35th ANNIVERSARY 1976 - 2011

NATIONAL HOUSING TRUST

A Partnership Agenda...
Towards Affordable Home Ownership







Annual Report and Financial Statements 2010/11

National Housing Trust

Our Vision

To be a role model among the world's leading housing finance institutions, delivering affordable housing solutions in a service culture, with professional staff serving customers with integrity and excellence.

Our Mission

To be effective stewards, caring for our contributors as we deliver housing solutions, build communities, refund contributions and influence the market to make housing more affordable.

Core Values

Innovation	To constantly challenge ourselves to identify new approaches to meet the needs of our customers, stakeholders and the organization.
Excellence	To apply exceptional knowledge, understanding and creative thinking in our analyses, processes and decision-making.
Professionalism	To adhere to a set of principles comprising both formally agreed-upon codes of conduct and informal expectations of colleagues, customers and society.
Accountability	To meet our commitments and accept responsibility for our actions and decisions.
Caring	To treat all persons fairly and with respect.
Integrity	To employ the highest ethical standards, demonstrating honesty, sincerity and fairness in every action or decision.
Teamwork	To work collaboratively to achieve the organization's goals, using individual skills, providing feedback, and treating each colleague with respect.

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Letter to the Prime Minister

June 30, 2011

The Hon. O. Bruce Golding, M.P.
Prime Minister
Jamaica House
Hope Road
Kingston 6

Dear Prime Minister,

In accordance with Section 3 First Schedule (no. 6) of the National Housing Trust Act 1979, I present the NHT report for the year ended March 31, 2011, and a copy of its Statement of Accounts at March 31, 2011, duly certified by the Auditors.

I am
Yours respectfully,

Howard Mitchell
Chairman

7 Year Statistical Summary

Year Ended March 31,	2011	2010	2009	2008	2007	2006	2005
FINANCIAL SUMMARY	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total Assets*	154,298,176	134,114,628	115,995,523	98,363,100	89,004,261	78,603,906	72,873,470
Inventories	8,380,924	5,693,088	4,914,369	3,909,465	3,870,059	3,651,406	1,834,251
Loans Receivable	110,276,274	95,757,161	85,131,068	70,629,633	58,728,730	49,656,370	45,282,026
Refundable Contributions	56,286,861	50,235,825	44,060,124	38,188,003	32,716,876	28,449,888	25,103,757
Accumulated Fund							
Non-Refundable Contributions	67,284,979	56,605,529	47,579,711	38,927,479	33,463,941	28,772,475	24,886,011
Surplus for the year*	20,471,988	19,047,190	16,736,746	15,491,948	16,215,498	16,232,794	18,668,351
Results From Operations							
Total Operating Income	8,439,982	9,208,760	8,627,500	6,615,566	6,193,353	6,651,401	7,079,517
Operating Expenditure	4,168,474	4,214,928	3,740,782	3,901,326	3,089,663	2,278,696	2,147,312
Net Surplus/(Deficit)*	1,553,554	2,305,542	1,982,615	(300,015)	630,883	(1,902,376)	1,833,432
OTHER INFORMATION							
Annual Housing Expenditure	21,209,341	16,915,796	20,242,636	16,941,643	13,171,808	7,710,150	5,735,970
Contributions Received	18,526,158	16,821,186	16,131,501	11,648,169	9,348,458	8,369,589	7,060,372
Contributions Refunded	2,874,123	2,751,659	2,624,178	2,250,457	1,682,606	2,145,282	1,230,626
FINANCIAL RATIOS	%	%	%	%	%	%	%
Average Interest on Loans**	4.4	5.5	5.5	4.8	5.8	6.5	7.9
Yield on Investments	8.9	14.1	12.0	11.2	12.5	14.6	21.8
Efficiency Ratio	79.6	62.1	70.7	135.0	89.0	(297.0)	46.0
Return on Capital	1.8	3.0	3.1	(0.5)	1.2	(3.9)	4.2
Return on Assets	1.1	1.8	1.8	(0.3)	0.7	(3.0)	2.7
MORTGAGES							
Number of Mortgages Created Since Inception	145,518	138,353	131,804	124,934	116,527	108,233	101,084
Number of Individual Benefits Provided Since Inception	156,907	149,836	143,287	136,417	128,010	119,695	112,514

*Restated for 2010
**Comprises all loan types: Mortgage, Institutional, Interim Financed etc.

Board of Directors

Mr. Howard Mitchell: Mr. Mitchell was appointed Chairman of the Board November 2007. He has been an Attorney-at-Law for over 30 years and currently serves as Consultant to Mitchell, Hanson and Co. He further serves as Executive Chairman of Commercial Holdings Ltd. and Chairman of the Coffee Industry Board, Coffee Development Trust Fund, Island Grill/Chicken Mistress Ltd. and TM Traders Ltd.

Mr. Mitchell holds a B.Sc. degree, Government, from the University of the West Indies; and a Master of Laws degree (LL.M.) in International Trade Law from the University of Miami. He is qualified in the areas of Commercial Law, Mining Law and Taxation Law and has also received training in the Senior Management Development Programme at the Institute of Management and Development (IMD), Switzerland.

Mrs. A. Cecile Watson: Mrs. Watson was appointed Managing Director, May 17, 2010. She is a senior business leader with over twenty years experience in leadership, strategy, change management, customer relations and operations. Her main industry experience has been in banking, engineering and consulting, working extensively in Canada, Barbados and Jamaica. Mrs. Watson holds a first class honours degree in Electrical Engineering and a Masters in Business Administration from the University of Western Ontario. She is a Commonwealth Scholarship recipient. Currently, Mrs. Watson serves on the boards of Harmonisation Ltd., Harmony Cove Ltd. and Sagicorp Pooled Investments Funds Ltd.

Board of Directors *cont'd*

L-R

Mr. Wayne Jones, O.D.: Mr. Jones is the Chairman of the Audit Committee. He was appointed to the Board in 2003. Mr. Jones is also President of the Jamaica Civil Service Association (JCSA) since 2001, and General Secretary of the Jamaica Confederation of Trade Unions (JCTU). He is a member of the Executive Committee of the Caribbean Public Services Association and is one of two Caribbean representatives to Public Services International, the global union federation for public sector workers.

Dr. Parris Lyew-Ayee, Jnr: Dr. Lyew-Ayee, Chairman of the Policy and HR Committee, was appointed to the Board in November 2007. In addition to serving on NHT's Board, he is also the Director of the Mona GeoInformatics Institute at the University of the West Indies, Mona and further serves on the Boards of: NEM Insurance Co. Ltd., Management Control Systems, Jamaica Conservation and Development Trust and the Advisory Board of the National Works Agency. He is also the Chairman of the Water Resources Authority.

Mrs. Audrey Richards: Mrs. Richards was appointed to the Board in March 2008 and is Chairman of the Finance and IS Committee. She is a financial consultant with over 20 years experience in the financial sector.

Mr. Peter Jervis: Mr. Jervis is the Chairman of the Technical Committee and currently, also Chairman of the 35th Anniversary Committee. He was appointed to the Board in November 2007. Mr. Jervis is a consulting Engineer and head of the engineering firm Peter Jervis & Associates Ltd.

Mr. Jeremy Palmer: Mr. Palmer is an Attorney-at-Law operating a private practice. He is the Chairman of the St. Elizabeth Parish Council. Mr. Palmer was appointed to NHT's Board in November 2007.

Board of Directors *cont'd*

L-R

Mr. Lloyd Goodleigh, C.D: Mr. Goodleigh was re-appointed to the Board in November 2007, after previously serving from 1986 – 2003. He is a Past President of the Caribbean Congress of Labour (CCL) and currently, President of the Jamaica Confederation of Trade Unions (JCTU) and General Secretary of the National Workers Union (NWU). Mr. Goodleigh was awarded the Order of Distinction, Commander Class, for his contribution to Industrial Relations.

Mr. Adrian Grant: Mr. Grant was appointed to the Board in November 2007. He is a businessman and member of the Technical Committee of the Board.

Mr. Rodger Braham, ACIB, BBA, PMD: Mr. Braham was appointed to the Board in 2010. He has over 30 years experience in commercial and development banking, with specialized experience in debt and organizational restructuring. He holds the Associate of Chartered Institute of Bankers (ACIB) designation from the Institute of Bankers of London and a Bachelor's in Business Administration (BBA) from the University of Technology. He sits on JMMB's Credit and Risk Sub-Committees, having assisted the company in developing and operationalising its Credit Policy and Procedures in 2007.

Ms. Joy Douglas: Mrs. Douglas was appointed to the Board in November 2007. She is an Urban & Regional Planner and has been General Manager of the Urban Development Corporation since December 2007. In addition to the NHT, Ms. Douglas serves on the Boards of the Planning Institute of Jamaica (PIOJ), Independence Parks Ltd., Caymanas Development Company Ltd. and Runaway Bay Water Company Ltd.

Mr. George Fyffe, O.D., J.P.: Mr. Fyffe is the General Secretary of the Bustamante Industrial Trade Union (BITU) and the Assistant General Secretary of the Jamaica Confederation of Trade Unions (JCTU). Mr. Fyffe is also the Vice President of the Inter-American Regional Organisation of Workers and the Trade Union Technical Advisory Council. In 1984 he was awarded the Order of Distinction for his contribution to Industrial Relations. He was appointed to the Board in 1999.

Board of Directors *cont'd*

L-R

Mr. Ray Howell: Mr. Howell was appointed to the NHT Board in January 2010 and is the Principal of the Edith Dalton James High School. He has served for 36 years as an educator and is a committed trade union advocate who has also dedicated his life in service to schools, the youth and to communities throughout Jamaica.

Ms. Angela Robertson: Ms. Robertson was appointed to the Board in February 2009. She is an Attorney-at-Law, practicing in the areas of Labour Law, Industrial Relations and Contract and Commercial Law. Additionally, Ms. Robertson is an Executive of the Jamaica Employers' Federation, as well as a member of the Labour Advisory Council and the Jamaican Bar Association.

Mr. Desmond Young: Mr. Young has over 18 years experience as an engineer in the construction industry. He is the Director of Technical Services at the Housing Agency of Jamaica (HAJ) and was appointed to the NHT Board in January 2010.

Mrs. Kay Bennett-Sherman: Mrs. Bennett-Sherman was appointed to the Board in November 2007. She is an Attorney-at-Law and a qualified Real Estate Salesperson. Mrs. Bennett-Sherman provides legal services primarily in conveyancing and in probate, divorce, company formation and drafting of contracts and wills.

Mr. Philip Bernard: Mr. Bernard is the General Manager, Business Development and Senior Manager for Community Banking and ATM Services at the Jamaica National Building Society. He was appointed to the NHT Board in January 2010.

Senior Executive Management Team

A. Cecile Watson
Managing Director

Martin Miller
Senior General Manager
Finance

Donald Moore
Senior General Manager
Construction & Development

Lanie-Marie Oakley Williams
Senior General Manager
Customer Relations Management

Benedict Ranger
Senior General Manager
Corporate Services

Judith Larmond-Henry
General Counsel &
Company Secretary

Leighton Palmer
Chief Information
Officer

Jeneita Townsend
General Manager
Human Resource Management

Lorna Walker
Chief Internal Auditor

Chairman's Message

Fellow Jamaicans,

In this the 35th year since the establishment of the National Housing Trust, the words of the NHT Act remain a beacon for our existence:

"There shall be established for the purpose of this Act, a body to be known as the National Housing Trust which shall be a body corporate… [with] functions [to] (a) add to and improve the existing supply of housing and (b) enhance the usefulness of the funds of the Trust by promoting greater efficiency in the housing sector."

This edict summoned the establishment of the National Housing Trust, which commenced operations in January 1976. The mandate charged the organization with the responsibility of relentlessly pursuing opportunities that would benefit those persons, whose contributions would form the cornerstone of the institution. In our role as financier and developer, we have delivered on this charge by:

1. *promoting new housing projects;*
2. *financing the construction and purchase of houses on the open market;*
3. *increasing individual access to loans to assist with the purchase, building, maintenance, repair and improvement of houses;*
4. *encouraging and stimulating improved methods of production of houses.*

PERFORMANCE SINCE INCEPTION

There have been many accomplishments along the way and innovation has proven to be a worthwhile companion. Attesting to this is the immense growth experienced in our key performance areas, resulting from initiatives that have improved the way we do things over the years. To date, the NHT has provided over 157,000 mortgages and financed over 300 housing projects which yielded in excess of 85,000 solutions. Contributions have, in the main, climbed steadily over the years with annual collections moving from $46M at the end of year one to $18.53B presently. Similarly, annual Contributions Refunds have grown from an initial payout of $257,000 to over $2.87B presently. Keeping pace with this general performance is the growth in assets that has shown a steady increase in value from $53M in the first year of operations to $154B at the end of the current period.

Our policies have also undergone many adjustments in keeping with: (1) the needs of our contributors; (2) the need to impact the market in a way that promotes greater efficiency in the sector; and (3) changes in both the local and international economies.

CORPORATE SOCIAL RESPONSIBILITY

Throughout the years, the NHT has sought to expand its reach in the wider community in an effort to improve the welfare of more Jamaicans and contribute to social development. We have achieved this through our social development programmes and also via the giving of subsidies and grants to a slate of programmes that have varied both in scope and nature. Primary among these have been the Emancipation Park Project, the Sugar Workers Housing Programme, the Indigent Housing Programme (under the Ministry of Water and Housing), and the Inner City Housing Project. We also improved the sustainability of NHT schemes by providing services in the following areas:

1. *community governance;*
2. *behaviour change;*
3. *environmental management;*
4. *skills training;*
5. *finance for community development initiatives, and;*
6. *competitions (Best Schemes).*

Additionally, through mortgage arrears management and counselling, we guide and support mortgagors who find themselves falling behind in their mortgage payments.

LEADERSHIP

Leading the charge over the years, have been some of the most talented individuals who, collectively, have kept the focus on meeting the needs of our contributors in accordance with our mandate. With this commendable leadership and service, the NHT has grown to become the largest player in the construction market. Our effective stewardship of public funds and prudent financial management have also ensured the financial stability and viability of the organization.

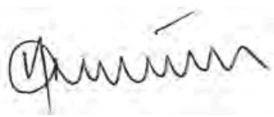
Several changes at the leadership level during the year are noted. *Mrs. A Cecile Watson* was appointed Managing Director replacing Mr. C. Earl Samuels, who demitted office in the previous year. Likewise, *Mr. Benedict Ranger,* former Chief Information Officer, replaced Dr. Vincent George as Senior General Manager, Corporate Services. Other senior appointments included *Mr. Martin Miller* as Senior General Manager, Finance Division; *Mrs. Lanie-Marie Oakley Williams* as Senior General Manager, Customer Relations Management Division; and *Mr. Leighton Palmer* as Chief Information Officer.

OBSERVING 35 YEARS

In January 2011, the NHT entered its 35th year and this anniversary is being observed with the staging of several events across the island. As part of the celebrations, the Trust launched the NHT Foundation, its gift to the nation. Through this initiative, the Trust intends to provide support for mission aligned nation building activities, which will improve the living conditions of underserved current and past contributors alike. It is also expected to positively impact economic activities in the recipient communities. Other events include church services in three parishes, the launch of a Model Home Design Competition, a Housing Fair and an Essay Competition.

CLOSING REMARKS

The challenges have been many, but despite these the Trust has, undoubtedly, made an indelible impression on Jamaica's housing landscape. We are proud of our achievements over the past 35 years. It is our expectation that these will be surpassed as we move forward embracing the challenges along the way. Our perspective for the future has been captured in our Vision 2015 Strategic Plan, which provides the immediate road map for us to continue to pool our talents and resources in satisfying our contributors - always delivering "Fantastic Service Everytime."



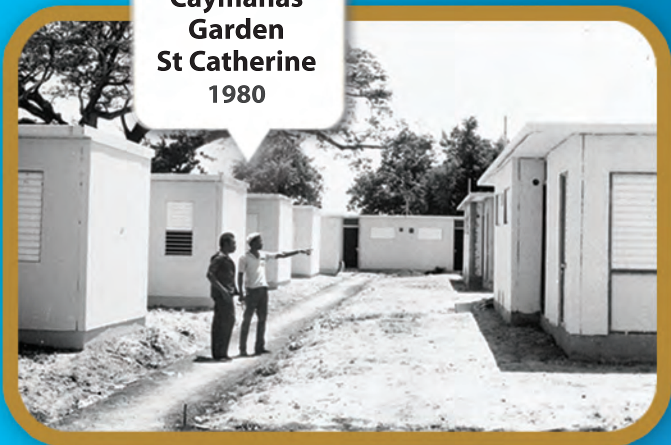
Howard Mitchell
Chairman

35 Years of Building Communities

A walk down memory lane

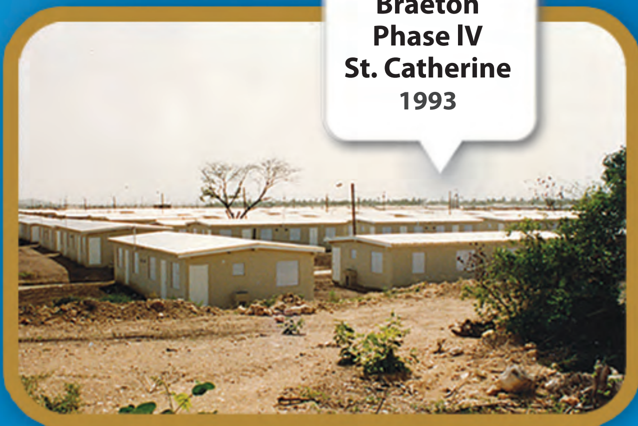
Ashley Hall
Clarendon
1978
FIRST NHT SCHEME

Hellshire
Upper Fort
St Catherine
1993

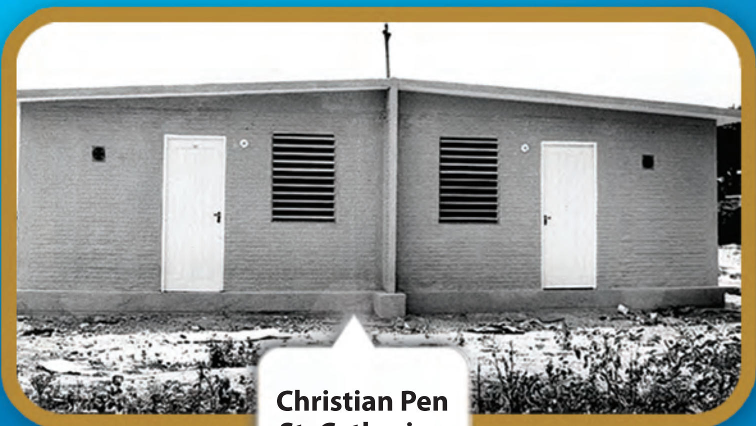


Caymanas
Garden
St Catherine
1980

Portsmouth
St. Catherine
1980

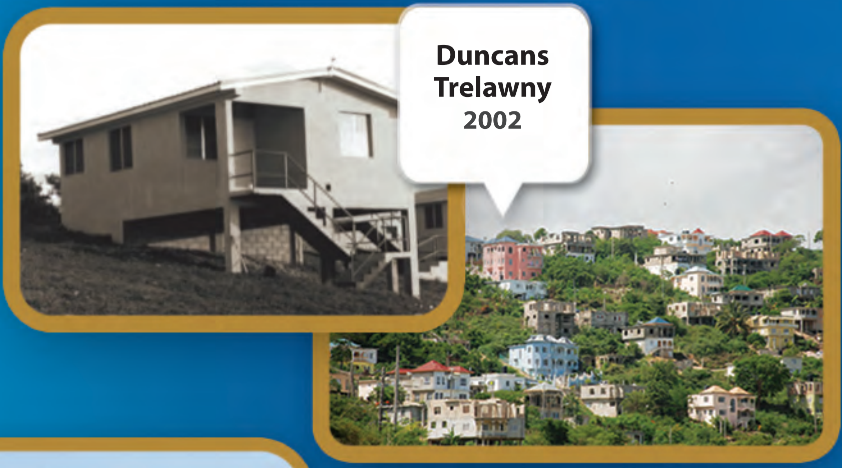


Braeton
Phase IV
St. Catherine
1993



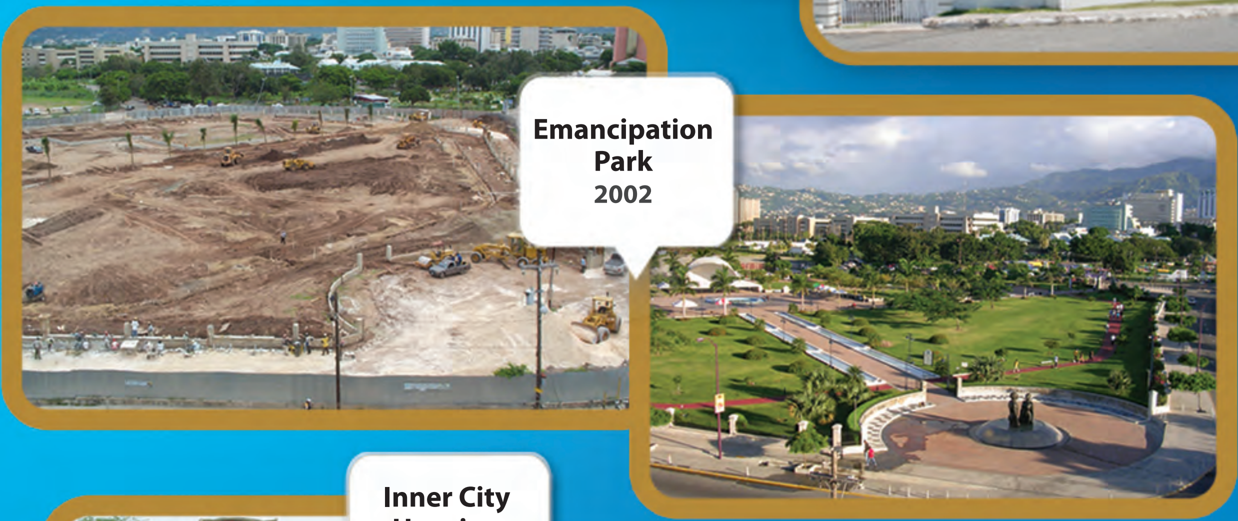
Christian Pen
St. Catherine
1993

Tracking Development



Duncans Trelawny
2002

Longville Park Clarendon
2000



Emancipation Park
2002

Inner City Housing Project
2004

Happy 35th Anniversary 1976 - 2011

Prime Minister, the Most Honourable Bruce Golding and minister with portfolio responsibility for the NHT, is assisted by Managing Director Mrs. A. Cecile Watson and staff members, Noileen Junor & Duke Berry, in cutting the birthday cake.

