National Housing Trust

Caring for our Contributors

Annual Report and Financial Statements 2011-2012

JAMAICA 50
A NATION ON A MISSION

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, 2012

The Most Hon. Portia Simpson Miller, O.N., M.P.
Prime Minister
Jamaica House
Hope Road
Kingston 6

Dear Prime Minister,

In accordance with Section 3 First Schedule (no. 6) of the National Housing Trust Act 1979, I present the NHT report for the year ended March 31, 2012, and a copy of its Statement of Accounts at March 31, 2012, duly certified by the Auditors.

I am
Yours respectfully,

Easton Douglas, C.D., J.P.
Chairman

7 YEAR STATISTICAL SUMMARY

Year Ended March 31,	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Total Assets*	177,463,065	155,566,439	134,114,628	115,995,523	98,363,100	89,004,261	78,603,906
Inventories	9,902,862	8,380,924	5,693,088	4,914,369	3,909,465	3,870,059	3,651,406
Loans Receivable	129,364,036	110,276,274	95,757,161	85,131,068	70,629,633	58,728,730	49,656,370
Refundable Contributions	62,177,515	56,286,861	50,235,825	44,060,124	38,188,003	32,716,876	28,449,888
Accumulated Fund							
Non-Refundable Contributions	78,686,847	67,284,979	56,605,529	47,579,711	38,927,479	33,463,941	28,772,475
Surplus on Income & Expenditure Account*	21,939,916	20,471,988	19,047,190	16,736,746	15,491,948	16,215,498	16,232,794
Results From Operations							
Total Operating Income	9,687,369	8,439,982	9,208,760	8,627,500	6,615,566	6,193,353	6,651,401
Operating Expenditure	4,165,473	4,168,474	4,214,928	3,740,782	3,901,326	3,089,663	2,278,696
Net Surplus/(Defict)*	2,469,371	1,553,554	2,305,542	1,982,615	(300,015)	630,883	(1,902,376)
Financial Ratios	%	%	%	%	%	%	%
Average Interest on Loans**	4.7	4.4	5.5	5.5	4.8	5.8	6.5
Yield on Investments %	7.6	8.9	14.1	12.0	11.2	12.5	14.6
Efficiency Ratio %	75.9	79.6	62.1	70.7	135.0	89.0	(297.0)
Return on Capital	2.4	1.8	3.0	3.1	(0.5)	1.2	(3.9)
Return on Assets	1.5	1.1	1.8	1.8	(0.3)	0.7	(3.0)
Other Information	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Annual Housing Expenditure	24,216,512	21,209,341	16,915,796	20,242,636	16,941,643	13,171,808	7,710,150
Contributions Received	19,505,023	18,526,158	16,821,186	16,131,501	11,648,169	9,348,458	8,369,589
Contributions Refunded	3,253,025	2,874,123	2,751,659	2,624,178	2,250,457	1,682,606	2,145,282
Number of Mortgages Created Since Inception	152,774	145,518	138,353	131,804	124,934	116,527	108,233
Number of Individual Benefits Provided Since Inception	164,570	156,907	149,836	143,287	136,417	128,010	119,695

*Restated for 2011

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

BOARD OF DIRECTORS

Easton W.X. Douglas, C.D, JP, M.Sc, FRICS
Chairman

Mr. Easton Douglas has served his country with distinction for a combined period of 58 years in both the public and private sectors. His public service includes 26 years in the areas of Land and Valuation Surveying as well as serving in various capacities including: Principal Assistant Secretary in land use and development, Ministry of Mining and Natural Resources; Government Town Planner; Permanent Secretary in the Ministries of National Security, Defence and Construction; and Member/Secretary of the Jamaica Defence Board. He has also served as Chairman of the National Security Council, Town and Country Planning Authority, Sub-division Committee, National Insurance Fund, Committee for recommending provisions for the Real Estate Dealers and Developers Act; and Director of several other Statutory Boards and Government Companies.

He has been a Member of Parliament and Cabinet Minister in the Ministries of Health, Public Service and Environment and Environment Land and Housing. He has also served as Executive Director of the World Health Organization and Governor of the Human Ecology Council, London.

Mr. Douglas is the Principal of Easton Douglas and Company. He is a Chartered Surveyor, Land Economist and Real Estate Consultant. He is also Founder/Member of the Association of Land Economy and Valuation Surveyors.

Mr. Douglas was appointed Chairman of the Board of the National Housing Trust in April 2012.

A. Cecile Watson
Managing Director

Mrs. Watson assumed the role of Managing Director in May 2010. She is a senior business leader with over 20 years experience in leadership, strategy, change management, customer relations and operations. Her main industry experience has been in banking, engineering and consulting.

Mrs. Watson has worked extensively in Canada, Jamaica and Barbados. She joined CIBC in Canada in the early 1990's and relocated to Jamaica in 1995 to join the Bank's local operations. In 1997, Mrs. Watson was promoted to head up the regional operations group of the Bank. She was part of the Senior Executive Team that established the Bank's headquarters in Barbados.

Mrs. Watson also serves on the Boards of Harmonisation Limited, Harmony Cove Limited and Sagicor Pooled Investments Funds.

Minna Israel

Ms. Minna Israel was appointed to the NHT Board in April 2012. She was appointed Distinguished Business Fellow at the Mona School of Business and Management (MSBM), UWI, effective March 2012.

Ms. Israel is a highly trained financial services provider with significant experience in corporate, commercial, and retail banking, compliance, risk management and strategic planning achieved over 30 years in Jamaica, Canada and the Bahamas. A career banker with excellent negotiating, relationship management, business development and presentation skills.

Ms. Israel's performance and contribution to the wider society has made her the recipient of a number of local, regional and international awards; the latest being the UWI Honorary Doctor of Laws degree, in November, 2011.

Vincent Morrison, C.D

Mr. Morrison was appointed to the NHT Board in April 2012. He joined the staff of the NWU on April 14, 1969 and was elected President of the Union on September 30, 2006, having served as Vice President for over 25 years. Mr. Morrison currently sits as the President of the Three Oaks Gardens Citizen Association, the Chairman of St. Joseph High School Board and is also a Board member for the Mile Gully High School. In 1970, Mr. Morrison was awarded a Scholarship to study Labour Economics and Industrial Relations at the Canadian Labour College, Montreal University and pursued a similar programme at Oxford University.

In October 1998, Mr. Morrison was awarded the Commander of the Order of Distinction, (C.D.) Commander Class by the Government of Jamaica and lists among others as his most outstanding accomplishments, the setting up of the Jamaica Printing Services Limited.

BOARD OF DIRECTORS

Robert Buddan

Mr. Buddan was appointed to the NHT Board in April 2012. He is a Lecturer at the University of the West Indies in the Department of Government.

Mr. Buddan sits on the Boards of the Leadership Task Force and the Social Development Commission. He is a past member of the Jamaica Social Policy Evaluation Commission, the Public Policy Commission and the Prime Minister's Task Force. He was also a Newspaper columnist from 2002-2011.

He lends his expertise in governance, democracy and constitutional reform.

Kavan Gayle

Mr. Gayle was appointed to the NHT Board in April 2012. He joined the BITU in 1986 and was appointed to its executive in 2001. He was elected President of the union in 2007. Mr. Gayle is an Executive Member of the Global Trade Union, also known as the Union Network International, representing the Americas. He is a past board member of the 4H Clubs, SCH Holdings and Jamaica Productivity Centre.

Mr. Gayle pursued Labour Studies at the International Institution for Force Free Labour Development (Israel) & George Manley Labour College (USA). He also did extensive work developing young labour leaders locally, regionally and internationally.

He was awarded National Honours in 2010 and appointed to the senate in 2012. Mr. Gayle lends his expertise in Education & Training, Human Resource Management and Industrial Relations.

Sonia Hyman

Ms. Hyman was reappointed to the Board in April 2012, having served previously from 2005-2007. She is the Director of Planning and Development, in the office of the Prime Minister. She also sits on the Boards of the Urban Development Corporation, St. Ann Development Company, Montego Bay Freeport and Caymanas Development Company.

Ms. Hyman is a former Board Member of the Jamaica Cultural Development Commission and the Bureau of Standards. Ms. Hyman also serves on the Boards of Greenwich All Age, Kemps Hill High and Cooreville Gardens Early Childhood Institution.

Percival LaTouche

Mr. LaTouche was appointed to the NHT Board in April 2012. Mr. LaTouche is the CEO for K. Rose Consultant & Construction Company. He is the Founder, President and Chief Executive Officer of the Association for the Resettlement of Returning Residents. Mr. LaTouche is the former Chairman of Sunset Strip Association.

Mr. LaTouche is a British trained Motor Mechanic who owned and operated a Chevron Petrol Station while living in England. After twenty-nine (29) years, he returned to Jamaica and gained employment in the following capacities: Mechanical Engineer at the Kingston and St. Andrew Corporation and Transport Manager at the National Water Commission. He also worked at the Jamaica Omnibus Service on a special project for the refurbishing of buses.

He lends his expertise in Building Construction and Motor Mechanics.

BOARD OF DIRECTORS

Brenda Cuthbert

Mrs. Cuthbert was appointed to the NHT Board in April 2012. She is the CEO of the Jamaica Employers' Federation. She is also a Board Member of the Fisheries Management & Development Fund.

Mrs. Cuthbert has knowledge, training and expertise in Agri-Business, Agriculture, Management and Finance.

Deborah Martin

Ms. Martin was appointed to the Board in April 2012. She is an Attorney at law in private pratice. Ms. Martin is also an associate tutor at the Norman Manley Law School and Chairman of the Criminal Practice and Procedures Committee of the Jamaican Bar Association.

Ms. Martin was an executive member of the Bar Council of the Jamaican Bar Association. She worked at the Private Criminal Bar for 17 years and was also the Deputy Director of Public Prosecutions in the office of the Director of Public Prosecutions from 1990-1995.

Norman Horne

Mr. Horne was appointed to the NHT Board in April 2012. He is the Chairman of ARC Systems Limited and is also a Board member for Jamaica Promotions Corporations (JAMPRO) and the Jamaica Manufacturers' Association of Jamaica Limited (JMA).

Mr. Horne lends his experience in International Trade and Business Management.

O'Neil Grant

Mr. Grant was appointed to the Board in April 2012. He is the President of the Jamaica Civil Service Association and Board Member of First Heritage Cooporative Credit Union.

Mr. Grant lends his expertise in Industrial Relations and Accounting/Financial Analysis.

BOARD OF DIRECTORS

Lambert Brown

Senator Brown was appointed to the NHT Board in April 2012. He currently sits as the President of the University & Allied Workers Union and is also the Vice President of the Jamaica Conference of Trade Unions (JCTU). He is also a member of the Urban Development Corporation and the Jamaica Productivity Centre Advisory Boards.

Mr. Brown lends his expertise in Trade Unionism and Human Resource Management.

Helene Davis Whyte, CD

Mrs. Whyte was appointed to the Board in April 2012. She is the General Secretary for Jamaica Association of Local Government Officers (JALGO), Vice President for the Jamaica Confederation of Trade Unions (JCTU); a Trade Unionist and member of the Labour Advisory Council and the Jamaica Productivity Centre. She is also representative of Caribbean Public Sector Unions on the Health Services Task Force of Public Services International.

Mrs. Whyte lends her expertise in Negotiations, Training and Human Resource Management.

Rev. J. Oliver Daley, C.D.

Rev. Daley was appointed to the NHT Board in April 2012. He is a Pastor and the Moderator of the United Church in Jamaica & the Cayman Islands.

Dr. Davidson Daway

Dr. Davidson was appointed to the NHT Board in April 2012. He is a part-time Lecturer at the University of Technology and the Principal of Kids of Vision Preparatory School. Dr. Daway is a past Board member of the Archdiocese of Jamaica and the Community Counselling Group. He has also given his service in the Ministry of Education.

Dr. Daway has over twenty years experience as an economist and has expertise in Marketing & Research.

A. Cecile Watson
Managing Director

Donald Moore
Senior General Manager
Construction & Development

Judith Larmond-Henry
General Counsel &
Company Secretary

Benedict Ranger
Senior General Manager
Corporate Services

MANAGEMENT TEAM

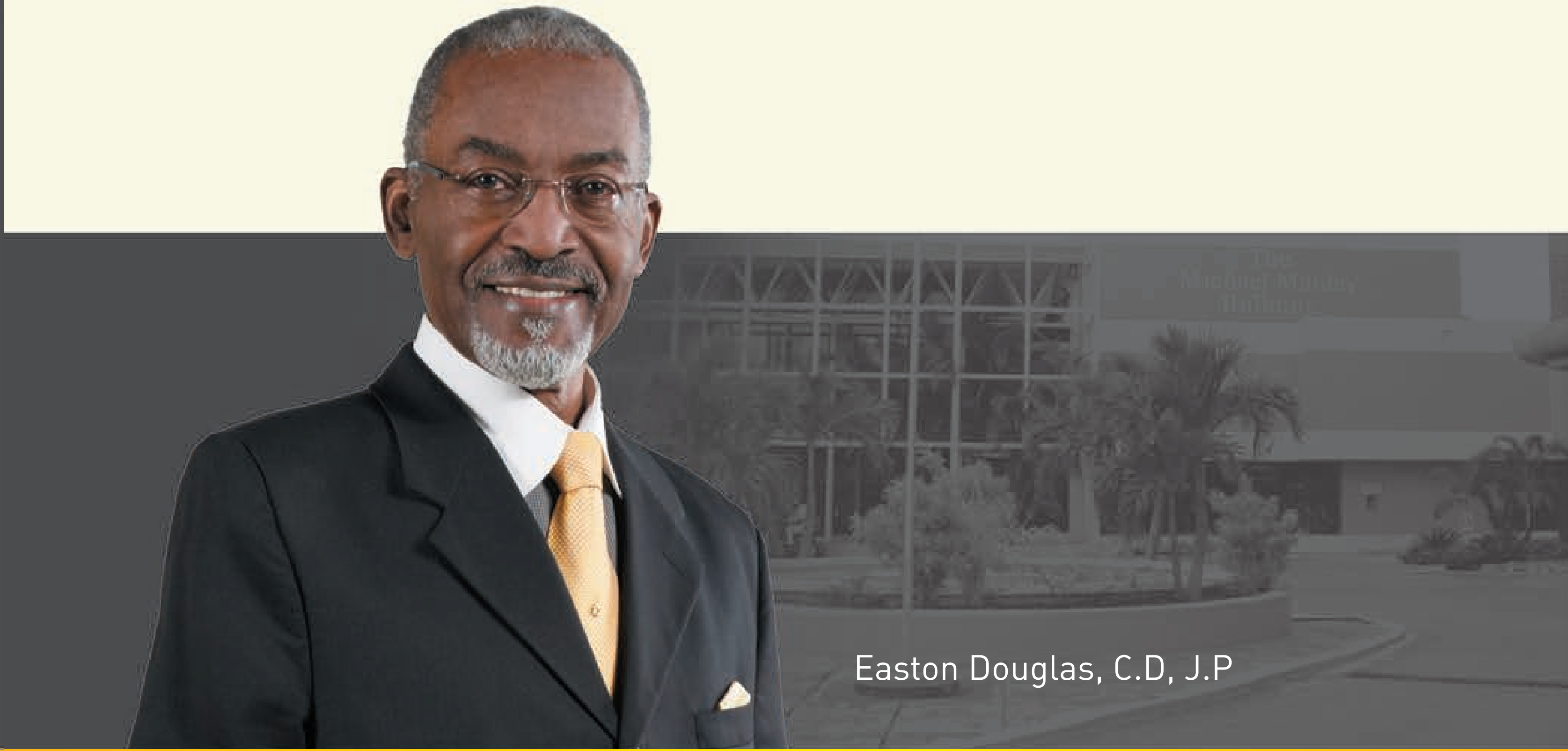
Jeneita Townsend
General Manager
Human Resource Management

Lanie-Marie Oakley Williams
Senior General Manager
Customer Relations Management

Martin Miller
Senior General Manager
Finance

Lorna Walker
Chief Internal Auditor

Leighton Palmer
Chief Information
Officer



CHAIRMAN'S MESSAGE

Fellow Jamaicans: It is with a sense of pride that I ask you, our valued contributors, to join me in celebrating the 50th anniversary of our nation. We at the NHT understand the efforts that you have made to ensure that this country and its monumental institutions remain strong and relevant. It is therefore fitting that we join you in celebrating our golden jubilee.

