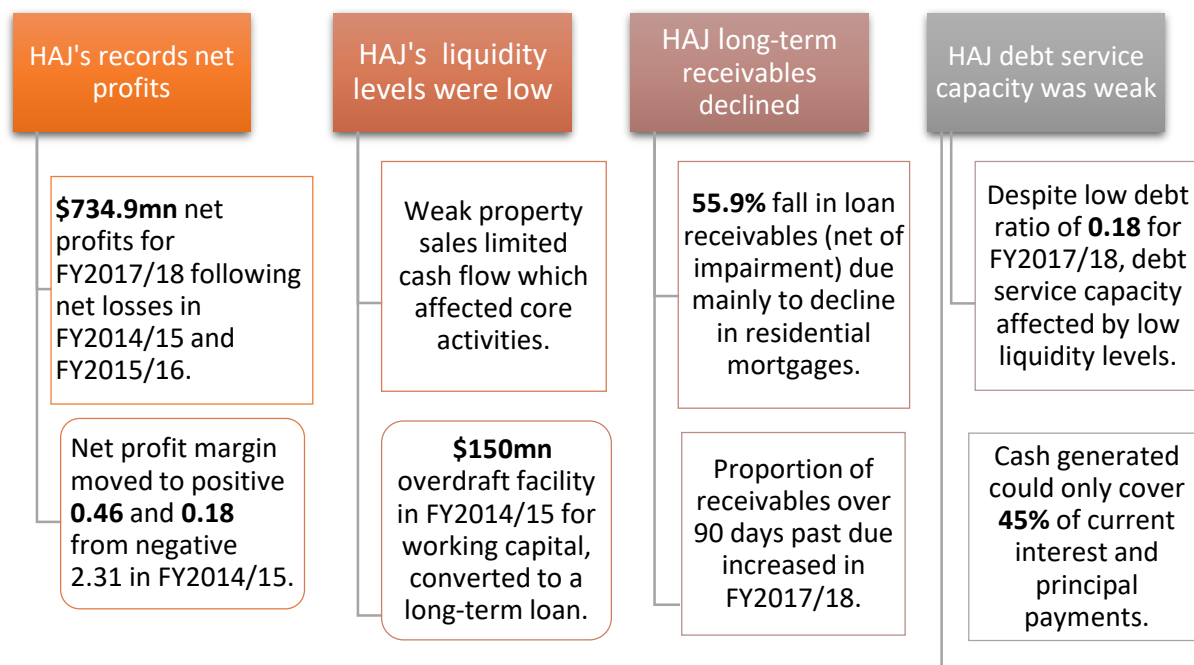


What We Found

1. **Following three consecutive years of net losses, the Housing Agency of Jamaica (HAJ) recorded net profits of \$160.6mn in FY2016/17 and \$734.9 million in FY2017/18 due in part to the sale of previously stalled properties and impairment recovery².** The improved performance was reflected in HAJ's net profit margin, which increased to 0.46 for FY2017/18 relative to 0.06 for FY2012/13. In other words, HAJ earned 46 cents in profit for every one dollar of income received for FY2017/18 relative to a mere 6 cents for FY2012/13, which contrasts with net losses of \$2.31 for every one dollar of income received for FY2015/16. HAJ is heavily dependent on the sale of houses to fund its core operations. However, persistent delays in completing projects undermined its ability to generate sufficient revenue to cover expenses for much of the review period.
2. **HAJ's total asset turnover ratio, which measures the value of revenues generated from its assets, declined steadily to 0.06 in FY2016/17 from 0.16 in FY2012/13, before improving to 0.12 in FY2017/18 based on the increase in property sales.** Therefore, for every dollar of assets held, HAJ only earned 6 cents in FY2016/17 relative to 16 cents in FY2012/13, demonstrating that over the review period, it did not efficiently use its assets to generate revenue. The sharpest decline in the total assets turnover ratio occurred between FY2012/13 and FY2013/14 when there was an 86.4 per cent reduction in sales, mainly attributable to construction delays of projects, while total assets grew by 15.9 per cent.
3. **Given delays in completing projects and weak sales, HAJ continually experienced liquidity constraints reflected in its current ratio³, which though improved to 0.45 in FY2017/18 from 0.33 in FY2012/13, remained inadequate as short-term assets (assets held for less than one year) were significantly less than short-term liabilities.** To alleviate liquidity shortfalls, HAJ sold lands totalling \$365.2 million over the period FY2012/13 to FY2013/14 to help fund loan repayments, which depleted the stock of lands available for housing development. Despite these actions, HAJ continued to experience liquidity challenges and in FY2014/15 secured an overdraft facility of \$150.0 million to meet its demand for cash. However, HAJ later converted the facility to a long-term loan, as it was unable to repay the debt in the time agreed under the facility.
4. **HAJ failed to meet its targets related to development projects over the review period.** For example, during FY2017/18, HAJ only commenced 183 of 2,739 planned starts for housing solutions and did not complete any of these projects. In FY2016/17 HAJ plans comprised 1665 project starts and 430 deliveries; however, HAJ did not start or deliver any of the planned projects for FY2016/17. Instead, to improve its cash position, the entity took the strategic decision to focus on completing projects, which were stalled or 'incomplete' from previous periods.

