NATIONAL HOUSING TRUST

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GRAPHIC DESIGN
Dynamic Images

PHOTOGRAPHY
2 1/4 Works Limited

PRINTERS
Pear Tree Press Ltd.

2003/2004

NATIONAL HOUSING TRUST

ANNUAL REPORT & FINANCIAL STATEMENTS

VISION

We will be ranked among the leading
housing finance
institutions in the world, renowned for
customer service and
contribution to national development.

MISSION

Improving the quality of life of Jamaicans by
facilitating home
ownership and community development,
particularly among low
income persons.

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.

LETTER TO THE PRIME MINISTER

2003/2004

June 23,2004

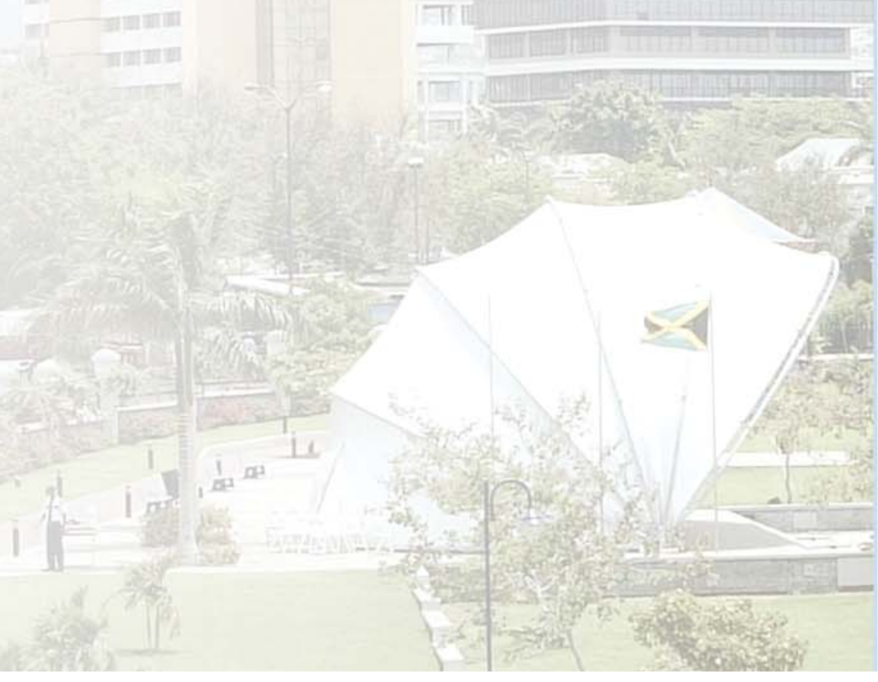
Rt. Hon. P.J. Patterson,ON,PC,QC,MP
Prime Minister
Jamaica House
Hope Road
Kingston 6

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 31,2004, and a copy of the Statement of the Trust's Accounts at March 31,2004, duly certified by the Auditors.

I am
Yours respectfully,

Kingsley Thomas
Chairman

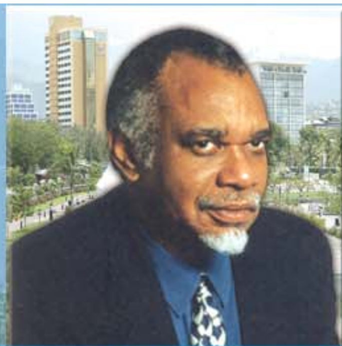


7 YEAR STATISTICAL SUMMARY

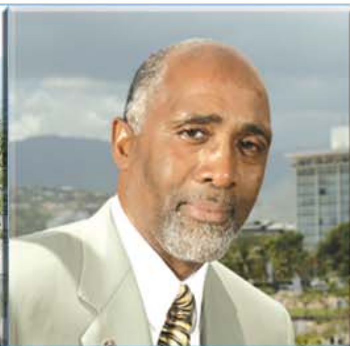
	2004 $'000	2003 $'000	2002 $'000	2001 $'000	2000 $'000	1999 $'000	1998 $'000
Total Assets	64,408,733	54,070,447	46,174,088	38,758,201	32,413,635	26,207,052	21,051,375
Current Assets		8,211,034	8,606,790	6,715,096	5,083,573	3,414,235	1,858,875
Finance for Housing Construction		1,938,761	1,534,622	1,889,852	1,759,289	2,740,154	3,173,747
Loans to Beneficiaries		36,022,744	32,075,191	26,883,649	22,857,396	17,516,317	13,524,009
Refundable Contributions	21, 834, 847	19,207,721	15,774,631	12,552,555	10,501,730	8,542,499	6,692,242
Accumulated Fund							
Non-Refundable Contributions	21, 377, 650	18,345,658	16,118,228	13,629,486	11,400,443	9,416,777	7,578,022
Surplus on Income & Expenditure Account	16, 890, 418	13,875,124	12,086,260	10,038,436	8,200,718	6,345,845	5,037,357
Results From Operations							
Total Operating Income	7, 019, 101	4,835,593	4,247,692	3,436,459	3,368,360	2,564,212	1,798,099
Operating Expenditure	1, 756, 312	1,540,625	1,218,175	980,055	856,781	739,643	715,304
Net Surplus	2, 661, 999	2,018,864	2,297,824	1,837,718	1,854,873	1,291,948	1,190,642
***Financial Ratios**							
Average interest on loans %		7.4%	8.1%	8.2%	9.5%	9.7%	9.5%
Yield on investments %		15.2%	16.3%	17.2%	22.7%	22.3%	18.4%
Efficiency Ratio %		48.0%	36.0%	35.0%	32.0%	39.0%	51.7%
Return on Capital %		6.5%	8.7%	8.4%	10.0%	8.7%	10.7%
Return on Assets %		4.0%	6.0%	6.0%	6.1%	5.3%	6.5%
Other Information							
Annual Housing Expenditure	5, 332, 619	5,773,547	5,773,356	4,842,873	5,051,643	4,197,000	4,783,000
Contributions Received	6, 034, 126	5,461,210	4,935,584	4,334,441	3,945,528	3,711,881	3,796,878
Contributions Refunded	513, 335	520,742	446,083	192,082	110,701	91,614	54,418
Number of Mortgages Created since Inception	94, 830	87,878	81,434	74,317	69,413	63,500	58,719
Number of Individual Benefits Provided since Inception	106, 246	99,294	92,810	85,436	78,74	69,932	62,871

*** restated for 2002,2001**

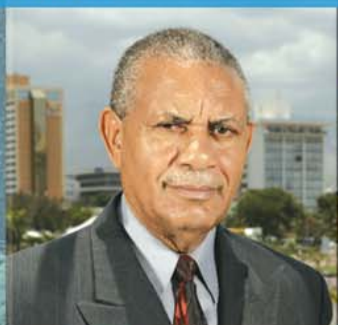
NATIONAL HOUSING TRUST
BOARD OF DIRECTORS



Hon. Kingsley Thomas, O.J.
Chairman



Earl Samuels
Managing Director

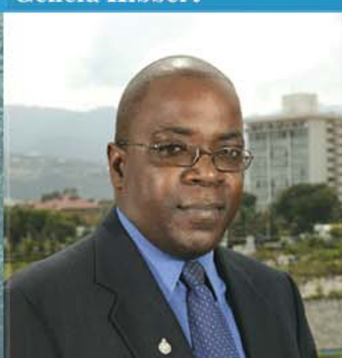


Patrick Lawrence, J.P.
Deputy Chairman

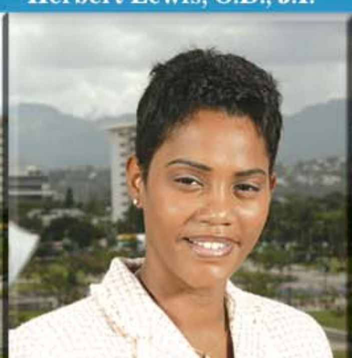
Robert Cranston

Genefa Hibbert

Herbert Lewis, O.D., J.P.



Wayne Jones



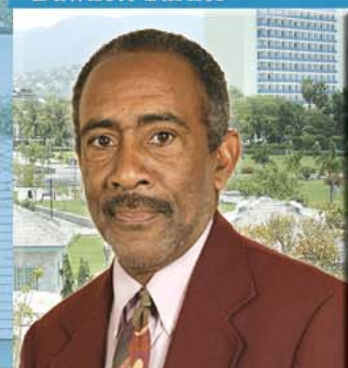
Isiaa Madden

Errol Greene, J.P.

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

Dawnett Turner

Hon. Hopeton Caven, O.J.



Travert Spence, J.P.

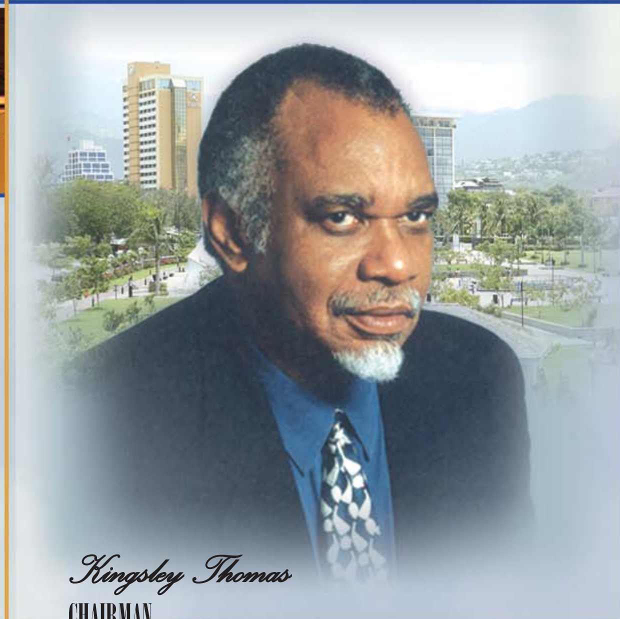
Evon Hewitt

Danny Roberts

Guila Bernal

During the 2003/2004 financial year, the Board, Management and Staff of the National Housing Trust, built on the successes of the past and charted a path by which the organization can more effectively meet the challenges of its mandate to its customers. The strategic focus of the organization was refined and the operational parameters within which the organization will contribute to community and national development clearly communicated. The organization currently operates on the basis of a set of principles which integrates planning, budgeting, and performance management. The aim of this approach is to ensure excellent service to our customers. The following are the six (6) strategic objectives of the National Housing Trust:

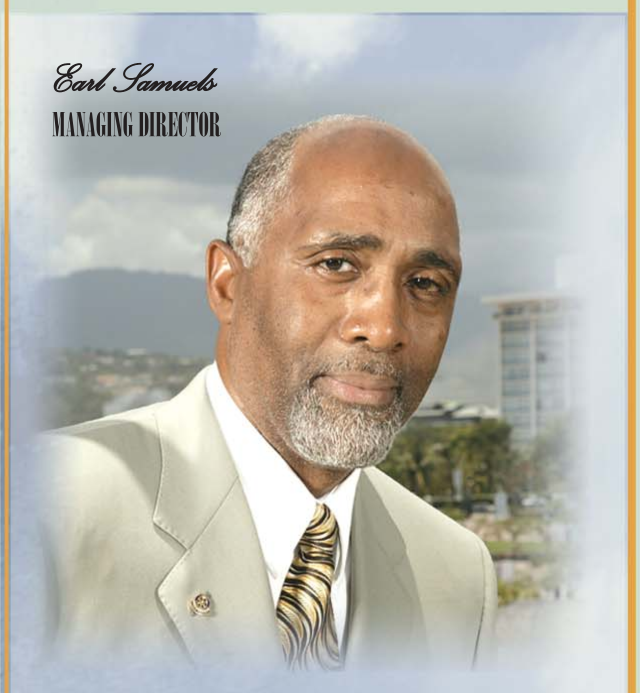
- To develop and market innovative and affordable quality housing products and services to meet demand.
- To implement an infrastructure for a customer-centred business model.
- To establish strategic alliances with external entities to enhance efficiency.
- To transform targeted communities into well maintained, self-sufficient communities.
- To implement a comprehensive human resource management system.
- To implement a comprehensive information management infrastructure.



Kingsley Thomas
CHAIRMAN

CHAIRMAN & MANAGING DIRECTOR'S MESSAGE

Earl Samuels
MANAGING DIRECTOR



Major milestones in the areas of organizational efficiencies, human resource management, mortgage creation and financial management were achieved during the year. These milestones include the:

a) implementation of telephone banking
b) introduction of the Joint Mortgage Financing programme
c) upgrading of the International Comprehensive Banking System (ICBS)
d) introduction of performance-based pay
e) redesign of NHT units
f) provision of 6,952 mortgage loans
g) hand over of benefits under the Relocation 2000 programme
h) continuation of work on the New Town development project and
I) commencement of the Inner-City development project.

Our commitment to improving the ability of our contributors to own houses was demonstrated through policy changes, made early in the year. As of May 1,2003 Non-Home Owners, are able to access mortgage loans of up to $1M, an increase of $200,000 over the previous limit. Contributors, who already own homes, are now able to borrow individual loan amounts of $400,000, an increase of $200, 000 over the former limit. In addition to the changes in loan limit, the period over which a person has to contribute before qualifying for a loan, was reduced from three and one-quarter (3 1/4) years to one year. Another significant policy change in the qualifying criteria, apply to married persons. Contributors who are married, but whose names do not appear on a title are now entitled to the maximum individual loan limit.