As chairman of the Board of Directors, installed in April 2012, we pledge to build on the foundation that previous Boards have laid. With a renewed sense of purpose, we commit to pursue our goal of being more relevant to you, as outlined in our 2015 Strategic Plan. The new Board of Directors takes this opportunity to express its thanks and appreciation to the previous Board and its chairman, Mr. Howard Mitchell, for the sterling job executed over their tenure. The NHT became financially stronger and more robust in the delivery of services through their commitment and shrewd governance.

Various accolades have been bestowed on the NHT for its service to the nation over the years. We were particularly humbled to again receive the Prime Minister's Trophy for the best customer service agency in the public sector in May 2011. We are now trending to repeat this feat for 2012. We pledge to continue to revise our customer service offerings to you, our valued contributors and to work smarter to reduce the growing demand gap for housing.

We are aware, despite our achievements and position as market leader in the residential construction sector, that not enough housing solutions are brought to the market each year, particularly at the lower end. This challenge will serve as our primary area of concentration over the next few years, and will only be successfully surmounted through greater partnerships with our various stakeholders in the housing market, both private and public. The NHT will continue to promote initiatives and policies which can help to house more of our contributors despite the low level of affordability, which is the reality for many of them. Certainly the various policies and products which have been introduced in recent years have helped to tackle this problem with some success, but we know that more has to be done. We will therefore continually renew our strategies in an effort to make a bigger impact.

I would like to thank the management and staff of the NHT for the invaluable contribution that they have made throughout the years to make this organization what it is today. We thank them for their dedication during the year which ensured that all critical targets were met or exceeded in spite of the persistent global and local challenges. We met the target for contribution collection and exceeded other key targets, including, loan creation, and mortgage collection while managing to contain operating expense.

We say thank you for helping to make the NHT as strong as it is, and look forward to your support in the years to come. May God bless you our contributors, partners and all stakeholders who continue to support our efforts to make housing available and affordable in Jamaica.

May God bless Jamaica, our beloved country.

Sincerely,

Easton Douglas
Chairman

A. Cecile Watson

MANAGING DIRECTOR'S REPORT

Fellow Contributors: Fifty years of independence is a special milestone for any nation. On behalf of the NHT family, I take this opportunity to extend best wishes to our nation in this, its jubilee year of independence. The National Housing Trust is proud to stand tall amongst the many post-independence landmarks established in Jamaica and we gladly join with the country at large in declaring "We are on a Mission".

The Trust concluded its 35th anniversary celebration in 2011, having hosted several commemorative events throughout the year. These included the flag raising ceremony, a staff appreciation function, essay and housing design competitions, which engaged the youth and our key stakeholders on ways to increase the affordability and accessibility of product offerings to you, our valued contributors. We thank you for celebrating with us, even as we position ourselves to be worthy of your continued support in the years ahead.

We would also like to take this opportunity to highlight the 10th anniversary of Emancipation Park (E Park), and invite you to celebrate the heritage and our heroes in whose honour the park was built. The NHT is very satisfied with the impact E Park has had on the lives of Jamaicans and visitors to Jamaica over the years. There are many stories that will attest to the significant value E Park has added to life in Kingston. We hear them every day from the many persons who have participated in weddings, concerts, and other events, as well as those who have used the park to meet their fitness goals of shedding many pounds and adopting healthier lifestyles. The NHT remains committed to ensure that the widely acclaimed standard of excellence of E Park is maintained for the benefit of the nation for years to come.

It was another year of good results for the National Housing Trust as the organization implemented creative strategies to ensure that it remained relevant to its contributors, while exercising prudent financial management. Even with the persistence of the continuing recession, the NHT recorded positive results in its key performance indicators.

EFFECTIVE STEWARDSHIP

It is you, our contributors to whom we must give account. That includes our pact to treat you with the utmost care and respect. This knowledge forms the foundation of all that we do, and manifests in the service excellence standard that we consistently strive to uphold. We are grateful for the appreciation that you have shown, by voting us the 'Best Public Sector Organization' for customer service in 2011. We have invested significantly in the training of our staff, the physical characteristics of our offices, the research and back office functions that support our products and our products themselves, all in an effort to put our best foot forward always.

We are also happy to report that for the year under review, the NHT received a 93% rating for customer satisfaction. This is quite significant from the standpoint that 93% was our 2015 target. Notwithstanding this achievement, we will continually reconfigure our customer service offering, with a view of getting closer to the aspirational rating of 100% customer satisfaction.

AFFORDABLE HOUSING SOLUTIONS

The NHT attacked the problem of low levels of affordability among its contributors on two fronts during the year under review. The product mix of units developed by the NHT was revised to make it more in line with the affordability level of our contributors. We reintroduced the studio unit to the mix and will offer this in future phases of Longville Park, as well as other earmarked projects. We are also delivering more serviced lots which tend to provide an affordable start for our contributors. Additionally, we started to reserve parts of our developments for the more vulnerable contributors for whom affordability is especially challenging.

On the mortgage side, we continued to subsidize the selling price of our units, as well as award Home Grants. We absorbed $646 million of project cost during the year, and the amount of mortgage subsidy awarded was $452 million, a 28% increase over the previous year. We also revised the Home Grant programme to have the grant awards convert into real home ownership more speedily.

The NHT will revisit special interest projects, such as the Inner City Housing Programme in the year to come. We reviewed our participation in these projects and reached out to our partners in an effort to create a more collaborative intervention in these communities. We are currently working alongside several other state agencies and NGOs as part of a Community Renewal Project to undertake a model for inner city renewal with the goal of improving the lives of our contributors who live there.

Various other initiatives, pursued throughout the year, were designed to improve our affordability and accessibility offer to our contributors and stakeholders. One important undertaking was the engagement of our stakeholders through a Round Table Discussion held in September 2011.

Round Table: The NHT invited stakeholders in the construction sector to participate in discussions about how we can help more Jamaicans realise their dream of home ownership. The event, dubbed "Affordable Housing, One Agenda," was well received and facilitated robust discussions on the relevant topics. The list of attendees included members of:

- Incorporated Masterbuilders Association of Jamaica
- National Environment and Planning Agency
- Jamaica Institute of Engineers
- Caribbean School of Architecture
- Faculty of the Built Environment (UTECH)
- Jamaica Institute of Architects
- Department of Local Government
- Scientific Research Council
- Gore Developments Limited
- Jamaica Developers Association
- The Gleaner/Press Association of Jamaica

The Trust has met with some of these groups since, and updates on the advancement of the "Agenda" will be circulated via a newsletter which will be published at regular intervals during the coming year.

The discussions succeeded in bringing together professionals from all spheres of the sector, and groups were able to report on initiatives that they had undertaken to reduce approval times, reduce the cost of construction, as well as the price at which units are delivered. The matters of non-conventional building systems, and the terms used in the

Participants at the Round Table discussion

housing sector were discussed. Additionally, the topics of housing design, regulatory framework, subdivision approvals, accessing capital and other matters were explored.

BUILDING COMMUNITIES

The NHT works with its beneficiaries, who reside in 132 NHT schemes, to implement projects which contribute to sustainable community development. For the year under review, projects in the areas of community governance, behaviour change, environment management, income generation, arrears management, and community beautification were undertaken.

A total of 218 community-based organisations were impacted by our social development efforts during the year. These included citizens associations, safety groups, culture clubs, choirs, environmental and youth clubs, and parish associations.

The annual NHT summer camp hosted 105 children from NHT communities in Kingston & St. Andrew, and St. Catherine. The Camp's aim was to broaden the awareness and engagement of children around the issue of climate change through the performing arts as well as the 3 Rs (Reduce, Re-use and Recycle) of environment management through the creative arts.

A total of 529 mortgagors and/or their co-applicants participated in strata training/ preoccupancy sessions. This is the NHT's way of preparing new homeowners for the joys and challenges of living in a strata development and is a precursor to the organization's other community development activities.

Angels Grove placed first in the NHT's Best Schemes Competition, which is held every two years. The Competition is a key strategic tool of the NHT to develop communities. It is intended to motivate communities towards implementing transformational projects and programmes which enable them to build civic pride and further reinforce a culture of "communities doing for themselves". The competition awards community efforts which contribute to community growth and development as a means of creating a more resilient Jamaica.

FINANCIAL MANAGEMENT

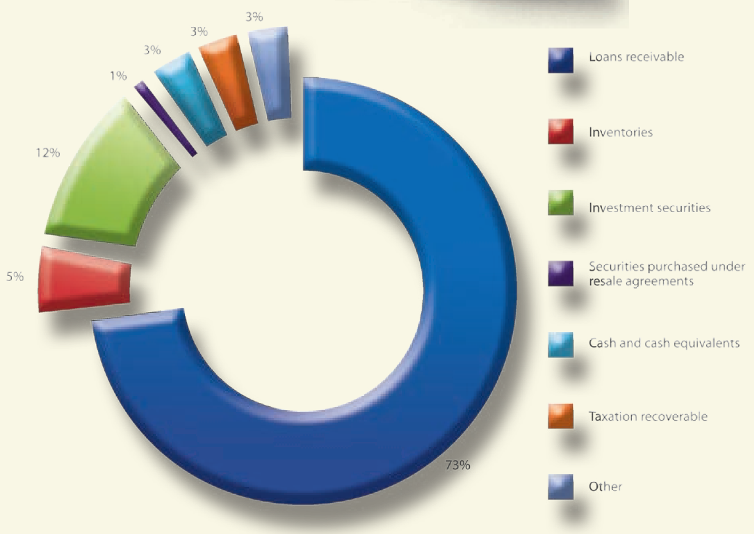
Total Assets

At the end of the financial year, the Trust's assets totalled $177.5 billion, a 14% increase over the previous year. Loans receivable, the major component of total assets, increased by 17% ($19.1 billion) and accounted for 73% of the total figure, up from 71% at March 31, 2011.

The other major shifts in asset composition were a 135% increase in cash and cash equivalents, bringing its balance to $5.9 billion, a 6% increase in investment securities up to $21.7 billion, and an 18% increase in inventories, bringing the balance to $9.9 billion. The converse obtained for securities purchased under resale agreements (repos), where the balance at year end was $1.1 billion, down 79% from $5.2 billion for the prior year.

The reduction in repo balance and the countervailing increase in cash were necessitated by increased liquidity demands owing to increased construction activities, an increase in the number and value of loans being written, and the advent of the Real Time Gross Settlements (RTGS), which has shortened the length of time between the writing and encashment of cheques. The increase in work-in-progress inventory is a consequence of the number of units under construction.

ASSET COMPOSITION



Income and Expenditure

The Trust recorded a surplus before tax amounting to $3.6 billion for this fiscal year up from $2.1 billion (approximately 69% increase). The organisation was successful in increasing revenues during the year, while reducing expenditure.

On the revenue side, interest on investments declined by 10% to a total of $2.1 billion for the year. This reduction was due in part to the general decline in GOJ interest rates, and the total value of investments held as a consequence of our greater thrust to increase construction output (see Housing Expenditure). On the other hand, interest received on mortgages increased by 25% (or $1.1 billion) to $5.6 billion. This increase was the result of a combination of net increase in the value of the mortgage portfolio of 17% and an increase in the weighted average mortgage interest rate from 4.4% in 2010/2011 to 4.7% this year. The increase in yield is partly representative of increased take up of mortgages at the higher interest rate tiers.

An additional $1.2 billion was earned in miscellaneous income, which comprises foreign exchange gains, insurance administrative fees, penalty income, and debt management fees. This amount was 33% greater than last year's total, chiefly because of movements in the U.S. Dollar exchange rate. Combined, total income for 2011/2012 was $9.7 billion or 15% more than the previous year.

Expenditure for the year totalled $6.1 billion, down 3% from last year. Operating expenses, which accounted for 68% of the total, was contained at last year's total of $4.2 billion. Interest paid on contributions was 3.5% less than the $1.1 billion paid out for the previous year. Special subsidies and grants to our contributors were increased by 10% to $581 million, and losses incurred from construction projects (primarily to provide subsidized solutions to improve access by contributors) were increased by $572 million. The improved management of mortgage collection resulted in a $359 million reduction in allowances for loan impairment.

OPERATIONAL REVIEW

Loans Created

The NHT funded 7,256 mortgages, (one of the highest annual total on record) under our main mortgage portfolio, at a total face value of approximately $21B. An additional 1,058 loans were funded under our Solar Water Heater and Solar Panel benefits, as well as, the Joint Finance and Mortgage programme (JFMP) with our participating partner institutions.

LOAN TYPE	NUMBER	FACE VALUE
MAIN MORTGAGE LOAN:		
BOL	599	1,974,117,206
CL	1,028	2,427,592,043
HI	172	250,941,493
HL	1,161	1,391,339,881
HLP	130	192,249,583
OM	3,670	12,923,089,223
SCH	491	1,648,152,415
SL	5	4,264,690
Sub-Total	7,256	20,811,746,534
OTHER LOANS:		
SPL	2	2,918,842
SWH	376	65,309,881
JFMP	680	2,600,000,000
SUB-TOTAL	1,058	2,668,228,723
TOTALS	**8,314**	**23,479,975,257**

Mortgage Collection

More stringent management of the loan portfolio resulted in the collection of $12.9 billion, 8% above the targeted amount. This amount represents an increase of $2.9 billion (or 13%) over last year.

Contributions Management

Contributions Refunds

It is through the contributions refund process that the NHT interfaces most with its contributors annually. Being the highest point of contact, it also is the process through which the highest number of complaints is reported annually. We started working on improving this process in 2009 and initiated Project Genesis in 2010 in furtherance of these efforts. Through Project Genesis, we met great success in eliminating the process deficiencies and delivering a seamless and improved service experience for our contributors. We are therefore pleased to share that the Trust has been able to significantly reduce the amount of resources assigned to the process, and to make the application process easier and convenient. Contributors can now easily apply for their refunds from anywhere they have access to a computer at home or at work. We also continued to facilitate persons without internet access at our offices island wide. The outcome of the process improvement efforts was evidenced by the low number of complaints received for the year under review and the frequent commendations from our contributors who expressed their satisfaction with the ease of application and the quick payment of their refunds.

We experienced an increase in the number of contributors refunded and the amount paid out. In 2011/2012, a total of 147,653 refund applications were successfully processed at a value of $3.3 billion, up from 137,695 and $2.9 billion, respectively, in the previous year.

Contribution Collections

Contributions collected in 2011/2012 totalled $19.5 billion or $979 million (5.3%) over the total for 2010/2011. Realignment of the compliance unit to facilitate focus on the collection of contributions and annual returns, along with one-off payments based on employee redundancies, served to drive an increase in collections from employers by 6.8% to $11.4 billion. Collection from employees also increased, moving by 3.3% to $8.1 billion.