² An impairment loss describes a reduction in the market value of an asset below its value listed on the balance sheet, with this difference written off in the income statement. An impairment recovery is recognized when the market value of the asset increases above its book value.

³ Current ratio is calculated as current assets (short-term) divided by current liabilities (short-term).



What Should HAJ Do

It must be noted that HAJ's improved profitability is primarily due to sale of 'stalled and completed' projects. The current situation reveals that there is no improvement in the execution and completion of planned projects. Consequently, HAJ is still financially vulnerable. Management needs to robustly assess the environment and devise appropriate strategies to ensure the financial viability of the entity, as well as the effective delivery of its mandate.

PART ONE

Disclaimer

This Financial Statements Assessment is solely an analytical review of the audited financial statements of the Housing Agency of Jamaica Limited (HAJ). We did not conduct an audit of the financial statements of the entity and hence, did not test the management's assertions regarding the figures in the financial statements and disclosures. The calculation of ratios was merely intended to provide trend analyses of key financial items in the balance sheets and income statements of the entity, along with the notes provided.

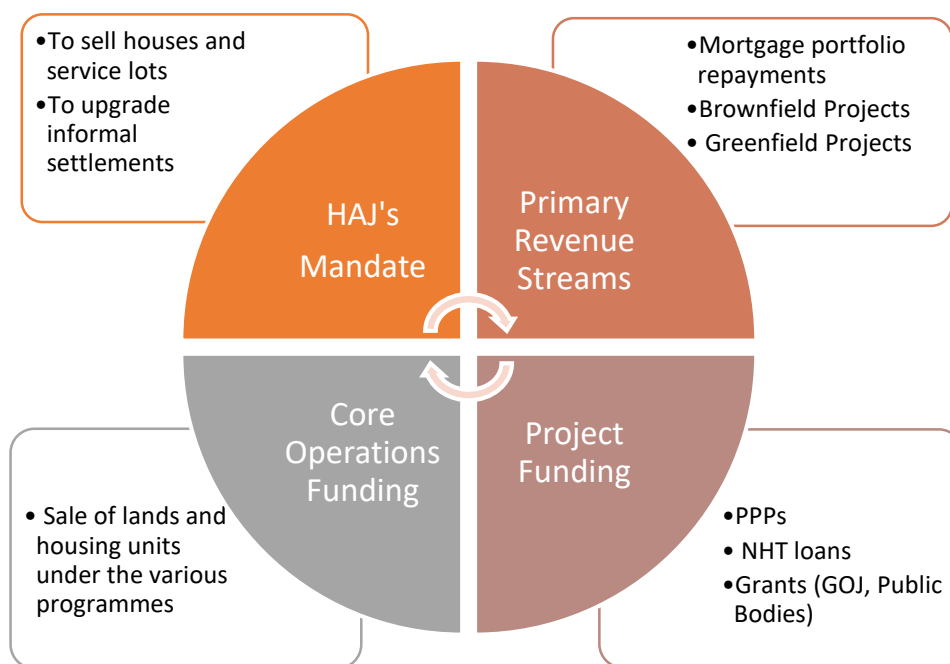
Introduction

This report was prepared using information from HAJ audited annual financial statements FY2012/13 to FY2017/18, annual reports and other supplementary information.

Profile of the Entity

- 1.1 The Housing Agency of Jamaica was formed in 1998, from the merger of Caribbean Housing Finance Corporation Limited (CHFC), National Housing Corporation Limited (NHC) and the Programme for Resettlement and Integrated Development Enterprise (PRIDE). HAJ is a wholly owned, self-funding Government entity under the Ministry of Economic Growth and Job Creation. HAJ operates within the construction industry, which depends on the sale of properties to derive revenue, which are not necessarily aligned to the incurring of expenses.