FINANCIAL MANAGEMENT

As at March 31, 2004, the total assets of the National Housing Trust amounted to $64.4 billion. This represents an increase of $10 billion or 18% over the total assets for the previous financial year. Areas of significant increase include: a) A 74% increase recorded in cash and cash equivalent, from $2.7 billion to $4.6 billion over the figure for the 2002/03 financial year b) An increase in loan receivable of $4.6 billion or 13% and c) An increase in investment securities of $1.8 billion or 16%.

At the end of the financial year, surplus before tax amounted to $3.5 billion. This represents an increase of 46% over the previous period. By an Act of parliament, dated the 23rd of December 2003, the NHT 's operations became subject to the payment of income tax at a rate of 33.3%. The effect of this is a reduction in revenue by $0.9 billion resulting in net surplus of $2.6 billion or 10% above 2002/03.

NO. OF LOANS 2003/2004 BY PARISH

Parish	No. of Loans	Value (millions)
Kingston	139	106.86
St. Andrew	1133	872.98
St. Thomas	307	181.49
Portland	127	44.22
St. Mary	87	60.20
St Ann	389	184.83
Trelawny	79	47.54
St James	496	369.71
Hanover	42	22.28
Westmoreland	93	62.81
St. Elizabeth	106	81.08
Manchester	313	168.70
Clarendon	1585	768.98
St. Catherine	2056	1,458.22
TOTAL	**6952**	**4,429.90**

Income increased substantially (43%) over the period, moving from $4.9 billion in 2002/03 to $7 billion at the end of 2003/04. Main areas of growth include: interest on loans receivable, which moved from $2.7 billion to $3.1 billion (an increase of 15%) and interest on investments which moved from $1.9 billion to $3.3 billion, a 74% increase over the previous year.

There was a 40% increase in expenditure, from $2.5 billion to $3.5 billion at the end of the period. This was due mainly to a provision of $0.4 billion for doubtful loans and an increase in subsidies to special projects of $0.3 billion.

Total contributions collected over the period amounted to $6 billion. This comprised $3 billion in contribution from employers and $3 billion from employees. The equal amounts collected from employers and employees suggest that some entities are still withholding the employers' portion of their NHT contributions. Overall increase in collections was $0.6 billion or 11% over the previous financial year. Total contribution refunds for the year totalled $0.5 billion.

SCHEME 2003/2004

Parish	No. of Loans	Value (millions)
Kingston	0	0.00
St. Andrew	0	0.00
St. Thomas	57	46.66
Portland	0	0.00
St. Mary	0	0.00
St Ann	26	15.35
Trelawny	23	17.90
St James	0	0.00
Hanover	1	0.01
Westmoreland	0	0.00
St. Elizabeth	0	0.00
Manchester	0	0.00
Clarendon	282	199.87
St. Catherine	46	30.51
TOTAL	**435**	**310.30**

ORGANIZATIONAL EFFICIENCIES

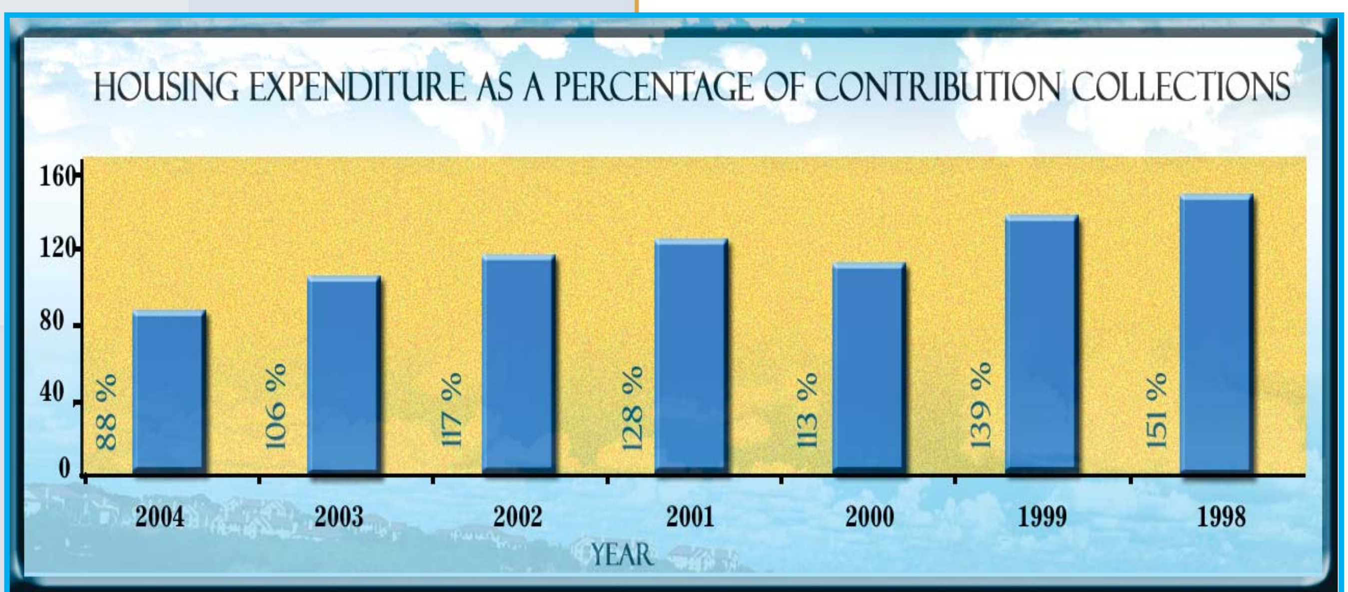
The refining of systems, processes and procedures through which the NHT serves its customers is a continuous quest. Over the past five (5) years, there has been a significant increase in the number of activities carried out across the organization, with the singular purpose of improving the quality of service provided to customers. The highest level of activity has been in the area of technology. During the year the following achievements were made:

Electronic Banking

Provision of Electronic banking facilities to customers. As of January 2, 2004 NHT's mortgagors, who are holders of active Bank of Nova Scotia (BNS) or National Commercial Bank's (NCB) debit cards were able to make payments, using the telephone, from anywhere in the world. This may be done at any time of day.

Joint Finance Mortgage Programme

At the start of September 2003, NHT contributors were provided with the option of applying directly to the Victoria Mutual Building Society for loans financed by the NHT. The programme is designed to simplify the mortgage application process, particularly for those persons applying for joint-financed mortgages. One additional benefit is a shortened processing period, as the loan will be registered by one institution rather than both, as previously practiced.



ICBS Upgrade

International Comprehensive Banking Systems (ICBS) upgrade. At the start of the 2003/04 financial year, the NHT's Information Systems department acquired and began the installation of version 7.2 of the ICBS, the main mortgage processing system used by the Trust. The upgraded version (that is, 4.2) of the Alliance Branch Teller system (ABT) which is fully integrated with ICBS, was also installed.

HUMAN RESOURCES

Over the years, the NHT has demonstrated the belief that the corporate goals of a company can only be achieved through the efforts of employees. During the year, the company focused on the development of its human resources, particularly through training. The year started with a concentration on core competence training. In this, the organization involved staff from the operational areas of the organization. Training sessions were conducted in the following areas: Loan Origination, Loan Administration, Compliance and paralegal functions. The individual skills of employees were enhanced through training in computer skills, project management and public speaking.

In 2001, the organization commissioned a study of its culture, with an emphasis on the leadership skills of its senior management team. This study was carried out by international consultants, Richard Barret and Associates. Based on the findings of this study, several leadership interventions were planned and implemented. These initiatives continued during the year under review. Additionally, they were broadened to include participation and attendance at conferences (eg. Jamaica Employers Federation, Jamaica Association for Training and Development). Training in leadership was not restricted to the executive. Supervisors at all levels were exposed to training in Supervisory Management, facilitated by the Mona School of Business.

The National Housing Trust boasts an enviable record in the area of industrial relations. The salary negotiations which took place during the year were conducted smoothly. The revised compensation package which resulted from these negotiations, and the Ministry of Finance approvals were implemented within six (6) weeks of the Board's approval.

An important element of strategic planning is the alignment of the organization's major processes to its strategic plan. The alignment of HRD functions was, therefore, regarded as critical to this process. Three initiatives were completed to achieve this strategic imperative 1) redesign of the company's recruitment and selection process to fit with the stated values and overall direction of the company 2) the performance management system was improved and performance based pay introduced 3) revision of the staff handbook to ensure congruence with the agreed corporate values and objectives.

National Housing Trust Supervisors sharpening thier Industrial Relations and Negotiation Skills in a Supervisory Management Developement Programme facilitated by Dr. Noel Cowell of the Mona School of Business.

SERVICED LOTS 2003/2004

Parish	No. of Loans	Value (millions)
Kingston	1	0.47
St. Andrew	7	2.60
St. Thomas	42	16.03
Portland	0	0.00
St. Mary	0	0.00
St Ann	232	92.88
Trelawny	20	6.42
St James	2	0.59
Hanover	9	2.67
Westmoreland	0	0.00
St. Elizabeth	0	0.00
Manchester	0	0.00
Clarendon	827	305.25
St. Catherine	115	41.17
TOTAL	**1255**	**468.08**

Loan Type	Number of Loans
Scheme	*435*
Serviced Lot	*1,255*
Build- On- Own Land	*521*
Construction	*820*
Open Market	*2,710*
Home Improvement	*159*
House Lot	*1,052*
Total	**6,952**

HOUSING

For the financial year 2003/04, the NHT's budgeted allocation for housing construction amounted to $8,542M. Total expenditure at the end of the financial year was $5,332M or 62% of the budgeted sum. Overall housing completions were 92% of the target, or 2,341 of the budgeted 2,556. Completions comprise Build-On-Own - Land (BOL) -1,454, Scheme solutions (units and Serviced Lots) -887. Scheme units and serviced lots were taken over in six (6) NHT developments across the island.

Name of Scheme	Number of Solutions
Green Pond	*140*
Mansfield	*142*
East Prospect	*9*
Monymusk	*581*
Rosemont	*14*
Longville	*1*
Total	**887**

In Comparison to the 2002/03 financial year, the overall number of housing completions rose by 3 percentage points or, 63 solutions. A substantial increase (34% or 369 solutions) was recorded in BOL completions. The main projects worked on during the year and scheduled for completion early in the 2004/05 financial year are: Green Pond phase 2 (329 housing solutions); Bushy Park (95 serviced lots); Norwood (137 serviced lots); and Appleton (212 serviced lots).

In terms of the number of mortgages created for the year, the Trust provided a total of 6, 952 loans to its contributors. This represented an increase of 468 (7%) over the number for the previous year. The greatest area of increase was in the Open Market (OM) loan which increased from 1,330 at the end of the 2003 financial year to 2, 710 as at March 2004. This massive (103%) increase is due to the increased attractiveness of NHT's interest rates as well as the Joint Mortgage Programme which was introduced in September 2003. Table (left) provides the break down of mortgages by benefit type:

BUILD ON OWN LAND 2003/2004

Parish	No. of Loans	Value (millions)
Kingston	6	4.61
St. Andrew	63	60.78
St. Thomas	16	13.77
Portland	6	5.43
St. Mary	21	18.26
St Ann	18	15.70
Trelawny	12	10.94
St James	55	48.57
Hanover	9	8.37
Westmoreland	23	19.60
St. Elizabeth	44	36.61
Manchester	77	70.51
Clarendon	40	33.68
St. Catherine	131	113.55
TOTAL	**521**	**460.38**

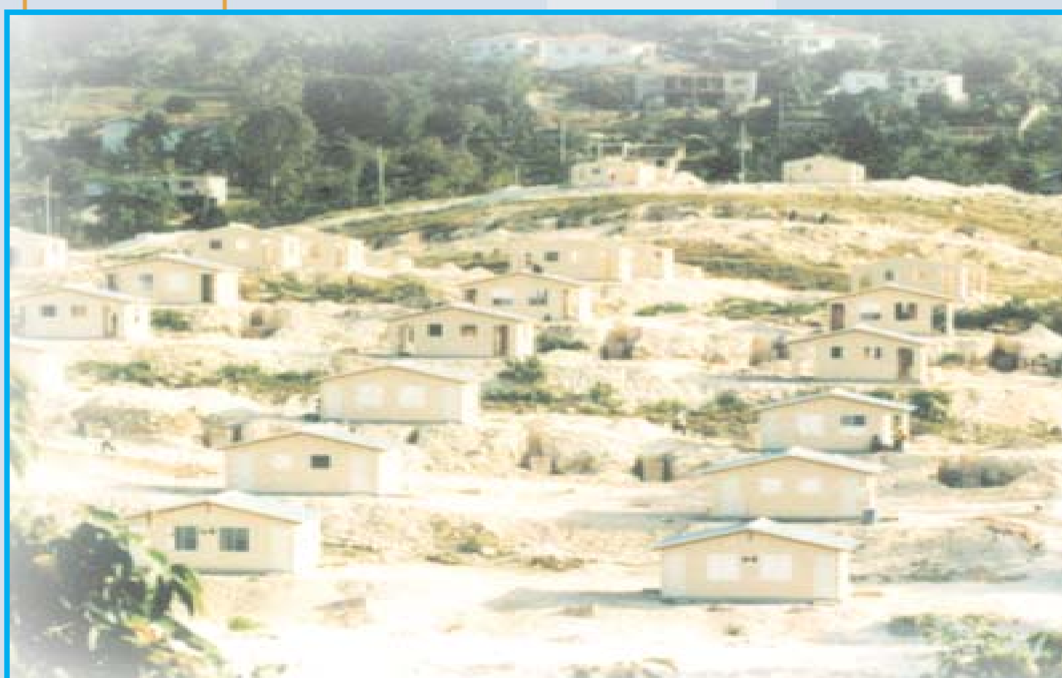
SUGAR WORKERS' HOUSING

The Sugar Workers' Housing programme is a joint effort between the NHT, the government of Jamaica and the Trade Unions representing sugar workers. This programme is geared to the provision of low-cost housing for persons employed to nine (9) participating sugar companies across Jamaica. To date, solutions in three (3) of the planned (9) housing developments have been handed over. These include: Monymusk (581 Serviced Lots and 1 shell unit), New Yarmouth (78 Serviced Lots and one Shell unit) and Belrock (18 Serviced Lots and 1 Shell unit). The remaining housing developments include Cheswick in St. Thomas, Long Pond in Trelawny, Appleton in St. Elizabeth, Frome in Westmoreland, and Worthy Park and Bernard Lodge (both in St. Catherine).

