



NATIONAL HOUSING TRUST
Annual Report & Financial Statements

FROM THE GROUND

UP

2
0
0
2
/
0
3

Contents

Seven Year Statistical Summary	2
Letter to the Prime Minister	3
Board of Directors	4 - 5
Message from the Chairman & Managing Director	6 - 14
Pictorial Review	15 - 21
Directors' Report	22 - 23
Audited Financial Statements	24 - 57
Administration	58 - 60

VISION

*D*elighted Customers

The National Housing Trust will be the leading housing finance institution in Jamaica providing the highest quality homes at the lowest cost, completely satisfying the requirements of our different customer groups. The Trust will be the benchmark company for customer and employee satisfaction. The leaders and staff will be multi-skilled and committed to achieving the vision. Customers will not make complaints but instead leave compliments for the staff. Customers' input will be sought for all changes that impact them and they will be kept up to date with happenings at the Trust.

*P*acesetters in Housing

The Trust will be known for its innovativeness and pacesetter performance in providing affordable, attractive housing solutions that cater to the needs of all stakeholder groups.

*G*ood quality housing for all Jamaicans

NHT will enhance the quality of life in Jamaica by its contribution to the housing stock and its development of infrastructure in an environmentally sustainable way.

*H*olistic Communities

The NHT will lead the nation in providing and stimulating the establishment of communities characterised by well-maintained housing and facilities, low levels of community and interpersonal conflicts, the proximity to educational institutions and recreational facilities and an orderly, clean, safe and aesthetically pleasing environment in which all its residents enjoy a sense of pride and high self esteem.

CORE VALUES

The following core values are the standards and ideals that the NHT holds in high regard:

*Integrity
Excellence
Accountability
Teamwork*

MISSION

The Mission of the National Housing Trust is to contribute to the improved quality of life of all Jamaicans by providing quality, affordable housing solutions, loans for residential purposes, financing for housing development and support for community development. This will be accomplished through strategic partnerships, exceeding the expectations of internal and external customers and with motivated and professional staff.

STRATEGIC OBJECTIVES

- *To provide affordable housing solutions that customers desire and consider good value for money
 - *To delight our customers by exceeding their expectations**
- *To transform targeted urban areas from squalor to well maintained, self-sufficient communities
 - *To have in place a competent team committed to the vision and values of the NHT*
 - *To be an efficient organization**



7 YEAR STATISTICAL SUMMARY

	2003 \$000	2002 \$000	2001 \$000	2000 \$000	1999 \$000	1998 \$000	1997 \$000
Total Assets	54,070,447	46,174,088	38,758,201	32,413,635	26,207,052	21,051,375	15,567,548
Current Assets	8,211,034	8,606,790	6,715,096	5,083,573	3,414,235	1,858,875	1,816,183
Finance for Housing Construction	1,938,761	1,534,622	1,889,852	1,759,289	2,740,154	3,173,747	2,448,829
Loans to Beneficiaries	36,022,744	32,075,191	26,883,649	22,857,396	17,516,317	13,524,009	9,909,642
Refundable Contributions	19,207,721	15,774,631	12,552,555	10,501,730	8,542,499	6,692,242	5,076,869
Accumulated Fund							
Non-Refundable Contributions	18,345,658	16,118,228	13,629,486	11,400,443	9,416,777	7,578,022	5,414,750
Surplus on Income & Expenditure Account	13,875,124	12,086,260	10,038,436	8,200,718	6,345,845	5,037,357	3,846,715
Results From Operations							
Total Operating Income	4,835,593	4,247,692	3,436,459	3,368,360	2,564,212	1,798,099	1,682,413
Operating Expenditure	1,540,625	1,218,175	980,055	856,781	739,643	715,304	741,188
Net Surplus	2,018,864	2,297,824	1,837,718	1,854,873	1,291,948	1,190,642	705,070
*Financial Ratios							
Average interest on loans %	7.4%	8.1%	8.2%	9.5%	9.7%	9.5%	9.2%
Yield on investments %	15.2%	16.3%	17.2%	22.7%	22.3%	18.4%	32.5%
Efficiency Ratio %	48.0%	36.0%	35.0%	32.0%	39.0%	51.7%	53.7%
Return on Capital %	6.5%	8.7%	8.4%	10.0%	8.7%	10.7%	8.4%
Return on Assets %	4.0%	6.0%	6.0%	6.1%	5.3%	6.5%	5.1%
Other Information							
Annual Housing Expenditure	5,773,547	5,773,356	4,842,873	5,051,643	4,197,000	4,783,000	3,960,000
Contributions Received	5,461,210	4,935,584	4,334,441	3,945,528	3,711,881	3,796,878	2,847,577
Contributions Refunded	520,742	446,083	192,082	110,701	91,614	54,418	42,994
Number of Mortgages Created since Inception	87,878	81,434	74,317	69,413	63,500	58,719	53,662
Number of Individual Benefits Provided since Inception	99,294	92,810	85,436	78,744	69,932	62,871	55,895

* restated for 2002, 2001

Letter to the Prime Minister

June 23, 2003

Rt. Hon. P.J. Patterson Q.C. MP
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 transmit herewith the Trust's report for year ended March 31, 2003, and a copy of the Statement of the Trust's Accounts at March 31, 2003, duly certified by the Auditors.

I am,
Yours respectfully,



Kingsley Thomas (Chairman)

NATIONAL HOUSING TRUST

Board of Directors



Kingsley Thomas
Chairman



Earl Samuels
Managing Director



Patrick Lawrence
Deputy Chairman



Robert Cranston



Morris Chin



Edward Bailey



Victor Robinson (deceased)



Errol Greene



Herbert Lewis



Shirley-Ann Eaton



Donovan Stanberry



George Fyffe



Guila Bernal



Lloyd Goodleigh



Cyril Lebert



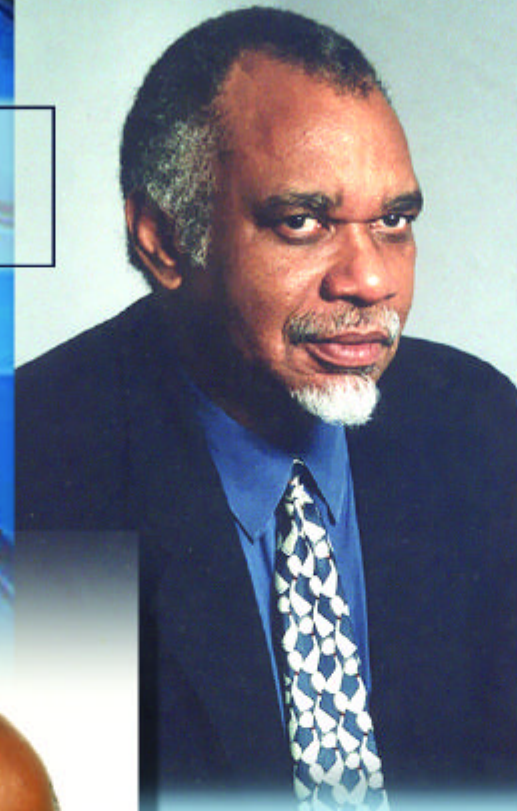
Ian Emmanuel



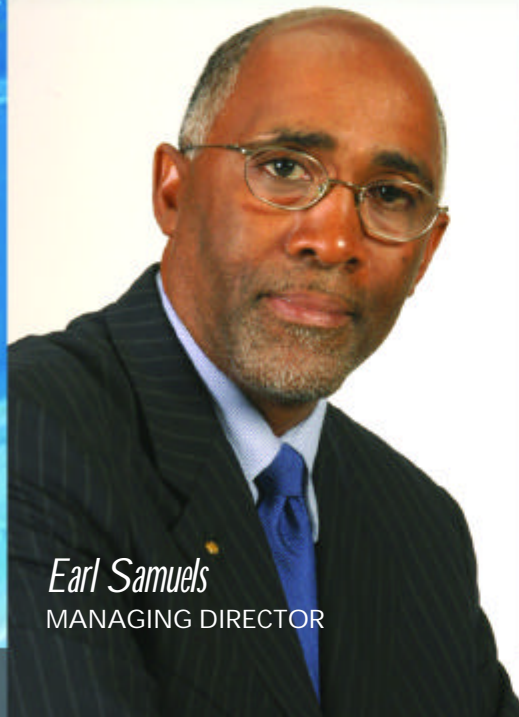
Hopeton Caven

Report from

THE CHAIRMAN & MANAGING DIRECTOR



Kingsley Thomas
CHAIRMAN



Earl Samuels
MANAGING DIRECTOR

During the 2002/03 financial year, the Board of Directors and members of the management team re-examined the raison d'etre of the NHT. The team looked at whether the Trust was fulfilling its mandate and researched what more could be done to improve the quality of life of Jamaicans. Out of the process, five strategic objectives were identified:

1. *To provide affordable housing solutions that customers desire and consider good value for money*
2. *To delight our customers by exceeding their expectations*
3. *To transform targeted urban areas from squalor to well maintained, self-sufficient communities*
4. *To have in place a competent team committed to the vision and values of the NHT*
5. *To be an efficient organization*

We have begun the alignment process and made progress in several areas:

• More attractive terms for our clients. The year started with a reduction of the interest rates on new and existing loans. The rates were reduced from a maximum 12% to 9%. The changes are shown in the table below:

Weekly Income	Old Rate %	New Rate %
Less than \$2,000	2	2
\$2,000 - \$4,500	4	4
\$4,501 - \$9,000	8	7
Greater than \$9,000	12	9

Financial Management

Increases in the loan limits are contemplated for the 2003/04 financial year.

Provision of Housing. Through research into new building systems and creative subsidy arrangements, we plan to improve our ability to provide affordable housing units to contributors; in particular those in the low-income groups.

Customer Service. Customer service surveys were completed for all departments within the Trust and, we now have a better understanding of our strengths and weaknesses. Several recommendations for improving service are already being implemented.