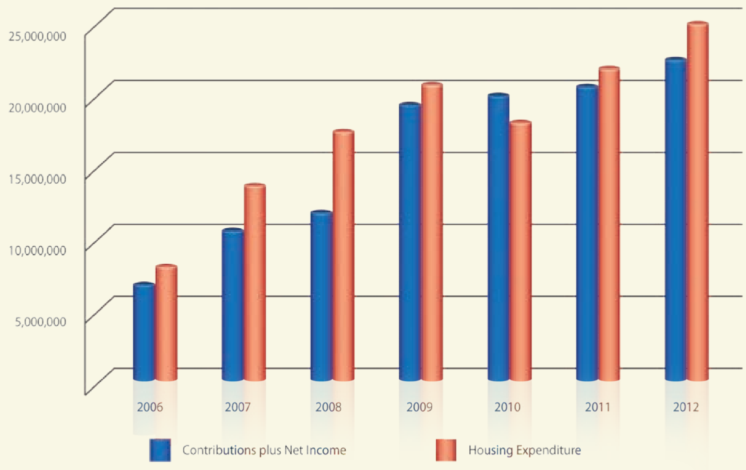
Market Influence

Housing Expenditure

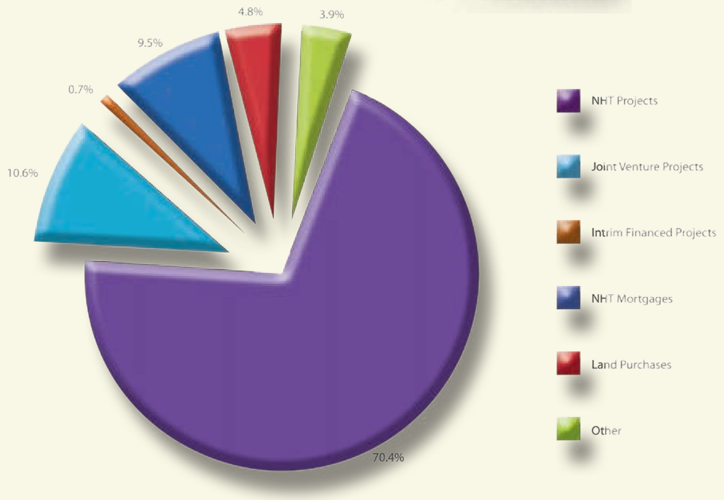
The assertion that the NHT collects a large inflow of funds annually from its contributors must be balanced by the understanding that over the last six years, the Trust has consistently spent more in Annual Housing expenditure than it collects as contribution inflows. Furthermore, the NHT on average, has spent 17% more than its net collections annually (contributions collected less contributions refunded), for the past seven years, on housing. The net effect is that NHT is partially funding its housing expenditure from investment funds and mortgage repayments.

For the year under review, the organization spent $24.2 billion on housing which was 49% above net collections of $16.3 billion.

HOUSING EXPENDITURE VS NET INFLOWS



HOUSING EXPENDITURE 2011/2012



The lion's share of housing expenditure was taken up by mortgages again this year. NHT mortgages and those under the Joint Finance Mortgage Program (JFMP) accounted for 81% (vs. 71% prior year) of the total spend, while construction activities accounted for 18% (vs. 28% prior year). This proportional shift between mortgages and construction activities was as a consequence of the new mortgages created for scheme completions for the Unions Estate joint venture project and the Sugar Workers Housing programme.

Housing Completions

Rising construction costs, scarcity of suitable housing lands, rigid procurement policies, and construction standards imposed by the relevant government agencies are among the major issues, which have been impeding NHT's ability to deliver affordable housing solutions and to do so without protracted delays. The delivery of scheme solutions at Creighton Hall, Perth I and Longville Phase III, which were slated for completion during 2011/2012, were delayed to 2012/2013.

Despite these challenges, the Trust completed 2,498 solutions or 7% above the number planned. Beneficiary construction (Build-on-Own Land, Construction Loan, and Home Improvement) amounted to 1,326 or 53% of the total. NHT projects (624 solutions) and Interim Finance Schemes (548 units) accounted for the remaining 47%.

Completed NHT Projects included:

- 357 units at Unions Estate, St. Catherine
- 67 units at Bushy Park, St. Catherine
- 38 serviced lots at Hampden, Trelawny
- 115 serviced lots at Meylersfield, Westmoreland

Market Share

The Trust remained the lead performer among the dominant players in the residential construction and housing finance sectors. Over the 5-year calendar period ending 2011, the NHT provided, on average, 56% of housing completions in Jamaica and accounted for approximately 51% ($70.9B) of the value of loans created in the sector for that period[1]. For calendar year 2011, the credit unions and insurance companies reported a significant increase in mortgages disbursed. The 2011 data for Building Societies was incomplete, but it is worthy of note that NHT increased its mortgage portfolio by 7% and 5% in number and value respectively.

MORTGAGES BY MAJOR AGENCIES 2006-2011

AGENCY	NUMBER OF MORTGAGES					
	2006	2007	2008	2009	2010	2011
Specialised Mortgage Agencies:						
National Housing Trust	5,632	7,027	5,546	5,918	6,806	7,425
National Housing Development Corporation	72	42	48	0	0	0
Building Societies	4,797	5,138	4,704	2,037	1,479	N/A*
Non – Specialised						
Credit Unions & Insurance Companies	55	82	167	0	7	5,747
Total	10,556	12,469	10,465	7,955	8,292	N/A*
	VALUE OF MORTGAGES ($MILLION)					
Specialised Mortgage Agencies:						
National Housing Trust	10,967.0	11,864.7	10,417.3	12,275.4	15,714.6	20,671.8
National Housing Development Corporation	20	10.4	13	0	0	0
Building Societies	11,858	19,329	22,353	10,849	8,910	N/A*
Non – Specialised Agencies:						
Credit Unions & Insurance Companies	295	391	299	0	49	2,113
Total	23,140	31,595	33,083	23,125	24,674	N/A*

Source: The Planning Institute of Jamaica

(*): the mortgages by number and value for 2011, excluding BNS and VMBS were 918 and $5,171 Million respectively

[1]*Source: The Planning Institute of Jamaica - Economic and Social Survey of Jamaica (ESSJ) 2007-2011*

The NHT will continue to leverage its position to prevent the cost of homeownership from spiralling out of the reach of our contributors.

THE YEAR AHEAD

We are aiming to accomplish several improvements to our business in the upcoming financial year. Chief among these are to increase our contribution compliance and to deliver to the market housing solutions that are more accessible to our lower income contributors. We will also be making a renewed thrust with our customer satisfaction efforts as we seek to win the hearts and confidence of our contributors and to cause them to again vote the NHT as the best customer service entity in the Public Sector.

We will be keeping our Vision 2015 forefront in all our plans and actions. In the upcoming year, we intend to complete construction of 3,314 housing solutions. Work is already in progress on some of these solutions and they include:

PROJECT	NO. OF SOLUTIONS
Longville Phase III, Clarendon	654 units, 264 serviced lots
Perth, Manchester	258 serviced lots
Majesty Gardens, St. Andrew	48 units
Creighton Hall, St. Thomas	139 serviced lots

Without apology, the NHT gladly boasts of being one of, if not the best and most successful of the nation's post-independence creations in the last 50 years. We were conceptualised for a need that still exists and which is still dogging Jamaica ...to provide affordable homes to our contributors and especially the lower income earners. Each year as we deliver more solutions, we are doing our part to make life better for more Jamaicans. Yet we want to do more with less. We want to increase our impact and increasingly yield greater value for our constituents.

We look forward to 2012/2013 with enthusiasm, thoughtfulness and sobriety. As we do so, we are praying that our many plans and accomplishments will redound to having more of our contributors realize their goals of affordable home ownership in Jamaica. Creativity, commitment, care and passion will be the fuel that will take us successfully through the year ahead. We are thankful that we have indeed been blessed by God's guidance and oversight as our staff and our contributors continue to keep this noble institution undergirded by their prayers.

May God bless you , our contributors and Jamaica Land We Love.

A. Cecile Watson
Managing Director

NHT in the Community

The Year in Photos

The Most Hon. Portia Simpson Miller, Prime Minister, addresses the audience at the handing over ceremony for the Caribbean Palms Community Centre.

A view of the newly built Caribbean Palms Community Centre.

Mrs. Suzanne Wynter-Burke, NHT's Assistant General Manager, Loan Management, gathers personal data from a home owner, during the Trench Town Title Handover.

A few of the new Trench Town title holders are joined in celebration by their Member of Parliament Dr. the Hon. Omar Davies, Minister of Transport, Works and Housing (centre); NHT's Managing Director, Mrs. A. Cecile Watson (5th right); and Dr. Lanie Oakley-Williams, Senior General Manager, Customer Relations Management (1st right).

Members of the audience at the NHT/Jamaica Association of Young Professionals (JAYP) forum.

Howard Mitchell, former NHT chairman (centre), shares a light moment with Junior Rose, former President of the Jamaica Association of Young Professionals (JAYP) and former Minister of Education, Maxine Henry-Wilson.

Managing Director, A. Cecile Watson, presents the NHT Journalism Award for Excellence in Reporting on Sustainable Development and Affordable Housing to Press Association of Jamaica president, Jenni Campbell (right).

The Denham Town Drummers perform during the Best Schemes Competition Awards Ceremony.

NHT Awards

1st place winners of the Best Schemes competition, Angels Grove Housing Scheme, joined by NHT representatives including - A. Cecile Watson, Managing Director (front row: 4th left); former Board members Wayne Jones, (1st right); Ray Howell, (2nd right); Kay Bennett-Sherman, (front row: 3rd right); Peter Jervis, (back row: 1st right); Janet Hartley-Millwood, St. Catherine Branch Manager (front row: 3rd left); Wendy-Jo Williams (1st left), Social Development Manager; and Cherton DaCosta, (2nd left, back row) Social Development Officer.

Judges and awardees of the NHT's Essay Writing Competition- In the front row (l-r): Shani Mortley, Melissa Clue, Zaneta Scott, Davia Smith and Lisa-Lee Barnet and Roymone Watson. In the back row (l-r): Judges Lena Buckle-Scott and Rohan Lewis.

Display at the awards ceremony of the Model House Design Competition

35th Anniversary Celebrations

The NHT Chorale in performance at the 35th Anniversary Church Service in Santa Cruz, St. Elizabeth.

Managing Director A. Cecile Watson and Senior General Manager, Corporate Services Division, Benedict Ranger in attendance at the NHT's 35th Anniversary Church Service in Santa Cruz, St. Elizabeth

Awards Received

Members of the NHT's Project Management Office, display awards received at the PMI Award Ceremony. Donald Moore, Senior General Manager, Construction and Development (right) shares the moment.

Member of staff, Ryan Campbell, showcasing trophies for: the Best Dressed Chicken 30 Over Knock-out Cricket Competition; and the Business House Cricket Competition Reggae Jammin Foods 50 Over League.

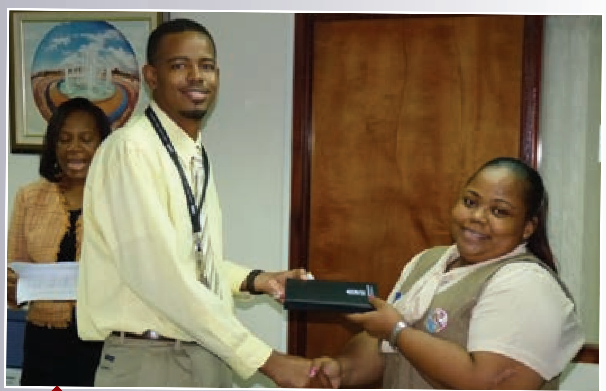
Former Prime Minister, The Hon. Bruce Golding presents Managing Director, A. Cecile Watson with the trophy for best Public Sector Customer Service Agency.

Staff Activities

The NHT Sports and Wellness club initiated its 'Meals on Wheels' feeding programme, which was a marked success.

Members of staff participating in the Sexual Health Forum.

Quick in answering the call for blood donation, NHT staff members turned out in numbers to help save lives.



Member of staff, Kevin Brown, is awarded at the Honours Readers Award ceremony, for being an avid user of the NHT Information Resource Centre.

Staff members participating in the Annual Book Fair to purchase their back-to-school supplies.

Staff Activities

NHT Netballers in action at the Business House Netball Competition.

Members of staff competing in the NHT Wellness (fitness and dance) competition.

Staff members shopping for fresh produce at the NHT Farmers' Market.

A creative piece by staff on 'Crazy Glasses Day', an internal initiative, to launch the Public Sector Customer Service Competition.

Fitness session in progress at the Emancipation Park

It's a walk in the park for these three – staff members enjoying an evening walk in the Emancipation Park.

1. Statement of Comprehensive Income
Year ended March 31, 2012

	2012 $'000	2011 $'000
Interest revenue:		
- Loans	5,628,443	4,495,208
- Investments	2,123,761	2,349,825
	7,752,204	6,845,033
Bonus on employees' contributions	(1,040,524)	(1,078,451)
Net interest revenue	6,711,680	5,766,582
Other gains on securities carried at fair value through profit or loss	180,562	247,255
Dividends from investment securities	22,804	37,605
Service charge on loans to beneficiaries	558,062	427,627
Gains on disposal of investments	8	1,071
Miscellaneous	1,173,729	881,391
	8,646,845	7,361,531
Operating expenses	4,165,473	4,168,474
(Decrease)/Increase in allowance for impairment on loans receivable	(358,867)	296,046
Losses on projects	645,599	73,196
Special subsidies and grants	581,081	528,842
Restructuring costs	4,142	11,544
Share of comprehensive losses of associates (including allowance for loan loss)	46,638	180,316
	5,084,066	5,258,418
SURPLUS BEFORE TAXATION	3,562,779	2,103,113
Taxation	(1,093,408)	(549,559)
SURPLUS FOR THE YEAR	2,469,371	1,553,554
Other Comprehensive Income:		
Gains on available-for-sale financial assets	442,934	1,198,913
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,912,305	2,752,467

DIRECTORS' REPORT

2. The Current Board of Directors
(Note1 below)

a. Mr. Easton Douglas, C.D., J.P., Chairman
b. Mrs. A. Cecile Watson (Managing Director)
c. Mr. Lambert Brown
d. Mr. Robert Buddan
e. Mrs. Brenda Cuthbert
f. Rev. J. Oliver Daley, C.D.
g. Mrs. Helene Davis Whyte, C.D.
h. Dr. Davidson Daway
i. Mr. Kavan Gayle
j. Mr. O'Neil Grant
k. Mr. Norman Horne
l. Mrs. Sonia Hyman
m. Ms. Minna Israel
n. Mr. Percival LaTouche
o. Ms. Deborah Martin
p. Mr. Vincent Morrison, C.D.