HAJ's Main Activities



Vision 2030 National Development Plan/United Nation Sustainable Development Goals

- 1.2 HAJ's operation in the Housing sector is aligned to Vision 2030 National Development Plan Outcome #15: *Sustainable Urban and Rural Development* and to the United Nations Sustainable Development Goal #11 - *Make Cities and Human Settlement Inclusive, Safe, Resilient and Sustainable*.

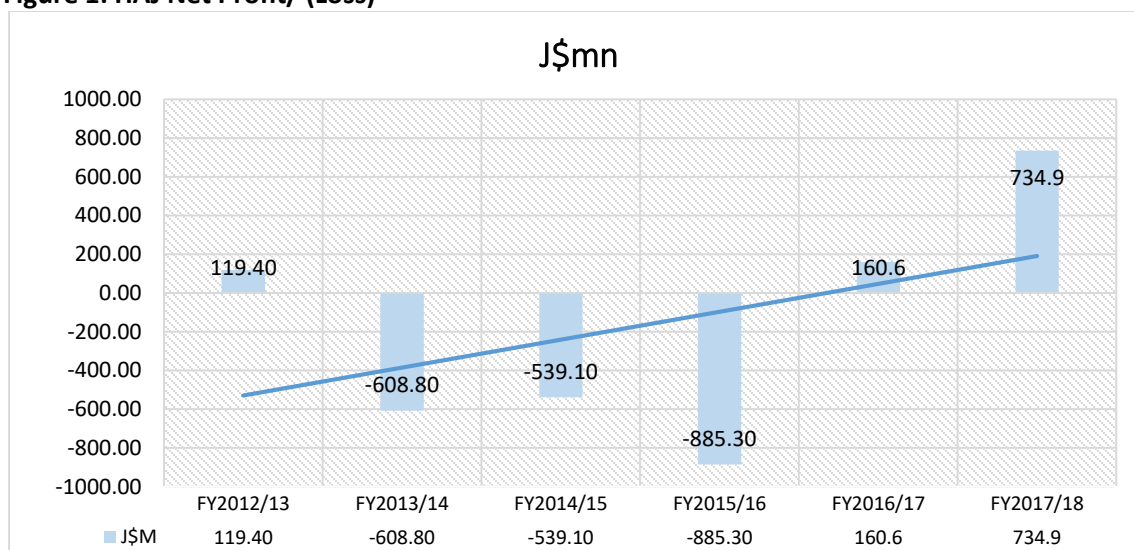
PART TWO

FINANCIAL STATEMENTS ANALYSIS

HAJ's net profit increases to \$734.9 million in FY2017/18

- 2.1 The HAJ recorded net profits of \$160.6 million and \$734.9 million in FY2016/17 and FY2017/18 following three consecutive years of significant net losses. The improved performance was reflected in HAJ's net profit margin, which increased to 0.46 for FY2017/18 relative to 0.18 for FY2016/17, and 0.06 for FY2012/13. Accordingly, for FY2017/18, HAJ earned 46 cents in profit for every one dollar of income received relative to a mere 6 cents for FY2012/13, which contrasts with net losses of \$2.31 for every one dollar of income received for FY2015/16. The turn-around in financial performance resulted from HAJ's strategic decision to focus on the completion of "stalled and incomplete projects" from previous periods. Based on the sale of completed houses, HAJ's revenue increased to \$1.6 billion in FY2017/18, relative to \$887.8 million garnered in FY2016/17, despite no new projects completed in FY2017/18 (Figure 1).

Figure 1: HAJ Net Profit/ (Loss)



Source: HAJ's Financial Statements

- 2.2 For FY2014/15 and FY2015/16, the net losses recorded of \$539.1 million and \$885.3 million, respectively primarily reflected impairment losses of \$239.8 million and \$755.2 million respectively related to Operation PRIDE and some Greenfield projects, which drove expenses. For FY2013/14, the net loss of \$608.8 million resulted from the substantially lower revenue relative to expenses, despite the reversal of \$221.6 million in impairment losses.