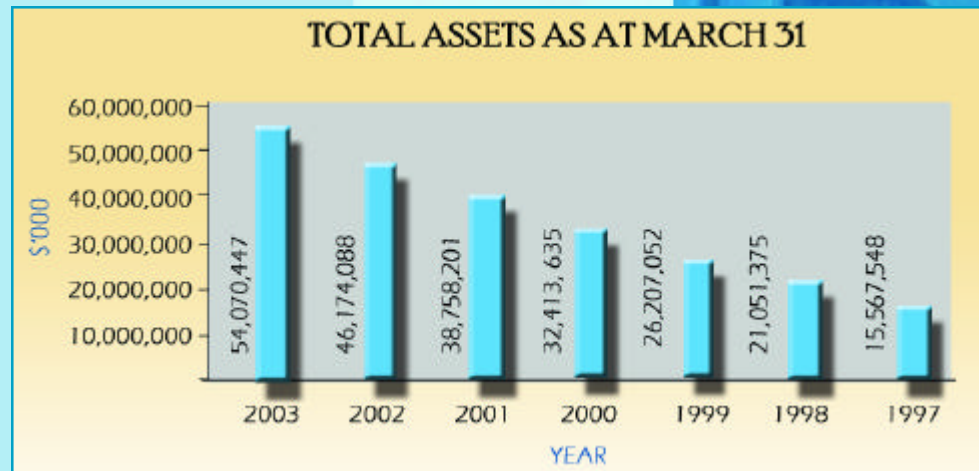
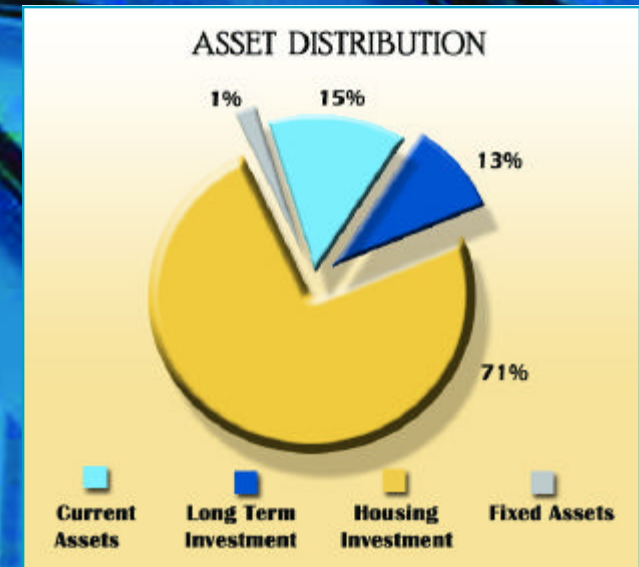
Community Development. A large proportion of residents in inner city communities live in sub-standard housing. They have no running water, proper sanitation nor garbage disposal. There also is a high rate of unemployment. We feel it incumbent to offer these residents improved living conditions and so we have devised an urban housing programme which will target several of these communities across the island.

Business Efficiencies. We constantly strive to improve turn-around time for services. Work is being done on aspects of our contributions and loans processes. Customers will benefit from these efficiencies in the 2004/05 financial year.

Staff Development. Over 50 % of our staff members received at least 24 hours of training throughout the year. We also undertook leadership development training that targeted our senior management team. Realignment of our performance management systems with the revised strategic objectives began during the year.

As at March 31, 2003, total assets of the National Housing Trust stood at \$54,070m, an increase of \$7,896m or 17% over the previous financial year. Total assets comprised current assets of \$8,211m, a reduction of \$396m (5%); long term investments of \$7,087m up by 113%; housing investments of \$37,962m which increased by \$4,352m; deferred expenditure of \$99m and fixed assets of \$712m. Long term investments grew sharply due to the redesign of our non-housing portfolio to capitalize on higher investment yields. At the end of the year, 70% of assets was invested in housing.

Contribution Refunds (cash grants) due to employees grew by 56% to \$4,233m from \$2,711m. The growth is due to the NHT's inability to establish personal accounts for contributors and, in turn, to pay out refunds on these amounts, as some employers have not submitted annual returns. In many instances, submitted returns are incomplete and, therefore, cannot be processed.



Refunds due to employers declined significantly. Under the NHT Act, refunds from inception to July 31, 1979 become due 25 years after the year in which they were made. A significant portion of this amount was paid during the year, resulting in a decrease of \$117m in the amount due. There was a corresponding \$44m decrease in bonus payable to employees. The balance will be paid out in the 2003/04 financial year.

Contributions collected for the year amounted to \$5,461m, (employers contribution of \$2,227m and employees contribution of \$3,234m); an 11% increase over the previous year. Refund of employee contributions increased by 17% to \$521m. At the end of March 2003, total mortgage repayments amounted to \$4,275m. Of this total, approximately \$500m represented mortgage arrears. The arrears collections figure was largely due to the activities of the Debt Management Unit, a temporary unit set up to target accounts in acute arrears.

Income for the fiscal year reached \$4,836m vis-a-vis the \$4,248m earned in the previous year, a growth of 14%. Most of the income came from interest on loans to beneficiaries (\$2,530m) and investment (\$1,901m). Other sources included interim financing (\$52m); disposal of housing units (\$20m); service charge on loans to beneficiaries (\$58m); and miscellaneous sources which contributed \$274m, the majority (\$185m) of which represented penalty income for late payment of contributions.

While operational expenses grew by 27% to \$1,541m, there was an almost 50% growth in total expenses - \$2,790m in 2002/03 versus the \$1,866m in 2001/02. This seemingly adverse performance was due largely to the jump in refundable employee contributions which became due. These funds attract interest and hence,

interest payments increased significantly.

At the end of the year, the NHT netted \$2,019m in surplus.

To reduce the burden of increased insurance premiums on its mortgagors, the NHT has decided to increase the deductible on its homeowners' insurance policy to US\$10m, with a further increase to US\$15m to be effected in 2003/04. This decision was taken within the context of shrinking market capacity and rising premium rates in the general insurance marketplace.

For the twelve-month period April 1, 2002 to March, 31, 2003, premium increases in excess of 100% were expected. However, the NHT was able to maintain the existing rate of \$3 per thousand with the increase in the policy deductible to US\$10m. This means that peril insurance claims up to this amount will be borne by the NHT, while claims above this amount will be borne by the insurer. The Trust believes this to be an acceptable risk, as actual claims for the year ended March 31, 2002 amounted to \$11m.

Housing

In our strategic retreat held in November, the Board and management of the NHT re-committed to the concept of holistic community development. As the 2003/07 strategic plan states:

"The NHT will lead the nation in providing and stimulating the establishment of communities characterised by well-maintained housing and facilities, low levels of community and interpersonal conflicts, the proximity to educational institutions and recreational facilities and an orderly, clean, safe and aesthetically pleasing environment in which all its residents enjoy a sense of

HOUSING COMPLETIONS 2002/03		
Schemes	Parish	Units
Angels Grove	St. Catherine	630
East Prospect Sq	St. Thomas	76
Rosemont	St. Catherine	45
Kitson Town	St. Catherine	193
Longville II	Clarendon	73
East Prospect S. L.	St. Thomas	112
New Yarmouth	St. Catherine	79
Angels II	St. Catherine	444
Industry Pen	St. Mary	626
TOTAL		2278

• Studio Duplex Belair, St. Ann
Relocation 2000



pride and high self esteem."

Housing quality was identified as an area for emphasis. During the financial year, the organization commissioned a study to ascertain the level of satisfaction of NHT clients with their housing units. This study led to a more detailed enquiry into design improvements. The recommendations are under consideration for implementation in the coming year.

For the year under review, the Trust spent \$5,773m, which provided the following:

- 2,278 completed solutions
- 1,208 scheme solutions taken over
- 1,085 Build on Own Land/Home Improvement completions
- 6,484 mortgage loans

Of the 2,278 completions financed by the NHT, we received 790 housing solutions for sale to NHT contributors. External developers received the remaining 1,488 units.

For NHT developed schemes, 264 solutions were taken over in East Prospect, Longville and New Yarmouth, one of the schemes in the Sugar Industry Housing Programme. Interim financed schemes provided 526 completions in Angels Grove, Rosemont and Kitson Town, all in St. Catherine and East Prospect squatter units in St. Thomas.

Work continued on Relocation 2000, a project to re-house 3 squatter communities in St. Ann, St. James and St. Andrew. The Belle-Aire site in St. Ann is scheduled for completion by the end of June 2003. This project comprises 100 studio units, 30 one-bedroom units, and 115 lots of varying sizes. Applications from 75 informal settlers have been processed and 36 persons given possession.

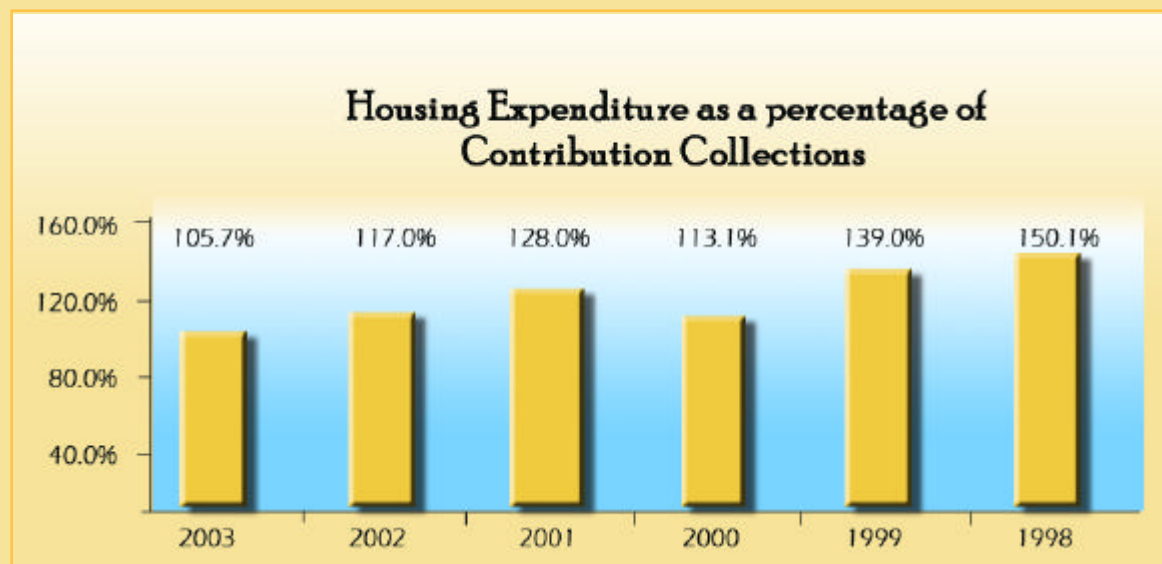
Residents of Railway Gardens, St. James, will be relocated to the Providence site, which consists of 60 one-bedroom units and 260 studio units. Housing construction commenced January 6, 2003 and is scheduled to be completed by November 30, 2003.

There were 1,085 completions under the Build on Own Land (BOL) and Home Improvement (HI) programmes versus the 1,041 targeted: 899 of the completions were for BOL while 1,86 were for HI.

On the mortgage side, 6,484 beneficiaries received loans valued at \$4,022m. This compares to the 7,374 beneficiaries with loans valuing \$4,399m in the previous year. The reduction in the number of beneficiaries is due to increased competition in the market for Open Market Loans. The Open Market loan however, still remained the most demanded loan type - 1,330 mortgagors with loans of \$1,034m. The House Lot loan continues to be the second most popular benefit type - 608 persons received loans totaling \$271m.