The Past Board of Directors
(Note2 below)

a. Mr. Howard Mitchell (Chairman)
b. Mrs. A. Cecile Watson (Managing Director)
c. Mrs. Kay Bennett-Sherman
d. Mr. Philip Bernard
e. Mr. Rodger Braham
f. Ms. Joy Douglas
g. Mr. George Fyffe, O.D., J.P.
h. Mr. Lloyd Goodleigh
i. Mr. Adrian Grant
j. Mr. Ray Howell
k. Mr. Peter Jervis
l. Mr. Wayne Jones, O.D.
m. Dr. Parris Lyew-Ayee, Jnr.
n Mr. Jeremy Palmer
o. Mrs. Audrey Richards
p. Ms. Angela Robertson
q. Mr. Desmond Young

3. The Auditors

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

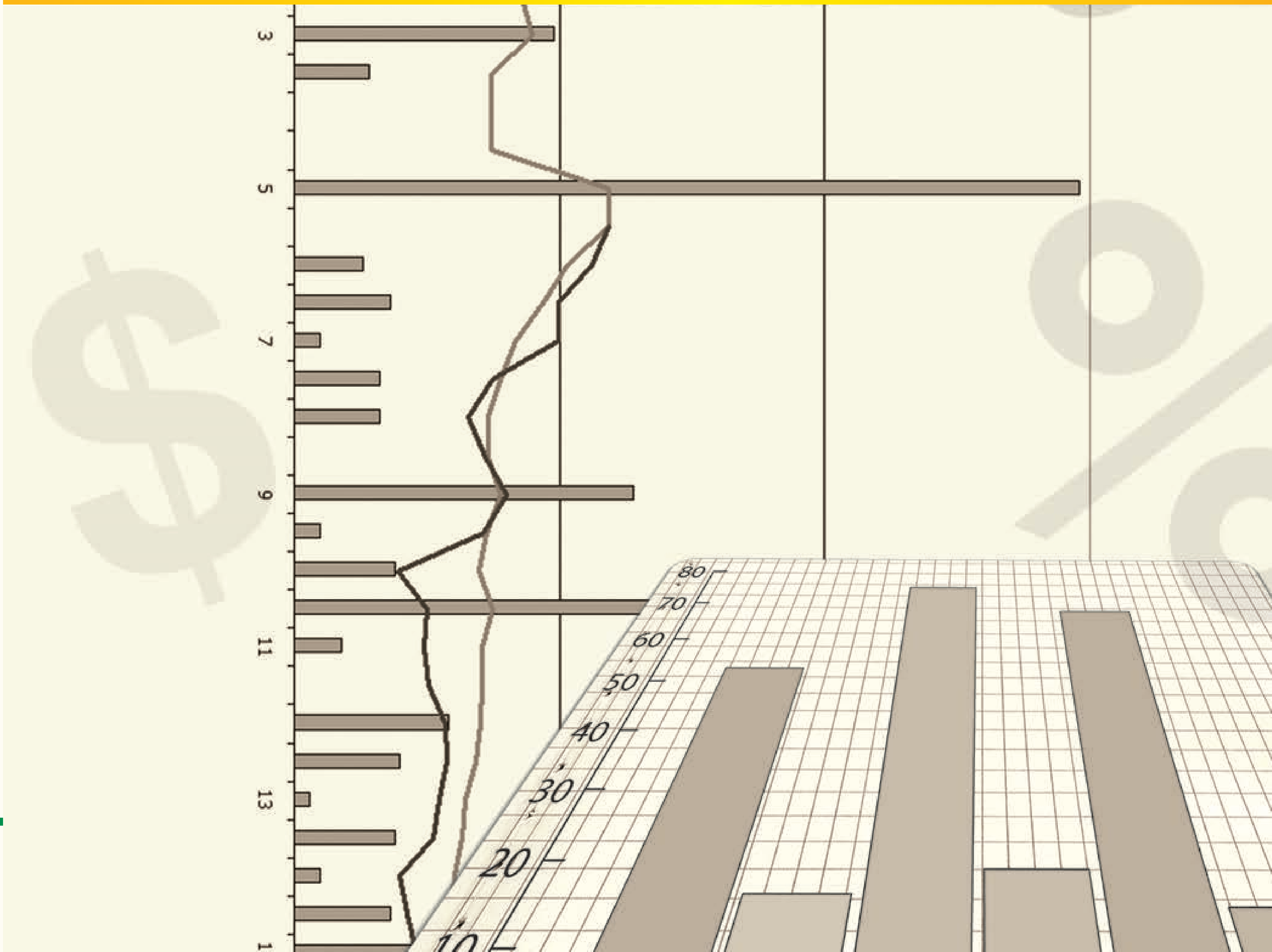
4. The Employees

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

Notes

1. Current Board of Directors presided over the approval of the 2011/2012 Financial Statements.
2. Past Board of Directors presided over the affairs of the Trust for the reporting period.

AUDITED FINANCIAL STATEMENTS



AUDITED FINANCIAL STATEMENTS
31 MARCH 2012

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
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Fax +1 (876) 922-7198
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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 33 to 110 which comprise the statement of financial position as at March 31, 2012, 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 the relevant requirements of the National Housing Trust Act (Act), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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e-Mail firmmail@kpmg.com.jm

Report on the Financial Statements, continued

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

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 account. 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, the Surplus and Total Comprehensive Income for the year would increase by $11,401,868,000 (2011: $10,679,450,000). Should these contributions have been recognised in income and transferred annually from Accumulated Surplus to the Non-refundable Employers' Contributions reserve account in accordance with the policy of the Trust, the balances on both these accounts as at March 31, 2012 would remain as stated in the statement of financial position.

Opinion

In our opinion, except for the effects of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of the Trust as at March 31, 2012 and of its financial performance, changes in accumulated fund and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Act.

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

July 02, 2012

STATEMENT OF FINANCIAL POSITION
31 MARCH 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
Cash and cash equivalents	6	5,853,929	2,496,822
Receivables and prepayments	7	790,265	634,816
Non-current assets held for sale	8	70,904	70,904
Securities purchased under resale agreements	9	1,097,979	5,199,188
Investment securities	10	21,744,980	20,604,956
Taxation recoverable	28(a)	4,678,670	4,095,959
Loans receivable	11,12	129,364,036	110,276,274
Inventories	13	9,902,862	8,380,924
Intangible assets	14	30,543	2,212
Investments in associates	15	1,217,102	1,263,740
Retirement benefit asset	16	1,245,589	1,068,968
Property, plant and equipment	17	1,466,206	1,471,676
Total assets		177,463,065	155,566,439
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Payables and accruals	18	1,890,714	1,757,911
Provisions	19	908,107	460,467
Refundable contributions	20	62,177,515	56,286,861
Deferred tax liabilities	21	724,999	609,556
Retirement benefit obligation	16	215,947	197,998
Taxation payable	28(b)	2,245,216	1,268,263
		68,162,498	60,581,056
ACCUMULATED FUND			
Non-refundable employers' contributions	2(c)	78,686,847	67,284,979
Fair value and other reserves	22	2,735,980	2,292,035
Peril reserve	23	2,607,465	2,563,527
Loan loss reserve	24	3,330,359	2,372,854
Accumulated surplus		21,939,916	20,471,988
		109,300,567	94,985,383
Total liabilities and accumulated fund		177,463,065	155,566,439

The financial statements on pages 33 to 110 were approved on July 02, 2012 by the Board of Directors and signed on its behalf by:

.... ……………………………………..

Easton Douglas – Chairman A. Cecile Watson – Managing Director

The notes on pages 37 to 110 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME
31 MARCH 2012

	Notes	2012 $'000	2011 $'000
Interest revenue:			
- Loans	29	5,628,443	4,495,208
- Investments	29	2,123,761	2,349,825
		7,752,204	6,845,033
Bonus on employees' contributions	29	(1,040,524)	(1,078,451)
Net interest revenue		6,711,680	5,766,582
Other gains on securities carried at fair value through profit or loss		180,562	247,255
Dividends from investment securities	29	22,804	37,605
Service charge on loans to beneficiaries	11(n)	558,062	427,627
Gains on disposal of investments		8	1,071
Miscellaneous	25	1,173,729	881,391
		8,646,845	7,361,531
Operating expenses		4,165,473	4,168,474
(Decrease)/Increase in allowance for impairment on Loans receivable	11(m)	(358,867)	296,046
Losses on projects		645,599	73,196
Special subsidies and grants	26	581,081	528,842
Restructuring costs	27	4,142	11,544
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SURPLUS BEFORE TAXATION		3,562,779	2,103,113
Taxation	28(c)	(1,093,408)	(549,559)
SURPLUS FOR THE YEAR	29	2,469,371	1,553,554
Other Comprehensive Income:			
Gains on available-for-sale financial assets	22	442,934	1,198,913
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,912,305	2,752,467

The notes on pages 37 to 110 form an integral part of the financial statements.

STATEMENT OF CHANGES IN ACCUMULATED FUND 31 MARCH 2012

NATIONAL HOUSING TRUST

STATEMENT OF CHANGES IN ACCUMULATED FUND

YEAR ENDED MARCH 31, 2012

	Notes	Non-Refundable Employers' Contributions $'000	Fair Value Reserve $'000	Other Reserves $'000	Peril Reserve $'000	Loan loss Reserve $'000	Accumulated Surplus $'000	Total Equity $'000
Balances at March 31, 2010		56,605,529	183,541	908,570	2,668,701	2,138,924	19,047,190	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	909,581	2,563,527	2,372,854	20,471,988	94,985,383
Total comprehensive income for the year:								
Surplus for the year		-	-	-	-	-	2,469,371	2,469,371
Other comprehensive income for the year:								
Gains on available-for-sale financial assets		-	442,934	-	-	-		442,934
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	-	-	-	43,938	957,505	(1,001,443)	-
Non-refundable contributions for the year (net)		11,401,868	-	-	-	-	-	11,401,868
Balances at March 31, 2012		78,686,847	1,825,388	910,592	2,607,465	3,330,359	21,939,916	109,300,567

The notes on Pages 7 to 79 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
31 MARCH 2012

	Notes	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		2,469,371	1,553,554
Adjustments	37	(5,887,693)	(4,868,272)
		(3,418,322)	(3,314,718)
Increase/(decrease) in operating assets			
Receivables and prepayments		(161,123)	(147,015)
Retirement benefit asset		(141,662)	(140,595)
Increase (Decrease) in operating liabilities:			
Payables and accruals		132,803	505,303
Provisions utilized		(6,954)	(248,251)
Cash used in operations		(3,595,258)	(3,345,276)
Interest received		7,493,460	6,599,670
Tax paid		(582,712)	(616,905)
Cash provided by operating activities		3,315,490	2,637,489
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of securities purchased under resale agreements		(4,997,166)	(12,310,295)
Proceeds on encashment of securities purchased under resale agreements		9,066,589	9,725,707
Acquisition of investment securities		(5,787,475)	(17,258,617)
Proceeds on encashment of investment securities		5,340,587	15,603,372
Loans receivable, less recoveries		(18,034,767)	(14,420,553)
Increase in inventories (net)		(1,686,557)	(2,331,982)
Intangible assets		(34,387)	-
Investment in, and advances to associated company		-	48,425
Acquisition of property, plant and equipment		(73,303)	(90,294)
Cash used in investing activities		(16,206,479)	(21,034,237)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employers		11,401,868	10,679,450
Contributions from employees		8,103,155	7,846,708
Refund of employees' contributions		(3,253,025)	(2,874,123)
Cash provided by financing activities		16,251,998	15,652,035
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,361,009	(2,744,713)
OPENING CASH AND CASH EQUIVALENTS		2,496,822	5,247,531
Effect of foreign exchange rate changes		(3,902)	(5,996)
CLOSING CASH AND CASH EQUIVALENTS	6	5,853,929	2,496,822

The notes on pages 37 to 110 form an integral part of the financial statements.

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

New, revised and amended standards and interpretations that became effective during the year

Certain new, revised and amended standards and interpretations came into effect during the financial year. They did not have any significant effect on the financial statements, and, based on the Trust's current operations, none of them is expected to have any significant effect on the amounts and disclosures in the financial statements, except that the amendment to IFRS 7, *Financial Instruments: Disclosures*, led to some changes in the qualitative and quantitative disclosures relating to credit risk. The changes are reflected in note 32 to these financial statements, viz:

- (i) Disclosure of the amount of the Trust's maximum exposure to credit risk without considering any collateral held' is now made only if the carrying amount of the financial asset does not already reflect such exposure.

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

New, revised and amended standards and interpretations that became effective during the year (Cont'd)

(ii) The disclosure of the nature and carrying amount of collateral obtained by the Trust as a result of a debtor's default (a foreclosure), including policies for using the financial and non-financial assets that cannot be converted into cash immediately, is now required to be made only for collateral obtained and still held at the end of the reporting period.

(iii) Where the terms of a financial asset that was not past due and not past due and not impaired were negotiated, the carrying amount was disclosed; this is no longer required.

(iv) The disclosure of the description of collateral held as security and other credit enhancements in respect of financial assets that are past due or impaired, including an estimate of their fair value, is no longer required.

New, revised and amended standards and interpretations that are not yet effective

At the date of approval of the financial statements, certain new, revised and amended standards and interpretations were in issue but are not yet effective and had not been early-adopted. The Trust has assessed them with respect to its operations and has concluded that the following may be relevant:

- IFRS 7*, Financial Instruments: Disclosures,* has been amended by the issue of "Amendment to IFRS 7*, Disclosure – Transfer of Financial Assets",* which is effective for annual reporting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to elevate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.

- IAS 1*, Presentation of Financial Statements* has been amended by the issue of a document entitled *Presentation of Items of other Comprehensive Income*, effective for annual reporting periods beginning on or after July 1, 2012. , to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

- IAS 12*, Income Taxes*, has been amended, effective for annual reporting periods beginning on or after January 1, 2012, to require an entity to measure deferred taxes relating to an asset based on whether the entity expect to recover the carrying amount of the asset through use or sale

- IFRS 10*, Consolidated Financial Statements*, which is effective for annual reporting periods beginning on or after January 1, 2013, introduces a new approach to determining which investees should be consolidated. It was issued as part of a suite of consolidation and related standards, also replacing existing requirements for joint ventures (now Joint Arrangements) and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements,* and SIC-12, *Consolidation – Special Purpose Entities,* and provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. An investor controls an investee when (i) it is exposed, or has rights, to variable returns from its involvement with the investee, (ii) has the ability to affect those returns through its power over the investee and (iii) there is a link between power and returns.

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

New, revised and amended standards and interpretations that are not yet effective (Cont'd)

- IFRS 11*, Joint Arrangements*, which is effective for annual reporting periods beginning on or after January 1, 2013, identifies two main types of joint arrangements – joint operations and joint ventures: (i) Those cases in which although there is a separate vehicle created by the venturers, that separation is ineffective in certain ways, are now called *joint operations*. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31. (ii) All other joint arrangements, now called *joint ventures,* are required to be accounted for using the equity method (thus prohibiting the use of proportionate consolidation). The application of the equity method is subject to two exemptions carried forward from IAS 28 (2008) and IAS 31.

- IFRS 12*, Disclosure of Interest in Other Entities,* which is effective for annual reporting periods beginning on or after January 1, 2013, contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. *Interests* are widely defined as contractual and non-contractual involvement that exposes an entity. *Structured entities* are entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The disclosure requirements encompass risk exposures for the sponsor of such an entity even if it no longer has any contractual involvement. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the impact of those interests on the entity's financial position, financial performance and cash flows.

  The Trust is expected to understand what a structured entity is in the context of its operations; apply judgement in assessing whether it is 'involved' with a structured entity, which has the potential to broaden the transactions and relationships to which the disclosures may apply, particularly for those who sponsor, or perhaps even transact with, but do not consolidate structured entities; and assess the level of disclosure that it believes will be meaningful to users of the financial statements.

- IFRS 13, *Fair Value Measurement*, which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- IFRS 9 *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2015, (previously January 1, 2013), retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also 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.

- IAS 19*, Employee Benefits*, has been amended, effective for annual reporting periods beginning on or after January 1, 2013, to require all actuarial gains and losses to be recognised immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability of entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. The expected return on plan assets recognised in profit or loss is to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

The Trust is assessing the impact, if any, that these new, revised and amended standards and interpretations may have on its financial statements when they become effective.

4 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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 measurement

These financial statements are prepared under the historical cost convention, as modified for the inclusion of available-for-sale and held-for-trading investments at fair value. Also, the defined benefit asset is recognised as plan assets, plus umrecognised past service costs, less the present valued of the defined benefit obligation.

Functional currency

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

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

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 collateralised borrowing for the proceeds received. Financial liabilities are derecognised when the Trust's contractual obligations are discharged, cancelled or have expired.

