Our Vision and Mission

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

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 analysis, process 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.

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Letter to the Prime Minister

June 26, 2008

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

Dear Prime Minister,

In accordance with Section 3 First Schedule (no. 6) of the National Housing Trust Act 1979, I transmit herewith the Trust's report for the year ended March 31, 2008, and a copy of the Statement of the Trust's Accounts at March 31, 2008, duly certified by the Auditors.

I am
Yours respectfully,

Howard Mitchell
Chairman

7year Statistical Summary

	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000
Total Assets*	99,468,800	89,004,261	78,603,906	72,873,470	64,504,428	54,070,447	15,774,631
Inventories	3,909,465	3,870,059	3,651,406	1,834,251	2,105,594	1,938,761	46,174,088
Loans Receivable	70,629,633	58,728,730	49,656,370	45,282,026	39,007,787	36,022,744	1,534,622
Refundable Contributions	38,188,003	32,716,876	28,449,888	25,103,757	21,834,847	19,207,721	32,075,191
Accumulated Fund							
Non-Refundable Contributions	38,927,479	33,463,941	28,772,475	24,886,011	21,377,650	18,345,653	16,118,228
Surplus on Income & Expenditure*	15,597,648	16,215,498	16,232,794	18,668,351	16,942,946	13,875,124	12,088,260
Results From Operations							
Total Operating Income*	6,615,566	6,193,353	6,651,401	7,079,517	7,024,124	4,835,593	4,247,692
Operating Expenditure*	3,901,326	3,089,663	2,278,696	2,147,312	1,754,811	1,540,625	1,218,175
Net Surplus/(Deficit)	(300,015)	630,883	(1,902,376)	1,833,432	2,752,317	2,018,884	2,297,824
Financial Ratios							
Average Interest on Loans**	4.8%	5.8%	6.5%	7.9%	8.2%	7.8%	8.1%
Yield on Investments %	11.2%	12.5%	14.6%	21.8%	26.7%	20.6%	16.3%
Efficiency Ratio %	135.0%	89.0%	(297.0)%	46.0%	37.0%	41.0%	36.0%
Return on Capital*	(0.5)%	1.2%	(3.9)%	4.2%	6.9%	7.3%	8.7%
Return on Assets*	(0.3)%	0.7%	(3.0)%	2.7%	4.8%	5.0%	6.0%
Other Information							
Annual Housing Expenditure	16,941,643	13,171,808	7,710,150	5,735,970	5,332,619	5,773,547	5,773,356
Contributions Received*	11,648,169	9,348,458	8,369,589	7,060,372	6,034,056	5,461,210	4,935,584
Contributions Refunded*	2,250,457	1,682,606	2,145,282	1,230,626	513,355	520,742	446,083
Number of Mortgages Created Since Inception	123,474	116,527	108,233	101,084	94,830	87,878	81,434
Number of Individual Benefits Provided Since Inception	134,960	128,010	119,695	112,514	106,246	99,294	92,810

*Restated for 2007

**Comprises all loan types:

Mortgage, Institutional, Interim etc.

Board of Directors

C. Earl Samuels, C.D. – Managing Director
Mr. Samuels was appointed to the post of Managing Director in January 1998 after acting in the position since February 1997. Prior to this, Mr. Samuels served as Senior Director, Finance, at the NHT, between January 1994 and February 1997. On May 23, 2006, Mr. Samuels was awarded the Order of Distinction, Commander Class, for his outstanding contribution to the housing sector.

Ena Barclay
Mrs. Barclay was appointed to the Board in November 2007. She is a teacher and is the current President of the Jamaica Teachers' Association. Mrs. Barclay is also the Principal of Lyssons Primary School in St. Thomas.

Howard Mitchell – Chairman
Mr. Mitchell was appointed Chairman of the Board in November 2007. He is also the Executive Chairman of Commercial Holdings Limited. Mr. Mitchell is an Attorney-at-Law and currently serves as the Chairman of the Coffee Industry Board, Bauxite and Alumina Trading Company, Jamaica Bauxite Mining Ltd., Island Grill/Chicken Mistress Ltd. and TM Traders Ltd.

Wayne Jones, OD
Mr. Jones is the current President of the Jamaica Civil Service Association (JCSA), a post which he has held since 2001. He is a member of the Executive Committee of the Caribbean Public Services Association and is one of two Caribbean representatives to Public Services International, the global union federation for public sector workers. Mr. Jones was appointed to the Board in 2003.

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

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

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

Jacqueline Coke-Lloyd
Mrs. Coke-Lloyd was appointed to the Board in 2006. She has been the Chief Executive Officer of the Jamaica Employers Federation since 1998. In addition to her duties as CEO, Mrs. Coke-Lloyd is Jamaica's representative to the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the Caribbean Employers Confederation (CEC).

Genefa Hibbert
Mrs. Hibbert was appointed to the Board in 2003. She is the Permanent Secretary in the Ministry of Water and Housing. In addition to the NHT, Mrs. Hibbert serves on the boards of the Jamaica Mortgage Bank, the National Housing Development Corporation, the Real Estate Board, the Rural Water Supply Limited and the National Land Agency.

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

Peter Jervis
Mr. Jervis was appointed to the Board in November 2007. Mr. Jervis is a consulting Engineer and head of the engineering firm Peter Jervis & Associates Ltd. He is the chairman of the Board's Technical Committee.

Board of Directors (Cont'd)

Jeremy Palmer
Mr. Palmer is an Attorney-at-Law operating a private practice. He is the Chairman of the Black River Parish Council. Mr. Palmer was appointed to the Board in November 2007.

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

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

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

Herbert Lewis O.D., J.P.
Mr. Lewis joined the Board of the NHT in 2002. In that same year, he was conferred with an Order of Distinction for his work in Industrial Relations. A member of the Stella Maris Foundation, he is a devout Roman Catholic and a Justice of the Peace who sits in the Half Way Tree Petty Sessions Court. Mr. Lewis is a Past President of the Jamaica Employers' Federation (JEF) and advisor to the Board of the Northern Caribbean University (NCU).

Patricia Sinclair McCalla
Mrs. Sinclair McCalla is the Permanent Secretary in the Office of the Prime Minister. She has served the Public Sector for over 25 years in several capacities including: Director of the Bureau of Women's Affairs, Director of the National Insurance Scheme (NIS), Project Director of the Public Sector Modernisation Project and Chief Executive Officer of the National Environment and Planning Agency (NEPA). Mrs. Sinclair McCalla was appointed to the Board in 2005.

Leadership Team

Vincent George
Senior General Manager
Corporate Services

Lanie-Marie Oakley Williams
General Manager
Operations

Jeneita Townsend
General Manager
Human Resource
Management

Lorna Walker
Chief Internal
Auditor

Benedict Ranger
General Manager
Information Systems

Donald Moore
Senior General Manager
Construction &
Development

Judith Lamond-Henry
General Counsel &
Company Secretary

Martin Miller
Chief Financial Officer

C. Earl Samuels, CD
Managing Director

Chairman & Managing Director's Report

C. Earl Samuels, CD
Managing Director

Howard Mitchell
Chairman

The socio-economic realities in 2007/2008 posed special challenges for the Trust. The environment, characterised by increasing inflation and rising costs, made an impact on the cost of construction and created affordability challenges for our borrowers.

The NHT responded to these challenges by developing a Business Plan which focussed on:

- Improving operational efficiencies, with emphasis on the use of technology, enhanced mortgage collections and contribution management process;
- Enhancing customer service through reduction of processing times, increasing loan creation and strengthening the community development process;
- Streamlining the construction process to ensure efficient delivery of solutions and further improvements in quality; and
- Developing staff, with special emphasis on staff morale and equity in distribution of benefits.

Delivering on Commitments

The National Housing Trust successfully surpassed the targets set in all its key performance areas. These include:

- Contributions Collections: $11.6 billion was collected, 4% in excess of the $11.2 billion target for the year;
- Mortgage Collections: A total of $7.1 billion was collected in mortgage repayment, 4% above the target;
- Housing completions: 2,786 new housing units were completed, exceeding the target by 255;
- Housing Starts: 2,662 housing solutions were started, exceeding the target by 20%;
- New Mortgages: The 6,947 new mortgage accounts created was 5% above the target of 6,634.

All this was achieved within the operating budget, spending $3.891 billion of the budgeted $3.898 billion.

Our commitment to making home ownership more affordable to our contributors was further demonstrated by three significant revisions to the housing benefits policy:

- **Loan limits**

As of July 1, 2007, the loan limits for Non-Home Owners and Home Owners loans were increased. Contributors who do not own a home and have never received a loan from the NHT can now obtain a Non-Home Owners loan of up to $3.5 million, an increase of $500,000. Home-owners who have never received an NHT loan can now access up to $1.2 million, an increase of $200,000.

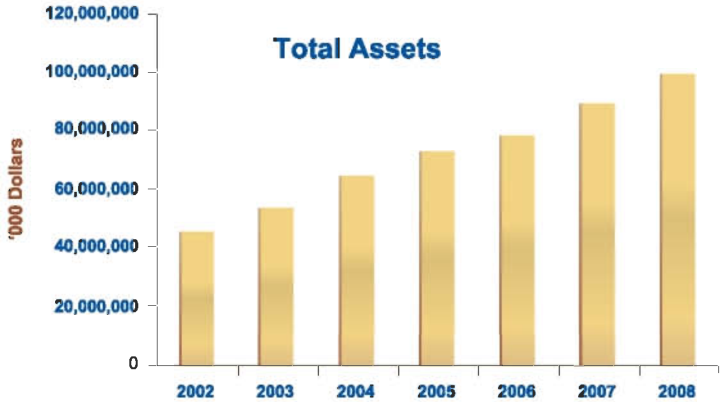
- **Cluster Housing**

The Cluster Housing Policy allows groups of contributors to pool resources and buy a single parcel of land large enough to be subdivided. The maximum number of lots allowable under this policy is nine (9). Previously, applicants could only receive loans (under the House Lot Policy) to purchase a single lot. Under the new policy each individual will be able to access a maximum of $1.2 million, subject to affordability, to buy the land and to subdivide the property, install infrastructure and pay for the splintering of titles. The NHT will allow a maximum of 30% of the amount to be borrowed to cover infrastructure costs.

- **Solar Panel**

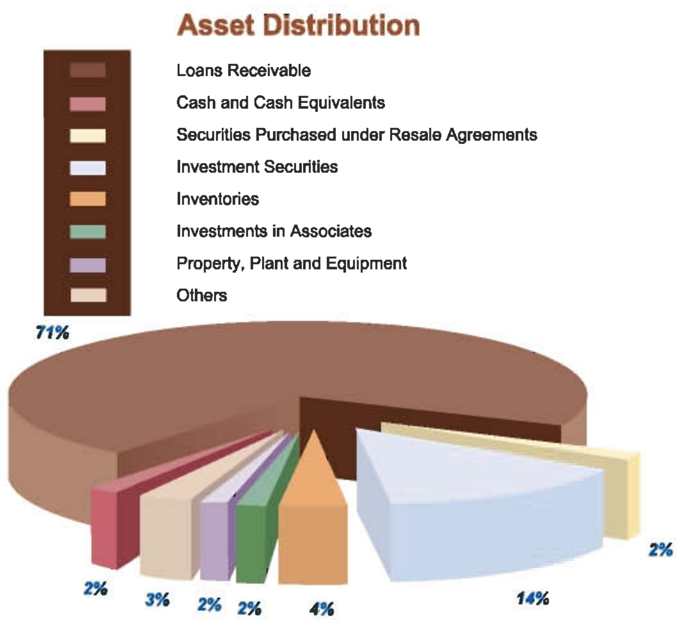
In recognition of our role as an exemplary corporate citizen, we sought to reduce the country's energy bill by introducing the Solar Panel Loan. This loan allows qualified NHT contributors, who have never received a loan from the NHT, to access up to $1.2 million to install solar panels for electricity generation. This new loan type will attract the usual NHT interest rates of 2% - 8% and will have a maximum loan term of 15 years.

FINANCIAL MANAGEMENT



Total Assets

For the year ended March 31, 2008, total assets were $99.5 billion, an increase of 12% or $10.5 billion over the previous year. Housing investment of $74.5 billion accounted for 75% of total assets, up from $62.6 billion or 70% of total assets at March 2007. The major component of housing investment was loans receivable, which increased by 20% for the financial year moving from $58.7 billion at March 2007 to $70.6 billion at March 2008. The primary contributor to this growth was the increase in loans under the Joint Finance Mortgage Programme.



The growth in housing investment was funded by the encashment of securities in the investment portfolio, resulting in a 15.1% or $3.2 billion decline in investments from $21.2 billion at March 2007 to $18.0 billion at March 2008.

Income and Expenditure

The Trust recorded a deficit before taxation of $0.72 billion for the 2007/2008 financial year – down from a surplus before taxation of $0.90 billion the previous year. After adjusting for tax asset of $0.4 billion, the deficit after taxation was $0.3 billion – down from a surplus after taxation of $0.6 billion for the previous financial year. Total income amounted to $6.6 billion – up 7% from $6.2 billion for March 2007. This was outpaced by total expenditure of $7.3 billion – up 38% from $5.3 billion for March 2007. The major sources of income were loan receivables of $3.6 billion – up from $3.1 billion for March 2007, and interest on investments of $2.2 billion – down from $2.6 billion for March 2007.

The major expenditure items were operating expense of $3.9 billion – up from $3.1 billion for March 2007, and Bonus on employees' contributions of $1.5 billion – up from $1.3 billion for March 2007. During the year, subsidies and grants increased by 40% to $1.2 billion. Major subsidies included: $547 million to the Inner-City Housing Project, $201 million for the Sugar Workers' Housing Programme and $200 million to the Office of National Reconstruction. Another major expense item was a provision for impairment of loan receivables of $490.5 million for the current year. This comprised $298.2 million for impairment of institutional loans, $205.3 million for impairment on mortgages, as well as an impairment reduction of $13 million on development financing.

Contribution Collections

The Trust collected $11.6 billion in contributions for the 2007/2008 financial year, up from $9.3 billion over the last financial year. Contributions from employers rose by 17%, moving from $4.7 billion in 2007 to $5.5 billion in 2008. The employees' portion rose by 32%, moving from the $4.7 billion in 2007 to $6.2 billion in 2008. Employers are obligated to pay 3% of the salaries of their staff to the NHT as contributions, with the employees themselves contributing 2% of their salaries. Based on this 3:2 ratio, the minimum amount that should have been collected as employers' contribution was $9.3 billion, indicating that at least $3.8 billion in employers' contributions was outstanding for the period.

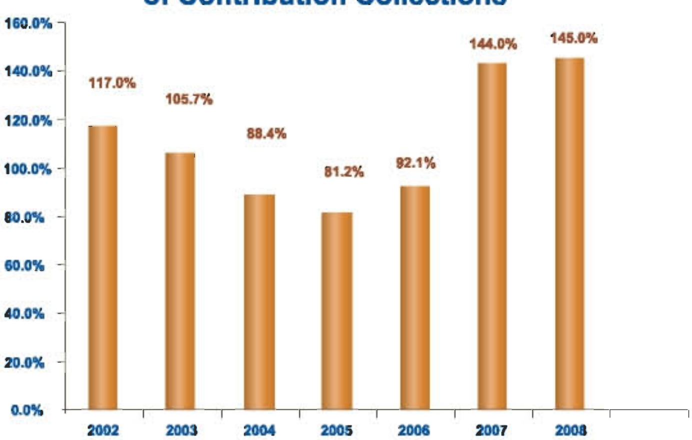
Contribution Refund

In the previous year, an Internet-based system was introduced for contributions refund application. The number of persons utilising the option in 2007/2008 was 76,977, an increase of approximately 15,000 persons. 151,453 contributors received refunds at a value of $2.3 billion up 35% from $1.7 billion for the previous year.