Members of the board, the senior executive management team, staff and other stakeholders, observe the raising of NHT's flag by Prime Minister Golding. The flag raising ceremony was held earlier in the year.

Minister of Water and Housing, Hon. Dr. Horace Chang, is flanked by members of the board as they participate in the first of the 35th Anniversary church services across the Island.

Members of the NHT Chorale lift their voices in praise.

Managing Director's Report

Fellow Contributors,

January 1, 2011 marked thirty-five years of distinguished service by NHT to the nation of Jamaica, and more specifically to you, our contributors and partners. It is therefore symbolic, timely and providential that during this year you voted NHT as the best customer service entity, for which we received the Prime Minister's Trophy at the 5th biennial staging of the Public Sector Customer Service Awards Ceremony.

We thank you and feel gratified that your service experience with our organization and our staff has been such that you felt moved to express your appreciation. It is also appropriate that on behalf of those who had the foresight to conceive and build this august institution that we say thanks to all of our many stakeholders who have contributed to the growth and nurturing of NHT, and the realization of the dreams of its founders, and its successive boards and management teams. We applaud all those stakeholders through whose contribution we can today claim continued relevance, viability and service excellence after 35 years: our founders, the government, unions, previous and current boards, management and staff, and also our many contributors.

We are recognizing this important milestone with several events under our anniversary theme: ***A Partnership Agenda…Towards Affordable Home Ownership.*** Celebrations started on January 2nd with our official launch event, which took the form of a flag raising ceremony at Emancipation Park under the esteemed lead of our Portfolio Minister, the Hon. Prime Minister Bruce Golding and witnessed by staff and the Board of Directors. This year we also announced the establishment of the NHT Foundation, a gift to the nation, through which we will caringly channel funding towards humanitarian efforts targeted to improve the living conditions of underserved Jamaicans. Primarily, on the basis of need, we will seek to assist the elderly housed in public institutions, public servants who serve in the essential services, children eligible for state funding, and basic care of national luminaries. The Board and Management of the Trust are extremely pleased to be able to assist the nation of Jamaica to fund these crucial areas of need that are mission-appropriate. We see this as sowing seeds that will produce fruit for this and future generations of Jamaica.

Against the background of a prolonged global economic crisis, the construction industry reported a 2.2% decline at the end of December 2010. This decline was largely attributable to a downturn in building construction, the largest category of activities within the industry.[1] Nevertheless, for the period under review, the NHT exceeded most of its key performance targets. We finished the year having recorded a net surplus of $1.55B and having grown our assets by 15%. Contribution collections increased by 10% and loans receivable recorded an impressive growth of 15%. These accomplishments were against a background of having surpassed most of our production targets as follows:

- Contributions collections exceeded its target by 10%
- Loan creation target was exceeded by 11%
- Mortgage collections were 100% achieved;
- Housing completions fell below projections (though marginally so), achieving 97% of its targeted 2,517 construction completions.

As we shifted gear to respond more effectively to the environment, we refocused and refined our strategic direction for the next five years, through which we crafted our VISION 2015: ***to be a role model amongst the world's leading housing finance institutions, delivering affordable housing solutions, in a service culture, with professional staff serving customers with integrity and excellence.*** Guided by our Portfolio Minister, the board, partners, staff and other stakeholders, the following four strategic priorities for the organization were formulated as the road map to enable us to achieve our VISION 2015:

1. More houses for less for our contributors.
2. Sustained business viability through performance and relevance.
3. Optimized operations and service delivery through efficiency and customer service.
4. Build performance-oriented teams in terms of process, technology and attitude.

The strategic priorities were underpinned by operational imperatives which we call the 'Four Cs':

[1] Source: Planning Institute of Jamaica. Economic & Social Survey of Jamaica 2010. PIOJ: Kingston Jamaica, 2010

Compliance, Customer Satisfaction, Cost Control, and Communication which serve to bring focus to the elements of our business conduct that are fundamental to the tailoring of our operations for this era.

For the year under review, significant planning was spearheaded to build the foundation for appropriate focus and performance guided by these aforementioned strategic priorities which we explore against the backdrop of this year's results.

Unions Estate

MORE HOUSES FOR LESS FOR OUR CONTRIBUTORS

In our continued efforts to provide affordable housing solutions for you, we seek to be informed by our demand surveys. We conduct surveys in each parish, at five-year intervals, to determine the current demands and home ownership preferences of the market. The housing demand market is represented by the number of persons in the adult population who have plans to meet their housing needs within the next five years; while effective demand represents the number of persons in this market who are able to afford these plans. Our 2004 to 2009 housing demand data records the number of persons in Jamaica's housing demand market to be 437,570 (31% of adult population)[2], of which 100,246 (7% of adult population), represented effective demand. With an average of only approximately 3,900[3] new houses being constructed in Jamaica every year, it is evident why we have chosen to give this strategic priority paramount attention as we move towards our VISION 2015.

This first priority is therefore aimed at increasing the number of newly constructed units brought to the Jamaican housing market through partnerships, innovative policies and the leveraging of our influence in the housing market. The challenge of affordability is also targeted to be addressed as we endeavor to influence the construction of more units at prices that are manageable by more of our contributors. Key indicators as a measure of our progress will be housing starts and completions and mortgages created.

Housing Starts and Completions

Housing starts for the year was 1,940, representing 96% of the year's projection. Housing completions, with a target of 2,517, was 97% achieved. Construction of units, on NHT-sold serviced lots, accounted for 32% of the completions followed by Interim Financed Projects with 23%. Joint Venture and NHT Projects accounted for 27%, while Build-on-Own-Land and Home Owners' Loans accounted for the remaining 18%. NHT's Scheme completions were 68% of the year's target and included 271 serviced lots for: Stokes Hall (149), and Meylersfield (114). Unions Estate at Twickenham Park accounted for 78% (297) of completions of Joint Venture projects, while Bushy Park accounted for 18% (70). Various challenges encountered during the period accounted for the Organization's low achievement

[2] Adult population is based on data from last Census in 2001.
[3] Economic and Social Survey of Jamaica (2009), Table 14.2.

in this area. The NHT continued to experience difficulties in obtaining the requisite approvals for projects, while the lack of offsite infrastructure and up-to-date parish development plans continued to retard the pace of project delivery.

Having carefully considered the gaps in meeting housing needs as portrayed by our housing demand data, we have boldly planned to deliver approximately 21,000 housing completions to the market by 2015. In this regard we intend to provide greater support to enhance the capacity of small contractors to deliver more effectively and we also intend to encourage new innovations in building with the intent of reducing construction cost, thereby producing more affordable housing solutions to you, our valued contributors. However, we expect that the major driver behind this audacious goal will be through partnership engagement. We are seeking to bring appropriate focus to this agenda by using key 35th anniversary activities as a springboard from which to promulgate our partnership agenda programs. One such initiative is the Dry Valley Project in Trelawny, which was launched via a housing design competition, held during the review period. The project seeks to provide approximately 1,000 solutions in response to an anticipated increase in the demand for housing, deduced by an increase in economic activity stemming from the growth in tourism in the parish. The competition facilitated the creation of several designs for an ecologically friendly township in Dry Valley. The development is expected to have the appropriate residential, commercial and social amenities. Thirteen firms participated in the competition; Marvin D. Goodman and Associates was the winner. Second and third places went to Kingston 10 Architects and Lascelles Dixon and Associates, respectively.

Mortgages Created

For the year under review, 7,165 mortgages (Table 1) were created at a value of $24.6B, approximately 11% more than the previous year. Of this amount, a total of $19.3B was disbursed at year end with the majority (66%) going toward the purchase of houses on the open market, 11% towards purchases of NHT scheme units and eight percent toward Construction Loans. Under the Joint Finance Mortgage Programme (JFMP), 713 additional loans were created at a value of $2.6B.

Mortgage Loans Created 2010/2011 by Benefit Type

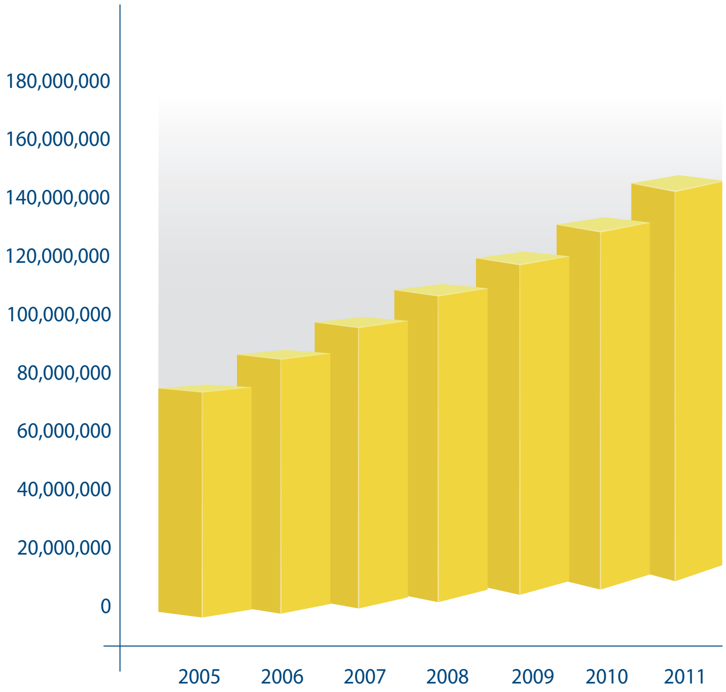
Benefit type	Number of Mortgages
Build on Own Land (BOL)	577
Construction Loan (CL)	1,046
Home Improvement (HI)	152
House Lot (HL)	1,142
HELP (HLP)	131
Open Market (OM)	3,484
Scheme (SCH)	628
Serviced Lot (SL)	5
Total	**7,165**

SUSTAINED BUSINESS VIABILITY THROUGH PERFORMANCE AND RELEVANCE

A major focus under this priority is on maintaining a healthy financial position through cost management and increased inflows, particularly in the area of contribution collections.

Assets

The 2010/11 financial year closed with assets totaling $154B, a 15% increase over last year's $134B. Housing investment, the largest component, accounted for 77% of the total, an increase of six percent over the previous year.



Total Assets

Income and Expenditure

As a consequence of the reduction in interest on investment from the Jamaica Debt Exchange Programme and the reduction in NHT's mortgage interest rates, a general decline in income was observed over the review period, moving from $9.2B during 2009/2010 to $8.4B this year. Additionally, although continuing to report a surplus before tax for a third consecutive year, total surplus declined by 32%, reporting $2.1B in the current period compared to last year's $3.1B. Consequently, net surplus declined to $1.6B, 33% below the $2.3B reported last year. Whereas operating expenses were marginally reduced, its ratio to revenues increased to 49.4%, up from 45.8% last year because of the decline in revenues.

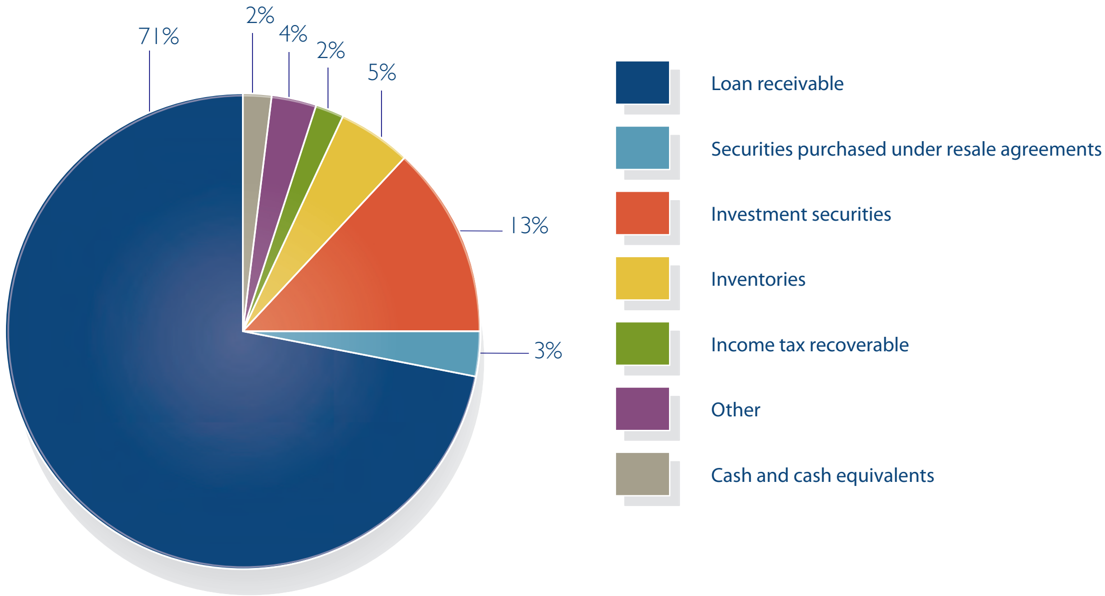
The NHT revised its subsidy and grants programme during the year, where we decided to set aside up to 40% of our after tax surplus to enable more low income persons to access housing benefits. Subsidies and Grants, therefore moved from $0.2B in the previous year to $0.5B in the current year.

Total expenditure for the year, including interest on contributions, amounted to $6.3B, representing an increase of four percent over the previous year. Several factors contributed to this fairly stable position. However, notably, cost containment measures yielded very favourable results and served to negate the impact of increased expenditures where they were unavoidable.

Contributions Collection

Contributions collected totaled $18.5B for the year, $1.7B more than that of the 2009/2010 financial year. Of this amount, the Employers' portion accounted for 58% or $10.7B, and represented an increase of 19% over last year. Increased collections from the hospitality sector and a $1.05B payment from the Ministry of Finance accounted for this increase. The Employees' portion of $7.8B was consistent with the previous year.

Asset Distribution



Contributions Refunded

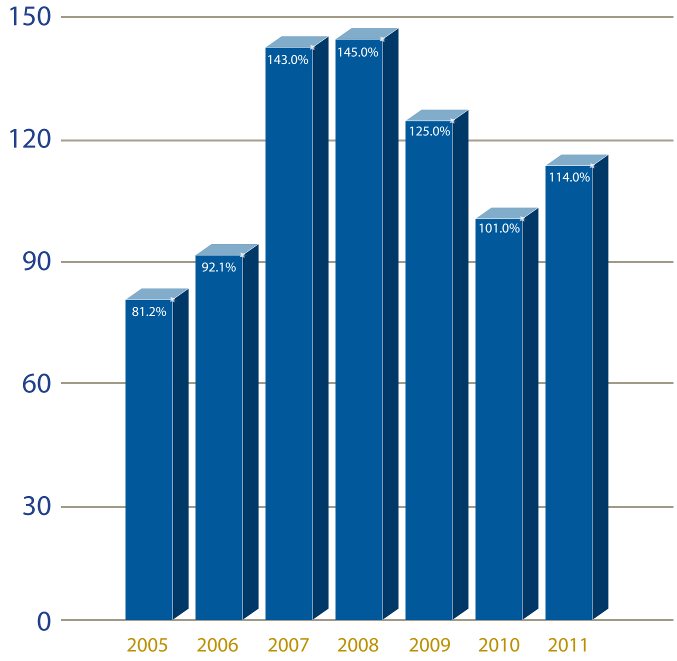
Consistent with the amount paid out last year, refunds totaling $2.8B were paid to over one hundred thousand contributors during the review period.

Mortgage Collection

As a result of the reduction in NHT's interest rates, mortgage collection remained constant, totaling $10B for the current period compared to last year's $9.7B.

Housing Expenditure

Housing expenditure surpassed its budget by 11%, ending the year at $21.2B. Individual Benefits accounted for the lion's share with 74%. Making up the remaining 26% were Interim Finance Projects; NHT Projects (general and Joint Venture); Provisional Sums (land purchase, institutional loans, etc.); and Sugar Housing.



Housing Expenditure as a Percentage of Contribution Collections

OPTIMIZED OPERATIONS AND SERVICE DELIVERY THROUGH EFFICIENCY AND CUSTOMER SERVICE

The NHT is constantly improving the way that it does business, always seeking to utilize the most efficient processes, people, and technologies. The aim is to reduce our customer transaction times, while delivering the world-class customer service that you have come to expect from this organization. Consequently, much effort was expended in improving and streamlining our operations.

Policy Update

The following are policies that were either introduced or revised during the period, to enhance your chances of accessing a benefit:

- ***Home Grant*** - Under our new Subsidy Programme, applicants falling in the 1% and 3% income bands (weekly incomes: $4,070.00 - $10,000.99) and who do not yet own a house, are now eligible to access Home Grants (subsidies) of up to $1.2M to buy or build a house.

- ***Parent Assist*** - This policy is two-pronged comprising Parent Assist I and Parent Assist II. Under Parent Assist I, parents *over* 65 years who already own a house, but have never benefitted from the Trust, can assign his/her points to one biological or legally adopted child. Parent Assist II allows parents *under* 65 years, who already own a house, to co-apply with his/her child to get up to $4.5M to buy a house for that child.

- ***Easier Repayment Construction Loan*** – This initiative allows Construction Loan beneficiaries twice the time previously given to begin repaying loans, thereby, providing a longer period to complete and occupy new homes.

- ***5% Deposit Waiver*** - This policy applies to NHT scheme purchases only. Successful *scheme* applicants are no longer required to pay a 5% deposit on the purchase price of units or lots.

- ***Interest rates*** - Interest rates for all income bands were reduced by 1% for all new and existing mortgagors.

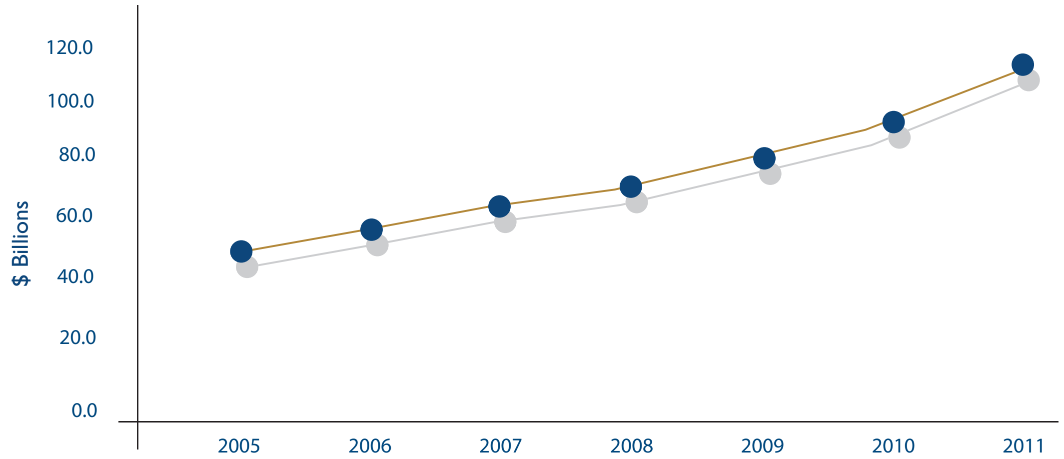
- ***Additional Funds for Open Market Beneficiaries*** – Open Market mortgagors who did not access the maximum loan amount at their first application, may access the difference up to five years after the initial application.

- ***Loan Limits*** – All loan limits were increased during the year. The new limit for Non-Home Owners Loan is $4.5m. Contributors who do not already own a house are now able to borrow up to $4.5m to build or buy one. This is a $1m increase on the previous $3.5m ceiling. Home Owners Loan limit has also increased from $1.2m to $1.5m. An eligible contributor, who is already a homeowner and who has never received an NHT loan, can now get a maximum of $1.5m. This amount may be used to extend, repair, improve, or buy another property and may also be used to purchase and install a solar panel system and storm shutters. Further, a single applicant buying a residential lot from the NHT (serviced lot) or Open Market (house lot) may access up to $1.5m, or $3m, in the case of co-applicants. The previous limits were $1.2m and $1.9m, respectively.