RELOCATION 2000

The Relocation 2000 programme, announced by the Prime Minister in 1999, is aimed at the removal and regularization of the status of households in targeted squatter communities island-wide.

In September 2003, 130 families benefitted from the handing over of 100 semi-detached studio units and 30 one bedroom units in Belair Meadows, St. Ann. The new home owners were relocated from an informal settlement at Seville in the parish. Work is now underway on the second settlement, which will see persons at Railway Lane and Barracks Road in St. James being relocated to Providence in the parish. The third project area, Mona Commons in St. Andrew, is still awaiting identification of a relocation site.



Belair, St. Ann

HOME IMPROVEMENT 2003/2004

Parish	No. of Loans	Value (millions)
Kingston	4	1.21
St. Andrew	34	9.86
St. Thomas	4	1.54
Portland	0	0.00
St. Mary	3	1.03
St Ann	3	0.62
Trelawny	2	1.12
St James	7	1.88
Hanover	2	0.62
Westmoreland	4	1.43
St. Elizabeth	1	0.42
Manchester	26	9.38
Clarendon	9	2.81
St. Catherine	60	22.07
TOTAL	**159**	**53.99**

HOUSE LOTS 2003/2004

Parish	No. of Loans	Value (millions)
Kingston	19	8.08
St. Andrew	96	64.06
St. Thomas	88	29.72
Portland	102	26.23
St. Mary	18	5.62
St Ann	61	20.88
Trelawny	9	3.05
St James	51	17.89
Hanover	12	4.58
Westmoreland	19	6.17
St. Elizabeth	26	7.75
Manchester	166	60.92
Clarendon	114	41.28
St. Catherine	271	95.09
TOTAL	**1,052**	**391.32**

INNER- CITY HOUSING PROJECT

According to Prime Minister, PJ Patterson, in his 2003 budget speech, "The aim of the Inner City Renewal Housing Programme is to transform inner city areas into attractive and sustainable neighbourhoods through a combination of new housing and the refurbishment of existing housing stock. The challenge is to balance the provision of adequate space with affordability."

The Inner City Housing Project (ICHP) is part of an integrated strategy to improve the living conditions and the quality of life of residents in targeted inner city areas by way of initiatives in housing, education and job creation.

The Cabinet has given outline approval with estimated cost guidelines for pursuing the following:-

- The construction of 3000 new housing solutions in inner city communities in Kingston and St. Andrew, St. Catherine, St. Mary and Westmoreland over the next three (3) years.
- The provision of supporting social and physical infrastructure for new and existing communities.
- The refurbishing and upgrading of selected inner city communities.

During the year, the NHT laid the groundwork for successful implementation of the project in the following areas:

An apartment complex in Federal Gardens, Trench Town

SOCIAL DEVELOPMENT

- Community surveys were conducted by the University of the West Indies (U.W.I) in Denham Town, Midtown and Hannah Town and by the Social Development Commission (SDC) in Parade Gardens. The aim of the surveys was to determine the demographics of households and the social infrastructure existing in the targeted communities. In addition, Strata Management Workshops were held to inform residents of the requirements and responsibilities associated with living in a strata community;

- Community meetings were held to inform and facilitate dialogue with residents in Trench Town, Denham Town, Hannah Town, Southside, Tel Aviv and Matthews Lane;

- Training in Carpentry, Basic Literacy and Work Orientation and Leadership was delivered to a total of 49 persons;

- Meetings were held with business leaders/prospective employers to sensitise them to the need for participation in the project by employing trained personnel.

CONSTRUCTION LOAN 2003/2004

Parish	No. of Loans	Value (millions)
Kingston	3	1.48
St. Andrew	71	39.87
St. Thomas	48	28.74
Portland	13	7.27
St. Mary	33	24.84
St Ann	18	9.89
Trelawny	10	5.02
St James	81	42.73
Hanover	4	1.99
Westmoreland	12	6.46
St. Elizabeth	18	10.25
Manchester	34	18.91
Clarendon	254	136.34
St. Catherine	221	114.56
TOTAL	**820**	**448.35**

Typical Innercity Housing Programme, four storey walk up apartment block

- Site planning for Trench Town, Spanish Town Road, Denham Town (Little King Street);
- Submissions to KSAC and NEPA for Trench Town, Spanish Town Road, Denham Town (Little King Street);
- Completion of infrastructure design for Trench Town, Spanish Town Road, Denham Town (Little King Street);
- Identification of Lands in White Wing, Maxfield Avenue, Tryall (St Mary);
- Acquisition of properties in Denham Town and Spanish Town Road;
- Collaboration established with key agencies including Kingston City Centre Improvement Committee (KCCIC); Central Kingston Task Team, Anti-Crime Initiative, MIND, JASPEV and NEPA
- Advisory Committee meetings were held with a wide range of agencies (NEPA, SDC, UDC, NHDC, KRC, NWA, KSAC, MoW&H/Strata Corporation, KSA PDC.

OPEN MARKET 2003/2004

Parish	No. of Loans	Value (millions)
Kingston	106	91.01
St. Andrew	862	695.81
St. Thomas	52	45.03
Portland	6	5.29
St. Mary	12	10.45
St Ann	31	29.51
Trelawny	3	3.09
St James	300	258.05
Hanover	5	4.04
Westmoreland	35	29.15
St. Elizabeth	17	26.05
Manchester	10	8.98
Clarendon	59	49.75
St. Catherine	1,212	1,041.27
TOTAL	**2,710**	**2,297.48**

TAKEOVER SCHEDULE FOR 2004/2005

PARISH	PROJECT	UNITS	LOT	TOTAL
Trelawny	Longpond	1	419	**420**
Westmoreland	Frome	1	357	**358**
	Greenpond 2	257	258	**515**
	Water Works		110	**110**
Hanover	Winchester Meadows		50	**50**
St. Catherine	Bernard Lodge	1	489	**490**
	Morris Park Estate		200	**200**
St. Mary	Nashville		139	**139**
TOTAL		**260**	**2022**	**2282**

Towards the Future

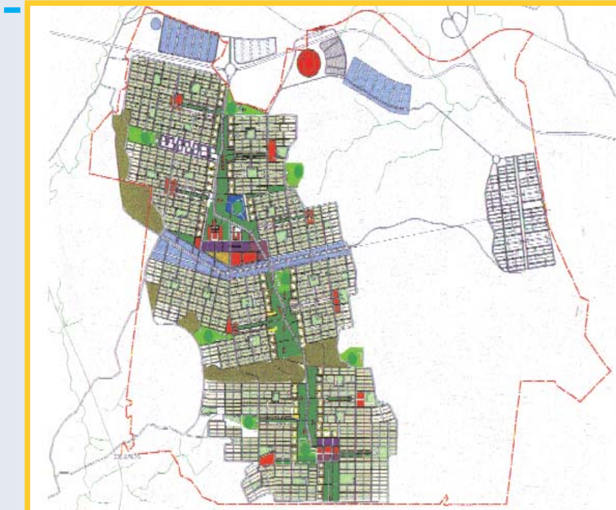
NEW TOWN

The National Housing Trust has been charged with the responsibility for the development of a new town , on approximately 4,452 hectares (11,000 acres) of land in South-eastern Clarendon. The project site is located south of the country's main east west transportation corridor including Highway 2000, which traverses the northern extremity of the site. Clarendon New Town (CNT) will be substantially self sustainable with easy access to transportation routes to other urban centres and towns. The development is expected to provide housing for over 100,000 persons and employment for approximately 33,000.

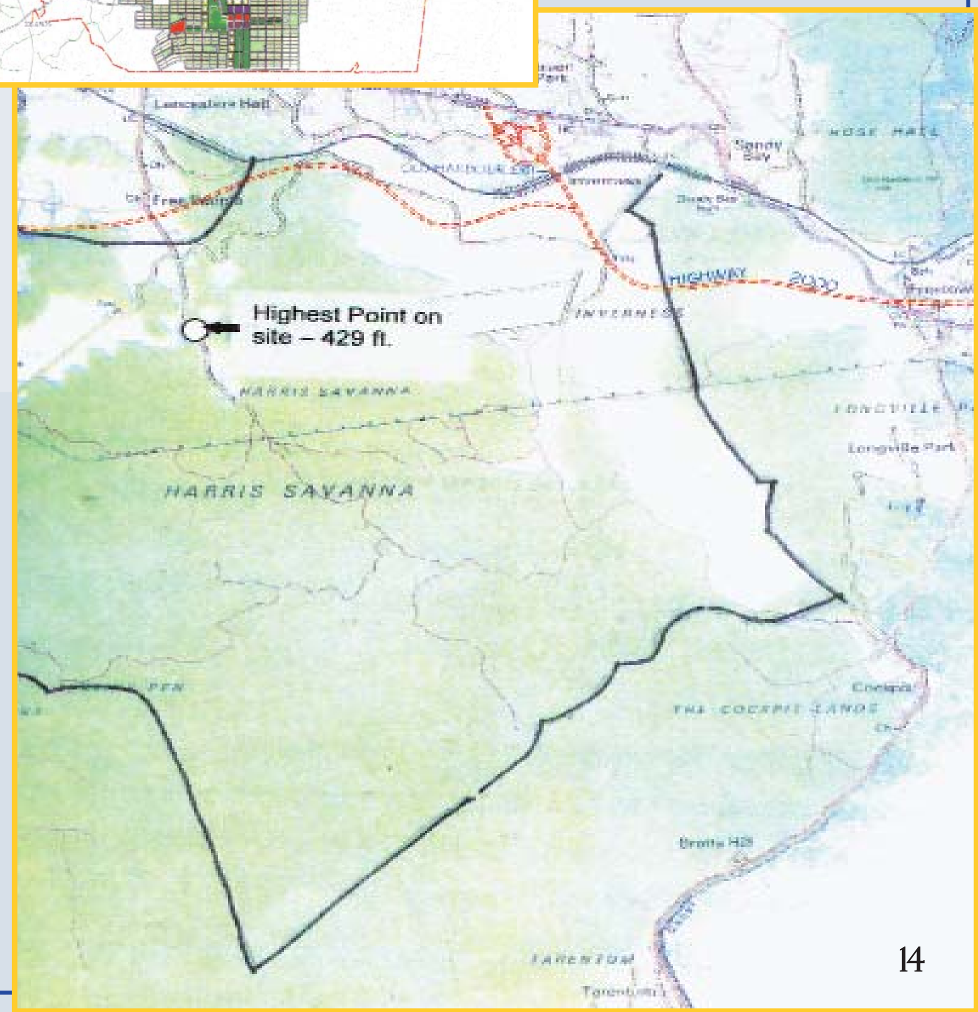
During the review year, an Environmental Impact Assessment (EIA) of the area was commissioned. The team has been gathering physical, social and biographical data, which will be used to assess the proposed development and its potential impact on the local environment. Other activities undertaken during the year include:

- Preliminary Water Resource investigation
- Holding of Stakeholders' Consultation sessions
- Collaboration between (Simpson Wilson) designer of the plan and local implementation team.
- Preliminary discussions with the relevant local development and approval agencies
- Work on the development of a master plan for Clarendon New Town
- Preparation of a project plan.

Winning Design Concept



Location Map



NEW *Designs*

Type 201A
2 Bedroom Model Unit
Floor Area: 69m² (745 ft) ²

Type 201B
2 Bedroom Model Unit
Floor Area: 70m² (750 ft ²)

Type 201C
2 Bedroom Model Unit
Floor Area: 72m² (774 ft ²)

HANDOVERS

The right honourable P.J. Patterson embracing a beneficiary, Providence, St. James.

(Below)
Minister of Transport & Works, Hon. Robert Pickersgill in conversation with members of the NHT Board. From right - Mr. George Fyffe. , Hon. Hopeton Caven and Mr. Robert Cranston at the Monymusk housing scheme.

Mr. Errol Greene J.P., NHT Board Member, making a presentation.

BEST *Schemes* COMPETITON

Guest Speaker, Commander John McFarlane, CEO, Environmental Foundation of Jamaica at the Regional (Cornwall) Prize giving ceremony of the NHT's Best Schemes Competition.

Managing Director, Earl Samuels (first from left) and Commander John McFarlane (second from right), CEO, Environmental Foundation celebrating with the regional (Cornwall)winners of the Best Schemes Competition

Managing Director, Earl Samuels congratualing a winner in the best schemes competition.

BEST *Schemes*

COMPETITON - PORTLAND

Carlee Gabriel, President-Victoria Court, and Enoch Watson , President Donmair, discussing their awards with Vincent George, Senior General Manager- Corporate Services, NHT and Sybil Randal, Chairman Portland Environmental Foundation.

WINNERS

(Left to right)
Edmond Miller - President, Glendale
Carlee Gabrie - President, Victoria Court
Enoch Watson - President, Donmair
Nola Williamson - Donmair
Probyn Ferguson - Treasurer, Donmair

An enthused Portland audience at the Best Schemes Competition

Students and teacher from the Davis Primary - St. Catherine display their skills at the Computer Education Programme , Open Day. Looking on are Mr. Patrick Lawrence, Deputy Board Chairman, NHT and Grace McFarlane, Snr. CSR , Manchester Branch.