MORTGAGES AND BENEFICIARIES 2002/03

PARISH	NO. OF MORTGAGES	NO. OF BENEFICIARIES	VALUE (millions)
Kingston	200	216	134.94
St. Andrew	919	919	648.52
St. Thomas	311	312	168.00
Portland	90	90	40.22
St. Mary	63	64	40.98
St. Ann	83	83	46.51
Trelawny	76	76	47.39
St. James	296	297	168.21
Hanover	14	14	8.41
Westmoreland	63	68	45.00
St. Elizabeth	5	5	1.89
Manchester	345	348	194.57
Clarendon	1008	1012	515.43
St. Catherine	2971	2980	1961.75
TOTAL	6444	6484	4021.83



Human Resources

Excellent leadership will be necessary for developing a competent workforce committed to achieving the vision. From as early as 2001, when a culture survey was undertaken, senior management recognised that there were gaps between the desired behaviours necessary for the NHT to become world class and the actual behaviours. Our leadership development programme, implemented in 2002, sought to identify the gaps within the management team and institute plans of actions that would align individual behaviour with the core values of the Trust - integrity, teamwork, excellence and accountability. The programme has been successful and will be rolled out to the next level of the management team.

In its "Public Sector Modernization and Strategy 2002-2012", the Government of Jamaica visions a "public service with a performance culture, client focused and results oriented, constantly seeking ways to improve the delivery of public services". One way of fostering this type of culture, is using the performance management system to help inculcate desired behaviours. A new element of our redesigned system is an assessment of individual performance against core values. Another feature is a 360 degree evaluation in which staff are required to assess managers' performance.

Training will always be an integral component of our staff development programme. Customer service was in the spotlight this year as several departments requested training in this area. This came out of an increased sensitivity to the needs of internal customers as organization-wide internal customer service surveys highlighted areas that needed strengthening.

We have set a target of providing at least 24 hours of training to each employee annually. In the first year, we were able to achieve this with 55% of our staff. The target will be achieved in the next financial year.

We continue to emphasise the importance of wellness. This year, the Wellness Programme was enhanced with the institution of "wellness days" in which healthy lifestyles were promoted through various media - talks, video presentations, displays etc. Staff were also encouraged to become physically active by participating in our sports teams (football, badminton and netball), walking in Emancipation Park or doing some other physical activity.



▪ The Corporate Services Division Team, winners of the NHT's debating competition

SERVICED LOTS MORTGAGES AND BENEFICIARIES 2002/03

PARISH	NO. OF MORTGAGES	NO. OF BENEFICIARIES	VALUE (millions)
Kingston	1	1	0.84
St. Andrew	10	10	8.40
St. Thomas	96	96	29.06
Portland	2	2	1.68
St. Mary	3	3	2.52
St Ann	3	3	1.26
Trelawny	2	2	1.31
St James	26	26	7.89
Hanover	1	1	0.81
Westmoreland	3	3	1.11
St. Elizabeth	0	0	0.00
Manchester	17	17	13.95
Clarendon	123	123	37.23
St. Catherine	14	14	3.78
TOTAL	301	301	109.85

Operational Efficiencies

In order to better serve our customers by providing more suitable accommodations in which to do business, we have reviewed the physical facilities throughout our branch network. As a result, several offices are slated for relocation or refurbishing. These include:

- The St. Ann regional office currently occupies tiny quarters on the second floor of a commercial building in St. Ann's Bay. The location has severely limited our attempts to improve service, as the office can accommodate only a few customers at a time. Elderly customers also find it difficult to navigate the stairs. The St. Ann office is slated for removal to Ocho Rios, a location that will provide greater access for all customers.

- St. Catherine branch office is located in the centre of Spanish Town. The rapid expansion of our customer base in the parish has rendered the present facilities inadequate. A larger area is needed to deal with the increase in customer flow and the need for more parking space. Thus, we are in the process of identifying a location that will be more comfortable for clients.

- The Westmoreland branch office is being expanded to the ground floor of the building it now occupies. Like St. Ann, this move will mean better accessibility for our elderly and physically challenged customers.

CONSTRUCTION LOAN
MORTGAGES AND BENEFICIARIES 2002/03

PARISH	NO. OF MORTGAGES	NO. OF BENEFICIARIES	VALUE (millions)
Kingston	7	7	3.57
St. Andrew	35	35	18.73
St. Thomas	14	14	6.45
Portland	10	10	7.13
St. Mary	9	9	5.24
St Ann	10	10	5.93
Trelawny	5	5	2.72
St James	25	25	12.54
Hanover	0	0	0.00
Westmoreland	4	6	2.22
St. Elizabeth	0	0	0.00
Manchester	54	55	30.64
Clarendon	107	107	56.96
St. Catherine	114	114	58.21
TOTAL	394	397	210.34

HOME IMPROVEMENT
MORTGAGES AND BENEFICIARIES 2002/03

PARISH	NO. OF MORTGAGES	NO. OF BENEFICIARIES	VALUE (millions)
Kingston	8	8	1.67
St. Andrew	67	67	38.85
St. Thomas	3	3	0.62
Portland	2	2	0.42
St. Mary	2	2	0.42
St Ann	4	4	1.46
Trelawny	0	0	0.00
St James	1	1	0.21
Hanover	1	1	0.21
Westmoreland	2	2	0.42
St. Elizabeth	0	0	0.00
Manchester	4	4	0.84
Clarendon	8	8	1.67
St. Catherine	39	39	8.18
TOTAL	141	141	54.96

BUILD ON-OWN-LAND
MORTGAGES AND BENEFICIARIES 2002/03

PARISH	NO. OF MORTGAGES	NO. OF BENEFICIARIES	VALUE (millions)
Kingston	24	29	18.15
St. Andrew	19	19	15.96
St. Thomas	15	15	12.39
Portland	7	7	5.25
St. Mary	11	11	9.22
St Ann	9	9	6.54
Trelawny	1	1	0.84
St James	19	19	15.72
Hanover	4	4	3.33
Westmoreland	13	13	10.62
St. Elizabeth	0	0	0.00
Manchester	58	58	45.84
Clarendon	124	124	64.28
St. Catherine	65	65	44.47
TOTAL	369	374	252.60

Members of the Portland Branch discussing documents on the House Lot Loan



• Our St. Thomas branch office was recently moved to a larger, ground floor space in Paul Bogle Square. The new location is closer to other major financial institutions and should make doing business with the Trust easier for our clients.

• The Trelawny service centre, which has been struggling with flooding after unusually heavy rains, is being refurbished. Specific attention is being paid to the making the office less prone to disasters.

Over the next financial year, the NHT plans to implement electronic banking facilities. Not only will customers be able to make payments using credit and debit cards but they will also be able to complete these transactions via the telephone. The implementation of electronic banking will remove the need for our customers to travel to an NHT office or other designated financial institution to make payments. The Trust will also be increasing the number of institutions that collect monies on our behalf; thereby providing a wide variety of payment locations.

We will be asking employers to submit returns monthly instead of annually. Some employers find the present annual return process lengthy and tedious and so submit returns late or not at all. The Trust is then unable to update employee savings accounts with their NHT deductions for the year. Monthly returns will allow us to provide employees with more current information on their contributions. We will also be encouraging employees to submit the monthly data in electronic format, simplifying the process for both parties.



• Breaking Ground at Fair Prospect, Portland: Member of Parliament for East Portland, Hon. Dr. Donald Rhodd (standing on heavy duty equipment); Minister of State for Water and Housing, Hon. Harry Douglas, (front right); and NHT Managing Director, Earl Samuels (partly hidden).

The Future

Exciting days are ahead for the NHT. We have 4 years to realise the vision we formulated at our strategic planning retreat in November 2002. At the end of the process, the Trust will be a financial institution of excellence. Our service delivery and internal efficiencies will be improved and so, too, will the quality of our housing solutions. Residents will enjoy living in NHT communities. Several inner city areas will be transformed.

We will initiate several projects over the upcoming financial year that will help us achieve our goals. We plan to improve our scheme offerings both in quality and size because we do not think that our studio unit is the best offering for Jamaican families. Where possible, we plan to build 2 or 3 bedroom, medium rise apartment buildings in our urban developments and serviced lots and two-bedrooms in rural schemes. Beneficiaries will have to give up private land space but they will benefit from more comfortable living space. We will ensure that there are adequate recreational facilities in these communities.

During the next financial year, the Trust will be providing 1,311 solutions in schemes across six parishes. The table below provides the details.

Our operational targets for the new financial year are:

- \$8,043m in Housing Expenditure;
- \$5,390m in Contribution Collections;
- \$448m in Contribution Refunds;
- \$5,006m in Mortgage Repayments;
- 7,364 loans to beneficiaries valuing \$4,713m.

Urban Housing

The Trust has allocated \$5b dollars to spend on re-housing residents who live in sub-standard units in selected inner city areas across Jamaica. As one of the largest players in the construction industry, we cannot allow Jamaicans to continue living in these degrading conditions - the situation has the potential to threaten the security and future development of the island. Phase I of the programme will start in downtown Kingston, in the first half of the 2003/04 financial year.