Systems Upgrade

During the year, we began to upgrade NHT's core operations system, ICBS (International Customer Banking System). The software and hardware upgrade is expected to enhance data management and increase the number and types of loans that can be created, while improving user interface to enable us to readily benefit from modular upgrades. We expect to conclude the project by November 2011.

Loans to Beneficiaries



Process Reviews

We are maintaining our thrust to improve our operations to serve you better and as such we undertook several Business Process Improvements (BPIs) in the year, as a precursor to a more comprehensive Business Process Re-engineering exercise slated to come on stream in the near future. BPIs are incremental improvements to existing processes that serve to enhance efficiency, boost staff morale and improve customer service. Loan Origination and Legal Conveyancing are two of the areas that benefitted from this year's improvement initiatives. We also updated our procurement processes for consistency and alignment with the revised Government of Jamaica procurement guidelines.

Improvement of the Contributions Refunds Process

Under a project named "Genesis," we continued our efforts to address the refunds challenges we have historically experienced and which escalated since introducing the on-line refunds application system two years ago. Under "Genesis", the main problems addressed were (1) incomplete and/or missing employment records and payments, which impeded the processing of applications; and (2) the timeliness of the payment process with our payment partners (banks and remittance agencies). The project yielded significant success as we were able to reduce our 15 day turnaround time to less than 5 days. Your favourable response to the evident improvements are noted and appreciated.

Tax Amalgamation

In January 2011, the Internal Revenue Department (IRD) officially became an additional collection point for NHT's contributions as a result of that entity's efforts to streamline its operations for greater efficiency and control in its revenue accounting. The adjustments in the revenue agency's operations result from the Tax Amalgamation Project, which is a government initiative that is seeking to centralize statutory payroll deductions in line with its current tax reform agenda.

Customer Service Training and Recognition

We are very proud to have had our customers vote us as the Best Customer Service Entity for 2010-11. The NHT was selected from a group of 150 entities that participated in the Public Sector Customer Service Competition between June and December 2010. NHT also dominated the individual awards, claiming all but 3 individual awards. Our Compliance Officer, Dennis Simpson of the

Clarendon Branch captured the main individual award, "Best Customer Service Representative – All Island", while four of our Customer Service Representatives (Marjorie Douglas, Trudy-Ann Smith, Clover Gordon and Amy Thame) were recognized for "High Quality Customer Service". Our Customer Care Manager, Donnetta Russell, received one of four special awards for "Demonstration of Exceptional Commitment to Excellence in Service Delivery."

Taking care of the environment

We are committed to building a more customer-centric culture as a key enabler to realizing our VISION 2015. This year, we creatively engaged our staff to bring improved alignment between this mission and our operational processes encouraged and motivated by our service credo: "Fantastic Service Everytime". We also provided significant enabling support through employee training and development and internal competitions to drive the customer satisfaction theme. The programme was designed to help us deliver exceptional service to you, while allowing us to improve our core competencies, as well as our supervisory and leadership skills. Forty-five (45) new employees also received international customer service certification during the year, demonstrating our commitment to attaining international standards of excellence.

NHT in the Community

We are everyday appreciative and proud of our social development capability at the Trust which is an important aspect of brand NHT. This small department of tireless, dedicated social workers, who operate under the banner: "Social Development …we add value", support our beneficiaries by helping to build the capacity of community based organizations within NHT schemes in partnership with various citizens' associations, strata corporations, youth clubs, environmental groups; as well as other government and non-government organizations. This year, some of their programmes included:

- ***Strata Training*** – Five hundred and ninety-three (593) mortgagors and/or their co-applicants participated in strata training/pre-occupancy sessions throughout the year. In these sessions new homeowners were introduced to the joys and challenges of living in a strata complex.

- ***Skills Training*** – During the year, the NHT also assisted scheme residents, via skills training, to grow their existing businesses or start new ones. The programme was conducted across six (6) parishes in collaboration with the Jamaica Business Development Company; as well as HEART and other HEART certified entities. Private Sector companies, including Island Grill, Mothers, and KFC, also came on board to recruit persons who participated in the training Programme.

- ***Best Schemes Competition*** – We launched the 17th staging of the Best Schemes Competition in June 2010 at the site of the last winners, Longville Park community and it will culminate in November 2011 with an Awards Ceremony. Communities will be awarded for their effort in sustaining their community through the growth and development of their residents via projects that focus on the environment, culture, health, education and governance.

- ***Environmental Programme*** – The Environmental Programme focused on safety and security and caring for the environment. To help raise awareness and promote safety practices, 39 community safety and security groups were formed and 300 community residents were trained across 24 communities. The sessions were done in conjunction with the Community Safety Branch of the Jamaica Constabulary Force.

Members of the cricket camp in St. Catherine

Through partnerships with the United Nations Environmental Programme, several environmental initiatives were pursued during the year. Nineteen (19) environmental clubs from schemes across six (6) parishes participated in a "clean-up" exercise dubbed "Jamaica's Coastal Cleanup Day." The effort was coordinated by the Jamaican Environment Trust (JET) in September 2010. NHT-sponsored environmental clubs also participated in the United Nations Environmental Programme Biodiversity Poster Competition, held in Jamaica. The focus was on protecting the delicate ecosystem. The partnership further facilitated training sessions that focused on the prevention of land based sources of pollution; 367 children participated in these sessions. Environmental Clubs are formed in NHT schemes across the island and are part of a development strategy to raise environmental awareness and responsiveness, especially among the youths.

- ***Summer Camps*** – The year's major highlights also included a "Behaviour Change Summer Camp" in August 2010, which was attended by 140 youths. The programme was undertaken along with the St. Catherine Camp, St. Catherine Cricket Association, Kingston Camp and the GC Foster College. Other participants were the Ministry of Health, the Children's First "Bashy Bus" the Correctional Services, Churches Cooperative Credit Union and Crazy Jim.

BUILD PERFORMANCE ORIENTED TEAMS IN TERMS OF PROCESS, TECHNOLOGY AND ATTITUDE

The success of the NHT is built on the performance of its team of employees. This fourth strategic priority addresses the need to ensure the most effective 'fit' of staff and other resources. It also brings focus on continuous learning, new employee orientation, and recruitment and retention strategies, in line with the company's core values. Performance measurement and management is a priority, as are the provision of tools and an enabling environment that supports the achievement of our targets.

Talent Management and Recognition

In keeping with our Human Resource (HR) strategy, the Trust is focusing on building capability to effectively apply talent management as a means to achieving its organizational goals.

During the year, we continued to invest in our workforce and the creation of an environment that develops talent and rewards initiative and results. To this end, our HR strategy was geared toward identifying and developing the strengths of individuals and empowering them to succeed in their job roles.

Recognizing staff for over 10 years of service

As part of our 35th Anniversary celebration, 294 employees were recognized for their contribution, of 10 years and over, to the growth and development of the National Housing Trust. We continue to boast minimum turnover of our staff with the average tenure of staff service being **10.6 years**.

Staff Welfare

Occupational Safety and Health (OSH) remained an important item on our agenda. To this end, OSH activities were embedded in our operations to help create and maintain a healthier and safer work place for staff. Following a Safety Audit conducted in November 2010, by the Ministry of Labour and Social Security, the NHT was given a Silver Award in recognition of our participation in the Ministry's Voluntary Compliance Standards Programme.

Industrial Relations

NHT is extremely proud of our stable industrial climate which we have enjoyed over the years. We attribute this to our ongoing support for various workers forums and consultative discussions which has facilitated a functional and cooperative relationship between staff and management. In September 2010, the NHT received an award from the Jamaica Employers Federation for good industrial relations and corporate citizenship.

Projected Completions - 2011/2012 by Benefit Type

Projects	Parish	Number of solutions
Longville, Phase 3	Clarendon	928 solutions
Perth, Phase I	Manchester	305 serviced lots
Wickie Wackie	Kingston & St. Andrew	7 serviced lots
Westmeade (HAJ Project)	St. Catherine	125 units
Caymanas	St. Catherine	8 units
Congreve Manor	St. Catherine	50 units
Twickenham, Phase 3	St. Catherine	357 units
Heathfiel Palms	St. Catherine	50 units
Westmeade (HAJ Project)	Trelawny	125 units
Bellrock, Phase II	St.Thomas	18 serviced lots
Creighton Hall, Phase I	St.Thomas	139 serviced lots
Stonebrook Vista	Trelawny	200 units
Hampden	Trelawny	38 serviced lots

LOOKING AHEAD...2011 and Beyond

The Management and staff welcome the start of this new financial year and look forward to getting started on our journey towards the accomplishment of our VISION 2015 Strategic Plan. In this year, we expect to establish the groundwork for the achievement of VISION 2015. However we are mindful of the dynamics of the environment and landscape in which we operate and as we go forward we will be continuously measuring and tracking our progress to ensure that we remain focused on our destination and disciplined in our governance to maintain congruence between our activities and our strategies. Our starting point is to ensure that all our employees are engaged in helping the organization deliver on its four strategic priorities and to that end we have a comprehensive roll out plan to achieve this. We move forward into 2011 with relentless commitment to the 4 C's as our compass and we will be institutionalizing these operational imperatives as key drivers towards VISION 2015. Our plan in this regard contemplates the following:

Compliance: The flow of funds from the collection of contributions and mortgage payments are of critical importance to the efficiency of our funding, and made especially so because of lower margins and increasing inflation. We will therefore be putting increased emphasis on Employer Compliance, both in terms of remittance of current and outstanding contributions and also accuracy and timely submission of Annual Returns. We will also be instituting new technology to enable us to better manage mortgage arrears.

Best Customer Service Agency 2010-2011

How we offer **Customer Service** will be revamped to enable our people to be supported by the necessary infrastructure to help them better meet the needs of our contributors. Our re-engineering initiative will be a key driver to accomplish this.

Cost Control: A look at our financial model shows that in this low interest rate environment, which has resulted in lower margins for the Trust and a reduction in earnings from investments, we must be steadfast in controlling our costs in order to safeguard our viability. We will therefore be seeking to deliver more efficiently and cost effectively and re-engineering again is expected to play a pivotal role here.

Communication: We will be building more capacity to reach our employees as well as you our contributors and the market at large. We plan to be intentional in how we will educate all stakeholders about our programmes and to ensure that everyone has the right information at the right time.

Our upgraded core technology will be the platform from which we will seek to provide our customers with alternative points of access to our services, facilitate diversion of transactions to electronic channels and also provide the basis to develop improved business intelligence. These initiatives are congruent with both our cost control and our customer satisfaction imperatives.

Conclusion

I believe that, like me, as contributors you are grateful for the role that the NHT has played in making home ownership more affordable during its 35 years of service to Jamaica. We at the Trust are passionate about the mission of this organization which we have articulated as: "to be effective stewards, caring for our customers as we deliver housing solutions, build communities, refund contributions and influence the market to make housing more affordable".

We truly appreciate the huge burden of responsibility we collectively share to remain relevant to our contributors and we remain committed to help you to achieve your dream of homeownership. In this regard, we are extremely pleased with the value we have brought to you during this financial year and we are even more delighted with our plans for improving on that as we go forward. I pray for divine guidance and blessings over our operations as we steadfastly move forward to attain our VISION 2015, that of being: "…a role model among the world's leading housing finance institutions, delivering affordable housing solutions in a service culture, with professional staff serving customers with integrity and excellence".

A. Cecile Watson
Managing Director

Year in Review

HOME GRANT
First Home Grant beneficiary, Ms. Pearl Peart, receives her documents of entitlement from Prime Minister Bruce Golding. Looking on are NHT's Chairman, Mr. Howard Mitchell and Managing Director, Mrs. A. Cecile Watson.

LONGVILLE PARK (III)
Groundbreaking ceremony for the Longville Park Phase III development in Clarendon.

COME HOME TO UNIONS ESTATE
Residents of Unions Estate receiving the keys to their homes.

DRY VALLEY
Members of the public pause to view entries for the Dry Valley Housing Design Competition at the Mutual Life Gallery.

JEF AWARD
NHT's Managing Director, Mrs. A. Cecile Watson, is delighted to receive, for the NHT, an award from the Jamaica Employers' Federation (JEF), for good corporate citizenship & outstanding support of the work of that entity over the years. Sharing in the moment are, from left: Industrial Relations Manager, Herman Baker; Manager, Customer Care, Donnetta Russell; Snr. General Manager, Corporate Services, Benedict Ranger; Legal Secretary, Enis Levy & Loan Portfolio Officer, Duke Berry.

NHT in the Community

PROMOTING ENVIRONMENTAL AWARENESS
Troy-Dane Lightbody (of the Cherry Gardens Community) and Kurt Brivett (of Royal Place Estate), representatives of NHT-sponsored environmental clubs in their communities, present the United Nations Environment Programme (UNEP) 2011 Calendar to Managing Director, Mrs. A. Cecile Watson. The calendar features their artwork, which was selected for inclusion from entries in the UNEP (2010) Painting Competition. Looking on is Ms. Tess Cieux, Programme Officer of the UNEP."

BEST SCHEMES
Capturing the mood at the Launch of NHT's 2010 Best Schemes Competition. The staging marks 17 years since the start of the competition in 1993.

Linda McIntosh, deputy chairman of the Unions Estate Strata Corporation, being briefed on some of the items available at Hi Pro Ace Farm and Garden Store. With her (from left) are Mr. Garfield Russell and Mr. Michael Toyloy, store employees. The occasion was the strata meeting of the complex.

COMMUNITY GOVERNANCE

Cherton DaCosta, community services officer at the NHT, addressing residents at the Unions Estates pre-occupancy meeting in August 2010.

Wellness & Sports

NHT SPORTS AND SOCIAL CLUB
Executive members of the new NHT Sports and Social Club are happy with their official designation. During the year, the green light was given by the board, to form the club that would incorporate the two fraternities under one umbrella. The members are joined here by the equally delighted Managing Director, Mrs. A. Cecile Watson. The occasion was the launch of the Club.

Sigma Corporate Run 2011

Interdepartment Sports

Directors' Report

1. Statement of Comprehensive Income
Year ended March 31, 2011

	Notes	2011 $'000	2010 $'000
Interest revenue:			
- Loans	29	4,495,208	4,979,893
- Investments	29	2,349,825	3,078,916
		6,845,033	8,058,809
Bonus on employees' contributions	29	(1,078,451)	(1,131,992)
Net interest revenue		5,766,582	6,926,817
Other gains on securities carried at fair value through profit or loss		247,255	270,029
Dividend from investment securities	29	37,605	34,818
Service charge on loans to beneficiaries	11(n)	427,627	116,830
Gains on disposal of investments		1,071	29,167
Miscellaneous	25	881,391	699,107
		7,361,531	8,076,768
Operating expenses		4,168,474	4,214,928
Increase in allowance for impairment on loans receivable	11(m)	296,046	166,730
Losses on projects		73,196	243,003
Special subsidies and grants	26	528,842	163,710
Restructuring costs	27	11,544	27,084
Share of comprehensive losses of associates (including allowance for loan loss)	15	180,316	133,004*
		5,258,418	4,948,459
SURPLUS BEFORE TAXATION		2,103,113	3,128,309*
Taxation	28	(549,559)	(822,767)
SURPLUS FOR THE YEAR	29	1,553,554	2,305,542
Other Comprehensive Income:			
Gains on available-for-sale financial assets	22	1,198,913	735,206
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,752,467	3,040,748

Directors' Report *cont'd*

2. The Board

Howard Mitchell, Chairman

A. Cecile Watson, Managing Director

Kay Bennett-Sherman

Philip Bernard

Rodger Braham

Joy Douglas

George Fyffe, O.D., J.P.

Lloyd Goodleigh

Adrian Grant

Ray Howell

Peter Jervis

Wayne Jones, O.D.

Parris Lyew-Ayee, Jnr.

Jeremy Palmer

Audrey Richards

Angela Robertson

Desmond Young

3. The Auditors

Effective April 2009, KPMG, Chartered Accountants, have been appointed auditors for a period of three years.

4. The Employees

The Directors thank the management and staff of the Trust for their hard work during the year under review.

35th ANNIVERSARY
1976 - 2011

Audited Financial Statements

Contents

KPMG
Chartered Accountants
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Jamaica, W.I.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NATIONAL HOUSING TRUST

Report on the Financial Statements

We have audited the financial statements of the National Housing Trust (the Trust), set out on pages 39 to 115 which comprise the statement of financial position as at March 31, 2011, the statements of comprehensive income, changes in accumulated fund and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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To the Board of Directors of
NATIONAL HOUSING TRUST

Report on the Financial Statements, continued

Basis of qualified opinion

As stated in Note 2(c), non-refundable employers' contributions are credited directly to the accumulated fund, in the Non-refundable Employers' Contributions reserve. Such contributions fall within the definition of revenue, under the IASB *Framework for the Preparation and Presentation of Financial Statements* (Framework), and are required to be recognised in the statement of comprehensive income. Had these contributions been recognised in accordance with the Framework, Total Comprehensive Income for the year would increase by $10,679,450,000 (2010: $9,025,818,000). As these contributions would have been transferred annually from Accumulated Surplus to the Non-refundable Employers' Contributions reserve in the statement of changes in accumulated fund, the resulting balances on both these accounts would not have changed as at the reporting date.

Qualified Opinion

In our opinion, except for the effects of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2011 and its financial performance, changes in accumulated fund and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 36 of the financial statements in respect of litigations and claims against the Trust. Although the Trust has provided for these matters, based on its best judgement, the ultimate outcome of these matters cannot be reliably determined at this time.

Report on additional requirements of the National Housing Trust Act

As detailed in Note 20(c), the Trust has not fully established personal accounts for employed persons who have made refundable contributions to the Trust, to enable it to issue certificates of contributions made, as required by the National Housing Trust Act. The processing of annual returns is ongoing and the Trust is taking steps to complete the processing in order to issue the relevant certificates, although progress is hampered by employers not submitting the returns required in a timely manner.

In our opinion, except for this matter, proper accounting records have been maintained and the financial statements are in agreement therewith.