COMPUTER *Education* PROGRAMME

Minister of Commerce and Technology,Hon. Phillip Paulwell and JCSEF Trainer, Sonia Cunningham , view displays at the Computer Education Programme's Open Day.

Members of the NHT Board and Management in prayer at the computer Education Programme's Open Day in March 2003.

From right: Wayne Jones, Danny Roberts, Hon. Hopeton Caven O.J., Genefa Hibbert, George Fyffe O.D.,J.P., Shelly Whittle, (Former Snr. Director Operations).

Arts and Technology, students in performance.

THE NEW OCHO RIOS *Branch Office*

Opening Soon, National Housing Trust's, St. Ann Branch Office located on Graham Street, Ocho Rios.

DIRECTORS' REPORT

The Director's are pleased to present their report and audited statements of Accounts, ended March 31st 2004

1. FINANCIAL RESULTS

	2004 ($000)	2003 ($000)
Income		
Interest on		
Loans receivables	3,144,506	2,679,300
Investments	3,320,356	1,900,860
Gains on projects	141,065	-
Service charge on loans to beneficiaries	61,466	58,436
Miscellaneous	351,708	281,891
	7,019,101	4,920,487
EXPENDITURE		
Operating expenses	1,756,312	1,488,443
Bonus on employees' contributions	865,353	837,994
Provision (recovery) on loans receivable	420,228	(2,737)
Losses on projects	-	17,149
Subsidies - special projects	440,554	125,355
	3,482,447	2,466,204
SURPLUS BEFORE EXCEPTIONAL ITEMS AND TAXATION	3,536,654	2,454,283
EXCEPTIONAL ITEMS	2,312	34,661
SURPLUS BEFORE TAXATION	3,534,342	2,419,622
Taxation	872,343	-
NET SURPLUS	2,661,999	2,419,622

2. THE BOARD

Hon. Kingsley Thomas,O.J.,Chairman
Earl Samuels, Managing Director
Patrick Lawrence, J.P., Deputy Chairman
Guila Bernal
Hon. Hopeton Caven,O.J.
Robert Cranston
George Fyffe, O.D., J.P.
Errol Greene, J.P.
Evon Hewitt
Genefa Hibbert
Wayne Jones
Herbert Lewis,O.D., J.P.
Isiaa Madden
Danny Roberts
Travert Spence, J.P.
Dawnett Turner

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.

AUDITED FINANCIAL STATEMENTS

Deloitte & Touche

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
Facsmile: (876) 979-0246

We have audited the accompanying balance sheet of the National Housing Trust as of March 31, 2004 and the related income and expenditure account and statements 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 15 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, 2004 and of the results of its operations, its changes in accumulated fund and its cash flows for the year then ended in accordance with International Financial Reporting Standards. 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 7 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.

Deloitte & Touche

Chartered Accountants
Kingston, Jamaica,
May 31, 2004

NATIONAL HOUSING TRUST

BALANCE SHEET AT MARCH 31, 2004

(Expressed in $'000)

	Notes	2004 $	Restated 2003 $
ASSETS			
Cash and cash equivalents	4	4,663,877	2,682,079
Interest and other receivables	5	1,870,821	1,348,240
Income tax recoverable		392,434	179,341
Loans receivable	6,7	40,683,473	36,061,548
Investment securities	8	13,382,236	11,518,722
Inventories	9	2,105,594	1,820,770
Intangible assets	10	34,774	98,765
Investment in associate	11	277,073	-
Retirement benefit asset	12	136,500	31,975
Property, plant and equipment	13	861,951	663,789
Total assets		64,408,733	54,405,229
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Accounts payable and accruals	14	953,884	659,442
Employers' contributions refundable		1,038	3,482
Bonus payable to employers		3,407	3,665
Refundable contributions	15	21,834,847	18,480,715
Deferred taxation	16	671,990	-
		23,465,166	19,147,304
ACCUMULATED FUND			
Non-refundable employers' contributions	2(c)	21,377,650	18,345,658
Fair value and other reserves	17	908,905	917,254
Peril reserve	18	911,861	480,000
Loan loss reserve	19	854,733	1,030,130
Surplus on income and expenditure account		16,890,418	14,484,883
		40,943,567	35,257,925
Total liabilities and accumulated fund		64,408,733	54,405,229

The Notes on pages 30-81 form an integral part of the Financial Statements.

The financial statements on pages 25 -81 were approved and authorized for issue by the Board of Directors on May 31, 2004 and are signed on its behalf by:

Kingsley Thomas - Chairman

Earl Samuels - Managing Director

NATIONAL HOUSING TRUST

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED MARCH 31, 2004

(Expressed in $'000)

	Notes	2004 $	Restated 2003 $
INCOME			
Interest on:			
- Loans receivable		3,144,506	2,679,300
- Investments		3,320,356	1,900,860
Gains on projects		141,065	-
Service charge on loans to beneficiaries	6	61,466	58,436
Miscellaneous	20	351,708	281,891
		7,019,101	4,920,487
EXPENDITURE			
Operating expenses		1,756,312	1,488,443
Bonus on employees' contributions		865,353	837,994
Provision (recovery) on loans receivable	6	420,228	(2,737)
Losses on projects		-	17,149
Subsidies - special projects	21	440,554	125,355
		3,482,447	2,466,204
SURPLUS BEFORE EXCEPTIONAL ITEMS AND TAXATION		3,536,654	2,454,283
EXCEPTIONAL ITEMS	22	2,312	34,661
SURPLUS BEFORE TAXATION		3,534,342	2,419,622
Taxation	23	872,343	-
NET SURPLUS	24	2,661,999	2,419,622

The Notes on pages 30-81 an integral part of the Financial Statements.

NATIONAL HOUSING TRUST

STATEMENT OF CHANGES IN ACCUMULATED FUND

YEAR ENDED MARCH 31, 2004

(Expressed in $'000)

	Notes	Non-Refundable Employers' Contributions $	Fair Value and Other Reserves $	Peril Reserve $	Loan loss Reserve $	Surplus on Income and Expenditure Account $	Total $
Balance at April 1, 2002 (as previously reported)		16,118,228	208,208	250,000	-	12,086,260	28,662,696
Effects of adopting IFRS	29						
- IAS 19 Employee benefits		-	-	-	-	7,019	7,019
- IAS 39 Financial instruments		-	709,030	-	982,019	250,093	1,941,142
Balance at April 1, 2002 as restated		16,118,228	917,238	250,000	982,019	12,343,372	30,610,857
Net gains (losses) not recognized in the income and expenditure account							
Decrease in fair value of available -for-sale investment	17	-	(5,918)	-	-	-	(5,918)
Unallocated contributions	17	-	5,934	-	-	-	5,934
Net gains not recognized in the income and expenditure account		-	16	-	-	-	16
Net surplus for the year as restated	29	-	-	-	-	2,419,622	2,419,622
Contributions for the year		2,227,430	-	-	-	-	2,227,430
Transfer to peril reserve	18	-	-	240,999	-	(240,999)	-
Utilised during the year	18	-	-	(10,999)	-	10,999	-
Transfer to loan loss reserve	19	-	-	-	48,111	(48,111)	-
Balance at March 31, 2003 as restated		18,345,658	917,254	480,000	1,030,130	14,484,883	35,257,925
Net (losses) gains not recognized in the income and expenditure account							
Deferred tax liability on revaluation of property, plant and equipment	16	-	(41,447)	-	-	-	(41,447)
Increase in fair value of available-for-sale investment	17	-	18,620	-	-	-	18,620
Net losses not recognized in the income and expenditure account		-	(22,827)	-	-	-	(22,827)
Realised on disposal/write-off of available-for-sale investment	17	-	14,478	-	-	-	14,478
Net surplus for the year		-	-	-	-	2,661,999	2,661,999
Contributions for the year		3,031,992	-	-	-	-	3,031,992
Transfer to peril reserve	18	-	-	443,616	-	(443,616)	-
Utilised during the year	18	-	-	(11,755)	-	11,755	-
Transfer to loan loss reserve	19	-	-	-	(175,397)	175,397	-
Balance at March 31, 2004		21,377,650	908,905	911,861	854,733	16,890,418	40,943,567

The Notes on pages 30 -81 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2004

(Expressed in $'000)

	2004 $	Restated 2003 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	2,661,999	2,419,622
Adjustments for:		
Losses and subsidies on projects	135,434	195,308
Provisions (recovery) on loans receivable	420,228	(2,737)
Provision for bonus on employees' contribution	865,353	837,994
Depreciation	69,790	61,254
Gain on sale of property, plant and equipment	(595)	(1,636)
Service charges amortised	(61,466)	(129,615)
Intangible assets amortised/written off	86,194	81,896
Realised loss on disposal of available-for-sale investments	14,478	-
Retirement benefit asset	(62,925)	24,730
Deferred tax adjustments	630,543	-
Interest income	(6,464,862)	(4,580,160)
	(1,705,829)	(1,093,344)
Increase in operating assets		
Interest and other receivables	(37,734)	(27,552)
Income tax recoverable	(213,093)	(96,105)
Retirement benefit contributions	(41,600)	(34,823)
Increase (decrease) in operating liabilities		
Accounts payable and accruals	294,442	32,271
Bonus payable to employers	(258)	(44,499)
Employer's contribution refunded	(2,444)	(117,942)
Cash used in operations	(1,706,516)	(1,381,994)
Interest received	5,980,015	4,596,310
Cash provided by operating activities	4,273,499	3,214,316
CASH FLOWS FROM INVESTING ACTIVITIES		
Intangible assets	(22,203)	(31,597)
Loans receivable less recoveries	(4,980,687)	(3,689,923)
Acquisition of property, plant and equipment	(238,058)	(305,586)
Increase in investment securities (net)	(1,899,237)	(4,585,317)
Increase in inventory (net)	(400,170)	(727,651)
Proceeds on sale of property, plant and equipment	613	10,852
Investment in, and advances to associated company	(277,073)	-
Cash used in investing activities	(7,816,815)	(9,329,222)

STATEMENT OF CASH FLOWS (cont'd)

YEAR ENDED MARCH 31, 2004

(Expressed in $'000)

	2004 $	Restated 2003 $
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from employers	3,031,992	2,227,430
Contributions from employees	3,002,134	3,227,846
Refund of employee contributions	(513,355)	(520,742)
Cash provided by financing activities	5,520,771	4,934,534
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,977,455	(1,180,372)
OPENING CASH AND CASH EQUIVALENTS	2,682,079	3,860,056
Effect of foreign exchange rate changes	4,343	2,395
CLOSING CASH AND CASH EQUIVALENTS	4,663,877	2,682,079
Represented by:		
Cash	272	258
Bank deposits	131,164	111,458
Short-term investments	4,532,441	2,570,363
	4,663,877	2,682,079

The Notes on pages 30-81 form an integral part of the Financial Statements.

1 IDENTIFICATION

The National Housing Trust was established in Jamaica in 1976 and became a body corporate under the National Housing Trust Act (the Act) in 1979.

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 was originally exempt from income tax, transfer tax and property tax, however by way of the Public Enterprises (Removal of Tax Concessions) Act: 2002 dated December 22, 2003, these exemptions were rescinded with effect from December 23, 2003. Notwithstanding the effective date of December 23, 2003 the Taxpayer Audit and Assessment Department has determined that January 1, 2004 is to be used as the basis for the effect as regards Income Tax (See Note 23).

The registered office of the Trust is 4 Park Boulevard, Kingston 5.

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) 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.

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 refunds twenty-five years after the end of the year in which they were made. During 2002/2003, 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 were partly repaid during the year 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 have been credited to the accumulated fund.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Jamaica adopted International Financial Reporting Standards (IFRS) as its national accounting standards, effective for accounting periods beginning on or after July 1, 2002. The Trust's financial statements for the year ended March 31, 2004 have therefore been prepared in accordance and comply in all material respects, with applicable IFRS and comparative information has been restated to conform with the provisions of IFRS. The Trust has opted for early adoption of IFRS 1 - First-Time Adoption of IFRS, and has applied provisions of that standard in the preparation of these financial statements. The effect of adopting IFRS on the accumulated fund and net surplus previously reported is detailed in Note 29.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments.

These financial statements are expressed in Jamaican dollars.

(b) Use of estimates

The preparation of financial statements in conformity with IFRS 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 income and expenditure during their reported period. Actual results could differ from those estimates.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) 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 three months or less.

(d) Interest and other receivables

These amounts, which are expected to be settled within a year of inception, are stated at their nominal value.

(e) Loans receivable and provisions for impairment

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

A provision for impairment is established if there is objective evidence that a loan is impaired. A loan is considered impaired when it is in arrears for ninety days and over and when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions 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 provision for impairment also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses.

Prudential provisions by management for loan loss requirements that exceed these amounts for mortgage loans are reflected in the loan loss reserve, of up to a maximum of 3% of the total mortgage loan receivables, as an appropriation of undistributed surplus.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Loans receivable and provisions for impairment (Cont'd)

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

Service charge on loans to beneficiaries

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 using the effective yield basis over the life of the mortgage.

(f) Investment securities

Investments are classified into the following categories: investments held-to-maturity, and available-for-sale securities.

Investments held-to-maturity are those that the Trust has the expressed intention and ability to hold to maturity. They are initially recognized at cost, which includes transaction costs, and subsequently carried at amortized cost less any impairment loss recognized to reflect irrecoverable amounts. The annual amortization of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognized in each period represents a constant yield on the investment.