TAKEOVER SCHEDULED FOR 2003/04

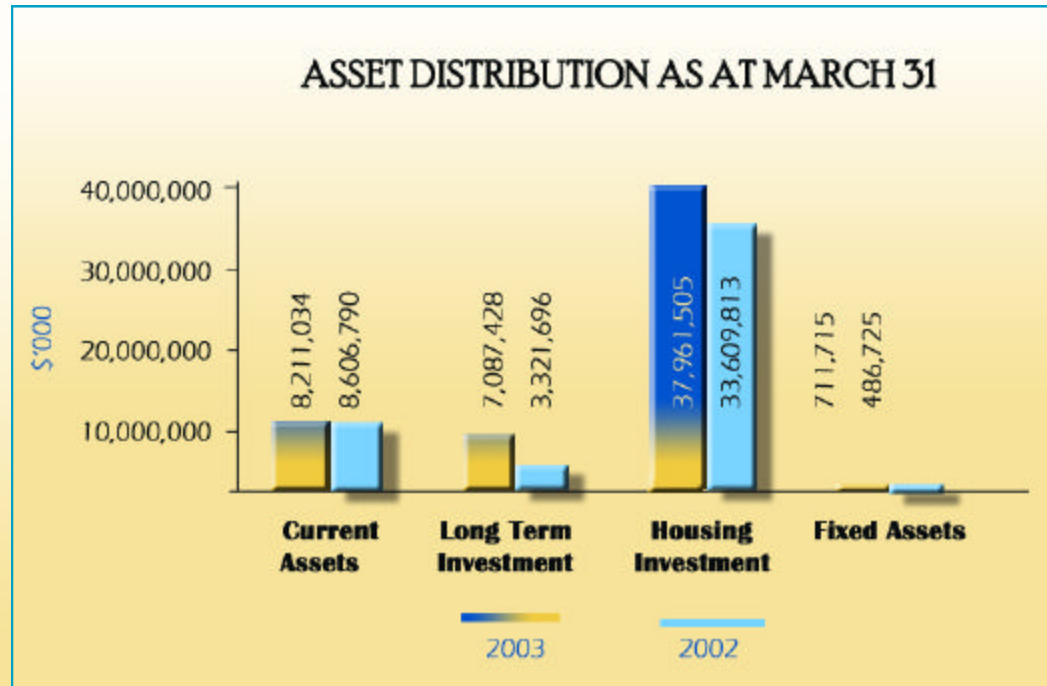
PARISH	PROJECT	UNITS	LOTS	TOTAL
St. Catherine	Twickenham Park	64	16	80
Portland	Fair Prospect	0	92	92
St. James	Cornwall Court II	515	469	984
Westmoreland	Waterworks	0	110	110
Hanover	Winchester Meadows	0	45	45
TOTAL		579	732	1311

The Clarendon New Town Project

The New Town development is to be established on a 11,500 acre property in Inverness, Clarendon. From as early as 1965, this area was identified as a growth area for population settlements. Its development will lead to a new centre for residential, commercial and industrial activity. Among the benefits to be derived are: the provision of an alternative urban focus and the absorption of much of the population growth beyond the KMR; integration of the diverse housing development projects mushrooming in the area between Old Harbour and May Pen; reduction of the loss of agricultural lands to housing; integration of persons from different income levels; and the limiting of environmental deterioration.

Having completed the first step towards its creation by hosting a successful urban planning and design competition, the NHT is now proceeding with more detailed planning. Three critical areas will be addressed in the coming year:

- Developing strategies for key environmental, economic and social indicators, which could influence the physical planning. This is being done through the hosting of workshops with key stakeholders (public and relevant professionals)
- Identifying a pre-planning design team.
- Performing a full environmental assessment of the area with the help of both private and public environmental groups.



HOUSE LOT

MORTGAGES AND BENEFICIARIES 2002/03

PARISH	NO. OF MORTGAGES	NO. OF BENEFICIARIES	VALUE (millions)
Kingston	7	7	2.53
St. Andrew	57	57	17.16
St. Thomas	12	12	4.10
Portland	30	30	8.75
St. Mary	6	6	2.02
St Ann	7	7	2.96
Trelawny	4	4	1.47
St James	24	24	7.65
Hanover	0	0	0.00
Westmoreland	0	0	0.00
St. Elizabeth	0	0	0.00
Manchester	83	83	24.26
Clarendon	19	20	6.57
St. Catherine	353	358	193.80
TOTAL	602	608	271.27

OPEN MARKET

MORTGAGES AND BENEFICIARIES 2002/03

PARISH	NO. OF MORTGAGES	NO. OF BENEFICIARIES	VALUE (millions)
Kingston	41	43	24.93
St. Andrew	429	429	341.20
St. Thomas	29	29	23.20
Portland	3	3	2.39
St. Mary	4	4	2.89
St Ann	4	4	3.08
Trelawny	4	4	3.34
St James	84	84	62.71
Hanover	3	3	2.36
Westmoreland	8	8	5.93
St. Elizabeth	0	0	0.00
Manchester	17	17	13.78
Clarendon	43	43	35.08
St. Catherine	658	659	512.71
TOTAL	1327	1330	1033.59

Prime Minister P.J. Patterson at the handing over ceremony at Bellrock, St. Thomas, a scheme in the Sugar Workers' Housing Programme



HOUSING

PROJECTS



**TWICKENHAM
PARK,
St. Catherine**

**Breaking Ground
Fair Prospect,
Portland**



HOUSING PROJECTS



**MONYMUSK,
Clarendon**

Another scheme in the Sugar
Workers' Housing Programme



**CORNWALL
COURT II,
St. James**

AWARDEES



NHT Board Chairman Kingsley Thomas being presented with Jamaica's fourth highest honour, the Order of Jamaica, by Governor General, His Excellency the Most Honourable, Sir Howard Cooke. Mr. Thomas was recognised for his significant contribution to nation building

Earl Samuels, Managing Director, National Housing Trust & Morin Seymour, Managing Director, Kingston Restoration Company congratulating Mrs. Idell Grant on her retirement after 27 years of service to the NHT



HELPING HANDS

Mrs. Sharon Bucknor-Lynch
Director, KSAB, presenting
goodies to the children of
Walkers Place of Safety



BEST SCHEME

*A better community... a better Jamaica.
My responsibility.*

COMPLETION



*Ashé performing
at the launch of the NHT's
Best Scheme Competition
in February*



*Andrea Francis, Director
Corporate Planning
parading her talents
at the launch of the
Best Scheme Competition*

EMANCIPATION PARK



The Jamaica Defence Force Military Band performing at the official opening of Emancipation Park in July



The National Dance Theatre Company performing at the official opening of Emancipation Park



EMANCIPATION
PARK

Directors' Report

The Directors' are pleased to present their report and audited statements of Accounts, ended March 31st 2003

1. Financial Results

	<u>2003</u> (\$000)	<u>2002</u> (\$000)
Income		
Interest on		
Loans to beneficiaries	2,529,960	2,350,795
Investments	1,900,860	1,604,459
Finance for House Construction	52,143	44,380
Other Income	<u>352,630</u>	<u>248,058</u>
	4, 835,593	4,247,692
Expenditure		
Operating	1,540,625	1,218,175*
Other Expenses (Employee and Employers', subsidies -special projects and provision for losses)	<u>1,249,429</u>	<u>647,889</u>
	2,790,054	1,866,064
Surplus before exceptional item	2,045,539	2,381,628
● Exceptional Item	<u>(26,675)</u>	<u>(83,804)</u>
Net Surplus	<u>2,018,864</u>	<u>2,297,824</u>

* Revised operating expense

- Exceptional Items relate to gain on foreign exchange, restructuring expenses and 25th anniversary celebrations.

2. THE BOARD

The terms of the existing Board ended at the end of March,2003. The Directors who served the Trust during the period are:

Mr. Kingsley Thomas- Chairman
Mr. C. Earl Samuels - Managing Director
Mr. Patrick Lawrence, JP - Deputy Chairman
Mr. E.C. Bailey
Mr. Hopeton Craven
Mr. Morris Chin
Miss Shirley Ann Eaton
Mr. George Fyffe,OD., J.P.
Mr. Lloyd Goodleigh
Mr. Errol C. Greene
Mr Robert Cranston
Mr. Cyril Lebert
Mrs. Guila Bernal
Mr. Victor Robinson - (deceased)
Mr. Herbert Lewis
Mr. Donovan Stanberry
Mr. Ian Emmanuel

3. THE AUDITORS

The auditors, Deloitte& Touche, have indicated their willingness to continue in office.

4. THE EMPLOYEES

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

**A
U
D
I
T
E
D**

FINANCIAL STATEMENTS

2
0
0
2
/
0
3



AUDITORS' REPORT

To the Board of Directors of
NATIONAL HOUSING TRUST

Chartered Accountants

Kingston Gardens
P.O. Box 13, Kingston 4
Jamaica, W.I.

Telephone: (876) 922-6825/7
7 West Avenue
Facsimile: (876) 922-7673

42B & 42C Union Street
Montego Bay
Jamaica, W.I.

Telephone: (876) 952-4713-4
Facsimile: (876) 922-7673

We have audited the accompanying balance sheet of the National Housing Trust as of March 31, 2003 and the related income and expenditure account, statement of changes in accumulated fund and cash flows for the year then ended and have received all information and explanations which we considered necessary. These financial statements are the responsibility of the directors and management. 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 plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by directors and management, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

The Trust has not fully established personal accounts for employed persons who made contributions to the Trust as detailed in Note 10 to enable it to issue certificates of contributions made as required by the Act. The processing of annual returns is ongoing, and the Trust is taking steps to complete the processing to bring its records up to date and issue the relevant certificates, although its progress is hampered by employers not submitting the returns required in a timely manner.

In our opinion, the financial statements present fairly in all material respects the state of the Trust's affairs as at March 31, 2003 and of the results of its operations, its changes in accumulated fund and its cash flows for the year then ended in accordance with accounting standards generally accepted in Jamaica. Except for the matters referred to in the preceding paragraph, proper accounting records have been kept and the financial statements are in agreement therewith.

Without qualifying our opinion, we draw attention to Note 8 which discloses that certain investments relating primarily to loans granted to beneficiaries are not secured, although the Trust is currently pursuing titles to register individual mortgages.

Chartered Accountants
Kingston, Jamaica,
June 2, 2003

NATIONAL HOUSING TRUST
BALANCE SHEET AT MARCH 31, 2003

(Expressed in \$'000)


ASSETS

	<u>Notes</u>	<u>2003</u> \$	<u>2002</u> \$
CURRENT ASSETS			
Cash at bank		111,716	62,523
Short-term investments	4	7,001,657	7,482,671
Interest and other receivables		<u>1,097,661</u>	<u>1,061,596</u>
Total current assets		<u>8,211,034</u>	<u>8,606,790</u>
NON-CURRENT ASSETS			
Long-term loans and investments			
Long-term investments	4	7,087,428	3,321,696
Finance for house construction	5,8	1,938,761	1,534,622
Loans to beneficiaries	6,8	<u>36,022,744</u>	<u>32,075,191</u>
		45,048,933	36,931,509
Deferred expenditure	7	98,765	149,064
Fixed assets	9	<u>711,715</u>	<u>486,725</u>
Total non-current assets		<u>45,859,413</u>	<u>37,567,298</u>
TOTAL ASSETS		<u>54,070,447</u>	<u>46,174,088</u>

LIABILITIES AND ACCUMULATED FUND

	<u>Notes</u>	<u>2003</u> \$	<u>2002</u> \$
CURRENT LIABILITIES			
Accounts payable		589,756	549,306
Current portion of long-term liabilities	12	-	7,195
Cash grants due to employees	10	4,232,681	2,710,646
Employers' contributions refundable	2(c)	3,482	121,424
Bonus payable to employers		<u>3,665</u>	<u>48,164</u>
Total current liabilities		<u>4,829,584</u>	<u>3,436,735</u>
NON-CURRENT LIABILITIES			
Provision for unremitted employees' contributions	11	3,456	3,456
Long-term liabilities	12	55,017	55,807
Deferred income	13	<u>1,301,842</u>	<u>1,072,833</u>
		<u>1,360,315</u>	<u>1,132,096</u>
Refundable contributions not yet due			
Employees' contributions and bonus thereon	2,10	14,971,558	12,942,561
Total non-current liabilities		<u>16,331,873</u>	<u>14,074,657</u>
ACCUMULATED FUND			
Non-refundable employers' contributions		18,345,658	16,118,228
Capital reserve		208,208	208,208
Peril reserve	14	480,000	250,000
Surplus on income and expenditure account		<u>13,875,124</u>	<u>12,086,260</u>
Total accumulated fund		<u>32,908,990</u>	<u>28,662,696</u>
TOTAL LIABILITIES AND ACCUMULATED FUND		<u>54,070,447</u>	<u>46,174,088</u>

The Notes on pages 31 to 57 form an integral part of the Financial Statements.
Approved on behalf of the Board.


