National Housing Trust

ANNUAL REPORT 2009 / 2010

FROM BLUE PRINT TO OCCUPATION

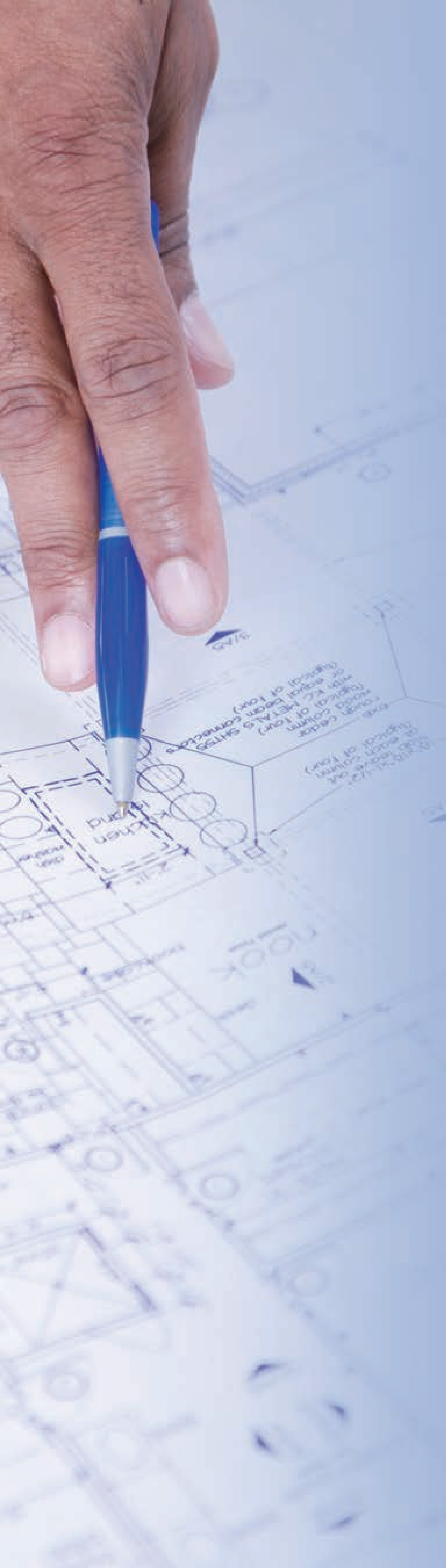
Union Estate, Twickenham Park, St. Catherine

Our Vision

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

Our Mission

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



Core Values

Innovation
To constantly challenge ourselves to identify new approaches to meet the needs of our customers, stakeholders and the organization.

Excellence
To apply exceptional knowledge, understanding and creative thinking in our analyses, processes and decision-making.

Professionalism
To adhere to a set of principles comprising both formally agreed-upon codes of conduct and informal expectations of colleagues, customers and society.

Accountability
To meet our commitments and accept responsibility for our actions and decisions.

Caring
To treat all persons fairly and with respect.

Integrity
To employ the highest ethical standards, demonstrating honesty, sincerity and fairness in every action or decision.

National Housing Trust

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Letter
to the Prime Minister

June 30, 2010

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, 2010, and a copy of the Statement of the Trust's Accounts at March 31, 2010, duly certified by the Auditors.

I am
Yours respectfully,

Howard Mitchell
Chairman

National Housing Trust

7 Year Statistical Summary

Year Ended	2010 $'000	2009* $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Total Assets	134,064,660	115,995,523	99,468,800	89,004,261	78,603,906	72,873,470	64,504,428
Inventories	5,693,088	4,914,369	3,909,465	3,870,059	3,651,406	1,834,251	2,105,594
Loans Receivable	95,757,161	85,131,068	70,629,633	58,728,730	49,656,370	45,282,026	39,007,787
Refundable Contributions	50,235,825	44,060,124	38,188,003	32,716,876	28,449,888	25,103,757	21,834,847
Accumulated Fund							
Non-Refundable Contributions	56,605,529	47,579,711	38,927,479	33,463,941	28,772,475	24,886,011	21,377,650
Surplus on Income & Expenditure Account	18,997,222	16,736,746	15,491,948	16,215,498	16,232,794	18,668,351	16,942,946
Results From Operations							
Total Operating Income	9,208,760	8,627,500	6,615,566	6,193,353	6,651,401	7,079,517	7,024,124
Operating Expenditure	4,214,928	3,740,782	3,922,926	3,089,663	2,278,696	2,147,312	1,754,811
Net Surplus/(Deficit)	2,255,574	1,982,615	(321,615)	630,883	(1,902,376)	1,833,432	2,752,317
Financial Ratios							
Average Interest on Loans**	5.5%	5.5%	4.8%	5.8%	6.5%	7.9%	8.2%
Yield on Investments %	14.1%	12.0%	11.2%	12.5%	14.6%	21.8%	26.7%
Efficiency Ratio %	62.1%	70.7%	135.0%	89.0%	(297.0)%	46.0%	37.0%
Return on Capital	3.0%	3.1%	(0.5)%	1.2%	(3.9)%	4.2%	6.9%
Return on Assets	1.8%	1.8%	(0.3)%	0.7%	(3.0)%	2.7%	4.8%
Other Information							
Annual Housing Expenditure	16,915,796	20,242,636	16,941,643	13,171,808	7,710,150	5,735,970	5,332,619
Contributions Received	16,821,186	16,131,501	11,648,169	9,348,458	8,369,589	7,060,372	6,034,056
Contributions Refunded	2,751,659	2,579,548	2,250,457	1,682,606	2,145,282	1,230,626	513,355
Number of Mortgages Created Since Inception	138,353	131,804	124,934	116,527	108,233	101,084	94,830
Number of Individual Benefits Provided Since Inception	149,836	143,287	136,417	128,010	119,695	112,514	106,246

*Restated

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

National Housing Trust

Board of Directors

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.

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. His tenure at the NHT ended in February 2010.

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.

Wayne Jones, O.D.

Mr. Jones is the current President of the Jamaica Civil Service Association (JCSA), a post which he has held since 2001. He is also General Secretary of the Jamaica Confederation of Trade Unions (JCTU). Mr. Jones 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. He was appointed to the Board in 2003.

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.

Audrey Richards

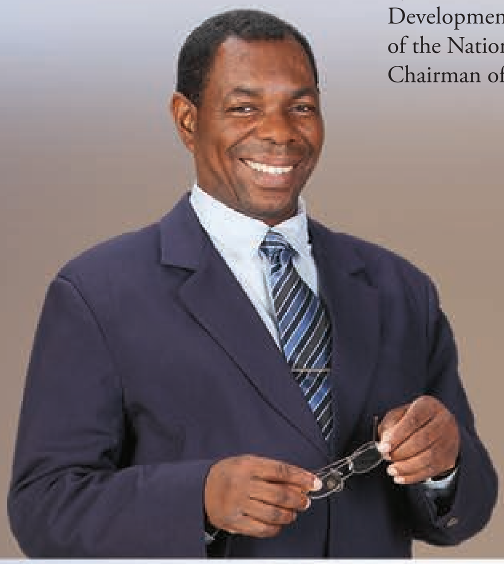
Mrs. Richards is a financial consultant with over 20 years of experience in the financial sector. Mrs. Richards was appointed to the Board in March 2008 and is Chairman of the Finance and IS Committee.

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.

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.



Ray Howell

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

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 former 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.

Philip Bernard

Mr. Bernard is the General Manager Community Banking and ATM Services at the Jamaica National Building Society. He was appointed to the NHT Board in May 2009.

Joy Douglas

Ms. Douglas was appointed to the Board in November 2007. She is an Urban & Regional Planner and is the General Manager of the Urban Development Corporation. 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., Montego Freeport Limited as well as the Town and Country Planning Authority (TCPA), the Natural Resources Conservation Authority (NRCA), the Land Utilization Commission, Jamaica Developers Association, Kingston Restoration Company (KRC), and the Kingston City Centre Improvement Company (KCCIC).

Angela Robertson

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

Jeremy Palmer

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

Desmond Young

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

Missing Lloyd Goodleigh, C.D.

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

National Housing Trust

Leadership Team

Benedict Ranger
Chief Information Officer

Lorna Walker
Chief Internal Auditor

Martin Miller
Chief Financial Officer

Jeneita Townsend
General Manager
Human Resource Management

C. Earl Samuels, C.D.
Managing Director

Lanie-Marie Oakley Williams
General Manager
Operations

Donald Moore
Senior General Manager
Construction & Development
(Acting Managing Director at the end of Mr. Samuels' tenure)

Judith Larmond-Henry
General Counsel &
Company Secretary

Vincent George
Senior General Manager Corporate Services

National Housing Trust

Chairman & Managing Director's Report

It was another year of mixed results for the National Housing Trust as the organisation implemented creative strategies to ensure that it remained relevant to the housing needs of its contributors, while exercising prudent management of its finances. Within the context of the continuing global economic crisis, the NHT recorded positive results on some key performance indicators, while on others, results were below projections. Overall, the organisation was able to weather the continuing economic storm by pursuing a conservative corporate strategy focusing on rationalising resources and capitalising on gains.

Against this background, at the end of the 2009/2010 financial year, the Trust surpassed targets set for contribution and mortgage collection. Contribution collection surpassed its target by 11% and last year's amount by 4%. Mortgage collection increased by 5% over last year and surpassed the target for this year by 17%. However, despite contributing 80% of housing starts to the market, the Trust's starts declined 28% from 2,368 to 1,711 in 2009.[1] This reduction mirrored the general performance of the construction sector which declined for the second consecutive year in 2009, a trend that is expected to continue into 2010.

In recognition of the difficulties being faced by many of its contributors, the Trust revisited its housing benefits policy during the year in review. In September 2009, the organisation announced several policy changes to enhance its contributors' prospects of homeownership, through improved access and affordability.

NEW POLICIES

Short Term Lease

This policy is intended to benefit contributors who are unable to afford to finance the gap between the cost of a Scheme unit and the maximum amount they can afford to borrow. Under this new policy, contributors who are selected for NHT

[1] Planning Institute of Jamaica. Economic and Social Survey Jamaica 2009. PIOJ: Kingston, Jamaica, 2009.

Scheme units but cannot find the difference between the selling price and the amount they can borrow from the NHT, may be given a 3-year lease. For the duration of the lease, the contributor will pay no less than 15% of the price of the property plus NHT finance charges. At the end of the lease period, the lessee will become a mortgagor and will access the balance of the purchase price as a regular mortgage.

Combined Loan

This policy was specifically tailored for persons who intend to jointly apply for a loan. If the income of one applicant does not allow him/her to access the full individual benefit of $3.5 million, but the other applicant's income allows him/her to access more than the maximum individual benefit, now together they can get a combined loan of up to $7 million. This is because the new policy allows for the income of the higher income-earner to be used to compensate for the shortfall of his/her joiner who is earning less. The policy will result in more persons being able to access larger loans.

Extension of Loan Term

The maximum repayment period for all loans, except the solar water heater loan has been extended. The age of the applicant will however, affect the final loan term. This policy change will result in more affordable monthly mortgage payments. The policy will also allow some contributors to get more to borrow. Contributors in the 2% interest rate band can get a maximum loan tenure of 40 years for House Lot and NHT Financed Serviced Lot Loans.

Contributions as Deposit

The NHT will now allow a qualified applicant to use up to 50% of his/her contributions not yet due for refund, to go towards the deposit when purchasing a unit using his/her NHT benefit.

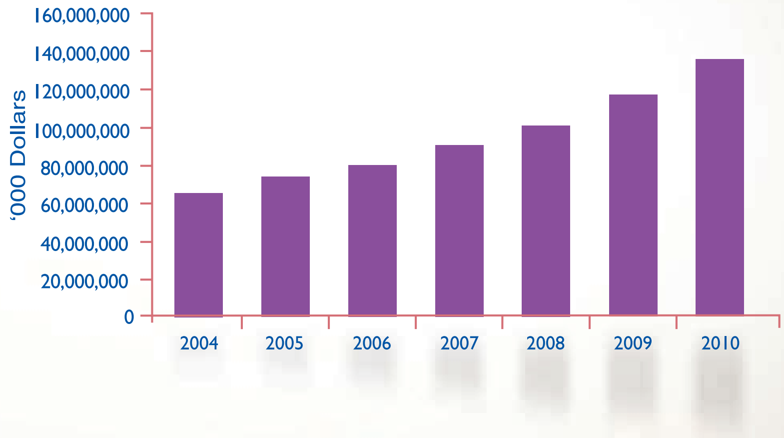
Deferred Mortgage Arrangement

This policy is intended to benefit contributors whose incomes disqualify them from receiving a loan to purchase an NHT Scheme property. Such persons can receive an NHT loan of at least 60% of the value of the property, giving them a 60% share, with the NHT owning the remainder. The applicant may buy the NHT's share at any time or may sell his/ her benefit, giving the NHT first option to buy.

Benefit Type	Old Repayment Term	New Repayment Term
Build On Own Land	30 years	40 years
Open Market	30 years	40 years
NHT Scheme Unit	30 years	40 years
NHT Serviced Lot	15 years	20 years
House Lot	15 years	20 years
HELP Loan	15 years	20 years
HOPE Loan	15 years	20 years
Home Improvement	15 years	20 years

These policy changes, we hope, signal clearly that the NHT remains committed to providing affordable housing solutions to its valued contributors.

Total Assets



FINANCIAL MANAGEMENT

Total Assets

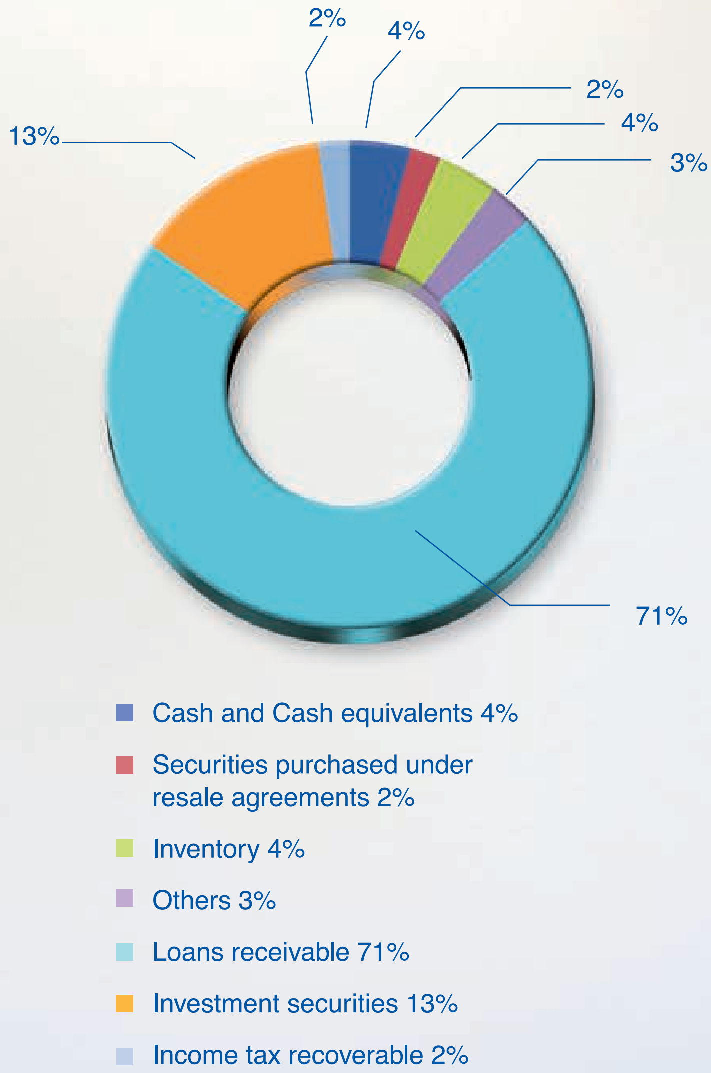
At the end of the financial year the Trust's assets totalled $134 billion, a 16% increase over the previous year. Loans receivable, the major component of total assets, increased by 12% and accounted for 71% of the total assets figure.