Housing Expenditure

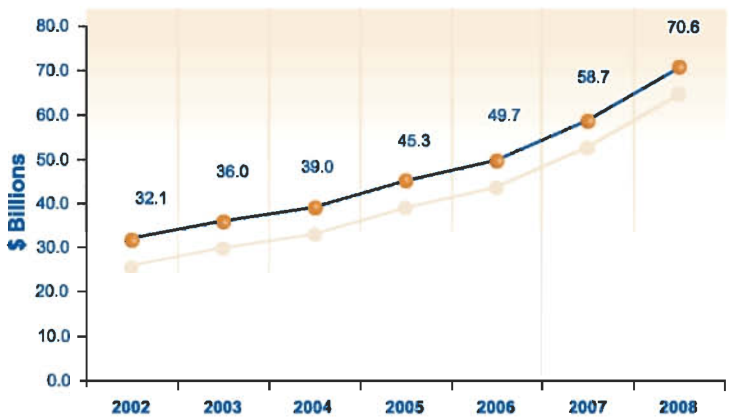
The Trust expended $16.9 billion on housing for the year, an increase of 26% over the $13.4 billion spent the previous financial year. This represented 145% of contributions collected during the current year compared to 144% for the previous financial year.

Housing Expenditure as a Percentage of Contribution Collections



HOUSING

Loans to Beneficiaries



Housing completions for the year totalled 2,796, exceeding projections by 255 solutions or 10%. Completions comprised: Build -On-Own Land (BOL) & Construction Loan (CL) – 1375, Home Improvement and Home Enhancement Loan Programme (HELP) – 302, Interim Financed – 1,108, NHT Projects – 11 solutions.

Compared to 2006/2007, housing completions rose by 41% or 811 solutions. For the year, there was also a significant increase in the number of solutions – 58% or 411 - completed under the Interim Financed Program. BOL, Construction Loan and Home Improvement completions increased by 27% moving from 1,273 solutions to 1,677 solutions.

For the 2007/2008 financial year, the NHT retained its position as the leading mortgage financier in the island providing 6,947 mortgages at a value of $12.5 billion. As reported in the 2007 Economic and Social Survey of Jamaica, the NHT accounted for more than 50% of the number of mortgages provided nationally.

MORTGAGE LOANS CREATED 2007-2008

PARISH	SCHEME	SERVICED LOTS	BOL & CL	OPEN MARKET	HOME IMPROVEMENT	HOUSE LOT	HELP	TOTAL
Kingston & St Andrew	47	0	198	700	48	88	26	1107
St. Thomas	2	0	126	21	5	46	4	204
Portland	0	0	69	8	5	7	1	90
St. Mary	0	0	89	44	0	31	2	166
St Ann	0	0	174	57	13	70	3	317
Trelawny	1	5	65	33	0	12	2	118
St James	41	76	254	325	10	65	5	776
Hanover	0	0	40	12	4	14	1	71
Westmoreland	0	47	76	20	3	115	3	264
St. Elizabeth	2	11	132	13	8	68	4	238
Manchester	1	0	186	39	16	88	2	332
Clarendon	43	23	331	54	17	132	13	613
St. Catherine	134	45	602	1466	71	299	34	2651
TOTAL	271	207	2342	2792	200	1035	100	6947

OPERATIONAL EFFICIENCIES

Improvement in the efficiencies of our systems and processes is a continuous effort. Therefore, every year, initiatives are undertaken to improve the quality of service provided to our customers. This year, the NHT expanded mortgage payment options available to customers. Effective March 2008, customers were able to make mortgage payments at over 200 Bill Express outlets islandwide. Previously, NHT customers could pay their mortgages via tele banking (using a BNS ScotiaCard or NCB Midas Card), salary deduction, standing order, or by using cash, credit or debit cards at NHT Branch offices. ScotiaCard and NCB Midas cardholders can also make payments using the respective bank's Internet banking services.

The Trust also reviewed processes and systems in the Legal Conveyancing and Construction and Development departments. Work commenced on a web-based file and securities tracking system for the Legal Conveyancing and Mortgage Registry department. Implementation of this project will enable the organization to achieve efficiencies in file and securities tracking and turn around times.

A re-engineering of the business processes in the Construction and Development Division also began in the year. The result of this project will be an improvement in the management of construction programmes through a reduction in the layers of processing and elimination of barriers caused by standalone systems.

HUMAN RESOURCES

In accordance with its operating guidelines, the Trust continued its focus on the development of staff during the year. This was done mainly through core competence training. Training was undertaken in loan processing, customer service, auditing, performance management, leadership development and supervisory management.

The Trust has always prided itself on its stable industrial relations climate. To maintain this climate, the Trust facilitated an Industrial Relations Forum for its managers and Union Delegates.

Occupational health and safety was also high on our agenda during the year. The NHT has chosen to voluntarily comply with the draft Occupational Safety and Health (OSH) Act being piloted by the Ministry of

Labour and Social Security. The organization intends to be fully compliant when the Act is passed by Parliament. To this end, OSH activities have been embedded in the operations of the Trust. The NHT's focus on OSH is intended to help create a healthier work environment resulting in more productive employees.

TOWARD THE FUTURE

In pursuit of our plans to develop innovative ways to respond to the challenges, we will be embarking on other new ventures in the coming year. In addition to offering mortgages on the most affordable terms, the Trust will be completing 1,055 housing solutions through NHT managed and Joint Venture Projects in 2008/09. A further 482 solutions will be provided under the Interim Financed and Small Contractor's Building Programme. We will also be expanding our product offering by adding apartments and townhouses to the mix of solutions.

Cost management and operational efficiencies will also remain areas of focus for the organization in the coming year. In this regard, the Trust will be focusing on the implementation of strategies to regain an operating surplus by the end of the 2008/2009 financial year.

We recognise that 2008/2009 will be even more challenging than 2007/2008. The threat of further increases in construction materials, inflation and other negative external factors, makes it imperative for the organisation to continue to evolve and seek new ways to remain relevant to our contributors.

We are convinced that we have a committed management team and support staff that will create greater value for all our customers and return the organisation to a position of operational surplus.

Housing Starts & Completions

Housing Starts 2008/2009

Parish	Project	Unit Type	Total
Clarendon	Bushy Park	2 Bedrooms	70
St. Andrew	Paddington	3 Bedroom Townhouses	5
	Salisbury	3 Bedroom Townhouses	9
	Markway	3 Bedroom Townhouses	6
	Sharrow Drive	3 Bedroom Townhouses	6
St. Ann	Endeavour Farms	Serviced Lots	161
St. Catherine	Twickenham Park	2 & 3 Bedroom Apartments	591
		2 Bedroom Townhouses	
	Portmore Country Club	2 Bedrooms	204
		2 Bedroom Townhouses	
	Eltham	1 Bedroom	44
	Morris Meadows	2 Bedrooms	48
	Orange Park	2 Bedrooms	36
	Cherry Gardens	2 Bedrooms	33
	Bernard Lodge	1 Bedroom	129
St. Elizabeth	Leeds	Serviced Lots	35
	Luana II	Serviced Lots	270
St. James	Providence II	1 & 2 Bedrooms	200
	Rosemount V	2 Bedroom Townhouses	522
	Rosevale Estate III	2 Bedrooms	157
St. Thomas	Stokes Hall	Serviced Lots	149
Trelawny	Hampden	Serviced Lots	38
	Granville	Serviced Lots	89
	Long Pond	Serviced Lots	399
Total			**2701**

Housing Completions 2008/2009

Parish	Project	Unit Type	Total
Clarendon	Bushy Park	2 Bedrooms	40
	Monymusk	1 Bedroom	219
St. Catherine	Twickenham Park	2 & 3 Bedroom Apartments	113
	Portmore Country Club	2 Bedrooms &	204
		2 Bedroom Townhouses	
	Morris Meadows	2 Bedrooms &	74
		2 Bedroom Townhouses	
	Bernard Lodge	1 Bedroom	129
St. Elizabeth	Leeds	Serviced Lots	35
St. James	Rosevale Estate II & III	2 Bedrooms	204
Trelawny	Granville	Serviced Lots	89
Westmoreland	Frome	1 Bedroom	49
Total			**1156**

The Year in Pictures

Morris Meadows Handing Over Ceremony

Managing Director C. Earl Samuels presents an elated beneficiary with the key to his home.

Former Chairman Alva Anderson congratulates another beneficiary of Morris Meadows. Looking on is Clover Gordon of the St. Catherine Branch Office

A proud homeowner displays his key after being presented with it by Board member Patricia Sinclair McCalla

A section of the audience at the handing over of units at Morris Meadows, St. Catherine. Seated (L-R): Board member Genefa Hibbert; Member of Parliament, Fitz Jackson; former Prime Minister, Most Hon. Portia Simpson-Miller; former Board Chairman, Alva Anderson; Managing Director, C. Earl Samuels and Patricia Holness, Chief Executive Officer of the Registrar General's Department.

The Year in Pictures

Bill Express Signing

Grace Kennedy Remittance Services' (GKRS) Managing Director Joan Marie Powell and NHT's Managing Director C. Earl Samuels peruse the agreement which will enable NHT mortgagors to make payments at Bill Express locatons islandwaide

Representatives of the NHT and Grace Kennedy Remittance Services' (GKRS) join the GKRS' Managing Director, Joan Marie Powell and the NHT's Managing Director, C. Earl Samuels after the official signing of the contract. The team members are (l-r): GKRS Product Development Manager, Michael McNaughton; Marketing Development Manager, Kerrian Johnson; NHT's Data and Project Management Manager, Jacqueline Aris; GKRS Marketing Officer, Stacy Senior; NHT's Assistant General Manager, Loan Management, Suzanne Wynter Burke and Customer Care Manager, Donnetta Russell.

New Name!

Managing Director C. Earl Samuels directing activities at the renaming of the NHT's Head Office.The building was renamed in memory of the late Michael Manley, former Prime Minister of Jamaica.Unveiling the name are (l-r): Hon. Hopeton Caven (former Board member); Most Hon. Portia Simpson Miller; Mrs Glynne Manley; Most Hon. P. J. Patterson and former Board Chairman Alva Anderson.

Former Senior General Manager Hugh Reid addresses the audience at the Compliance Seminar held in conjunction with the Jamaica Chamber of Commerce. Seated l-r: Compliance Inspectors Warner Brown and Donna Stewart and Assistant General Manager, Contribution Management, Elton Vassell.

NHT Compliance Seminar

Donna Pitter-Stewart responds to a question from a member of the audience.

Elton Vassell, AGM, Contribution Management clarifies a compliance issue for a participant.

NHT in the Community

Best Schemes

Launch of the 2007/2008 Best Schemes Competition April 20, 2008 at the Golf View Hotel, Mandeville.

Best Scheme Judges conducting evaluations in participating schemes.

NHT in the Community

Sports for Community Development Programme

2008 Play for Peace Competition

A jubilant participant walks away with his trophy

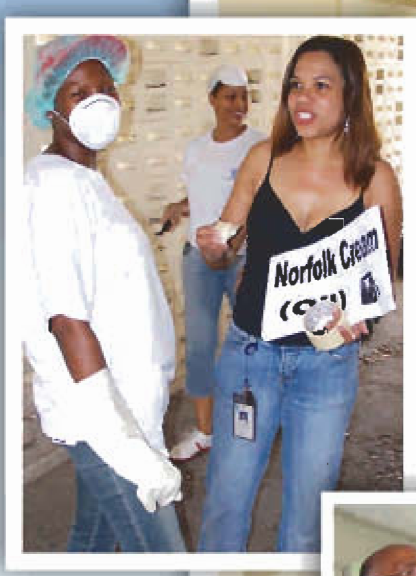
Members of the winning team

Teams lined up for the dress parade

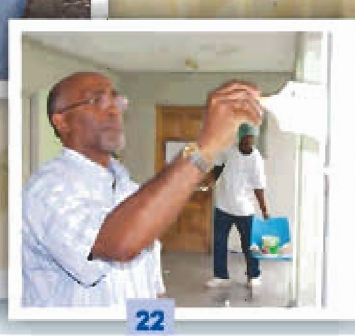
NHT Gives Back
Labour Day - 2007

Staff of NHT St. Ann give the St. Ann's Bay Health Centre a facelift.

Staff from the Head Office and St. Catherine Branch Office re-paint the Accident & Emergency Department of the University Hospital of the West Indies.



Dr. Lanie-Marie Oakley-Williams, Chief Organiser, shares a light moment with staff.



Managing Director, Earl Samuels, lends a hand.

NHT Gives Back

Victor Robinson Scholarship

Tamara Dickens, the 2007 Victor Robinson Scholarship awardee, receives a token from Board Member Wayne Jones. Each year the NHT awards the scholarship to a final year student of the Norman Manley Law School in memory of the late Victor Robinson former Board member and legal luminary.

Members of the former NHT Board pose with scholarship winner, Tamara Dickens.

Celebrating Excellence

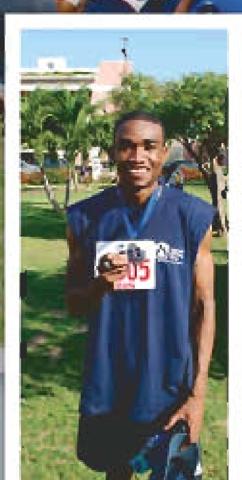
MD's Awards for Excellence

2007 Awards presented at the end of year 'Old Time Sinting Party'

Toastmaster Champion

NHT's Orlando Morgan 2007 Jamaican & Caribbean Toastmaster Champion

NHT's
Sigma 5K Team



Directors' Report

1 Financial Results

(Expressed in $'000)

	2008 $	2007 $
Interest revenue:		
- Loans receivable	3,587,951	3,115,588
- Investments	2,186,387	2,634,661
	5,774,338	5,750,249
Bonus on employees' contributions	(1,536,953)	(1,292,602)
Net interest revenue	4,237,385	4,457,647
Other gains on investment securities	288,974	102,744
Service charge on loans to beneficiaries	85,655	79,454
Miscellaneous	466,599	260,906
	5,078,613	4,900,751
Operating expenses	3,901,326	3,089,663
Charge for (Write back of) provision on loans receivable	490,557	(153,482)
Losses on projects	113,823	92,657
Special subsidies and grants	1,239,810	887,916
Restructuring costs	24,922	45,519
Share of losses of associates (including provision for loss on advances)	27,966	42,504
	5,798,404	4,004,777
(DEFICIT) SURPLUS BEFORE TAXATION	(719,791)	895,974
Taxation	419,776	(265,091)
NET (DEFICIT) SURPLUS	(300,015)	630,883

2 The Board

Howard Mitchell – **Chairman**
Earl Samuels, C.D. – **Managing Director**
Ena Barclay
Kay Bennett-Sherman
Jacqueline Coke-Lloyd
Joy Douglas
George Fyffe, O.D., J.P
Lloyd Goodleigh, C.D
Adrian Grant
Genefa Hibbert
Peter Jervis
Wayne Jones
Herbert Lewis O.D., J.P.
Parris Lyew-Ayee Jnr
Jeremy Palmer
Audrey Richards
Patricia Sinclair McCalla

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.