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

Financial instruments (Cont'd)

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 which 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.

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 on initial recognition.

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.

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

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Trust's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

(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 surplus or deficit 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.

(b) Loans and receivables

Loans and other receivables that are non-derivatives, 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.

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

Financial instruments (Cont'd)

Financial assets (Cont'd)

(b) Loans and receivables (Cont'd)

(i) Cash and cash equivalents

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) Securities purchased under resale agreements

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) Loans receivable and service charge on loans

Loans receivable

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

Service charge on loans to beneficiaries

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

(iv) Other receivables (excluding prepayments)

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.

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.

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

Financial instruments (Cont'd)

Financial assets (Cont'd)

(c) AFS financial assets (Cont'd)

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 surplus or deficit 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:

- 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 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.

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

Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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.

Loans receivable

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

A loan is considered impaired when it is in arrears for 90 days and over and when management determines that it is probable that all amounts due 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 which terms have been renegotiated are no longer considered to be past due and are treated as new loans.

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 in other comprehensive income.

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

Financial instruments (Cont'd)

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 of 8.5% (2011: 8.5%). The Trust also provides medical benefits for its full time employees and pensioners retiring after May 1, 2007. The Trust pays the full cost of benefits for the pensioners and their spouses. Insurance coverage continues to the surviving spouses after the death of the retirees. The plan was amended effective May 1, 2010 to discontinue coverage of spouses. With effect from this date spouses of new retirees will not be eligible for benefit under the Health Plan.

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.

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.

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

Employee benefits (Cont'd)

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 surplus or deficit 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.

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

Intangible assets acquired separately

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 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.

Reported 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 accumulated depreciation and any 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 to their residual value 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.

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 for other 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.

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

Non-current assets held for sale (Cont'd)

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.

Taxation

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

<u>Current tax</u>

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.

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

Taxation (Cont'd)

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. 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 other comprehensive income, in which case the deferred tax is also charged or credited in other comprehensive income.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the 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.

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

Provisions (Cont'd)

Restructuring

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

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

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

   (i) the entity and the Trust are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   (ii) the entity is an associate or a joint venture of the Trust (or an associates or joint venture of a member of a group of which the other entity is a member);

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

Related party (Cont'd)

(c) An entity is related to the Trust if any of the following conditions applies: (Cont'd)

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

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

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.

Interest income

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

Dividend income

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

Disposal of inventory units

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 surplus or deficit in the year of occurrence.

Interest and penalties on contributions not paid

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.

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

Bonus on employees' contributions

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

Leases

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

<u>The Trust as a lessor</u>

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.

<u>The Trust as a lessee</u>

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.

Foreign currencies

In preparing the financial statements of the Trust, transactions in currencies other than the Trust's functional currency are converted 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.

5 **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.

5 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Critical judgements in applying accounting policies (Cont'd)

Litigations and claims

As detailed in Note 36, during 2007/8 the Trust recorded a provision of $36.92 million relating to 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].

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 amounting to approximately $11.16 billion (2011:$10.08 billion) for which impairment allowances for IFRS purposes amounted to approximately $522.43 million (2011:$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 $3.33 billion (2011:$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 $767.19 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 will not be collected according to the original contractual terms. When a loan has been identified as impaired, the carrying amount of the loan is reduced, by recording specific allowances for loan losses, to its estimated recoverable amount, which is the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

In respect of loans to beneficiaries, the value of the security used in the determination of the estimated recoverable amounts is based on proxy values determined by the Trust's Private Treaty 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 differ by +/- 10%, the portion of loans to beneficiaries considered unsecured would decrease/increase by $81.71 million/$127.22 million, respectively (2011: $206.38 million /$249.30 million, respectively).

Additionally, past experience and judgement are used in estimating the timing of the expected cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to 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 to be $9.52 million lower or $9.99 million greater (2011: $22.52 million lower or $23.02 million greater).

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

Key sources of estimation uncertainty (Cont'd)

Income taxes

In determining the income tax provision, management applies estimates to certain transactions, the allowance of which are 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 (2011: 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 $1.25 billion (2011:$1.07 billion) in respect of the defined benefit plan and a liability of approximately $215.95 million (2011:$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 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.

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.

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)

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 $140.4 million and $81.1 million, respectively (2011:$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 approves a maximum of 40% of its quarterly surplus after tax to be used to finance the Mortgage Subsidy Programme [Note 19(c)]. The utilization of the subsidy is dependent on the eventual successful completion of the application process by contributors. The actual take up of the subsidy by eligible contributors may, therefore, differ significantly from that anticipated by the Trust.

Refundable contributions

As described in Note 20, the Trust has not established individual accounts for savings and time contributions totaling approximately $6.12 billion and $18.19 billion respectively (2011:$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 past 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 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.

6 CASH AND CASH EQUIVALENTS

	2012	2011
	$'000	$'000
Reverse repurchase agreements:		
- Jamaica dollar [Note 6(a)]	5,108,401	1,639,899
- United States dollar [Note 6(b)]	184,659	181,382
Bank balances [Note 6(c)]	555,917	670,667
Cash in hand	4,952	4,874
	5,853,929	2,496,822

6 **CASH AND CASH EQUIVALENTS (Cont'd)**

(a) These reverse repurchase agreements bear interest at rates ranging from 6.30% to 6.68% (2011: 6.50% to 7.35%) per annum and are fully backed by Government of Jamaica securities. At March 31, 2012, the interest receivable included in these agreements amounted to approximately $23.40 million (2011: $8.15 million). The nominal value of the underlying securities at March 31, 2012 was $5,791.08 million (2011: $1,885.40 million). The fair value of the securities is considered to approximate the carrying value.

(b) These reverse repurchase agreements of US$2.10 million (2011: US$2.11 million) bear interest at rates ranging from 4.00% to 4.25% (2011: 4.10% to 4.25%) per annum and are fully backed by Government of Jamaica securities and are designated to fund the Trust's peril reserve (Note 23). At March 31, 2012, the interest receivable included in these instruments amounted to approximately $1.03 million (2011: $0.54 million). The nominal value of the underlying securities at March 31, 2012 was $2.24 million (2011: $2.22 million). The fair value of the securities is considered to approximate the carrying value.

(c) Bank balances include foreign currency deposits of approximately US$263,874 (2011: US$409,660) at interest rate of 0.5% (2011: 0.6%) per annum.

7 **RECEIVABLES AND PREPAYMENTS**

	2012	2011
	$'000	$'000
Staff loans	342,369	285,044
Mortgage litigation receivable (see note below)	67,017	74,540
Death claims recoverable	210,373	81,030
Advances to Jamaica Lifestyle Village (see note below)	63,188	63,188
Prepayments	61,953	122,494
NWC/Greenpond – Sewage Infrastructure receivable	117,713	122,618
Mortgage loan fees receivable (See note below)	52,139	40,037
Receivable on sale of land	8,027	1,574
Other litigation receivable (see note below) and [Note 36 (b)]	144,660	144,660
Other	50,955	22,086
	1,118,394	957,271
Less allowance for impairment (see note below)	(328,129)	(322,455)
	790,265	634,816

Movement in allowance for impairment

	2012	2011
	$'000	$'000
Balance at beginning of the year	322,455	183,712
Increase/(decrease) for the year	5,674	(5,917)
Provision for Escrow account [note 19(a)(ii)]	-	144,660
Balance at end of the year	328,129	322,455

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, 2012, the carrying value of the disposal asset is as follows:

	2012	2011
	$'000	$'000
Land	12,890	12,890
Building	58,014	58,014
	70,904	70,904

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2012	2011
	$'000	$'000
Jamaican dollars deposits [Note 9(a)]	786,506	4,808,242
United States dollar deposits [Note 9(b)]	311,473	390,946
	1,097,979	5,199,188

(a) These instruments mature within one to three months (2011: one to four months) after year-end, with interest rates ranging between 6.50% and 6.65% (2011: 6.65% and 7.5%) per annum. As at March 31, 2012, the interest receivable included in the carrying value of the instruments amounts to approximately $6.51 million (2011: $43.24 million). The fair value of the underlying securities at March 31, 2012 was $971.35 million (2011: $5,537.05 million).

(b) These instruments totaling approximately US$3.55 million (2011: US$4.54 million) mature within one to four months (2011: one to six months) after year-end and are designated to fund the Trust's peril reserve (Note 23), with interest rates ranging between 3.90% and 4.30% (2011: 4.00% and 4.50%) per annum. As at March 31, 2012, the interest receivable included in these balances amounted to $1.54 million (2011: $1.81million). The fair value of the underlying securities at March 31, 2012 was US$3.77 million (2011: US$4.82 million).

10 INVESTMENT SECURITIES

	2012	2011
	$'000	$'000
Securities at fair value through profit or loss [Note10(a)]	2,929,414	2,747,997
Available-for-sale securities [Note 10b)]	18,815,566	17,856,959
	21,744,980	20,604,956

(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 Jamaica 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 on the Jamaican "All Group" Consumer Price Index (CPI) and is paid semi-annually in arrears. The principal and interest are paid by the Government of Jamaica. The Trust has the option to convert the bonds to NROCC shares at redemption.

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

(b) Available-for-sale securities comprise:

	2012 $'000	2011 $'000
Sagicor Life of Jamaica Limited – Universal Investment policy	168,475	155,578
Euro Bonds US$15,821,381 (2011: US$9,655,000) held at interest rates of 8.00% to 10.625% (2011: 8.00% to 10.625%) per annum maturing in 2015/16 to 2027/28 (2011: 2015/16 to 2027/2028) [Note 10b)(i)]	1,853,431	1,399,928
Quoted equities	455,644	418,627
Treasury bills (2011: interest rate of 6.7% to 7.70%) per annum matured 2011	-	153,264
Bank of Jamaica Variable Rate Certificates of (2011: interest rate of 6.75%) per annum matured 2011	-	616,903
NWC Variable Rate Corporate Notes at interest rate of 8.02% (2011: 9.67%) maturing 2012/13 (2011: 2012/13)	62,092	62,545
GOJ Fixed Rate Benchmark Notes at interest rate of 7.20% to 12.875% (2011: 10.00% to 12.875%) per annum maturing 2011/12 to 2023/24 (2011: 2010/11 to 2023/24)	9,959,516	10,774,375
GOJ Variable Rate Benchmark Notes at interest rate of 6.57% to 11.75% (2011: 11.75%) per annum maturing 2012/13 to 2026/27 (2011: 2011/12 to 2026/27)	4,237,940	2,581,845
GOJ US$ Benchmark Notes at interest rate of 6.75% to 7.25% (2011: 6.75% to 7.25%) per annum maturing 2013/14 to 2015/16 (2011: 2013/14 to 2015/16) [Note 10(b)(i)]	2,078,468	1,693,894
	18,815,566	17,856,959

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

11 **LOANS RECEIVABLE**

	2012	2011
	$'000	$'000
(a) Loans to beneficiaries selected by the Trust [Note 11(e), (f)]		
Mortgage loans	105,922,026	90,451,681
Loans for which mortgage processing is incomplete [Note 11(g)]	29,770	8,280
Loans through financial institutions [Note 11(h)]	744,898	857,109
Loans through joint venture programme [Note 11(i)]	3,854	5,629
	106,700,548	91,322,699
Less: allowances for impairment [Note 11(m)]	(522,429)	(909,764)
	106,178,119	90,412,935
Less: unexpired service charges [Note 11(n)]	(2,569,691)	(2,362,684)
	103,608,428	88,050,251
(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)]	18,209	21,559
Housing Agency of Jamaica (HAJ):		
Repayable in 25 years at 5% per annum [Note 11(j)(ii)]	533,337	574,700
Repayable in 15 years at 3% per annum [Note 11(j)(iii)]	384,467	515,140
Repayable in 10 years at 3% per annum [Note 11(j)(iv)]	51,377	60,705
Repayable in 10 years at 3% per annum [Note 11(j)(v)]	383,355	462,223
Repayable in 15 years at 8% per annum [Note 11(j)(vi)]	49,623	56,913
Repayable in 3 years at 8% per annum [Note 11(j)(vii)]	15,128	34,440
Joint financing mortgage programme [Note 11(j)(viii)]	20,153,008	18,155,652
Special loans through joint financing – Hurricane Ivan [Note 11(j)(ix)]	23,003	30,235
Special loans to churches through joint financing – Hurricane Ivan [Note 11(j) (x)]	229,366	247,884
Jamaica Defence Force [Note 11(j)(xi)]	49,842	55,798
Other institutions	81,642	89,532
	21,972,357	20,304,781
Less: allowance for impairment [Note 11(m)]	(19,439)	(35,897)
	21,952,918	20,268,884
Carried forward	125,561,346	108,319,135

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

	2012	2011
	$'000	$'000
Brought forward	125,561,346	108,319,135
(c) Loan financing to developers [Note 11(k)]	2,347,855	1,378,970
Less: allowance for impairment [Note 11(m)]	(384,982)	(374,132)
	1,962,873	1,004,838
(d) Other		
University of the West Indies [Note 11(l)]	554,459	570,858
University of the West Indies [Note 11(l)]	767,849	-
	1,322,308	570,858
Interest receivable	517,509	381,443
Total	129,364,036	110,276,274

(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 receive an additional 1% reduction in their interest rates which is available for a period of three years. The loans, together with interest thereon, are repayable in monthly installments over periods ranging up to a maximum of 40 years.

(f) Mortgage loans of $105.92 billion (2011: $90.45 billion) include loans totaling $100.53 million (2011: $46.25 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.

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

(i) Loans through joint venture programme (Cont'd)

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(a)(i)].

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

(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 instalments of $8.69 million per month. Interest was charged at 8% per annum.

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 and 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 instalments 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 instalments 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.

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

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

(v) (Cont'd)

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

The loan is secured by:

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

(vi) The loan is for a sum of $88.71 million for the purpose of co-financing 279 mortgages in the Greater Portmore Project. The loan is for a period of 15 years and the principal is repayable in 180 equal monthly instalments. Interest is repayable monthly in arrears on the first business day in each calendar month and payments commenced August 2002. Interest 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.

(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

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

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

(viii) Joint financing mortgage programme (Cont'd)

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 through 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.

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.

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

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

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

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 through joint venture – 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.

(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 instalments at an interest rate of 8% per annum.

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

(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 5% to 12% per annum.

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

(k) Loan financing to developers (Cont'd)

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:

	2012				2011			
	Mortgage Loans	Development Financing	Agencies	Total	Mortgage Loans	Development Financing	Agencies	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance, April 1	909,764	374,132	35,897	1,319,793	632,339	360,644	101,785	1,094,768
(Decrease)/Increase in allowance for the year	(353,259)	10,850	(16,458)	(358,867)	348,446	13,488	(65,888)	296,046
Write-off during the year	(34,076)	-	-	(34,076)	(71,021)	-	-	(71,021)
Balance, March 31	522,429	384,982	19,439	926,850	909,764	374,132	35,897	1,319,793

(n) Unexpired service charge on loans to beneficiaries:

	2012	2011
	$'000	$'000
Balance at beginning of the year	2,362,684	2,138,137
Additions during the year	765,069	652,174
Amortisation	(558,062)	(427,627)
Balance at end of the year	2,569,691	2,362,684

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

(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% (2011: 82%) 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 91.8% and 6.5% (2011: 89.7% and 8.2%), respectively. Joint financing mortgage programme and HAJ account for 1.5% and 1.1% (2011: 16.5% and 1.5%), 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 beneficiaries balance are debtors with a carrying amount of approximately $6,305 million (2011: $6,124 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 fully recoverable.