KPMG

Chartered Accountants
Kingston, Jamaica
May 30, 2011

STATEMENT OF FINANCIAL POSITION

Year ended March 31, 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Cash and cash equivalents	6	2,496,822	5,247,531
Receivables and prepayments	7	634,816	663,846
Non-current assets held for sale	8	70,904	-
Securities purchased under resale agreements	9	5,199,188	2,632,167
Investment securities	10	20,604,956	17,680,188
Income tax recoverable		2,827,696	2,667,534
Loans receivable	11,12	110,276,274	95,757,161
Inventories	13	8,380,924	5,693,088
Intangible assets	14	2,212	10,706
Investments in associates	15	1,263,740	1,340,670*
Retirement benefit asset	16	1,068,968	898,464
Property, plant and equipment	17	1,471,676	1,523,273
Total assets		154,298,176	134,114,628*
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Payables and accruals	18	1,757,911	1,252,608
Provisions	19	460,467	385,919
Refundable contributions	20	56,286,861	50,235,825
Deferred tax liabilities	21	609,556	517,751
Retirement benefit obligation	16	197,998	170,070
		59,312,793	52,562,173
ACCUMULATED FUND			
Non-refundable employers' contributions	2(c)	67,284,979	56,605,529
Fair value and other reserves	22	2,292,035	1,092,111
Peril reserve	23	2,563,527	2,668,701
Loan loss reserve	24	2,372,854	2,138,924
Accumulated surplus		20,471,988	19,047,190*
		94,985,383	81,552,455*
Total liabilities and accumulated fund		154,298,176	134,114,628*

The financial statements on Pages 39 to 115 were approved on May 30, 2011 by the Board of Directors and signed on its behalf by:

....	....
Howard Mitchell – Chairman	A. Cecile Watson – Managing Director

*Restated [Note 38(a)]

The Notes on Pages 43 to 115 form an intergral part of the Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
Year ended March 31, 2011

	Notes	2011 $'000	2010 $'000
Interest revenue:			
- Loans	29	4,495,208	4,979,893
- Investments	29	2,349,825	3,078,916
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Miscellaneous	25	881,391	699,107
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Operating expenses		4,168,474	4,214,928
Increase in allowance for impairment on loans receivable	11(m)	296,046	166,730
Losses on projects		73,196	243,003
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Taxation	28	(549,559)	(822,767)
SURPLUS FOR THE YEAR	29	1,553,554	2,305,542
Other Comprehensive Income:			
Gains on available-for-sale financial assets	22	1,198,913	735,206
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,752,467	3,040,748

*Restated [Note 38 (b)]

The Notes on Pages 43 to 115 form an intergral part of the Financial Statements

STATEMENT OF CHANGES IN ACCUMULATED FUND

Year ended March 31, 2011

	Notes	Non-Refundable Employers' Contributions $'000	Investment Revaluation Reserves $'000	Peril Reserve $'000	Loan loss Reserve $'000	Accumulated Surplus $'000	Other Reserves $'000	Total Equity $'000
Balances at March 31, 2009		47,579,711	(551,665)	2,638,626	2,173,901	16,736,746	919,075	69,496,394
Total comprehensive income for the year:								
Surplus for the year		-	-	-	-	2,305,542*	-	2,305,542*
Other comprehensive income for the year:								
Gains on available-for-sale financial assets		-	735,206	-	-	-	-	735,206
Recognised directly in accumulated fund								
Reduction in deferred tax liability on revaluation of property, plant and equipment		-	-	-	-	-	1,011	1,011
Utilised during the year		-	-	-	-	-	(11,516)	(11,516)
Transfers to /(from) accumulated surplus		-	-	30,075	(34,977)	4,902	-	-
Non-refundable contributions for the year (net)		9,025,818	-	-	-	-	-	9,025,818
Balances at March 31, 2010		56,605,529	183,541	2,668,701	2,138,924	19,047,190*	908,570	81,552,455*
Total comprehensive income for the year:								
Surplus for the year		-	-	-	-	1,553,554	-	1,553,554
Other comprehensive income for the year:								
Gains on available-for-sale financial assets		-	1,198,913	-	-	-	-	1,198,913
Recognised directly in accumulated fund:								
Reduction in deferred tax liability on revaluation of property, plant and equipment	22	-	-	-	-	-	1,011	1,011
Transfers to/(from) accumulated surplus	23,24	-	-	(105,174)	233,930	(128,756)	-	-
Non-refundable contributions for the year (net)		10,679,450	-	-	-	-	-	10,679,450
Balances at March 31, 2011		67,284,979	1,382,454	2,563,527	2,372,854	20,471,988	909,581	94,985,383

*Restated [Note 38(b)]

The Notes on Pages 43 to 115 form an intergral part of the Financial Statements

STATEMENT OF CASH FLOWS

Year ended March 31, 2011

	Notes	2011 $'000	2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		1,553,554	2,305,542*
Adjustments to reconcile surplus for the year to cash provided by operating activities	37	(4,868,272)	(6,545,405)*
		(3,314,718)	(4,239,863)
Increase/(decrease) in operating assets			
Receivables and prepayments		(147,015)	(100,549)
Retirement benefit asset		(140,595)	(130,871)
Increase (Decrease) in operating liabilities:			
Payables and accruals		505,303	(344,326)
Provisions utilized		(248,251)	(92,413)
Cash used in operations		(3,345,276)	(4,908,022)
Interest received		6,599,670	8,632,291
Tax paid		(616,905)	(867,921)
Cash provided by operating activities		2,637,489	2,856,348
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of securities purchased under resale agreements		(12,310,295)	(5,984,807)
Proceeds on encashment of securities purchased under resale agreements		9,725,707	6,093,680
Acquisition of investment securities		(17,258,617)	(20,381,701)
Proceeds on encashment of investment securities		15,603,372	15,315,883
Loans receivable, less recoveries		(14,420,553)	(11,066,450)
Increase in inventories (net)		(2,331,982)	162,351
Investment in, and advances to associated company		48,425	(105,220)
Acquisition of property, plant and equipment		(90,294)	(70,742)
Proceeds on disposal of property, plant and equipment		-	17,102
Cash used in investing activities		(21,034,237)	(16,019,904)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employers		10,679,450	9,025,818
Contributions from employees		7,846,708	7,795,368
Refund of employees' contributions		(2,874,123)	(2,751,659)
Cash provided by financing activities		15,652,035	14,069,527
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,744,713)	905,971
OPENING CASH AND CASH EQUIVALENTS		5,247,531	4,331,513
Effect of foreign exchange rate changes		(5,996)	10,047
CLOSING CASH AND CASH EQUIVALENTS	6	2,496,822	5,247,531

*Restated [Note 38(b)]

The Notes on Pages 43 to 115 form an intergral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

1 **IDENTIFICATION**

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

The functions of the Trust are:

- To add to and improve the country's existing supply of housing by -
  - (i) promoting housing projects to such extent as may, from time to time, be approved by the Minister responsible for the Trust.
  - (ii) making loans available to contributors to assist in the purchase, building, maintenance, repair or improvement of houses; and
  - (iii) encouraging and stimulating improved methods of production of houses.
- To enhance the usefulness of the funds of the Trust by promoting greater efficiency in the housing sector.

2 **CONTRIBUTIONS AND BENEFITS**

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

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

(i) loans for housing acquisition or improvement;

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

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

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

3 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

<u>Standards, interpretations and amendments to published standards that were adopted during the year</u>

New and revised standards and interpretations effective during the year:

Certain new and revised standards and interpretations which were in issue came into effect during the current financial year. None of these standards and interpretations had any significant effect on the Trust's financial statements.

<u>Early adoption of IFRS</u>

The IASB issued amendments to IAS 24, *Related Party disclosures* (Revised) in November 2009, which is effective for annual reporting periods beginning on or after January 1, 2011. It amends the definition of a related party and also provides a partial exemption from the disclosure requirements for government-related entitles.

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Early adoption of IFRS (cont'd)

Earlier application of the whole standard or partial exemption is permitted. The Trust has opted for an early application of the partial exemption in the current year and has applied the standard retrospectively.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of the financial statements, certain new standards, and amendments to and interpretations of existing standards, have been issued which are not yet effective and which the Trust has not early-adopted. The Trust has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has determined that the following may be relevant to its operations:

- IFRS 9, Financial Instruments, which is effective for annual reporting periods beginning on or after January 1, 2013, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The standard includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, Financial Instruments: Recognition and Measurement, on the recognition and de-recognition of financial assets and financial liabilities.

- Improvements to IFRS (2010) contain amendments to six standards and to one interpretation and are effective for annual reporting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendments are as follows:

  - IFRS 7, Financial Instruments: Disclosures, has been amended, effective for Annual Reporting periods beginning on or after January 1, 2011, to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to the carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed.

  - IAS 1, Presentation of Financial Statements, which is effective for annual reporting periods beginning on or after January 1, 2011, is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners.

The Trust is assessing the impact, if any, that these standards and amendments may have on the financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Trust's financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and the relevant requirements of the National Housing Trust Act.

Basis of preparation

These financial statements are expressed in Jamaican dollars and are prepared under the historical cost convention as modified for the inclusion of available-for-sale and held-for-trading investments at fair value. The principal accounting policies are set out below and have been consistently applied for all years presented, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial instruments

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

Financial assets of the Trust include any asset that is:

(a) cash;
(b) an equity instrument of another entity;
(c) a contractual right:

(i) to receive cash or another financial asset from another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Trust.

Financial liabilities of the Trust include any liability that is a contractual obligation:

(i) to deliver cash or another financial asset to another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust.

Financial assets and liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire; or the Trust transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Trust neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Trust recognises its retained interest in the assets and an associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, the Trust continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received. Financial liabilities are derecognised when the Trust's contractual obligations are discharged, cancelled or have expired.

Financial liabilities issued by the Trust are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

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

Listed below are the Trust's financial assets and liabilities and the specific accounting policies associated with each item.

Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial assets (Cont'd)

Effective interest method

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

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

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

A financial asset is classified as held for trading if:

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

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

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

(i) Financial assets at FVTPL are initially recognised at fair value and subsequently re-measured at fair value based on quoted prices. Gains or losses arising from changes in fair value are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

(ii) Derivative financial instruments

These are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to the fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. Derivatives embedded in other financial instruments or their host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with the changes in fair value recognised in profit or loss.

The Trust's portfolio of FVTPL investments comprises debt securities with inflation adjusted interest features.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial assets (Cont'd)

(b) Loans and receivables

Loans and other receivables that are non-derivative, that have fixed or determinable payments and that are not quoted in an active market are classified as loans and receivables.

These are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate except for short-term receivables, when the recognition of interest would be immaterial.

The Trust's portfolio of loans and receivables comprises cash and cash equivalents, loans receivable, securities purchased under resale agreements and other short-term receivables. The specific accounting policies adopted in respect of each are detailed below.

(i) <u>Cash and cash equivalents</u>

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at bank and other highly liquid investments that have an original maturity of 90 days or less from the date of acquisition and are held to meet cash requirements rather than for investment purposes.

(ii) <u>Securities purchased under resale agreements</u>

Securities purchased under resale agreements (reverse repurchase agreements) are treated as collaterised financing transactions and are recorded at the amount at which the securities were acquired plus accrued interest. The difference between the purchase and resale price is treated as interest income and is accrued over the lives of the agreements using the effective interest method.

(iii) <u>Loans receivable and service charges on loans</u>

Loans receivable

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

Service charge on loans to beneficiaries

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

(iv) <u>Other receivables (excluding prepayments)</u>

These are measured on initial recognition at their fair values (the cash advanced). Interest is not charged on outstanding balances (except for staff loans) as they are expected to be settled within a short period during which recognition of interest would be immaterial. Staff loans are recognised initially at fair value and subsequently at amortised costs using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial assets (Cont'd)

(b) Loans and receivables (cont'd)

(v) Other receivables (excluding prepayments (cont'd))

Appropriate allowances for estimated irrecoverable amounts are recognised in income when there is objective evidence that the asset is impaired (that is, outstanding amounts will not be paid in accordance with the original contract terms).

(c) AFS financial assets

Securities held by the Trust that are traded in an active market and are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates, or market prices are classified as AFS. They are initially recognised at fair value, plus transaction costs, and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Where fair values cannot be reliably determined, available-for-sale securities are carried at cost less allowance for impairment.

Gains and losses arising from changes in fair value are recognised directly in the fair value and other reserves included in accumulated fund with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value and other reserves are included in profit or loss for the period.

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

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

The Trust's portfolio of AFS securities comprises quoted equities and various debt securities.

(d) Impairment of financial assets

Financial assets of the Trust are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been adversely impacted.

Financial assets other than those held for trading or at FVTPL, are assessed for indicators of impairment at each reporting date.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Financial assets (Cont'd)

(d) Impairment of financial assets (cont'd)

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- likelihood that the borrower will enter bankruptcy or financial re-organisation.

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

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

<u>Loans receivable</u>

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

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

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

IFRS permits specific loan loss and general allowances based upon the Trust's actual credit loss experience. Prudential allowances by management for loan loss requirements are maintained at the higher of 3% of the total mortgage loans receivable (less loan financing to developers) net of IFRS provision, and the total arrears for over 90 days for which allowances are made. The loan loss allowance that is in excess of IFRS requirements is treated as an appropriation of undistributed surplus and included in a loan loss reserve (Note 24).

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

Renegotiated loans

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Financial instruments (Cont'd)

(d) Impairment of financial assets (cont'd)

Other

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

In respect of AFS equity securities, impairment losses previously recognised through income are not reversed through income, except when the security is liquidated. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Financial Liabilities

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

Employee benefits

Pension obligations

The Trust has established a defined-benefit pension scheme for its employees that is administered by Trustees and managed by Sagicor Life Jamaica Limited. The scheme's assets are separately held and the scheme is funded by employee contributions of 5% of pensionable salaries (with the option of contributing an additional 5%) and employer contributions as recommended by independent actuaries. The Trust also provides medical benefits for its pensioners and their spouses and covers 100% of the premium.

The cost of providing benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out every three years with interim valuations as required by the Trustees. Actuarial gains and losses that exceed 10% of the greater of the present value of the Trust's obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on the straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Other post-retirement obligations

The Trust provides health benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to the retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that used for the defined benefit pension plan.

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Employee benefits (Cont'd)

Termination obligations

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

Leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave for services rendered by employees up to the reporting date.

Inventories

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

Intangible assets

Internally-generated intangible assets and research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Intangible assets (cont'd)

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

<u>Intangible assets acquired separately</u>

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, these investments are carried at cost as adjusted for post-acquisition changes in the Trust's share of net assets of associates, less any impairment in the value of individual investments.

Losses of an associate in excess of the Trust's interest in that associate (which includes any long-term interests that, in substance, form part of the Trust's net investment in the associate) are not recognised, unless the Trust has incurred legal or constructive obligations or made payments on behalf of the associate (which are not considered recoverable). If the associate subsequently reports profits, the Trust resumes recognising its share of these profits only after its share of profits equals the share of losses not recognised.

Property, plant and equipment

Property, plant and equipment, with the exception of land, artwork and properties in the course of construction, held for use in the production or supply of goods or services, or for administrative purposes, are recorded at historical cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and artwork are recorded at historical cost.

Properties in the course of construction for administrative purposes, or for purposes not yet determined are carried at cost, less any recognised impairment loss. Cost includes professional fees where applicable.

Depreciation is charged so as to write down the cost of assets over their estimated useful lives using the straight- line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. No depreciation is provided on freehold land, artwork and properties under construction. Depreciation on properties commences when the assets are ready for their intended use.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Non-current assets held for sale

The trust classifies a non-current asset (or disposal group) as held-for-sale if the carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

Sale transactions include exchanges of non-current assets when the exchange has commercial substance in accordance with *IAS 16 Property, Plant and Equipment*.

The non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

In general, the following conditions must be met for an asset (or disposal group) to be classified as held -for- sale:

- management is committed to a plan to sell;
- the asset is available for immediate sale;
- an active programme to locate a buyer is initiated;
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions);
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

Impairment of tangible and intangible assets

At each reporting date, the Trust reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Taxation

Income tax expense represents the sum of current and deferred tax.

Current tax

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from the surplus as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Trust's liability for current tax is calculated using tax rates that have been enacted at the reporting date.

Deferred tax

Deferred tax is recognised on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable surplus, and are accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable surplus nor the accounting surplus.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority and the Trust intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to accumulated fund, in which case the deferred tax is also charged or credited in the accumulated fund.

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Provisions (cont'd)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

<u>Restructuring</u>

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

Contributions

Contributions are recorded when received as the Directors consider that this is the most practical method of dealing with such receipts given the difficulties in determining the number of employers, their outstanding contributions and the likelihood of collections. Accordingly, the Trust does not account for contributions which have not been collected from employers.

Employee contributions (including self employed persons) are refunded (including bonuses) in accordance with the NHT Act as discussed in Note 2 (b). Employer contributions are non-refundable and are credited directly to the accumulated fund [Note 2(c)].

Fair value reserve

This represents the excess or shortfall of the market value of available-for-sale securities on subsequent re-measurements over the carrying value on initial recognition (net of adjustments for the amortisation of discounts and premiums on acquisitions and deferred tax).

Peril reserve

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

Related party

A party is a person or entity that is related to the Trust when:

(a) A person or close member of that person's family is related to the Trust:
- (i) has control or joint control over the Trust;
- (ii) has a significant influence over the Trust; or
- (iii) is a member of the key management personnel of the Trust or of a parent of the Trust.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Related party (cont'd)

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

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

Transactions with related parties are accounted for in accordance with the normal policies of the Trust.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable (on interest, land, houses and surcharges) in the ordinary course of business.

<u>Interest income</u>

Interest income is recognised on the accrual basis by reference to the principal outstanding and at the effective interest rate applicable.

<u>Dividend income</u>

Dividend income from investments is recognised when the Trust's rights to receive payments have been established.

<u>Disposal of inventory units</u>

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

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

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

<u>Interest and penalties on contributions not paid</u>

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

Bonus on employees' contributions

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Leases

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

The Trust as a lessor

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

The Trust as a lessee

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

Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Trust operates (its functional currency).

In preparing the financial statements of the Trust, transactions in currencies other than the Trust's functional currency are recorded at the rates of exchange prevailing on the dates of those transactions. Monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date.

Non-monetary items that are measured in terms of historical costs in foreign currency are not retranslated. All exchange gains and losses are credited to, or charged against, income for the period in which they arise.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, 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.

Critical judgements in applying accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

5 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)**

Critical judgements in applying accounting policies (cont'd)

Litigations and claims

During 2007/8 the Trust made a partial provision of $92.9 million in respect of:

(i) an amount of $214.50 million awarded by an arbitrator, during that year, in respect of interest charges to a developer on a Trust financed housing project, which the Trust is contesting [Note 36(a)(i)]; and

(ii) a claim of approximately $1.06 billion made by a contractor on one of its major development projects. This consisted of loss of profit and overheads of $585 million as well as variations and claims of $478 million [Note 36(b)].

In 2010/2011, an amount of $120.67 million was paid to the contractor upon execution of the necessary release and discharge. Apart from the retention amount of $36.17 million, there is no further liability to the contractor.

In making these judgements, management considered the relevant facts, the opinion of its attorneys and the current status of negotiations.

Security for mortgages

As indicated in Note 11, impaired loans of the Trust amount to approximately $9.99 billion for which impairment allowances for IFRS purposes amounted to approximately $893.26 million in respect of loans to beneficiaries approved by the Trust. There are additional prudential provisions (loan loss reserve) through an appropriation of accumulated surplus of $2.37 billion. Management believes, based on experience, that ultimately outstanding amounts and accumulated interest will be recovered through the realisation of securities, although, as disclosed in Note 12, at year-end the Trust did not hold title deeds to properties securing mortgages totaling approximately $711.60 million.

Key sources of estimation uncertainty

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

Impairment losses on loans and advances

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

In respect of loans to beneficiaries, the value of the security used in the determination of the estimated recoverable amounts is based on proxy values determined by the Trust's Private Treaty Department, which values take cognizance of factors such as past real estate sales of houses of similar size and location. If the proxy values determined by the Trust's Private Treaty Department differed by +/- 10%, the portion of loans to beneficiaries considered unsecured would decrease/increase by $206.38 million/$249.30 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

5 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Impairment losses on loans and advances (cont'd)

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

To the extent that the expected future cash flows in respect of the affected mortgage loans to beneficiaries differs by +/- 1%, the resulting provision for impairment would be estimated $22.52 million lower or $23.02 million greater.

Income taxes

In determining the income tax provision, management applies estimates to certain transactions, the allowance, of which is ultimately ascertained subsequent to year-end. Where the final tax outcome differs from the amounts that were originally estimated, such differences impact the current income tax and deferred tax provisions in the period in which the assessment was made. A change of +/- 1% in the final tax outcome of the estimates would not result in a significant change in the deferred tax provision.

Investment in associates

The Trust's share of associates' profits or losses [Note 15(b)] is based on available unaudited financial statements of the associates. The associates' audited financial statements which usually become available after issuing the Trust's financial statements may differ significantly from the unaudited figures.

Peril insurance

The Trust maintains a reserve equivalent to the insurance policy deductible limit of US$30 million (2010: US$30 million) to settle insurance claims by mortgage beneficiaries. Generally, claims are not booked immediately upon notification but are accounted for when the claims have been processed and a liability by the Trust is established [see Note 30(b)]. Experience has shown that these amounts are usually insignificant to the operations of the Trust, unless there is a one-off significant event such as a natural disaster, in which case, an estimate of potential liability is assessed and booked. This reserve is funded by certain securities denominated in United States dollars included in cash equivalents, securities purchased under resale agreements and investment securities (Note 23).

Employee benefit – pension obligation

As disclosed in Note 16, the Trust operates a defined benefit pension plan and provides post-retirement medical benefits. The amounts shown in the statement of financial position of an asset of approximately $1.07 billion in respect of the defined benefit plan and a liability of approximately $197.99 million in respect of the post-retirement medical benefit are subject to estimates in respect of periodic costs which costs would be dependent on future returns on assets, future discount rates, rates of salary increases and the inflation rate in respect of the pension plan, as well as rates of increases in medical costs for the post-retirement medical plan. Independent actuaries are contracted by the Trust in this regard.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Trust, on the advice of actuaries, estimates the appropriate discount rate annually, which rate is used to determine the present value of estimated cash outflows expected to be required to settle any future pension and post-retirement benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

5 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Employee benefit – pension obligation (Cont'd)

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities were considered.

The expected increase in medical costs was determined by comparing the historical relationship of actual medical increases with the local rate of inflation.

Current market conditions also impact the assumptions outlined above. In respect of the post-retirement medical benefits, a ±1% increase/decrease in the medical inflation assumption would result in a revised accumulated obligation before actuarial adjustment of approximately $233.9 million and $129.8 million, respectively. Note 16(h) details some history of experience adjustments in the post employment benefit plan.

Mortgage Subsidy

In July 2010, the Trust implemented a Mortgage Subsidy Programme for applicants who fall within the 1% to 3% income bands and have been contributing to the Trust for a minimum of 10 years. The Trust proposes that a maximum of 40% of its quarterly surplus after tax may be used to finance the Mortgage Subsidy Programme. [Note 19(c)].

Contributions

As described in Note 20, the Trust has not established individual accounts for savings and time contributions totaling approximately $6.05 billion and $20.55 billion respectively. The split between savings accounts (currently due) and time accounts (not yet due) requires management to estimate the refund of contributions relating to savings and time accounts, respectively.

Generally, the contributions for the past seven years, is determined and refunds made to contributors during this period (both refunds to expatriates under Section 22 of the Act and cash grants to contributors under Section 21) are deducted. The split of refunds between time accounts and savings accounts is estimated based upon the average determined over the years. The result is the estimate of contributions not yet due (time accounts).
This is compared with the total value of individual accounts not established to determine the estimate of the amounts currently due (savings accounts).

Interest on savings and time accounts is accrued at a rate of 2% per annum. The accuracy of the interest accrued depends however, on the accuracy of the estimate of the savings and time accounts accordingly up to that date. Any change in the split between savings and time account balances would not result in a change in the interest cost.