- 2.3** HAJ records revenue when properties are completed and sold which is consistent with industry norms, whereas costs are absorbed prior to sale. In this regard, HAJ's financial losses were driven by its inability to complete projects on a timely basis, spanning several financial years. Hence, rigorous market assessment and engagement of stakeholders to determine effective demand would have facilitated appropriate pricing and minimised the risk of properties left unsold for extended periods, requiring heavy discounting.
- 2.4** Over the review period FY2012/13 to FY2017/18, HAJ's core revenues from the sale of houses and lots declined by \$312.3 million (16.3 per cent), with a commensurate \$1.8 billion (82.4 per cent) reduction in cost of sales, that is, costs attributable to the construction of the houses or infrastructural improvement of the lots (**Table 1**). HAJ indicated that continued construction delays on its housing projects affected sales performance for financial years 2013/14 to FY2015/16, even with a year over year increase of 69 per cent in sales for FY2015/16. HAJ's total expenses fell by \$1.8 billion (65.1 per cent) over the period with lower cost of sales being the major factor influencing the reduction.

Table 1: HAJ Income Statement Extract FY2012/13 to FY2017/18 (J\$m)

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Sales Revenue	1,599.3	887.8	382.4	226.3	260.8	1,911.6
Other Income	179.9	376.6	290.4	185.2	418.2	986.5
Total Income	1,779.2	1,264.4	672.8	411.5	679.0	2,898.1
Expenses						
Cost of Sales	387.6	523.9	211.7	242.7	696.6	2,196.8
Total Expenses	968.4	1,080.6	1,558.1	950.6	1,287.9	2,778.7
Net Profit (Loss)	734.9	160.6	(885.3)	(539.1)	(608.8)	119.4

Source: HAJ Financial Statements

Inefficient asset utilization impacts HAJ's revenue generation

- 2.5** HAJ failed to meet its targets related to development projects over the review period. HAJ's total assets mainly comprised land and housing developments related to Operation PRIDE, Jamaica Economic Housing Project, other development projects and land inventory. For FY2017/18, HAJ had 2739 planned starts for housing solutions; however, HAJ only started 183 solutions and did not complete any of these projects⁴. HAJ faced a similar situation in FY2016/17 as the entity had 1665 project starts and 430 deliveries planned but none of the planned starts or deliveries were achieved at year-end. Instead, in accordance with its strategic plan, HAJ took the decision to focus on completing projects, which were 'stalled or incomplete' from previous periods. HAJ indicated that 80 other units in respect of Belle Air III, St. Ann were completed during FY2016/17. Within total

⁴ HAJ notes that the significant variance of 2556 housing solutions for FY2017/18 was due to advanced negotiations with prospective partners to finance and implement several housing solutions, the discontinuation of the Fast Track Housing Programme and the HAJ considering the sale of properties of Hopewell Farm in Hanover.

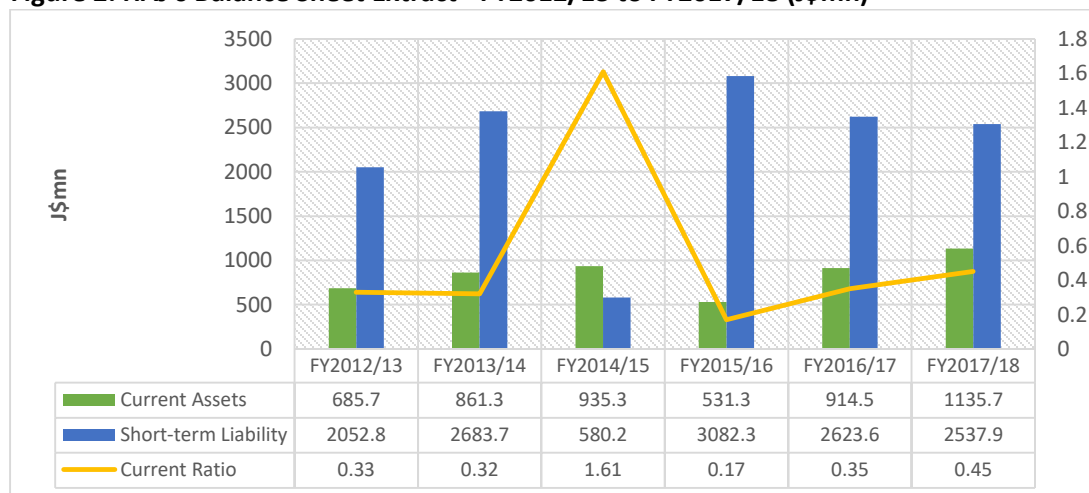
assets, fixed assets increased by 24.0 per cent, however the fixed asset turnover ratio declined to 28.2 at end FY2017/18 from 41.3 in FY2012/13, in light of declining sales.