Ageing of past due but not impaired

	2012	2011
	$'000	$'000
30 – 60 days	3,957,106	3,686,473
61 – 90 days	2,347,666	2,437,325
	6,304,772	6,123,798

Ageing of impaired loans

	2012	2011
	$'000	$'000
91 – 180 days	3,136,549	2,749,078
181 – 360 days	4,437,839	4,082,211
Over 360 days	3,590,158	3,248,679
Total impaired loans	11,164,546	10,079,968

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

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

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, 2012, loans totaling $2.27 billion were renegotiated (2011: $2.34 billion) which would have otherwise been past due or impaired.

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:

		2012 $'000	2011 $'000
(i)	Loans through joint venture mortgage programme [Note 12 (b)]	3,854	5,629
(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	100,526	46,251
	- Schemes for which mortgage processing is incomplete and land titles are not available	29,770	8,280
	- Non-scheme loans [Note 12 (d)]	248,056	277,314
		378,352	331,845
	Finance for housing construction projects	384,982	374,132
		763,334	705,977
	Total	767,188	711,606

12 **STATUS OF SECURITIES FOR FINANCING FOR DEVELOPERS AND LOANS TO BENEFICIARIES (Cont'd)**

(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, and, 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 does not consider that 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.

13 **INVENTORIES**

	2012	2011
	$'000	$'000
Land held for housing development	3,000,786	2,986,608
Housing under construction	4,541,293	4,440,777
Housing units completed but not allocated	2,810,306	1,238,443
Inner City Housing Project [Note 13(a)]	53,668	53,668
	10,406,053	8,719,496
Less: Allowance for losses and subsidies	(503,191)	(338,572)
	9,902,862	8,380,924

The movement in the allowance is as follows:

	2012	2011
	$'000	$'000
At beginning of year	338,572	694,426
Allowances during the year	164,619	126,647
Amounts written-back [Note 13(b)]	-	(482,501)
At end of year	503,191	338,572

(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 neighborhoods through a combination of new housing and the refurbishment of existing housing stock."

13 **INVENTORIES**

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

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 (2011: $3.79 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

As at March 31, 2012, total expenditure on this project amounted to $3.79 billion (2011: $3.79 billion).

The amounts spent on refurbishing works are being borne by the Trust. As at March 31, 2012, $676 million (2011: $676 million) has been spent on refurbishing several schemes and this amount, as well as, other subsidies to the project, was reflected in the statement of comprehensive income as Special Subsidies and Grants (Note 26).

Completion of construction activities was 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 $18.13 million.

14 INTANGIBLE ASSETS

	2012	2011
	$'000	$'000
Cost		
At the beginning of the year	115,899	115,899
Additions for the year	34,387	-
At the beginning at end of the year	150,286	115,899
Amortisation		
At the beginning of the year	113,687	105,193
Charge for the year	6,056	8,494
At the end of the year	119,743	113,687
Carrying amount	30,543	2,212

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.

15 INVESTMENTS IN ASSOCIATES

	2012	2011
	$'000	$'000
Harmonisation Limited:		
Cost of investments [Note 15(a)]	490	490
Loans (including accrued interest) [Note 15(b)]	1,597,944	1,597,944
Allowance for possible loan loss	(383,969)	(383,969)
	1,213,975	1,213,975
Share of associate's profits:		
Balance, April 1	49,275	77,778
Share of loss for the year	(44,826)	-
Adjustment	(1,812)	(28,503)
	2,637	49,275
	1,217,102	1,263,740

(a) Details of the associate as at March 31, 2012 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

15 INVESTMENTS IN ASSOCIATES

(a) Details of the associate as at March 31, 2012 are as follows: (Cont'd)

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

	(Unaudited) 2012 $'000	(Audited) 2011 $'000
Total assets	2,495,966	2,560,291
Total liabilities	(2,489,649)	(2,463,416)
Net assets	6,317	96,875
Trust's share of associate's net assets	3,127	47,953
Revenue	11,445	18,075
Loss for the year	(90,558)	(61,244)
Trust's share of associate's loss for the year	(44,826)	(30,316)

(b) Due to an amendment to the Shareholders Agreement, as of 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. Each 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. The Trust contributions as recommended by independent actuaries is 8.5% (2011: 8.5%). 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.

The Trust approved the proposal to amend the pension plan by reducing the vesting period from 10 years to 5 years of pensionable service, the retirement benefit to be improved from 1 2/3% of a member's final three year average salary for each year of pensionable service to 2% of a member's final salary for each year of pensionable service and to increase the current pensions in line with inflation.

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

Staff Pension Scheme (Cont'd)
The approval was subject to agreement by employees and/or provided by the Trust Deed. The relevant constitutive documents have not yet been approved.

Post-retirement Medical Benefits Scheme
The Trust 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 spouses (see Note 4, *Employee Benefits*).

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligations were carried out as at March 31, 2012 by Eckler Consultants & Actuaries, 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	
	2012	2011	2012	2011
Gross discount rate	10.0%	10.5%	10.0%	10.5%
Expected return on assets	9.5%	9.5%	-	-
Expected rate of salary increases	7.5%	8.0%	-	-
Future pension increases	3.0%	2.5%	-	-
Rate of increase in medical premiums	-	-	7.5%	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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Present value of obligation	(2,108,273)	(1,790,075)	(141,091)	(106,113)
Fair value of plan assets	3,672,153	3,113,861	-	-
	1,563,880	1,323,786	(141,091)	(106,113)
Unrecognised actuarial gains	(318,291)	(254,818)	(74,856)	(91,885)
Net asset/(liability) in statement of financial position	1,245,589	1,068,968	(215,947)	(197,998)

16 **RETIREMENT BENEFIT ASSET (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
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	71,188	44,589	10,140	8,300	81,328	52,889
Interest cost	198,764	192,716	12,196	19,768	210,960	212,484
Expected return on assets	(305,121)	(267,354)	-	-	(305,121)	(267,354)
Net actuarial loss recognised in income	-	-	(4,177)	-	(4,177)	-
Total included in staff costs	(35,169)	(30,049)	18,159	28,068	(17,010)	(1,981)
Actual return on plan assets	362,413	360,491	-	-	362,413	360,491

(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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Balance at beginning of the year	1,068,968	898,464	(197,998)	(170,070)
Amounts credited (charged) to income	35,169	30,049	(18,159)	(28,068)
Contributions by the Trust	141,452	140,455	210	140
Balance at end of the year	1,245,589	1,068,968	(215,947)	(197,998)

(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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At beginning of year	1,790,075	1,581,034	106,113	163,662
Service cost	71,188	144,000	10,140	8,300
Interest cost	198,764	192,716	12,196	19,768
Members contributions	103,980	-	-	-
Benefits paid	(49,553)	(80,198)	(210)	(140)
Actuarial loss (gain)	(6,181)	(47,477)	12,852	(85,477)
At end of year	2,108,273	1,790,075	141,091	106,113

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

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

	Staff Pension Scheme	
	2012	2011
	$'000	$'000
At beginning of year	3,113,861	2,593,703
Contributions	245,432	239,865
Expected return on plan assets	305,121	267,354
Benefits and expenses paid	(49,553)	(80,198)
Actuarial gain	57,292	93,137
At end of year	3,672,153	3,113,861

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

	Staff Pension Scheme	
	2012	2011
	$'000	$'000
Sagicor Pooled Funds	699,063	699,000
Assets held in segregated fund	2,973,090	2,414,861
Closing fair value of plan assets	3,672,153	3,113,861

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	
	2012	2011
	%	%
Equity instruments	0.8	1.0
Money market investments and debt securities	76.9	70.0
Sagicor pooled fund	19.1	22.0
Other	3.2	7.0
	100.0	100.0

The overall expected rate of return is 9.5% (2011: 9.5%) 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.

16 RETIREMENT BENEFIT ASSET (Cont'd)

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

	Staff Pension Scheme				
	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(2,108,273)	(1,790,075)	(1,581,034)	(984,600)	(972,500)
Fair value of plan assets	3,672,153	3,113,861	2,593,703	1,944,100	1,616,200
Fund Surplus	1,563,880	1,323,786	1,012,669	959,500	643,700
Experience adjustments on plan liabilities	(127,180)	(73,626)	(56,614)	(24,600)	126,800
Experience adjustments on plan assets	57,292	93,137	177,863	(71,600)	(2,000)

	Post- Retirement Medical benefits Scheme			
	2012	2011	2010	2009
	$'000	$'000	$'000	$'000
Present value of unfunded defined- benefit obligation	(141,091)	(106,113)	(163,662)	(129,600)
Experience adjustments on plan liabilities	(3,385)	(5,616)	213	9,100

Impact of 1% Increase/Decrease in Medical Inflation Adjustment

	2012	2012
	@4.0%	@2.0%
Revised service and interest cost ($000)	29,821	16,921
	2012	2012
	@4.0%	@2.0%
Revised accumulated benefit obligation ($'000)	140,374	81,144

(i) The Trust expects to make a contribution of $134.59 million (2011: $149.18 million) to the defined -benefit plan during the next financial year.

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, 2010	32,000	-	0	64,937	0	316,571	439,122	44,131	33,738	-	26,449	0
Reclassification	-	-	-	-	-	-	-	-	-	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)	-	-
Reclassification *	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
Additions	-	864	1,009	85	140	21,587	28,901	-	490	4,668	15,559	73,303
Transfers	-	-	5,575	-	-	1,905	-	-	-	(606)	(6,874)	-
Reclassification *	32,000	-	-	-	-	553	-	-	-	(148)	-	32,405
Disposals	-	-	-	-	-	-	-	-	(9,425)	-	-	(9,425)
March 31, 2012	145,555	22,157	1,343,539	65,022	15,624	375,886	498,062	44,131	24,803	7,069	47,467	2,589,315

* This represents transfer of land from inventory to property, plant and equipment due to change of use.

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, 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
Charge for the year	-	1,477	33,600	5,899	-	38,410	28,475	-	1,647	-	-	109,508
Impairment loss	-	-	-	-	-	147	-	-	-	-	-	147
Adjustment	-	14	(224)	-	-	1,690	-	-	-	-	-	1,480
Eliminated on disposals	-	-		-	-	-	-	-	(9,382)	-	-	(9,382)
March 31, 2012	-	1,846	267,662	44,535	-	285,019	456,169	44,131	23,747	-	-	1,123,109
NET BOOK VALUES												
March 31, 2012	145,555	20,311	1,075,877	20,487	15,624	90,867	41,893	-	1,056	7,069	47,467	1,466,206
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

17 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

Freehold buildings	-	40 years
Land Improvement	-	15 years
Partitions	-	10 years
Furniture and fixtures	-	8 years
Office equipment	-	5 years
Computer equipment	-	3 years
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:

	2012	2011
	$'000	$'000
Buildings/related infrastructure	201,237	202,536
Furniture, fixtures and office equipment	16,804	11,398
Artwork	13,931	13,931
	231,972	227,865

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

	2012	2011
	$'000	$'000
Accounts payable and accruals	1,027,689	910,161
Scheme deposits	66,820	62,259
Statutory and other payroll deductions	48,157	49,208
Retention payable	265,186	332,885
Other payables	469,661	389,214
Peril insurance claims [Note 30(b)]	13,201	14,184
	1,890,714	1,757,911

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

19 PROVISIONS

	Sundry claims [Note 19(a)]		Employee Benefits [Note 19 (b)]		Mortgage Subsidy [Note 19(c)]		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balances at beginning of the year	36,925	324,586	70,061	61,333	353,481	-	460,467	385,919
Utilised [Note 19(a)(i)]	-	(120,666)	-	(127,585)	(6,954)	-	(6,954)	(248,251)
Charged to income for year	-	(22,335)	2,681	136,313	451,913	353,481	454,594	467,459
Reclassification of provision for Escrow account [Note 19 (a)(ii)]	-	(144,660)	-	-	-	-	-	(144,660)
Balance at end of the year	36,925	36,925	72,742	70,061	798,440	353,481	908,107	460,467

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

(b) Employee benefits represent provision for outstanding employee's vacation 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, 2012.

20 **REFUNDABLE CONTRIBUTIONS**

(a)

	2012			2011
	Currently Due	Not Yet Due	Total	Total
	$'000	$'000	$'000	$'000
Contributions refundable	11,210,508	45,751,640	56,962,148	51,145,595
Bonus accrued [Note 20(b)]	2,196,076	3,019,291	5,215,367	5,141,266
	13,406,584	48,770,931	62,177,515	56,286,861
Represented by:				
3% Savings Accounts				
Principal	7,227,190	-	7,227,190	5,633,014
Interest	62,161	-	62,161	55,014
	7,289,351	-	7,289,351	5,688,028
3% Time Accounts				
Principal	-	28,003,606	28,003,606	21,883,169
Interest	-	2,573,776	2,573,776	2,117,270
	-	30,577,382	30,577,382	24,000,439
Total for which personal accounts are established	7,289,351	30,577,382	37,866,733	29,688,467
Balances for which no personal accounts are established [Note 20(c)]	6,117,233	18,193,549	24,310,782	26,598,394
Total refundable employee Contributions	13,406,584	48,770,931	62,177,515	56,286,861

(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, 829,637 individual (time) accounts (2011: 1,327,339) totaling $10.28 billion (2011: $12.24 billion) were created.

21 DEFERRED TAX (ASSETS)/LIABILITIES

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

	Assets	Liabilities								
	Post-Retirement Medical Benefits $'000	Revaluation of Properties $'000	Accelerated Capital Allowances $'000	Retirement Benefit Asset $'000	Unrealised Foreign Exchange Gains $'000	Interest Receivable $'000	Associates Interest Receivable and share Of net assets $'000	Other Assets $'000	Total Liabilities $'000	Net Liabilities $'000
Balance, April 1, 2010	(56,689)	(38,133)	7,909	299,488	3,837	221,054	5,358	1,413	574,440	517,751
Charged (Credited) to income for the year (Note 28)	(9,309)	-	(23,021)	56,835	(36,298)	12,217	92,556	(164)	102,125	92,816
Credited to accumulated fund during the year [Note 22]	-	(1,011)	-	-	-	-	-	-	(1,011)	(1,011)
Balance, March 31, 2011	(65,998)	34,370	(15,112)	356,323	(32,461)	233,271	97,914	1,249	675,554	0
Charged (credited) to income for the year (Note 28)	(5,983)	-	13,738	58,874	32,461	34,457	(17,305)	212	122,437	116,454
Credited to accumulated fund during the year [Note 22]	-	(1,011)	-	-	-	-	-	-	(1,011)	(1,011)
Balance, March 31, 2012	(71,981)	33,359	(1,374)	415,197	-	267,728	80,609	1,461	796,980	724,999

22 FAIR VALUE AND OTHER RESERVES

	Fair Value Reserve	Other Reserves: Unallocated Contributions Reserve	Other Reserves: Properties Revaluation Reserve	Total
	$'000	$'000	$'000	$'000
Balances at, 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)
Deferred tax arising on revaluation of property, plant and equipment (Note 21)	-	-	1,011	1,011
Balances at March 31, 2011	1,382,454	712,008	197,573	2,292,035
Net increase in fair value of available-for-sale investments	439,147	-	-	439,147
Loss on impairment of available-for-sale equity investments charged to income	3,795	-	-	3,795
Gain on disposal of equity investments transferred to income	(8)	-	-	(8)
	442,934	-	-	442,934
Deferred tax arising on revaluation of property, plant and equipment (Note21)	-	-	1,011	1,011
Balances at March 31, 2012	1,825,388	712,008	198,584	2,735,980

23 PERIL RESERVE

The Trust's policy deductible is US$30 million (2011: 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:

	2012	2011
	US$'000	US$'000
Cash and Cash Equivalents [Note 6 (b)]	2,103	2,109
Securities purchased under resale agreement [Note 9(b)]	3,550	4,538
Available-for-sale securities[[Note 10(b)(i)]	36,274	34,826
	41,927	41,473

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 $957.51 million (2011: $233.93 million) was made to the loan loss reserve, to cover any losses that may arise from the loans referred to in[Note 12 (a) (ii)]above as well as other mortgage loans.