Kingsley Thomas (Chairman)
Member of the Board


C. Earl Samuels (Managing Director)
Member of the Board

NATIONAL HOUSING TRUST
INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED MARCH 31, 2003

(Expressed in \$'000)

	<u>Notes</u>	<u>2003</u> \$	<u>2002</u> \$
INCOME			
Interest on:			
- Loans to beneficiaries		2,529,960	2,350,795
- Investments		1,900,860	1,604,459
- Finance for house construction		52,143	44,380
Gain on disposal of housing units		20,289	11,256
Service charge on loans to beneficiaries		58,436	51,108
Miscellaneous	15	<u>273,905</u>	<u>185,694</u>
		<u>4,835,593</u>	<u>4,247,692</u>
EXPENDITURE			
Operating		1,540,625	1,218,175
Bonus on employees' contributions		837,994	400,535
Bonus on employers' contributions		-	3,540
Mortgage loss provision	6(i)	128,393	150,055
Losses on projects		195,268	78,759
Subsidies - special projects		<u>87,774</u>	<u>15,000</u>
		<u>2,790,054</u>	<u>1,866,064</u>
SURPLUS BEFORE EXCEPTIONAL ITEMS		2,045,539	2,381,628
EXCEPTIONAL ITEMS	16	<u>(26,675)</u>	<u>(83,804)</u>
NET SURPLUS	17	<u><u>2,018,864</u></u>	<u><u>2,297,824</u></u>

The Notes on pages 31 to 57 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST
STATEMENT OF CHANGES IN ACCUMULATED FUND

YEAR ENDED MARCH 31, 2003

(Expressed in \$'000)

	<u>Notes</u>	Non- Refundable Employers' <u>Contributions</u>	Capital <u>Reserve</u>	Peril <u>Reserve</u>	Surplus on Income and Expenditure <u>Account</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
Balance at March 31, 2001		13,629,486	208,208	-	10,038,436	23,876,130
Net surplus for the year		-	-	-	2,297,824	2,297,824
Contributions for the year		2,488,742	-	-	-	2,488,742
Transfer to peril reserve	14	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>
Balance at March 31, 2002		16,118,228	208,208	250,000	12,086,260	28,662,696
Net surplus for the year		-	-	-	2,018,864	2,018,864
Contributions for the year		2,227,430	-	-	-	2,227,430
Transfer to peril reserve	14	-	-	240,999	(240,999)	-
Utilised during the year	14	<u>-</u>	<u>-</u>	<u>(10,999)</u>	<u>10,999</u>	<u>-</u>
Balance at March 31, 2003		<u>18,345,658</u>	<u>208,208</u>	<u>480,000</u>	<u>13,875,124</u>	<u>32,908,990</u>

The Notes on pages 31 to 57 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST
STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2003

(Expressed in \$'000)

	<u>2003</u>	<u>2002</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	2,018,864	2,297,824
Non-cash items included in net surplus		
Losses on projects	283,042	93,759
Provision for bonus on employees' contribution	837,994	400,535
Mortgage loss provision	128,393	150,055
Depreciation	54,515	59,216
Gain on sale of fixed assets	(1,636)	(251)
Foreign exchange loss (net)	-	290
Deferred income amortised	(78,725)	(62,364)
Deferred expenditure amortised	<u>81,896</u>	<u>71,431</u>
	3,324,343	3,010,495
Increase in operating assets		
Interest and other receivables	(36,065)	(37,998)
Increase (decrease) in operating liabilities		
Accounts payable	40,450	117,847
Bonus payable to employers	(44,499)	3,585
Employer's contribution refunded	<u>(117,942)</u>	<u>-</u>
Cash provided by operating activities	<u>3,166,287</u>	<u>3,093,929</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred expenditure	(31,597)	(20,282)
Loans to beneficiaries less recoveries	(4,075,946)	(5,341,597)
Acquisition of fixed assets	(305,586)	(90,163)
Increase in investments (net)	(3,193,078)	(1,523,340)
Deferred income	307,734	183,960
(Increase) decrease in finance for house construction (net)	(670,316)	261,471
Proceeds on sale of fixed assets	<u>10,852</u>	<u>251</u>
Cash used in investing activities	<u>(7,957,937)</u>	<u>(6,529,700)</u>

NATIONAL HOUSING TRUST
STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2003

(Expressed in \$'000)

	<u>2003</u> \$	<u>2002</u> \$
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loans (net)	(7,985)	(15,291)
Contributions from employers	2,227,430	2,488,742
Contributions from employees	3,233,780	2,446,842
Refund of employee contributions	<u>(520,742)</u>	<u>(446,083)</u>
Cash provided by financing activities	<u>4,932,483</u>	<u>4,474,210</u>
INCREASE IN CASH BALANCES	140,833	1,038,439
OPENING CASH BALANCES	<u>6,184,212</u>	<u>5,145,773</u>
CLOSING CASH BALANCES	<u><u>6,325,045</u></u>	<u><u>6,184,212</u></u>
Represented by:		
Cash	111,716	62,523
Short-term investments	<u>6,213,329</u>	<u>6,121,689</u>
	<u><u>6,325,045</u></u>	<u><u>6,184,212</u></u>

The Notes on pages 31 to 57 form an integral part of the Financial Statements.

1 IDENTIFICATION

The National Housing Trust was established in Jamaica as a body corporate under the National Housing Trust Act (the Act).

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.

The Trust is exempt from income tax and property tax under Section 8 of the Act. (See Note 19).

These financial statements are expressed in Jamaican dollars.

2 CONTRIBUTIONS AND BENEFITS

- (a) The Act requires certain employed persons, 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) cash grants 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) cash grants in the event of death, invalidity and other circumstances prescribed.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

2 **CONTRIBUTIONS AND BENEFITS (Cont'd)**

- (c) Each year's contributions made by employers in respect of the period from inception to July 31, 1979 are refundable in the form of cash grants twenty-five years after the end of the year in which they were made. During the year, on the decision of the Directors, a significant amount of those contributions along with bonus thereon net of any applicable penalties, was repaid. The remaining amounts will be repaid during 2003/ 2004. 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 have been credited to the accumulated fund.

3 **SIGNIFICANT ACCOUNTING POLICIES**

- (a) Accounting convention, principles and standards

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets. The accounting principles followed by the Trust are those generally accepted in Jamaica, and these financial statements comply in all material respects with the requirements of applicable statements of standard accounting practice issued by the Institute of Chartered Accountants of Jamaica.

- (b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

- (c) Investments

Quoted stocks and shares as well as life insurance policies, and Jamaica Unit Trust investments are stated at the lower of cost and market value. Provisions are made on a total portfolio basis if market value is less than cost. Other long-term investments are stated at cost.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

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

(d) Deferred income

This comprises:

- (i) Service charge on loans to beneficiaries
- (ii) Gain on disposal of housing units.

A fee of 5% to cover processing and administrative expenses is added to the purchase price when granting new mortgages. The difference between the fee income and the related expenses is amortised over the average life of the mortgage.

Surpluses on disposal of all units in a housing project are amortised on a straight line basis over twenty-five years. Losses are charged against income in the year of occurrence.

(e) Loans to beneficiaries

- (i) These are stated at outstanding principal, except for graduated payment mortgage loans stated at outstanding principal, plus capitalised interest.
- (ii) A provision is made for mortgage loan losses calculated on the basis of 3% of total loans to beneficiaries or the projected loss in the event of default, whichever is higher.

(f) Deferred expenditure

Costs relating to the development of computer systems are amortised over a period of three years from the date each phase of the computer systems development is completed.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Fixed assets and depreciation

Fixed assets are stated at cost, less subsequent accumulated depreciation, except for certain freehold land and buildings which are recorded at market value, less any subsequent accumulated depreciation in respect of buildings. The unrealized surplus arising from these revaluations are credited to capital reserve in the Accumulated Fund, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the income and expenditure account to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of fixed assets is charged as an expense to the extent that it exceeds the balance, if any, held in the capital reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the capital reserve is transferred to the accumulated fund.

Depreciation is charged to write off the cost or revalued amounts on the straight line basis over the estimated lives of the assets. Annual depreciation rates are based on the following estimated useful lives:

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

No depreciation is provided on freehold land.

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 recognized in income.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

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

(g) Fixed assets and depreciation (Cont'd)

Construction in progress is carried at cost. Cost includes professional fees incurred during construction. Depreciation on these assets commences when the assets are ready for their intended use.

(h) Contributions

Contributions are recorded on a cash basis as the Directors consider that this is the most practical method of dealing with such receipts. Accordingly, the Trust does not account for contributions which at year end (March 31) have not been collected from employers.

(i) Penalties

Section 37(4) of the Act directs the Trust to charge penalties at the rate of 20% per annum on contributions not paid over on the due dates. These penalties are recorded wholly on the basis of amounts collected. The penalty increases to 40% once the Trust obtains a judgement in respect of contributions not paid at the due date.

(j) Peril reserve

Transfers are made from the net surplus to the peril reserve up to the policy deductible limit to settle insurance claims by mortgage beneficiaries.

(k) Interest on loans to beneficiaries

Interest income is recorded on the accrual basis except where payment is outstanding 180 days and over, in which event interest is taken into account on the cash basis.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

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

(l) Foreign currencies

Transactions in foreign currencies have been converted to Jamaican dollars at the rates of exchange ruling at the dates of those transactions. Assets and liabilities denominated in foreign currencies are translated to Jamaican dollars at the exchange rates current at balance sheet date. All exchange gains and losses are credited to or charged against income of the year.

(m) Pension plan

The Trust operates a defined benefit plan which substantially covers all employees. Pension costs are recognised by current funding and accruals, and are determined on the basis of triennial actuarial valuations.

(n) Financial instruments

Financial instruments include contracts that give rise to both financial assets and financial liabilities. Financial assets include the Trust's assets except deferred expenses, fixed assets, land held for development, inventory of housing units, and prepayments.