Available-for-sale securities are those 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. They are initially recognized at cost, which includes transaction cost, and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealized gains and losses arising from changes in fair value of available-for-sale securities are recognized directly in fair value and other reserves included in the accumulated fund. When the securities are disposed of or impaired, the related accumulated unrealized gains or losses included in the accumulated fund are transferred to the income and expenditure account.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Investment securities (Cont'd)

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount and this change is expected to be permanent. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

All purchases and sales of investment securities are recognized on a trade-date basis.

(g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials; direct labour costs and any other costs incurred in bringing the inventories to their present location and condition. Net realizable 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. Any write down to net realisable value is recognized as an expense in the period in which the write-down or loss occurs. Any reversal up to the previous write-off is recognized in the income and expenditure account in the period in which the reversal occurs.

(h) Intangible assets

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

An internally-generated intangible asset arising from the Trust's development is recognized only if all the following conditions are met:

- an identifiable asset is created (such as software and new processes);
- it is probable that the asset created will generate future economic benefit that will flow to the Trust;
- the development cost of the asset can be measured reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Intangible assets (Cont'd)

Internally-generated and purchased intangible assets are measured at cost and are amortised on a straight-line basis over their useful lives.

Where no internally-generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred.

(i) Investment in associate

An associate is an enterprise over which the Trust is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

Interest in associate is carried in the balance sheet of the company at cost less a provision for diminution in value (if any).

(j) Retirement benefit costs

The Trust participates in a pension scheme which is administered by Trustees and managed by Life of Jamaica Limited. The Scheme's assets are separately held and it is funded by employee contributions of 5% of pensionable salaries (with the option of contributing an additional 5%) and employer contributions as recommended by independent actuaries.

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Retirement benefit costs (Cont'd)

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized 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.

(k) Property, plant and equipment

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Under IFRS 1 a first time adoptor may elect to use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition to IFRS as deemed cost at the date of transition, if the revaluation was broadly comparable to fair value or cost or depreciated cost under IFRS. The Trust has elected to apply this provision.

Depreciation is charged so as to write off the cost of assets (other than land) over their estimated useful lives, using the straight line method on the following bases:

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	-	3 years

No depreciation is provided on freehold land.

Properties in the course of construction for administrative purposes, or for purposes not yet determined are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation on these assets (on the same basis as other property assets), commences when the assets are ready for their intended use.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Property, plant and equipment (Cont'd)

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.

(l) Accounts payable

These are stated at their nominal value.

(m) Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges are accounted for on an accrual basis in the income and expenditure account using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(n) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from the net surplus as reported in the income and expenditure account 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 balance sheet date.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Taxation (Cont'd)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable surplus, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all 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 tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 is calculated at the tax rates currently enacted, which rates are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income and expenditure account, except when it relates to items charged or credited directly to accumulated fund, in which case the deferred tax is also charged or credited in the accumulated fund.

Deferred tax assets and liabilities are offset when 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.

(o) 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 and their outstanding contributions. Accordingly, the Trust does not account for contributions which at year end (March 31) have not been collected from employers.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) 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.

(q) Borrowing costs

There are recognised in the income and expenditure account in the period in which they are incurred.

(r) Peril reserve

Transfers are made from the accumulated surplus on the income and expenditure account to the peril reserve up to the policy deductible limit to settle insurance claims by mortgage beneficiaries.

(s) Financial instruments

Financial instruments include contracts that give rise to both financial assets and financial liabilities. Financial assets include the Trust's assets except intangible assets, property, plant and equipment, investment in associate, inventories and prepayments.

Financial liabilities include the Trust's liabilities except accruals and deferred taxation.

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 27.

(t) Impairment

At each balance sheet 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 (if any). 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.
Recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Impairment (Cont'd)

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When 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, unless the reversal of the impairment loss is treated as a revaluation increase.

(u) Revenue recognition

i) Interest income is accrued on the time basis by reference to the principal outstanding and the effective interest rate applicable.

ii) Surpluses/losses on disposal of all units in a housing project are credited/charged against the income and expenditure account in the year of occurrence.

(v) Leases

Rental income/expense under operating leases is recognized in income on a straight-line basis over the term of the relevant lease.

(w) Foreign currencies

Transactions in foreign currencies other than Jamaican dollars are recorded at the rates of exchange prevailing on the dates of those transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated to Jamaican dollars at the rates prevailing at the balance sheet date. All exchange gains and losses are credited to or charged against income of the year.

(x) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

4 CASH AND CASH EQUIVALENTS

These comprise:

	2004 $'000	2003 $'000
Short-term investments with financial institutions maturing within three months of original date of purchase at interest rates ranging from 6.5% to 18.5% per annum (2003:9.9% to 23% per annum) (Note 4(a))	4,532,441	2,570,363
Bank balances (Note 4(b))	131,164	111,458
Cash in hand	272	258
	4,663,877	2,682,079

(a) Short-term investments with financial institutions include foreign currency deposits of US$1,996,000 (2003: US$303,000).

(b) Bank balances include foreign currency deposits of US$286,000 (2003: US$260,000) at interest rates of 1.5% (2003: 1.5%).

5 INTEREST AND OTHER RECEIVABLES

	2004 $'000	2003 $'000
Interest receivable		
- loans receivable	824,573	735,746
- investment securities	828,932	432,912
Staff loans	88,348	72,566
Prepayments	15,493	4,804
Deposits for acquisition of property, plant and equipment	23,185	25,529
Other	90,290	76,683
	1,870,821	1,348,240

6 LOANS RECEIVABLE

		2004 $'000	2003 $'000
(a)	Loans to beneficiaries selected by the Trust (Note 6(e), (f))		
	Mortgage loans	33,391,078	30,128,531
	Loans for which mortgage processing is incomplete (Note 6(g))	1,840,868	1,520,496
	Loans through financial institutions (Note 6(h))	1,023,744	1,340,068
	Loans through joint venture programme (Note 6(i))	143,382	205,758
		36,399,072	33,194,853
	Less provisions for impairment (Note 6(p))	329,239	55,550
		36,069,833	33,139,303
	Less unexpired service charges (Note 6(q))	1,008,533	990,116
		35,061,300	32,149,187
(b)	Loans to beneficiaries selected by the following agencies approved by the Trust:		
	Jamaica Teachers' Association Housing Co-operative Limited (JTAHC):		
	Repayable in 25 years at 3% - 18% per annum (Note 6(j)(i))	44,458	82,637
	National Housing Development Corporation (NHDC) (Formerly Caribbean Housing Finance Corporation)		
	Repayable in 25 years at 8% per annum (Note 6(j)(ii))	738,368	759,238
	Repayable in 15 years at 8% per annum (Note 6(j)(iii))	967,448	1,057,593
	Repayable over 10 years at 4% per annum (Note 6(j)(iv))	125,826	139,804
	Repayable in 10 years at 8% per annum (Note 6(j)(v))	778,225	798,863
	Repayable in 15 years at 11% per annum (Note 6(j)(vi))	84,680	87,300
	Repayable at 8% per annum (Note 6(j)(vii))	94,588	-
	Joint financing mortgage programme (Note 6(j)(viii))	139,460	-
	Other institutions	93,607	69,053
		3,066,660	2,994,488
	Balance carried forward	38,127,960	35,143,675

6 LOANS RECEIVABLE (Cont'd)

		2004 $'000	2003 $'000
	Balance brought forward	38,127,960	35,143,675
(c)	Loan financing to developers (Note 6(k))	773,998	277,350
	Less: provision for impairment (Note 6(p))	287,605	159,359
		486,393	117,991
(d)	Other		
	Jamaica Teachers' Association Housing Co-operative Limited (JTAHC) (Note 6(l))	244,414	215,082
	University of the West Indies (Note 6(m))	604,885	584,800
	University Hospital of the West Indies (Note 6(n))	30,000	-
	Development Bank of Jamaica (Note 6(o))	1,189,821	-
		2,069,120	799,882
	Total	40,683,473	36,061,548

(e) Effective April 1, 2002 the rate of interest payable by a beneficiary selected by the Trust on a loan varies from 2% to 9% 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.

(f) Mortgage loans of $33,391,078,000 (2003: $30,128,531,000) include loans totalling $1,860,386,000 (2003: $6,481,262,000) 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.

(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.

6 LOANS RECEIVABLE (Cont'd)

(i) 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%.

(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. 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 Trust's Combined Mortgage and Build on Own Land (BOL) programmes. The formal agreement was signed between the parties on April 10, 2004. The Trust has registered its interest on the various titles.

(ii) This 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. The loan is secured by the transfer of mortgages by NHDC to the Trust. (See Note 7.1(a)).

(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 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.

6 LOANS RECEIVABLE (Cont'd)

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

(iv) 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.

(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 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.

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 and Barrett Hall portfolio.
- Duplicate Certificates of titles in respect of the Greater Portmore portfolio which shall be retained by the Trust.

6 LOANS RECEIVABLE (Cont'd)

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

(vi) 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 was finalized on April 17, 2004.

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.

(vii) During the year, the Trust entered into an agreement to make the sum of $120 million available on a revolving basis for the purpose of providing shelter solutions for beneficiaries under the NHDC - Operation Pride Portfolio. Interest is charged at 8% per annum.

The revolving loan is secured by:

- deposit of the splinter titles in respect of the various projects to be retained by the Trust to cover the loan amount together with an excess equivalent to 15% of the loan amount.
- execution of document for the assignment of NHDC's rights under the various land sale agreements.

(viii) Joint financing mortgage programme

During the year, the Trust entered into an agreement to invest funds with Victoria Mutual Building Society (VMBS) through the use of an imprest account, in the name of the Trust for the sole purpose of onlending funds to qualified contributors of the Trust at the rates of interest applicable based on the Trust's loan policy. The purpose of the agreement is to assist the contributor in owning a home which shall be mortgaged to the above financial institution as security for the funds onlent.

Where the imprest account is diminished to 20% of the initial deposit, the Trust is obligated to replenish the account to either its original value or to an amount as agreed between the partners.

Interest earned on the imprest account is capitalized and credited to the account every six months (March and September).

6 LOANS RECEIVABLE (Cont'd)

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

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

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

These payments are due on the 1st day of April, July, October and January of each year.

Further, VMBS is liable to the Trust for the full amount of the quarterly obligation irrespective of whether the amounts have been recovered or collected from the relevant beneficiaries through the mortgage payment.

The obligations of the financial institution are secured by:

- deposit certificate for the imprest account (where applicable)
- power of attorney to assign and transfer the mortgage security
- assignment of all rights, title and interest of securities.

(k) Loan financing to developers

This represents the total amount of financing provided to public and private developers, inclusive of interest charged during the construction period at rates ranging from 8% to 12% per annum. (See Note 7.1(c)).

(l) Jamaica Teachers' Association Housing Cooperative Limited (JTAHC)

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.

Based on a restructuring agreement dated April 10, 2004, the Trust agreed to accept selected mortgages and real properties (collectively referred to as the portfolio) valued at approximately $162.3 million to be used to set off the indebtedness of JTAHC. Further, all collections made by JTAHC in respect of mortgage repayments amounting to not less than $97.7 million pertinent to the portfolio since September 1, 1999 will be paid over to the Trust.

6 LOANS RECEIVABLE (Cont'd)

(l) Jamaica Teachers' Association Housing Cooperative Limited (JTAHC) (Cont'd)

The security offered by JTAHC includes:

- documentation and securities pertinent to the portfolio including duplicate certificates of titles, mortgage deeds, instruments of transfer and any other documents necessary to secure transfer of the portfolio to the Trust.

- power of attorney to act on behalf of JTAHC to handle all matters as pertains to the portfolio.

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

	$'000
Advances	244,414
Mortgage principal (Note 6(j)(i))	44,458
Amounts due to JTAHC (Classified under accounts payable)	68,236

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

This represents advances 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 a straight-line method. 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.

(n) University Hospital of the West Indies

This represents interim financing of $30 million towards the construction of an intensive care unit. The loan, which is unsecured, is for a period of eighteen months and is repayable in six equal installments commencing May 2004. Interest is charged at a rate of 10% per annum.

6 LOANS RECEIVABLE (Cont'd)

(o) Development Bank of Jamaica (DBJ)

During the year, the Trust entered into a short-term interim financing facility in respect of works under the road rehabilitation and maintenance programme. The loan was for a maximum period of three months commencing April 2003 and was repayable with interest before or on the due date. The facility has been extended to mature in two equal tranches in May and November 2004. Interest was charged at a rate of 20% per annum up to December 31, 2003, subsequent to which the rate was amended to 18% per annum.

The loan is secured by a guarantee from the Ministry of Finance & Planning, which has given its irrevocable and unconditional undertaking to settle all obligations if DBJ is unable to do so.

(p) The movement in the loans receivable provision is as follows:

	2004			2003
	Mortgage Loans	Development Financing	Total	
	$'000	$'000	$'000	$'000
Balance, April 1	55,550	159,359	214,909	223,745
Provision (write back) for the year	291,982	128,246	420,228	(2,737)
Write off during the year	(18,293)	-	(18,293)	(6,099)
Balance, March 31	329,239	287,605	616,844	214,909

(q) Unexpired service charges on loan to beneficiaries

This comprises:

	2004	2003
	$'000	$'000
Balance, April 1	990,116	918,937
Additions during the year	79,883	129,615
Amortisation	(61,466)	(58,436)
Balance, March 31	1,008,533	990,116

7 STATUS OF SECURITIES FOR FINANCING FOR DEVELOPERS AND LOANS TO BENEFICIARIES

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

		2004 $'000	2003 $'000
(a)	Loans to National Housing Development Corporation (NHDC) (Formerly Caribbean Housing Finance Corporation (CHFC)) (Note 7.2)		
	To finance mortgage loans to beneficiaries	-	586,309
(b)	Loans through joint venture mortgage programme (Note 7.3)	143,382	205,758
(c)	Other loans (Note 7.4)		
	Mortgage loans to beneficiaries	3,701,254	4,173,409
	Finance for housing construction projects	243,550	168,245
	Sub-total	3,944,804	4,341,654
	Total	4,088,186	5,133,721

.2 In respect of the loans to beneficiaries stated in Note 7.1(a) above, the individual mortgages are registered in the name of CHFC. NHDC (formerly CHFC) and the Trust had concluded an agreement in 2003 for Instruments of Transfer of Mortgage to be executed in favour of the Trust, and these should have been used to lodge caveats against the relevant properties. However, on March 25, 2004, a mortgage was registered on the Certificate of Title in respect of property owned by NHDC to secure the outstanding amounts owed by them.