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

6 CASH AND CASH EQUIVALENTS

	2011 $'000	2010 $'000
Reverse repurchase agreements:		
- Jamaican dollar [Note 6(a)]	1,639,899	4,136,361
- United States dollar [Note 6(b)]	181,382	522,447
Bank balances [Note 6(c)]	670,667	585,349
Cash in hand	4,874	3,374
	2,496,822	5,247,531

(a) These reverse repurchase agreements bear interest at rates ranging from 6.50% to 7.35% (2010: 9.00% to 11.10%) per annum and are fully backed by Government of Jamaica securities. At March 31, 2011, the interest receivable included in these deposits amounted to approximately $8.15 million (2010: $23.84 million). The nominal value of the underlying securities at March 31, 2011 was $1,885.40 million (2010: $4,269.89 million). The fair value of the securities is considered to approximate the carrying value.

(b) These reverse repurchase agreements of US$2.11 million (2010: US$5.82 million) bear interest at rates ranging from 4.10% to 4.25% (2010: 3.95% to 5.50%) per annum are fully backed by Government of Jamaica securities and are designated to fund the Trust's peril reserve (see note 23). At March 31, 2011, the interest receivable included in these instruments amounted to approximately $0.54 million (2010: $1.50 million). The nominal value of the underlying securities at March 31, 2011 was $2.22 million (2010: $6.05 million). The fair value of the securities is considered to approximate the carrying value.

(c) Bank balances include foreign currency deposits of approximately US$409,660 (2010: US$489,328) at interest rate of 0.6% (2010: 1.1%).

7 RECEIVABLES AND PREPAYMENTS

	2011 $'000	2010 $'000
Staff loans	285,044	275,011
Mortgage litigation receivable (see note below)	74,540	87,122
Death claims recoverable	81,030	70,370
Advances to Jamaica Lifestyle Village (see note below)	63,188	57,264
Prepayments	122,494	155,044
NWC/Greenpond – Sewage Infrastructure receivable	122,618	88,947
Mortgage loan fees receivable	40,037	38,228
Deposits for acquisition of property, plant & equipment (see note below)	-	37,302
Receivable on sale of land	1,574	2,209
Other litigation receivable (see note below) and [Note 36 (a)(ii)]	144,660	-
Other	22,086	36,061
	957,271	847,558
Less allowance for estimated irrecoverable debt (see note below)	(322,455)	(183,712)
	634,816	663,846

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

7 **RECEIVABLES AND PREPAYMENTS (Cont'd)**

Movement in allowance for estimated irrecoverable debt

	2011 $'000	2010 $'000
Balance at beginning of the year	183,712	181,753
(Decrease)/Increase of the charge for the year	(5,917)	1,959
Provision for Escrow account [note 19(a)(ii)]	144,660	-
Balance at end of the year	322,455	183,712

Included in the above balance are full provisions in respect of mortgage litigation receivable, advances to Jamaica Lifestyle Village, mortgage loan fees receivable and other litigation receivable.

8 **NON-CURRENT ASSETS HELD-FOR-SALE**

Land and building are presented as assets held-for-sale, following the commitment of the Trust, in July 2010, to sell the Jamintel building located at 97 Duke Street, Kingston. Efforts to sell the asset have commenced. At March 31, 2011, the carrying value of the disposal asset is as follows:

	2011 $'000	2010 $'000
Land	12,890	-
Building	58,014	-
	70,904	-

9 **SECURITIES PURCHASED UNDER RESALE AGREEMENTS**

	2011 $'000	2010 $'000
Jamaican dollars deposits [Note 9(a)]	4,808,242	1,843,256
United States dollar deposits [Note 9(b)]	390,946	788,911
	5,199,188	2,632,167

(a) These instruments mature within one to four months (2010: one to three months) after year-end, with interest rates ranging between 6.65% and 7.50% (2010: 9.75% and 13.60%) per annum. As at March 31, 2011, the interest receivable included in the carrying value of the instruments amounts to approximately $43.24 million (2010: $23.26 million). The nominal value of the underlying securities at March 31, 2011 was $5,537.05 million (2010: $1,869.47 million). The fair value of the securities is considered to approximate the carrying value.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

9 **SECURITIES PURCHASED UNDER RESALE AGREEMENTS (Cont'd)**

(b) These instruments totaling approximately US$4.54 million (2010: US$8.72 million) mature within one to six months (2010: one to six months) after year-end and are designated to fund the Trust's peril reserve (Note 23), with interest rates ranging between 4.00% and 4.50% (2010: 4.70% and 6.75%) per annum.

As at March 31, 2011, the interest receivable included in these balances amounted to $1.81 million (2010: $8.38 million). The nominal value of the underlying securities at March 31, 2011 was $4.82 million (2010: $9.32 million). The fair value of the securities is considered to approximate the carrying value.

10 **INVESTMENT SECURITIES**

	2011	2010
	$'000	$'000
Securities at fair value through profit or loss [Note10(a)]	2,747,997	2,499,072
Available-for-sale securities [Note 10b)]	17,856,959	15,181,116
	20,604,956	17,680,188

(a) Securities at fair value through profit or loss represent National Road Operating & Construction Company Limited (NROCC) 4.5% Real Return Bonds. They are denominated in Jamaican dollars and mature on February 6, 2032. Interest on the Bonds is accrued at a rate of 4.5% per annum, but adjusted for inflation or deflation on the Jamaican "All Group" Consumer Price Index (CPI) and is paid semi-annually in arrears. The principal and interest are generated by the Government of Jamaica. The Trust has the option to convert the bonds to NROCC shares at redemption.

(b) Available-for-sale securities comprise:

	2011	2010
	$'000	$'000
Sagicor Life of Jamaica Limited – Universal Investment policy	155,578	136,415
Euro Bonds US$9,655,000 (2010: US$9,655,000) are held at interest rates of 8.00% to 10.625% (2010: 8.00% to 10.625%) per annum maturing in 2015/16 to 2027/28 (2010: 2015/16 to 2027/2028) [Note 10b)(i)]	1,399,928	1,010,528
Quoted equities	418,627	578,043
Treasury bills at interest rates of 6.70% to 7.70% (2010: 10.20% to 16.50%) Per annum maturing within 1 year	153,264	214,584
Bank of Jamaica Variable Rate Certificates of Deposit at an interest rates of 6.75% (2010: 9.80% to 10.00%) per annum maturing 2011 (2010:2010)	616,903	1,858,716
Equity Secured Commercial Variable Rate Note at an interest rate of 14% (2010: 14%) matured 2010/11	-	53,829
Carried forward	2,744,300	3,852,115

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

(b) Available-for-sale securities comprise (Cont'd):

	2011 $'000	2010 $'000
Brought forward	2,744,300	3,852,115
NWC Variable Rate Corporate Notes at an interest rate of 9.67% (2010: 13.3%) maturing 2012/13 (2010: 2012/13)	62,545	66,517
GOJ Treasury Bonds at an interest rate of 10.25% to 11.25% matured 2010	-	842,796
GOJ Fixed Rate Benchmark Notes at interest rates of 10.00% to 12.875% (2010: 11.00% to 12.625%) per annum maturing 2010/11 to 2023/24 (2010: 2010/11 to 2023/24)	10,774,375	6,532,854
GOJ Variable Rate Benchmark Notes at interest rate of 11.75% (2010: 11.75%) per annum maturing 2011/12 to 2026/27 (2010: 2011/12 to 2026/27)	2,581,845	2,593,938
GOJ US$ Benchmark Notes at a interest rate of 6.75% to 7.25% (2010: 6.75% to 7.25%) per annum maturing 2013/14 to 2015/16 (2010: 2013/14 to 2015/16) [Note 10(b)(i)]	1,693,894	1,292,851
Local registered stock: Fixed rate at interest rates of 12.25% to 16.50% per annum which matured in 2009/2010	-	45
	17,856,959	15,181,116

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

11 **LOANS RECEIVABLE**

	2011 $'000	2010 $'000
(a) Loans to beneficiaries selected by the Trust [Note 11(e), (f)]		
Mortgage loans	90,451,681	77,365,549
Loans for which mortgage processing is incomplete [Note 11(g)]	8,280	3,104
Loans through financial institutions [Note 11(h)]	857,109	958,989
Loans through joint venture programme [Note 11(i)]	5,629	8,704
	91,322,699	78,336,346
Less: allowances for impairment [Note 11(m)]	(909,764)	(632,339)
	90,412,935	77,704,007
Less: unexpired service charges [Note 11(n)]	(2,362,684)	(2,138,137)
Carried forward	88,050,251	75,565,870

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

11 LOANS RECEIVABLE (Cont'd)

	2011 $'000	2010 $'000
Brought forward	88,050,251	75,565,870
(b) Loans to Institutions on behalf of beneficiaries selected by the following Agencies approved by the Trust:		
Jamaica Teachers' Association Housing Co-operative Limited (JTAHC):		
Repayable in 25 years at 8% - 18% per annum (Note 11(j)(i))	21,559	26,170
Housing Agency of Jamaica (HAJ):		
Repayable in 25 years at 5% per annum [Note 11(j)(ii)]	574,700	614,116
Repayable in 15 years at 3% per annum [Note 11(j)(iii)]	515,140	557,476
Repayable over 10 years at 3% per annum [Note 11(j)(iv)]	60,705	69,757
Repayable in 10 years at 3% per annum [Note 11(j)(v)]	462,223	534,167
Repayable in 15 years at 8% per annum [Note 11(j)(vi)]	56,913	63,653
Repayable in 3 years at 8% per annum [Note 11(j)(vii)]	34,440	29,886
Joint financing mortgage programme [Note 11(j)(viii)]	18,155,652	16,132,184
Special loans through joint financing – Hurricane Ivan [Note 11(j)(ix)]	30,235	36,420
Special loans to churches through joint financing – Hurricane Ivan [Note 11(j) (x)]	247,884	264,709
Jamaica Defence Force [Note 11(j)(xi)]	55,798	60,870
Other institutions	89,532	95,738
	20,304,781	18,505,146
Less: allowance for impairment (Note 11(m))	(35,897)	(101,785)
	20,268,884	18,403,361
(c) Loan financing to developers (Note 11(k))	1,378,970	1,151,440
Less: allowance for impairment (Note 11(m))	(374,132)	(360,644)
	1,004,838	790,796
(d) Other		
University of the West Indies (Note 11(l))	570,858	582,670
Interest receivable	381,443	414,464
Total	110,276,274	95,757,161

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

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

These new mortgagors should, however, be contributing for a minimum of ten years. Public sector workers will receive an additional 1% reduction in their interest rates which will be available for a period of three years. The loans, together with interest thereon, are repayable in monthly installments over periods ranging up to a maximum of 40 years (30 years prior to September 9, 2009).

(f) Mortgage loans of $90.45 billion (2010: $77.36 billion) include loans totaling $46.25 million (2010: $11.62 million) in certain schemes for which parent titles have been or will be surrendered to the Registrar of Titles in order for the splinter titles to be prepared. The Trust is taking steps to ensure that all splinter titles are received for such schemes.

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

(h) Loans through financial institutions

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

(i) Loans through joint venture programme

These are loans granted to beneficiaries who are in a position to obtain additional funds from their employers to enable them to purchase housing units. Under this programme the Trust and the participating employer provide financing on an equal basis equivalent to ninety percent (90%) of the sale price of the units with the employee paying a deposit of 10% [see Note 12.1 (a)].

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

(i) This loan to Jamaica Teachers' Association Housing Co-operative Limited (JTAHC) in previous years was secured by the assignment to the Trust of mortgages in the name of JTAHC and the title deeds to the relevant properties were deposited with the Trust. The loans are amortised over a period of 25 years with interest rates ranging from 3% to 18% per annum.

(ii) This loan is repayable in monthly installments over a 25-year period commencing January 1, 2001. Interest is chargeable at 5% per annum and is payable in monthly installments from January 1, 1997. The loan is secured by the transfer of mortgages by Housing Agency of Jamaica (HAJ) (formerly NHDC) to the Trust.

(iii) The Trust entered into an agreement in 2001 to make the sum of $1.1 billion available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation PRIDE portfolio. The loan is for a period of 15 years commencing November 2001, and was repayable, with interest, in installments of $8.69 million per month. Interest was charged at 8% per annum.

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

(j) Loans to beneficiaries selected by agencies approved by the Trust (cont'd)

(iii) (Cont'd)

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

The loan is secured by:

- a letter of undertaking from the Ministry of Finance & Planning in respect of $250 million given to secure the advance until HAJ satisfied conditions precedent to loan disbursement. These conditions have subsequently been satisfied.
- transfer of mortgages in respect of the Greater Portmore portfolio.
- duplicate certificates of title in respect of the Greater Portmore portfolio retained by the Trust.

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

The loan was repayable over 10 years in 120 equal monthly installments at an interest rate of 4% per annum. During 2007/2008, the interest rate on the loan was reduced from 4% to 3% per annum with repayments extended to the year 2018, consequent on a request by HAJ to reschedule the loan.

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

(v) The Trust entered into an agreement in 2002 to make the sum of $800 million available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation PRIDE portfolio. The loan was disbursed in September 2002 and the principal is repayable in 120 equal monthly installments commencing September 2003. Interest is repayable monthly in arrears on the first business day of each calendar month and payments commenced October 1, 2002. Interest is charged at 8% per annum or such other rate as the Trust may from time to time notify the HAJ. During 2007/2008, the interest rate on the loan was reduced from 8% to 3% per annum with repayments extended to the year 2018, consequent on a request by HAJ to reschedule the loan.

The loan is secured by:

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

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

(vii) During 2009, the Trust provided an amount of $120 million under a Revolving Loan facility for the purpose of providing housing solutions under the HAJ Operation PRIDE portfolio. The loan is repayable over 3 years at an interest rate of 8% per annum. The loan is secured by:

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

(viii) Joint financing mortgage programme

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

The participating institutions include:

- The Jamaica National Building Society
- The Victoria Mutual Building Society
- First Caribbean International Building Society
- Sagicor Life Jamaica Limited
- Scotia Jamaica Building Society

Monthly payments are remitted to the Trust in respect of each loan benefit disbursed in accordance with the amortisation schedule applicable for the relevant loan (with interest in accordance with the Trust's loan policy less the percentage spread for participating institutions as agreed between the parties).

These payments are due on the 1st day of each month.

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

The obligations of the participating institutions are secured by:

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

(ix) Special loans joint financing – Hurricane Ivan

In 2004/05, the Trust entered into an agreement with participating institutions to provide funds to assist persons who suffered damages due to Hurricane Ivan.

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

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

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

This involved the utilization of an imprest mechanism whereby a float was agreed on and reimbursed upon the amount in the float reaching a percentage of approximately 20% of the original float.

The participating institutions include:

- The Jamaica National Building Society
- The Victoria Mutual Building Society
- First Caribbean International Building Society
- Sagicor Life Jamaica Limited
- Scotia Jamaica Building Society

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

The obligations of the participating institutions are secured by:

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

(x) Special loans to churches – Hurricane Ivan

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

The participating institutions include:

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

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

The obligations of the participating institutions are secured by:

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

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

(xi) Jamaica Defence Force (JDF)

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

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

(k) Loan financing to developers

This represents the total amount of financing provided to public and private developers, inclusive of interest charged during the construction period at rates ranging from 8% to 12% per annum. The Trust implemented a Developers Incentive Programme effective July 2010, where private home developers will be able to access loans at a rate of 3%, only if the cost of their units falls within the range stipulated by the Trust. This arrangement will be in place for a maximum of three years.

(l) Advances to the University of the West Indies (UWI)

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

The security for the advance is:

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

(m) The movement in the loans receivable impairment allowance is as follows:

	2011				2010			
	Mortgage Loans	Development Financing	Agencies	Total	Mortgage Loans	Development Financing	Agencies	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance, April 1	632,339	360,644	101,785	1,094,768	386,981	279,917	198,096	864,994
Increase/(Decrease) in allowance for the year	348,446	13,488	(65,888)	296,046	248,730	14,311	(96,311)	166,730
Transfer to project loss (Note 13)	-	-	-	-	-	66,416	-	66,416
Write-off during the year	(71,021)	-	-	(71,021)	(3,372)	-	-	(3,372)
Balance, March 31	909,764	374,132	35,897	1,319,793	632,339	360,644	101,785	1,094,768

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

(n) Unexpired service charges on loans to beneficiaries:

	2011 $'000	2010 $'000
Balance at beginning of the year	2,138,137	1,807,727
Additions during the year	652,174	447,240
Amortisation	(427,627)	(116,830)
Balance at end of the year	2,362,684	2,138,137

(o) Approval process and quality of receivables

Before approving a loan, the Trust uses an evaluation system to assess the potential borrower's credit quality and eligibility to qualify for the maximum benefits set by the Trust. The credit assessment system incorporates objective criteria of credit analyses that can be quantified. For institutional loans, the credit analysis process involves a comprehensive analysis of the institution's financial standing and their ability to fund their portion of the proposed development (where applicable), with the Trust's placing strict limits on the percentage of total development cost it is willing to finance. 82% (2010: 81%) of the loans to beneficiaries that are neither past due nor impaired have the best credit scoring (classified in top two of three categories) attributable under the Trust's internal credit scoring system.

Of the total category of loans to beneficiaries selected by agencies of the Trust, joint financing mortgage programme and HAJ account for 89.7% and 8.2% (2010: 87.7% and 9.7%), respectively. Joint financing mortgage programme and HAJ account for 16.5% and 1.5% (2010: 16.8% and 1.9%), respectively, of the total loans receivable. There are no other loans receivable whose balance represents more than 5% of the total balance of this category.

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

(p) Allowance for impairment determined under the requirements of IFRS

Included in the Trust's loans to beneficiary balance are debtors with a carrying amount of approximately $6,124 million (2010: $6,010 million) which are past due at the reporting date and for which the Trust has not made an impairment allowance, as there has not been a significant change in the beneficiaries' credit quality and the amounts are still considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

(p) Allowance for impairment determined under the requirements of IFRS (Cont'd)

Ageing of past due but not impaired

	2011 $'000	2010 $'000
30 – 60 days	3,686,473	3,780,066
61 – 90 days	2,437,325	2,229,724
	6,123,798	6,009,790

Ageing of impaired loans

	2011 $'000	2010 $'000
91 – 180 days	2,749,078	2,389,246
181 – 360 days	4,082,211	3,488,049
Over 360 days	3,248,679	2,448,109
Total impaired loans	10,079,968	8,325,404

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

(q) Loans to beneficiaries renegotiated

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

As at March 31, 2011, $2.34 billion loans were renegotiated (2010: $2.29 billion) which would have otherwise been past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

(a) The Trust does not hold title deeds as security in respect of the following investments:

		2011 $'000	2010 $'000
(i)	Loans through joint venture mortgage programme [Note 12 (b)]	5,629	8,704
(ii)	Other loans [Note 12 (c)]		
	Mortgage loans to beneficiaries:		
	- Schemes for which splintering of parent titles is in process or has not yet commenced	46,251	11,624
	- Schemes for which mortgage processing is incomplete and land titles are not available	8,280	3,104
	- Non-scheme loans [Note 12 (d)]	277,314	239,121
		331,845	253,849
	Finance for housing construction projects	374,132	360,644
		705,977	614,493
	Total	711,606	623,197

(b) The loans through joint venture programmes stated in Note 12 (a)(i) are supported by promissory notes and, in the case of building societies, share certificates.

(c) It has been an established policy of the Trust to carry out housing projects on lands owned by the Government of Jamaica or its approved agencies without first registering mortgages on the land on which the houses are constructed. This has been done to minimise delays and to keep the cost of a housing unit to a minimum. In this respect, obtaining land titles, sub-division plans and splinter titles takes place during construction, as well as, after the housing projects are completed and houses handed over to beneficiaries [Note 11(f)]. While this results in certain construction finances and mortgage loans not being secured in the interim, management do not consider the lack of security for finances provided under programmes described in Note 12 (a)(ii) will have a material impact on the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

13 INVENTORIES

	2011 $'000	2010 $'000
Land held for housing development	2,986,608	2,868,313
Housing under construction	4,440,777	2,720,984
Housing units completed but not allocated	1,238,443	740,949
Inner City Housing Project (Note 13(a))	53,668	57,268
	8,719,496	6,387,514
Less: Allowance for losses and subsidies	(338,572)	(694,426)
	8,380,924	5,693,088

The movement in the allowance is as follows:

	2011 $'000	2010 $'000
Opening Balance	694,426	1,701,912
Allowances during the year	126,647	83,207
Transfer to development financing [Note 11 (m)]	-	(66,416)
Amounts written-back [Note 13(b)]	(482,501)	(1,024,277)
Closing Balance	338,572	694,426

(a) Inner City Housing Project

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

The Trust had initially committed $14.71 billion for expenditure on the project in Kingston, St. Catherine, St. Mary and Westmoreland. The estimated project cost included the following:

- The construction of 5,000 housing solutions including the purchase of land at a cost of $9.41 billion.
- The provision of supporting social and physical infrastructure for new and existing communities at a cost of $2.53 billion.
- Provision of professional fees, social housing programme and indirect costs totalling $2.21 billion.
- The refurbishment and upgrading of existing inner city communities at a cost of $560 million.