Income and Expenditure

For the second consecutive year, the Trust recorded a surplus before tax. The surplus amounted to $3.08 billion, up 9% from $2.84 billion last year. Interest revenue increased by 24% to $8.06 billion. This amount comprised interest on loans - $4.98 billion and interest on investments - $3.08 billion. Net surplus for the year amounted to $2.26 billion or 14% more than 2009.

Expenditure for the year totalled $5 billion, up 4% from last year. With the exception of special subsidies and grants and share of losses of associates, all other items of expenditure increased over last year. Operating expenses increased 13% over last year to $4.21 billion. Amounts allocated to special subsidies and grants decreased by $531m or 76%, this reduction is mainly due to decreased expenditure on the Sugar Workers Housing Programme.

Asset Distribution



Contribution Collections

Contributions collected in 2009/2010 totalled $16.8 billion, $690 million more than what was collected in 2008/2009. Collections from employees also increased marginally by 4% to $7.80 billion up from $7.47 billion. Contributions from employers also increased, moving from $8.65 billion last year to $9 billion this year but was still below the collectable amount of $11.68 billion[2].

Contribution Refunds

There was a slight increase (5%) in the amount paid out for contribution refunds this year. A total of 129,297 contributors were refunded at a value of $2.75 billion up from $2.58 billion last year.

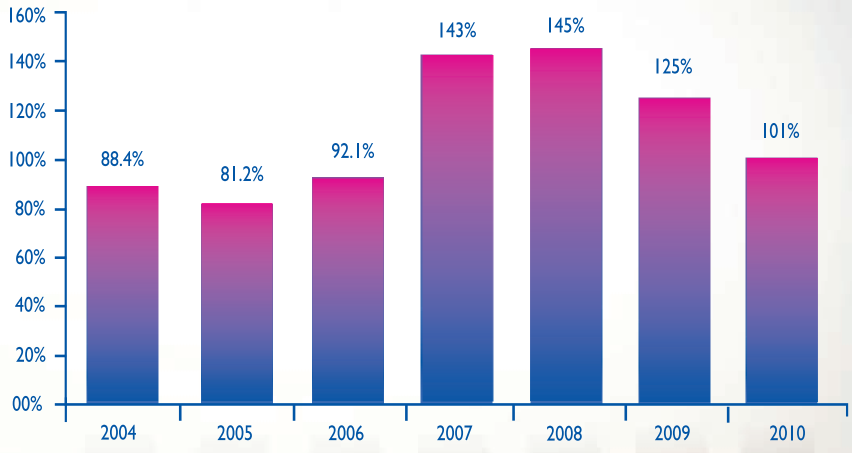
Mortgage Collection

More stringent management of the loan portfolio and new loan creation has resulted in the collection of $9.7 billion, 17% above the targeted amount. This amount represents an increase of $500 million over last year.

Housing Expenditure

Housing expenditure amounted to $16.9 billion or 77% of the budgeted amount and represents a 16% decline from the $20.2 billion spent last financial year. Individual Benefit Loans accounted for 78% of housing expenditure. The remaining 22% was allocated among: NHT Projects (General & Joint Venture), Interim Financed Programme, Provisional Sums (Land Purchase, Institutional Loans etc.) and Sugar Housing.

Housing Expenditure as a Percentage of Contribution Collections



HOUSING

The Trust continues to face significant challenges in the provision of affordable housing to its contributors. Rising construction costs, availability of suitable land and most significantly, delays in obtaining approvals from the relevant agencies all impacted on the delivery of housing solutions. Several projects, including Stokes Hall, Creighton Hall, Luana, and Nashville, which were slated for construction during the year, were put on hold pending approval.

Despite these challenges, the Trust completed 2,149 solutions or 85% of the number planned. Beneficiary construction (Build-on-Own Land, Construction Loan, Home Improvement) totalled 1,615 units or 75% of completions. NHT Projects (330 solutions) and Interim Finance Schemes (204 units) accounted for the remaining 25%.

Loans to Beneficiaries

[2] Collectable amount for contributions was calculated based on the 3:2 ratio for employers and employees.

Completed NHT Projects include:

- 60 serviced lots and 21 units at Bernard Lodge, St. Catherine
- 23 units at Frome, Westmoreland
- 11 serviced lots at Longville II, Clarendon
- 51 serviced lots at Monymusk, Clarendon
- 3 serviced lots at Orangefield, St. Catherine

Mortgages Created

There was just a marginal decline (2%) in the number of mortgages created in the review period, despite the difficult economic climate. New mortgages created moved from 6,549 in 2009 to 6,427 at the end of March 2010. A total of $13.2 billion was disbursed on behalf of beneficiaries of these mortgages.

MORTGAGE LOANS CREATED 2009- 2010

PARISH	BOL	CL	HI	HL	HLP	OM	SCH	SL	TOTAL
Clarendon	58	342	12	101	10	68	1	1	593
Hanover	11	19	0	49	1	7	0	0	87
Kingston & St Andrew	91	199	62	194	33	1,269	88	0	1936
Manchester	86	76	10	60	13	41	0	0	286
Portland	32	39	3	13	10	14	0	0	111
St Ann	58	79	10	48	11	28	0	0	234
St Catherine	74	529	30	284	16	519	60	0	1512
St Elizabeth	37	88	6	43	5	18	0	36	233
St James	36	167	11	82	5	353	3	7	664
St Mary	21	28	5	66	3	14	0	1	138
St Thomas	30	53	1	32	7	24	0	0	147
Trelawny	8	34	0	22	0	79	0	0	143
Westmoreland	55	108	0	60	3	24	36	57	343
TOTAL	**597**	**1,761**	**150**	**1,054**	**117**	**2,458**	**188**	**102**	**6427**

OPERATIONAL EFFICIENCIES

Process Reviews

Continuing on our efficiency improvements, we began a review of the Labour and Small Materials Programme during the year. The process consists of a revision of the process flows, creation/modification of forms and templates and documentation of the steps to be undertaken in delivering the programme. Training will be undertaken in the new financial year. When completed the Construction & Development Division should realise a reduction in operating expenses as well as a reduction in processing times and rework due to standardisation.

Business Continuity

The organisation also began preparatory work on a Business Continuity Plan. This plan, when implemented, will ensure the functioning of all critical areas of the Trust within 24 hrs of a major disaster.

Contribution Refunds

The NHT had introduced its on-line refunds application system the previous financial year to facilitate a hassle free process for its contributors . The new system facilitated electronic submission of applications, and electronic remittance of funds. Although the new process has resulted in greater convenience for the majority of contributors, some still experienced challenges. Several fixes to the system were undertaken during this year and the NHT continues to monitor and modify the system as the need arises.

HUMAN RESOURCES

Major human resource development initiatives this year were implemented in the areas of staff development and training, staff welfare and industrial relations.

The NHT recognises that if it is to continue meeting the changing expectations of its contributors, then staff development must continue to be an area of focus for the organisation. Consequently training programmes delivered over the period included:

- customer service
- records management
- paralegal skills
- international financial management
- supervisory management
- project management
- risk management
- software training

Additionally, five employees were awarded scholarships and grants to pursue higher education in Law, Social Work, Business Administration and Communication.

Staff development for the NHT includes not only professional but also personal development. In August a Wellness Challenge for employees was launched with the theme "*Healthy Mind and Body, trus me a wi dat*". Twenty-four teams from across the organisation participated in the 12-week challenge culminating in a grand Health and Wellness Fair in November. This initiative was aimed at motivating employees to:

- improve and maintain a healthy weight (*Weight Loss Challenge*);
- increase physical fitness (*Fitness Endurance Challenge*);
- encourage healthier eating;
- manage stress

Industrial relations was also another area targeted by the Trust in the review year, and it is to the organisation's credit that despite the uncertainty of the Jamaican economy, it continued to enjoy a stable industrial relations environment. An Industrial Harmony Workshop, aimed at efficiently managing employee-management relations and improving the transparency of the process, was administered to NHT's management and union representatives.

NHT IN THE COMMUNITY

The NHT, through its Social Development Department, continues to maintain a presence in its schemes with the aim of improving the social infrastructure in these communities. The annual *"Little But Tallawah"* project provides financial assistance to selected communities with projects in the areas of health, environment, education and culture. This year, 16 projects were approved: 10 environmental, 4 health and 2 educational. Additionally 1,010 fruit trees were distributed across NHT schemes to enhance their environs.

To encourage a culture of maintenance of the physical environment of the schemes, the NHT in conjunction with the National Environmental and Planning Agency (NEPA) and the Rural Agricultural Development Agency (RADA), has facilitated the establishment of environmental clubs. To date, 28 clubs have been established. In March, children from over 30 Schemes were invited to participate in a poster competition with the theme "Protecting the Environment, Promoting Environmental Awareness".

LEADERSHIP CHANGE

Mr. C. Earl Samuels C.D., Managing Director of the Trust for the past 11 years, demitted office effective February 28, 2010. Mr. Samuels, affectionately called 'Mr. Sam', had served the NHT with distinction since joining the organization in 1992 as a financial consultant. He was appointed Senior Director of Finance in 1994, and was promoted to the post of Acting Managing Director in 1997. In January 1998, Mr. Samuels was confirmed in the post of Managing Director. His tenure was characterised by financial astuteness and prudence and under his leadership the total assets of the Trust grew from $20.9 billion to $133.9 billion. Farewell 'Mr. Sam' and "walk good".

LOOKING AHEAD

The NHT gets ready to begin the new financial year with a change in leadership following the departure of its former Managing Director, Mr. C. Earl Samuels. The coming year also promises to be a major milestone for the Trust as it will be celebrating its 35th year of existence. With a new Managing Director and a new direction, the next few years hold a promise of rebirth and renewal.

In terms of housing delivery, the Trust intends to complete construction of 2,237 housing solutions in the coming year. Work is already in progress on some of these solutions.

Projects	No. of Solutions
Twickenham Phase 1, St. Catherine	176 units
Twickenham Phase 2, St. Catherine	234 units
Paddington, St. Andrew	5 units
Stokes Hall, St. Thomas	149 serviced lots
Meylersfield, Westmoreland – NHT (Small Contractors Programme)	115 mixed*
Hampden, Trelawny – Sugar/NHT	288 serviced lots
Bushy Park, Clarendon HAJL Joint Venture	70 mixed
Salisbury, St. Andrew	9 units
Twickenham 3, St. Catherine	357 units
Longville 3, Clarendon	834 mixed

*serviced lots and units

Building houses however, is not just what the NHT is all about. In line with our corporate vision to be "ranked among the leading housing finance institutions in the world, renowned for customer service and contribution to national development", we will continuously seek out and apply the best business strategies. Our general focus will be to improve efficiency and enhance customer service. Specifically, over the next three years, we will be conducting business process reviews of our loans and contributions management activities, and increasing our use of technology. This will help us to effectively streamline our business processes, create facilities for electronic banking, use data capture, apply retrieval and archival software to the management of records, and implement a human resource information system software.

We believe that whatever we do at the NHT, our overriding goal must be to remain relevant to our contributors.

Snap Shots
Longville Contract signing

On Friday March 26, 2010, the NHT and M&M Jamaica Ltd. signed a contract for the development of 834 housing solutions at Longville, Clarendon.

We must build houses where people want to live…" says NHT Chairman Howard Mitchell (2nd right). Also participating in the signing are: (l-r): Mr. Donald Mullings, Managing Director, M&M Jamaica Ltd.; Dr. Horace Chang, Minister of Water & Housing; Mr. Donald Moore, Acting Managing Director, NHT and Mrs. Winnifred Mullings, Director, M&M Jamaica Ltd.

Dr. Horace Chang signs the contract on behalf of the Government of Jamaica while Mr. Moore waits his turn. Also pictured are Mr. Mullings and NHT's General Counsel and Company Secretary, Mrs. Judith Larmond-Henry (standing).

It's official! Dr. Horace Chang shakes Mr. Moore's hand after the completion of the contract signing ceremony. At right is NHT Board Chairman Howard Mitchell.

Viewing the development plans from (l-r) are: Mrs. Judith Larmond-Henry and Mr. Michael Taylor of the NHT; Mr. Donald Mullings and Mrs. Winnifred Mullings of M&M Jamaica Ltd; Dr. Wayne Reid of JenTech Consultants Ltd. and Ms. Joan Dennis of NHT.

Dr. Chang and Mr. Moore view the plans for the Longville Development.

NHT in the Community

Dr. Lanie Oakley Williams (right), General Manager, Operations, presents the 1st place award in the Junior Division (7-13 yrs) of the Environmental Poster Competition to GLAMEWS community group.

Members of the Angels Grove Environmental Club, 1st place winner, in the 14-21 division of the competition.

Ms. Wendy-Jo Williams, Social Development Manager, NHT, discuss the provision of incubation space at HEART Ebony Park with HEART Trust representatives for the production of Caribbean Palms Pumpkin Punch.

Charmaine Scarlet and Cherton DaCosta of NHT's Social Development Department, assist members of the Church Pen Community on Labour Day.