National Housing Trust

Year Ended March 31, 2008

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Deloitte.

Deloitte & Touche
Chartered Accountants
7 West Avenue
Kingston Gardens
P.O. Box 13 Kingston 4
Jamaica, W.I.

Tel: (876) 922 6825-7
Fax: (876) 922 7673
http://www.deloitte.com.jm
42B & 42C Union Street
Montego Bay
Jamaica, W.I.
Tel: (876) 952 4713-4
Fax: (876) 979 0246

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

NATIONAL HOUSING TRUST

Report on the financial statements

We have audited the financial statements of National Housing Trust (the Trust), set out on pages 31 to 98, which comprise the balance sheet as at March 31, 2008, the income statement, statements of changes in accumulated fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Deloitte.

Report on the financial statements (Cont'd)

Accounting records – Personal accounts for refundable contributions

As detailed in Note 19, the Trust has not fully established personal accounts for employed persons, who have made contributions to the Trust, to enable it to issue certificates of contributions made as required by the National Housing Trust Act. The processing of annual returns is ongoing, and the Trust is taking steps to complete the processing 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.

Opinion

In our opinion, except for the effects on the financial statements, if any, of the matter referred to in the preceding paragraph, the financial statements, give a true and fair view of the financial position of the Trust as at March 31, 2008, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to Note 35 of the financial statements.

i) The Trust is contesting an amount of $214.5 million awarded by an arbitrator during the year for interest charges to a developer on a Trust financed housing project. The Trust's attorneys believe the award is open to legal challenge and have commenced legal proceedings to contest the award. The matter relating to the challenge by the Trust was heard in the courts on April 10 and 14, 2008. The presiding judge has reserved judgment in the matter.

ii) A contractor on one of the Trust's major development projects has made a claim of approximately $1.06 billion citing certain contract breaches and loss of profit. The Trust is currently in negotiations with the contractor in respect of this matter.

The ultimate outcome of these matters cannot presently be determined and while management has made a provision at year end based on its best judgment of the likely liabilities, in the event the Trust does not succeed in its challenge and negotiations there would be a significant adjustment to the provision made in the financial statements.

Report on additional requirements of the National Housing Trust Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, except for the effect of the matter referred to under "Accounting Records - Personal accounts for refundable contributions" above, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica
May 26, 2008

NATIONAL HOUSING TRUST
BALANCE SHEET AT MARCH 31, 2008
(Expressed in $'000)

	Notes	2008 $	2007 $
ASSETS			
Cash and cash equivalents	6	2,442,781	4,238,088
Receivables and prepayments	7	394,225	309,553
Income tax recoverable		2,110,768	1,548,605
Loans receivable	8,9	70,629,633	58,728,730
Securities purchased under resale agreements	10	1,520,715	4,748,176
Investment securities	11	14,348,611	12,482,999
Inventories	12	3,909,465	3,870,059
Intangible assets	13	46,489	8,292
Investments in associates	14	1,557,183	1,054,256
Retirement benefit asset	15	519,000	379,300
Property, plant and equipment	16	1,707,674	1,636,203
Deferred tax asset	20	282,256	-
Total assets		99,468,800	89,004,261
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Payables and accruals	17	1,526,736	1,703,484
Provisions	18	154,171	40,801
Refundable contributions	19	38,188,003	32,716,876
Deferred tax liabilities	20	-	138,531
		39,868,910	34,599,692
ACCUMULATED FUND			
Non-refundable employers' contributions	2(c)	38,927,479	33,463,941
Fair value and other reserves	21,36	1,262,745	1,230,947
Peril reserve	22	2,123,814	2,010,000
Loan loss reserve	23	1,688,204	1,484,183
Surplus on income statement	36	15,597,648	16,215,498
		59,599,890	54,404,569
Total liabilities and accumulated fund		99,468,800	89,004,261

The Notes on Pages 36 to 98 form an integral part of the Financial Statements.

The financial statements on Pages 31 to 98 were approved and authorized for issue by the Board of Directors on May 26, 2008 and are signed on its behalf by:

Howard Mitchell – Chairman

Earl Samuels – Managing Director

NATIONAL HOUSING TRUST

INCOME STATEMENT

YEAR ENDED MARCH 31, 2008

(Expressed in $'000)

	Notes	2008 $	2007 $
Interest revenue:			
- Loans receivable	28	3,587,951	3,115,588
- Investments	28	2,186,387	2,634,661
		5,774,338	5,750,249
Bonus on employees' contributions	28	(1,536,953)	(1,292,602)
Net interest revenue		4,237,385	4,457,647
Other gains on investment securities	28	288,974	102,744
Service charge on loans to beneficiaries	8	85,655	79,454
Miscellaneous	24	466,599	260,906
		5,078,613	4,900,751
Operating expenses		3,901,326	3,089,663
Charge for (Write back of) provision on loans receivable	8	490,557	(153,482)
Losses on projects		113,823	92,657
Special subsidies and grants	25	1,239,810	887,916
Restructuring costs	26	24,922	45,519
Share of losses of associates (including provision for loss on advances)	14	27,966	42,504
		5,798,404	4,004,777
(DEFICIT) SURPLUS BEFORE TAXATION		(719,791)	895,974
Taxation	27	419,776	(265,091)
NET (DEFICIT) SURPLUS	28	(300,015)	630,883

The Notes on Pages 36 to 98 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST

STATEMENT OF CHANGES IN ACCUMULATED FUND

YEAR ENDED MARCH 31, 2008

(Expressed in $'000)

	Notes	Non-Refundable Employers' Contributions $	Fair Value and Other Reserves $	Peril Reserve $	Loan loss Reserve $	Surplus on Income Statement $	Total $
Balance at April 1, 2006		28,772,475	1,600,430	1,240,000	1,035,679	16,232,794	48,881,378
Reclassification of change in fair value arising on investment classified as held-for-trading	36	-	(570,325)	-	-	570,325	-
Balance at April 1, 2006 (restated)		28,772,475	1,030,105	1,240,000	1,035,679	16,803,119	48,881,378
Reduction in deferred tax liability on revaluation of property, plant and equipment	20,21	-	1,011	-	-	-	1,011
Increase in fair values of available-for-sale investments	21	-	159,061	-	-	-	159,061
Net income recognized directly in accumulated fund		-	160,072	-	-	-	160,072
Losses on impairment of available-for-sale investments charged to income	21	-	40,770	-	-	-	40,770
Net surplus for the year (as restated)	36	-	-	-	-	630,883	630,883
Total recognised income and expense		-	200,842	-	-	630,883	831,725
Non-refundable contributions for the year (net)		4,691,466	-	-	-	-	4,691,466
Transfer to peril reserve	22	-	-	(784,607	-	(784,607)	-
Utilised during the year	22	-	-	14,607)	-	14,607	-
Transfer to loan loss reserve	23	-	-	-	448,504	(448,504)	-
Balance at March 31, 2007		33,463,941	1,230,947	2,010,000	1,484,183	16,215,498	54,404,569
Reduction in deferred tax liability on revaluation of property, plant and equipment	20,21	-	1,011	-	-	-	1,011
Decrease in fair values of available-for-sale investments	21	-	(2,565)	-	-	-	(2,565)
Net income recognized directly in accumulated fund		-	(1,554)	-	-	-	(1,554)
Losses on impairment of available-for-sale investments charged to income	21	-	33,352	-	-	-	33,352
Net deficit for the year		-	-	-	-	(300,015)	(300,015)
Total recognised income and expense		-	31,798	-	-	(300,015)	268,217)
Non-refundable contributions for the year (net)		5,463,538	-	-	-	-	5,463,538
Transfer to peril reserve	22	-	-	302,604	-	(302,604)	-
Utilised during the year	22	-	-	(188,790)	-	188,790	-
Transfer to loan loss reserve	23	-	-	-	204,021	(204,021)	-
Balance at March 31, 2008		38,927,479	1,262,745	2,123,814	1,688,204	15,597,648	59,599,890

The Notes on Pages 36 to 98 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2008

(Expressed in $'000)

	2008	2007
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (deficit) surplus for the year	(300,015)	630,833
Adjustments for:		
Provisions for losses and subsidies on projects	499,014	762,562
Provisions on loans receivable	490,557	(153,482)
Provision for bonus on employees' contribution	1,536,953	1,292,602
Provision for irrecoverable debt on receivables	91,526	10,919
Depreciation	147,631	117,340
Loss (Gain) on sale of property, plant and equipment	513	(465)
Adjustments to property, plant and equipment	306	(1,359)
Service charges amortised	(85,655)	(79,454)
Intangible assets amortised	3,914	8,803
Impairment of intangible assets	-	15,842
Loss on impairment of available-for-sale investments	33,352	40,770
Gain in revaluation of held for trading investment securities	(288,974)	(102,744)
Retirement benefit asset	(22,500)	(33,500)
Deferred tax adjustments	(419,776)	265,091
Interest income	(5,774,338)	(5,750,249)
Foreign exchange adjustment	(80,032)	(29,611)
Share of losses of associates (including provision for loss on advances)	27,966	42,504
Provisions charged during the year	198,000	64,191
	(3,941,558)	(2,899,407)
Increase in operating assets		
Receivables	(176,198)	(9,852)
Retirement benefit contributions	(117,200)	(75,500)
(Decrease) Increase in operating liabilities		
Payables and accruals	(176,748)	453,019
Provisions utilized	(84,630)	(45,565)
Cash used in operations	(4,496,334)	(2,577,305)
Interest received	5,262,204	6,018,299
Tax paid	(562,163)	(642,309)
Cash provided by operating activities	203,707	2,798,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Intangible assets	(42,111)	(7,537)
Loans receivable less recoveries	(12,315,234)	(8,997,310)
Acquisition of property, plant and equipment	(224,188)	(386,562)
Acquisition of securities purchased under resale agreements	(12,689,245)	(10,334,108)
Proceeds on encashment of securities purchased under resale agreements	16,007,473	12,329,713
Acquisition of investment securities	(2,239,242)	(3,675,844)
Proceeds on encashment of investment securities	687,623	977,051
Increase in inventory (net)	(538,420)	(981,215)
Proceeds on sale of property, plant and equipment	4,267	465
Investment in, and advances to associated company	(47,668)	(73,912)
Cash used in investing activities	(11,396,745)	(11,149,259)

NATIONAL HOUSING TRUST
STATEMENT OF CASH FLOWS (CONT'D)
YEAR ENDED MARCH 31, 2008
(Expressed in $'000)

	Note	2008 $	2007 $
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employers		5,463,538	4,691,466
Contributions from employees		6,184,631	4,656,992
Refund of employees' contributions		(2,250,457)	(1,682,606)
Cash provided by financing activities		9,397,712	7,665,852
DECREASE IN CASH AND CASH EQUIVALENTS		(1,795,326)	(684,722)
OPENING CASH AND CASH EQUIVALENTS		4,238,088	4,921,344
Effect of foreign exchange rate changes		19	1,466
CLOSING CASH AND CASH EQUIVALENTS	6	2,442,781	4,238,088

The Notes on Pages 36 to 98 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

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

These financial statements are expressed in Jamaican dollars.

2 CONTRIBUTIONS AND BENEFITS

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

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

  (i) loans for housing acquisition or improvement;

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

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

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

3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Interpretations effective in the current year

In the current year, the Trust adopted IFRS 7 Financial Instruments: Disclosures effective for the accounting period beginning on April 1, 2007, and the consequential amendments to IAS 1, Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Trust's financial instruments (See Notes 8 and 31).

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

Standards and Interpretations effective in the current year cont'd

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions

The adoption of these Interpretations has not resulted in changes to the Trust's accounting policies nor the amounts reported for the current or prior years.

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not effective for the financial period being reported on:

		Effective for annual periods beginning on or after
IAS 1 (Revised)	Presentation of Financial Statements	January 1, 2009
IAS 23 (Revised)	Borrowing Costs	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation	January 1, 2009
IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations	January 1, 2009
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 8	Operating Segments	January 1, 2009
IFRIC 12	Service Concession Arrangements	January 1, 2008
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 14:IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	January 1, 2008

- *IAS 1 (Revised 2007) Presentation of Financial Statements* – IAS 1, among other things, affects the presentation of owner changes in equity and comprehensive income. It requires the presentation of all non-owners changes in equity (comprehensive income) in one or two statements; either in a single statement of comprehensive income, or in an income statement and a statement of comprehensive income. On adoption at its effective date, the standard will result in a change in the presentation of the Trust's income statement and the statement of changes of accumulated fund.

NATIONAL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

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

Standards and Interpretations in issue not yet adopted (Cont'd)

- *IAS* 23 *(Revised) - Borrowing Costs* removes the option of either capitalising borrowing costs relating to qualifying assets or expensing these borrowing costs. The revised standard requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The adoption of this revised standard at its effective date is not expected to have a material impact on the Trust's financial statements.

- Under the amendment to *IAS* 32 *Financial instruments: Presentation – Puttable Instruments and Obligations Arising on Liquidation,* certain financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the residual interest in the net assets of the entity. This standard is not expected to have any significant impact on the Trust's financial statements.

  Under the amendment to *IFRS 2 Share-based payment - Vesting Conditions and Cancellations,* the terms 'vesting conditions' and 'cancellations' were clarified as follows. Vesting conditions are service and performance conditions only. Features of a share-based payment that are not vesting conditions should be included in the grant date fair value of the share-based payment. A cancellation of equity instruments is accounted for as an acceleration of the vesting period. The standard is not expected to have any significant impact on the financial statements.

- Revised *IFRS* 3 *Business Combinations and consequential amendments to IAS* 27 *Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.* The revisions remove the scope exclusions for business combinations involving two or more mutual entities and business combinations in which separate entities are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest. The standard is not expected to have any significant impact on the Trust's financial statements.

- *IFRS 8 Operating Segments* – IFRS 8 replaces IAS 14 and sets out requirements for disclosure of information about an entity's operating segments and about the entity's products and services, the geographical areas in which it operates and its major customers. The standard is required for entities whose debt or equity instruments are traded in a public market or that file their financial information with a regulatory organization for the purpose of issuing any class of instruments in a public market. This standard is not relevant to the Trust and will not have any impact on the financial statements.

- *IFRIC 11* – IFRS 2 – Group and Treasury Share Transactions addresses:
  i) the classification of certain share based payment transaction as equity or cash-settled;
  ii) certain share-based payment arrangements between a parent company and employees of its subsidiary directly or through the subsidiary in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another group company are transferred in settlement of the obligation.

  IFRIC 11 is not considered relevant to the Trust and will not have any impact on the financial statements.

- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for operations for public-to-private service concession arrangements. IFRIC 12 is not considered relevant to the Trust and will not have any impact on the financial statements.