Financial liabilities include the Trust's liabilities except accruals, provisions for unremitted employees' contributions, and deferred income.

The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item.

The fair values of the financial instruments are discussed in Note 21.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

4 **INVESTMENTS**

(a) Short-term investments

	Nominal <u>Value</u> \$'000	<u>2003</u> \$'000	<u>2002</u> \$'000
Treasury bills maturing within six months of year end	327,562	311,982	408,747
Deposits with interest at rates ranging from 9.9% - 35.8% (2002: 9.5% - 21%) per annum maturing within seven months of year end		<u>5,901,347</u>	<u>5,712,942</u>
		6,213,329	6,121,689
Current portion of long-term investments (Note 4(b))		788,328	1,289,932
Short-term loan (Note 4(c))		<u>-</u>	<u>71,050</u>
		<u><u>7,001,657</u></u>	<u><u>7,482,671</u></u>

Deposits include foreign currency deposits of US\$510,175 (2002 US\$202,149) at interest rates of 9.9% - 10.15% per annum (2002: 9.5% - 10%).

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2003

4 INVESTMENTS (Cont'd)

(b) Long-term investments	<u>2003</u>	<u>2002</u>
	\$'000	\$'000
(i) Investments at cost		
Jamaica National Building Society variable rate deposit maturing in 2002	-	131,740
National Road Operating and Construction Company Ltd. (NROCC) Infrastructure 4.5% (plus adjustment for inflation component) Convertible Jamaican Dollar denominated Bonds maturing in 2032. The Trust has the option to convert bonds to NROCC shares at redemption.	991,300	666,667
Government of Jamaica 16.25% Debenture (2002: 16%-18%) maturing in 2002/2003	536,286	1,072,574
Government of Jamaica 14.5% - 19.75% Debenture (2002:16% - 18%) maturing in 2003/2004	2,086,262	635,000
Deposits maturing in 2003/2004 held at		
- Bank of Nova Scotia at an interest rate of 35.80% per annum	200,000	-
- First Caribbean International Trust and Merchant Bank at an interest rate of 35.85% per annum	<u>282,000</u>	<u>-</u>
	<u>4,095,848</u>	<u>2,505,981</u>
	Nominal value	
	\$'000	
Local registered stock - at cost		
Variable 2002/2003	152,000	1,158,192
Variable 2003/2004	836,196	52,000
Variable 2004/2005	191,000	636,156
Variable 2005/2006	1,400,000	150,000
Variable 2006/2007	100,000	-
Variable 2008/2009	1,000,000	<u>-</u>
	<u>3,676,527</u>	<u>1,996,348</u>
Carried forward	<u>7,772,375</u>	<u>4,502,329</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2003

4 **INVESTMENTS (Cont'd)**

(b) Long-term investments (Cont'd)	<u>2003</u> \$'000	<u>2002</u> \$'000
Brought forward	<u>7,772,375</u>	<u>4,502,329</u>
(ii) Investments at the lower of cost and market value		
Life of Jamaica Limited - Universal Investment Policy	31,170	31,170
Quoted shares	372	372
Jamaica Unit Trust Fund - Units	<u>86,317</u>	<u>86,317</u>
	117,859	117,859
Provision for losses	<u>(14,478)</u>	<u>(8,560)</u>
	<u>103,381</u>	<u>109,299</u>
	7,875,756	4,611,628
Less current portion classified as short-term investments (Note 4(a))	<u>788,328</u>	<u>1,289,932</u>
	<u><u>7,087,428</u></u>	<u><u>3,321,696</u></u>
(iii) Market value of investments stated at the lower of cost and market value on a portfolio basis (Note 3(c))		
Quoted investments, life policy, and Jamaica Unit Trust Fund - Units	<u>103,381</u>	<u>109,299</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2003

4 **INVESTMENTS (Cont'd)**

(c) Short-term Loan

This represents a loan to New Era Homes 2000 Limited. Interest was at the rate of 12% and the loan was repaid during the year.

5 **FINANCE FOR HOUSE CONSTRUCTION**

	<u>2003</u> \$'000	<u>2002</u> \$'000
(a) Housing projects		
NHT financed (See Note below)	277,350	402,420
NHT owned developments	<u>1,052,274</u>	<u>258,538</u>
	1,329,624	660,958
(b) Land held for development	349,600	262,786
(c) Houses completed but not allocated		
Total value of units	<u>892,099</u>	<u>1,061,162</u>
	2,571,323	1,984,906
Less: Provision for losses	<u>632,562</u>	<u>450,284</u>
	<u><u>1,938,761</u></u>	<u><u>1,534,622</u></u>

This represents the total amount of finance which is provided to public and private developers, inclusive of interest charged during the construction period at rates ranging from 8% to 12% per annum. (See Note 8.1c).

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2003

6 **LOANS TO BENEFICIARIES**

	<u>2003</u> \$'000	<u>2002</u> \$'000
(a) Loans to beneficiaries selected by the Trust (Note 6(c), (d))		
Mortgage loans	30,197,638	27,241,622
Loans for which mortgage processing is incomplete (Note 6(e))	1,520,496	1,394,947
Loans through financial institutions (Note 6(f))	1,340,068	1,465,186
Loans through joint venture programme (Note 6(g))	<u>205,758</u>	<u>295,442</u>
	<u>33,263,960</u>	<u>30,397,197</u>
(b) Loans to beneficiaries selected by the following agencies approved by the Trust:		
Jamaica Teachers' Association Housing Co-operative Limited (JTAHC):		
Special facility (Note 6(h)(i))	283,810	283,810
Other (Note 6(h)(ii))	82,637	93,353
National Housing Development Corporation (NHDC) (Formerly Caribbean Housing Finance Corporation)		
Repayable in 25 years at 8% per annum (Note 6(h)(iii))	759,238	772,227
Repayable in 15 years at 8% per annum (Note 6(h)(iv))	1,057,593	909,940
Repayable over 10 years at 4% per annum (Note 6(h)(v))	139,804	150,110
Repayable in 10 years at 8% per annum (Note 6(h)(vi))	798,863	-
Repayable in 15 years at 11% per annum (Note 6(h)(vii))	87,300	-
University of the West Indies (Note 6(h)(viii))	584,800	384,731
Other institutions	<u>69,053</u>	<u>65,842</u>
	<u>3,863,098</u>	<u>2,660,013</u>
Total	37,127,058	33,057,210
Less: Mortgage loss provision (Notes 3(e)(ii), 6(ii))	<u>1,104,314</u>	<u>982,019</u>
	<u>36,022,744</u>	<u>32,075,191</u>

6 **LOANS TO BENEFICIARIES (Cont'd)**

- (c) Effective April 1, 2002 the rate of interest payable by a beneficiary selected by the Trust on a loan varies from 2% to 9% (2002: 2% to 12% p.a.) depending on the income of the beneficiary. The loans together with interest thereon are repayable in monthly instalments over periods ranging up to a maximum of 30 years.
- (d) Mortgage loans of \$30,197,638,000 (2002: \$27,241,622,000) include loans totalling \$6,481,262,000 (2002: \$4,847,087,000) in certain schemes for which parent titles exist or have been 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.
- (e) 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.
- (f) 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.
- (g) Loans through Joint Venture programme

These are loans granted to beneficiaries who are employees and who are in a position to obtain additional funds from their employers to enable them to purchase housing units. Under this programme the Trust and the participating employer will 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%.
- (h) Loans to beneficiaries selected by agencies approved by the Trust
 - (i) This represents advances plus interest under a special loan facility which was repayable by July 31, 1998. The interest rate applicable is the average yield of the six month Treasury bill issued immediately prior to the interest payment date. The loan is guaranteed by the Ministry of Finance and Planning which has undertaken to repay the full amount of the loan plus interest if the JTAHC is unable to do so.

6 LOANS TO BENEFICIARIES (Cont'd)

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

(i) (Cont'd)

The guarantee expired on July 31, 1998 but has been extended to July 31, 2003. The Trust is presently negotiating with the JTAHC and the Ministry for the transfer of certain registered mortgages to offset amounts due by JTAHC. No interest has been accrued since April 2000 pending finalization of these negotiations.

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

The JTAHC mortgage portfolio was transferred to the Trust in settlement of amounts owed by the JTAHC in respect of loans granted to the JTAHC under the Joint Venture and Combined Mortgage programmes. A formal agreement has been drafted for the signatures of the parties and will be executed when the Statement of Account in respect of the transfer has been finalized. The Trust is in the meanwhile registering its interest on the various titles.

Included in these accounts are the following balances with respect to these transactions:

	\$'000
Mortgage principal and advances	366,447
Amounts due to JTAHC (Classified under accounts payable)	68,247

(iii) The principal loan is repayable in quarterly instalments over a 25 year period commencing January 1, 2001. Interest is chargeable at 8% p.a. and is payable in quarterly instalments from January 1, 1997. Security is to comprise the transfer of mortgages by NHDC to the Trust. (See Note 8.1(a)).

6 LOANS TO BENEFICIARIES (Cont'd)

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

(iv) 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 NHDC - Operation Pride portfolio. The loan is for a period of 15 years commencing November 2001, and is repayable, with interest, in installments of \$8,695,856 per month. Interest is charged at 8% per annum. The loan is secured by:

- a guarantee of the Ministry of Finance & Planning in respect of \$250 million.
- transfer of mortgages in respect of the Greater Portmore portfolio.
- duplicate certificates of title in respect of the Greater Portmore portfolio which shall be retained by the Trust.

(v) An amount of \$180 million was advanced to NHDC 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 principal loan is repayable over 10 years in 120 equal installments at an interest rate of 4% per annum.

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

(vi) 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 NHDC - Operation pride portfolio. The loan commenced September 2002 and the principal is repayable in 120 equal instalments commencing September 2003. The interest is repayable monthly in arrears on the first business day of each calendar month commencing October 1, 2002. Interest is charged at 8% per annum or such other rate as the Trust may from time to time notify the NHDC.

6 LOANS TO BENEFICIARIES (Cont'd)

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

(vi) (Cont'd)

The loan is secured by:

- A guarantee by the Ministry of Finance and Planning, which has undertaken to repay the full amount of principal plus interest if the NHDC is unable to do so.
- Transfers of mortgages in respect of the Greater Portmore portfolio.
- Duplicate Certificates of titles in respect of the Greater Portmore portfolio which shall be retained by the Trust.

(vii) The loan is for a sum of \$88,711,063 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 instalments. Interest is repayable monthly in arrears on the first business day in each calendar month commencing August 2002. Interest is charged at 11% per annum or such other rate as the Trust may from time to time notify the NHDC. The loan agreement has not yet been finalized.

The loan is secured by:

- Assignment of loan repayments in respect of the Greater Portmore portfolio.
- Transfer to the Trust of mortgages held by NHDC/CHFC under the Greater Portmore portfolio.