- 2.6** HAJ's total asset turnover ratio exhibited a declining trend over the review period, moving to 0.12 in FY2017/18 from 0.16 in FY2012/13. The total asset turnover ratio measures how efficiently an entity utilizes its assets to generate revenues. The ratio declined in a context where total assets increased by 8.8 per cent, with sales declining by 16.3 percent. The sharpest decline in the total assets turnover ratio occurred between FY2012/13 and FY2013/14 when there was an 86.4 per cent decline in sales, mainly attributable to construction delays of projects, while total assets grew by 15.9 per cent. The downturn in HAJ's total asset turnover ratio suggests reduced efficiency in the utilization of its asset base to generate revenues.

HAJ continually experienced liquidity challenges

- 2.7** Over the six-year review period, HAJ was not able to maintain adequate short-term assets to cover immediate liabilities. The current ratio, which measures the ability to pay off current liabilities (short-term debt and other obligations) with liquid assets, marginally improved to 0.45 at end FY2017/18 from 0.33 in FY2012/13, averaging 0.54 for the review period, consequent on the performance in FY2014/15 when the current portion of the loans payable was at its lowest (**Figure 2**).

Figure 2: HAJ's Balance Sheet Extract - FY2012/13 to FY2017/18 (J\$m)



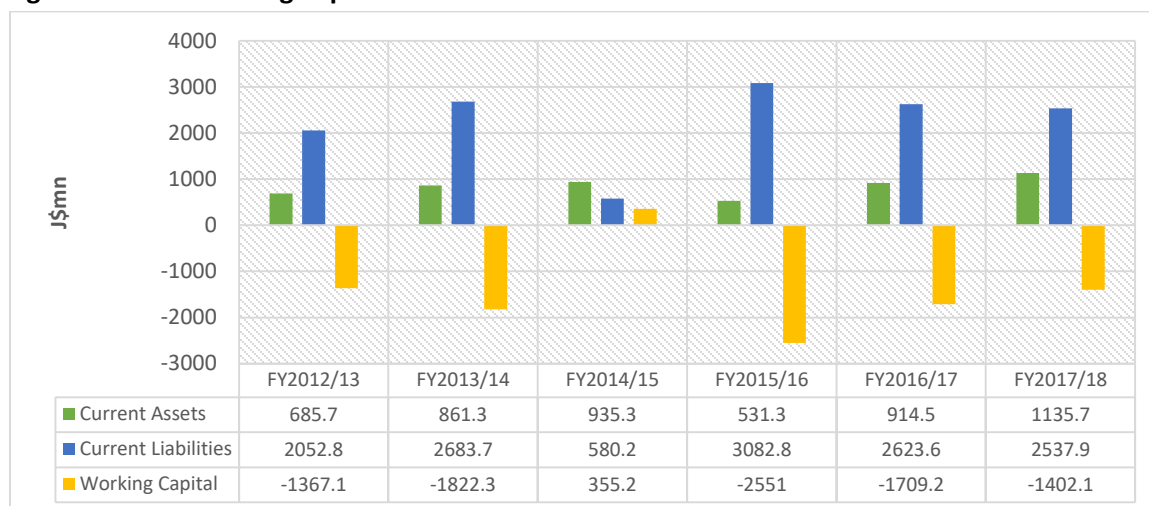
Source: HAJ Financial Statements

- 2.8** HAJ generally operated with a shortfall in working capital as current liabilities consistently outweighed current assets resulting in negative working capital of \$1.40 billion in FY2017/18 relative to negative \$1.37 billion in FY2012/13 (**Figure 3**)⁵. Concurrently HAJ's working capital turnover ratio was negative over the five-year review period despite improving to negative 1.03 in FY2017/18 from negative 2.33 in FY2012/13. The working capital turnover indicates the relationship between funds

⁵ Of note, the positive working capital in FY2014/15 was supported by the injection of cash from the \$150.0 million overdraft facility.

used to support business activities and the revenue generated, and as such is an indicator of how efficient a company is operating. HAJ's negative turnover ratios indicated that HAJ did not always generate sufficient working capital to support the construction and sale of houses and service lots, despite a \$1.2 billion increase in sales (318 per cent) between FY2015/16 and FY2017/18.

Figure 3: HAJ's Working Capital



Source: Analysis of HAJ's Financial Statements

2.9 Given liquidity challenges, HAJ in FY2014/15, negotiated an overdraft facility of \$150.0 million at 11.6 per cent interest rate to support day-to-day expenses such as, maintenance cost of closed projects, administrative and general expenses. This facility was however, converted to long-term loan at year-end, as HAJ was unable to repay the facility in the specified time⁶. Additionally, HAJ obtained two loans from the National Housing Trust totalling \$535.8 million to offset expenses associated with the Hills of Boscobel and Whitehall III housing developments.