Wellness & Sports

NHT Health Fair 2009

NHT Sigma Run Team

2010

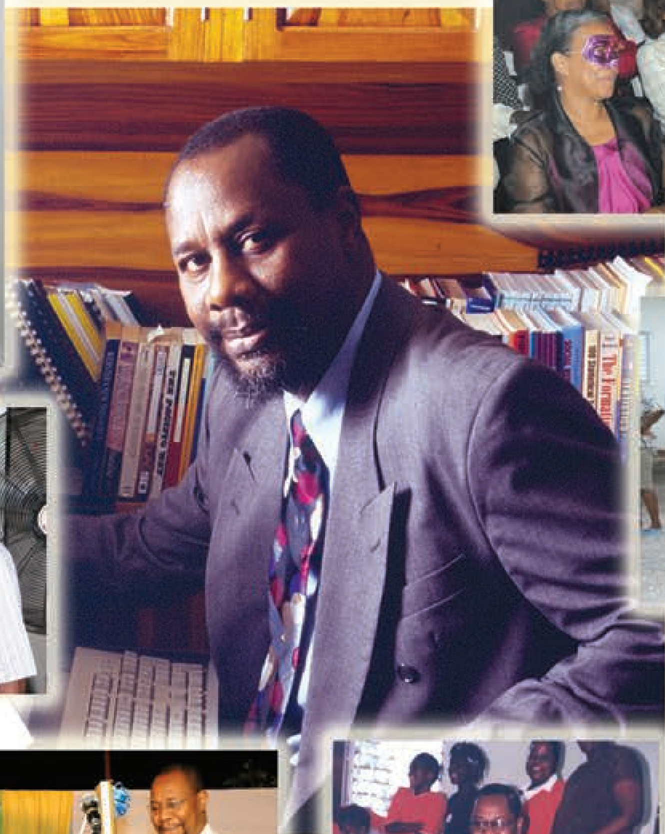
Inter-Departmental Football and Netball Champions

NHT Says Farewell

In February this year, Earl Samuels, C.D., former Managing Director, ended his sojourn with the NHT. Walk with us down memory lane.

NHT Says Farewell

After 20 years at the NHT our resident professor, Dr. Vincent George, hung up his cap and gown and bade the NHT goodbye. We fondly recall his years at the Trust.



STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2010
(Expressed in $'000)

	Notes	2010	2009*
		$	$
Interest revenue:			
- Loans	28	4,979,893	4,311,023
- Investments	28	3,078,916	2,198,603
		8,058,809	6,509,626
Bonus on employees' contributions	28	(1,131,992)	(972,400)
Net interest revenue		6,926,817	5,537,226
Other gains on securities carried at fair value through profit or loss		270,029	258,944
Dividends from investment securities	28	34,818	28,459
Service charge on loans to beneficiaries	10(n)	116,830	93,288
Gains on projects	25(a)	-	444,763
Gains on disposal of investments		29,167	-
Miscellaneous	24	699,107	1,292,420
		8,076,768	7,655,100
Operating expenses		4,214,928	3,740,782
Charge on allowance for impairment on loans receivable	10(m)	166,730	18,468
Losses on projects		243,003	-
Special subsidies and grants	25(b)	163,710	694,840
Restructuring costs	26	27,084	-
Share of comprehensive losses of associates (including allowance for loan loss)	14(d)	182,972	365,449
		4,998,427	4,819,539
SURPLUS BEFORE TAXATION		3,078,341	2,835,561
Taxation	27	(822,767)	(852,946)
SURPLUS FOR THE YEAR	28	**2,255,574**	**1,982,615**
Other Comprehensive Income:			
Gains/(losses) on available-for-sale financial assets	21	735,206	(657,389)
Share of gains of property revaluation of associate	21	-	23,735
TOTAL COMPREHENSIVE INCOME		**2,990,780**	**1,348,961**

* Restated [Note 37(c)]
The Notes on Page 33 to 104 form an integral part of the Financial Statements.

2 THE BOARD

Howard Mitchell, Chairman
C. Earl Samuels, C.D., Managing Director
Kay Bennett-Sherman
Phillip Bernard
Joy Douglas
George Fyffe, O.D., J.P.
Lloyd Goodleigh
Adrian Grant
Ray Howell
Peter Jervis
Wayne Jones, O.D.
Parris Lyew-Ayee Jnr.
Jeremy Palmer
Audrey Richards
Angela Robertson
Desmond Young

3 THE AUDITORS

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

4 THE EMPLOYEES

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

National Housing Trust

FINANCIAL STATEMENTS

National Housing Trust

CONTENTS

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Independent Auditor's 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 29 to 104 which comprise the statement of financial position as at March 31, 2010, the statements of comprehensive income, changes in accumulated fund and cash flows for the year then ended, 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 as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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.

KPMG

Independent Auditor's Report

Report on the Financial Statements (Cont'd)

Basis of qualified opinion

As stated in Note 2(c), non-refundable employers' contributions are credited directly to the accumulated fund, in the Non-refundable Employers' Contributions reserve. Such contributions fall within the definition of revenue, under IAS 18 – Revenue, and are required to be recognized in the statement of comprehensive income. Had these contributions been recognized in accordance with the standard, Total Comprehensive Income for the year would increase by $9,025,818,000 (2009: $8,652,232,000). As these contributions would have been transferred annually from Accumulated Surplus to the Non-refundable Employers' Contributions reserve in the statement of changes in accumulated fund, the balances on both these accounts would not have changed at balance sheet date.

Opinion

In our opinion, except for the effects of the matters referred to in the immediately preceding paragraph, the financial statements give a true and fair view of the financial position of the Trust as at March 31, 2010 and of its financial performance, changes in accumulated fund 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(a)(i) of the financial statements. The Trust is contesting an arbitration award of $214.5 million to a developer for interest charges on a Trust financed housing project. The Trust's attorneys believe the award is open to legal challenge and has commenced proceedings in this regard. It is not possible to determine the ultimate outcome of the matter at this time, and no provision for any liability has been made in the financial statements.

Report on additional requirements of the National Housing Trust Act

As detailed in Note 19(c), the Trust has not fully established personal accounts for employed persons who have made refundable contributions to the Trust, to enable it to issue certificates of contributions made, as required by the National Housing Trust Act. The processing of annual returns is ongoing and the Trust is taking steps to complete the processing in order to issue the relevant certificates, although progress is hampered by employers not submitting the returns required in a timely manner.

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

Comparative figures

The previous year's financial were audited by another firm of Chartered Accountants which issued a qualified opinion, dated June 1, 2009, in respect of the incompleteness of personal accounts for refundable contributions mentioned above.

KPMG

Chartered Accountants
Kingston, Jamaica

June 7, 2010

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2010
(Expressed in $'000)

National Housing Trust

	Notes	2010 $	2009* $
ASSETS			
Cash and cash equivalents	6	5,247,531	4,331,513
Receivables and prepayments	7	663,846	565,255
Securities purchased under resale agreements	8	2,632,167	2,403,860
Investment securities	9	17,680,188	12,302,197
Income tax recoverable		2,667,534	2,673,297
Loans receivable	10,11	95,757,161	85,131,068
Inventories	12	5,693,088	4,914,369
Intangible assets	13	10,706	41,967
Investments in associates	14	1,290,702	1,368,454
Retirement benefit asset	15	898,464	677,900
Property, plant and equipment	16	1,523,273	1,585,643
Total assets		**134,064,660**	**115,995,523**
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Payables and accruals	17	1,252,608	1,585,418
Provisions	18	385,919	152,208
Refundable contributions	19	50,235,825	44,060,124
Deferred tax liabilities	20	517,751	569,679
Retirement benefit obligation	15,36	170,070	131,700
		52,562,173	**46,499,129**
ACCUMULATED FUND			
Non-refundable employers' contributions	2c	56,605,529	47,579,711
Fair value and other reserves	21	1,092,111	367,410
Peril reserve	22	2,668,701	2,638,626
Loan loss reserve	23	2,138,924	2,173,901
Accumulated surplus	36	18,997,222	16,736,746
		81,502,487	**69,496,394**
Total liabilities and accumulated fund		**134,064,660**	**115,995,523**

The Financial Statements on pages 29 - 104 were approved on June 7, 2010 by the Board of Directors and signed on its behalf by:

Howard Mitchell - Chairman

Audrey Richards - Director

* Restated [Note 37(b)]

The Notes on Pages 33 - 104 form an integral part of the Financial Statements.

National Housing Trust

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2010
(Expressed in $'000)

	Notes	2010 $	2009* $
Interest revenue:			
- Loans	28	4,979,893	4,311,023
- Investments	28	3,078,916	2,198,603
		8,058,809	6,509,626
Bonus on employees' contributions	28	(1,131,992)	(972,400)
Net interest revenue		6,926,817	5,537,226
Other gains on securities carried at fair value through profit or loss		270,029	258,944
Dividends from investment securities	28	34,818	28,459
Service charge on loans to beneficiaries	10(n)	116,830	93,288
Gains on projects	25(a)	-	444,763
Gains on disposal of investments		29,167	-
Miscellaneous	24	699,107	1,292,420
		8,076,768	7,655,100
Operating expenses		4,214,928	3,740,782
Charge on allowance for impairment on loans receivable	10(m)	166,730	18,468
Losses on projects		243,003	-
Special subsidies and grants	25(b)	163,710	694,840
Restructuring costs	26	27,084	-
Share of comprehensive losses of associates (including allowance for loan loss)	14(d)	182,972	365,449
		4,998,427	4,819,539
SURPLUS BEFORE TAXATION		3,078,341	2,835,561
Taxation	27	(822,767)	(852,946)
SURPLUS FOR THE YEAR	28	**2,255,574**	**1,982,615**
Other Comprehensive Income:			
Gains/(losses) on available-for-sale financial assets	21	735,206	(657,389)
Share of gains of property revaluation of associate	21	-	23,735
TOTAL COMPREHENSIVE INCOME		**2,990,780**	**1,348,961**

* Restated [Note 37(c)]

The Notes on Pages 33 - 104 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN ACCUMULATED FUND
YEAR ENDED MARCH 31, 2010
(Expressed in $'000)

	Notes	Employers' Contributions	Revaluation Reserve	Peril Reserve	Loan loss Reserve	Accumulated Surplus	Other Reserves	Total Equity
		$	$	$	$	$	$	$
Balances at March 31, 2008, as restated [Note 37(a)]	37(a)	**38,927,479**	**105,724**	**2,123,814**	**1,688,204**	**15,754,640**	**894,329**	**59,494,190**
Total comprehensive income for the year, as restated [Note 37(c)]		-	(657,389)	-	-	1,982,615	23,735	1,348,961
Reduction in deferred tax liability on revaluation of property, plant and equipment		-	-	-	-	-	1,011	1,011
Utilised during the year		-	-	(47,942)	-	47,942	-	-
Transfers to/(from) accumulated surplus		-	-	562,754	485,697	(1,048,451)	-	-
Non-refundable contributions for the year (net)		8,652,232	-	-	-	-	-	8,652,232
Balances at March 31, 2009, as restated [Note 37(b)]		**47,579,711**	**(551,665)**	**2,638,626**	**2,173,901**	**16,736,746**	**919,075**	**69,496,394**
Total comprehensive income for the year		-	735,206	-	-	2,255,574	-	2,990,780
Reduction in deferred tax liability on revaluation of property, plant and equipment	21	-	-	-	-	-	1,011	1,011
Utilised during the year	21	-	-	-	-	-	(11,516)	(11,516)
Transfers to/(from) accumulated surplus	22, 23	-	-	30,075	(34,977)	4,902	-	-
Non-refundable contributions for the year (net)		9,025,818	-	-	-	-	-	9,025,818
Balances at March 31, 2010		**56,605,529**	**183,541**	**2,668,701**	**2,138,924**	**18,997,222**	**908,570**	**81,502,487**

The Notes on Pages 33 - 104 form an integral part of the Financial Statements.

National Housing Trust

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2010
(Expressed in $'000)

	Notes	2010 $	2009* $
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		2,255,574	1,982,615
Adjustments to reconcile surplus for the year to cash provided by operating activities	36	(6,495,437)	(4,667,255)
		(4,239,863)	(2,684,640)
Increase/(decrease) in operating assets:			
Receivables and prepayments		(100,549)	(181,858)
Retirement benefit asset		(130,871)	(126,400)
Increase/(decrease) in operating liabilities:			
Payables and accruals		(344,326)	58,682
Provisions utilized		(92,413)	(160,717)
Cash used in operations		(4,908,022)	(3,094,933)
Interest received		8,632,291	6,463,039
Tax paid		(867,921)	(562,529)
Cash provided by operating activities		2,856,348	2,805,577
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of securities purchased under resale agreements		(5,984,807)	(16,898,037)
Proceeds on encashment of securities purchased under resale agreements		6,093,680	16,260,241
Acquisition of investment securities		(20,381,701)	(1,354,686)
Proceeds on encashment of investment securities		15,315,883	3,555,428
Loans receivable less recoveries		(11,066,450)	(14,769,686)
Increase in inventories (net)		162,351	(1,213,181)
Intangible assets		-	(29,439)
Investment in and advances to associated company		(105,220)	(7,774)
Acquisition of property, plant and equipment		(70,742)	(39,379)
Proceeds on disposal of property, plant and equipment		17,102	5,081
Cash used in investing activities		(16,019,904)	(14,491,432)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employers		9,025,818	8,652,232
Contributions from employees (net)		7,795,368	7,479,269
Refund of employees' contributions		(2,751,659)	(2,579,548)
Cash provided by financing activities		14,069,527	13,551,953
INCREASE IN CASH AND CASH EQUIVALENTS		905,971	1,866,098
OPENING CASH AND CASH EQUIVALENTS		4,331,513	2,442,781
Effect of foreign exchange rate changes		10,047	22,634
CLOSING CASH AND CASH EQUIVALENTS	6	5,247,531	4,331,513

* Restated (Note 37)

The Notes on Pages 33 - 104 form an integral part of the Financial Statements.

1 IDENTIFICATION

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

The functions of the Trust are:

- To add to and improve the country's existing supply of housing by -

  (i) promoting housing projects to such extent as may, from time to time, be approved by the Minister responsible for the Trust.

  (ii) making loans available to contributors to assist in the purchase, building, maintenance, repair or improvement of houses; and

  (iii) encouraging and stimulating improved methods of production of houses.

- To enhance the usefulness of the funds of the Trust by promoting greater efficiency in the housing sector.

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 directly 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 amendments to IFRS 7 Financial Instruments: Disclosures requiring enhanced disclosures about fair value and liquidity risk. These amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The enhanced disclosures are included at Notes 31 and 32.

The Trust adopted amendments to IAS 1 Presentation of Financial Statements with regard to a revised presentation, whereby, an entity would present all income and expenses separately from changes in equity that arise from transactions with its owners. Entities have a choice of presenting income and expenses in a single statement or in two statements. The Trust has adopted a single statement of comprehensive income as shown on page 30.

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

Standards and Interpretations effective in the current year (Cont'd)

There was one interpretation issued by the International Financial Reporting Interpretations Committee that was effective for the current period. This was IFRIC 15 - Agreements for the Construction of Real Estate which addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors.