.3 The loans through joint venture programmes stated in Note 7.1(b) 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 these programmes.

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

.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 7.1(c) will have a material impact on these financial statements.

.5 A provision for mortgage losses of $329,239,000 (2003:$55,550,000) as reflected in Note 6, as well as an additional appropriation of surplus on the income and expenditure account of $854,733,000 (2003:$1,030,130,000) has been made to a loan loss reserve, to cover any losses that may arise from the loans referred to in Note 7.1(c) above and other mortgage loans.

Additionally, provisions of $287,605,000 (2003:$159,359,000) has been made in respect of loan financing to developers.

8 INVESTMENT SECURITIES

These consist of the following:

	2004 $'000	2003 $'000
Held-to-maturity securities (at amortised cost) Note 8(a)	13,135,261	11,415,343
Available-for-sale securities (at fair value) Note 8(c)	246,975	103,379
	13,382,236	11,518,722

8 INVESTMENT SECURITIES (Cont'd)

(a) Held-to-maturity securities

	Nominal Value $'000	2004 $'000	2003 $'000
Treasury bills maturing within six months of year end	278,961	265,363	311,982
Deposits with interest at rates ranging from 6.5% - 35.35% (2003: 9.9% - 35.8%) per annum maturing within 12 months of year end - Note 8(b)		2,859,022	3,330,984
National Road Operating & Construction Company Limited (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	991,300
Government of Jamaica Index Bond (US$9,191,300) at interest rates of 11.25% - 12% per annum maturing 2006/2007		558,739	-
Government of Jamaica 16.25% Debenture maturing 2002/2003		-	536,286
Government of Jamaica 14.5% - 19.75% Debenture maturing in 2003/2004		-	2,086,262
Government of Jamaica 14.5% - 36.25% Debenture maturing 2004/2005		1,142,131	-
Government of Jamaica 25% - 33.5% Debenture maturing 2005/ 2006		337,287	-
Government of Jamaica 18.625% - 24.625% Debenture maturing 2006/2007		1,213,350	-
c/f		7,367,192	7,256,814

8 INVESTMENT SECURITIES (Cont'd)

(a) Held-to-maturity securities (Cont'd)

	Nominal value $'000	2004 $'000	2003 $'000
b/f		7,367,192	7,256,814
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		-	282,000
Government of Jamaica/Dehring, Bunting & Golding certificate of participation at a rate of interest based on the weighted average yield on the 6 month treasury bill, payable semi- annually at March 1 and September 1 (at year end 17.789% per annum) maturing 2009/2010		591,946	-
		7,959,138	7,738,814
Local registered stock - at cost			
Variable 2003/2004		-	352,040
Variable 2004/2005	776,156	776,156	676,156
Variable 2005/2006	3,302,000	3,299,967	1,548,333
Variable 2007/2008	100,000	100,000	100,000
Variable 2009/2010	1,000,000	1,000,000	1,000,000
		5,176,123	3,676,529
		13,135,261	11,415,343

8 INVESTMENT SECURITIES (Cont'd)

(b) Deposits with financial institutions

Deposits include foreign currency deposits of US$962,000 (2003: US$207,000) at interest rates of 6.5% - 9% per annum (2003: 9.9% - 10.15%).

(c) Available-for-sale securities

	2004 $'000	2003 $'000
Life of Jamaica Limited - Universal Investment policy (Note 8(d))	72,872	53,379
Euro Bonds (Note 8(e))	174,103	-
Jamaica Unit Trust Fund (Note 8(f))	-	50,000
	246,975	103,379

(d) Life of Jamaica Limited - Universal Investment policy

	2004 $'000	2003 $'000
Fair value, April 1	53,379	53,379
Increase in fair value recognized in accumulated fund (Note 17)	19,493	-
Fair value, March 31	72,872	53,379

8 INVESTMENT SECURITIES (Cont'd)

(e) Euro Bonds

The investment in Euro Bonds of US$2,859,000 at an interest rate of 10.625% per annum matures in 2017/18.

	2004 $'000	2003 $'000
Purchased during the year	135,338	-
Decrease in fair value recognized in accumulated fund (Note 17)	(873)	-
Unrealised foreign exchange gains	39,637	-
Fair value, March 31	174,102	-

(f) Jamaica Unit Trust Fund

This investment was realized during the year.

The movement during the year is as follows:

	2004 $'000	2003 $'000
Fair value, April 1	50,000	55,918
Decrease in fair value recognized in accumulated fund (Note 17)	-	(5,918)
Amounts realized through transfer of property, plant and equipment (Note 13)	(50,000)	-
Fair value, March 31	-	50,000

9 INVENTORIES

	2004 $'000	2003 $'000
Land held for housing development	405,248	349,600
Housing under construction	1,304,263	964,540
Housing units completed but not allocated		
Total value of units	741,868	892,099
Urban Renewal (Note 9(a))	68,168	-
	2,519,547	2,206,239
Less: Provision for losses and subsidies	(413,953)	(385,469)
	2,105,594	1,820,770

The movement in the provision is as follows:

	2004 $'000	2003 $'000
Balance, April 1	385,469	290,925
Provisions during the year	135,434	195,308
Write-offs during the year	(106,950)	(100,764)
Balance, March 31	413,953	385,469

(a) Urban Renewal

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

In 2003, the Trust committed $7.5 billion for expenditure on the project in Kingston, St. Catherine, St. Mary and Westmoreland. The estimated project cost includes the following:

- The construction of 5,000 housing solutions at a cost of $5 billion.
- The provision of supporting social and physical infrastructure for new and existing communities at a cost of $2 billion.
- The refurbishment and upgrading of existing inner city communities at a cost of $500 million.

9 INVENTORIES (Cont'd)

(a) Urban Renewal (Cont'd)

The project is expected to run over the period 2004 to 2008.

The amounts spent on refurbishing works will be borne by the Trust. As at March 31, 2004, $90 million has been spent on refurbishing several schemes and this amount as well as other subsidies to the project are reflected in the Income and Expenditure account, as Subsidies - Special Projects (Note 21).

The ICHP is being undertaken as a distinct and separate, though complementary project; under the broader Urban Renewal Programme.

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

The new solutions to be provided under the ICHP will primarily be in the form of two and three bedroom apartments. The units are to be sold by the Trust to qualified borrowers and it is expected that the Trust will provide a substantial subsidy and recoup the balance of the investment through the granting of mortgages.

10 INTANGIBLE ASSETS

	$'000
Cost	
Balance, April 1	180,709
Additions	22,203
Write-off during the year	(162,087)
Balance, March 31	40,825
Amortisation	
Balance, April 1	81,944
Charge for the year	6,051
Write-off during the year	(81,944)
Balance, March 31	6,051
Carrying amount:	
March 31, 2004	34,774
March 31, 2003	98,765

10 INTANGIBLE ASSETS (Cont'd)

This consists primarily of software purchased and developed, the costs of which are being amortised over three years.

11 INVESTMENT IN ASSOCIATE

	2004 $'000	2003 $'000
Shares at cost (a)	-	-
Advances	277,073	-
	277,073	-

Details of the associate as at March 31, 2004 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

(a) This represents 1 share of $1.

12 RETIREMENT BENEFIT ASSET

The Trust operates a defined benefit pension plan. The plan is funded by contributions from the employees and the Trust. The employees contribute at a rate of 5% of annual pensionable salaries (with the option of increasing this amount by an additional 5%) with the Trust contributing the balance of the cost at rates determined periodically by independent actuaries. 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. No other post employment benefits are provided.

The disclosures below are based on the independent actuarial valuation as at March 31, 2004.

12 RETIREMENT BENEFIT ASSET (Cont'd)

(a) Amounts recognized in income in respect of the defined benefit plan are as follows:

	2004 $'000	2003 $'000
Current service cost	3,600	21,087
Interest cost	43,100	36,711
Expected return on assets	(59,793)	(42,906)
Change in unrecognized asset due to limitation in Paragraph 58, IAS 19	(49,832)	9,838
Total included in staff costs	(62,925)	24,730
Actual return on plan assets	161,093	44,789

(b) Amounts included in the balance sheet in respect of the defined benefit plan are as follows:

	2004 $'000	2003 $'000
Present value of obligation	(417,000)	(364,243)
Fair value of plan assets	668,500	446,050
Unrecognised actuarial gains	(115,000)	-
Asset not recognized due to limitation in Paragraph 58, IAS 19	-	(49,832)
Net asset in balance sheet	136,500	31,975

(c) Movements in the net asset during the year were as follows:

	2004 $'000	2003 $'000
Balance, April 1	31,975	21,882
Amounts credited (charged) to income	62,925	(24,730)
Contributions	41,600	34,823
Balance, March 31	136,500	31,975

(d) Key assumptions used

	2004	2003
Gross discount rate	12.5%	12.0% (net)
Expected return on assets	12.5%	12.5%
Expected rate of salary increases	10.0%	10.0%
Future pension increases	4.0%	4.0%

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings $'000	Partitions $'000	Artwork, Furniture, Fixtures and Office Equipment $'000	Computer Equipment $'000	Heavy Equipment $'000	Motor Vehicles $'000	Construction in progress $'000	Total $'000
At cost									
April 1	75,816	442,978	7,571	176,716	288,258	39,901	30,741	31,132	1,093,113
Additions	22,943	26,933	1,469	67,584	46,437	-	5,434	67,258	238,058
Transfers									
- investments (Note 8(f))	-	50,000	-	-	-	-	-	-	50,000
- other	-	-	-	(44,131)	-	44,131	-	-	-
Disposals	-	-	-	-	-	-	(1,450)	-	(1,450)
March 31	98,759	519,911	9,040	200,169	334,695	84,032	34,725	98,390	1,379,721
Depreciation									
April 1	-	63,555	4,328	104,826	232,444	9,190	14,981	-	429,324
Charge for year	-	11,766	481	15,214	38,187	16,806	7,424	-	89,878
Transfers	-	-	-	(27,405)	-	27,405	-	-	-
On disposals	-	-	-	-	-	-	(1,432)	-	(1,432)
March 31	-	75,321	4,809	92,635	270,631	53,401	20,973	-	517,770
Net book value									
March 31, 2004	98,759	444,590	4,231	107,534	64,064	30,631	13,752	98,390	861,951
March 31, 2003	75,816	379,423	3,243	71,890	55,814	30,711	15,760	31,132	663,789

13 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Certain freehold land and buildings were revalued in 1993 and 1994 and the revaluation surplus of $208.208 million was credited to fair value and other reserves. The revalued amount of $59.3 million for land and $180.308 million for buildings have been designated the deemed cost of these assets, as permitted under IFRS 1 (See Note 3(k)).

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

	2004	2003
	$'000	$'000
Buildings/Related infrastructure	202,530	185,700
Furniture, fixtures and office equipment	6,576	6,345
Artwork	10,443	-
	219,549	192,045

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 $20.088 million (2003: $16.865 million) was charged to various projects included under inventories.

14 ACCOUNTS PAYABLE AND ACCRUALS

	2004	2003
	$'000	$'000
Accounts payable	389,224	212,226
Scheme deposits	260,526	198,648
Statutory and other payroll deductions	22,393	23,369
Accruals and other payables	281,741	225,199
	953,884	659,442

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

15 EMPLOYEE CONTRIBUTIONS REFUNDABLE

(a)

	2004			2003
	Currently Due $'000	Not Yet Due $'000	Total $'000	Total $'000
Contributions refundable	3,919,856	16,014,316	19,934,172	16,111,937
Bonus accrued (Note 15(b))	267,662	1,633,013	1,900,675	2,368,778
	4,187,518	17,647,329	21,834,847	18,480,715
Represented by:				
8% Savings Accounts				
Principal	31,237	-	31,237	275,416
Interest	35,339	-	35,339	28,392
	66,576	-	66,576	303,808
3% Time Accounts				
Principal	-	535,214	535,214	881,800
Interest	-	83,167	83,167	139,671
	-	618,381	618,381	1,021,471
Total for which personal accounts are established	66,576	618,381	684,957	1,325,279
Balances for which no personal accounts are established	4,120,942	17,028,948	21,149,890	17,155,436
Total refundable employee contribution	4,187,518	17,647,329	21,834,847	18,480,715
Analysed as:				
Contribution refunds to employees currently due	4,187,518	-	4,187,518	4,232,681
Bonus to employees not yet due	-	1,633,013	1,633,013	960,331
Employees' contributions not yet due	-	16,014,316	16,014,316	13,287,703
Employees' contributions and bonus thereon	-	17,647,329	17,647,329	14,248,034
	4,187,518	17,647,329	21,834,847	18,480,715

15 EMPLOYEE CONTRIBUTIONS REFUNDABLE (Cont'd)

(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.