- *IFRIC* 13 *Accounting for Customer Loyalty Programmes,* creates consistency in accounting for customer loyalty plans. The interpretation is applicable to all customer loyalty credits that an entity grants to its customers as part of a sales transaction, and subject to meeting any further qualifying condition, the customer can redeem in the future for free or discounted goods or services. IFRIC 13 will not have any significant impact on the financial statements of the Trust.

- *IFRIC 14, IAS* 19 *– The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* provides guidance on assessing the limit set in IAS 19 on any amount of the surplus that can be recognised as an asset. It also explains how a pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The impact of any potential effects of IFRIC 14 and IAS 19 on the Trust's financial statements has not yet been determined.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Trust's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS).

Basis of preparation

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

Financial instruments

Financial instruments include contracts that give rise to both financial assets and financial liabilities.

Financial assets of the Trust include any asset that is:

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

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

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

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

Financial assets and liabilities are recognised on the Trust's balance sheet when the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire; or the Trust transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Trust neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Trust recognizes its retained interest in the assets and an associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, the Trust continues to recognise the financial asset and also recognizes a collateralized borrowing for the proceeds received. Financial liabilities are derecognized when and only when, the Trust's contractual obligations are discharged, cancelled or they expired.

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

The fair values of the financial instruments are discussed at Note 32.

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

Financial Assets

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial Assets (Cont'd)

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

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

a) Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

ii) Derivative financial instruments

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

Financial instruments (Cont'd)

Financial Assets (Cont'd)

a) Financial assets at FVTPL (Cont'd)

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

b) Loans and receivables

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

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

i) Cash and cash equivalents

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

ii) Loans receivable and service charges on loans

Loans receivable

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

Service charge on loans to beneficiaries

A fee of 5% to cover processing and administrative expenses is added to the loan amount when granting new mortgages. The difference between the fee income and the related expenses is amortised using the effective yield basis over the life of the mortgage.

iii) Securities purchased under resale agreements

Securities purchased under agreement to resell (reverse repurchase agreements) are treated as collaterised financing transactions. The difference between the purchase and resale price is treated as interest income and is accrued over the lives of the resale agreements using the effective yield method.

iv) Other receivables (net of prepayments)

These are measured on initial recognition at their fair values (the cash advanced). Interest is not charged on outstanding balances as they are expected to be settled within a short period during which recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognized in income when there is objective evidence that the asset is impaired (that is, outstanding amounts will not be paid in accordance with the original contract terms).

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial Assets (Cont'd)

c) AFS financial assets

Securities held by the Trust that are traded in an active market and are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates, or market prices are classified as AFS. They are initially recognized at fair value, plus transaction costs, and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Where fair values cannot be reliably determined, available-for-sale securities are carried at cost less provision for impairment. Gains and losses arising from changes in fair value are recognised directly in the fair value and other reserves included in accumulated fund with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value and other reserves are included in income for the period.

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

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

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

d) Impairment of financial assets

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

Financial assets other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

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

NATIONAL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial Assets (Cont'd)

d) Impairment of financial assets (Cont'd)

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

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

Loans receivable

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

A loan is considered impaired when it is in arrears for ninety days and over and when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific 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 on a portfolio basis.

IFRS permits specific loan loss provisions and general provisions based upon the Trust's actual credit loss experience. Prudential provisions by management for loan loss requirements are maintained at the higher of 3% of the total mortgage loan receivables and the total arrears for over 90 days. The loan loss provision that is in excess of IFRS requirements is treated as an appropriation of undistributed surplus and included in a loan loss reserve (Note 23).

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 statement.

Other

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

In respect of AFS equity securities, impairment losses previously recognised through income are not reversed through income. Any increase in fair value subsequent to an impairment loss is recognised directly in fair value and other reserves in accumulated fund.

NATIONAL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial Liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs (where applicable). They are subsequently re-measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Trust's financial liabilities comprise the Trust's liabilities except accruals, provisions and deferred taxation.

Employee benefits

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

The 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 benefits become vested.

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.

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

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

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 and are assigned to inventories held on an average cost basis. 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 statement in the period in which the reversal occurs.

NATIONAL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible assets

Internally-generated intangible assets and research and development expenditure

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 (or from the development phase of an internal project) is recognised if, and only if all the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible assets first meets the recognition criteria above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

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

Intangible assets acquired separately

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

Investments in associates

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

The results of assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, these investments are carried at cost as adjusted for post-acquisition changes in the Trust's share of net assets of associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Trust's interest in that associate (which includes any long-term interests that in substance, form part of the Trust's net investment in the associate) are not recognised, unless the Trust has incurred legal or constructive obligations or made payments on behalf of the associate (which are not considered recoverable).

Property, plant and equipment

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

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.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

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

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

Impairment of tangible and intangible assets

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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Taxation

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

Current 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 statement 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.

Deferred tax
Deferred tax is recognised on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable surplus, and 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 surplus nor the accounting surplus.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax (Cont'd)

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

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

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

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

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

Contributions

Contributions are recorded when received as the Directors consider that this is the most practical method of dealing with such receipts given the difficulties in determining the number of employers, their outstanding contributions and the likelihood of collections. Accordingly, the Trust does not account for contributions which at year end (March 31) have not been collected from employers.

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair value reserve

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

Peril reserve

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

Related party

A party is considered related if:

(i) directly or indirectly through one or more intermediaries, one party is able to exercise control or significant influence over the other party;
(ii) both parties are subject to common control or significant influence from the same source;
(iii) the party is a member of key management personnel of the entity, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including directors, officers and close members of the families of these individuals;
(iv) the party is a post-employment benefit plan for the benefit of the employees of the entity.

Related parties to the Trust also include other profit-oriented state-controlled entities.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for services provided in the normal course of business.

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

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

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

Interest income
Interest income is accrued on the time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

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

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

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

Bonus on employees' contributions

These are recognised in the income statement in the period in which they are incurred.

Interest and penalties on contributions not paid

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

Borrowing costs

These are recognised in the income statement in the period in which they are incurred.

Foreign currencies

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

In preparing the financial statements of the Trust, transactions in currencies other than the Trust's functional currency, are recorded at the rates of exchange prevailing on the dates of those transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Non-monetary items that are measured in terms of historical costs in foreign currency are not retranslated.

All exchange gains and losses are credited to, or charged against, income for the period in which they arise.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

Critical judgements in applying accounting policies

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

Litigation and claim

As detailed in Note 35, the Trust has made a partial provision in respect of:

i) an amount of $214.5 million awarded by an arbitrator, during the year, in respect of interest charges to a developer on a Trust financed housing project, which the Trust is contesting; and
ii) a claim of approximately $1.06 billion made by a contractor on one of its major development projects.

In making its judgement, management considered the relevant facts, the opinion of its attorneys and the current status of negotiations. Should the Trust not succeed in its challenge and negotiations there would be a significant adjustment to the provision made in these financial statements.

Security for mortgages

As indicated in Note 8 of the financial statements, impaired loans of the Trust amount to approximately $6 billion for which provisions for IFRS purposes amounted to approximately $419.55 million in respect of loans to beneficiaries approved by the Trust and $298.27 million in respect of loans to beneficiaries by agencies approved by the Trust. There are additional prudential provisions (loan loss reserve) through an appropriation of accumulated surplus of $1.69 billion. Management believes, based on experience, that ultimately outstanding amounts and accumulated interest will be recovered through the realization of securities although as disclosed in Note 9, at year end the Trust did not hold title deeds to properties securing mortgages totalling approximately $1.72 billion.

Key sources of estimation uncertainty

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

Impairment losses on loans and advances

The Trust reviews its loan portfolio to assess impairment on a monthly basis. A provision for impairment is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific 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. In respect of loans to beneficiaries, the value of the security used in the determination of the estimated recoverable amounts is based on proxy values determined by the Trust's Technical Department, which values take cognizance of factors such as the type of unit, the date it was constructed, its location and the current market conditions. If the proxy values determined by the Trust's Technical Department differed by +/- 10%, the portion of loans to beneficiaries considered unsecured would decrease/increase by $33.8 million/$60.0 million respectively.

Past experience and judgement are used in estimating the timing of the expected cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimize any differences between loss estimates and actual loss experience. To the extent that the expected future cash flows in respect of the affected mortgage loans to beneficiaries differs by +/- 1 percent, the resulting provision for impairment would be estimated $0.51 million lower or $8.55 million greater.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

Key sources of estimation uncertainty (Cont'd)

Income taxes

In determining the income tax provision, management applies estimates to certain transactions whose allowance is ultimately ascertained subsequent to year end. Where the final tax outcome differs from the amounts that were originally estimated, such differences impact the income and deferred tax provision in the period in which the assessment was made. A change of +/- 10% in the final tax outcome would have the effect of a change of approximately $58.7 million (increase/decrease) in the deferred tax provision.

Peril insurance

The Trust maintains a reserve equivalent to the insurance policy deductible limit of US$30 million (2007: US$30 million) to settle insurance claims by mortgage beneficiaries. Generally, claims are not booked immediately upon notification but are accounted for when the claims have been processed and a liability by the Trust is established (See Note 29(b)). Experience has shown that these amounts are usually insignificant to the operations of the Trust, unless there is a one-off significant event such as a natural disaster, in which case, an estimate of potential liability is assessed and booked. This reserve is funded by certain securities denominated in United States dollars included in cash equivalents, securities purchased under resale agreements and investment securities (Note 22).

Employee benefit – pension obligation

As disclosed in Note 15, the Trust operates a defined benefit pension plan. The amount shown in the balance sheet of an asset of approximately $519 million in respect of the defined benefit plan is subject to estimates in respect of periodic costs, which costs would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Trust, on the advice of actuaries, estimates the appropriate discount rate annually, which rate is used to determine the present value of estimated cash outflows expected to be required to settle any future pension obligation. To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities were considered. Note 15(h) details some history of experience adjustments in the post employment benefit plan.

Contributions

As described in Note 19, the Trust has not established individual accounts for savings and time contributions totalling approximately $13.06 billion and $27.83 billion respectively. The split between savings accounts (currently due) and time accounts (not yet due) requires management to estimate the refund of contributions relating to savings and time accounts respectively.

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

Interest is accrued on savings accounts at a rate of 8% per annum, while the interest accrual on time accounts is at a rate of 3% per annum. The accuracy of the interest accrued depends on the accuracy of the estimate of savings and time accounts accordingly.

A change of +/- 1% in the split between savings account and time accounts would have the effect of a change of approximately $20 million increase/decrease on bonus on contributions charged to the income statement.

NATIONAL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

6 CASH AND CASH EQUIVALENTS

These comprise:

	2008 $'000	2007 $'000
Reverse repurchase agreements with financial institutions maturing within ninety days of original date of purchase:		
- Jamaican dollar deposits (Note 6(a))	2,041,920	3,925,796
- United States dollar deposits (Note 6(b))	51,850	-
Bank balances (Note 6(c))	346,132	310,496
Cash in hand	2,879	1,796
	2,442,781	4,238,088

(a) These reverse repurchase agreements at interest rates ranging from 10.5% to 14% per annum (2007: 6% to 12.35% per annum) are fully backed by Government of Jamaica securities. At March 31, 2008, the interest receivable included in these deposits amounted to approximately $11.9M (2007: $40.8M).

(b) These reverse repurchase agreements of US$732,000 at interest rates of 5.8% and 6% per annum are fully backed by Government of Jamaica securities. At March 31, 2008, the interest receivable included in these deposits amounted to approximately $521,000.

(c) Bank balances include foreign currency deposits of approximately US$358,000 (2007: US$1,095,000) at interest rates of 1.1% (2007: 1.5%).

7 RECEIVABLES AND PREPAYMENTS

	2008 $'000	2007 $'000
Staff loans	247,491	175,772
Mortgage litigation receivable (Note 7(a))	89,670	78,212
Death claims recoverable	53,971	41,247
Advances to Jamaica Lifestyle Village (Note 7(a))	57,264	452
Prepayments	35,359	31,414
Receivable on sale of equity investment security	25,722	-
Mortgage loan fees receivable (Note 7(a))	23,991	25,130
Deposits for acquisition of property, plant and equipment	14,928	16,111
Other	16,754	20,614
	565,150	388,952
Less provision for estimated irrecoverable debt	(170,925)	(79,399)
	394,225	309,553

(a) Movement in provision for estimated irrecoverable debt

	2008 $'000	2007 $'000
Balance at beginning of year	79,399	68,480
Provision for year	91,526	10,919
Balance at end of year	170,925	79,399

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

8 LOANS RECEIVABLE

	2008 $'000	2007 $'000
(a) Loans to beneficiaries selected by the Trust (Note 8(e), (f))		
Mortgage loans	55,960,345	46,923,638
Loans for which mortgage processing is incomplete (Note 8(g))	867,640	778,612
Loans through financial institutions (Note 8(h))	1,108,463	1,188,085
Loans through joint venture programme (Note 8(i))	15,493	20,065
	57,951,941	48,910,400
Less: provisions for impairment (Note 8(m))	419,549	236,317
	57,532,392	48,674,083
Less: unexpired service charges (Note 8(n))	1,440,905	1,158,794
	56,091,487	47,515,289
(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 8(j)(i))	42,694	50,900
National Housing Development Corporation (NHDC)		
Repayable in 25 years at 5% per annum (Note 8(j)(ii))	687,684	682,539
Repayable in 15 years at 3% (2007: 8%) per annum (Note 8(j)(iii))	752,266	772,745
Repayable over 10 years at 3% (2007: 4%) per annum (Note 8(j)(iv))	87,938	92,197
Repayable in 10 years at 3% (2007: 8%) per annum (Note 8(j)(v))	681,044	677,781
Repayable in 15 years at 8% per annum (Note 8(j)(vi))	76,084	76,347
Joint financing mortgage programme (Note 8(j)(vii))	9,485,532	5,566,995
Special loans through joint financing – Hurricane Ivan (Note 8(j)(viii))	47,274	53,249
Special loans to churches through joint financing – Hurricane Ivan (Note 8(j)(ix))	295,308	309,863
Jamaica Defence Force (Note 8(j)(x))	69,876	73,855
Other institutions	80,813	83,524
	12,306,513	8,439,995
Less: provision for impairment (Note 8(m))	298,267	-
	12,008,246	8,439,995
Balance c/f	68,099,733	55,955,284

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

8 LOANS RECEIVABLE (Cont'd)

		2008 $'000	2007 $'000
	Balance b/f	68,099,733	55,955,284
(c)	Loan financing to developers (Note 8(k))	1,698,987	1,944,491
	Less: provision for impairment (Note 8(m))	298,452	311,515
		1,400,535	1,632,976
(d)	Other		
	University of the West Indies (Note 8(l))	596,076	597,752
	Interest receivable	533,289	542,718
	Total	70,629,633	58,728,730

(e) Effective July 1, 2007, the rate of interest payable on a loan by the Trust to a beneficiary ranges from 2% to 6% (previously 2% to 8%) 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 $55,960,345,000 (2007: $46,923,638,000) include loans totalling $450,522,000 (2007: $415,185,000) 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.

(i) Loans through joint venture programme

These are loans granted to beneficiaries who are in a position to obtain additional funds from their employers to enable them to purchase housing units. Under this programme the Trust and the participating employer provide financing on an equal basis equivalent to ninety percent (90%) of the sale price of the units with the employee paying a deposit of 10% (See Note 9.1 (a)).