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

Standards and Interpretations in issue but not yet effective

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

		Effective for annual periods beginning on or after
New Standard		
IFRS 9	Financial Instruments - classification and measurement	Jan 1, 2013
Amendments to Standards		
IAS 1, 7, 17, 36, 39, IFRS 5 and 8 (Revised)	Amendments arising from April 2009 Annual Improvements to IFRS	Jan 1, 2010
IAS 7, 27, 28, and 31 (Revised)	Consequential amendments arising from amendments to IFRS 3	Jul 1, 2009
IAS 21 (Revised)	The Effects of Changes in Foreign Exchange Rates - Amendments relating to disposals of foreign operations	Jul 1, 2009
IAS 24 (Revised)	Related Party Disclosures	Jan 1, 2011
IAS 32	Financial Instruments: Presentation - Amendments relating to Classification of Rights Issues	Feb 1, 2010
IAS 38 (Revised)	Intangible assets – Amendments arising from April 2009 Annual Improvements to IFRS	Jul 1, 2009
IAS 39 (Revised)	Financial Instruments: Recognition and Measurement - Eligible Hedged Items and Embedded Derivatives	Jul 1, 2009
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards -	
	– Amendments to add two additional exemptions for first-time adopters	Jan 1, 2010
	– Amendments to provide an exemption from comparative IFRS 7 disclosures that were adopted March 2009	Jul 1, 2010
IFRS 2 (Revised)	Share-based Payment:	
	– Amendments arising from April 2009 Annual Improvements to IFRS	Jul 1, 2009
	– Amendments for group cash-settled share-based payment transactions	Jan 1, 2010
IFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method	Jul 1, 2009

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

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

		Effective for annual periods beginning on or after
Amendments to Standards		
IFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRS	Jul 1, 2009
New and Revised Interpretations		
IFRIC 9 (Revised)	Reassessment of Embedded Derivatives – Amendments arising from April 2009 Annual Improvements to IFRS	Jul 1, 2009
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Amendments with respect to voluntary prepaid contributions	Jan 1, 2011
IFRIC 16 (Revised)	Hedges of a Net Investment in a Foreign Operation – Amendments arising from April 2009 Annual Improvements to IFRS	Jul 1, 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	Jul 1, 2009
IFRIC 18	Transfer of Assets from Customers	Jun 30, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Jul 1, 2010

The Board of Directors and management believe that the adoption of the following Standards and Interpretations in the future periods at their effective dates will be relevant to the financial statements of the Trust.

New and Revised Standards and Interpretations considered relevant

- Amendments specifically to IAS 1, 7, 17, 36 and 39, as well as IFRS 2, 5 and 8 resulting from the April 2009 Annual Improvements to IFRS are not expected to have a significant impact on the Trust's financial statements.

- Amendments specifically to IAS 7, 27, 28, 31 resulting from consequential amendments due to the revision of IFRS 3 are not expected to have a significant impact on the Trust's financial statements.

- The amendments to IAS 39 and IFRIC 9, *Embedded Derivatives*, clarify the accounting for embedded derivatives when a financial asset is reclassified out of the 'fair value through profit or loss' (FVTPL) category as permitted by the October 2008 amendments to IAS 39*, Financial Instruments: Recognition and Measurement*. These amendments are not expected to have any significant impact on the Trust's financial statements.

- IFRS 3 (Revised) Business Combinations - The revision to IFRS 3 and the consequential amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint* Ventures, 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 obtaining ownership interest. These revised standards are not expected to have any significant impact on the Trust's financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

Financial instruments

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

Financial assets of the Trust include any asset that is:

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

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial Assets

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees 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 FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as 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 FVTPL.

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial Assets (Cont'd)

(ii) Derivative financial instruments

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

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

b) Loans and receivables

Loans and other receivables that are non-derivative, that have fixed or determinable payments and that are not quoted in an active market are classified as loans and receivables. These are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate except for short-term receivables, when the recognition of interest would be immaterial.

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

(i) Cash and cash equivalents

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

(ii) Securities purchased under resale agreements

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

(iii) Loans receivable and service charges on loans

Loans receivable

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

Service charge on loans to beneficiaries

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial Assets (Cont'd)

b) Loans and receivables (Cont'd)

(iv) Other receivables (excluding prepayments)

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

c) AFS financial assets

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

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

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

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

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

d) Impairment of financial assets

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

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

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

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

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, they are written off against the allowance account. Subsequent recoveries reduce the amount of the allowance account. Changes in the allowance account are recognised in profit or loss. Recoveries of amounts previously written off are credited to income.

Loans receivable

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

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

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

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

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

Renegotiated loans

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

Other

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial Liabilities

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

Employee benefits

Pension obligations

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

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

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

Other post-retirement obligations

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

Termination obligations

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

Leave entitlements

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

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

Intangible assets

Internally-generated intangible assets and research and development expenditure

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

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

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

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

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

Intangible assets acquired separately

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

Investments in associates

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

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

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

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

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

Impairment of tangible and intangible assets

At each reporting date, the Trust reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (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 current and deferred tax.

<u>Current tax</u>

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 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 taxable surplus nor the accounting surplus.

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

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

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

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

Current and deferred tax for the period

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

Provisions

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

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

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

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 [Note 2(c)].

Fair value reserve

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

Peril reserve

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

Related party

A party is considered related if:
(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (i).
(vii) A person identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent 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 (on interest, land, houses and surcharges) in the ordinary course of business.

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 income

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Contributions (Cont'd)

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

Fair value reserve

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

Peril reserve

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

Related party

A party is considered related if:
(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (i).
(vii) A person identified in (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent 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 (on interest, land, houses and surcharges) in the ordinary course of business.

<u>Interest income</u>
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.

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

<u>Disposal of Inventory Units</u>
Revenue from the disposal of inventory units is recognised when all the following conditions are satisfied:
- the Trust has transferred to the buyer the significant risks and rewards of ownership of the units;
- the Trust retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the units transferred;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Trust; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

Dividend income

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

Disposal of Inventory Units

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

Disposal of Inventory Units

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

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

Interest and penalties on contributions not paid

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

Bonus on employees' contributions

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

Leases

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

The Trust as a lessor

Rental income under operating leases is recognised in income on 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 recognised on the straight-line basis over the lease terms.

The Trust as a lessee

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date.

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

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Litigation and claims

As detailed in Note 35, during 2007/8 the Trust made a partial provision of $92.9 million in respect of:

i) an amount of $214.5 million awarded by an arbitrator, during that year, in respect of interest charges to a developer on a Trust financed housing project, which the Trust is contesting [Note 35(a)(i)]; and

ii) a claim of approximately $1.06 billion made by a contractor on one of its major development projects. This consisted of loss of profit and overheads of $585 million as well as variations and claims of $478 million [Note 35(b)].

In 2009/2010, a claim of $144.6M was awarded to a developer [Note 35(a)(ii)] in respect of re-measurement of works and final accounts.

An additional provision of $231.63 million was made during the current financial year in these regards.

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 legal challenge and in the mediation process there might be a significant adjustment to the provision made in these financial statements.

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

Security for mortgages

As indicated in Note 10, impaired loans of the Trust amount to approximately $8.33 billion for which impairment allowances for IFRS purposes amounted to approximately $632.34 million in respect of loans to beneficiaries approved by the Trust. There are additional prudential provisions (loan loss reserve) through an appropriation of accumulated surplus of $2.14 billion. Management believes, based on experience, that ultimately outstanding amounts and accumulated interest will be recovered through the realisation of securities, although, as disclosed in Note 11, at year end, the Trust did not hold title deeds to properties securing mortgages totalling approximately $556.78 million.

Key sources of estimation uncertainty

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

Impairment losses on loans and advances

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

In respect of loans to beneficiaries, the value of the security used in the determination of the estimated recoverable amounts is based on proxy values determined by the Trust's Private Treaty Department, which values take cognizance of factors such as past real estate sales of houses of similar size and location. If the proxy values determined by the Trust's Private Treaty Department differed by +/- 10%, the portion of loans to beneficiaries considered unsecured would have decreased/increased by $119.37 million/$149.73 million, respectively.

Additionally, past experience and judgement are used in estimating the timing of the expected cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimize any differences between loss estimates and actual loss experience. To the extent that the expected future cash flows in respect of the affected mortgage loans to beneficiaries differs by +/- 1 percent, the resulting allowance for impairment would be estimated $13.22 million lower or $13.42 million greater.

Income taxes

In determining the income tax provision, management applies estimates to certain transactions, the allowance, of which is ultimately, ascertained subsequent to year-end. Where the final tax outcome differs from the amounts that were originally estimated, such differences impact the current income tax and deferred tax provisions in the period in which the assessment was made. A change of +/- 10% in the final tax outcome of the estimates would not result in a significant change in the deferred tax provision.

Investment in associates

The Trust's share of associates' profits or losses [Note 14(b)] are based on available unaudited financial statements of the associates. The associates' audited financial statements which usually become available after issuing the Trust's financial statements, may differ significantly from the unaudited figures.

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

Key sources of estimation uncertainty (Cont'd)

Peril insurance

The Trust maintains a reserve equivalent to the insurance policy deductible limit of US$30 million (2009: 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 and provides post-retirement medical benefits. The amounts shown in the statement of financial position of an asset of approximately $898.5 million in respect of the defined-benefit plan and a liability of approximately $170.1 million in respect of the post-retirement medical benefit are subject to estimates in respect of periodic costs which costs would be dependent on future returns on assets, future discount rates, rates of salary increases and the inflation rate in respect of the pension plan, as well as rates of increases in medical costs for the post-retirement medical plan. Independent actuaries are contracted by the Trust in this regard.

The estimated return on pension assets is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Trust, on the advice of the actuaries, estimates the appropriate discount rate annually, which rate is used to determine the present value of estimated cash outflows expected to be required to settle any future pension and post-retirement benefit obligation. To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities were considered. The expected increase in medical costs was determined by comparing the historical relationship of actual medical increases with the local rate of inflation. Current market conditions also impact the assumptions outlined above. In respect of the post-retirement medical benefits, a ±1% increase/decrease in the medical inflation assumption would result in a revised accumulated obligation before actuarial adjustment of approximately $221.1 million and $122.8 million, respectively. 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 $12.9 billion and $19.9 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).

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

Key sources of estimation uncertainty (Cont'd)

Contributions (Cont'd)

Interest on savings and time accounts is accrued at a rate of 3% per annum. The accuracy of the interest accrued depends, however, on the accuracy of the estimate of savings and time accounts accordingly up to that date.

A ±1% change in the split between savings and time account balances would not result in a change in interest cost.

6 CASH AND CASH EQUIVALENTS

	2010	2009
	$'000	$'000
Reverse repurchase agreements:		
- Jamaican dollar deposits [Note 6(a)]	4,136,361	3,966,035
- United States dollar deposits [Note 6(b)]	522,447	28,187
Bank balances [Note 6(c)]	585,349	333,916
Cash in hand	3,374	3,375
	5,247,531	**4,331,513**

(a) These reverse repurchase agreements bear interest at rates ranging from 9.00% to 11.10% (2009: 16.00% to 24.25%) per annum and are fully backed by Government of Jamaica securities. At March 31, 2010, the interest receivable included in these deposits amounted to approximately $23.84M (2009: $64.7M). The nominal value of the underlying securities at March 31, 2010 was $4,269.89M (2009: $4,233M). The fair value of the securities is considered to approximate the carrying value.

(b) These reverse repurchase agreements of US$5,820,084 (2009: US$320,000) bear interest at rates ranging from 3.95% to 5.50% (2009: 5.8% to 6%) per annum and are fully backed by Government of Jamaica securities and are designated to fund the Trust's peril reserve (see Note 22). At March 31, 2010, the interest receivable included in these deposits amounted to approximately $1,502,057 (2009: $42,000). The nominal value of the underlying securities at March 31, 2010 was $6,048,100 (2009: $500,000). The fair value of the securities is considered to approximate the carrying value.

(c) Bank balances include foreign currency deposits of approximately US$489,328 (2009: US$1,228,000) at interest rate of 1.1% (2009: 1.1%).

7 RECEIVABLES AND PREPAYMENTS

	2010	2009
	$'000	$'000
Staff loans	275,011	267,092
Mortgage litigation receivable [Note 7 (a)]	87,122	89,369
Death claims recoverable	70,370	111,169
Advances to Jamaica Lifestyle Village [Note 7(a)]	57,264	57,264
Prepayments	155,044	148,210
NWC/Greenpond - Sewage Infrastructure receivable	88,947	-
Mortgage loan fees receivable [Note 7(a)]	38,228	34,081
Receivable on sale of land	2,209	94,000
Deposits for acquisition of property, plant and equipment	37,302	17,626
Other	36,061	22,197
	847,558	841,008
Less allowance for estimated irrecoverable debts [Note 7(a)]	(183,712)	(181,753)
	663,846	659,255
Less reversal of income on sale of land *	-	(94,000)
	663,846	**565,255**

* Restated [Note 37(i)]

7 RECEIVABLES AND PREPAYMENTS (Cont'd)

(a) Movement in allowance for estimated irrecoverable debt

	2010	2009
	$'000	$'000
Balance at beginning of year	181,753	170,925
Charge for year	1,959	10,828
Balance at the end of year	183,712	181,753

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

8 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2010	2009
	$'000	$'000
Jamaican dollar agreements [Note 8(a)]	1,843,256	1,242,962
United States dollar agreements [Note 8(b)]	788,911	1,160,898
	2,632,167	**2,403,860**

(a) These instruments mature within one to three months (2009: one to twelve months) after year-end, with interest rates ranging between 9.75% and 13.60% (2009: 21.30% and 23.90%) per annum. As at March 31, 2010, the interest receivable included in the carrying value of the instruments amounted to approximately $23.26M (2009: $23M). The nominal value of the underlying securities at March 31, 2010 was $1,869.47M (2009: $1,230M). The fair value of the securities is considered to approximate the carrying value.

(b) These instruments totalling approximately US$8,720,254 (2009: US$13,199,000) mature within one to six months (2009: one to nine months) after year-end and are designated to fund the Trust's peril reserve (Note 22), with interest rates, ranging between 4.70% and 6.75% (2009: 6.10% and 8.50%) per annum. As at March 31, 2010 the interest receivable included in these balances amounted to $8.38M (2009: $37.8M). The nominal value of the underlying securities at March 31, 2010 was $9,317,000 (2009: $15,633,200). The fair value of the securities is considered to approximate the carrying value.