The project was expected to run for the period 2004 to 2012. However, subsequent to March 31, 2008, the project scope has been reduced and will be limited to works completed or currently under construction.

The total project cost is estimated at approximately $4.31 billion (2010: $3.76 billion) as follows:

- The construction of 1,268 housing solutions in Kingston & St. Andrew, including land purchases at a cost of $2.27 billion.
- The provision of supporting physical infrastructure and limited social infrastructure of $1.08 billion.
- Provision of professional fees and indirect costs, social housing programme of $282.3 million.
- The refurbishing programme of $640 million

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

13 **INVENTORIES (Cont'd)**

(a) Inner City Housing Project (cont'd)

As at March 31, 2011, total expenditure on this project amounted to $3.79 billion (2010: $3.76 billion).

The amounts spent on refurbishing works are being borne by the Trust. As at March 31, 2011, $676 million (2010: $645 million) has been spent on refurbishing several schemes and this amount, as well as, other subsidies to the project, is reflected in the statement of comprehensive income as Special Subsidies and Grants (Note 26).

Completion of construction activities is expected in 2011; however, the Trust's participation in the maintenance programmes of the communities is expected to continue to 2013.

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

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

The new solutions being provided under the ICHP are in the form of two and three bedroom apartments. The units are sold by the Trust to qualified borrowers. The Trust provides a substantial subsidy and recoups the balance of the investment through the granting of mortgages.

(b) Amounts written-back

This represents losses realised on completed Sugar Housing projects (for which allowances for losses were made in previous years) of $482.50 million.

14 **INTANGIBLE ASSETS**

	2011 $'000	2010 $'000
Cost		
At the beginning of the year	115,899	119,287
Write-off for the year [Note 14(a)]	-	(3,388)
At the end of the year	115,899	115,899
AMORTISATION		
At the beginning of the year	105,193	77,320
Charge for the year	8,494	27,873
At the end of the year	113,687	105,193
Carrying amount	2,212	10,706

This consists primarily of software purchased and developed, the costs of which are being amortised over three years. Amortisation charged for the year is included in operating expenses in the statement of comprehensive income. During the year, expenditure on projects no longer deemed viable was written off.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

15 INVESTMENTS IN ASSOCIATES

	2011 $'000	2010 $'000
Cost of investments:		
Central Waste Water (Note 15(a))	-	302,094
Harmonisation Limited	490	490
	490	302,584
Loans:		
Harmonisation Limited (including accrued interest) Note 15(c))	1,597,944	1,600,480
Allowance for possible losses on loan: Harmonisation Limited	(383,969)	(383,969)
	1,213,975	1,216,511
Central Wastewater (including accrued interest) [Note 15(a)]	-	105,028
Allowance for possible losses on loan: Central Wastewater	-	(105,028)
	-	-
Share of gains of property revaluation of associate:		
Central Wastewater	-	23,735
Share of associates' profits/(losses):		
Harmonization Limited	49,275	77,778*
Central Waste Water	-	(279,938)
	49,275	(202,160)
	1,263,740	1,340,670*

*Restated [Note 38(b)]

(a) Pursuant to Cabinet approval dated June 14, 2010, a resolution was passed by the Board on October 28, 2010 for the Transfer of the Trust's shareholding in Central Wastewater Treatment Company (CWTC) to National Water Commission (NWC).The Trust also wrote off the loan (including interest as at March 31, 2010) to CWTC, as recovery was considered doubtful.

The Board, pursuant to a Resolution dated October 28, 2010, proposed to enter into a Memorandum of Understanding with NWC under which the NWC would seek to employ its best efforts to recover a minimum of 50% of its equity injection and advances made to CWTC, through negotiated reduction in impact fees and rates.

The formalities of the transfer of the shareholding were not completed as at year-end.

(b) Details of the associate as at March 31, 2011 are as follows:

Name of Associate	Place of Incorporation and operation	Proportion of ownership	Proportion of voting power held	Principal Activity
Harmonisation Limited	Jamaica	49.5%	49.5%	Land investment and development

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

15 **INVESTMENTS IN ASSOCIATES (Cont'd)**

(b) (Cont'd)

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

	Harmonisation Limited		Central Wastewater
	(Unaudited)	(Audited)	(Audited)
	2011	2010	2010
	$'000	$'000	US$'000
Total assets	2,562,739	2,614,774	4,024,843
Total liabilities	2,462,203	2,456,655	3,904,742
Net assets (liabilities)	100,536	158,119	120,101
Trust's share of associates' net assets (liabilities)	49,765	78,269	42,444
Revenue	19,263	24,337	615,939
Loss for the period	55,862	40,647	22,227

(c) Due to an amendment to the Shareholders Agreement, as at April 01, 2009, the Trust no longer accrues interest on the amounts advanced to Harmonisation Limited.

16 **RETIREMENT BENEFIT ASSET**

The Trust operates two post-retirement employee benefit arrangements:

(a) The National Housing Trust Staff Pension Scheme ("Staff Pension Scheme")
(b) The Post-retirement medical benefits scheme

Staff Pension Scheme

The Trust operates a defined benefit pension plan for qualifying employees. The plan is funded by contributions from the employees and the Trust. The employees contribute at a rate of 5% of annual pensionable salaries. The employee may also elect to pay additional voluntary contributions (provided that his/her total contributions to the scheme do not exceed 10% of his/her pensionable salary) in order to secure additional benefits under the scheme. Pension benefits are determined on a prescribed basis and are payable at a rate of 1.67% of the employee's average earnings over the three years prior to retirement from the fund times the number of years of pensionable service. Normal retirement is at 65 years.

Post-retirement Medical Benefits Scheme

The Trust also provides medical benefits for its pensioners and their spouses under an insured arrangement, which came into effect in April 2007. The Trust covers 100% of the premium for the pensioners and their spouses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

16 **RETIREMENT BENEFIT ASSET (Cont'd)**

Post-retirement Medical Benefits Scheme (Cont'd)

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligations were carried out as at March 31, 2011 by GFRAM Consulting, Fellows of the Society of Actuaries.

The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method.

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

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme	
	2011	2010	2011	2010
Gross discount rate	10.5%	11.5%	10.5%	11.5%
Expected return on assets	9.5%	10.0%	-	-
Expected rate of salary increases	8.0%	9.0%	-	-
Future pension increases	2.5%	3.5%	-	-
Rate of increase in medical premiums	-	-	10.5%	10.5%

(b) The amounts included in the statement of financial position arising from the Trust's obligation in respect of its defined-benefit plan are as follows:

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Present value of obligation	(1,790,075)	(1,581,034)	(106,113)	(163,662)
Fair value of plan assets	3,113,861	2,593,703	-	-
	1,323,786	1,012,669	(106,113)	(163,662)
Unrecognised actuarial gains	(254,818)	(114,205)	(91,885)	(6,408)
Net asset/(liability) in statement of financial position	1,068,968	898,464	(197,998)	(170,070)

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

16 **RETIREMENT BENEFIT ASSET (Cont'd)**

Post-retirement Medical Benefits Scheme (Cont'd)

c) Amounts recognised in income in respect of the defined benefit plan are as follows:

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme		Total	Total
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	44,589	26,271	8,300	15,300	52,889	41,571
Interest cost	192,716	173,749	19,768	23,176	212,484	196,925
Expected return on assets	(267,354)	(285,230)	-	-	(267,354)	(285,230)
Net actuarial loss recognised in income	-	(4,589)	-	-	-	(4,589)
Total included in staff costs	(30,049)	(89,799)	28,068	38,476	(1,981)	(51,323)
Actual return on plan assets	360,491	463,093	-	-	360,491	463,093

(d) Movements in the present value of the plan assets (net) in the current period were as follows:

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at beginning of the year	898,464	677,900	(170,070)	(131,700)
Amounts credited (charged) to income	30,049	89,799	(28,068)	(38,476)
Contributions by the Trust	140,455	130,765	140	106
Balance at end of the year	1,068,968	898,464	(197,998)	(170,070)

(e) Changes in the present value of the defined benefit obligation in the current period were as follows:

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Opening defined benefit obligation	1,581,034	984,600	163,662	129,600
Service cost	144,000	120,643	8,300	15,300
Interest cost	192,716	173,749	19,768	23,176
Benefits paid	(80,198)	(38,627)	(140)	(106)
Actuarial loss (gain)	(47,477)	(340,669)	(85,477)	(4,308)
Closing defined- benefit obligation	1,790,075	1,581,034	106,113	163,662

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

16 **RETIREMENT BENEFIT ASSET (Cont'd)**

(f) Changes in the fair value of plan assets are as follows:

	Staff Pension Scheme	
	2011	2010
	$'000	$'000
Opening fair value of plan assets	2,593,703	1,944,100
Contributions	239,865	225,137
Expected return on plan assets	267,354	285,230
Benefits and expenses paid	(80,198)	(38,627)
Actuarial gain	93,137	177,863
Closing fair value of plan assets	3,113,861	2,593,703

(g) The fair value of plan assets at the reporting date is analysed as follows:

	Staff Pension Scheme	
	2011	2010
	$'000	$'000
Sagicor Pooled Funds	699,000	676,920
Assets held in segregated fund	2,414,861	1,879,500
Contributions for 2010 Feb-March (Sagicor)	-	37,283
Closing fair value of plan assets	3,113,861	2,593,703

The percentage distribution of the major categories of plan assets and the expected rate of return at the reporting date for each category is as follows:

	Staff Pension Scheme	
	2011	2010
	%	%
Equity instruments	1.0	0.8
Money market investments and debt securities	70.0	58.8
Sagicor pooled fund	22.0	26.2
Other	7.0	7.3
	100.0	100.0

The overall expected rate of return is 9.5% (2010: 10%) and represents the weighted average of the expected returns of the various categories of plan assets held. Management's assessment of the expected return is based on historical return trend and analysts' predictions of the market for the assets in the next twelve months.

The plan assets do not include any of the Trust's own financial instruments, nor any property occupied by or other assets used by the Trust.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

16 **RETIREMENT BENEFIT ASSET (Cont'd)**

(h) The history of experience adjustments is as follows:

	Staff Pension Scheme				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(1,790,075)	(1,581,034)	(984,600)	(972,500)	(861,600)
Fair value of plan assets	3,113,861	2,593,703	1,944,100	1,616,200	1,304,100
Fund Surplus	1,323,786	1,012,669	959,500	643,700	442,500
Experience adjustments on plan liabilities	(73,626)	(56,614)	(24,600)	126,800	(49,200)
Experience adjustments on plan assets	93,137	177,863	(71,600)	(2,000)	21,600

	Post- Retirement Medical benefits Scheme			
	2011	2010	2009	2008
	$'000	$'000	$'000	$'000
Present value of unfunded defined- benefit obligation	(106,113)	(163,662)	(129,600)	(94,400)
Experience adjustments on plan liabilities	(5,616)	213	9,100	(11,300)

Impact of 1% Increase/Decrease in Medical Inflation Adjustment

	2011 @11.5%	2011 @9.5%
Revised service and interest cost ($'000)	53,397	28,962

	2011 @11.5%	2011 @9.5%
Revised accumulated benefit obligation ($'000)	233,938	129,764

(i) The Trust expects to make a contribution of $149.18 million (2010: $130.38 million) to the defined -benefit plan during the next financial year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

17 **PROPERTY, PLANT AND EQUIPMENT**

	Freehold Land	Land Improvement	Freehold Buildings	Partitions	Artwork	Furniture, Fixtures and Office Equipment	Computer Equipment	Heavy Equipment	Motor Vehicles	Advance on Fixed Assets	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
COST												
March 31, 2009	121,249	-	1,369,731	64,937	15,312	301,054	405,118	84,032	43,377	-	17,059	2,421,869
Additions	-	-	5,266	-	117	20,928	35,028	-	-	-	9,403	70,742
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	(28)	-	-	-	-	(13)	(41)
Disposals	-	-	-	-	-	(5,383)	(1,024)	(39,901)	(9,639)	-	-	(55,947)
March 31, 2010	121,249	-	1,374,997	64,937	15,429	316,571	439,122	44,131	33,738	-	26,449	2,436,623
Reclassification [Note 17(a)]	-	-	-	-	-	-	-	-	-	37,302	-	37,302
Additions	-	21,293	17,832	-	55	17,367	19,944	-	-	1,372	12,431	90,294
Transfers	-	-	7,414	-	-	18,684	9,421	-	-	(35,519)	-	-
Adjustment	5,196	-	-	-	-	(781)	893	-	-	-	(98)	5,210
Disposals	-	-	-	-	-	-	(219)	-	-	-	-	(219)
Transfer to asset held for sale	(12,890)	-	(63,288)	-	-	-	-	-	-	-	-	(76,178)
March 31, 2011	113,555	21,293	1,336,955	64,937	15,484	351,841	469,161	44,131	33,738	3,155	38,782	2,493,032

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

17 **PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

	Freehold Land	Land Improvement	Freehold Buildings	Partitions	Artwork	Furniture, Fixtures and Office Equipment	Computer Equipment	Heavy Equipment	Motor Vehicles	Advances On Fixed Assets	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
DEPRECIATION												
March 31, 2009	-	-	171,751	26,527	-	164,278	355,630	84,032	34,008	-	-	836,226
Charge for the year	-	-	34,344	6,070	-	41,356	44,428	-	5,135	-	-	131,333
Adjustment	-	-	-	-	-	-	(85)	-	-	-	-	(85)
Eliminated on disposals	-	-	-	-	-	(3,692)	(892)	(39,901)	(9,639)	-	-	(54,124)
March 31, 2010	-	-	206,095	32,597	-	201,942	399,081	44,131	29,504	-	-	913,350
Charge for the year	-	355	33,371	6,039	-	39,911	27,939	-	1,978	-	-	109,593
Adjustment	-	-	94	-	-	2,919	784	-	-	-	-	3,797
Eliminated on disposals	-	-	-	-	-	-	(110)	-	-	-	-	(110)
Transfers to asset held for sale	-	-	(5,274)	-	-	-	-	-	-	-	-	(5,274)
March 31, 2011	-	355	234,286	38,636	-	244,772	427,694	44,131	31,482	-	-	1,021,356
NET BOOK VALUES												
March 31, 2011	113,555	20,938	1,102,669	26,301	15,484	107,069	41,467	-	2,256	3,155	38,782	1,471,676
March 31, 2010	121,249	-	1,168,902	32,340	15,429	114,629	40,041	-	4,234	-	26,449	1,523,273
March 31, 2009	121,249	-	1,197,980	38,410	15,312	136,776	49,488	-	9,369	-	17,059	1,585,643

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

17 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

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

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

	2011	2010
	$'000	$'000
Buildings/related infrastructure	202,536	202,536
Furniture, fixtures and office equipment	11,398	10,918
Artwork	13,931	13,931
	227,865	227,385

The Emancipation Park is a public park managed and maintained by the Trust. The Trust intends to transfer the maintenance and management of the park to the Emancipation Park Trust.

18 PAYABLES AND ACCRUALS

	2011	2010
	$'000	$'000
Payables and accruals	910,161	581,354
Scheme deposits	62,259	84,344
Statutory and other payroll deductions	49,208	45,161
Retention payable	332,885	153,559
Other payables	389,214	363,038
Peril claims (Note 30(b))	14,184	25,152
	1,757,911	1,252,608

These primarily comprise amounts outstanding for purchases and other on-going operational costs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

19 **PROVISIONS**

	Sundry claims [Note 19(a)]		Employee Benefits [Note 19 (b)]		Mortgage Subsidy [Note 19(c)]		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balances at beginning of the year	324,586	92,900	61,333	59,308	-	-	385,919	152,208
Utilised [Note 19(a)(i)]	(120,666)	-	(127,585)	(92,413)	-	-	(248,251)	(92,413)
Charged to income for year	(22,335)	231,686	136,313	94,438	353,481	-	467,459	326,124
Reclassification of provision for Escrow account [Note 19 (a)(ii)]	(144,660)	-	-	-	-	-	(144,660)	-
Balance at end of the year	36,925	324,586	70,061	61,333	353,481	-	460,467	385,919

(a) Sundry claims represent:
  (i) the agreed settlement for certain claims on the Trust [Note 36 (c)]; and
  (ii) amounts in Escrow account pending outcome of claims [Note 36 (b)].

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

(c) This represents an allowance for mortgage subsidy computed at a maximum of 40% of surplus after tax quarterly as at March 31, 2011.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

20 REFUNDABLE CONTRIBUTIONS

(a)

	2011			2010
	Currently Due	Not Yet Due	Total	Total
	$'000	$'000	$'000	$'000
Contributions refundable	9,610,629	41,534,966	51,145,595	44,455,199
Bonus accrued (Note 20(b))	2,124,378	3,016,888	5,141,266	5,780,626
	11,735,007	44,551,854	56,286,861	50,235,825
Represented by:				
3% Savings Accounts				
Principal (overdrawn)	5,633,014	-	5,633,014	210,279
Interest	55,014	-	55,014	75,346
	5,688,028	-	5,688,028	285,625
3% Time Accounts				
Principal	-	21,883,169	21,883,169	15,515,557
Interest	-	2,117,270	2,117,270	1,624,632
	-	24,000,439	24,000,439	17,140,189
Total for which personal accounts are established	5,688,028	24,000,439	29,688,467	17,425,814
Balances for which no personal accounts are established	6,046,979	20,551,415	26,598,394	32,810,011
Total refundable employee contribution	11,735,007	44,551,854	56,286,861	50,235,825

(b) Bonuses are payable to contributors at the rate specified in the regulations made under the National Housing Trust Act. The amount payable to employees for each year will be paid together with cash grant benefits awarded as described in Note 2(b)(ii). Contributions not currently refundable and bonuses thereon are calculated at 2% per annum.

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

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

(i) the non-submission of annual returns by employers.

(ii) where annual returns have been submitted, in many instances, these returns are incomplete, with a resultant difficulty in uniquely identifying some contributors and creating the appropriate personal accounts by interface with the computerized contributions system.

The Trust has implemented a number of strategies to address this problem. This has resulted in a significant reduction in the number of personal accounts that could not have been created for contributions from 2008 onwards. During the current financial year, 1,327,339 individual (time) accounts (2010: 1,640,024) totaling $12.24 billion (2010: $15.69 billion) were created.

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

21 **DEFERRED TAX (ASSETS)/LIABILITIES**

	2011	2010
	$'000	$'000
Deferred tax liabilities	723,127	562,694
Deferred tax asset	(113,571)	(44,943)
	609,556	517,751

The following are the deferred tax (assets)/liabilities recognised by the Trust and movements thereon:

	Assets			Liabilities									
	Post-Retirement Medical Benefits $'000	Tax Losses $'000	Accelerated Capital Allowances $'000	Unrealised Foreign Exchange Gains $'000	Total Assets $'000	Revaluation of Properties $'000	Retirement Benefit Asset $'000	Interest Receivable $'000	Associates - Interest Receivable and share of net assets $'000	Available-for-sale Investments $'000	Other Assets $'000	Total Liabilities $'000	Net Liabilities $'000
Balance, April 1, 2009	(43,900)	(103,672)	17,960	115,501	(14,111)	36,392	225,967	220,448	98,874	-	2,109	583,790	569,679
Charged (Credited) to income for the year (Note 28)	(12,789)	103,672	(10,051)	(111,664)	(30,832)	-	73,521	606	(93,516)	-	(696)	(20,085)	(50,917)
Credited to accumulated fund during the year [Note 22]	-	-	-	-	-	(1,011)	-	-	-	-	-	(1,011)	(1,011)
Balance, March 31, 2010	(56,689)	-	7,909	3,837	(44,943)	35,381	299,488	221,054	5,358	-	1,413	562,694	517,751
Charged (Credited) to income for the year (Note 28)	(9,309)	-	(23,021)	(36,298)	(68,628)	-	56,835	12,217	92,556	-	(164)	161,444	92,816
Credited to accumulated fund during the year [Note 22]	-	-	-	-	-	(1,011)	-	-	-	-	-	(1,011)	(1,011)
Balance, March 31, 2011	(65,998)	-	(15,112)	(32,461)	(113,571)	34,370	356,323	233,271	97,914	-	1,249	723,127	609,556

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

22 FAIR VALUE AND OTHER RESERVES

		Other Reserves		
	Investment Revaluation Reserves $'000	Unallocated Contributions Reserves $'000	Properties Revaluation Reserves $'000	Total $'000
Balance, March 31, 2009	(551,665)	723,524	195,551	367,410
Net increase in fair value of available-for-sale investments	880,512	-	-	880,512
Loss on impairment of available-for-sale equity investments charged to income	153,677	-	-	153,677
Transfer of fair value to profit for the year (Jamaica Debt Exchange)	20,645	-	-	20,645
Reduction in market value (Jamaica Debt Exchange)	(319,628)	-	-	(319,628)
	735,206			735,206
Deferred tax arising on revaluation of property, plant and equipment (Note 21)	-	-	1,011	1,011
Contribution shortage on annual return	-	(11,516)	-	(11,516)
Balance, March 31, 2010	183,541	712,008	196,562	1,092,111
Net increase in fair value of available-for-sale investments	1,168,504	-	-	1,168,504
Loss on impairment of available-for-sale equity investments charged to income	31,480	-	-	31,480
Gain on disposal of equity investments transferred to income	(1,071)	-	-	(1,071)
	1,198,913	-	-	1,198,913
Deferred tax arising on revaluation of property, plant and equipment (Note 21)	-	-	1,011	1,011
Balance, March 31, 2011	1,382,454	712,008	197,573	2,292,035

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

23 PERIL RESERVE

The Trust's policy deductible is US$30 million (2010: US$30 million), i.e., peril insurance claims up to this amount will be for the account of the Trust (claims over this amount will be for the account of the insurer) (Notes 30(b)).