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

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

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

(i) (Cont'd)

During 2004 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 1, 2004. The Trust has registered its interest on the various titles.

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

(iii) The Trust entered into an agreement in 2001 to make the sum of $1.1 billion available for the purpose of providing shelter solutions for beneficiaries under the NHDC - Operation Pride portfolio. The loan was for a period of 15 years commencing November 2001, and was repayable, with interest, in installments of $8,695,856 per month. Interest was charged at 8% per annum. During 2007/2008, the interest rate on the loan was reduced from 8% to 3% per annum with monthly repayments of $5,893,485 to the year 2023 consequent on the request from NHDC to reschedule the loan. The loan is secured by:

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

(iv) An amount of $180 million was advanced to 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 loan was repayable over 10 years in 120 equal monthly installments at an interest rate of 4% per annum. During 2007/2008, the interest rate on the loan was reduced from 4% to 3% per annum with repayments extended to the year 2018 consequent on the request of NHDC to reschedule the loan.

This loan is secured by a letter of undertaking from the Ministry of Finance and Planning, which has undertaken to repay the full amount of principal plus interest if the 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 was disbursed in September 2002 and the principal is repayable in 120 equal monthly instalments commencing September 2003. Interest is repayable monthly in arrears on the first business day of each calendar month and payments commenced October 1, 2002. Interest is charged at 8% per annum or such other rate as the Trust may from time to time notify the NHDC. During 2007/2008, the interest rate on the loan was reduced from 8% to 3% per annum with repayments extended to the year 2018 consequent on the request of NHDC to reschedule the loan. The loan is secured by:

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

8 **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 monthly instalments. Interest is repayable monthly in arrears on the first business day in each calendar month and payments commenced August 2002. Interest is charged at 8% per annum or such other rate as the Trust may from time to time notify the NHDC.

The loan is secured by mortgage over land at Barrett Hall Estates registered at Volume 1308 Folio 438.

(vii) Joint financing mortgage programme

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

The participating institutions include:

- Victoria Mutual Building Society
- Jamaica National Building Society
- First Caribbean Building Society
- Life of Jamaica Limited
- Scotia Jamaica Building Society

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

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 participating institutions as agreed between the parties).

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

Further, these participating institutions are 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 participating institutions are secured by:

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

8 LOANS RECEIVABLE (Cont'd)

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

(viii) Special loans joint financing – Hurricane Ivan

In 2004/05, the Trust entered into an agreement with participating institutions to provide funds to assist persons who suffered damage to property due to Hurricane Ivan. This involved the utilization of an imprest mechanism whereby a float was agreed on and reimbursed upon the amount in the float reaching a percentage of approximately 20% of the original float.

The participating institutions include:

- Jamaica National Building Society
- Victoria Mutual Building Society
- First Caribbean Building Society
- Scotia Jamaica Building Society
- Life of Jamaica Limited

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

The obligations of the participating institutions are secured by:

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

(ix) Special loans to churches – Hurricane Ivan

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

The participating institutions include:

- Jamaica National Building Society
- Victoria Mutual Building Society

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

The obligations of the participating institutions are secured by:

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

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

(x) Jamaica Defence Force (JDF)

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

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

(k) Loan financing to developers

This represents the total amount of financing provided to public and private developers, inclusive of interest charged during the construction period at rates ranging from 8% to 12% per annum. (See Note 9.1(b)).

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

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

(i) A letter of undertaking from the Ministry of Finance and Planning, which has undertaken to repay the full amount of principal plus interest if UWI is unable to do so.

(ii) Assignment of a bank account used containing fees paid for accommodation by the students in respect of the buildings constructed.

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

	2008				2007		
	Agencies	Mortgage Loans	Development Financing	Total	Mortgage Loans	Development Financing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance, April 1	-	236,317	311,515	547,832	430,697	370,747	801,444
Increase (Decrease) in provision for the year	298,267	205,353	(13,063)	490,557	(166,167)	12,685	(153,482)
Write off during the year	-	(22,121)	-	(22,121)	(28,213)	(71,917)	(100,130)
Balance, March 31	298,267	419,549	298,452	1,016,268	236,317	311,515	547,832

(n) Unexpired service charges on loans to beneficiaries:

This comprises:

	2008	2007
	$'000	$'000
Balance, April 1	1,158,794	988,697
Additions during the year	367,766	249,551
Amortisation	(85,655)	(79,454)
Balance, March 31	1,440,905	1,158,794

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

8 LOANS RECEIVABLE (Cont'd)

(o) Approval process and quality of receivables

Before approving a loan the Trust uses an evaluation system to assess the potential member's credit quality and eligibility to qualify for the maximum benefits set by the Trust. The credit assessment system used incorporates objective criteria of credit analyses that can be quantified. For institutional loans, the credit analysis process involves a comprehensive analysis of the institutions' financial standing and their ability to fund their portion of the proposed development (where applicable), with the Trust placing strict limits on the percentage of total development cost it is willing to finance. 84% of the loans to beneficiaries that are neither past due nor impaired have the best credit scoring (classified in top two of three categories) attributable under the internal credit scoring system used by the Trust. Of the total category of loans to beneficiaries selected by agencies of the Trust, loans receivable under the joint financing programme and NHDC account for 77% and 18.6% respectively. There are no other loans receivables whose balance represents more than 5% of the total balance of this category.

There are no loans to any beneficiary in excess of 5% of that category.

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

Included in the Trust's loans to any beneficiary balance are debtors with a carrying amount of approximately $5.080 billion (2007:$2.940 billion) which are past due at the reporting date for which the Trust has not provided as there has not been a significant change in the beneficiaries' credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired

	2008 $'000	2007 $'000
30 – 60 days	2,744,055	1,889,013
61 – 90 days	2,336,218	1,050,544
	5,080,273	2,939,557

Ageing of impaired loans

	2008 $'000	2007 $'000
91 – 180 days	1,474,295	1,305,359
181 – 360 days	2,174,115	3,534,483
Over 360 days	2,409,718	3,548,078
Total impaired loans	6,058,128	8,387,920

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

8 LOANS RECEIVABLE (Cont'd)

(q) Loans to beneficiaries renegotiated

Features of these loans include extended payment arrangements, modification to interest rates and deferral of payments. Following restructuring, a previously overdue beneficiary account is reset to a normal status and managed together with other similar accounts. Policies and practices in respect of these activities are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated loans that would otherwise be past due or impaired totalled approximately $3.07 billion at March 31, 2008 (2007: $3.22 billion).

	2008 $'000	2007 $'000
Loans to institutions	2,290,942	2,443,166
Loans to individuals	778,075	771,960
	3,069,017	3,215,126

9 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:

		2008 $'000	2007 $'000
(a)	Loans through joint venture mortgage programme (Note 9.2)	15,493	20,065
(b)	Other loans (Note 9.3)		
	Mortgage loans to beneficiaries:		
	- Schemes for which parent titles exist or for which splintering is in process	450,522	415,185
	- Schemes for which mortgage processing is incomplete and land titles are not available	464,005	778,612
	- Non-scheme loans (Note 9.4)	489,907	315,317
		1,404,434	1,509,114
	Finance for housing construction projects	298,452	302,740
	Sub-total	1,702,886	1,811,854
	Total	1,718,379	1,831,919

.2 The loans through joint venture programmes stated in Note 9.1(a) are supported by promissory notes, and in the case of building societies, share certificates.

.3 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 (See Note 8(f)). 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 9.1(b) will have a material impact on these financial statements.

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

NATIONAL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

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

.5 A provision for mortgage losses of $419,549,000 (2007: $236,317,000) in respect of loans to beneficiaries selected by the Trust and $298,267,000 (2007:$Nil) in respect of loans to beneficiaries selected by agencies approved by the Trust as reflected in Note 8, as well as an additional appropriation of surplus on the income statement of $1,688,204,000 (2007: $1,484,183,000) has been made to a loan loss reserve, to cover any losses that may arise from the loans referred to in Note 9.1 above and other mortgage loans.

Additionally, provisions of $298,452,000 (2007: $311,515,000) have been made in respect of loan financing to developers.

10 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

The Trust entered into reverse repurchase agreements with various financial institutions collaterised by Government of Jamaica securities, namely local registered stock and investment debentures.

	2008 $'000	2007 $'000
Jamaican dollars deposits (Note 10(a))	295,042	3,755,293
United States dollar deposits (Note 10(b))	1,225,673	992,883
	1,520,715	4,748,176

(a) These deposits mature within two to eleven months (2007: one to six months) after year-end, with interest rates ranging between 11.93% and 14.93% (2007: 11.95% and 13.5%) per annum. As at March 31, 2008, the interest receivable included in these deposits amounted to approximately $10,042,000 (2007: $98,294,000).

(b) These deposits totalling approximately US$17,314,000 (2007: US$14,697,000) mature within one to nine months of year-end (See Note 22), with interest rates ranging between 5.7% and 7.25% (2007: 6.3% and 7.5%) per annum. As at March 31, 2008 the interest receivable included in these deposits amounted to $27,366,000 (2007:$18,602,000).

11 INVESTMENT SECURITIES

This comprises:

	2008 $'000	2007 $'000
Securities at fair value through income (Note 11(a))	1,955,369	1,653,284
Available-for-sale securities (Note 11(b))	12,393,242	10,829,715
	14,348,611	12,482,999

(a) Securities at fair value through profit or loss

	Nominal Values $'000	2008 $'000	Nominal Values $'000	2007 $'000
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	1,955,369	991,300	1,653,284

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

11 INVESTMENT SECURITIES (Cont'd)

(b) Available-for-sale securities (at fair values) comprise:

	Nominal Values $'000	2008 $'000	Nominal Values $'000	2007 $'000
Life of Jamaica Limited – Universal Investment policy (Note 11(c))		112,310		99,675
Euro Bonds (Note 11(d))		424,532		337,474
Quoted equity investments (Note 11(e))		496,055		249,984
Treasury bills at interest rate(s) of 14% (2007: 11.9% and 13.3%) per annum maturing 2008/2009 (2007: 2007/2008)	50,589	48,558	492,678	480,291
Government of Jamaica Indexed Bonds US$11,858,000 (2007: US$12,219,000) at interest rates of 7.5% - 11.75% per annum maturing between 2008/2009 to 2012/2013	825,873	908,840	768,988	826,938
Government of Jamaica Fixed Rate Bonds at interest rates of 12.75% - 14% (2007: 13.25% - 13.875%) per annum maturing between 2011/2012 to 2014/2015 (2007: 2007/2008 to 2014/2015)	600,000	628,371	750,000	792,550
Government of Jamaica Variable Bonds at interest rates of 12.16% to 15.84% (2007: 12.82% - 13.8%) per annum maturing between 2008/2009 to 2017/2018 (2007: 2007/2008 to 2018/2019)	2,590,000	2,656,410	1,620,000	1,653,145
Government of Jamaica 12.625% - 14.625% debentures maturing between 2008/2009 to 2009/2010 (2007: 2007/2008 to 2009/2010)	2,407,925	2,496,653	2,337,925	2,441,075
Bank of Jamaica Variable Rate Certificates of Deposit at an interest rate of 12.8% to 14.34% (2007: 11.8%) per annum maturing between 2008/2009 to 2009/2010 (2007: 2007/2008 to 2008/2009)	980,000	999,173	640,000	652,297
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 maturing 2009/2010. The interest rate at year end was 12.21% per annum (2007 - 12.79%)	207,155	220,454	310,733	313,874
Balance c/f		8,991,356		7,847,303

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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

(b) (Cont'd)

	Interest rate %	Nominal Values $'000	2008 $'000	Nominal Values $'000	2007 $'000
Balance b/f			8,991,356		7,847,303
Equity Secured Commercial Variable Rate Note at an interest rate of 14% maturing 2010/2011		50,000	52,359	-	-
Commercial Variable Rate Bond at an interest rate of 13.3% maturing 2012/2013		230,000	242,739	-	-
FCIB deposit at an interest rate of 12.25% maturing 2008/2009		300,000	326,178	-	-
Local registered stock:					
Fixed rate maturing between 2008/2009 to 2020/21	12.25 – 16.50	1,500,986	1,545,193	1,643,214	1,763,506
Variable maturing 2008/2009	14.74 & 15.84	1,200,000	1,235,417	1,200,000	1,218,906
			12,393,242		10,829,715

(c) Life of Jamaica Limited – Universal Investment policy

	2008 $'000	2007 $'000
Fair value, April 1	99,675	86,935
Increase in fair value (Note 11(f))	12,635	12,740
Fair value, March 31	112,310	99,675

(d) Euro Bonds

The investment in Euro Bonds of US$6,025,165 (2007:US$3,572,800) are held at interest rates of 8.125% to 9.25% (2007: 9.25%) per annum maturing in 2021/2022 to 2027/2028 (2007: 2025/2026).

	2008 $'000	2007 $'000
Fair value, April 1	337,474	222,584
Purchased during the year	68,500	72,656
Increase in fair value (Note 11(f))	10,875	8,505
Unrealised foreign exchange gains	7,683	33,729
Fair value, March 31	424,532	337,474

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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11 INVESTMENT SECURITIES (Cont'd)

(e) Quoted equity investments

The movement during the year is as follows:

	2008 $'000	2007 $'000
Fair value, April 1	249,984	143,273
Purchased during the year	215,459	87,798
Increase in fair value (Note 11(f))	30,612	18,913
Fair value, March 31	496,055	249,984

(f) Increase (Decrease) in fair values – Available-for-sale investments

		2008 $'000	2007 $'000
Life of Jamaica universal investor policy	(Note 11(c))	12,635	12,740
Euro Bonds	(Note 11(d))	10,875	8,505
Quoted equities	(Note 11(e))	30,612	18,913
On investments previously classified as held-to-maturity		(56,687)	118,903
Increase in fair value included in fair value and other reserves (Note 21)		(2,565)	159,061

(g) During 2005/6, in order to settle the commitment in respect of the special grant related to the Government of Jamaica's Educational Transformation Fund, a significant portion of investment securities classified as held-to-maturity were early encashed. Consequently, the remaining balances in this category totalling approximately $8.5 billion were reclassified as available-for-sale investments in accordance with IAS 39, Financial Instruments – Recognition and Measurement resulting in a fair value adjustment of a credit of approximately $639 million being recognized in fair value reserves. The Trust is prohibited from classifying investments in this category for the financial years 2006/7 and 2007/8.

12 INVENTORIES

	2008 $'000	2007 $'000
Land held for housing development	2,602,773	2,444,807
Housing under construction	1,135,563	673,642
Housing units completed but not allocated (value of units)	250,406	491,370
Inner City Housing Project (Note 12(a))	1,414,358	1,357,449
	5,403,100	4,967,268
Less: Provision for losses and subsidies	(1,493,635)	(1,097,209)
	3,909,465	3,870,059

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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12 **INVENTORIES (Cont'd)**

The movement in the provision is as follows:

	2008 $'000	2007 $'000
Balance, April 1	1,097,209	1,721,683
Provisions during the year	499,014	762,562
Adjustments on closed projects	(102,588)	(1,387,036)
Balance, March 31	1,493,635	1,097,209

(a) Inner City Housing Project

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

The Trust had initially committed $14.712 billion for expenditure on the project in Kingston, St. Catherine, St. Mary and Westmoreland. The estimated project cost included the following:

- The construction of 5,000 housing solutions including the purchase of land at a cost of $9.409 billion.
- The provision of supporting social and physical infrastructure for new and existing communities at a cost of $2.530 billion.
- Provision of professional fees, social housing programme and indirect costs totalling $2.213 billion.
- The refurbishment and upgrading of existing inner city communities at a cost of $560 million.