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

This represents advances for the construction of student housing. The loan is for a period of 25 years at an interest rate of 8% per annum. The security for the advance is:

- (i) A guarantee by 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 fees paid for accommodation by the students in respect of the buildings constructed.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2003

6 **LOANS TO BENEFICIARIES (Cont'd)**

(i) The movement in the mortgage loss provision is as follows:

	<u>2003</u> \$'000	<u>2002</u> \$'000
Balance, April 1	982,019	840,854
Loans written off during the year	(6,098)	(8,890)
Add: Provision for year	<u>128,393</u>	<u>150,055</u>
Balance, March 31	<u><u>1,104,314</u></u>	<u><u>982,019</u></u>

7 **DEFERRED EXPENDITURE**

This represents costs incurred in relation to software development and implementation of a new computerised system.

The movement during the year is as follows:

	<u>2003</u> \$'000	<u>2002</u> \$'000
Balance, April 1	149,064	200,213
Additions during the year	31,597	20,282
Amortization	<u>(81,896)</u>	<u>(71,431)</u>
Balance, January 31	<u><u>98,765</u></u>	<u><u>149,064</u></u>

8 **STATUS OF SECURITIES FOR FINANCE FOR HOUSE CONSTRUCTION AND LOANS TO BENEFICIARIES**

.1 The Trust does not hold title deeds as security in respect of the following investments:

(a) Loans to National Housing Development Corporation (NHDC) (Formerly Caribbean Housing Finance Corporation (CHFC)) (Note 8.2)

	<u>2003</u> \$'000	<u>2002</u> \$'000
To finance mortgage loans to beneficiaries	<u>586,309</u>	<u>772,227</u>
(b) Loans through joint venture and combined mortgage programmes (Note 8.3)		
- Joint venture	205,758	295,442
- Combined mortgage	<u>1,340,068</u>	<u>1,465,186</u>
Sub-total	<u>1,545,826</u>	<u>1,760,628</u>
Balance c/f	<u><u>2,132,135</u></u>	<u><u>2,532,855</u></u>

8 **STATUS OF SECURITIES FOR FINANCE FOR HOUSE CONSTRUCTION AND LOANS TO BENEFICIARIES (Cont'd)**

.1 (Cont'd)

	<u>2003</u> \$'000	<u>2002</u> \$'000
Balance b/f	<u>2,132,135</u>	<u>2,532,855</u>
(c) Other loans (Note 8.4)		
Mortgage loans to beneficiaries	4,173,409	1,394,947
Finance for housing construction projects	<u>168,245</u>	<u>152,592</u>
Sub-total	<u>4,341,654</u>	<u>1,547,539</u>
Total	<u><u>6,473,789</u></u>	<u><u>4,080,394</u></u>

- .2 In respect of the loans to beneficiaries stated in Note 8.1(a) above, the individual mortgages are registered in the name of CHFC. NHDC (formerly CHFC) and the Trust have concluded an agreement for Instruments of Transfer of Mortgage to be executed in favour of the Trust, and these have been used to lodge caveats against the relevant properties. This process was completed during the year.
- .3 The loans through financial institutions and joint venture programme are supported by promissory notes, and in the case of building societies, share certificates. It is the Trust's intention to record pari passu mortgages on the titles in the name of the Trust in respect of all future loans under this programme.
- .4 It has been an established policy of the Trust to carry out housing projects on lands owned by the Government of Jamaica or its approved agencies without first registering mortgages on the land on which the houses are constructed. This has been done to minimise delays and to keep the cost of a housing unit to a minimum. In this respect obtaining land titles, sub-division plans and splinter titles takes place during construction and after the housing projects are completed and houses handed over to beneficiaries. While this results in certain construction finance and mortgage loans not being secured in the interim, the directors do not consider the lack of security for finances provided under programmes described in Note 8.1(c) will have a material impact on these financial statements.
- .5 A provision for mortgage losses of \$1,104,314,000 (2002 - \$982,019,000) as reflected in Note 6 has been made to cover any losses that may arise from the investments referred to in Note 8.1 above and other mortgage loans.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2003

9 **FIXED ASSETS**

	Freehold Land \$'000	Freehold Buildings \$'000	Partitions \$'000	Furniture, Fixtures and Office Equipment \$'000	Computer Equipment \$'000	Heavy Equipment \$'000	Motor Vehicles \$'000	Construction in progress \$'000	Total \$'000
At cost or valuation									
April 1	71,766	264,492	7,105	147,881	242,312	39,901	25,947	5,141	804,545
Additions	4,050	-	466	29,214	45,946	-	14,219	211,691	305,586
Transfer	-	185,700	-	-	-	-	-	(185,700)	-
Disposals	-	(7,214)	-	(379)	-	-	(9,425)	-	(17,018)
March 31	<u>75,816</u>	<u>442,978</u>	<u>7,571</u>	<u>176,716</u>	<u>288,258</u>	<u>39,901</u>	<u>30,741</u>	<u>31,132</u>	<u>1,093,113</u>
Classified as follows:									
At cost	16,516	262,670	7,571	176,716	288,258	39,901	30,741	31,132	853,505
At valuation	<u>59,300</u>	<u>180,308</u>	-	-	-	-	-	-	<u>239,608</u>
	<u>75,816</u>	<u>442,978</u>	<u>7,571</u>	<u>176,716</u>	<u>288,258</u>	<u>39,901</u>	<u>30,741</u>	<u>31,132</u>	<u>1,093,113</u>
Depreciation									
April 1	-	57,417	3,768	85,188	153,040	1,330	17,077	-	317,820
Charge for year	-	6,589	560	19,736	31,478	7,860	5,157	-	71,380
On disposals	-	(451)	-	(98)	-	-	(7,253)	-	(7,802)
March 31	-	<u>63,555</u>	<u>4,328</u>	<u>104,826</u>	<u>184,518</u>	<u>9,190</u>	<u>14,981</u>	-	<u>381,398</u>
Net book value									
March 31, 2003	<u>75,816</u>	<u>379,423</u>	<u>3,243</u>	<u>71,890</u>	<u>103,740</u>	<u>30,711</u>	<u>15,760</u>	<u>31,132</u>	<u>711,715</u>
March 31, 2002	<u>71,766</u>	<u>207,075</u>	<u>3,337</u>	<u>62,693</u>	<u>89,272</u>	<u>38,571</u>	<u>8,870</u>	<u>5,141</u>	<u>486,725</u>

9 **FIXED ASSETS (Cont'd)**

Land and buildings included at valuations are based on fair market values expressed by independent professional valutors, D. C. Tavares and Finson, Chartered Quantity Surveyors, on December 7, 1993, and Easton Douglas & Company, Chartered Surveyors, on November 10, 1994.

The unrealised surplus on valuation was credited to capital reserve. Subsequent additions are stated at cost.

Included in the cost of fixed assets are the following in respect of Emancipation Park:

	\$'000
Land	4,050
Buildings	185,700
Furniture, fixtures and office equipment	<u>6,345</u>
	<u><u>196,095</u></u>

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.

Depreciation amounting to \$16.865 million was charged to various projects included under Finance for Housing Construction.

10 EMPLOYEE CONTRIBUTIONS REFUNDABLE

(a)	2003			2002
	<u>Currently Due</u> \$'000	<u>Not Yet Due</u> \$'000	<u>Total</u> \$'000	\$'000
Contributions refundable	2,824,234	14,011,227	16,835,461	14,083,848
Bonus accrued (Note 10(b))	<u>1,408,447</u>	<u>960,331</u>	<u>2,368,778</u>	<u>1,569,359</u>
	<u>4,232,681</u>	<u>14,971,558</u>	<u>19,204,239</u>	<u>15,653,207</u>
Represented by: 8% Savings Accounts				
Principal	275,416	-	275,416	395,378
Interest	<u>28,392</u>	<u>-</u>	<u>28,392</u>	<u>24,038</u>
	<u>303,808</u>	<u>-</u>	<u>303,808</u>	<u>419,416</u>
3% Time Accounts				
Principal	-	881,800	881,800	1,188,023
Interest	<u>-</u>	<u>139,671</u>	<u>139,671</u>	<u>166,677</u>
	<u>-</u>	<u>1,021,471</u>	<u>1,021,471</u>	<u>1,354,700</u>
Total for which personal accounts are established	303,808	1,021,471	1,325,279	1,774,116
Balances for which no personal accounts established	<u>3,928,873</u>	<u>13,950,087</u>	<u>17,878,960</u>	<u>13,879,091</u>
Total refundable employee contribution	<u>4,232,681</u>	<u>14,971,558</u>	<u>19,204,239</u>	<u>15,653,207</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2003

10 **EMPLOYEE CONTRIBUTIONS REFUNDABLE (Cont'd)**

(a)	2003			2002
	<u>Currently Due</u> \$'000	<u>Not Yet Due</u> \$'000	<u>Total</u> \$'000	\$'000
Reflected in the Financial Statements:				
Cash grants due to employees	<u>4,232,681</u>	-	<u>4,232,681</u>	<u>2,710,646</u>
Bonus to employees not yet due	-	960,331	960,331	993,330
Employees' contributions not yet due	<u>-</u>	<u>14,011,227</u>	<u>14,011,227</u>	<u>11,949,231</u>
Employees' contributions and bonus thereon	<u>-</u>	<u>14,971,558</u>	<u>14,971,558</u>	<u>12,942,561</u>
	<u><u>4,232,681</u></u>	<u><u>14,971,558</u></u>	<u><u>19,204,239</u></u>	<u><u>15,653,207</u></u>

(b) Bonuses are payable to contributors at the rate specified by the Minister of Government responsible for the Trust. The amount payable to employers (Note 2(c)) is payable on a current basis whereas that payable to employees for each year will be paid together with the cash grant benefits awarded as described in Note 2(b) (ii). Bonuses have been calculated at 3% per annum for the first seven years and 8% per annum thereafter.

(c) The primary reasons for the backlog in establishing 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 reconciling these returns and creating the appropriate personal accounts by interface with the computerized contributions system.

The Trust is considering a number of strategies to address this problem, which, when implemented, will result in the reduction of the backlog in establishing personal accounts.

11 **PROVISION FOR UNREMITTED EMPLOYEES' CONTRIBUTIONS**

This represents a provision made in previous years to cover any liabilities which may arise from any unremitted employees' contributions together with any bonuses which may be payable thereon.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2003

12 **LONG-TERM LIABILITIES**

	<u>2003</u> \$'000	<u>2002</u> \$'000
(a) Caribbean Development Bank Loan repayable 1987 - 2003 (2002: US\$168,349) guaranteed by the Government of Jamaica (Note 12 (c))	-	7,985
(b) Government of Jamaica - Puerto Rican Housing Scheme (Note 12(d))	<u>55,017</u>	<u>55,017</u>
	55,017	63,002
Less: Current portion	<u>-</u>	<u>7,195</u>
	<u><u>55,017</u></u>	<u><u>55,807</u></u>

(c) Caribbean Development Bank Loan

The loan was fully repaid during the year.