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

	2011	2010
	US$'000	US$'000
Cash and Cash Equivalents [Note 6 (b)]	2,109	5,820
Securities purchased under resale agreement (Note 9(b))	4,538	8,720
Available-for-sale securities [Note 10(b)(i)]	34,826	23,992
	41,473	38,532

24 LOAN LOSS RESERVE

This reserve represents the excess of the allowance for loan losses, determined using management's prudential estimate of the greater of 3% of the total mortgage loans (less loan financing to developers) receivable net of IFRS provision and the total arrears for over 90 days, for which allowances are made, over the amounts determined under IFRS (Note 11).

During the year, an increase of $233.93 million (a decrease in prior year of $34.98 million) was made to the loan loss reserve, to cover any losses that may arise from the loans referred to in Note 12.1 above as well as other mortgage loans.

25 MISCELLANEOUS INCOME

	2011	2010
	$'000	$'000
Foreign exchange (loss)/gain (net)	(149,433)	61,050
Penalty income	371,515	93,951
Debt management fees	71,634	61,300
Peril and life insurance administrative fees	462,158	384,865
JPS deposit refund	-	7,009
Other	125,517	90,932
	881,391	699,107

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

26 SPECIAL SUBSIDIES AND GRANTS

	2011 $'000	2010 $'000
Special projects:		
Inner City Housing Project	66,975	40,395
Sugar Housing Programme	32,002	66,473
Emancipation Park [net of recoveries of $2.31 million (2010: $2.29 million)]	58,044	50,612
Grants:		
Mortgage Subsidy	353,481	-
Other	18,340	6,230
	528,842	163,710

27 RESTRUCTURING COSTS

This comprises redundancy costs resulting from the on-going restructuring of the organisation.

28 TAXATION

Recognised in profit for the year

(a) The taxation charge for the year comprises:

	2011 $'000	2010 $'000
Current tax	456,744	873,684
Deferred tax adjustment (Note 21)	92,816	(50,916)
	549,559	822,768

(b) The tax charge for the year can be reconciled to the surplus before taxation in the comprehensive income statement as follows:

	2011 $'000	2010 $'000
Surplus before taxation	2,103,113	3,128,309 *
Expected tax at current tax rate of 33 1/3%	701,038	1,042,770
Tax effect of amounts not deductible in determining taxable surpluses	86,642	101,427
Tax effect of amounts not subject to tax	(291,095)	(281,883)
Tax effect of tax losses utilized	-	(103,673)
Net effect of other charges and allowances	52,974	64,127
Taxation charge	549,559	822,768

*Restated [Note 38(b)].

The tax rate used for the 2011 and 2010 reconciliations above is the tax rate of 33⅓% payable by corporate entities in Jamaica on taxable profits/surpluses under tax laws.

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

29 SURPLUS FOR THE YEAR

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

(a) Interest revenue on:

	2011 $'000	2010 $'000
Investments:		
Available-for-sale investment securities	2,227,814	2,971,897
Held-for-trading investment securities	122,011	107,019
	2,349,825	3,078,916
Loans:		
Financial assets at amortised cost		
- Impaired financial assets	16,147	36,874
- Unimpaired financial assets	4,479,061	4,943,019
	4,495,208	4,979,893
	6,845,033	8,058,809
Dividends	37,605	34,818
	6,882,638	8,093,627

(b) Bonus on employees' contribution:

- Savings accounts	(441,751)	(489,312)
- Time accounts	(636,700)	(642,680)
	(1,078,451)	(1,131,992)

(c) Other

Directors' emoluments:		
Non Executive Directors – fees	2,097	2,313
Management:		
Basic	8,581	10,294
Incentive payments and gratuity in lieu of pension	1,158	53,540
Audit fees - current year	9,959	9,493
- prior year	-	(3,572)
Depreciation	113,391	131,249
Loss/(gain) on disposal of property, plant and equipment	109	(15,280)
Amortisation of intangible asset	8,494	27,873
	143,789	215,910

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

30 **COMMITMENTS AND CONTINGENCIES**

(a) Commitments

	2011 $'000	2010 $'000
Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	5,093,874	6,247,299
Purchase of land	60,000	24,000
Inner City Housing Project	238,830	305,795
Loans and/or mortgage financing	8,833,487	6,262,350
Green Pond Sewage Infrastructure	-	48,460
	14,226,191	12,887,904
Authorised and approved but not contracted for -		
Purchase of land	358,000	650,000
Computer software development	250,194	185,000
Office refurbishing	240,000	212,000
Projects' subsidy	-	1,994,408
Construction contracts under negotiation	1,640,481	-
Mortgage Subsidy	353,481	-
	2,842,156	3,041,408

(b) Contingencies

Peril claims

The Trust's policy deductible on its peril insurance cover is US$30 million (J$2.56 billion) (2010: US$30 million (J$2.67 billion)). Should a catastrophic event occur such as a hurricane or an earthquake, the Trust will be liable to meet the cost of damages up to the aggregate amount of the deductible with the balance borne by the insurer (Note 23).

At year-end, claims made by beneficiaries provided for but not yet processed by the Trust amounted to approximately $14.18 million (2010: $25.15 million) (Note 18).

Litigation

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

31 **RELATED PARTY TRANSACTIONS/BALANCES**

Operating transactions

During the year, the Trust entered into the following transactions with government agencies and key management personnel, including members of the Board of Directors.

	Loans granted (including interest)		Balance owed	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
State controlled entities	1,026,777	346,066	734,335	370,906
Key management personnel	27,850	15,993	74,778	67,695
Board of Directors and Committee members	-	-	980	1,116

State-controlled entities

During the year, the following transactions were effected with the Housing Agency of Jamaica (HAJ) (formerly National Housing Development Corporation (NHDC)) and National Water Commission (NWC):

	2011	2010
	$'000	$'000
Interest earned	38,652	94,702

Loans made to beneficiaries selected by HAJ are disclosed at Note 11(b).

The Trust also paid rental and maintenance fees of $22.96 million (2010: $11.22 million) for the office space occupied to, as well as reimbursed $10.42 million (2010: $9.99 million) for expenses incurred on the Trust's behalf by, Development Bank of Jamaica.

Compensation of key management personnel

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

Key management personnel

	2011	2010
	$'000	$'000
Short-term benefits	87,955	135,821
Post employment benefits	4,845	4,662
	92,800	140,483

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

31 **RELATED PARTY TRANSACTIONS/BALANCES (Cont'd)**

Compensation of key management personnel (Cont'd)

Key management personnel (Cont'd)

The remuneration of the above is determined by the Board of Directors under the guidelines set by the Ministry of Finance, having regard to the performance of individuals and market trends.

Board of Directors and Committee members

	2011 $'000	2010 $'000
Short-term benefits Non-executive Directors' fees [Note 29 (c)]	2,097	2,313

32 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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

Categories of financial instruments

The following table sets out the financial instruments as at the reporting date:

	2011 $'000	2010 $'000
Financial assets		
Fair value through profit or loss (FVTPL)		
- Held for trading	2,747,997	2,499,072
Loans and receivables (including cash and cash equivalents) – at amortised cost		
- Cash and cash equivalents	2,496,822	5,247,531
- Loans receivable	110,276,274	95,757,161
- Securities purchased under resale agreements	5,199,188	2,632,167
- Receivables (excluding prepayments)	512,322	508,802
	118,484,606	104,145,661
Available-for-sale financial assets	17,856,959	15,181,116
	139,089,562	121,825,849
Financial liabilities (at amortised cost)		
- Payables	1,491,488	1,015,672
- Refundable contributions	56,286,861	50,235,825
	57,778,349	51,251,497

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Financial risk management policies and objectives

By its nature, the Trust's activities generally involve the use of financial instruments.

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

<u>Financial risk management objectives</u>

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

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Board of Directors risk management mandate is principally carried out through the Finance and Information System Committee, Audit Committee, Policy Committee, Technical Committee and the Internal Audit Department.

Finance and Information System Committee

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

Audit Committee

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

Policy Committee

Policy Committee has responsibility to ensure that risk policies, processes and controls are in place to manage significant risks and the activities of the Trust are carried out in accordance with these policies.

The Internal Audit Department

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

Technical Committee

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

Corporate Governance Committee

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

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

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market risk is the risk that the value or expected cash flows of a financial instrument will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Trust's activities expose it primarily to the financial risks of changes in foreign currency exchange rates as disclosed in Note 32(b) below, interest rates as disclosed in Note 32(c) below, as well as equity price risks.

Management of market risk

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

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

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

Equity price sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

Equity price sensitivity analysis (Cont'd)

If quoted equity prices had been 15% (2010: 20%) higher/lower fair value and other reserves in accumulated fund for the year ended March 31, 2011 would increase/decrease by $62.80 million (2010: $115.61 million) as a result of the changes in fair values of the available-for-sale securities.

The Trust's sensitivity to equity price risk has changed during the year, mainly due to the sale of the equity investments and the movement in market value.

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

(b) Foreign currency risk

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

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

Management of foreign currency risk

Management consistently monitors the Trust's exposure in this regard by constant monitoring of international foreign exchange markets and factors influencing currency movements and positioning its foreign currency investments accordingly.

At March 31, 2011, the Trust had US$ denominated investments amounting to US$42.46 million (2010: US$39.16 million). The Trust holds a minimum amount of US$ investments in respect of funding its peril reserve.

The carrying amounts of the Trust's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets	
	2011	2010
	J$'000	J$'000
Cash and bank balances	181,382	522,447
Securities purchased under agreement to resell	390,947	788,911
Investment securities	3,093,821	2,303,379
	3,666,150	3,614,737

Foreign currency sensitivity analysis

The following table details the Trust's sensitivity to a 1% revaluation and 1% devaluation (2010: 2% revaluation and 10% devaluation) change in the Jamaican dollar against the relevant foreign currencies. The change in the sensitivity rates below are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the change in foreign currency rates below.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(b) Foreign currency risk (Cont'd)

If the Jamaican dollar strengthens by 1% or weakens by 1% against the US dollar (2010: 2% revaluation and 10% devaluation), income will decrease or increase by:

	Revaluation		Devaluation		Revaluation		Devaluation	
	2011 Change in Currency Rate	2011	2011 Change in Currency Rate	2011	2010 Change in Currency Rate	2010	2010 Change in Currency Rate	2010
	%	J$'000	%	J$'000	%	J$'000	%	J$'000
(Surplus)/deficit	+1	36,661	-1	(36,661)	+2	72,295	-10	(361,474)

This is mainly attributable to the exposure on investment securities, securities purchased under resale agreements and cash and cash equivalents at year-end.

The Trust's sensitivity to foreign currency has increased during the current period mainly due to the increased holdings of foreign currency deposits and investments.

(c) Interest rate risk

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

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

Management of interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk (Cont'd)

As at March 31, 2011:

	Within 3 Months $'000	Within 3 - 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Non- rate Sensitive $'000	Total $'000	Weighted Average Effective Interest rate %
Assets										
Cash and cash equivalents	1,821,281	-	-	-	-	-	-	675,541	2,496,822	6.69
Receivables and prepayments	1,713	35,189	62,800	80,814	28,076	9,315	90,285	326,624	634,816	3.03
Non-current asset held for sale	-	-	-	-	-	-	-	70,904	70,904	
Income tax recoverable	-	-	-	-	-	-	-	2,827,696	2,827,696	
Securities purchased under resale agreements	5,172,600	26,588	-	-	-	-	-	-	5,199,188	6.83
Investment securities	859,320	1,301,068	2,888,698	2,687,874	2,342,727	3,732,953	6,218,112	574,204	20,604,956	8.84
Loans receivable	6,364	704,551	1,547,248	208,658	344,160	567,933	106,897,360	-	110,276,274	4.59
Inventories	-	-	-	-	-	-	-	8,380,924	8,380,924	
Other	-	-	-	-	-	-	-	3,806,596	3,806,596	
Total assets	7,861,278	2,067,396	4,498,746	2,977,346	2,714,963	4,310,201	113,205,757	16,662,489	154,298,176	
Liabilities and accumulated fund										
Payable and accruals	-	-	-	-	-	-	-	1,757,911	1,757,911	
Provisions	-	-	-	-	-	-	-	460,467	460,467	
Refundable contributions	11,735,007	3,031,956	5,291,180	5,094,470	5,331,996	6,831,388	18,970,864	-	56,286,861	3.48
Other	-	-	-	-	-	-	-	807,554	807,554	
Accumulated fund	-	-	-	-	-	-	-	94,985,383	94,985,383	
Total liabilities and accumulated fund	11,735,007	3,031,956	5,291,180	5,094,470	5,331,996	6,831,388	18,970,864	98,011,315	154,298,176	
Net Interest Rate Sensitivity Gap	(3,873,729)	(964,560)	(792,434)	(2,117,124)	(2,617,033)	(2,521,187)	94,234,893	(81,348,826)	-	
Cumulative Gap	(3,873,729)	(4,838,289)	(5,630,723)	(7,747,847)	(10,364,880)	(12,886,067)	81,348,826	-	-	

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk (Cont'd)

As at March 31, 2010:

	Within 3 Months $'000	Within 3 - 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Non- rate Sensitive $'000	Total $'000	Weighted Average effective Interest rate %
Assets										
Cash and cash equivalents	4,658,808	-	-	-	-	-	-	588,723	5,247,531	9.21
Receivables and prepayments	3,817	35,179	62,673	88,123	67,155	22,691	20,414	363,794	663,846	4.17
Income tax recoverable	-	-	-	-	-	-	-	2,667,534	2,667,534	
Securities purchased under resale agreements	2,266,187	365,980	-	-	-	-	-	-	2,632,167	9.47
Investment securities	5,063,160	1,515,281	271,479	1,850,282	2,045,841	-	6,219,640	714,505	17,680,188	10.12
Loans receivable	148,786	492,459	699,659	129,013	188,999	408,617	93,689,628	-	95,757,161	5.39
Inventories	-	-	-	-	-	-	-	5,693,088	5,693,088	
Other	-	-	-	-	-	-	-	3,773,113*	3,773,113*	
Total assets	12,140,758	2,408,899	1,033,811	2,067,418	2,301,995	431,308	99,929,682	13,800,757	134,114,628*	
Liabilities and accumulated fund										
Payable and accruals	-	-	-		-	-	-	1,252,608	1,252,608	
Provisions	-	-	-	-	-	-	-	385,919	385,919	
Refundable contributions	13,228,317	2,960,601	4,085,629	3,595,353	2,900,252	3,19,851	19,945,822	-	50,235,825	3.60
Other								687,821	687,821	
Accumulated fund	-	-	-	-	-	-	-	81,552,455	81,552,455*	
Total liabilities and accumulated fund	13,228,317	2,960,601	4,085,629	3,595,353	2,900,252	3,519,851	19,945,822	83,878,803	134,114,628*	
Net Interest Rate Sensitivity Gap	(1,087,559)	(551,702)	(3,051,818)	(1,527,935)	(598,257)	(3,088,543)	79,983,860	(70,078,046)	-	
Cumulative Gap	(1,087,559)	(1,639,261)	(4,691,079)	(6,219,014)	(6,817,271)	(9,905,814)	70,078,046	-	-	

*Restated [Note 38]

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk (Cont'd)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the statement of financial position date. For floating rate assets, the analysis is prepared assuming the amount of assets held at the statement of financial position date was held throughout the year. A 50 basis points increase and a 50 basis points decrease (2010: 500 basis points increase and 800 basis points decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and 50 basis points lower (2010: 500 basis points increase and 800 basis points decrease) and all other variables were held constant, the Trust's:

- surplus for the year ended March 31, 2011 would increase/decrease by $133.7 million and $133.7 million respectively (2010: increase/decrease by $1,523.7 million and $2,438.0 million respectively). This is mainly attributable to the Trust's exposure to interest rates on its investment securities; and
- fair value and other reserves in accumulated fund would decrease/increase by $88.7 and $89.3 million (2010: decrease/increase by $932.3 million and $2,132.7 million) mainly as a result of the changes in the fair value of available-for-sale variable rate instruments.
- cashflow from floating rate assets would increase/decrease by $13.1 million and $13.1 million (2010: increase/decrease by $246.6 million and $394.6 million) as a result of the changes in the weighted average coupon rate earned of 18.03% (2010: 18.03%) on available-for-sale variable rate instruments.

The Trust's sensitivity to interest rate risk has increased during the current period mainly due to growth in the investment portfolio.

(d) Credit risk

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

Credit risk is the most significant risk for the Trust's business therefore management carefully monitors its exposure. Credit exposures arise principally in respect of the Trust's lending and investment activities.

(i) Loans receivable

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(d) Credit risk (Cont'd)

(i) Loans receivable (Cont'd)

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

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

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

The credit risk for financial institutions and developers for housing construction are assessed by preparing a Financial Review Report which is presented to management for decision-making. The exposure to credit risk for financial institutions and developers is mitigated as maximum limits are set for amounts advanced and adherence to terms of the loan agreement is monitored and reviewed on a regular basis.

The carrying amount of financial assets in respect of loans receivable totalling approximately $110.28 billion at year end, which is net of impairment losses, represents the Trust's maximum exposure to this class of financial asset without taking into account the value of any collateral obtained.

Collateral

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

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

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

	2011 $'000	2010 $'000
Property	26,406,317	26,406,317

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(d) Credit risk (Cont'd)

(i) Loans receivable (Cont'd)

Repossessed collateral

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

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

	2011		2010	
	Carrying Value	Value of Collateral	Carrying Value	Value of Collateral
	$'000	$'000	$'000	$'000
Residential properties	935,793	2,161,182	839,526	3,000,976

(ii) Investment securities and cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(d) Credit risk (Cont'd)

(ii) Investment securities and cash and cash equivalents (Cont'd)

The following table summarises the Trust's credit exposure for investment at the carrying amounts, as categorised by using:

	2011 $'000	2010 $'000
Government of Jamaica	19,432,273	15,053,186
Bank of Jamaica	616,904	1,858,716
Corporate	7,911,837	8,647,984
Total	27,961,014	25,559,886

(iii) Investments in Associates

See also Note 15(a) in respect of guarantees issued in respect of an associated company.

:) Liquidity risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay contributors and fulfil commitments to lend. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. The Trust is exposed to daily calls on its available cash resources primarily in respect of loan and project disbursements, refund of contributions and operational expenses.

Management of liquidity risk

Monitoring and management of the Trust's liquidity management process resides with the Investments Unit. Prudent liquidity risk management requires the Trust to maintain sufficient cash and marketable securities, to monitor future cash flows on a daily basis and to maintain a minimum amount of free cash to meet unexpected liquidity demands.

Management ensures that strong liquidity levels are maintained in order to prevent unacceptable losses or risk of damage to the Trust's reputation. The daily liquidity position is monitored by reports covering the position of the Trust over several months in advance. All liquidity policies and procedures are subject to review and approval by the Board of Directors.

The Trust's liquidity management process, monitored by the Investment and Bank Unit includes:

- Maintaining sufficient amounts of cash and cash equivalents to cover unexpected levels of demand. This is achieved through the systematic aging of the Trust's cash and cash equivalents, to ensure that a minimum amount matures on a weekly basis. This is done in consideration of the Trusts other sources of income, including mortgage and contribution income as well as other investment income.

- Monitoring cash and bank balances and future cash flows on a daily basis to ensure that requirements can be met. This includes the monitoring of several reports compiled by the Investments Unit as well as the relevant operational areas of the Trust.

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk (Cont'd)

Management of liquidity risk (Cont'd)

The Trust's liquidity management process, monitored by the Investment and Bank Unit includes:

- Maintaining a portfolio of highly marketable and diverse assets that can be easily liquidated as protection against any unforeseen interruption to cash flow. They include equities traded on the Jamaica Stock Exchange, money market investments and GOJ and BOJ debt issues.
- Managing the concentration and profile of debt maturities. Investment securities are purchased in accordance with the Board of Directors' guidelines, with clear directives to the stratification of the investment portfolio.
- Preparing daily, weekly and monthly cash and bank balances report to management for decision-making. These reports are integral in determining the level of liquidity risk faced by the Trust.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk (Cont'd)

The following tables detail the Trust's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of the financial assets and liabilities based on the earliest date on which the Trust can be required to pay.