The project was expected to run for the period 2004 to 2011.

However, subsequent to March 31, 2008, the project scope has been reduced and will be limited to works completed or currently under construction. The total project cost is estimated at approximately $3.756 billion as follows:

- The construction of 1,174 housing solutions in Kingston & St. Andrew, including land purchases at a cost of $1.951 billion.
- The provision of supporting physical infrastructure and limited social infrastructure of $992.6 million.
- Provision of professional fees and indirect costs, social housing programme of $252.3 million.
- The refurbishing programme of $560 million.

The amounts spent on refurbishing works will be borne by the Trust. As at March 31, 2008, $255 million (2007: $249.6 million) has been spent on refurbishing several schemes and this amount as well as other subsidies to the project are reflected in the Income Statement, as Subsidies – Special Projects (Note 25).

Completion of construction activities is expected in 2008, however, the Trust's participation in the maintenance programmes of the communities is expected to continue to 2013.

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

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

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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13 INTANGIBLE ASSETS

	$'000
Cost	
Balance, April 1, 2006	62,505
Additions	7,537
Balance, April1, 2007	70,042
Additions	42,111
Balance, March 31, 2008	112,153
Amortisation	
Balance, April 1, 2006	37,105
Charge for the year	8,803
Impairment losses charged to income (Note 13(a))	15,842
Balance, April 1, 2007	61,750
Charge for the year	3,914
Balance, March 31, 2008	65,664
Carrying amount:	
March 31, 2008	46,489
March 31, 2007	8,292

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

a) During the year 2006/7, amounts being capitalized in respect of a new contribution system were fully written off as the criteria for recognition as an intangible asset was not met.

14 INVESTMENTS IN ASSOCIATES

	2008 $'000	2007 $'000
Cost of investments:		
Central Waste Water (Note 14(a))	302,094	302,094
Harmonisation Limited	490	490
	302,584	302,584
Advances:		
Harmonisation Limited (including accrued interest)	1,447,303	916,410
Provision for possible losses on advances:		
Harmonisation Limited	(301,532)	-
	1,145,771	916,410
Share of associates' profits (losses):		
Harmonisation Limited	108,828	(163,840)
Central Waste Water	-	(898)
	108,828	(164,738)
	1,557,183	1,054,256

NATIONAL HOUSING TRUST
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14 INVESTMENTS IN ASSOCIATES (Cont'd)

(a) Total allotment of equity in the above company amounts to US$4.8 million, all of which has been settled. In respect of this investment, the Trust, along with the other three shareholders of this company, is a party to a guarantee of loans amounting to US$2.5 million and US$35.5 million from National Commercial Bank Jamaica Limited and NCB Capital Markets Limited respectively to this company. There was no profit/loss during the year 2007/2008 as all transactions were either upheld or capitalized.

(b) Details of the associates as at March 31, 2008 are as follows:

Name of associates	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
Central Waste Water	Jamaica	38.1%	38.1%	Management of waste water treatment

Summarized financial information in respect of these associates are as follows:

	Harmonisation Limited		Central Waste Water	
	(Unaudited) 2008 $'000	(Unaudited) 2007 $'000	(Unaudited) 2008 US$'000	(Audited) 2007 US$'000
Total assets	2,385,763	1,413,625	48,207	34,208
Total liabilities	2,164,918	1,743,626	34,623	20,624
Net assets (liabilities)	220,845	(330,001)	13,584	13,584
Trust's share of associates' net assets (liabilities)	109,318	(163,350)	5,176	5,176

	2008 $'000	2007 $'000	2008 US$'000	2007 US$'000
Revenue	2	827	-	66
Loss for the period	(283,969)	(84,136)	-	(34)
Trust's share of associates' losses for the period	(140,565)	(41,647)	-	(13)

NATIONAL HOUSING TRUST
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15 RETIREMENT BENEFIT ASSET

The Trust operates a defined benefit pension plan for qualifying employees. The plan is funded by contributions from the employees and the Trust. The employees contribute at a rate of 5% of annual pensionable salaries (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. Normal retirement is at 65 years. No other post employment benefits are provided.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligations were carried out as at March 31, 2008 by Duggan Consulting Limited, Fellows of the Institute of Actuaries.

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

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

	2008	2007
Gross discount rate	13.0%	12.0%
Expected return on assets	12.0%	11.0%
Expected rate of salary increases	10.0%	10.0%
Future pension increases	4.0%	4.0%

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

	2008 $'000	2007 $'000
Present value of obligation	(972,500)	(861,600)
Fair value of plan assets	1,616,200	1,304,100
	643,700	442,500
Unrecognised actuarial gains	(124,700)	(63,200)
Net asset in balance sheet	519,000	379,300

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

	2008 $'000	2007 $'000
Current service cost	17,300	17,900
Interest cost	112,500	74,300
Expected return on assets	(152,400)	(121,800)
Net actuarial loss (gain) recognized in income	100	(3,900)
Total included in staff costs	(22,500)	(33,500)
Actual return on plan assets	150,300	143,400

NATIONAL HOUSING TRUST
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15 **RETIREMENT BENEFIT ASSET (Cont'd)**

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

	2008 $'000	2007 $'000
Balance, April 1	379,300	270,300
Amounts credited to income	22,500	33,500
Contributions by the Trust	117,200	75,500
Balance, March 31	519,000	379,300

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

	2008 $'000	2007 $'000
Opening defined benefit obligation	861,600	605,800
Service cost	17,300	17,900
Interest cost	112,500	74,300
Members' contributions	83,700	53,200
Benefits paid	(39,100)	(22,700)
Actuarial (gain) loss	(63,500)	133,100
Closing defined benefit obligation	972,500	861,600

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

	2008 $'000	2007 $'000
Opening fair value of plan assets	1,304,100	1,054,700
Contributions	200,900	128,700
Expected return on plan assets	152,400	121,800
Benefits and expenses paid	(39,100)	(22,700)
Actuarial (loss) gain	(2,100)	21,600
Closing fair value of plan assets	1,616,200	1,304,100

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

	2008 $'000	2007 $'000
LOJ Pooled Funds	609,000	570,100
Assets held in segregated fund	1,007,200	734,000
Closing fair value of plan assets	1,616,200	1,304,100

NATIONAL HOUSING TRUST
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15 **RETIREMENT BENEFIT ASSET (Cont'd)**

(g) (Cont'd)

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

	Fair value of plan asset 2008	2007
	%	%
Equity instruments	1.7	2.1
Money market investments and debt securities	56.6	48.7
LOJ pooled fund	37.6	43.7
Other	4.1	5.5
	100	100

The overall expected rate of return is 11% (2007: 11%) and represents the weighted average of the expected returns of the various categories of plan assets held. The Board of Directors' and management's assessment of the expected return is based on historical return trends and analysts' prediction of the market for the asset in the next twelve months.

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

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

	Defined Benefit Pension Plan 2008	2007	2006	2005
	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(972,500)	(861,600)	(605,800)	(515,800)
Fair value of plan assets	1,616,200	1,304,100	1,054,700	904,600
Fund Surplus	643,700	442,500	448,900	388,800
Experience adjustments on plan liabilities	(126,800)	(49,200)	(15,300)	(18,700)
Experience adjustments on plan assets	(2,000)	21,600	(18,500)	93,100

In accordance with the transitional provisions for the amendments to IAS 19, Employee Benefits, in December 2004, the disclosures above are determined prospectively from the 2004/5 reporting period.

(i) The Trust expects to make a contribution of $134.78 million (2007: $83.5 million) to the defined benefit plan during the next financial year.

NATIONAL HOUSING TRUST
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16 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings $'000	Partitions $'000	Artwork $'000	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, 2006	108,359	629,154	95,862	13,471	217,264	245,044	84,032	44,835	368,403	1,806,424
Additions	8,812	63,288	198	560	24,022	76,952	-	8,691	204,039	386,562
Transfers	-	345,845	-	-	(12,916)	12,086	-	-	(345,015)	-
Adjustment	-	-	969	-	1,284	154	-	-	(1,316)	1,091
Disposals	-	-	-	-	-	-	-	(990)	-	(990)
April 1, 2007	117,171	1,038,287	97,029	14,031	229,654	334,236	84,032	52,536	226,111	2,193,087
Additions	4,078	39,484	999	1,101	57,327	63,746	-	345	57,108	224,188
Transfers	-	172,371	-	-	-	-	-	-	(172,371)	-
Adjustment	-	(612)	-	-	1,712	(1,100)	-	-	-	-
Disposals	-	-	-	-	(5,060)	(210)	-	(6,970)	-	(12,240)
March 31, 2008	121,249	1,249,530	98,028	15,132	283,633	396,672	84,032	45,911	110,848	2,405,035
Depreciation										
April 1, 2006	-	104,572	5,924	-	57,246	182,541	71,991	18,528	-	440,802
Charge for year	-	21,117	5,481	-	32,142	46,806	-	11,794	-	117,340
Adjustment	-	(18,568)	7,944	-	(1,692)	1,526	12,041	(1,519)	-	(268)
On disposals	-	-	-	-	-	-	-	(990)	-	(990)
April 1, 2007	-	107,121	19,349	-	87,696	230,873	84,032	27,813	-	556,884
Charge for year	-	27,923	9,372	-	36,630	64,567	-	9,139	-	147,631
Adjustment	-	(146)	-	-	914	(766)	-	304	-	306
On disposals	-	-	-	-	(2,229)	(31)	-	(5,200)	-	(7,460)
March 31, 2008	-	134,898	28,721	-	123,011	294,643	84,032	32,056	-	697,361
Net book value										
March 31, 2008	121,249	1,114,632	69,307	15,132	160,622	102,029	-	13,855	110,848	1,707,674
March 31, 2007	117,171	931,166	77,680	14,031	141,958	103,363	-	24,723	226,111	1,636,203

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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16 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

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

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 amounts 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.

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

	2008	2007
	$'000	$'000
Buildings/Related infrastructure	202,536	202,536
Furniture, fixtures and office equipment	9,121	7,559
Artwork	13,931	13,931
	225,588	224,026

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.

17 PAYABLES AND ACCRUALS

	2008	2007
	$'000	$'000
Payables and accruals	1,082,154	1,054,196
Scheme deposits	64,150	331,515
Statutory and other payroll deductions	45,613	45,995
Retention payable	74,972	81,973
Other payables	227,214	189,805
Peril claims (Note 29(b))	32,633	-
	1,526,736	1,703,484

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

NATIONAL HOUSING TRUST
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18 PROVISIONS

	Sundry claims Note 18(a)		Employee benefits Note 18(b)		Total	
	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000
Balance, April 1	-	-	40,801	22,175	40,801	22,175
Utilised	-	-	(84,630)	(45,565)	(84,630)	(45,565)
Charged to income for year	92,900	-	105,100	64,191	198,000	64,191
Balance, March 31	92,900	-	61,271	40,801	154,171	40,801

(a) The provision is in respect of certain claims on the Trust and is expected to be settled within 2008/2009.
(b) The provision for employee benefits represents annual leave entitlement accrued.

19 REFUNDABLE CONTRIBUTIONS

(a)

	2008			2007
	Currently Due	Not Yet Due	Total	Total
	$'000	$'000	$'000	$'000
Contributions refundable	5,933,030	26,511,852	32,444,882	28,234,596
Bonus accrued (Note 19(b))	2,020,922	3,722,199	5,743,121	4,482,280
	7,953,952	30,234,051	38,188,003	32,716,876
Represented by:				
8% Savings Accounts				
Principal (overdrawn)	(5,159,831)	-	(5,159,831)	(3,722,331)
Interest	49,149	-	49,149	41,964
	(5,110,682)	-	(5,110,682)	(3,680,367)
3% Time Accounts				
Principal	-	2,210,680	2,210,680	637,950
Interest	-	191,269	191,269	68,943
	-	2,401,949	2,401,949	706,893
Total for which personal accounts are established	(5,110,682)	2,401,949	(2,708,733)	(2,973,474)
Balances for which no personal accounts are established	13,064,634	27,832,102	40,896,736	35,690,350
Total refundable employee contributions	7,953,952	30,234,051	38,188,003	32,716,876

NATIONAL HOUSING TRUST
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19 **REFUNDABLE CONTRIBUTIONS (Cont'd)**

(b) Bonuses are payable to contributors at the rate specified in the regulations made under the National Housing Trust Act. 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). Contributions not currently refundable and bonuses thereon calculated at 3% per annum for the first seven years are reflected in the time accounts. Contributions currently due and bonuses thereon calculated at 8% per annum are reflected in savings accounts.

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

20 **DEFERRED TAX (ASSET) LIABILITIES**

This comprises:

	2008	2007
	$'000	$'000
Deferred tax liabilities	685,192	519,036
Deferred tax asset	(967,448)	(380,505)
	(282,256)	138,531

NATIONAL HOUSING TRUST
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20 DEFERRED TAX (ASSET) LIABILITIES

The following are the deferred tax (asset) liabilities recognized by the Trust and movements thereon:

	Asset	Liabilities								
	Tax Losses	Accelerated Capital Allowances	Revaluation of Properties	Retirement Benefit Asset	Unrealized Foreign Exchange Gains	Interest Receivable	Associates - Interest Receivable and share of net assets	Other Assets	Total Liabilities	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance, April 1, 2006	(721,353)	26,352	39,425	90,100	34,202	398,995	-	6,730	595,804	(125,549)
Charged (Credited) to income for the year (Note 27)	340,848	4,700	-	36,333	(21,636)	(93,540)	-	(1,614)	(75,757)	265,091
Credited to accumulated fund during the year 2005/06 (Notes 21, 27)	-	-	(1,011)	-	-	-	-	-	(1,011)	(1,011)
Balance, March 31, 2007	(380,505)	31,052	38,414	126,433	12,566	305,455	-	5,116	519,036	138,531
Charged (Credited) to income for the year (Note 27)	(586,943)	7,443	-	46,567	8,885	8,752	96,840	(1,320)	167,167	(419,776)
Credited to accumulated fund during the year 2005/06 (Notes 21, 27)	-	-	(1,011)	-	-	-	-	-	(1,011)	(1,011)
Balance, March 31, 2008	(967,448)	38,495	37,403	173,000	21,451	314,207	96,840	3,796	685,192	(282,256)

NATIONAL HOUSING TRUST
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21 FAIR VALUE AND OTHER RESERVES

	Unallocated Contributions Reserves $'000	Properties Revaluation Reserves $'000	Investment Revaluation Reserves $'000	Total $'000
Balance, April 1, 2006	723,524	168,783	137,798	1,030,105
Net increase in fair value of available-for-sale investments (Note 11(f))	-	-	159,061	159,061
Loss on impairment of available-for-sale equity investments charged to income	-	-	40,770	40,770
Deferred tax arising on revaluation of property, plant and equipment (Note 20)	-	1,011	-	1,011
Balance, March 31, 2007	723,524	169,794	337,629	1,230,947
Net decrease in fair value of available-for-sale investments (Note 11(f))	-	-	(2,565)	(2,565)
Loss on impairment of available-for-sale equity investments charged to income	-	-	33,352	33,352
Deferred tax arising on revaluation of property, plant and equipment (Note 20)	-	1,011	-	1,011
Balance, March 31, 2008	723,524	170,805	368,416	1,262,745

22 PERIL RESERVE

The Trust's policy deductible is US$30 million (2007: US$30 million), i.e., peril insurance claims up to this amount will be for the account of the Trust (claims over this amount will be for the account of the insurer) (Notes 28 (a) and 29(b)).