2.10 In addition, HAJ relied on the sale of lands held for development as well as, investment securities (resale agreements) to generate cash to meet these obligations. Over the period FY2012/13 to FY2013/14, HAJ sold a total of \$365.2 million in development lands to help fund loan repayments. These loans were originally earmarked for repayment after the houses and lots were sold. The continued liquidation of such assets to finance debt obligations is however unsustainable, as it diminishes the stock of lands available for HAJ to carry out its mandate.

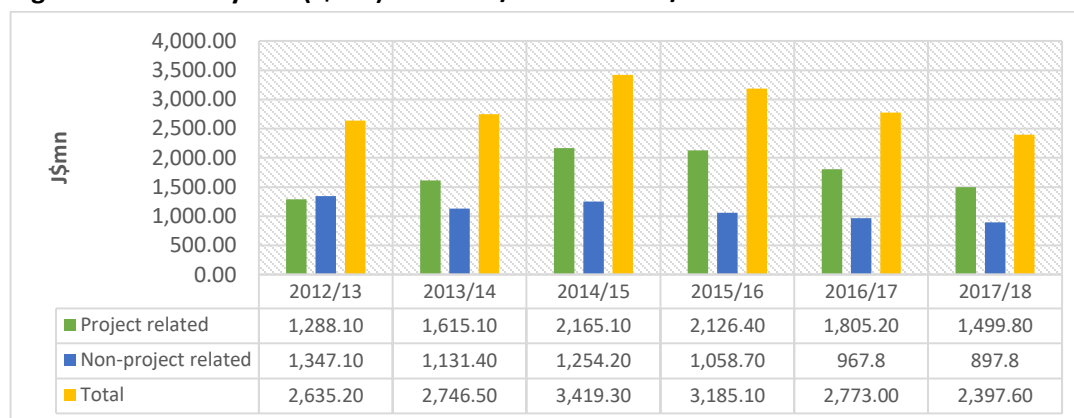
2.11 HAJ's debt stock fell to \$2.4 billion at end-FY2017/18 from \$2.8 billion in FY2016/17, the third consecutive period of decline relative to FY2014/15. HAJ's debt ratio fell to 0.18 at end FY2017/18 from 0.22 for FY2012/13⁷. Whereas 51 per cent of HAJ projects (JEHP and Operation Pride) were financed by public sector grants, 49 per cent (Green Field developments) were financed through

⁶ In a letter dated February 26, 2015, HAJ requested an extension of the credit facility for a period of 12 months effective April 1, 2015. The letter stated the Agency had initially identified the need for \$620 million for its FY2014/15 budget but was only able to secure \$385 million in October 2014. This has caused delays in the completion of projects and hence the inability to close sales and generate revenues.

⁷ The debt ratio measures the aggregate of short and long-term debt as a percentage of total assets.

loans. NHT was the primary source of loan financing for both project and non-project related loans, which accounted for 95.5 per cent of HAJ's outstanding debts at end FY2017/18 (**Figure 4**).

Figure 4: Loans Payable (J\$m) – FY2012/13 to FY2017/18



Source: Analysis of HAJ's Financial Statements

2.12 HAJ's capacity to meet existing debt service obligations from internally generated cash was inadequate over the review period despite improving in FY2016/17 and FY2017/18 following HAJ's strategic action. HAJ's debt-service coverage ratio (DSCR) remained significantly below one (1) over the review period indicating that at no point did HAJ generate enough operating income to settle in full, interest and principal payments associated with current debt obligations. A DSCR of one (1) indicates that an entity generates just enough cash flow to cover all its current debt-service obligations. For FY2017/18, HAJ's DSCR was 0.45, showing that HAJ generated net operating income could cover only 45 per cent of current debt-service obligations. Even so, in instances where cash flow was required to service non-project loans only, the entity's coverage was still below one (1) (**Table 2**).