As at March 31, 2011:

	Within 3 Months $'000	Within 3 - 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Value $'000
Assets									
Cash and cash equivalents	2,513,216	-	-	-	-	-	-	2,513,216	2,496,822
Receivables	199,508	130,324	160,803	139,627	38,075	14,892	264,199	947,428	634,816
Securities purchased under resale Agreement	5,218,485	26,588	-	-	-	-	-	5,245,073	5,199,188
Investment securities	1,523,569	2,714,777	4,534,327	4,044,574	3,337,207	4,561,115	10,207,502	30,923,071	20,604,956
Loans receivable	6,475	753,869	1,763,863	252,476	440,525	766,709	158,210,962	162,194,879	110,276,274
Total assets	9,461,253	3,625,558	6,458,993	4,436,677	3,815,807	5,342,716	168,682,663	201,823,667	139,212,056
Liabilities									
Payables	66,132	438,285	369,927	-	-	-	217,508	1,091,852	1,491,488
Refundable contributions	13,080,495	3,356,809	5,772,197	5,471,838	5,633,807	7,094,133	19,324,898	59,734,177	56,286,861
Total liabilities	13,146,627	3,795,094	6,142,124	5,471,838	5,633,807	7,094,133	19,542,406	60,826,029	57,778,349

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

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

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk (Cont'd)

As at March 31, 2010:

	Within 3 Months $'000	Within 3 - 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Value $'000
Assets									
Cash and cash equivalents	5,285,875	-	-	-	-	-	-	5,285,875	5,247,531
Receivables	17,103	348,299	159,739	135,493	120,172	72,865	305,104	1,158,775	508,802
Securities purchased under resale	2,296,399	374,389	-	-	-	-	-	2,670,788	2,632,167
Investment securities	3,186,283	2,687,519	1,807,338	3,412,705	3,260,078	1,102,248	11,866,076	27,322,247	17,680,188
Loans receivable	151,762	531,856	811,605	159,976	249,478	572,065	143,210,682	145,687,424	95,757,161
Total assets	10,937,422	3,942,063	2,778,682	3,708,174	3,629,728	1,747,178	155,381,862	182,125,109	121,825,849
Liabilities									
Payables	291,660	229,687	155,912	-	-	-	498,448	1,175,707	1,015,672
Refundable contributions	15,544,869	3,283,057	4,456,454	3,856,414	3,058,194	3,647,640	20,307,891	54,154,519	50,235,825
Total liabilities	15,836,529	3,512,744	4,612,366	3,856,414	3,058,194	3,647,640	20,806,339	55,330,226	51,251,497

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

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

Capital risk management

The Trust's objectives when managing capital are:

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

Capital adequacy is monitored by the Trust's management on a regular basis. The Trust's overall strategy remains unchanged for 2010/2011.

The capital structure of the Trust consist of non-refundable employers contributions (Note 2(c)), fair value and other reserves (Note 22), peril reserve (Note 23), loan loss reserve (Note 24) and accumulated surplus.

33 **FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument.

The National Housing Trust was established under legislation which was designed, inter alia, to expand the pool of low cost housing by providing loans at interest rates lower than market rates. These housing projects and/or loans would be funded by contributions from employees, at interest rates below market rates, and from contributions by employers which are non-refundable and non-interest bearing.

These conditions would not exist in a normal commercial environment. Consequently, the carrying values of certain of the Trust's financial instruments are not comparable with other commercial financial mortgage institutions and any such comparison would in fact be misleading. In these circumstances, the fair values presented in these financial statements have, therefore, been presented using various estimation techniques based on market conditions existing at reporting date as well as the special circumstances of the Trust.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. The following methods and assumptions have been used:

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

(ii) The fair values of fair-value through profit of loss and available-for-sale investment securities are measured by reference to quoted market prices where there is an active market. Some of the Trust's securities lack an active market, and in such cases, fair value has been determined using discounted cash flow analysis or other acceptable valuation techniques.

(iii) The carrying values of loans receivable (after deductions for the provision for impairment), bonus to employees not yet due and refundable contributions not yet due are assumed to approximate their fair values based on the particular circumstances of the Trust.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

33 **FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)**

Fair Values versus carrying amounts

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Assets carried at fair Value				
Available-for-sale securities[Note 10(b)]	17,856,959	17,856,959	15,181,116	15,181,116
Securities at FVTPL [Note 10(a)]	2,747,997	2,747,997	2,499,072	2,499,072
	20,604,956	20,604,956	17,680,189	17,680,189
Assets carried at amortized cost				
Cash and cash equivalent	2,496,822	2,496,822	5,247,531	5,247,531
Loans receivable	110,276,274	110,276,274	95,757,161	95,823,577
Securities purchased under resale agreements	5,199,188	5,199,188	2,632,167	2,632,167
Receivables (excluding prepayments)	512,322	726,983	471,500	670,529
	118,484,606	118,699,267	104,108,359	104,373,804
Liabilities carried at amortized cost				
Payables and accruals	1,757,911	1,392,507	1,252,608	1,175,707
Refundable Contribution	56,286,861	56,286,861	50,235,826	50,235,826
	58,044,772	57,679,368	51,488,434	51,411,533

Fair Value Hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method as at March 31, 2011. The different levels have been defined as follows:

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

	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
Available-for-sale securities [Note 10(b)]	1,818,554	16,038,405	-	17,856,959
Securities at FVTPL (Note 10(a))	-	2,747,997	-	2,747,997
	1,818,554	18,786,402	-	20,604,956

NOTES TO THE FINANCIAL STATEMENTS
Year ended March 31, 2011

34 OPERATING LEASE ARRANGEMENTS

The Trust as a lessee

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

At the statement of financial position date, the Trust contracted with its lessor for the following future minimum lease payments:

	2011 $'000	2010 $'000
Within one year	17,758	16,839

The Trust as a lessor

The Trust rents a portion of its properties under operating leases with lease terms of between two to five years, with an option to extend for a further two years. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the Trust from these properties amounts to $5.5 million (2010: $4.9 million).

Direct operating expenses arising on these properties in the period amounted to $14.9 million (2010: $12.3 million).

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

	2011 $'000	2010 $'000
Within one year	3,006	4,935
Within two to five years	15,349	25,195
Over 5 years	4,842	7,948
	23,197	38,078

35 OTHER DISCLOSURES – EMPLOYEES' COSTS

	2011 $'000	2010 $'000
Staff costs incurred during the year:		
Salaries and wages including statutory contributions	2,575,343	2,191,842
Other staff costs	299,145	501,666
	2,874,488	2,693,508

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

36 **LITIGATION AND CLAIMS**

(a) In July 2005, an arbitrator awarded a developer under the Trust's finance of housing construction programme the sum of $24.32 million – developer's profit and risk – in respect of a housing development project which the developer commenced in 1995. The arbitrator declined to award interest and the sum of $24.32 million was paid by the Trust. The developer then sought an order from the Supreme Court regarding the consideration of interest by the arbitrator.

In January 2007, the court ordered that the matter be remitted to the arbitrator for him to consider interest on the developer's profit and risk. A supplementary award was published by the arbitrator on May 11, 2007 and received by the Trust on May 22, 2007 whereby the sum of $214.50 million and costs were awarded to the developer. During 2008, the Trust recorded a provision of $36.92 million using the simple interest method [Note 19 (a)].

The attorneys representing the Trust were of the opinion that the award was open to challenge on the basis of error of law and the matter relating to the challenge was heard in court on April 10 and 14, 2008. In September 2009, the court ruled in favour of the Trust and set aside the Supplemental Arbitration Award and remitted the matter to the Arbitrator to reconsider the rate of simple interest. In November 2009, the NHT received notice from the developer's attorneys, indicating that they were appealing the ruling. The developer's application is to be placed on the court list commencing October 31, 2011.

(b) In March 2009, new arbitration proceedings were commenced in respect of re-measurement of works and final accounts. An award was made by the Arbitrators on October 7, 2009 in favour of the developer amounting to $144.66 million. The Trust has filed an appeal to challenge the award. A hearing was held on May 6, 2010 where the judge ordered that the enforcement of the Arbitration Award be stayed on condition that the NHT pays the amount of $144.66 million to an interest-bearing account by May 31 2010 which has subsequently been paid. A pre-trial review date was been set for March 7, 2011 and a trial date set for May 2, 2011. At the date of the approval of the financial statements, the trial date is scheduled to continue on June 27, 2011.

(c) In November 2007, a contractor on one of the Trust's major development projects made a claim of approximately $1.06 billion in respect of the following:

(i) Loss of profit and overheads (amounting to approximately $585 million), arising from a shortfall in the number of units the contractor was able to complete under the contract.

(ii) Variations and claims (amounting to approximately $478 million) for works already completed.

During the year 2009/10, the Trust decided the following:

(iii) Loss of profits and overheads

The Trust will enter into contracts with the contractor for the construction of housing units and/or infrastructure to afford the contractor the opportunity to earn profits estimated at approximately $250 million in full consideration of the above mentioned claim.

(iv) Variations and claims for work completed

An offer will be made to the Contractor of $143 million in full settlement of the claim. If the contractor refuses to accept the offer, the matter would be referred to Mediation. The Contractor subsequently indicated his willingness to accept the offer of $143 million, subject to agreement on the final accounts which will take account of the repayment of outstanding mobilization advance and interest.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

36 **LITIGATION AND CLAIMS (Cont'd)**

(c) (Cont'd)

During the year 2010/2011:

Further to the forgoing agreement, both parties agreed that the amount due is $120.67 million plus retention of $36.17 million. In June 2010, the amount of $120.67 million was paid to the Contractor upon execution of the necessary Release and Discharge.

Apart from the retention amount of $36.17 million, there are no other sums owing to the Contractor in respect of this claim.

Management, based on the facts and the opinion of their attorneys, has made certain provisions at year-end based on its best judgement of the likely liability resulting from the litigations and claims. However, the ultimate outcome of those matters cannot be determined at this time and should the Trust be unsuccessful in its challenge and in the mediation process, an adjustment (which may or may not be significant) may be required to the amounts provided in the financial statements.

37 **ADJUSTMENTS TO RECONCILE SURPLUS FOR THE YEAR TO CASH PROVIDED BY OPERATING ACTIVITIES**.

	2011 $'000	2010 $'000
Provisions for losses and subsidies on projects	126,647	83,207
Provisions on project written back	(482,501)	(1,024,277)
Provisions on loans receivable	296,046	166,730
Provision for bonus on employees' contribution	1,078,451	1,131,992
Provision for irrecoverable debt on receivables	(5,917)	1,958
Provision for litigation	(22,334)	144,661
Depreciation	113,391	131,249
Loss/(gain) on sale of property, plant and equipment	109	(15,280)
Adjustments to property, plant and equipment	(5,210)	41
Service charges amortised	(427,627)	(116,830)
Intangible assets amortised	8,494	27,873
Intangible assets written off	-	3,388
Loss on impairment of available-for–sale investments	31,480	153,677
Gain in revaluation of held for trading investment securities	(247,255)	(270,029)
Loss on available-for-sale investment securities	-	20,645
Gain on disposal of equity investment securities	(1,071)	-
Retirement benefit asset	(1,981)	(51,323)
Deferred tax adjustment	92,816	(50,917)
Interest Income	(6,531,095)	(8,058,809)
Foreign exchange adjustment	134,244	(11,512)
Share of losses of associates (including allowance for loan loss)	28,505	133,004*
Income tax expense	456,743	873,684
Provisions charged during the year	489,793	181,463
Adjustments to reconcile net surplus (deficit) to cash flow used in operating activities and changes in operating assets (liabilities)	(4,868,272)	(6,545,405)*

*Restated (Note 38)

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

38 **FINANCIAL EFFECTS OF RESTATEMENTS**

Below are the reconciliations of accumulated fund as at March 31, 2010 and of the Statement of Comprehensive Income for the year ended March 31, 2010, as a result of prior year adjustment.

a) Reconciliation of statement of financial position as at March 31, 2010

	Notes	Previously Reported $'000	Effects of Adjustments $'000	Restated $'000
ASSETS				
Cash and cash equivalents		5,247,531	-	5,247,531
Receivables and prepayments	(i)	663,846	-	663,846
Income tax recoverable		2,667,534	-	2,667,534
Securities purchased under resale agreements		2,632,167	-	2,632,167
Investment securities		17,680,188	-	17,680,188
Loans receivable		95,757,161	-	95,757,161
Inventories		5,693,088	-	5,693,088
Intangible assets		10,706	-	10,706
Investment in associates	(ii)	1,290,702	49,968	1,340,670
Retirement benefit		898,464	-	898,464
Property, plant and equipment	(i)	1,523,273	-	1,523,273
Total assets		134,064,660	49,968	134,114,628
LIABILITIES AND ACCUMULATED FUND				
LIABILITIES				
Payable and accruals		1,252,608	-	1,252,608
Provisions		385,919	-	385,919
Refundable contributions		50,235,825	-	50,235,825
Deferred tax liabilities		517,751	-	517,751
Retirement benefit		170,070	-	170,070
		52,562,173	-	52,562,173
ACCUMULATED FUND				
Non-refundable employers' contributions		56,605,529	-	56,605,529
Fair value and other reserves		1,092,111	-	1,092,111
Peril reserve		2,668,701	-	2,668,701
Loan loss reserve		2,138,924	-	2,138,924
Accumulated Surplus	(ii)	18,997,222	49,968	19,047,190*
		81,502,487	49,968	81,552,455
Total liabilities and accumulated fund		134,064,660	49,968	134,114,628

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

38 **FINANCIAL EFFECTS OF RESTATEMENTS (Cont'd)**

b) Reconciliation of net deficit for the year ended March 31, 2010

	Note	Previously Reported $ $'000	Effects of Adjustments $ $'000	Restated $ $'000
Interest revenue:				
- Loans receivable		4,979,893	-	4,979,893
- Investments		3,078,916	-	3,078,916
		8,058,809	-	8,058,809
Bonus on employees' contributions		(1,131,992)	-	(1,131,992)
Net Interest Revenue		6,926,817	-	6,926,817
Other gains on investment securities		270,029	-	270,029
Dividends from investment securities		34,818	-	34,818
Service charge on loans to beneficiaries		116,830	-	116,830
Gains on projects		29,167	-	29,167
Miscellaneous		699,107	-	699,107
		8,076,768	-	8,076,768
Operating expenses		4,214,928	-	4,214,928
Charge for provision on loans receivable		166,730	-	166,730
Losses on projects		243,003	-	243,003
Special subsidies and grants		163,710	-	163,710
Restructuring costs		27,084	-	27,084
Share of comprehensive losses of associates	(i)	182,972	(49,968)	133,004
		4,998,427	(49,968)	4,948,459
SURPLUS BEFORE TAXATION		3,078,341	49,968	3,128,309
Taxation		(822,767)	-	(822,767)
SURPLUS FOR THE YEAR		**2,255,574**	**49,968**	**2,305,542**
Other Comprehensive Income:				
Gains on available-for-sale financial asset		735,206	-	735,206
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,990,780**	**49,968**	**3,040,748**

Note

(i) Effect of recording a reduction in losses recognised due to differences in the associates' audited results, compared to amounts previously recognised, based on their unaudited financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2011

39 SUBSEQUENT EVENTS

On May 10, 2011, the Government announced its intention that the Trust, as a 35th anniversary gift to the nation, will establish a Foundation to fund projects beneficial to the wider community. At the date of the approval of the financial statements, no definite implementation date has been established. Among the activities to be supported by the Foundation, are improvements of living conditions for national luminaries, persons housed in state-run institutions: infirmaries, golden age homes and children homes. The Foundation will receive a start-up fund of $600M, equivalent to approximately 50% of refundable contributions unclaimed for over 10 years. The Trust will be inviting national corporations and private individuals to assist in funding the programme. The Trust will continue to honour its obligation to refund contributions, once they are due and applications are received by the Trust.

Administration

Directors and Executive Compensation

Position of Director	Fees ($)	Motor vehicle upkeep/travelling or value of assignment of motor vehicle ($)	Honoraria ($)	All other compensation including non - cash benefits as applicable ($)	Total ($)
Chairman	312,800	-	-	-	312,800
Director 1	75,000	22,440	-	-	97,440
Director 2	118,000	-	-	-	118,000
Director 3	168,500	-	-	-	168,500
Director 4	128,500	-	-	-	128,500
Director 5	166,500	-	-	-	166,500
Director 6	159,500	-	-	-	159,500
Director 7	68,000	18,000	-	-	86,000
Director 8	85,000	-	-	-	85,000
Director 9	34,000	-	-	-	34,000
Director 10	132,500	-	-	-	132,500
Director 11	165,000	-	-	-	165,000
Director 12	104,500	-	-	-	104,500
Director 13	61,500	-	-	-	61,500
Director 14	170,000	-	-	-	170,000
Director 15	107,500	-	-	-	107,500
TOTAL					**2,097,240**

Administration

Directors and Executive Compensation

POSITION OF SENIOR EXECUTIVE	SALARY	GRATUITY OR PERFORMANCE INCENTIVE $	TRAVELLING ALLOWANCE OR VALUE OF ASSIGNMENT OF MOTOR VEHICLE $	PENSION OR OTHER RETIREMENT BENEFITS $	OTHER ALLOWANCES $	NON-CASH BENEFITS $	TOTAL $
Managing Director	8,581,282	1,157,625	4,499,070				**14,237,977**
Senior General Manager-Construction & Development	6,480,504	908,482	2,883,201				**10,272,187**
Senior General Manager-Corporate Services	6,480,504	908,482	1,988,817				**9,377,803**
Senior General Manager-Finance	6,448,948	904,058	2,766,359				**10,119,365**
Senior General Manager-Customer Relations	6,448,948	904,058	2,856,627				**10,209,633**
General Manager-Company Secretariat	6,101,856	855,400	1,982,725				**8,939,981**
General Manager-Information Systems	5,486,604	769,150	2,072,993				**8,328,747**
General Manager-Human Resources Management	5,486,604	769,150	1,975,373				**8,231,127**
General Manager-Internal Audit	5,486,604	769,150	1,982725				**8,238,479**
Total							**87,955,299**

Administration

MANAGING DIRECTOR

- A. Cecile Watson

SENIOR GENERAL MANAGERS

- Martin Miller – Finance
- Donald Moore – Construction and Development
- Dr. Lanie-Marie Oakley Williams – Customer Relations Management
- Benedict Ranger – Corporate Services

GENERAL MANAGERS

- Judith Larmond-Henry – Company Secretariat & Legal Services
- Leighton Palmer – Information Systems
- Jeneita Townsend J.P. – Human Resources Management
- Lorna Walker – Internal Audit

ASSISTANT GENERAL MANAGERS

- Maurice Anderson – Inner City Housing Project
- Camille Chevannes – Legal Conveyancing & Mortgage Registry
- Maxine Hart – Project Management Office
- Gladstone Johnson – Contributions Processing
- Quinton Masters – Project Appraisal Management
- Neil Miller – Corporate & Business Strategy
- Helen Pitterson – Company Secretariat & Legal Services
- Hortense Rose – Corporate Communication
- Joyce Simms-Wilson – Branch Network
- Michael Taylor – Project Management
- Errol Thompson – Financial Reporting and Cost Management
- Suzanne Wynter Burke – Loan Management
- Elton Vassell – Receivables Banking & Investments

MANAGERS

- Herman Baker – Industrial Relations, HRM
- Everton Boothe – Loan Administration
- Judith Brown – Accounts Payable & Payroll
- Erica Burrell – Management Support
- Dave Campbell – Financial Reporting
- Keith Clarke – Project Appraisal & Management
- Tracey-Ann Creary – Project Management
- Shani Dacres-Lovindeer – Project Management
- Kareen Daley – Application Development
- Clive Davis – Project Management, ICHP
- Dwight Ebanks - Investments
- Delores Facey-Johnson – Contributions Refund
- Clivia Green – Compliance
- Harvey Hall – Business Analysis
- Ransford Hamilton – Property Management
- Cheryll Harris-Walder – Change Management, PMO

Administration

MANAGERS (cont'd)

- Dian Isaacs – Risk & Insurance Management
- Rohan Jones – Information Systems Security
- Lisa Myrie-Davis – Internal Audit
- Paul Oliver – Loan Accounting
- Donnetta Russell – Customer Care
- Philbert Solomon – Banking and Accounts Receivables
- Audley Stewart – Contributor Accounts
- Sandra Williams – Managing Director's Office
- Wendy-Jo Williams – Social Development
- Vencot Wright – Planning & Research

Legal Services

- Sharon Green Brown

Legal Conveyancing

- Alayne Bennett
- Sharon Blair
- Ruslyn Combie-Sykes
- Marisa Forbes Spencer
- Carol Higgins
- Jefferine Stubbs-Ruddock
- Mazielyn Walker

BRANCH NETWORK

Managers

- Allison Beaumont-Smith – Kingston & St. Andrew
- Lorna Bernard – Westmoreland
- Morcelle Brown – Customer Service
- Janet Hartley Millwood – St. Catherine
- Eric McLeish – Manchester
- Norris Rainford – St. James
- Paul Reid – St. Ann
- Ava-Ann Scott – New Loans
- Judith Thompson – Clarendon

Senior Customer Service Representatives

- Sancia Cornwall – St. Elizabeth
- Karen Forbes-Rodney – Portland
- Althea Green – Trelawny
- Ketrion Harris – St. Mary
- Alwyn Haynes – Hanover
- Cotchesta Watson – St. Thomas

Fantastic Service Everytime!

National Housing Trust

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