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

	2008 US$'000	2007 US$'000
Securities purchased under resale agreement (Notes 6(b) and 10(b))	18,046	14,697
Available-for-sale securities (Notes 11(b) & (d))	17,883	18,054
	35,929	32,751

23 LOAN LOSS RESERVE

This reserve represents the excess of the provision for loan losses, determined using management's prudential estimate of the greater of 3% of the total mortgage loans receivable and the total arrears for over 90 days, over the amounts determined under IFRS (Note 8).

NATIONAL HOUSING TRUST
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24 MISCELLANEOUS INCOME

This comprises:

	2008 $'000	2007 $'000
Foreign exchange gains (net)	107,171	56,105
Penalty income	77,014	56,076
Debt management fees	42,474	26,663
Peril and life insurance administrative fees	87,221	44,293
Insurance claim excess refund	30,285	-
JPS deposit refund	22,567	-
Other	99,867	77,769
	466,599	260,906

25 SPECIAL SUBSIDIES AND GRANTS

The analysis of special subsidies and grants provided is as follows:

	2008 $'000	2007 $'000
Special projects		
Social Housing Programme	200,000	150,000
Inner City Housing Project	546,640	653,805
Sugar Housing Programme	201,077	31,776
Township Development	5,000	7,000
Emancipation Park (net of recoveries of $1.907 million (2007: $3.097 million))	57,048	45,335
Grants		
Contribution to Office of National Reconstruction (Note 25(a))	200,000	-
Contribution towards construction/expansion of schools	19,960	-
North Coast Highway Corridor Study (Note 25(b))	9,000	-
Other	1,085	-
	1,239,810	887,916

(a) A total contribution of $200 million in respect of the Office of National Reconstruction was pledged during 2007/2008. These contributions were made in relation to restoration works after the passage of Hurricane Dean in 2007. Up to March 31, 2008, $198.291 million was disbursed.

(b) Based on a Memorandum of Understanding dated July 31, 2007 between the Trust and the Government of Jamaica, $12 million has been pledged for a study in respect of the highway from Negril to Port Antonio. At March 31, 2008, $9 million was disbursed.

26 RESTRUCTURING COSTS

This balance comprises redundancy costs resulting from the restructuring of the organisation.

NATIONAL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

27 TAXATION

(a) Recognised in income statement

(i) The total (credit) charge for the year comprises:

	2008 $'000	2007 $'000
Deferred tax adjustment (Note 20)	(419,776)	265,091

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

	2008 $'000	2007 $'000
(Deficit) Surplus before taxation	(719,791)	895,974
Tax at current tax rate of $33^1/_3$%	(239,930)	298,658
Tax effect of amounts not deductible in determining taxable surpluses	391,119	374,177
Tax effect of amounts deductible for tax purpose only	(570,965)	(66,896)
Tax effect of tax losses utilized	-	(340,848)
Taxation (write back) expense	(419,776)	265,091

The tax rate used for the 2008 and 2007 reconciliations above is the tax rate of $33^1/_3$% payable by corporate entities in Jamaica on taxable profits/surpluses under tax laws.

Subject to the agreement of the Commissioner, Taxpayer Audit and Assessment, tax losses amounting to approximately $2.9 billion are available for set off against future taxable profits. A deferred tax asset has been recognized in respect of these losses.

(b) Recognised directly in accumulated fund

In addition to the amount charged to the Income Statement, deferred tax relating to the revaluation of the Trust's property, plant and equipment has been credited directly to accumulated fund (See Notes 20 and 21).

	2008 $'000	2007 $'000
Revaluation of properties	1,011	1,011

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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28 NET (DEFICIT) SURPLUS

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

(a) Revenue (expense) on:

	2008 $'000	2007 $'000
Available-for-sale investment securities		
Interest revenue	2,092,630	2,555,463
Dividends	12,931	4,568
	2,105,561	2,560,031
Held-for-trading investment securities		
Interest revenue	93,757	79,198
Financial assets at amortised cost		
(i) Interest revenue:		
- Impaired financial assets	659,136	89,615
- Unimpaired financial assets	2,928,815	3,025,973
	3,587,951	3,115,588
(ii) Other revenue		
Peril and life administrative fees	87,221	44,293
Debt management fees	42,474	56,076
Service charges on loans receivables	85,655	79,454
Penalty income in respect of contributions	77,014	56,076
	292,364	235,899
(iii) Expenses		
Provision for impairment on other receivables	(393,058)	(10,919)
Peril insurance claims settled (Note 22)	(188,790)	(14,607)
Provision on (write back) on loans receivables	(490,557)	153,482
	(1,072,405)	127,956
(iv) Bonus on employees' contribution		
- Savings accounts	(743,198)	(605,907)
- Time accounts	(793,755)	(686,695)
	(1,536,953)	(1,292,602)

Bonus on savings accounts is accrued at a rate of 8% per annum and on time accounts at a rate of 3% per annum.

(b) Net gain (losses) on:

	2008 $'000	2007 $'000
Available-for-sale investment securities		
Foreign exchange gains (net)	107,171	56,105
Loss on impairment of equity investments	(33,352)	(40,770)
Held-for-trading investment securities		
Change in fair values	288,974	102,744

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

28 NET (DEFICIT) SURPLUS (Cont'd)

(c) Other

	2008 $'000	2007 $'000
Directors' emoluments:		
Non Executive Directors – fees	2,575	1,792
Management		
Basic	8,366	7,729
Incentive payments and gratuity in lieu of pension	4,559	4,509
Audit fees	9,950	9,735
Depreciation	147,631	117,340
Amortisation of intangible asset	3,914	8,803
Impairment of intangible asset	-	15,842

29 COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2008 $'000	2007 $'000
Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	2,326,836	3,144,010
Purchase of land	98,087	63,000
Inner City Housing Project	361,906	222,450
Loans and/or mortgage financing	6,234,732	1,320,979
	9,021,561	4,750,439
Authorised and approved but not contracted for -		
Purchase of land	300,000	800,000
Inner City Housing Project	-	7,742,450
Community projects	-	29,889
Computer software development	162,000	263,000
Office refurbishing	137,000	156,000
Projects' subsidy	306,000	1,274,244
	905,000	10,265,583

(b) Contingencies

Peril claims

The Trust's policy deductible on its peril insurance cover is US$30 million (J$2.12 billion) (2007: US$30 million (J$2.01 billion)). Should a catastrophic event occur such as a hurricane or an earthquake, the Trust will be liable to meet the cost of damages up to the aggregate amounts of the deductible with the balance borne by the insurer (Note 22).

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

29 COMMITMENTS AND CONTINGENCIES (Cont'd)

(b) Contingencies (Cont'd)

Peril claims (Cont'd)

At year end claims made by beneficiaries not yet processed by the Trust amounted to approximately $32.633 million (Note 17) (2007: $0.68 million).

Litigation

The Trust is involved in litigation in the normal course of operations. Management believes that, apart from the matters referred to in Note 35, liabilities, if any, arising from such litigation will not have a material adverse effect on the financial position of the Trust.

Union Negotiations

During the year, the wage agreement for unionised employees expired and the collective bargaining process is expected to commence shortly. Any agreement reached will be in line with the Memorandum of Understanding recently signed by the Ministry of Finance and the Jamaica Confederation of Trade Unions and will be subject to the approval of the Ministry of Finance. Provisions have been made in these financial statements for the likely increase as estimated by management.

30 RELATED PARTY TRANSACTIONS/BALANCES

Operating transactions

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

	Loans granted (including interest)		Balance owed	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
State controlled entities	23,442	372,144	NIL	261,845
Key management personnel	17,121	12,921	51,991	50,560
Board of Directors and Committee members	NIL	2,851	2,813	2,828

State-controlled entities

During the year, the following transactions were effected with the National Housing Development Corporation (NHDC):

	2008 $'000	2007 $'000
Service charges on the Inner City Housing Project (ICHP)	-	7,091
Interest earned	175,911	89,615
Provisions booked	298,267	-

NATIONAL HOUSING TRUST

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30 RELATED PARTY TRANSACTIONS/BALANCES (Cont'd)

State-controlled entities (Cont'd)

Interim loan financing of approximately $23.4 million (2007:$233.357 million) to the Urban Development Corporation (UDC) (Note 8(k)). Loans made to beneficiaries selected by NHDC are disclosed at Note 8(b).

The Trust also paid rental and maintenance fees of $12.546 million (2007: $13.116 million) for the office space occupied to, as well as reimbursed $3.917 million (2007: $4.173 million) for expenses incurred on the Trust's behalf by, Development Bank of Jamaica.

Compensation of key management personnel

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

Key management personnel

	2008 $'000	2007 $'000
Short-term benefits	68,386	58,646
Post employment benefits (*)	3,255	2,793
	71,641	61,439

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

(*) This represents the Trust's contribution to the defined benefit plan.

Board of Directors and Committee members

	2008 $'000	2007 $'000
Short-term benefits (directors' fees)	2,575	1,792

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)

Categories of financial instruments

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

	2008 $'000	2007 $'000
Financial assets		
Fair value through income (FVTPL)		
- Held for trading	1,955,369	1,653,284
Loans and receivables (including cash and cash equivalents) – at amortised cost		
- Cash and cash equivalents	2,442,781	4,238,088
- Loans receivable	70,629,633	58,728,730
- Securities purchased under resale agreements	1,520,715	4,748,176
- Receivables (excluding prepayments)	358,866	277,687
	74,951,995	67,992,681
Available-for-sale financial assets	12,393,242	10,829,715
	89,300,606	80,475,680
Financial liabilities (at amortised cost)		
- Payables	1,176,290	1,280,407
- Refundable contributions	38,188,003	32,716,876
	39,364,293	33,997,283

Financial risk management policies and objectives

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

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

Financial risk management objectives

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

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

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

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

31 **FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

Finance and Information System Committee

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

Audit Committee

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

Policy Committee

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

The Internal Audit Department

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

Technical Committee

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

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

Exposures are measured using sensitivity analyses indicated below.

(a) 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's activities expose it primarily to the financial risks of changes in foreign currency exchange rates as disclosed in Note 31(b) below, interest rates as disclosed in Note 31(c) below, as well as equity price risks.

Management of market risk

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

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

31 **FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

Management of market risk (Cont'd)

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

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

If quoted equity prices had been 5% higher/lower fair value and other reserves in accumulated fund for the year ended March 31, 2008 would increase/decrease by $24.8 million for the Trust (2007:$12.5 million) as a result of the changes in fair values of the available-for-sale securities.

The Trust's sensitivity to equity price risk has increased during the period mainly due to the acquisition of equity investment.

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

(b) Foreign currency risk management

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

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management consistently monitors the Trust's exposure in this regard by constant monitoring of international foreign exchange markets and factors influencing currency movements and positioning its foreign currency investments accordingly.

At year ended March 31, 2008 the Trust had US$ denominated investments amounting to US$35.23 million (2007: US$30.51 million). The Trust holds a minimum amount of US$ investments in respect of funding its peril reserve.

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

	Assets	
	2008	2007
	J$'000	J$'000
Cash and bank balances	25,333	74,012
Securities purchased under agreement to resell	1,277,523	992,883
Investment securities	1,333,372	1,164,412
US dollars	2,636,228	2,231,307

NATIONAL HOUSING TRUST
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31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(b) Foreign currency risk management (Cont'd)

Foreign currency sensitivity analysis
The following table details the Trust's sensitivity to a 5% increase and decrease in the Jamaican dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

If the Jamaican dollar strengthens or weakens by 5% against the US dollar, income will decrease or increase by:

	2008 J$'000	2007 J$'000
Surplus or deficit	131,811	111,565

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

The Trust's sensitivity to foreign currency has increased during the current period mainly due to the acquisition of US dollar investments.

(c) Interest rate risk

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

The Trust's exposure to significant interest rate risks is limited for the reason that the primary funding of the Trust are employer and employee 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. Investments in securities are at significantly higher rates of return.

Management of interest rate risk

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

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

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31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk (Cont'd)

As at March 31, 2008:

	Within 3 Months $'000	Within 3 - 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Non- rate Sensitive $'000	Total $'000	Weighted Average effective Interest rate %
Assets										
Cash and cash equivalents	2,119,103	-	-	-	-	-	-	323,678	2,442,781	13.19
Receivables and prepayments	637	17,907	29,701	60,522	78,384	54,096	6,244	146,734	394,225	3.7
Income tax recoverable	-	-	-	-	-	-	-	2,110,768	2,110,768	
Loans receivable	73,924	20,125	56,134	146,098	222,266	274,902	69,836,184	-	70,629,633	4.3
Securities purchased under resale agreements	580,109	940,606	-	-	-	-	-	-	1,520,715	7.7
Investment securities	658,644	4,874,963	2,995,408	117,139	175,196	619,124	4,299,772	608,365	14,348,611	12.6
Inventories	-	-	-	-	-	-	-	3,909,465	3,909,465	
Other	-	-	-	-	-	-	-	4,112,602	4,112,602	
Total assets	3,432,417	5,853,601	3,081,243	323,759	475,846	948,122	74,142,200	11,211,612	99,468,800	
Liabilities and accumulated fund										
Payables and accruals	-	-	-	-	-	-	-	1,526,736	1,526,736	
Provisions	-	-	-	-	-	-	-	154,171	154,171	
Refundable contributions	7,943,226	2,419,582	3,339,023	2,938,341	2,370,261	2,876,635	16,300,935	-	38,188,003	3.4
Accumulated fund	-	-	-	-	-	-	-	59,599,890	59,599,890	
Total liabilities and accumulated fund	7,943,226	2,419,582	3,339,023	2,938,341	2,370,261	2,876,635	16,300,935	61,280,797	99,468,800	
Net Interest Rate Sensitivity Gap	(4,510,809)	3,434,019	(257,780)	(2,614,582)	(1,894,415)	(1,928,513)	57,841,265	(50,069,185)	-	
Cumulative Gap	(4,510,809)	(1,076,790)	(1,334,570)	(3,949,152)	(5,843,567)	(7,772,080)	50,069,185	-	-	

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk (Cont'd)

As at March 31, 2007:

	Within 3 Months $'000	Within 3 - 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Non- rate Sensitive $'000	Total $'000	Weighted Average effective Interest rate %
Assets										
Cash and cash equivalents	4,025,482	-	-	-	-	-	-	212,606	4,238,088	11.73
Receivables and prepayments	518	8,035	17,633	42,712	57,247	44,496	5,081	133,831	309,553	4.0
Income tax recoverable	-	-	-	-	-	-	-	1,548,605	1,548,605	
Loans receivable	15,243	9,986	35,439	76,702	176,923	275,201	58,139,236	-	58,728,730	5.7
Securities purchased under resale agreements	3,188,787	1,559,389	-	-	-	-	-	-	4,748,176	11.10
Investment securities	3,001,922	3,820,077	2,036,953	1,794,032	48,331	134,103	1,397,597	249,984	12,482,999	11.60
Inventories	-	-	-	-	-	-	-	3,870,059	3,870,059	
Other	-	-	-	-	-	-	-	3,078,051	3,078,051	
Total assets	10,231,952	5,397,487	2,090,025	1,913,446	282,501	453,800	59,541,914	9,093,136	89,004,261	
Liabilities and accumulated fund										
Payables and accruals	-	-	-	-	-	-	-	1,703,484	1,703,484	
Provisions	-	-	-	-	-	-	-	40,801	40,801	
Refundable contributions	8,631,831	1,927,736	2,891,604	2,891,604	2,650,637	3,614,505	10,108,959	-	32,716,876	3.4
Deferred tax liabilities	-	-	-	-	-	-	-	138,531	138,531	
Accumulated fund	-	-	-	-	-	-	-	54,404,569	54,404,569	
Total liabilities and accumulated fund	8,631,831	1,927,736	2,891,604	2,891,604	2,650,637	3,614,505	10,108,959	56,287,385	89,004,261	
Net Interest Rate Sensitivity Gap	1,600,121	3,469,751	(801,579)	(978,158)	(2,368,136)	(3,160,705)	49,432,955	(47,194,249)	-	
Cumulative Gap	1,600,121	5,069,872	4,268,293	3,290,135	921,999	(2,238,706)	47,194,249	-	-	

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

31 **FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk (Cont'd)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate assets, the analysis is prepared assuming the amount of assets held at the balance sheet date was held throughout the year. A 200 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Trust's:

- surplus for the year ended March 31, 2008 would increase/decrease by $409 million (2007: increase/decrease by $340 million). This is mainly attributable to the Trust's exposure to interest rates on its investment securities; and
- fair value and other reserves in accumulated fund would decrease/increase by $167 million (2007: decrease/increase by $235 million) mainly as a result of the changes in the fair value of available-for-sale variable rate instruments.