9 INVESTMENT SECURITIES

This comprises:

	2010	2009
	$'000	$'000
Securities at fair value through profit or loss (Note 9(a))	2,499,072	2,227,497
Available-for-sale securities (Note 9(b))	15,181,116	10,074,700
	17,680,188	**12,302,197**

(a) Securities at fair value through profit or loss

	2010	2009
	$'000	$'000
National Road Operating and Construction Company Limited (NROCC) 4.5% Real Return Bonds. They are denominated in Jamaican dollars and mature on February 6, 2032. Interest on the Bonds is accrued at a rate of 4.5% per annum, but adjusted for inflation or deflation on the Jamaican "All Group" Consumer Price Index (CPI) and is paid semi-annually in arrears. The principal and interest are generated by the Government of Jamaica. The Trust has the option to convert the bonds to NROCC shares at redemption.	2,499,072	2,227,497

9 INVESTMENT SECURITIES (Cont'd)

(b) Available-for-sale securities (at fair values) comprise:	2010 $'000	2009 $'000
Sagicor of Jamaica Limited – Universal Investment policy	136,415	116,365
Euro Bonds US$9,655,000 (2009: US$8,331,000) held at interest rates of 8.00% to 10.625% (2009: 8% to 10.625%) per annum maturing in 2015/16 to 2027/28 (2009:2015/16 to 2027/28) [Note 9b(i)]	1,010,528	732,753
Quoted equities	578,043	366,250
Treasury bills at interest rate of 10.20% to 16.50% (2009: 19.77% per annum) maturing 2010 (2009: 2009/10)	214,584	139,273
Government of Jamaica Indexed Bonds (2009:US$15,507,000) at interest rates of 7.50% to 11.50% per annum maturing between 2009/10 to 2012/13) [Note 9(b)(i)]	-	1,363,917
Government of Jamaica Fixed Rate Bonds (2009: at interest rates of 12.75% to 14.00% per annum maturing between 2011/12 to 2014/15)	-	465,671
Government of Jamaica Variable Bonds (2009: at interest rates of 14.83% to 24.50% per annum maturing 2009/10 to 2017/18)	-	2,874,725
Government of Jamaica (2009: 12.625% to 14.625% debentures maturing between 2009 to 2010)	-	1,876,571
Bank of Jamaica Variable Rate Certificates of Deposit at interest rates of 9.80% to 10.00% (2009: 14.58% to 23.80%) per annum maturing 2010 (2009:2009/10)	1,858,716	833,769
Government of Jamaica/Dehring, Bunting & Golding certificate of participation at a rate of interest based on the weighted average yield on the 6 month treasury bill, payable semi-annually at March 1 and September 1 maturing 2009/2010. The interest rate was 23.13% per annum	-	112,398
Equity Secured Commercial Variable Rate Note at an interest rate of 14% (JMMB) maturing 2010/11	53,829	52,263
NWC Variable Rate Corporate Notes at an interest rate of 13.3% maturing 2012/13	66,517	81,755
GOJ Treasury Bonds at an interest rate of 10.25% to 11.25% maturing 2010	842,796	-
GOJ Fixed Rate Benchmark Notes at interest rates of 11.00% to 12.625% per annum maturing 2010/11 to 2023/24	6,532,854	-
GOJ Variable Rate Benchmark Notes at an interest rate of 11.75% per annum maturing 2011/12 to 2026/27	2,593,938	-
GOJ US$ Benchmark Notes at interest rates of 6.75% to 7.25% per annum maturing 2013/14 to 2015/16 [Note 9b(i)]	1,292,851	-
Local Registered Stock: Fixed rate at interest rates of 12.25% to 16.50% per annum which matured in 2009/10.	45	1,058,990
	15,181,116	**10,074,700**

(i) Investment securities which are designated to fund the Trust's peril reserve.

9 INVESTMENT SECURITIES (Cont'd)

In February 2010, the Trust participated in the Jamaica Debt Exchange (JDX) transaction under which it exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available to the Trust under the election options contained in the transaction.

The key features of the JDX are as follows:

- Jamaican-resident holders of certain domestic debt instruments (collectively referred to as the "Old Notes") were invited to exchange those Old Notes for new, longer-dated debt instruments (collectively referred to as the "New Notes"). Participation in the JDX was voluntary.
- The New Notes comprising 24 new instruments have a variety of payment terms, including fixed and variable rates in Jamaican dollars, CPI-indexed in Jamaican dollars, and fixed rates in U.S. dollars. While all the Old Notes were callable by the Government of Jamaica, all the fixed rate New Notes and certain variable rate New Notes will be non-callable.
- Eligible investors had the option to choose New Notes based on the type and maturity profile of the Old Notes which were offered for exchange based on certain election options. The election options only allowed investors to choose New Notes of longer tenor relative to Old Notes. Most New Notes have lower coupon interest rates than Old Notes.
- Eligible investors who made offers to the Government of Jamaica to exchange Old Notes received an equivalent principal value (par-for-par value) of New notes and the payment in cash of accrued interest, net of applicable withholding taxes, on the Old Notes up to but excluding 24 February 2010 (the Final Settlement Date).

Following the JDX, there has been a significant reduction in interest rates and a downward shift in the Jamaica sovereign debt yield curve. The JDX has also had a significant impact on the expected future cash flows from the Trust's investment portfolio. The table below summarises the impact on coupon rates of the instruments that were exchanged.

	Pre-JDX	Post-JDX
Jamaican Dollar Denominated Instruments:		
Total face value exchanged ($8,410,401,000)		
Weighted average coupon rate	18.65%	12.18%
Weighted average tenor to maturity (days)	1,062	2,067
US Dollar Denominated Instruments:		
Total face value exchanged (US$14,352,000)		
Weighted average coupon rate	9.16%	7.05%
Weighted average tenor to maturity (days)	457	1,697

10 LOANS RECEIVABLE

	2010 $'000	2009 $'000
(a) Loans to beneficiaries selected by the Trust (Note 10(e), (f))		
Mortgage loans	77,365,549	67,849,789
Loans for which mortgage processing is incomplete (Note 10(g))	3,104	333,980
Loans through financial institutions (Note 10(h))	958,989	1,030,470
Loans through joint venture programme (Note 10(i))	8,704	12,090
	78,336,346	69,226,329
Less: provisions for impairment (Note 10(m))	632,339	386,981
	77,704,007	68,839,348
Less: unexpired service charges (Note 10(n))	2,138,137	1,807,727
Balance c/f	75,565,870	67,031,621

10 LOANS RECEIVABLE (Cont'd)

	2010 $'000	2009 $'000
Balance b/f	75,565,870	67,031,621
(b) Loans to beneficiaries selected by the following Agencies approved by the		
Jamaica Teachers' Association Housing Co-operative Limited (JTAHC):		
Repayable in 25 years at 8% - 18% per annum (Note 10(j)(i))	26,170	26,055
Housing Association of Jamaica (HAJ):		
Repayable in 25 years at 5% per annum (Note 10(j)(ii))	614,116	651,846
Repayable in 15 years at 3% (2008: 3%) per annum (Note 10(j)(iii))	557,512	581,349
Repayable over 10 years at 3% (2008: 3%) per annum (Note 10(j)(iv)	69,757	78,510
Repayable in 10 years at 3% (2008: 3%) per annum (Note 10(j)(v))	452,346	491,558
Repayable in 15 years at 8% per annum (Note 10(j)(vi))	63,653	69,855
Repayable in 3 years at 8% per annum (Note 10(j)(vii))	29,886	64,936
Joint financing mortgage programme (Note 10(j)(viii))	16,132,184	13,707,244
Special loans through joint financing – Hurricane Ivan (Note 10(j)(x))	36,420	41,673
Special loans to churches through joint financing – Hurricane Ivan	264,709	280,017
Jamaica Defence Force (Note 10(j)(xi))	60,870	65,552
Other institutions	95,738	77,809
	18,403,361	16,136,404
(c) Loan financing to developers (Note 10(k))	1,151,440	1,461,170
Less: allowance for impairment (Note 10(m))	(360,644)	(279,917)
	790,796	1,181,253
(d) Other		
University of the West Indies (Note 10(l))	582,670	591,572
Interest receivable	414,464	190,218
Total	**95,757,161**	**85,131,068**

(e) The rate of interest payable on a loan by the Trust to a beneficiary ranges from 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 40 years (30 years prior to September 9, 2009).

(f) Mortgage loans of $77,365,549,000 (2009: $67,849,789,000) include loans totalling $11,624,000 (2009: $378,751,000) in certain schemes for which parent titles have been or will be surrendered to the Registrar of Titles in order for the splinter titles to be prepared. The Trust is taking steps to ensure that all splinter titles are received for such schemes.

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

(h) Loans through financial institutions

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

10 LOANS RECEIVABLE (Cont'd)

(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% [Note 11.1(a)].
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(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.

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 is chargeable at 5% per annum and is payable in monthly instalments from January 1, 1997. The loan is secured by the transfer of mortgages by HAJ (formerly NHDC) to the Trust.

(iii) The Trust entered into an agreement in 2001 to make the sum of $1.1 billion available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation Pride portfolio. The loan was for a period of 15 years commencing November 2001, and was repayable, with interest, in instalments 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 $5,318,092 to the year 2023 consequent on the request from HAJ to reschedule the loan.

The loan is secured by:

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

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

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

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

(v) The Trust entered into an agreement in 2002 to make the sum of $800 million available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation Pride portfolio. The loan was disbursed in September 2002 and the principal is repayable in 120 equal monthly instalments commencing September 2003. Interest is repayable monthly in arrears on the first business day of each calendar month and payments commenced October 1, 2002. Interest is charged at 8% per annum or such other rate as the Trust may from time to time notify the HAJ. 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 HAJ to reschedule the loan.

10 LOANS RECEIVABLE (Cont'd)

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

(v) (Cont'd)

The loan is secured by:

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

(vi) The loan is for a sum of $88,711,063 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 HAJ.

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

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

The loan is secured by:

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

(viii) Joint financing mortgage programme

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

The participating institutions include:
- The Jamaica National Building Society
- The Victoria Mutual Building Society
- First Caribbean International Building Society
- Sagicor Life Jamaica Limited
- Scotia Jamaica Building Society

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

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

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

10 LOANS RECEIVABLE (Cont'd)

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

(viii) (Cont'd)

The obligations of the participating institutions are secured by:

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

(ix) Special loans through joint financing – Hurricane Ivan

In 2004/05, the Trust entered into an agreement with participating institutions to provide funds to assist persons who suffered 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:

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

Interest is charged at a rate of 5% per annum to the Participating Institution for lending at a rate of 7% per annum to qualified borrowers and is computed from the first disbursement to the participating institutions. The sum of all disbursements and interest accrued to March 31, 2005 (or an earlier date as agreed with the participating institution) is 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.

Special loans to churches – Hurricane Ivan

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

The participating institutions include:

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

Interest is charged at a rate of 5% per annum to the Participating Institution for onlending at a rate of 7% per annum to borrowers who qualify based on the criteria determine 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 is 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.

10 LOANS RECEIVABLE (Cont'd)

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

(x) (Cont'd)

The obligations of the participating institutions are secured by:

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

(xi) Jamaica Defence Force (JDF)

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

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

(k) Loan financing to developers

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

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

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

The security for the advance is:

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

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

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

	2010			2009		
	Mortgage Loans	Development Financing	Total	Mortgage Loans	Development Financing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balances, April 1	386,981	279,917	666,898	419,549	298,452	718,001
Increase (Decrease) in provision for the year	152,419	14,311	166,730	37,003	(18,535)	18,468
Transfer to project loss (Note 12)	-	66,416	66,416	-	-	-
Net write-off during the year	92,939	-	92,939	(69,571)	-	(69,571)
Balances, March 31	632,339	360,644	992,983	386,981	279,917	666,898

10 LOANS RECEIVABLE (Cont'd)

(n) Unexpired service charges on loans to beneficiaries:

	2010 $'000	2009 $'000
Balance at beginning of year	1,807,727	1,440,905
Additions during the year	447,240	460,110
Amortisation	(116,830)	(93,288)
Balance at end of year	2,138,137	1,807,727

(o) Approval process and quality of receivables

Before approving a loan, the Trust uses an evaluation system to assess the potential borrower's credit quality and eligibility to qualify for the maximum benefits set by the Trust. The credit assessment system incorporates objective criteria of credit analyses that can be quantified. For institutional loans, the credit analysis process involves a comprehensive analysis of the institution's financial standing and their ability to fund their portion of the proposed development (where applicable), with the Trust placing strict limits on the percentage of total development cost it is willing to finance. 81% (2009: 81%) of the loans to beneficiaries that are neither past due nor impaired have the best credit scoring (classified in top two of three categories) attributable under the Trust's internal credit scoring system.

Of the total category of loans to beneficiaries selected by agencies of the Trust, joint financing mortgage programme and HAJ account for 87.7% and 9.7% (2009: 84.9% and 12.0%), respectively. Joint financing mortgage programme and HAJ account for 16.8% and 1.9% (2009: 16.1% and 2.3%), respectively, of the total loans receivable. There are no other loans receivable whose balance represents more than 5% of the total balance of this category.

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

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

Included in the Trust's loans to beneficiaries balance are debtors with a carrying amount of approximately $6.010 billion (2009: $4.726 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

	2010 $'000	2009 $'000
30 – 60 days	3,780,066	3,014,681
61 – 90 days	2,229,724	1,710,892
	6,009,790	4,725,573

Ageing of impaired loans

	2010 $'000	2009 $'000
91 – 180 days	2,389,246	1,980,281
181 – 360 days	3,488,049	2,542,041
Over 360 days	2,448,109	1,750,992
Total impaired loans	8,325,404	6,273,314

10 LOANS RECEIVABLE (Cont'd)

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

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

(q) Loans to beneficiaries renegotiated

Features of these loans include extended payment arrangements, modification to interest rates and deferral of payments. Following restructuring, a previously overdue beneficiary account is reset to a normal status and managed together with other similar accounts. Policies and practices in respect of these activities are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Loans renegotiated during the year that would otherwise be past due or impaired are as follows at March 31, 2010:

	2010	2009
	$'000	$'000
Loans to individuals	2,298,034	484,034

11 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:

	2010	2009
	$'000	$'000
(a) Loans through joint venture mortgage programme (Note 11.2)	8,704	12,090
(b) Other loans (Note 11.3)		
Mortgage loans to beneficiaries:		
- Schemes for which splintering of parent titles is in process or has not yet commenced	11,624	378,751
- Schemes for which mortgage processing is incomplete and land titles are not available	3,104	333,980
- Non-scheme loans (Note 11.4)	239,121	212,540
	253,849	925,271
Finance for housing construction projects	360,644	279,917
	614,493	1,205,188
Total	623,197	1,217,278

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

.2 The loans through joint venture programmes stated in Note 11.1(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 [Note 10(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 11.1(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.

12 INVENTORIES

	2010 $'000	2009 $'000
Land held for housing development	2,868,313	2,950,025
Housing under construction	2,720,984	2,417,108
Housing units completed but not allocated	740,949	369,088
Inner City Housing Project [Note 12(a)]	57,268	880,060
	6,387,514	6,616,281
Less: Allowance for losses and subsidies	(694,426)	(1,701,912)
	5,693,088	**4,914,369**

The movement in the allowance is as follows:

	2010 $'000	2009 $'000
Opening Balance	1,701,912	1,493,635
Allowances during the year	83,207	613,684
Transfer to development financing [Note 10(m)]	(66,416)	-
Amounts written-back [Note 12(b)]	(1,024,277)	(405,407)
Closing Balance	694,426	1,701,912

(a) Inner City Housing Project

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

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

12 INVENTORIES (Cont'd)

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

The estimated project cost included the following:

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

The project is 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 $4.27 billion as follows:

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

As at March 31, 2010, total expenditure on this project amounted to $3.76 billion.