16 DEFERRED TAXATION

The following are the deferred tax liabilities recognized by the Trust and movements thereon during the current period.

	Accelerated capital allowances $'000	Revaluation of property, plant and equipment $'000	Retirement benefit asset $'000	Unrealized foreign exchange gains $'000	Interest receivable $'000	Other Assets $'000	Total $'000
Charge to income for the year (Note 23)	8,420	-	45,500	21,737	551,169	3,717	630,543
Charge to accumulated fund during the year (Note 17)	-	41,447	-	-	-	-	41,447
Balance, March 31, 2004	8,420	41,447	45,500	21,737	551,169	3,717	671,990

17 FAIR VALUE AND OTHER RESERVES

	Unallocated Contributions Reserves $'000	Properties Revaluation Reserves $'000	Investment Revaluation Reserves $'000	Total $'000
Balance, April 1, 2002	717,590	208,208	(8,560)	917,238
Unallocated contributions during the year	5,934	-	-	5,934
Decrease in fair value of available-for-sale investments	-	-	(5,918)	(5,918)
Balance, March 31, 2003	723,524	208,208	(14,478)	917,254
Net increase in fair value of available-for-sale investments	-	-	18,620	18,620
Realised on disposal/ write-off of available-for-sale investments	-	-	14,478	14,478
Deferred tax arising on revaluation of property, plant and equipment (Note 16)	-	(41,447)	-	(41,447)
Balance, March 31, 2004	723,524	166,761	18,620	908,905

18 PERIL RESERVE

In respect of the 2003 - 2004 policy year, the Trust increased its policy deductible to US$15 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) (2002-2003: US$10 million). As a consequence, this reserve has been increased by $432 million.

19 LOAN LOSS RESERVE

This reserve represents the excess of the provision for loan losses determined using management's prudential estimate of 3% of the total mortgage loans receivable over the amounts determined under IFRS (Note 6).

20 MISCELLANEOUS INCOME

This comprises:

	2004	2003
	$'000	$'000
Foreign exchange gains (net)	81,004	7,986
Penalty income	66,820	185,271
Debt management fees	43,803	15,256
Peril and life insurance administrative fees	151,768	62,940
Other	8,313	10,438
	351,708	281,891

21 SUBSIDIES - SPECIAL PROJECTS

The analysis of subsidies provided on special projects is as follows:

	2004	2003
	$'000	$'000
Relocation 2000	230,634	87,774
Urban Renewal	158,497	-
Emancipation Park	51,423	37,581
	440,554	125,355

22 EXCEPTIONAL ITEMS

The balance comprises:

	2004	2003
	$'000	$'000
Restructuring expenses (Note 22(a))	1,215	3,707
25th Anniversary celebration expenses	1,097	30,954
	2,312	34,661

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

23 TAXATION

As disclosed in Note 1, by way of the Public Enterprises (Removal of Tax Concessions) Act: 2002, dated December 22, 2003, the Trust's operations became subject to income tax.

Income tax is calculated at 33⅓% of the estimated assessable surplus.

23 TAXATION (Cont'd)

The total charge for the year comprises:

	2004 $'000	2003 $'000
Current tax	241,800	-
Deferred tax adjustment (Note 16)	630,543	-
	872,343	-

The charge for the year can be reconciled to the surplus before taxation in the income and expenditure account as follows:

	2004 $'000	2003 $'000
Surplus before taxation	3,534,342	2,420,431
Tax at current tax rate of 33?%	1,178,114	806,810
Tax effect of surplus not taxable based on prior existing regime	(762,917)	(806,810)
Tax effect of expenses not deductible in determining taxable surpluses	446,923	-
Tax effect of expenses deductible for tax purpose only	(620,364)	-
Increase in deferred tax liability	630,543	-
Rounding	44	-
Taxation expense	872,343	-

In addition to the amount charged to the Income and Expenditure account, deferred tax relating to the revaluation of the Trust's property, plant and equipment amounting to approximately $41,447,000 has been charged directly to accumulated fund (See Note 17).

24 NET SURPLUS

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

	2004	2003
	$'000	$'000
Directors' emoluments:		
Non Executive Directors - fees and expenses	794	842
Management		
Basic	6,716	5,218
Retroactive payments	609	5,586*
Gratuity in lieu of pension and incentive payments	2,445	2,299
Audit fees	8,100	7,350
Interest on fixed loans	-	123
Depreciation	69,790	61,254
Amortisation/write-off of intangible asset	86,194	81,896
Realised loss on disposal of available-for-sale investment	14,478	-

* Relates to the period 1998 - 2002.

25 COMMITMENTS

	2004	2003
	$'000	$'000
Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	9,696,617	7,549,913
Purchase of land	-	23,018
	9,696,617	7,572,931
Authorised and approved but not contracted for:		
Purchase of land	264,997	218,800
Loans and/or mortgage financing	400,000	1,025,000
Inner City Renewal project	7,500,000	5,000,000
Computer software development (US$247,500)	15,098	-
Waste water project (US$4,800,000)	292,800	-
Car park	300,000	-
Office refurbishing	85,660	-
	8,858,555	6,243,800

26 RISK MANAGEMENT

(a) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Trust will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities.

The following table analyses assets and liabilities of the Trust into relevant maturity groupings based on the remaining period, at balance sheet date, to the contractual maturity date.

As at March 31, 2004:

	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
Assets					
Cash and cash equivalents	4,663,877	-	-	-	4,663,877
Interest and other receivables	1,784,662	86,159	-	-	1,870,821
Income tax recoverable	392,434	-	-	-	392,434
Investment securities	5,701,411	5,442,550	2,238,275	-	13,382,236
Loans receivable	40,163	205,461	40,437,849	-	40,683,473
Inventories	-	-	-	2,105,594	2,105,594
Other	-	-	-	1,310,298	1,310,298
Total assets	12,582,547	5,734,170	42,676,124	3,415,892	64,408,733
Liabilities and Accumulated Fund					
Accounts payable and accruals	953,884	-	-	-	953,884
Refundable contributions	4,187,519	8,740,014	8,907,314	-	21,834,847
Other liabilities	4,445	-	-	-	4,445
Deferred taxation	-	-	-	671,990	671,990
Accumulated fund	-	-	-	40,943,567	40,943,567
Total liabilities and accumulated fund	5,145,848	8,740,014	8,907,314	41,615,557	64,408,733
Net Liquidity Gap	7,436,699	(3,005,844)	33,768,810	(38,199,665)	-
Cumulative Liquidity Gap	7,436,699	4,430,855	38,199,665	-	-

26 RISK MANAGEMENT (Cont'd)

(a) Liquidity risk (Cont'd)

As at March 31, 2003:

	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
Assets					
Cash and cash equivalents	2,682,079	-	-	-	2,682,079
Interest and other receivables	1,277,471	70,769	-	-	1,348,240
Income tax recoverable	179,341	-	-	-	179,341
Investment securities	4,791,838	5,632,205	1,094,679	-	11,518,722
Loans receivable	36,022	262,966	35,762,560	-	36,061,548
Inventories	-	-	-	1,820,770	1,820,770
Other	-	-	-	794,529	794,529
Total assets	8,966,751	5,965,940	36,857,239	2,615,299	54,405,229
Liabilities and accumulated fund					
Accounts payable and accruals	659,442	-	-	-	659,442
Refundable contributions	4,232,681	7,068,456	7,179,578	-	18,480,715
Other liabilities	7,147	-	-	-	7,147
Accumulated fund	-	-	-	35,257,925	35,257,925
Total liabilities and accumulated fund	4,899,270	7,068,456	7,179,578	35,257,925	54,405,229
Net Liquidity Gap	4,067,481	(1,102,516)	29,677,661	(32,642,626)	-
Cumulative Liquidity Gap	4,067,481	2,964,965	32,642,626	-	-

(b) 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.

The Trust's exposure to significant interest rate risks is limited for the reason 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 investments in securities, loans to beneficiaries and inventory housing projects. Such investments are at significantly higher rates of return. The tables below summarise the interest rate gap based on the earlier of the contractual repricing or maturity dates.

26 RISK MANAGEMENT (Cont'd)

(b) Interest rate risk (Cont'd)

As at March 31, 2004:

	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-rate Sensitive $'000	Total $'000
Assets					
Cash and cash equivalents	4,548,770	-	-	115,107	4,663,877
Interest and other receivables	-	-	-	1,870,821	1,870,821
Income tax recoverable	-	-	-	392,434	392,434
Investment securities	5,701,411	5,442,550	2,238,275	-	13,382,236
Loans receivable	40,163	205,461	40,437,849	-	40,683,473
Inventories	-	-	-	2,105,594	2,105,594
Other	-	-	-	1,310,298	1,310,298
Total assets	10,290,344	5,648,011	42,676,124	5,794,254	64,408,733
Liabilities and accumulated fund					
Accounts payable and accruals	-	-	-	953,884	953,884
Refundable contributions	4,187,519	8,740,014	8,907,314	-	21,834,847
Other liabilities	-	-	-	4,445	4,445
Deferred taxation	-	-	-	671,990	671,990
Accumulated fund	-	-	-	40,943,567	40,943,567
Total liabilities and accumulated fund	4,187,519	8,740,014	8,907,314	42,573,886	64,408,733
Net Interest Rate Sensitivity Gap	6,102,825	(3,092,003)	33,768,810	(36,779,632)	-
Cumulative Gap	6,102,825	3,010,822	36,779,632	-	-

26 RISK MANAGEMENT (Cont'd)

(b) Interest rate risk (Cont'd)

As at March 31, 2003:

	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-rate Sensitive $'000	Total $'000
Assets					
Cash and cash equivalents	2,583,984	-	-	98,095	2,682,079
Interest and other receivables	-	-	-	1,348,240	1,348,240
Income tax recoverable	-	-	-	179,341	179,341
Investment securities	4,791,838	5,632,205	1,094,679	-	11,518,722
Loans receivable	36,022	262,966	35,762,560	-	36,061,548
Inventories	-	-	-	1,820,770	1,820,770
Other	-	-	-	794,529	794,529
Total assets	7,411,844	5,895,171	36,857,239	4,240,975	54,405,229
Liabilities and accumulated fund					
Accounts payable and accruals	-	-	-	659,442	659,442
Refundable contributions	4,232,681	7,068,456	7,179,578	-	18,480,715
Other liabilities	-	-	-	7,147	7,147
Accumulated fund	-	-	-	35,257,925	35,257,925
Total liabilities and accumulated fund	4,232,681	7,068,456	7,179,578	35,924,514	54,405,229
Net Interest Rate Sensitivity Gap	3,179,163	(1,173,285)	29,677,661	(31,683,539)	-
Cumulative Gap	3,179,163	2,005,878	31,683,539	-	-

26 RISK MANAGEMENT (Cont'd)

(b) Interest rate risk (Cont'd)

The following table summarizes the effective interest rate for financial instruments of the Trust:

	2004 TERM TO MATURITY			
	Within 12 months %	1 to 5 Years %	Over 5 years %	Average %
Assets				
Cash and cash equivalents	14.5	-	-	14.5
Investment securities	17.0	17.0	14.5	16.6
Loans receivable	7.4	7.4	7.4	7.4
Liabilities and accumulated fund				
Refundable contributions	8.0	3.0	3.0	3.9

	2003 TERM TO MATURITY			
	Within 12 months %	1 to 5 Years %	Over 5 years %	Average %
Assets				
Cash and cash equivalents	18.0	-	-	18.0
Investment securities	20.5	17.0	14.0	18.0
Loans receivable	7.4	7.4	7.4	7.4
Liabilities and accumulated fund				
Refundable contributions	8.0	3.0	3.0	4.2

26 RISK MANAGEMENT (Cont'd)

(c) Credit risk

Credit risk is the risk of loss from default by an obligator. The risk is managed primarily by reviews of the financial status of each obligator.

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

- Investment securities are placed with reputable financial institutions and are usually collaterised. Additionally, management limits the amount of investment with any one institution.

- Monitoring the terms of investments and ensuring that the terms of agreements are complied with.

The Trust has a significant credit risk exposure in respect of loans to beneficiaries and loan financing for housing 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 guarantees from the Ministry of Finance, and the Trust makes provisions to safeguard itself against credit losses. The Trust's experience of credit loss has been low. (See Notes 6 and 7).

(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 the end of the year were as follows:

2004	2003
US$'000	US$'000
15,269	771

26 RISK MANAGEMENT (Cont'd)

(e) Market risk

Market risk is the risk that the value 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 has no significant exposure to market risk as there is an immaterial amount of traded securities.

(f) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Trust manages this risk through budgetary measures, ensuring as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value

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 recognized 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. 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.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value (Cont'd)

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 fair values presented in these financial statements have, therefore, been presented using various estimation techniques based on market conditions existing at balance sheet 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, 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 fair values of available-for-sale investment securities are measured by reference to quoted market prices. The fair values of held-to-maturity investments are determined by discounting future cash flows using the rates on similar investments at the balance sheet date. The carrying values of held-to-maturity investments are based on their amortised costs (See 27 (iv) below).