The Trust's sensitivity to interest rates has increased during the current period mainly due to the acquisition of variable rate debt instruments.

(d) Credit risk

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

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

(i) Loans receivable

The Trust has a significant credit risk exposure in respect of loans to beneficiaries, financial institutions and advances to developers for housing construction. The Trust establishes policies and procedures which govern standards for granting loans and the process of continuous monitoring and measurement in relation to delinquency and debt recovery management. Before granting credit, the Loan Origination Unit assesses the probability of default of individual party using internal rating tools. All loans are assigned to loan officers who are responsible for the monitoring and management of the loan facility.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

31 **FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(d) Credit risk (Cont'd)

(i) Loans receivable (Cont'd)

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

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

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

The carrying amount of financial assets in respect of loans receivable totalling approximately $70.865 billion at year end, which is net of impairment losses, represents the Trust's maximum exposure to this class of financial asset without taking into account the value of any collateral obtained.

Collateral

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

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

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

	2008 $'000	2007 $'000
Property	18,942,203	19,859,204

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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31 **FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(d) Credit risk (Cont'd)

(i) Loans receivable (Cont'd)

Repossessed collateral

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

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

	2008		2007	
	Carrying Value $'000	Value of Collateral $'000	Carrying Value $'000	Value of Collateral $'000
Residential properties	171,061	239,988	71,493	104,648

(ii) Investment securities

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

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(d) Credit risk (Cont'd)

(ii) Investment securities (Cont'd)

The following table summarizes the Trust's credit exposure for investments at their carrying amounts, as categorized by issuer:

	2008 $'000	2007 $'000
Government of Jamaica	12,169,015	11,512,644
Bank of Jamaica	999,173	652,271
Corporate	5,143,919	9,304,348
Total	18,312,107	21,469,263

(iii) Investments in Associates

See also Note 14(a) in respect of guarantees issued in respect of an associated company.

(e) Liquidity risk

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

Management of liquidity risk

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

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

NATIONAL HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

31 **FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk (Cont'd)

Management of liquidity risk (Cont'd)

The Trust's liquidity management process, monitored by the Investments Unit includes:

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

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

- Maintaining a portfolio of highly marketable and diverse assets that can be easily liquidated as protection against any unforeseen interruption to cash flow. They include equities traded on the Jamaica Stock Exchange, money market investments and GOJ and BOJ debt issues.

- Managing the concentration and profile of debt maturities. Investment securities are purchased in accordance with the Board of Directors' guidelines, with clear directives to the stratification of the investment portfolio.

- Preparing daily, weekly and monthly cash and bank balances report to management for decision-making. These reports are integral in determining the level of liquidity risk faced by the Trust.

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

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31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk (Cont'd)

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

As at March 31, 2008:

	Within 3 Months $'000	Within 3 - 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Total $'000
Assets								
Cash and cash equivalents	2,454,001	-	-	-	-	-	-	2,454,001
Receivables and prepayments	660	165,303	30,800	62,761	81,049	56,098	6,475	403,146
Loans receivable	77,102	20,990	58,548	152,380	228,012	284,788	73,317,079	74,138,899
Securities purchased under resale agreements	689,086	1,091,210	-	-	-	-	-	1,780,296
Investment securities	676,935	5,724,957	3,729,219	580,701	617,660	1,018,632	6,583,869	18,931,973
Total assets	3,897,784	7,002,460	3,818,567	795,842	926,721	1,359,518	79,907,423	97,708,315
Liabilities								
Payables and accruals	-	1,526,736	-	-	-	-	-	1,526,736
Provisions	-	154,171	-	-	-	-	-	154,171
Refundable contributions	8,120,895	2,483,237	3,500,069	3,172,887	2,622,525	3,259,330	19,770,775	42,929,718
Total liabilities	8,120,895	4,164,144	3,500,069	3,172,887	2,622,525	3,259,330	19,770,775	44,610,625

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)

(e) Liquidity risk (Cont'd)

As at March 31, 2007:

	Within 3 Months $'000	Within 3 - 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Total $'000
Assets								
Cash and cash equivalents	4,276,172	-	-	-	-	-	-	4,276,172
Receivables and prepayments	2,288	140,695	20,102	51,681	73,276	60,070	7,215	355,327
Loans receivable	16,005	10,485	37,211	80,537	185,769	288,961	61,046,198	61,665,166
Securities purchased under resale agreements	3,243,271	1,634,682	-	-	-	-	-	4,877,953
Investment securities	937,054	2,293,120	5,021,944	2,412,276	400,786	476,352	6,595,724	18,137,256
Total assets	8,474,790	4,078,982	5,079,257	2,544,494	659,831	825,383	67,649,137	89,311,874
Liabilities								
Payables and accruals	-	1,703,484	-	-	-	-	-	1,703,484
Provisions	-	40,801	-	-	-	-	-	40,801
Refundable contributions	8,890,786	1,985,568	3,065,100	3,151,848	2,986,713	3,995,861	11,555,495	35,631,371
Total liabilities	8,890,786	3,729,853	3,065,100	3,151,848	2,986,713	3,995,861	11,555,495	37,375,656

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (Cont'd)

Capital risk management

The Trust's objectives when managing capital, which is a broader concept than the "accumulated fund" on the face of the balance sheet are:

(i) to safeguard the Trust's ability to continue as a going concern;

(ii) to maintain a strong capital base in order to carry out its mandate.

Capital adequacy is monitored by the Trust's management on a regular basis. The Trust's overall strategy remains unchanged for 2007/2008.

The capital structure of the Trust consists of non-refundable employers contributions (Note 2(c)), fair value and other reserves (Note 21), peril reserve (Note 22), loan loss reserve (Note 23) and surplus on income statement.

32 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a 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.

These conditions would not exist in a normal commercial environment. Consequently, the carrying values of certain of the Trust's financial instruments are not comparable with other commercial financial mortgage institutions and any such comparison would in fact be misleading. In these circumstances, the fair values presented in these financial statements have, therefore, been presented using various estimation techniques based on market conditions existing at 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, payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturities of these instruments.

(ii) The fair values of held-for-trading and available-for-sale investment securities are measured by reference to quoted market prices.

(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.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

33 OPERATING LEASE ARRANGEMENTS

The Trust as a lessee

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

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

	2008 $'000	2007 $'000
Within one year	12,646	2,575

The Trust as a lessor

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

The property rental income earned by the Trust from these properties amounts to $10.403 million (2007: $12.45 million). Direct operating expenses arising on these properties in the period amounted to $8.9 million (2007: $10.8 million).

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

	2008 US$'000	2007 US$'000
Within one year	4,226	12,128
Within two to five years	21,575	9,755
Over 5 years	6,806	-
	32,607	21,883

34 OTHER DISCLOSURES – EMPLOYEES' COSTS

	2008 $'000	2007 $'000
Staff costs incurred during the year:		
Salaries and wages including statutory contributions	1,769,753	1,218,008
Retroactive salaries and wages	237,241	548,270
Other staff costs	496,948	274,693
	2,503,942	2,040,971

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

33 LITIGATION AND CLAIM

i) In July 2005 an arbitrator awarded a developer under the Trust's finance of housing construction programme the sum of $24.325 million – developer's profit and risk – in respect of a housing development project which the developer commenced in 1995. The arbitrator declined to award interest and the $24.325 million was paid by the Trust. The developer then sought an order from the Supreme Court regarding the consideration of interest by the arbitrator.

In January 2007, the court ordered that the matter be remitted to the arbitrator for him to consider interest on the developer's profit and risk. A supplementary award was published by the arbitrator on May 11, 2007 and received by the Trust on May 22, 2007 whereby the sum of $214.5 million and costs were awarded to the developer.

The attorneys representing the Trust are of the opinion that the award is open to challenge on the basis of error of law. The matter relating to the challenge by the Trust was heard in the court on April 10 and 14, 2008. The presiding judge has reserved judgement in the matter.

ii) A contractor on one of the Trust's major development projects has made a claim of approximately $1.06 billion citing certain contract breaches and loss of profit. The Trust is currently in negotiations with the contractor in respect of this matter.

Management, based on the facts and the opinion of their attorneys, has made a provision at year end based on its best judgement of the likely liability. However, the ultimate outcome of those matters cannot be determined at this time and should the Trust be unsuccessful in its challenge and negotiations a significant adjustment would be required to the amounts provided in the financial statements.

36 EFFECTS OF RECLASSIFICATION

Detailed below are the effects of the adjustment arising out of the reclassification of the change in fair value arising on investment previously classified as available-for-sale to held for trading:

	As previously Reported $'000	Effects of Reclassification $'000	Restated $'000
Accumulated Fund:			
Fair value and other reserves			
- at April 1, 2006	1,600,430	(570,325)	1,030,105
- at March 31, 2007	1,904,016	(673,069)	1,230,947
Accumulated surplus:			
- at April 1, 2006	16,232,794	570,325	16,803,119
- at March 31, 2007	15,542,429	673,069	16,215,498
Income Statement:			
- Other gains on investment securities	-	102,744	102,744
- Net surplus at March 31, 2007	528,139	102,744	630,883

37 SUBSEQUENT EVENT

Subsequent to year end, the Board of Directors approved the following changes in respect of the Trust's operations:

- Interest paid on refundable contributions was capped at 3% per annum effective April 1, 2008, and
- The interest rate bands on mortgage loans in the 5% and 6% per annum interest rate bands will be increased to 6% and 8% per annum respectively effective June 1, 2008.

ADMINISTRATION

Executive Compensation

The basic salaries for 64 executives for the years ended 31 March 2007 & 2008 are as follows:

		2008	2007	
		000	000	
Managing Director (1)		8,366	7,729	(See notes 1 & 2)
Senior General Managers (2)		5,267	5,061	(See note 2)
General Managers (6)	From	3,883	3,539	(See note 3)
	To	4,959	4,125	
Assistant General Managers	From	2,631	2,249	(See note 3)
& Managers (55)	To	3,807	3,516	

Notes

1. The Managing Director, being a contract officer whose position does not fall under the company under the company's pension scheme, receives a gratuity of 25% on his compensation package in addition to the amount specified above.

2. The amounts shown for the Managing Director and Senior General Managers exclude the total for the provision of a fully maintained motor vehicle. Salaries of Senior General Managers have been revised for comparative purposes (i.e., reduction of SGM from 3 to 2).

3. The amounts shown for General Managers, Assistant General Managers and Managers do not include motor vehicle allowances

ADMINISTRATION

Managing Director
- C. Earl Samuels C.D.

Senior General Managers
- Vincent George – Corporate Services
- Donald Moore – Construction and Development

General Managers
- Judith Larmond-Henry – Company Secretariat & Legal Services
- Martin Miller - Finance
- Lanie-Marie Oakley-Williams – Operations
- Benedict Ranger - Information Systems
- Jeneita Townsend J.P. – Human Resources Management
- Lorna Walker - Internal Audit

Assistant General Managers
- Maurice Anderson – Inner City Housing Project
- Allison Chung-Campbell – Company Secretariat
- Maxine Hart – Project Management Office
- Quinton Masters – Project Appraisal Management
- Neil Miller – Corporate & Business Strategy
- Kalean Mills Bellamy – Legal Conveyancing & Mortgage Registry
- Hortense Rose – Corporate Communication
- Joyce Simms-Wilson – Branch Network
- Michael Taylor – Project Management
- Errol Thompson – Financial Control
- Elton Vassell – Contributions Management
- Lorna Walker – Internal Audit
- Suzanne Wynter-Burke – Loan Management

Managers
- Herman Baker – Industrial Relations, HRM
- Everton Boothe – Loan Administration
- Judith Brown – Accounts Payable & Payroll
- Erica Burrell – Management Support
- Dave Campbell – Financial Reporting
- Keith Clarke – Project Appraisal & Management
- Tracey-Ann Creary – Project Management
- Shani Dacres-Lovindeer – Project Management
- Kareen Daley – Application Development, Information Systems
- Clive Davis – Project Management, ICHP
- Joan Dennis – Special Projects, Project Management
- Delores Facey-Johnson – Project Management, PMO
- Clivia Green – Compliance

- Ransford Hamilton – Property Management
- Cheryll Harris-Walder – Change Management, PMO
- Dian Isaacs – Risk & Insurance Management
- Gladstone Johnson – Operations Support
- Rohan Jones – Information Systems Security
- Lisa Myrie-Davis – Internal Audit
- Paul Oliver – Loan Accounting
- Leighton Palmer – Technical Support, Information Systems
- Donetta Russell – Customer Care
- Philbert Solomon – Investments and Accounts Receivables
- Audley Stewart – Contributor Accounts
- Wendy-Jo Williams – Social Development
- Vencot Wright – Planning & Research

Branch Network

Managers

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

Senior Customer Service Representatives

- Sancia Cornwall – St. Elizabeth
- Karen Forbes-Rodney – Portland
- Althea Green – Trelawny
- Alwyn Haynes – Hanover
- Andrea McPherson – St. Mary
- Violet Salabie – St. Thomas

Legal Team

- Sheron Green-Brown
- Alayne Bennett
- Sharon Blair
- Camille Chevannes-Redwood
- Marisa Forbes
- Carol Higgins
- Jefferine Stubbs-Ruddock
- Mazielyn Walker