The amounts spent on refurbishing works are being borne by the Trust. As at March 31, 2010, $645 million (2009: $628 million) has been spent on refurbishing several schemes and this amount as well as other subsidies to the project is reflected in the statement of comprehensive income as Special Subsidies and Grants (Note 25).

Completion of construction activities is expected in 2010; however, the Trust's participation in the maintenance programmes of the communities is expected to continue to 2013.

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

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

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

(b) Amounts written-back

This represents losses realised on completed ICHP and Sugar housing projects (for which allowances for losses were made in previous years) of $512.43 million and $511.85 million, respectively.

13 INTANGIBLE ASSETS

	$'000
COST	
Balance, April 1, 2008	112,153
Additions	29,439
Write-off for the year [Note 13(a)]	(22,305)
Balance, March 31, 2009	119,287
Write-off for the year [Note 13(a)]	(3,388)
Balance, March 31, 2010	115,899
AMORTISATION	
Balance, April 1, 2008	65,664
Charge for the year	11,656
Balance, March 31, 2009	77,320
Charge for the year	27,873
Balance, March 31, 2010	105,193
CARRYING AMOUNT	
March 31, 2010	10,706
March 31, 2009	41,967

This consists primarily of software purchased and developed, the costs of which are being amortised over three years. Amortisation charged for the year is included in operating expenses in the statement of comprehensive income.

(a) During the year, expenditure on projects no longer deemed viable were written off.

14 INVESTMENTS IN ASSOCIATES

	2010 $'000	2009 $'000
Cost of investments:		
Central Waste Water [Note 14(a)]	302,094	302,094
Harmonisation Limited	490	490
	302,584	302,584
Loans:		
Harmonisation Limited (including accrued interest) [Note 14(c)]	1,600,480	1,600,288
Allowance for possible losses on loan: Harmonisation Limited	(383,969)	(383,969)
	1,216,511	1,216,319
Central Waste Water (including accrued interest)	105,028	-
Allowance for possible losses on loan: Central Waste Water	(105,028)	-
	-	-
Share of gains of property revaluation of associate:		
Central Waste Water	23,735	23,735
Share of associates' profits/(losses):		
Harmonisation Limited	73,701	97,899
Central Waste Water	(325,829)	(272,083)
	(252,128)	(174,184)
	1,290,702	**1,368,454**

14 INVESTMENTS IN ASSOCIATES (Cont'd)

(a) Total allotment of equity in Central Waste Water 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$2.5million and US$35.5 million from National Commercial Bank Jamaica Limited and NCB Capital Markets Limited, respectively, to this company.

(b) Details of the associates as at March 31, 2010 are as follows:

Name of associate	Place of Incorporation and operation	Proportion of ownership	Proportion of voting power held	Principal Activity
Harmonisation Limited	Jamaica	49.50%	49.50%	Land investment and development
Central Waste Water	Jamaica	35.34%	35.34%	Management of waste water treatment

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

	Harmonisation Limited		Central Waste Water	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Total assets	2,606,318	2,711,072	4,046,499	3,744,573
Total liabilities	2,456,435	2,512,306	4,094,146	3,602,245
Net assets/(liabilities)	149,883	198,766	(47,647)	142,328
Trust's share of associates' net assets/(liablities)	74,192	98,389	(16,838)	50,299

	Harmonisation Limited		Central Waste Water	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Revenue	15,303	270,060	615,975	1,101,882
Loss for the period	(48,883)	(33,360)	(189,975)	(769,900)
Trust's share of associates' losses for the period	(24,197)	(16,513)	(67,137)	(272,083)
Trust's unrecognised share of associates' losses for the period	-	-	(13,390)	-
Trust's cumulative unrecognised share of associates' losses	-	-	-	-

(c) Due to an amendment to the Shareholders Agreement, as at April 1, 2009, the Trust no longer accrues interest on the amounts advanced to Harmonisation Limited. The loan balance is repayable at an interest rate of 15% per annum from April 1, 2009 to the date of repayment.

(d) The amount charged to profit and loss includes the Trust's recognised share of associates' losses of $77.9 million, as well as allowance for losses on loan to Central Waste Water of $105 million.

15 RETIREMENT BENEFIT ASSET

The Trust operates two post-retirement employee benefit arrangements:
(a) The National Housing Trust Staff Pension Scheme ("Staff Pension Scheme")
(b) The Post-retirement medical benefits scheme

Staff Pension Scheme

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

Post-retirement Medical Benefits Scheme

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

The most recent actuarial valuation of plan assets and the present value of the defined-benefit obligations were carried out as at March 31, 2010 by Eckler Consultants and Actuaries, Fellows of the Society of Actuaries.

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

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

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme	
	2010	2009	2010	2009
Gross discount rate	11.5%	16.0%	11.5%	16.0%
Expected return on assets	10.0%	14.0%	N/A	N/A
Expected rate of salary increases	9.0%	12.0%	N/A	N/A
Future pension increases	3.5%	5.5%	N/A	N/A
Rate of increase in medical premiums	N/A	N/A	10.5%	15.0%

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

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Present value of obligation	(1,581,034)	(984,600)	(163,662)	(129,600)
Fair value of plan assets	2,593,703	1,944,100	-	-
	1,012,669	959,500	(163,662)	(129,600)
Unrecognised actuarial gains	(114,205)	(281,600)	(6,408)	(2,100)
Net asset/(liability) recognised in statement of financial position	898,464	677,900	(170,070)	(131,700)

15 RETIREMENT BENEFIT ASSET (Cont'd)

(c) Amounts recognised in income in respect of the retirement benefits are as follows:

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme		Total	Total
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	26,271	33,000	15,300	12,300	41,571	45,300
Interest cost	173,749	139,900	23,176	13,900	196,925	153,800
Expected return on assets	(285,230)	(205,600)	-	-	(285,230)	(205,600)
Net actuarial (loss)/gain recognised in income	(4,589)	100	-	(100)	(4,589)	-
Total included in staff costs	(89,799)	(32,600)	38,476	26,100	(51,323)	(6,500)
Actual return on plan assets	463,093	134,000	-	-	463,093	134,000

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

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at beginning of year	677,900	519,000	(131,700)	(105,700)
Amounts credited/(charged) to income	89,799	32,600	(38,476)	(26,100)
Contributions by the Trust	130,765	126,300	106	100
Balance at end of year	898,464	677,900	(170,070)	(131,700)

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

	Staff Pension Scheme		Post-Retirement Medical Benefit Scheme	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Opening defined benefit obligation	984,600	972,500	129,600	94,400
Service cost	120,643	33,000	15,300	12,300
Interest cost	173,749	139,900	23,176	13,900
Members' contributions	-	90,700	-	-
Benefits paid	(38,627)	(23,100)	(106)	(100)
Actuarial loss/(gain)	340,669	(228,400)	(4,308)	9,100
Closing defined benefit obligation	1,581,034	984,600	163,662	129,600

15 RETIREMENT BENEFIT ASSET (Cont'd)

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

	Staff Pension Scheme	
	2010	2009
	$'000	$'000
Opening fair value of plan assets	1,944,100	1,616,200
Contributions	225,137	217,000
Expected return on plan assets	285,230	205,600
Benefits and expenses paid	(38,627)	(23,100)
Actuarial gain/(loss)	177,863	(71,600)
Closing fair value of plan assets	2,593,703	1,944,100

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

	Staff Pension Scheme	
	2010	2009
	$'000	$'000
Sagicor Pooled Funds	676,920	585,600
Assets held in segregated fund	1,879,500	1,358,500
Contributions for 2010 Feb-March (Sagicor)	37,283	-
Closing fair value of plan assets	2,593,703	1,944,100

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

	Staff Pension Scheme	
	2010	2009
	%	%
Equity instruments	0.8	0.8
Money market investments and debt securities	65.8	58.6
Sagicor pooled fund	26.2	30.2
Other	7.3	10.4
	100	100

The overall expected rate of return is 10% (2009: 14%) and represents the weighted average of the expected returns of the various categories of plan assets held. Management's assessment of the expected return is based on historical return 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.

15 RETIREMENT BENEFIT ASSET (Cont'd)

(h) Historical information

	Staff Pension Scheme				
	2010	2009	2008	2007	2006
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(1,581,034)	(984,600)	(972,500)	(861,600)	(605,800)
Fair value of plan assets	2,593,703	1,944,100	1,616,200	1,304,100	1,054,700
Fund Surplus	1,012,669	959,500	643,700	442,500	448,900
Experience adjustments on plan liabilities	(56,614)	(24,600)	126,800	(49,200)	(15,300)
Experience adjustments on plan assets	177,863	(71,600)	(2,000)	21,600	(18,500)

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

Impact of 1% Increase/Decrease in Medical Inflation Adjustment

	2010	2010
	16.0%	14.0%
Revised service and interest cost ($'000)	52,383	28,113
	2010	2010
	@11.5%	@9.5%
Revised accumulated benefit obligation ($'000)	221,090	122,801

(i) The Trust expects to make a contribution of $130.38 million (2009: $154.3 million) to the defined benefit plan during the next financial year.

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Freehold Buildings	Partitions	Artwork	Furniture Fixtures and Office Equipment	Computer Equipment	Heavy Equipment	Motor Vehicles	Construction in Progress	Total
	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
COST										
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
Additions	-	-	-	180	18,528	8,923	-	6,110	5,638	39,379
Transfers	-	131,689	(33,091)	-	352	-	-	-	(98,950)	-
Adjustment [Note 16(a)]	-	(11,488)	-	-	(100)	-	-	-	(477)	(12,065)
Disposals	-	-	-	-	(1,359)	(477)	-	(8,644)	-	(10,480)
March 31, 2009	121,249	1,369,731	64,937	15,312	301,054	405,118	84,032	43,377	17,059	2,421,869
Additions	-	5,266	-	117	20,928	35,028	-	-	9,403	70,742
Adjustment [Note 16(a)]	-	-	-	-	(28)	-	-	-	(13)	(41)
Disposals	-	-	-	-	(5,383)	(1,024)	(39,901)	(9,639)	-	(55,947)
March 31, 2010	121,249	1,374,997	64,937	15,429	316,571	439,122	44,131	33,738	26,449	2,436,623
DEPRECIATION										
March 31, 2008	-	134,898	28,721	-	123,011	294,643	84,032	32,056	-	697,361
Charge for the year	-	34,854	9,386	-	42,013	61,464	-	7,373	-	155,090
Adjustment [Note 16(a)]	-	1,999	(11,580)	-	-	-	-	-	-	(9,581)
Eliminated on disposals	-	-	-	-	(746)	(477)	-	(5,421)	-	(6,644)
March 31, 2009	-	171,751	26,527	-	164,278	355,630	84,032	34,008	-	836,226
Charge for the year	-	34,344	6,070	-	41,356	44,428	-	5,135	-	131,333
Adjustment [Note 16(a)]	-	-	-	-	-	(85)	-	-	-	(85)
Eliminated on disposals	-	-	-	-	(3,692)	(892)	(39,901)	(9,639)	-	(54,124)
March 31, 2010	-	206,095	32,597	-	201,942	399,081	44,131	29,504	-	913,350
NET BOOK VALUES										
At March 31, 2010	121,249	1,168,902	32,340	15,429	114,629	40,041	-	4,234	26,449	1,523,273
At March 31, 2009	121,249	1,197,980	38,410	15,312	136,776	49,488	-	9,369	17,059	1,585,643
At March 31, 2008	121,249	1,114,632	69,307	15,132	160,622	102,029	-	13,855	110,848	1,707,674

16 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The following terms 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

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

	2010 $'000	2009 $'000
Building/Related infrastructure	202,536	202,536
Furniture, fixtures and office equipment	10,918	9,560
Artwork	13,931	13,931
	227,385	226,027

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.

(a) Adjustment represents over-accruals booked in prior periods.

17 PAYABLES AND ACCRUALS

	2010 $'000	2009 $'000
Payables and accruals	581,354	1,057,626
Scheme deposits	84,344	68,129
Statutory and other payroll deductions	45,161	51,702
Retentions payable	153,559	105,879
Other payables	363,038	287,812
Peril claims [Note 29(b)]	25,152	14,270
	1,252,608	1,585,418

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

18 PROVISIONS

	Sundry claims Note 18(a)		Employee benefits Note 18(b)		Total	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Balances at beginning of year	92,900	92,900	59,308	61,271	152,208	154,171
Utilised	-	-	(92,413)	(160,717)	(92,413)	(160,717)
Charged to income for year	231,686	-	94,438	158,754	326,124	158,754
Balances at end of year	324,586	92,900	61,333	59,308	385,919	152,208

(a) Sundry claims represent provisions of $231.69 million in respect of certain claims on the Trust (Note 35).

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

19 REFUNDABLE CONTRIBUTIONS

(a)

	2010			2009
	Currently Due	Not Yet Due	Total	Total
	$'000	$'000	$'000	$'000
Contributions refundable	11,031,199	33,424,000	44,455,199	37,772,185
Bonus accrued [Note 19(b)]	2,197,118	3,583,508	5,780,626	6,287,939
	13,228,317	37,007,508	50,235,825	44,060,124
Represented by:				
3% Savings Accounts				
Principal (overdrawn)	210,279	-	210,279	(5,289,080)
Interest	75,346	-	75,346	46,768
	285,625	-	285,625	(5,242,312)
3% Time Accounts				
Principal	-	15,515,557	15,515,557	4,823,318
Interest	-	1,624,632	1,624,632	467,228
	-	17,140,189	17,140,189	5,290,546
Total for which personal accounts are established	285,625	17,140,189	17,425,814	48,234
Balances for which no personal accounts are established	12,942,692	19,867,319	32,810,011	44,011,890
Total refundable employee contributions	13,228,317	37,007,508	50,235,825	44,060,124

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 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 are calculated at 3% per annum.

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

The primary reasons for the 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 computerised contributions system.

The Trust has implemented a number of strategies to address this problem. This has resulted in a significant reduction of the number of personal accounts that cannot be created for Contribution from 2008 onwards.