Table 2: Debt Service Coverage Ratio – FY2012/13 to FY2017/18

	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
DSCR	0.45	0.12	-0.33	-3.26	-0.29	0.12
Adjusted DSCR*	0.92	0.24	-0.76	-0.38	-0.47	0.13

*Adjusted to account for obligations related to only non-project loans

Source: AuGD analysis of HAJ Financial Statements

2.13 HAJ's loan agreement with NHT for project loans also stipulates that the repayment of loan disbursement and interest shall be 'independent of sales' and further 'for the avoidance of all doubt, the Trust shall not be obliged to await the sale of houses or service lots for the liquidation of the loan disbursement' (**Appendix 3**). However, HAJ is yet to repay project loans for Stadium Gardens and Westmeade developments that were completed in 2012 (**Table 3**). For the Boscobel Hills and Whitehall developments, HAJ indicated that it managed to renegotiate terms during FY2014/15 with NHT, which allowed for a reduction in monthly repayment amounts and extended repayment periods for these construction loans.

HAI's Response: Loan obligations are paid from the revenues of finalized sales and mortgage collections. It is important to note that payments are related to particular events rather than a timeline. Project debts are paid when depositors finalized their mortgages with National Housing Trust (NHT) and not from the Agency's internal cash flow. Please note that there is always sufficient account receivables to cover outstanding loan balances. GPP/CHFC loans are paid from internal cash generated when mortgagors make payments and closed their loan receivable account with the agency.

Table 3: HAJ completed projects with loan balances

Project Loan	Start Date	Contracted Completion Date	Actual Completion Date	Contract Loan Repayment Date	Adj. Loan Repayment Date	Loan Bal. 31.3.2018 \$
Hills of Boscobel	26-Apr-11	25-Apr-13	30-Dec-14	25-Oct-13	30-Jun-15	431,019,000
Whitehall 3 Lots	12-Jul-11	9-Jan-13	13-Feb-13	11-Apr-13	15-May-13	428,649,000
Whitehall 3 Housing	12-Jun-13	12-Mar-14	1-Mar-16	12-Jun-14	31-May-16	568,555,000
Stadium Gardens 3	28-Mar-11	27-Mar-12	28-Mar-12	17-Jul-12	18-Jul-12	63,930,000
Westmeade Willows	10-Aug-10	8-Feb-12	21-Dec-12	9-Aug-12	21-Jun-13	7,615,000

Source: HAJ's Loan records and agreements

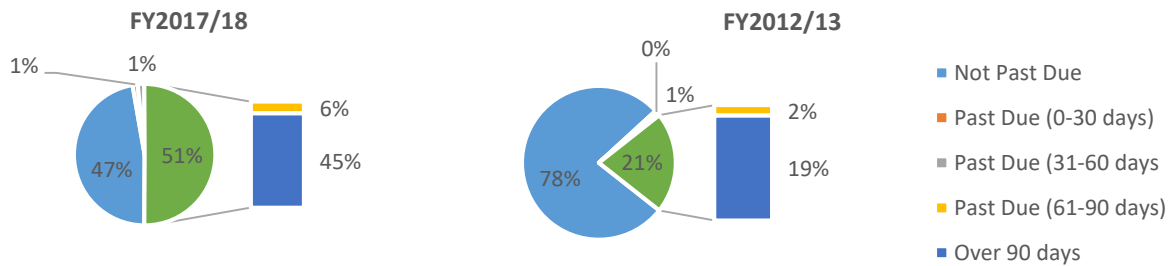
- 2.14** HAJ also failed to make timely payments on non-project loans for which at end FY2017/18, 56.9 per cent was past due relative to 35.1 per cent at FY2012/13. In particular, HAJ has failed to make principal payment on its largest non-project loan, a converted construction loan related to the Greater Portmore Project, since FY2015/16⁸.
- 2.15** HAJ's loan receivables largely emanated from Greater Portmore legacy loans as the Agency ceased mortgage financing since July 1999. HAJ's loan receivables fell by 55.9 per cent to \$760.2 million in FY2017/18 from \$1.7 billion in FY2012/13. This decline was largely due to repayment of legacy loans and increased provisioning for impairment⁹ to \$356.2 million at end FY2017/18 from \$295.5 million in FY2012/13. Despite the fall in loan receivables, the proportion past due for over 90 days increased to 44.6 per cent in FY2017/18 from 19.3 per cent in FY2012/13 (**Table 4**).

⁸ The principal amount of the loan, together with deferred interest of 3% per annum, was rolled over into a 25-year loan on which interest accrues at 5% per annum.

⁹ This impairment was largely related to one of HAJ's debtors.