(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.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value (Cont'd)

(iv) The fair values of the following differed from their carrying values:

	2004		2003	
	Fair Value $'000	Carrying Value $'000	Fair Value $'000	Carrying Value $'000
Held to maturity Investments	13,411,949	13,143,315	10,954,249	11,415,343

28 OTHER DISCLOSURES - EMPLOYEES' COSTS

	2004	2003
(a) Number of persons employed by the Trust as at year end:		
Permanent staff	545	519
Temporary staff	256	212
	801	731

	$'000	$'000
(b) Staff costs incurred during the year in respect of these employees were:		
Salaries and wages including statutory contributions	923,566	800,466
Pension costs and other staff costs	136,194	144,986
	1,059,760	945,452

29 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As at April 1, 2003 the Trust adopted IFRS. Below are reconciliations of the accumulated fund as at April 1, 2002 and March 31, 2003 and of the net surplus on the Income and Expenditure Account for the year ended March 31, 2003:

(i) Reconciliation of the accumulated fund as at April 1, 2002:

	Notes	Previous GAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
ASSETS				
Cash and cash equivalents	(b)	62,523	3,797,533	3,860,056
Interest and other receivables	(b)	1,061,596	275,242	1,336,838
Income tax recoverable	(b)	-	83,236	83,236
Loans receivable	(a)(b)(f)(g)(i)	32,075,191	164,082	32,239,273
Short-term investments	(b)	7,482,671	(7,482,671)	-
Investment securities	(b)(c)	-	6,935,784	6,935,784
Long-term investments	(b)	3,321,696	(3,321,696)	-
Inventories	(a)	-	1,271,561	1,271,561
Finance for house construction	(a)	1,534,622	(1,534,622)	-
Intangible assets		149,064	-	149,064
Retirement benefit assets	(d)	-	21,882	21,882
Property, plant and equipment	(j)	486,725	(41,186)	445,539
TOTAL ASSETS		46,174,088	169,145	46,343,233
LIABILITIES AND ACCUMULATED FUND				
LIABILITIES				
Accounts payable	(e)(f)	612,308	14,863	627,171
Provision for unremitted employee contributions	(f)	3,456	(3,456)	-
Employers' contributions refundable		121,424	-	121,424
Bonus payable to employers		48,164	-	48,164
Deferred income	(g)	1,072,833	(1,072,833)	-
Refundable contributions	(h)	15,653,207	(717,590)	14,935,617
		17,511,392	(1,779,016)	15,732,376
ACCUMULATED FUND				
Non-refundable employers' contributions		16,118,228	-	16,118,228
Fair value and other reserves	(c)(h)	208,208	709,030	917,238
Peril reserve		250,000	-	250,000
Loan loss reserve	(i)	-	982,019	982,019
Surplus on income and expenditure account	(k)	12,086,260	257,112	12,343,372
		28,662,696	1,948,161	30,610,857
TOTAL LIABILITIES AND ACCUMULATED FUND		46,174,088	169,145	46,343,233

29 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Cont'd)

(ii) Reconciliation of the accumulated fund as at March 31, 2003:

	Notes	Previous GAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
ASSETS				
Cash and cash equivalents	(b)	111,716	2,570,363	2,682,079
Interest and other receivables	(b)	1,097,661	250,579	1,348,240
Income tax recoverable	(b)	-	179,341	179,341
Loans receivable	(a)(b)(f)(g)(i)	36,022,744	38,804	36,061,548
Short-term investments	(b)	7,001,657	(7,001,657)	-
Investment securities	(b)(c)	-	11,518,722	11,518,722
Long-term investments	(b)	7,087,428	(7,087,428)	-
Inventories	(a)	-	1,820,770	1,820,770
Finance for house construction	(a)	1,938,761	(1,938,761)	-
Intangible assets		98,765	-	98,765
Retirement benefit assets	(d)	-	31,975	31,975
Property, plant and equipment	(j)	711,715	(47,926)	663,789
TOTAL ASSETS		54,070,447	334,782	54,405,229
LIABILITIES AND ACCUMULATED FUND				
LIABILITIES				
Accounts payable	(e)(f)	644,773	14,669	659,442
Provision for unremitted employee contributions	(f)	3,456	(3,456)	-
Employers' contributions refundable		3,482	-	3,482
Bonus payable to employers		3,665	-	3,665
Deferred income	(g)	1,301,842	(1,301,842)	-
Refundable contributions	(h)	19,204,239	(723,524)	18,480,715
		21,161,457	(2,014,153)	19,147,304
ACCUMULATED FUND				
Non-refundable employers' contributions		18,345,658	-	18,345,658
Fair value and other reserves	(c)(h)	208,208	709,046	917,254
Peril reserve		480,000	-	480,000
Loan loss reserve	(i)	-	1,030,130	1,030,130
Surplus on income and expenditure account	(k)	13,875,124	609,759	14,484,883
		32,908,990	2,348,935	35,257,925
TOTAL LIABILITIES AND ACCUMULATED FUND		54,070,447	334,782	54,405,229

29 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Cont'd)

Notes to the Reconciliation of the accumulated fund as at April 1, 2002 and March 31, 2003:

(a) Amounts previously classified as finance for housing construction have been reclassified to inventories and loans receivable.

(b) Short-term and long-term investments have been reclassified as investment securities, loans receivable and cash and cash equivalents. Additionally amounts for income tax recoverable has been reclassified from interest and other receivables.

(c) Recognition of fair value adjustments in available-for-sale investments.

(d) Adjustment relates to the recognition of the defined benefit plan.

(e) Accruals were made for vacation leave earned but not taken.

(f) Adjustments for items not fulfilling the criteria for recognition as a provision and assets under IFRS were reversed/written-off.

(g) Amounts for gain on disposal of housing units not fulfilling the criteria for recognition as deferred income under IFRS was written-off to income and expenditure account, further the amount for service charges on loans to beneficiaries has been reclassified to loans receivable.

(h) An amount in respect of contributions refundable has been reclassified to a non-distributable reserve.

(i) Management's methodology for determining the provision for loan losses differs from the IFRS requirements. The IFRS methodology involves discounting of projected cash flows of principal and interest at the effective interest value of the loans. Management's methodology involves a general provision of 3% and does not involve the discounting of cash flows. The excess of management's provision over the IFRS provision is dealt with in a loan loss reserve in the accumulated fund.

(j) Adjustments relate to change in the basis of depreciating computer equipment.

(k) The net effects of the adjustments relating to the items at the transition date have been included in the opening surplus on the income and expenditure account.

29 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Cont'd)

(iii) Reconciliation of the net surplus on the Income and Expenditure account for the year ended March 31, 2003.

	Notes	Previous GAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
INCOME				
Interest on:				
- Loans receivable	(a)(b)	2,529,960	149,340	2,679,300
- Investments		1,900,860	-	1,900,860
- Finance for house construction	(a)	52,143	(52,143)	-
Gain on disposal of housing units	(c)	20,289	(20,289)	-
Service charge on loans to beneficiaries		58,436	-	58,436
Miscellaneous	(a)	273,905	7,986	281,891
		4,835,593	84,894	4,920,487
EXPENDITURE				
Operating expenses	(d)(e)(f)	1,540,625	(52,182)	1,488,443
Bonus on employees' contributions		837,994	-	837,994
Provision (recovery) on loan receivables	(d)	128,393	(131,130)	(2,737)
Losses on projects	(c)	195,268	(178,119)	17,149
Subsidies - special projects	(a)	87,774	37,581	125,355
		2,790,054	(323,850)	2,466,204
SURPLUS BEFORE EXCEPTIONAL ITEMS		2,045,539	408,744	2,454,283
EXCEPTIONAL ITEMS	(a)	(26,675)	(7,986)	(34,661)
NET SURPLUS		2,018,864	400,758	2,419,622

29 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Cont'd)

Notes to the reconciliation of net surplus for year ended March 31, 2003:

(a) Relates to reclassification in accordance with IFRS presentation.

(b) Recognition of interest income on fully secured loans classified as non-accrual.

(c) Gain on disposal of housing units previously shown as deferred income now recognized in the income and expenditure account as gains on projects under IFRS.

(d) Provisions for year that were not fulfilling the criteria for recognition under IFRS were reversed.

(e) Adjustments for recognition of the defined benefit plan asset and unused vacation leave earned but not taken.

(f) Adjustments for items not fulfilling the criteria for recognition as an asset under IFRS were written off.

EXECUTIVE COMPENSATION

The compensation package for 40 executives for the 12 months ending 31 March 2004 are as follows:

		2004 $'000	2003 $'000
Managing Director (1)		6,354	5,380
Senior Directors (4)	From	3,160	2,893
	To	3,746	3,429
Directors/Senior Managers (35)	From	2,759	2,344
	To	3,530	3,059

Notes

1. Members of the group received a cost of living adjustment during the year of approximately 4 % p.a. retroactive to Jan 1, 2003.
2. Compensation for Directors/Senior Managers includes the payment of Motor Vehicle allowances
3. The compensation amounts shown for the Managing Director and Senior Directors exclude the amounts for the provision of a fully maintained vehicle.
4. The Managing Director being a contract officer whose position does not fall under the company's pension scheme, receives a gratuity of 25% on his compensation package

Vincent George
Senior General Manager,
Corporate Services

Hugh Reid
Senior General Manager
Finance & Operations

Judith Larmond-Henry
Company Secretary
Senior Legal Counsel

BRANCH NETWORK

REGIONAL MANAGERS

Ava Ann Scott (Acting)
Kingston and St. Andrew
4 Park Boulevard
Kingston 5

Novelette Forbes
St. James
1King 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

Sancia Cornwall
St. Elizabeth
109 Main Street
Santa Cruz

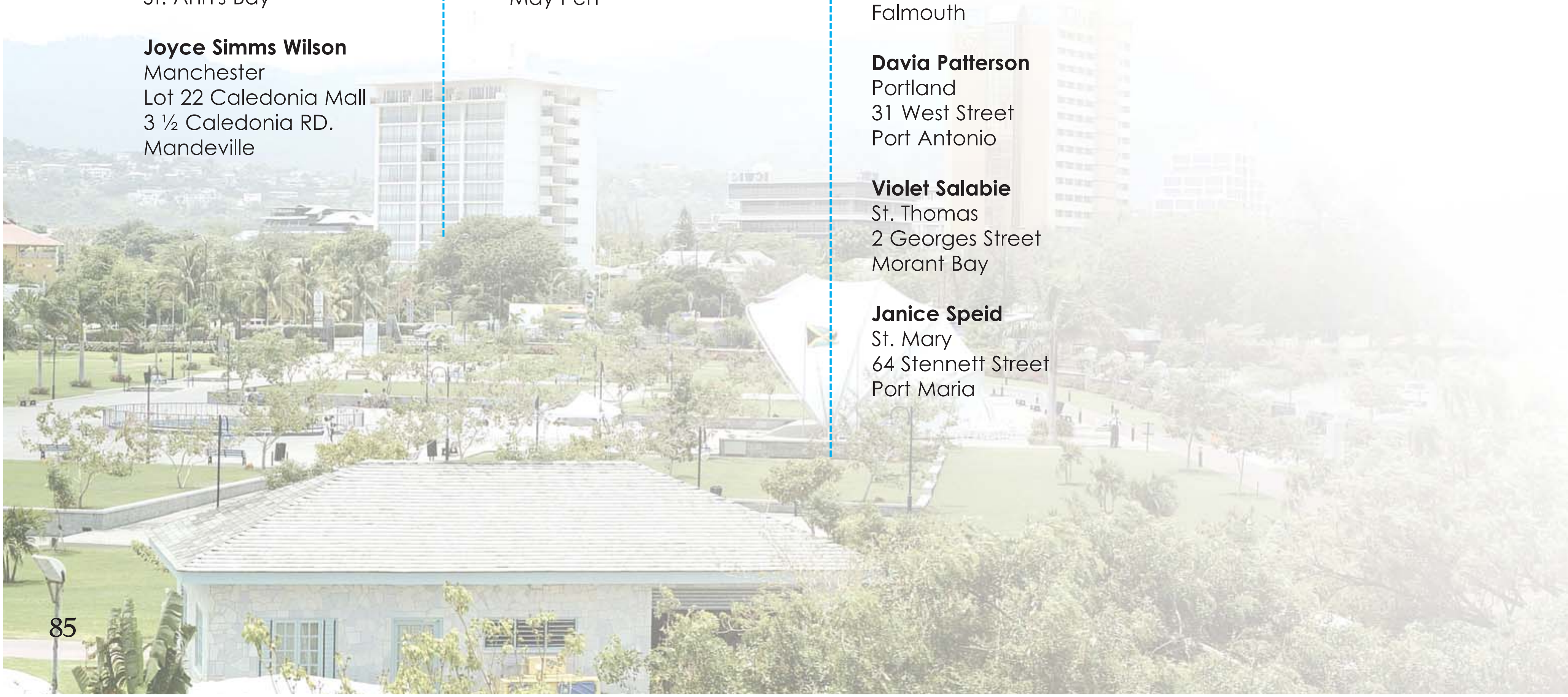
Alwyn Hayes
Hanover
Uptown Shopping Centre
Moseley Drive
Lucea

Iona Salmon
Trelawny
72 Duke Street
Falmouth

Davia Patterson
Portland
31 West Street
Port Antonio

Violet Salabie
St. Thomas
2 Georges Street
Morant Bay

Janice Speid
St. Mary
64 Stennett Street
Port Maria



GENERAL MANAGERS

Sharon Bucknor Lynch
Branch Operations (Acting)

Martin Miller
Finance (Acting)

Donald Moore
Construction & Developement (Acting)

DIRECTORS

Morais Wallen
Corporate Planning

Judith Larmond Henry
Company Secretary/Legal Counsel

Quinton Masters
Project Appraisal and Management

Ray Nixon
Financial Controls

Benedict Ranger
Chief Information Officer

Hortense Rose
Communication & Community Services

Jeneita Townsend
Human Resources Development

Lorna Walker
Chief Internal Auditor

Maurice Anderson
Technical Director, Inner City Housing Project

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

Suzanne Wynter-Burke
Risk Management

Imani Tafari-Ama
Social Development, Inner City Housing Project

Heather Pinnock
Project Management, Inner City Housing Project

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