25 MISCELLANEOUS INCOME

	2012	2011
	$'000	$'000
Foreign exchange gain/(loss) (net)	123,034	(149,433)
Penalty income	218,003	371,515
Debt management fees	71,629	71,634
Peril and life insurance administrative fees	599,375	462,158
Other	161,688	125,517
	1,173,729	881,391

26 SPECIAL SUBSIDIES AND GRANTS

	2012	2011
	$'000	$'000
Special projects:		
Inner City Housing Project	47,317	66,975
Sugar Housing Programme	18,126	32,002
Emancipation Park [net of recoveries of Nil (2011: $2.31 million)]	61,225	58,044
Grants:		
Mortgage Subsidy	451,913	353,481
Other	2,500	18,340
	581,081	528,842

27 RESTRUCTURING COSTS

This comprises redundancy costs resulting from the on-going restructuring of the organisation. Provisions are recognized when the Trust has an approved plan that is communicated to affected stakeholders.

28 TAXATION

(a) Taxation recoverable

	2012	2011
	$'000	$'000
Balance at the beginning of the year	4,095,959	3,512,174
Addition during the year	582,711	583,785
Recovered/Set off allowed	-	-
	4,678,670	4,095,959

This represents recoverable withholding tax deducted at source from investment income. The Trust claims the tax deducted at source as a tax credit against its tax liabilities, once this has been approved by the Tax Administration Jamaica (Commissioner of Taxes).

(b) Taxation payable

	2012	2011
	$'000	$'000
Balance at the beginning of the year	1,268,263	811,519
Addition during the year	976,953	456,744
Recovered/Set off allowed	-	-
	2,245,216	1,268,263

This represent income tax computed at the tax rate of 33⅓%.

Recognised in profit for the year

(c) (i) The taxation charge for the year comprises:

	2012	2011
	$'000	$'000
Current tax	976,954	456,743
Deferred tax adjustment (Note 21)	116,454	92,816
	1,093,408	549,559

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

	2012	2011
	$'000	$'000
Surplus before taxation	3,562,779	2,103,113
Expected tax at current tax rate of 33⅓%	1,187,593	701,038
Tax effect of amounts not deductible in determining taxable surpluses	44,740	86,642
Tax effect of income not subject to tax	(193,887)	(291,095)
Net effect of other charges and allowances	54,962	52,974
Taxation charge	1,093,408	549,559

The tax rate used for the 2012 and 2011 reconciliations above is the tax rate of 33⅓% payable by corporate entities in Jamaica on taxable profits/surpluses under tax laws.

29 **SURPLUS FOR THE YEAR**

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

(a) Interest revenue on:

	2012 $'000	2011 $'000
Investments:		
Available-for-sale investment securities	1,994,622	2,227,814
Held-for-trading investment securities	129,139	122,011
	2,123,761	2,349,825
Loans:		
Financial assets at amortised cost		
- Impaired financial assets	16,459	16,147
- Unimpaired financial assets	5,611,984	4,479,061
	5,628,443	4,495,208
	7,752,204	6,845,033
Dividends	22,804	37,605
	7,775,008	6,882,638

(b) Bonus on employees' contribution:

	2012	2011
- Savings accounts	(297,674)	(441,751)
- Time accounts	(742,850)	(636,700)
	(1,040,524)	(1,078,451)

(c) Other

	2012	2011
Directors' emoluments:		
Non Executive Directors – fees (Note 31)	1,263	2,097
Management:		
Basic	9,800	8,581
Incentive payments and gratuity in lieu of pension	1,323	1,158
Audit fees	10,507	9,959
Depreciation	110,988	113,391
Loss on disposal of property, plant and equipment	43	109
Amortisation of intangible asset	6,056	8,494
	139,980	143,789

30 COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2012 $'000	2011 $'000
Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	4,017,126	5,093,874
Purchase of land	4,580	60,000
Inner City Housing Project	199,400	238,830
Loans and/or mortgage financing	1,618,539	8,833,487
	5,839,645	14,226,191
Authorised and approved but not contracted for -		
Purchase of land	638,130	358,000
Computer software development	144,721	250,194
Office refurbishing	32,000	240,000
Air conditioning unit	26,610	-
Construction contracts under negotiation	180,616	1,640,481
Mortgage subsidy	298,040	353,481
	1,320,117	2,842,156

(b) Contingencies

Peril insurance claims

The Trust's policy deductible on its peril insurance cover is US$30 million (J$2.61 billion) (2011: US$30 million (J$2.56 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 $13.20 million (2011: $14.18 million) (Note 18).

Litigation

The Trust becomes 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.

Taxation

There are certain expenses that Tax Administration Jamaica is disputing. These are as follows:

(i) whether certain expenses were incurred solely in the normal course of operation.

(ii) whether certain expenses representing costs associated with collecting employers' contributions should be allowed for tax purposes.

The Trust's Tax Consultant are of the view that these matters are likely to be settled in favour of the Trust, therefore no provision has been made in the financial statements in these regards.

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
State controlled entities	1,403,195	1,026,777	3,639,162	3,220,323
Key management personnel	36,366	27,850	92,682	74,778
Board of Directors and Committee members	-	-	838	980

State-controlled entities

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

	2012	2011
	$'000	$'000
Interest earned	59,743	43,731

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

During the year, the Trust donated 4 motor vehicles to the Jamaica Defence Force (JDF).

The Trust also paid rental and maintenance fees of $19.78 million (2011: $22.96 million) for the office space occupied to, as well as reimbursed $11.58 million (2011: $10.42 million) for expenses incurred on the Trust's behalf by, the Development Bank of Jamaica.

Compensation of key management personnel

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

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

31 RELATED PARTY TRANSACTIONS/BALANCES (Cont'd)

Compensation of key management personnel **(Cont'd)**

	2012	2011
Board of Directors and Committee members:	$'000	$'000
Non-executive Directors' fees [Note 29 (c)]	1,263	2,097
Executive remuneration	18,906	14,238
Other key management personnel:		
Short-term benefits	73,596	73,717
Post employment benefits – pension obligation	4,061	4,116
	77,657	77,833

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:

	2012	2011
	$'000	$'000
Financial assets		
Fair value through profit or loss (FVTPL)		
- Held for trading	2,929,414	2,747,997
Loans and receivables (including cash and cash equivalents) – at amortised cost		
- Cash and cash equivalents	5,853,929	2,496,822
- Loans receivable	129,364,036	110,276,274
- Securities purchased under resale agreements	1,097,979	5,199,188
- Receivables (excluding prepayments)	728,312	512,322
	137,044,256	118,484,606
Available-for-sale financial assets	18,815,566	17,856,959
	158,789,236	139,089,562
Financial liabilities (at amortised cost)		
- Payables	1,547,631	1,491,488
- Refundable contributions	62,177,515	56,286,861
	63,725,146	57,778,349

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

Categories of financial instruments (Cont'd)

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.

Financial risk management policies and objectives

The Trust's activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Trust's aim is, therefore, to achieve an appropriate balance between risk and return and 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, Corporate Governance 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.

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.

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

Financial risk management policies and objectives (Cont'd)

Corporate Governance Committee

This committee has responsibility for providing the Board with advice and recommendations 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.

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.

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(a), interest rates as disclosed in note 32(a), as well as equity price risks as disclosed in note 32 (a).

<u>Management of market risk</u>

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 (systemic risk) or due to company specific factors (non-systemic risk). This risk is minimised by the implementation and monitoring of sound financial management strategies, in accordance with the Board of Directors' guidelines.

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

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

(i) Equity price sensitivity analysis

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

If quoted equity prices had been 15% (2011: 15%) higher/lower, fair value and other reserves in accumulated fund for the year ended March 31, 2012 would increase/decrease by $68.30 million (2011: $62.8 million) as a result of the changes in fair values of the available-for-sale securities.

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

(ii) Foreign currency risk

The Trust undertakes certain transactions denominated in currencies other than the Jamaica 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, 2012, the Trust had US$ denominated investments amounting to US$42.47 million (2011: US$42.46 million). The Trust holds a minimum amount of US$ investments in respect of funding its peril reserve.

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

	Assets	
	2012	2011
	J$'000	J$'000
Cash and bank balances	184,659	181,382
Securities purchased under agreements to resell	311,473	390,947
Investment securities	3,931,899	3,093,821
	4,428,031	3,666,150

Foreign currency sensitivity analysis

The following table details the Trust's sensitivity to a 1% revaluation and 1% devaluation (2011: 1% revaluation and 1% devaluation) change in the Jamaica 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.

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

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

(ii) Foreign currency risk (Cont'd)

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.

If the Jamaica dollar strengthens by 1% or weakens by 1% against the US dollar (2011: 1% revaluation and 1% devaluation), income will decrease or increase by:

	Revaluation		Devaluation		Revaluation and Devaluation	
	2012	2012	2012	2012	2011	2011
	Change in Currency Rate		Change in Currency Rate		Change in Currency Rate	
	%	J$'000	%	J$'000	%	J$'000
(Surplus) deficit	+1	44,280	-1	(44,280)	±1	36,661

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.

(iii) 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.

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

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

Management of interest rate risk (Cont'd)

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.

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

Financial risk management policies and objectives (Cont'd)

(iii) Interest rate risk (Cont'd)

As at March 31, 2012:

	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 Effective Interest rate %
Assets										
Cash and cash equivalents	5,293,062	-	-	-	-	-	-	560,867	5,853,929	6.31
Receivables and prepayments	2,718	34,907	81,207	123,457	67,225	75,471	139,744	265,536	790,265	3.90
Non-current asset held for sale	-	-	-	-	-	-	-	70,904	70,904	
Income tax recoverable	-	-	-	-	-	-	-	4,678,670	4,678,670	
Securities purchased under resale agreements	1,097,966	13	-	-	-	-	-	-	1,097,979	5.43
Investment securities	154,121	3,089,725	3,098,986	2,392,505	4,001,643	460,697	7,923,184	624,119	21,744,980	8.03
Loans receivable	499,358	3,678,876	560,755	813,991	406,549	598,325	122,806,182	-	129,364,036	4.77
Inventories	-	-	-	-	-	-	-	9,902,862	9,902,862	
Other	-	-	-	-	-	-	-	3,959,440	3,959,440	
Total assets	7,047,225	6,803,521	3,740,948	3,329,953	4,475,417	1,134,493	130,869,110	20,062,398	177,463,065	
Liabilities and accumulated fund										
Payable and accruals	-	-	-		-	-	-	1,890,714	1,890,714	
Provisions	-	-	-	-	-	-	-	908,107	908,107	
Refundable contributions	13,406,584	2,787,432	5,188,812	5,432,600	6,962,761	9,187,251	19,212,075	-	62,177,515	3.49
Taxation payable	-	-	-	-	-	-	-	2,245,216	2,245,216	
Other	-	-	-	-	-	-	-	940,946	940,946	
Accumulated fund	-	-	-	-	-	-	-	109,300,567	109,300,567	
Total liabilities and accumulated fund	13,406,584	2,787,432	5,188,812	5,432,600	6,962,761	9,187,251	19,212,075	115,285,550	177,463,065	
Net Interest Rate Sensitivity Gap	(6,359,359)	4,016,089	(1,447,864)	(2,102,647)	(4,475,417)	(8,052,758)	111,657,035	(95,223,152)	-	
Cumulative Gap	(6,359,359)	(2,343,270)	(3,791,134)	(5,893,781)	(8,381,125)	(16,433,883)	95,223,152	-	-	

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

Financial risk management policies and objectives (Cont'd)

(ii) Interest rate risk (Cont'd)

As at March 31, 2011:

	Within 3 Months	Within 3 - 12 Months	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Over 5 Years	Non- rate Sensitive	Total	Weighted Average effective Interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
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	-	-	-	-	-	-	-	4,095,959	4,095,959	
Securities purchased under resale agreements	5,172,600	26,588	-	-	-	-	-	-	5,199,188	9.47
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	14,124,156	155,566,439	
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
Taxation payable	-	-	-	-	-	-	-	1,268,263	1,268,263	
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	99,279,578	155,566,439	
Net Interest Rate Sensitivity Gap	(0)	(964,560)	(792,434)	(2,117,124)	(0)	(0)	94,234,893	(81,348,826)	-	
Cumulative Gap	(0)	(4,838,289)	(5,630,723)	(7,747,847)	(10,364,880)	(12,886,067)	81,348,826	-	-	

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

Financial risk management policies and objectives (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates 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 (2011: 50 basis points increase and 50 basis points decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and 50 basis points lower (2011:50 basis points increase and 50 basis points decrease) and all other variables were held constant, the Trust's:

- surplus for the year ended March 31, 2012 would increase or decrease by $136.0 million (2011: increase or decrease by $133.7). 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 $98.2 and $98.9 million (2011: decrease/increase by $88.7 million and $89.3 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 $21.3 million and $21.3 million (2011: increase/decrease by $13.1 million and $13.1 million) as a result of the changes in the weighted average coupon rate earned of 18.03% (2011: 18.03%) on available-for-sale variable rate instruments.

(b) Credit risk

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

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

Financial risk management policies and objectives (Cont'd)

(b) Credit risk (Cont'd)

(i) Loans receivable (Cont'd)

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 $129.36 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

	2012	2011
	$'000	$'000
Property	58,429,453	26,406,317

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

Financial risk management policies and objectives (Cont'd)

(b) Credit risk (Cont'd)

(i) Loans receivable (Cont'd)

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:

	2012		2011	
	Carrying Value	Value of Collateral	Carrying Value	Value of Collateral
	$'000	$'000	$'000	$'000
Residential properties	1,155,979	1,465,551	935,793	2,161,182

(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 collateralised by Government of Jamaica (GOJ) or Bank of Jamaica (BOJ) securities duly transferred to the Trust in the event of default of the counterparty to the transaction.
- The Investments Unit conducts constant monitoring of the terms of investment contracts to ensure that the terms are strictly adhered to, in particular, that institutions fulfill their financial obligations to the Trust as they fall due.

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

Financial risk management policies and objectives (Cont'd)

(b) Credit risk (Cont'd)

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

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

	2012	2011
	$'000	$'000
Government of Jamaica	21,120,861	19,432,273
Bank of Jamaica	-	616,904
Corporate	7,576,030	7,911,837
Total	28,696,891	27,961,014

(iii) Investment in Associates

Loans to associated company and interest charges [Note 15 (b)] are evaluated on an ongoing basis and provision for probable loss made, as appropriate.

(c) Liquidity risk

Liquidity risk is the risk that the Trust will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay contributors and 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.

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

Financial risk management policies and objectives (Cont'd)

(c) Liquidity risk (Cont'd)

Management of liquidity risk (Cont'd)

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

- 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.

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

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

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

Financial risk management policies and objectives (Cont'd)

(c) Liquidity risk (Cont'd)

The following tables detail the Trust's remaining contractual 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, 2012:

	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	5,880,638	-	-	-	-	-	-	5,880,638	5,853,929
Receivables	21,241	105,896	286,752	139,244	73,158	83,919	160,168	870,378	728,312
Securities purchased under resale Agreement	1,105,735	311	-	-	-	-	-	1,106,046	1,097,979
Investment securities	247,429	4,467,769	4,549,688	3,468,429	4,924,097	1,030,195	12,400,683	31,088,290	21,744,980
Loans receivable	508,096	3,936,397	639,260	984,929	520,383	807,739	187,670,730	195,067,534	129,364,036
Total assets	7,763,139	8,510,373	5,475,700	4,592,602	5,517,638	1,921,853	200,231,581	234,012,886	158,789,236
Liabilities									
Payables	60,351	587,256	359,448	-	-	-	240,745	240,745	1,547,631
Refundable contributions	14,976,055	3,086,085	5,660,522	5,835,015	7,356,880	9,540,607	19,574,336	66,029,500	62,177,515
Total liabilities	15,036,406	3,673,341	6,019,970	5,835,015	7,356,880	9,540,607	19,815,081	67,277,300	63,725,146

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

(c) Liquidity 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	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	512,322
Securities purchased under resale	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	139,089,562
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

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 2011/2012.