Table 4: HAJ's Loans Receivables – FY2012/13 to FY2017/18

Receivables (J\$mn)	FY2017/18	FY2016/17	FY2015/16	FY2014/15	FY2013/14	FY2012/13
Not Past Due	358.4	501.5	681.9	813.6	1,080.3	1,306.3
Past Due (0-30 days)	8.9	8.8	8.7	8.9	8.8	8.5
Past Due (31-60 days)	11.3	11.5	11.4	11.7	11.4	11.2
Past Due (61-90 days)	42.1	39.8	37.7	38.9	36.0	32.4
Over 90 days	339.0	335.8	334.7	336.9	331.9	325.4



Source: HAJ's Financial Statements

HAJ's Response: The increase in provision over the last five years was mainly the result of one infrastructure development loan and not necessary a reflection of the overall portfolio. This loan is currently being addressed by the management team but was fully provided for over time. Impairment provision outside of this particular loan receivable reflected the condition that exist at the time and complies with the standard.

Appendix 1

Activity Ratios

Total Asset Turnover ratio - Asset turnover ratio measures the value of a company's sales or revenues generated relative to the value of its assets. The Asset Turnover ratio can often be used as an indicator of the efficiency with which a company is deploying its assets in generating revenue.

$$\text{Formula} = \frac{\text{Sales}}{\text{Average Total Assets}}$$

Working Capital Turnover ratio – refers to the ratio of sales to working capital (current assets less current liabilities). This measures the company's efficiency in its use of working capital.

$$\text{Formula} = \frac{\text{Sales}}{\text{Working Capital}}$$

Liquidity Ratios

Cash Ratio – refers to the ratio of cash and cash equivalents to current liabilities and measures an entity's ability to pay off its current liabilities with only cash and cash equivalents.

$$\text{Formula} = \frac{\text{Cash} + \text{Cash equivalents}}{\text{Current Liabilities}}$$

Current Ratio - refers to the ratio of current assets to current liabilities and indicates an entity's ability to meet current liabilities with its current assets.

$$\text{Formula} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Debt and Solvency Ratios

Debt-to-Assets (Debt Ratio) – refers to the ratio of an entity's debt to total assets and measures the proportion of assets that are financed with debt.

$$\text{Formula} = \frac{\text{Short Term} + \text{Long Term Debt}}{\text{Total Assets}}$$

Debt-service coverage ratio— refers to a measure of the cash flow available to pay current debt obligations of an entity.

$$\text{Formula} = \frac{\text{Net Operating Income}}{\text{Total Debt Service}}$$

Profitability Ratios

Net Profit Margin – refers to the ratio of an entity's net income to sales and measures how much of each dollar of sales is left over after all expenses.

$$\text{Formula} = \frac{\text{Net Income}}{\text{Sales}}$$

Rate of Return on Assets – refers to the ratio of net income to total assets. This indicates the amount earned on each dollar of assets.

$$\text{Formula} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Appendix 2

Criteria for Financial Standards - FAA Act (amended) 2015, Regulations

Selected Criteria for Public Entities not forming part of the specified public sector	Met/ Not Met
1. The auditor of the public body has expressed an unqualified opinion on the financial statements of the public body, including an opinion that the accounts comply with the International Financial Reporting Standards (IFRS).	Met
2. Annual reports, including audited financial statements of the public body have been submitted in accordance with section 3(2) of the <i>Public Bodies Management and Accountability Act</i> .	Not Met
3. The public body has, on average over the three preceding financial years, recorded a positive net profit after tax, on a stand-alone basis or, if applicable, on a consolidated basis.	Not Met
4. At least one of the following provisions apply in respect of a public body - a) The average long term debt to equity ratio of the public body (on a stand-alone basis, or, if applicable, on a consolidated basis) over the three preceding financial years is no more than 2.5, where long term debt means debt that is due over a period that is longer than one year, b) The positive working capital and current ratio of the public body (on a stand-alone basis, or if applicable, on a consolidated basis) is at least 1.2, where current ratio means current assets divided by current liabilities.	Not Met

Appendix 3

Excerpt from Appendix 2 of Construction Loan Agreement between HAJ and NHT notes that:

“The repayment of the Loan Disbursement and interest shall be independent of sales...”

Excerpts from Appendix 8 of Construction Loan Agreement between HAJ and NHT notes that:

“The Loan Disbursement and all accrued interest shall be repaid in full by the Developer (HAJ) at the end of the Contract Duration.”

“For the avoidance of all doubt the Trust shall not be obliged to await the sale of the Serviced Lots/Housing Units for the liquidation of the Loan Disbursement.”

“Time shall be of the essence in relation to all payments due under this Agreement.”