(d) Government of Jamaica (Puerto Rican Housing Scheme)

The amount of \$55 million (2002 - \$55 million) is payable to the Government of Jamaica on account of its contribution in financing the Puerto Rican Housing Scheme. Payments will be on the basis of collections received from the beneficiaries of the scheme. Interest is charged at 8% per annum.

No repayments have been made to date and no interest was booked during the year.

13 **DEFERRED INCOME**

This comprises:

	<u>Gain on disposal of housing units (Note 3(d)) \$'000</u>	<u>Service charge on loans to Beneficiaries (Note 3(d)) \$'000</u>	<u>2003</u> \$'000	<u>2002</u> \$'000
Balance, April 1	153,896	918,937	1,072,833	951,237
Additions during the year	178,119	129,615	307,734	183,960
Amortisation	<u>(20,289)</u>	<u>(58,436)</u>	<u>(78,725)</u>	<u>(62,364)</u>
Balance, March 31	<u><u>311,726</u></u>	<u><u>990,116</u></u>	<u><u>1,301,842</u></u>	<u><u>1,072,833</u></u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2003

14 **PERIL RESERVE**

In respect of the 2002 - 2003 policy year, the Trust increased its policy deductible to US\$10 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). As a consequence, a reserve of \$480 million has been established.

15 **MISCELLANEOUS INCOME**

This comprises:

	<u>2003</u> \$'000	<u>2002</u> \$'000
Penalty income	185,271	120,360
Other	<u>88,634</u>	<u>65,334</u>
	<u>273,905</u>	<u>185,694</u>

16 **EXCEPTIONAL ITEMS**

The balance comprises:

	<u>2003</u> \$'000	<u>2002</u> \$'000
Gain on foreign exchange	(7,986)	(4,304)
Restructuring expenses (Note 16(a))	3,707	42,670
25th Anniversary celebrations expenses	<u>30,954</u>	<u>45,438</u>
	<u>26,675</u>	<u>83,804</u>

(a) The amount represents redundancy costs resulting from the restructuring of the organisation.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

17 **NET SURPLUS**

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

	<u>2003</u> \$'000	<u>2002</u> \$'000
Directors' emoluments:		
Non Executive Directors - fees and expenses	842	950
Management	7,569	7,850
Audit fees	7,350	6,900
Interest on fixed loans	123	1,524
Depreciation	54,515	59,216

18 **COMMITMENTS**

	<u>2003</u> \$'000	<u>2002</u> \$'000
Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	7,549,913	5,928,831
Purchase of land	23,018	27,000
Purchase of NROCC Infrastructure Bonds	-	333,333
National Housing Development Corporation	-	190,000
	<u>7,572,931</u>	<u>6,479,164</u>
Authorised and approved but not contracted for:		
Purchase of land	218,800	-
Loans	1,025,000	-
Inner City Renewal project	5,000,000	-
	<u>6,243,800</u>	<u>-</u>

19 **INCOME TAX**

The National Housing Trust Act exempts the Trust from income tax on its surplus on operations.

20 **PENSION PLAN**

The Trust participates in a pension scheme which is administered by Trustees and managed by Life of Jamaica Limited. The scheme is funded by employee contributions of 5% and employer contributions as recommended by independent actuaries. The scheme provides for retirement and death benefits which are based on final five year average earnings. The plan is valued every three years by independent actuaries. At the date of the last actuarial valuation, which was at December 31, 2000, there was a past service surplus.

21 FINANCIAL INSTRUMENTS

(a) Fair value

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. These housing projects and/or mortgages 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 will 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 Trust views carrying values of financial instruments as follows:

- i) the carrying amounts of cash, short-term investments, receivables, accounts payable and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturities of these instruments.
- ii) the carrying values of long-term investments, finance for house construction, loans to beneficiaries, (after deductions for the provision for credit losses), long-term liabilities, bonus to employees not yet due and refundable contributions not yet due are assumed to approximate their fair values.

(b) Interest rate risk

The Trust is not exposed to significant interest rate risks for the reasons that the primary funding of the Trust are contributions which are either non-refundable or refundable at nominal rates of interest. These funds together with surpluses on operations are the main source of short and long-term investments, loans to beneficiaries and finance for house construction. Such investments are at significantly higher rates of return. There is a minor risk that loans to certain institutions may pose some risks but are not in the aggregate material enough to affect the Trust.

(c) Credit risk

Financial instruments by their nature contain an inherent risk that counter parties might default on the terms of agreement. The Trust seeks to minimise its risk in the following ways:

- Short-term investments are placed with reputable financial institutions and management limits the amount of investment with any one institution.
- Long-term investments to specific financial and other institutions are usually collateralised.
- Monitoring the terms of investments and ensuring that the terms of agreement are complied with.

21 **FINANCIAL INSTRUMENTS (Cont'd)**

(c) Credit risk (Cont'd)

The Trust has a significant credit risk exposure in respect of loans to beneficiaries and finance for house construction including those to other financial institutions. This risk, however, 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. Additionally, a significant portion of these loans is secured on houses, and the Trust makes general provisions to safeguard itself against credit losses and the Trust's experience of credit loss has been low.

(d) Foreign currency risk

The Trust incurs foreign currency risks on transactions that are denominated in currencies other than the Jamaican dollar. The Trust's net foreign currency assets at end of the year was as follows:

<u>2003</u>	<u>2002</u>
US\$'000	US\$'000
<u>771</u>	<u>153</u>

22 **OTHER DISCLOSURES - EMPLOYEES' COSTS**

(a) Number of persons employed
by the Trust as at year end:
Permanent staff
Temporary staff

<u>2003</u>	<u>2002</u>
519	482
<u>212</u>	<u>190</u>
<u>731</u>	<u>672</u>

(b) Staff costs incurred during the year in respect
of these employees were:

	<u>2003</u>	<u>2002</u>
	\$'000	\$'000
Salaries and wages including statutory contributions	800,466	672,729
Pension costs	62,201	28,265
Other staff costs	<u>93,072</u>	<u>92,310</u>
	<u>955,739</u>	<u>793,304</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

23 **RECLASSIFICATION**

In order to conform with the March 31, 2003 presentation, certain items in the prior year financial statements have been reclassified.

24 **INTERNATIONAL ACCOUNTING STANDARDS**

The Institute of Chartered Accountants of Jamaica has adopted International Accounting Standards (IAS) as Jamaica's National Accounting Standards. These standards are applicable to financial statements for accounting periods, beginning on or after July 1, 2002. The Trust's financial statements for year ending March 31, 2004, will be prepared under the provisions of IAS. The financial positions and results of the operations of the Trust determined under the provisions of IAS may differ from those determined under the provisions of accounting standards used in the preparation of these financial statements (see Note 3(a)). The directors and management are currently undertaking an analysis to determine the likely impact, if any, of IAS on the Trust's financial position and results of operations.

Executive Compensation

The compensation package for thirty-one executives for the 12 months ending 31 March is as follows:

		<u>2003</u> \$'000	<u>2002</u> \$000
Managing Director (1)		5,380	4,479
Senior Directors (4)	From	2,893	2,700
	To	3,429	2,727
Directors/Senior Managers (26)	From	2,344	2,196
	To	3,059	2,855

Notes

- 1) The compensation packages for the Managing Director and Senior Directors exclude the provision of a fully maintained car. In addition, the Managing Director, being the only contract officer whose position does not fall under the organization's pension scheme, receives a gratuity of 25%, on his compensation package.

Senior Management Team



Patrick Brown . Vincent George . Shelley Whittle . Judith Larmond -Henry . Hugh Reid

BRANCH NETWORK

REGIONAL MANAGERS

Sharon Bucknor Lynch
Kingston and St. Andrew
4 Park Boulevard
Kingston 5

Novellette Forbes
St. James
1 King Street
Montego Bay

Gladstone Johnson
St. Ann
12 Bravo Street
St. Ann's Bay

Joyce Simms Wilson
Manchester
Lot 22 Caledonia Mall
3 ½ Caledonia RD.
Mandeville

BRANCH MANAGERS

Lorna Bernard
Westmoreland
123 Great George Street
Savanna-la-mar

Janet Hartley
St. Catherine
16 Martin Street
Spanish Town

Judith Thompson
Clarendon
47 Manchester Avenue
May Pen

SENIOR CLIENT SERVICES REPRESENTATIVES

Venel Gordon (Acting)
St. Elizabeth
109 Main Street
Santa Cruz

Alwyn Hayes
Hanover
Uptown Shopping Centre
Moseley Drive
Luca

Iona Salmon
Trelawny
72 Duke Street
Falmouth

Davia Mangaroo
Portland
31 West Street
Port Antonio

Violet Salabie
St. Thomas
2 Georges Street
Morant Bay

Janice Speid
St. Mary
64 Stennett Street
Port Maria

DIRECTORS

Sharon Bucknor Lynch
Kingston and St. Andrew Regional Office

Andrea Francis
Corporate Planning

Judith Larmond Henry
Company Secretary/Legal Counsel

Quinton Masters
Project Appraisal and Management

Martin Miller
Treasury Management

Donald Moore
Project Management

Ray Nixon
Financial Controls

Benedict Ranger
Chief Information Officer

Hortense Rose
Public Education

Jeneita Townsend
Human Resources Development

Lorna Walker
Chief Internal Auditor

SENIOR MANAGERS

Erica Burrell
Internal Management Consultant

Keith Clarke
Interim Financed Projects

Deloris Facey Johnson
User Support & Application Development - IS

Novelette Forbes
St. James Regional Office

Ransford Hamilton
Property Management

Cheryl Harris Walder
Business Analysis Unit

Janet Hartley
St. Catherine Branch Office

Kalean Mills
Legal Conveyancing

SENIOR MANAGERS cont'd.

Harold Minott
Personnel Services, HRD

Leighton Palmer
Technical Support - IS

Joyce Simms Wilson
Manchester Regional Office

Philbert Solomon
Investment

Audley Stewart
Loan Administration

Errol Thompson
General Accounts

Elton Vassell
Contributor Accounts



**Graphic Design: Dynamic Images
Photography: 2 1/4 Works Limited
Mapco Business Printers Ltd.**

**NATIONAL HOUSING TRUST ● 4 PARK BOULEVARD ● KINGSTON 5, JAMAICA, W.I. ● (876) 929-6500-9
EMAIL: info@nht.gov.jm ● WEB: nht.gov.jm**