20 DEFERRED TAX (ASSETS)/LIABILITIES

This comprises:	2010	2009
	$'000	$'000
Deferred tax liabilities	574,440	717,251
Deferred tax asset	(56,689)	(147,572)
	517,751	569,679

20 DEFERRED TAX (ASSETS)/LIABILITIES (Cont'd)

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

	Assets			Liabilities								
	Post-Retirement Medical Benefits	Tax Losses	Total	Accelerated Capital Allowances	Revaluation of Properties	Retirement Benefit Asset	Unrealised 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	$'000	$'000
Balances, March 31, 2008	-	(967,448)	(967,448)	38,495	37,403	173,000	21,451	314,207	96,840	3,796	685,192	(282,256)
Charged (Credited) to income for the year (Note 27)	(43,900)	863,776	819,876	(20,535)	-	52,967	94,050	(93,759)	2,034	(1,687)	33,070	852,946
Credited to accumulated fund during the year(Notes 21, 27)	-	-	-	-	(1,011)	-	-	-	-	-	(1,011)	(1,011)
Balances, March 31, 2009	(43,900)	(103,672)	(147,572)	17,960	36,392	225,967	115,501	220,448	98,874	2,109	717,251	569,679
Charged (Credited) to income for the year (Note 27)	(12,789)	103,672	90,883	(10,051)	-	73,521	(111,664)	606	(93,516)	(696)	(141,800)	(50,917)
Charged (Credited) to accumulated fund during the year (Notes 21,27)	-	-	-	-	(1,011)	-	-	-	-	-	(1,011)	(1,011)
Balances, March 31, 2010	(56,689)	-	(56,689)	7,909	35,381	299,488	3,837	221,054	5,358	1,413	574,440	517,751

21 FAIR VALUE AND OTHER RESERVES

		Other Reserves		
	Investment Revaluation Reserve $'000	Unallocated Contributions Reserve $'000	Properties Revaluation Reserve $'000	Total $'000
Balances March 31, 2008 [Note 37(a)]	105,724	723,524	170,805	1,000,053
Net decrease in fair value of available-for-sale investment	(657,389)	-	-	(657,389)
Share of gains of property revaluation of associate	-	-	23,735	23,735
Deferred tax arising on revaluation of property, plant and equipment (Note 20)	-	-	1,011	1,011
Balances March 31, 2009	(551,665)	723,524	195,551	367,410
Net increase in fair value of available-for-sale investments	880,512	-	-	880,512
Loss on impairment of available-for-sale equity investments charged to income	153,677	-	-	153,677
Transfer of fair value to pofit for the year (Jamaica Debt Exchange)	20,645	-	-	20,645
Reduction in market value (Jamaica Debt Exchange)	(319,628)	-	-	(319,628)
	735,206	-	-	735,206
Deferred tax arising on revaluation of property, plant and equipment (Note 20)	-	-	1,011	1,011
Contribution shortage on annual return	-	(11,516)	-	(11,516)
	-	(11,516)	1,011	(10,505)
Balances as at March 31, 2010	183,541	712,008	196,562	1,092,111

22 PERIL RESERVE

The Trust's policy deductible is US$30 million (2009: 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 29(b)].

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

	2010 US$'000	2009 US$'000
Cash and Cash Equivalents [Notes 6(b)]	5,820	320
Securities purchased under resale agreement [Notes 8(b)]	8,720	13,199
Available-for-sale securities [Notes 9(b)]	23,992	23,838
	38,532	37,357

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, for which allowances are made, over the amounts determined under IFRS (Note 10).

During the year, a reduction of $34,977,000 (an increase in the prior year of $485,697,000) was made to the loan loss reserve, to cover any losses that may arise from the loans referred to in Note 11.1 above as well as other mortgage loans.

24 MISCELLANEOUS INCOME

	2010	2009
	$'000	$'000
Foreign exchange gain (net)	61,050	656,409
Penalty income	93,951	88,656
Debt management fees	61,300	88,598
Peril and life insurance administrative fees	384,865	351,841
Insurance claim excess refund	-	16,740
JPS deposit refund	7,009	4,382
Other	90,932	85,794
	699,107	1,292,420

25 GAINS ON PROJECTS, SPECIAL SUBSIDIES AND GRANTS

(a) Gains on projects

The gain in 2009 includes a reduction in provision for losses on Inner City Housing Projects (ICHP) of approximately $394 million as a result of a reduction in the project subsidy arising from an increase in the price of these units.

(b) Special subsidies and grants

	2010	2009
	$'000	$'000
Special projects:		
Inner City Housing Project	40,395	26,629
Sugar Housing Programme	66,473	607,943
Emancipation Park [net of recoveries of $2,289 million (2009: $3,062 million)]	50,612	56,645
Grants		
Other	6,230	3,623
	163,710	694,840

26 RESTRUCTURING COSTS

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

27 TAXATION

(a) **Recognised in profit for the year**

(i) The taxation charge for the year comprises:

	2010 $'000	2009 $'000
Current tax	873,684	-
Deferred tax adjustment (Note 20)	(50,917)	852,946
	822,767	852,946

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

	2010 $'000	2009 $'000
Surplus before taxation	3,078,341	2,835,561
Expected tax at current tax rate of 33⅓%	1,026,114	945,187
Tax effect of amounts not deductible in determining taxable surpluses	53,818	24,167
Tax effect of amounts not subject to tax	(157,869)	747,368
Tax effect of tax losses utilized	(103,672)	(863,776)
Net effect of other charges and allowances	4,376	-
Taxation charge	822,767	852,946

The tax rate used for the 2010 and 2009 reconciliations above is the tax rate of 33 ⅓% payable by corporate entities in Jamaica on taxable profits/surpluses under Jamaican tax laws.

27 TAXATION (Cont'd)

(b) **Recognised directly in fair value and other reserves**

In addition to the amount charged to surplus for the year, deferred tax relating to the revaluation of the Trust's property, plant and equipment has been credited to Other Comprehensive Income (see Notes 20 and 21).

	2010 $'000	2009 $'000
Revaluation of properties	1,011	1,011

28 SURPLUS FOR THE YEAR

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

(a) Interest revenue on:

	2010 $'000	2009 $'000
Available-for-sale investment securities	2,971,897	1,826,726
Held-for-trading investment securities	107,019	101,847
Financial assets at amortised cost		
- Impaired financial assets	36,874	345,888
- Unimpaired financial assets	4,943,019	3,965,135
	4,979,893	4,311,023
	8,058,809	6,239,596
Dividends	34,818	28,459
	8,093,627	6,268,055

(b) Bonus on employees' contribution

- Savings accounts	(489,312)	(290,891)
- Time accounts	(642,680)	(681,509)
	(1,131,992)	(972,400)

28 SURPLUS FOR THE YEAR (Cont'd)

(c) Other

	2010 $'000	2009 $'000
Directors' emoluments:		
Non Executive Directors – fees	2,313	1,965
Management		
Basic	10,294	9,789
Incentive payments and gratuity in lieu of pension	53,540	5,065
Audit fees - current year	9,493	8,500
- prior year	(3,572)	-
Depreciation	131,249	155,090
(Gain) on disposal of property, plant and equipment	(15,280)	(1,245)
Amortisation of intangible assets	27,873	11,656
	215,910	190,820

29 COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2010 $'000	2009 $'000
Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	6,247,299	2,815,728
Purchase of land	24,000	371,884
Inner City Housing Project	305,795	45,035
Loans and/or mortgage financing	6,262,350	5,880,399
Green Pond Sewage Infrastructure	48,460	-
	12,887,904	9,113,046
Authorised and approved but not contracted for -		
Purchase of land	650,000	500,000
Inner City Housing Project	-	27,000
Computer software development	185,000	54,000
Office refurbishing	212,000	117,163
Projects' subsidy	1,994,408	825,183
	3,041,408	1,523,346

29 COMMITMENTS AND CONTINGENCIES (Cont'd)

(b) Contingencies

Peril claims

The Trust's policy deductible on its peril insurance cover is US$30 million (J$2.69 billion) (2009: US$30 million (J$2.64 billion)). Should a catastrophic event occur such as a hurricane or an earthquake, the Trust will be liable to meet the cost of damages up to the aggregate amount of the deductible with the balance borne by the insurer (Note 22).

At year-end, claims made by beneficiaries provided for but not yet processed by the Trust amounted to approximately $25.15 million (2009:$14.27 million) (Note 17).

Litigation

The Trust is involved in litigation in the ordinary course of operations. Management believes that, apart from the matter 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.

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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
State controlled entities	346,066	95,066	370,906	65,267
Key management personnel	15,993	31,757	67,695	65,964
Board of Directors and Committee members	-	1,260	1,116	1,219

30 RELATED PARTY TRANSACTIONS/BALANCES (Cont'd)

State-controlled entities

During the year, the following transactions were effected with the Housing Agency of Jamaica (HAJ) [formerly National Housing Development Corporation (NHDC)]:

	2010 $'000	2009 $'000
Interest earned	94,702	83,571

Loans made to beneficiaries selected by HAJ are disclosed at Note 10(b).

The Trust also paid rental and maintenance fees of $11.22 million (2009: $22.43 million) for the office space occupied to, as well as reimbursed $8.15 million (2009: $9.99 million) for expenses incurred on the Trust's behalf by, Development Bank of Jamaica.

Compensation of key management personnel

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

Key management personnel

	2010 $'000	2009 $'000
Short-term benefits	135,821	97,950
Post employment benefits - pension contributions	4,662	4,662
	140,483	102,612

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

Board of Directors and Committee members

	2010 $'000	2009 $'000
Short-term benefits (directors fees) [Note 28(c)]	2,313	1,965

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.

Categories of financial instruments

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

	2010 $'000	2009 $'000
Financial assets		
Fair value through profit or loss (FVTPL)		
- Held for trading	2,499,072	2,227,497
Loans and receivables (including cash and cash equivalents) – at amortised cost		
- Cash and cash equivalents	5,247,531	4,331,513
- Loans receivable	95,757,161	85,131,068
- Securities purchased under resale agreements	2,632,167	2,403,860
- Receivables (excluding prepayments)	508,802	511,045
	104,145,661	92,377,486
Available-for-sale financial assets	15,181,116	10,074,700
	121,825,849	104,679,683
Financial liabilities (at amortised cost)		
- Payables	1,015,672	1,293,953
- Refundable contributions	50,235,825	44,060,124
	51,251,497	45,354,077

Financial risk management policies and objectives

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

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

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.

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

Financial risk management policies and objectives (Cont'd)

Financial risk management objectives (cont'd)

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

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

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

Finance and Information System Committee

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

Audit Committee

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

Policy Committee

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

The Internal Audit Department

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

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

Financial risk management policies and objectives (Cont'd)

Technical Committee

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

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 or expected cash flows of a financial instrument will fluctuate as a result of change 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.

<u>Management of market risk</u>

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

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

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

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

Financial risk management policies and objectives(Cont'd)

(a) Market risk (Cont'd)

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 20% (2009: 20%) higher/lower fair value and other reserves in accumulated fund at March 31, 2010 would increase/decrease by $115.61 million (2009: $73.25 million) as a result of changes in result of the changes in fair values of the available-for-sale securities.

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

(b) Foreign currency risk

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

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

Management of foreign currency risk

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

At March 31, 2010, the Trust had US$ denominated investments amounting to US$39.157 million (2009: US$38.585 million). The Trust holds a minimum amount of US$ 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	
	2010	2009
	J$'000	J$'000
Cash and bank balances	522,447	108,008
Securities purchased under agreement to resell	788,911	1,189,085
Investment securities	2,303,379	2,096,670
	3,614,737	3,393,763

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

Financial risk management policies and objectives(Cont'd)

(b) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

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

If the Jamaican dollar strengthens by 2% or weakens by 10% against the US dollar (2009: 5%), income would decrease or increase by:

	Revaluation		Devaluation		Revaluation and Devaluation	
	2010	2010	2010	2010	2009	2009
	Change in Curency Rate		Change in Curency Rate		Change in Curency Rate	
	%	J$'000	%	J$'000	%	J$'000
(Surplus)deficit	+2	72,295	-10	(361,474)	±5	(271,501)

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 risk has increased during the current period mainly due to the increased holdings of foreign currency deposits and investments.

(c) Interest rate risk

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

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

Management of interest rate risk

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

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

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

(c) Interest rate risk (Cont'd)

As at March 31, 2010:

	Within 3 Months	Within 3 - 12 Months	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Over 5 Years	Non-rate Sensitive	Total	Weighted Average Effective Interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets										
Cash and cash equivalents	4,658,808	-	-	-	-	-	-	588,723	5,247,531	9.21
Receivables and prepayments	3,817	35,179	62,673	88,123	67,155	22,691	20,414	363,794	663,846	4.17
Income tax recoverable	-	-	-	-	-	-	-	2,667,534	2,667,534	
Securities purchased under resale agreements	2,266,187	365,980	-	-	-	-	-	-	2,632,167	9.47
Investment securities	5,063,160	1,515,281	271,479	1,850,282	2,045,841	-	6,219,640	714,505	17,680,188	10.12
Loans receivable	148,786	492,459	699,659	129,013	188,999	408,617	93,689,628	-	95,757,161	5.39
Inventories	-	-	-	-	-	-	-	5,693,088	5,693,088	
Other	-	-	-	-	-	-	-	3,723,145	3,723,145	
Total assets	12,140,758	2,408,899	1,033,811	2,067,418	2,301,995	431,308	99,929,682	13,750,789	134,064,660	
Liabilities and accumulated fund										
Payable and accruals	-	-	-	-	-	-	-	1,252,608	1,252,608	
Provisions	-	-	-	-	-	-	-	385,919	385,919	
Refundable contributions	13,228,317	2,960,601	4,085,629	3,595,353	2,900,252	3,519,851	19,945,822	-	50,235,825	3.60
Other	-	-	-	-	-	-	-	687,821	687,821	
Accumulated fund	-	-	-	-	-	-	-	81,502,487	81,502,487	
Total liabilities and accumulated fund	13,228,317	2,960,601	4,085,629	3,595,353	2,900,252	3,519,851	19,945,822	83,828,835	134,064,660	
Net Interest Rate Sensitivity Gap	(1,087,559)	(551,702)	(3,051,818)	(1,527,935)	(598,257)	(3,088,543)	79,983,860	(70,078,046)	-	
Cumulative Gap	(1,087,559)	(1,639,261)	(4,691,079)	(6,219,014)	(6,817,271)	(9,905,814)	70,078,046	-	-	

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

(c) Interest rate risk (Cont'd)

As at March 31, 2009:

	Within 3 Months	Within 3 - 12 Months	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Over 5 Years	Non-rate Sensitive	Total	Average Effective Interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets										
Cash and cash equivalents	4,102,195	-	-	-	-	-	-	229,318	4,331,513	20.09
Receivables and prepayments	196	8,048	32,381	75,293	64,785	85,515	-	299,037	565,255	3.59
Income tax recoverable	-	-	-	-	-	-	-	2,673,297	2,673,297	
Securities purchased under resale agreements	654,530	1,749,330	-	-	-	-	-	-	2,403,860	14.64
Investment securities	890,001	4,004,673	1,636,572	144,401	462,504	191,253	4,490,178	482,615	12,302,197	15.45
Loans receivable	20,439	103,458	388,627	1,263,573	148,354	253,651	82,952,966	-	85,131,068	5.24
Inventories	-	-	-	-	-	-	-	4,914,369	4,914,369	
Other	-	-	-	-	-	-	-	3,673,964	3,673,964	
Total assets	5,667,361	5,865,509	2,057,580	1,483,267	675,643	530,419	87,443,144	12,272,600	115,995,523	
Liabilities and accumulated fund										
Payable and accruals	-	-	-	-	-	-	-	1,585,418	1,585,418	
Provisions	-	-	-	-	-	-	-	152,208	152,208	
Refundable contributions	9,518,239	2,759,780	3,808,497	3,351,477	2,703,525	3,281,096	18,637,510	-	44,060,124	3.40
Other	-	-	-	-	-	-	-	701,379	701,379	
Accumulated fund	-	-	-	-	-	-	-	69,496,394	69,496,394	
Total liabilities and accumulated fund	9,518,239	2,759,780	3,808,497	3,351,477	2,703,525	3,281,096	18,637,510	71,935,399	115,995,523	
Net Interest Rate Sensitivity Gap	(3,850,878)	3,105,729	(1,750,917)	(1,868,210)	(2,027,882)	(2,750,677)	68,805,634	(59,662,799)	-	
Cumulative Gap	(3,850,878)	(745,149)	(2,496,066)	(4,364,276)	(6,392,158)	(9,142,835)	59,662,799	-	-	

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 statement of financial position date. For floating rate assets, the analysis is prepared assuming the amount of assets held at the statement of financial position date was held throughout the year. A 500 basis points increase and a 800 basis points decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably probable change in interest rates.