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.

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

Fair Values versus carrying amounts

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Assets carried at fair value				
Available-for-sale securities[Note 10(b)]	18,815,566	18,815,566	17,856,959	17,856,959
Securities at FVTPL [Note 10(a)]	2,929,414	2,929,414	2,747,997	2,747,997
	21,744,980	21,744,980	20,604,956	20,604,956
Assets carried at amortized cost				
Cash and cash equivalent	5,853,929	5,853,929	2,496,822	2,496,822
Loans receivable	129,364,036	129,364,036	110,276,274	110,276,274
Securities purchased under resale agreements	1,097,979	1,097,979	5,199,188	5,199,188
Receivables (excluding prepayments)	728,312	789,950	512,322	726,983
	137,044,256	137,105,894	118,484,606	118,699,267
Liabilities carried at amortized cost				
Payables and accruals	1,890,714	1,583,658	1,757,911	1,392,507
Refundable Contribution	62,177,515	62,177,515	56,286,861	56,286,861
	64,068,229	63,761,173	58,044,772	57,679,368

Fair value hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method as at March 31, 2012. 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)

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
Available-for-sale securities [Note 10(b)]	2,309,075	16,506,491	-	18,815,566
Securities at FVTPL [Note 10(a]	-	2,929,414	-	2,929,414
	2,309,075	19,435,905	, -	21,744,980

34 OPERATING LEASE ARRANGEMENTS

The Trust as a lessee

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

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

	2012 $'000	2011 $'000
Within one year	17,836	17,758

The Trust as a lessor

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

The property rental income earned by the Trust from these properties amounts to $3.9 million (2011: $5.5 million).

Maintenance charges received on these properties in the period amounted to $6.4 million (2011: $14.9 million).

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

	2012 $'000	2011 $'000
Within one year	3,777	3,006
Within two to five years	19,283	15,349
Over 5 years	6,083	4,842
	29,143	23,197

35 OTHER DISCLOSURES – EMPLOYEES' COSTS

	2012 $'000	2011 $'000
Staff costs incurred during the year:		
Salaries and wages including statutory contributions	2,524,446	2,432,767
Other staff costs	312,437	299,145
	2,836,883	2,731,912

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 date of July 12, 2010 was fixed and the hearing scheduled for three (3) days. The matter was subsequently re-listed for November 1, 2010, as a result of a conflict for Counsel for the Appellant, who had other appeals listed for the week of July 12, 2010. The matter was re-listed for March 21, 2011. However, as a result of scheduling adjustments, the Registrar, Court of Appeal proposed the weeks commencing April 11, 2011, May 9, 2011 and May 16, 2011. The matter was further rescheduled on several other occasions and was last scheduled for February 20, 2012.

The Court of Appeal, by letter dated February 14, 2012, informed external counsel that the Court was unable to hear the appeal as scheduled (February 20, 2012) due to issues with the constitution of a panel. The following alternative dates were proposed: May 14, 2012, June 11, 2012, June 25, 2012 and July 2, 2012.

NHT's Attorneys-at-Law will discuss mutually convenient hearing dates with the Appellant's Attorneys-at Law.

(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. The matter was heard from May 2 – 6, 2011 and continued June 27 – July 1, 2011 and July 4, 2011.

The matter was adjourned part-heard on July 4, 2011.

There was a change of attorney representing the Trust and attempts were made to obtain Court transcripts for the new Attorney-at-law without success.

The matter of obtaining the transcripts was finally settled on the return of the previous Attorney-at-law to the matter.

The hearing of the matter is scheduled to continue for the seven (7) days, November 5 -13, 2012.

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

(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. The Contractor subsequently indicated his willingness to accept the offer of $143 million, subject to agreement on the final accounts.

(d) During the year ended March 31, 2011:

Further to the forgoing agreement, both parties agreed that the amount due was $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 were no other sums owing to the Contractor in respect of this claim.

(e) During the year ended March 31, 2012

Of the retention amount owed, $20 million was released to the Contractor in April 2011 and a further $10 million was released in April 2012. Though the Defects Liability Period has expired, there are still defects for which the Contractor is responsible. A balance of $6.17 million is owed to the Contractor as at April 30, 2012.

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 litigation 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

	2012	2011
	$'000	$'000
Provisions for losses on projects	164,619	126,647
Provisions on project written back	-	(482,501)
Increase / (decrease) in provisions on loans receivable	(358,867)	296,046
Provision for bonus on employees' contribution	1,040,524	1,078,451
Provision for irrecoverable debt on receivables	5,674	(5,917)
Provision for litigation	-	(22,334)
Depreciation and adjustment	110,988	113,391
Loss on impairment of property, plant and equipment	147	-
Loss on disposal of property, plant and equipment	43	109
Adjustments to property, plant and equipment	(32,405)	(5,210)
Service charges amortised	(558,062)	(427,627)
Intangible assets amortised	6,056	8,494
Loss on impairment of equity investment security	3,795	31,480
Gain in revaluation of held for trading investment securities	(180,562)	(247,255)
Gain on disposal of equity investment securities	(8)	(1,071)
Retirement benefit asset	(17,010)	(1,981)
Deferred tax adjustment	116,454	92,816
Interest Income	(7,554,416)	(6,531,095)
Foreign exchange adjustment	(112,849)	134,244
Share of losses of associates (including allowance for loan loss)	46,638	28,505
Income tax expense	976,954	456,743
Provisions charged during the year	454,594	489,793
Adjustments to reconcile net surplus (deficit) to cash flow used in operating activities and changes in operating assets (liabilities)	(5,887,693)	(4,868,272)

38 SUBSEQUENT EVENTS

Subsequent to the year- end, during the 2012/13 Budget presentation, the Government announced its commitment to drive policy initiatives that will support the efforts of the Trust to make housing more affordable for its contributors, especially those who are most vulnerable. Some of the major initiatives announced were as follows:

- introduce a new Mortgage Partner policy where a contributor who is a homeowner and has never taken an NHT mortgage benefit and has no plan to do so and who has at least seven years of paid up contributions can now allocate their NHT benefit to assist another contributor who is in the interest rate band of 1% to 3%.
- simplify the home grant policy for qualified applicants who earn $10,000 or less per week.
- effective September 1, 2012, contributors who qualify for loans at interest rates of interest 3% and 5% will now repay the loans at reduced rates of interest of 1% and 3%, respectively. The reduced interest rates will be for three years.
- subsidized scheme units and serviced lots in three new developments.

38 SUBSEQUENT EVENTS (Cont'd)

In addition, the Government has indicated that it would grant the Trust tax-free status in respect of GCT, stamp duty, property tax and transfer tax for the next two years and has committed to donate to the Trust suitable housing lands to enhance the housing programmes.

It was also announced that the corporate income tax rate of 33⅓% would be reduced to 25% for non-regulated entities, with effect on January 1, 2013. The impact on the income tax and deferred taxation for the Trust will be recognised when the change in rate is enacted. The rate change will affect the eventual amounts realised in respect of deferred tax items recognised at the reporting date.

Furthermore the Trust has been requested to make payments of corporate tax and advances on infrastructure works totaling $4 Billion during the year 2012/13.

At the date of approval of the financial statements, the Trust had assessed the impact of these measures on its operations and is of the view that the impact is not material.

DIRECTORS' COMPENSATION – 2011 to 2012

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	147,000.00				147,000.00
Director 1	52,660.00				52,660.00
Director 2	70,000.00				70,000.00
Director 3	97,875.00				97,875.00
Director 4	10,500.00				10,500.00
Director 5	46,000.00				46,000.00
Director 6	24,080.00				24,080.00
Director 7	96,000.00				96,000.00
Director 8	14,000.00				14,000.00
Director 9	34,500.00				34,500.00
Director 10	42,500.00				42,500.00
Director 11	119,000.00				119,000.00
Director 12	63,630.00				63,630.00
Director 13	75,500.00				75,500.00
Director 14	112,500.00				112,500.00
Director 15	44,500.00				44,500.00
Director 16	66,500.00				66,500.00
Director 17	57,000.00				57,000.00
Director 18	89,500.00				89,500.00
TOTAL					**1,263,245.00**

Notes

1. Where a non-cash benefit is received (e.g., Government housing) the value of that benefit shall be quantified and stated in the appropriate column above.
2. Fees on this page are applicable to the past Board of Directors listed on page 28 and include amounts paid to three (3) co-opted members who served on the Audit and Technical committees.

SENIOR EXECUTIVE COMPENSATION – 2011 to 2012

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	9,800,000	3,773,000	1,296,500			4,036,885	18,906,385
SGM – Construction & Development	6,480,502	939,672	886,768			1,996,433	10,303,375
SGM- Corporate Services	6,480,502	939,672	796,500			1,996,433	10,213,107
SGM - Finance	6,480,502	939,672	796,500			1,969,859	10,186,533
Company Secretary	6,101,859	884,770	796,500			1,186,225	8,969,354
Chief Internal Auditor	5,486,609	795,558	796,500			1,186,225	8,264,892
SGM – Customer Relations	6,480,502	972,076	886,768			1,996,434	10,335,780
GM – HRM	5,486,609	822,992	796,500			1,178,873	8,284,974
Chief Information Officer	4,778,060	668,928	886,768			704,466	7,038,222
TOTAL	**57,575,145**	**10,736,340**	**7,939,304**			**16,251,833**	**92,502,622**

Notes

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
2. Other Allowances (including laundry, entertainment, housing, utility, etc.)
3. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

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
- Norman Anderson – Inner City Housing Project
- Camille Chevannes-Redwood – 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 Communications
- Joyce Simms-Wilson – Branch Network
- Michael Taylor – Project Management
- Errol Thompson – Financial Reporting and Cost Management
- Elton Vassell – Receivables, Banking & Investments
- Suzanne Wynter Burke – Loan Management

Managers
- Herman Baker – Industrial Relations & Staff Benefits, HRM
- Richard Blackwood – Management Support, HRM
- Everton Boothe – Loan Portfolio Management
- Judith Brown – Accounts Payable & Payroll
- Dave Campbell – Financial Reporting
- Keith Clarke – Property Management
- Tracey-Ann Creary – Project Management
- Percival Cunningham – Technical Support, Information Systems
- Shani Dacres-Lovindeer – Project Management
- Kareen Daley – Application Development, IS
- Clive Davis – Project Management, ICHP
- Dwight Ebanks - Investments
- Delores Facey-Johnson – Contributions Refund
- Clivia Green – Compliance
- Harvey Hall – Business Analysis, IS

ADMINISTRATION

- Ransford Hamilton – Projects Services
- Cheryll Harris-Walder – Project Management, PMO
- 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

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

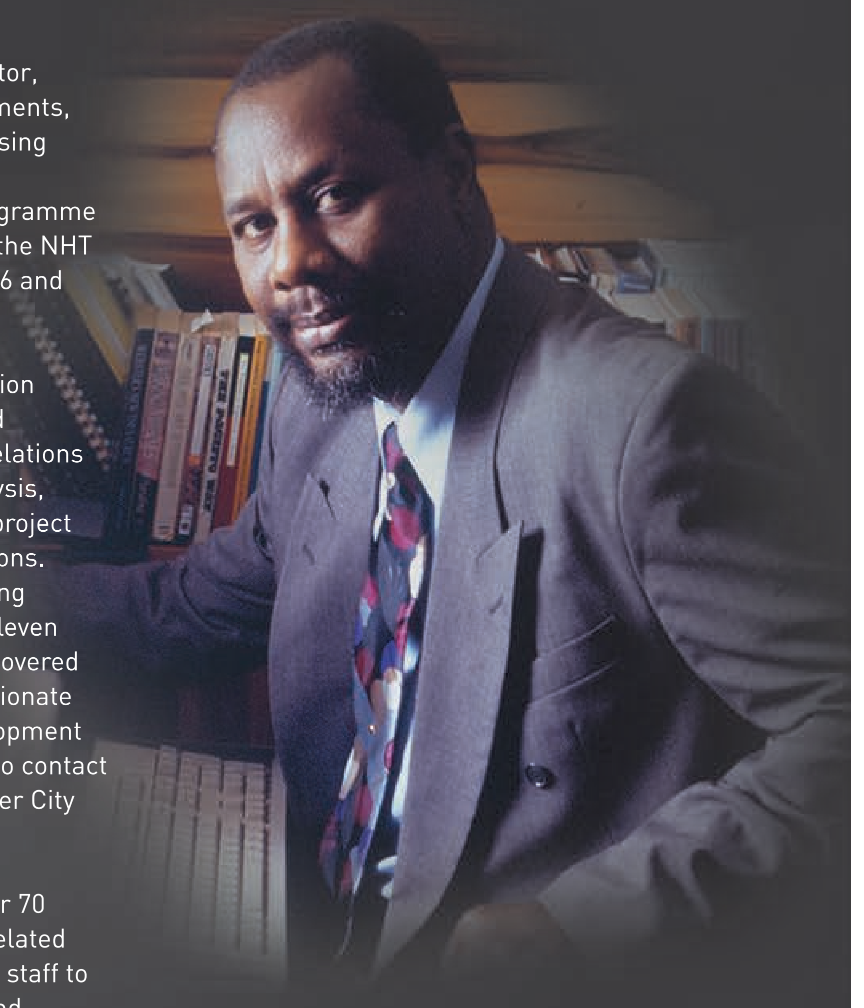
Senior Customer Service Representatives
- Sancia Cornwall – St. Elizabeth
- Karen Forbes-Rodney – Portland
- Althea Green – Trelawny
- Alwyn Haynes – Hanover
- Ketrion Harris – St. Mary
- Cotchesta Watson – St. Thomas

Legal Team:
Legal Services
- Sharon Green Brown

Legal Conveyancing
- Alayne Bennett
- Sharon Blair
- Tashia Madurie
- Marisa Forbes Spencer
- Carol Higgins
- Jefferine Stubbs-Ruddock
- Mazielyn Walker

It is with a profound sense of loss that the
National Housing Trust
notes the passing of former
Senior General Manager, Corporate Services

Dr. Vincent George



Dr. George joined the Trust in 1991 as Senior Director, Planning and Research and, among other achievements, transformed the organization's information processing environment. He also directed the successful implementation of a total quality management programme which improved service quality and contributed to the NHT capturing national customer service awards in 2006 and 2008.

In April 2004 Dr. George was appointed to the position of Senior General Manager Corporate Services and assumed oversight for the organization's human relations management, information systems, business analysis, social development programmes, customer care, project management and corporate communication functions. He was also sponsor of the NHT's Inner City Housing Project which improved living conditions for over eleven hundred households in the Corporate Area and recovered blighted sections of urban landscape. He was passionate about people's rights and encouraged social development programmes especially for the many who came into contact with the NHT through Relocation 2000, and the Inner City and Sugar Industry Housing projects.

Always the researcher, he authored and edited over 70 periodicals, reports and journals on housing and related topics. Dr. George was demanding, always pushing staff to strive for excellence. He was incisive and honest and fun-loving. He was a teacher and mentor to many.

The Trust expresses condolence to his widow Verna, his sons, Kemi and Kavin and other family members.

He will be truly missed.