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

- surplus for the year ended March 31, 2010 would increase/decrease by $1,523.7 million and $2,438.0 million respectively (2009: increase/decrease by $204.7 and $327.5 million, respectively). This is mainly attributable to the Trust's exposure to interest rates on its investment securities; and
- fair value and other reserves in accumulated fund would decrease/increase by $932.3 million and $2,132.7 million (2009: decrease/increase by $53.08 and $89.37 million), mainly as a result of the changes in the fair value of available-for-sale instruments.
- cashflow from floating rate assets would increase/decrease by $246.6 million and $394.6 million (2009: increase/decrease by $114.1 million and $182.5 million) as a result of the changes in the weighted average coupon rate earned of 18.03% (2009: 17.56%) on available-for-sale variable rate instruments.

The Trust's sensitivity to interest rate risk has decreased during the current period mainly due to reduction in holdings of variable rate investments, as well as increased holdings of fixed rate instruments offset by a decline in their fair values.

(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 allowances where there is evidence of impairment.

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

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

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

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

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

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

The carrying amount of financial assets in respect of loans receivable totalling approximately $95.824 billion at year end, which is net of impairment losses, represents the Trust's maximum exposure to this class of financial asset without taking into account the value of any collateral obtained.

Collateral

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

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

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)

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

	2010 $'000	2009 $'000
Property	26,406,317	22,940,598

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:

	2010		2009	
	Carrying Value $'000	Value of Collateral $'000	Carrying Value $'000	Value of Collateral $'000
Residential properties	839,526	3,000,976	703,402	1,995,592

(ii) Investment securities and cash and cash equivalents

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

- The Board of Directors sets out specific guidelines governing the management of the Trust's investments and cash.
- All financial institutions with which the Trust has a credit risk exposure, as well as institutions vying to enter into financial transactions with the Trust, are appraised and ranked based on their financial standing and other criteria, in accordance with the Board of Directors' guidelines. The Board of Directors must approve this ranking.
- Management limits the amount of investment with any one institution, in accordance with the Board of Directors' guidelines.

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 and cash and cash equivalents (Cont'd)

- Management limits the investment in certain types of investments, in accordance with the Board of Directors' guidelines. In addition, a clear approval structure is established to govern the investment in certain categories of investment options.
- Investment securities are placed with reputable financial institutions and are usually collateralized by Government of Jamaica (GOJ) or Bank of Jamaica (BOJ) securities duly transferred to the Trust in the event of default of the counterparty to the transaction.
- The Investments Unit conducts constant monitoring of the terms of investment contracts to ensure that the terms are strictly adhered to, in particular, that institutions fulfill their financial obligations to the Trust as they fall due.

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

	2010	2009
	$'000	$'000
Government of Jamaica	15,053,186	7,891,545
Bank of Jamaica	1,858,716	833,769
Corporate	8,647,984	10,312,256
Total	25,559,886	19,037,570

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

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

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

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

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

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

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

- 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 market investments and GOJ and BOJ debt issues.

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

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

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

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS MANAGEMENT (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, 2010:

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

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

(e) Liquidity risk (Cont'd)

As at March 31, 2009:

	Within 3 Months $'000	Within 3 - Months $'000	1 to 2 Years $'000	2 to 3 Years	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Total $'000	Carrying Value $'000
Assets									
Cash and cash equivalents	4,734,381	-	-	-	-	-	-	4,734,381	4,331,513
Receivables	198	197,692	157,183	83,860	73,682	79,965	231,286	823,866	417,045
Securities purchased under resale	654,543	1,972,949	-	-	-	-	-	2,627,492	2,403,860
Investment securities	1,036,195	4,893,544	2,270,373	612,765	907,600	592,354	7,424,770	17,737,601	12,302,197
Loans receivable	20,848	111,735	450,807	1,566,830	195,827	355,112	122,896,338	125,597,497	85,131,068
Total assets	6,446,165	7,175,920	2,878,363	2,263,455	1,177,109	1,027,431	130,552,394	151,520,837	104,585,683
Liabilities									
Payables	-	1,447,733	-	-	-	-	-	1,447,733	1,353,260
Refundable contributions	11,056,659	3,092,073	4,190,634	3,620,502	2,866,285	3,412,784	18,965,995	47,204,932	44,060,124
Total liabilities	11,056,659	4,539,806	4,190,634	3,620,502	2,866,285	3,412,784	18,965,995	48,652,665	45,413,384

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

Capital risk management

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

Capital adequacy is monitored by the Trust's management on a regular basis. The Trust's overall strategy remains unchanged for 2009/2010.

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 accumulated surplus.

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 rates. These housing projects and/or loans would be funded by contributions from employees, at interest rates below market rates, and from contributions by employers which are non-refundable and non-interest bearing.

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

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

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

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

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

32 FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

Fair Values versus carrying amounts

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Assets carried at fair value				
Available-for-sale securities (Note 9(b))	15,181,116	15,181,116	10,074,700	10,074,700
Securities at fair value through income (Note 9(a))	2,499,072	2,499,072	2,227,497	2,227,497
	17,680,189	17,680,189	12,302,197	12,302,197
Assets carried at amortized cost				
Cash and cash equivalents	5,247,531	5,247,531	4,331,513	4,331,513
Loans receivable	95,757,161	95,823,577	85,131,068	85,131,068
Securities purchased under resale agreements	2,632,167	2,632,167	2,403,860	2,403,860
Receivables (excluding prepayments)	471,500	670,529	399,419	493,419
	104,108,359	104,373,804	92,265,860	92,359,860
Liabilities carried at amortized cost				
Payables and accruals	1,252,608	1,175,707	1,585,418	1,585,418
Refundable Contribution	50,235,826	50,235,826	44,060,124	44,060,124
	51,488,434	51,411,533	45,645,542	45,645,542

Fair Value Hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method as at March 31,2010. The different levels have been defined as follows:

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

	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
Available-for-sale securities (Note 9(b))	1,588,571	13,538,717	53,829	15,181,116
Securities at fair value through profit and loss (Note 9(a))	-	2,499,072	-	2,499,072
	1,588,571	16,037,789	53,829	17,680,189

Available-for-sale securities classified as Level 3 is comprised of corporate bonds, not guaranteed by the Government of Jamaica, for which there is no clear yield curve. The applicable Government of Jamaica yield curve, plus an additional risk premium based on management estimation of the underlying risks, was used to determine fair value for these instruments.

32 FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

Reconciliation of Level 3 Hierarchy

	$'000
Balance at beginning	52,263
Total gain for the period	1,566
Balance at end	53,829

The gain is presented in the gains/losses on available for sale financial asset in Other Comprehensive Income.

33 OPERATING LEASE ARRANGEMENTS

The Trust as lessee

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

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

	2010 $'000	2009 $'000
Within one year	16,839	17,688

The Trust as lessor

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

The property rental income earned by the Trust from these properties amounts to $4.9 million (2009: $4.6 million).

Direct operating expenses arising on these properties in the period amounted to $12.3 million (2009: $10.14 million).

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

	2010 $'000	2009 $'000
Within one year	4,935	4,935
Within two to five years	25,195	15,518
Over 5 years	7,948	2,937
	38,078	23,390

34 OTHER DISCLOSURES – EMPLOYEES' COSTS

	2010	2009
	$'000	$'000
Staff costs incurred during the year:		
Salaries and wages including statutory contributions	2,191,842	2,135,233
Other staff costs	501,666	446,340
	2,693,508	2,581,573

35 LITIGATION AND CLAIMS

(a) (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 sum of $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.

In September 2009 the Honourable Justice Hibbert ruled in favour of the Housing Trust and set aside the Supplemental Arbitration Award and remitted the matter to the Arbitrator to reconsider the rate of simple interest. In November 2009 the NHT received Notice from the Developer's Attorney indicating that they were appealing the decision of Justice Hibbert. The court has set a hearing date for July 12, 2010.

(ii) In March 2009 new arbitration proceedings were commenced in respect of re-measurement of works and final accounts. An award was made by the Arbitrators on October 7, 2009 in favour of the developer amounting to $144.6 million. The Trust has filed an appeal to challenge the award. A hearing was held on May 6, 2010 where the judge ordered that the enforcement of the Arbitration Award be stayed on condition that the NHT pays the amount of $144.6 million to an interest-bearing account by May 31, 2010 which has subsequently been paid. A pre-trial review date has been set for March 7, 2011 and a trial date set for May 2, 2011.

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

(i) Loss of profit and overheads (amounting to approximately $585 million), arising from a shortfall in the number of units the contractor was able to complete under the contract.
(ii) Variations and claims (amounting to approximately $478 million) for works already completed.

During the year 2009/10:
(i) Loss of profits and overheads
The Trust will enter into contracts with the contractor for the construction of housing units and infrastructure to afford the contractor the opportunity to earn profits estimated at approximately $250 million in full consideration of the above mentioned claim.

35 LITIGATION AND CLAIMS (Cont'd)

During the year 2009/10:
(ii) Variations and claims for work completed

The NHT made an offer to the Contractor of $143 million in full settlement of the Claim. If the contractor refuses to accept the offer then the matter would be referred to Mediation. The Contractor has since indicated his willingness to accept the offer of $143 million, plus interest and the parties are to finalize the agreement.

Both items of the claim are subject to the approval of the Minister with Portfolio responsibility for the Trust and the ratification of Cabinet.

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

36 ADJUSTMENTS TO RECONCILE SURPLUS FOR THE YEAR TO CASH PROVIDED BY OPERATING ACTIVITIES

	2010	2009
	$'000	$'000
Provisions for losses and subsidies on projects	83,207	613,684
Provisions on project written back	(1,024,277)	(405,407)
Provisions on loans receivable	166,730	18,468
Provision for bonus on employees' contribution	1,131,992	972,400
Provision for irrecoverable debt on receivables	1,958	10,828
Provision for litigation	144,661	-
Depreciation	131,249	155,090
(Gain) on disposal of property, plant and equipment	(15,280)	(1,245)
Adjustments to property, plant and equipment	41	2,484
Service charges amortised	(116,830)	(93,288)
Intangible assets amortised	27,873	11,656
Intangible assets written off	3,388	22,305
Loss on impairment of equity investment securities	153,677	-
Gain in revaluation of held for trading investment securities	(270,029)	(258,944)
Loss on available-for-sale investments	20,645	-
Retirement benefit asset	(51,323)	(6,500)
Deferred tax adjustment	(50,917)	852,946
Interest income	(8,058,809)	(6,509,626)
Foreign exchange adjustment	(11,512)	(576,309)
Share of losses of associates (including allowance for loan loss)	182,972	365,449
Income tax expense	873,684	-
Provisions charged during the year	181,463	158,754
Adjustments to reconcile net surplus (deficit) to cash flow used in operating activities and changes in operating assets (liabilities)	(6,495,437)	(4,667,255)

37 FINANCIAL EFFECTS OF RESTATEMENTS

Below are the reconciliations of accumulated fund as at March 31, 2008 and March 31, 2009 and of the Statement of Comprehensive Income for the year-ended March 31, 2009, as a result of prior year adjustments.

(a) Reconciliation of statement of financial position as at March 31, 2008

	Notes	Previously Reported $	Effects of Adjustments $	Restated $
ASSETS				
Cash and cash equivalents		2,442,781	-	2,442,781
Receivables and prepayments		394,225	-	394,225
Income tax recoverable		2,110,768	-	2,110,768
Securities purchased under resale agreements		1,520,715	-	1,520,715
Investment securities		14,348,611	-	14,348,611
Loans receivable		70,629,633	-	70,629,633
Inventories		3,909,465	-	3,909,465
Intangible assets		46,489	-	46,489
Investments in associates		1,557,183	-	1,557,183
Retirement benefit asset		519,000	-	519,000
Property, plant and equipment		1,707,674	-	1,707,674
Deferred Tax asset		282,256	-	282,256
Total assets		99,468,800	-	99,468,800
LIABILITIES AND ACCUMULATED FUND				
LIABILITIES				
Payables and accruals		1,526,736	-	1,526,736
Provisions		154,171	-	154,171
Refundable contributions		38,188,003	-	38,188,003
Retirement benefit		105,700	-	105,700
		39,974,610	-	39,974,610
ACCUMULATED FUND				
Non-refundable employers' contributions		38,927,479	-	38,927,479
Fair value and other reserves	(iii)	1,262,745	(262,692)	1,000,053
Peril reserve		2,123,814	-	2,123,814
Loan loss reserve		1,688,204	-	1,688,204
Accumulated surplus	(iii)	15,491,948	262,692	15,754,640
		59,494,190	-	59,494,190
Total liabilities and accumulated fund		99,468,800	-	99,468,800

37 FINANCIAL EFFECTS OF RESTATEMENTS (Cont'd)

(b) Reconciliation of financial position as at March 31, 2009

	Notes	Previously Reported $	Effects of Adjustments $	Restated $
ASSETS				
Cash and cash equivalents		4,331,513	-	4,331,513
Receivables and prepayments	(i)	659,255	(94,000)	565,255
Income tax recoverable		2,673,297	-	2,673,297
Securities purchased under resale agreements		2,403,860	-	2,403,860
Investment securities		12,302,197	-	12,302,197
Loans receivable		85,131,068	-	85,131,068
Inventories		4,914,369	-	4,914,369
Intangible assets		41,967	-	41,967
Investments in associates	(ii)	1,571,056	(202,602)	1,368,454
Retirement benefit asset		677,900	-	677,900
Property, plant and equipment		1,585,643	-	1,585,643
Total assets		116,292,125	(296,602)	115,995,523
LIABILITIES AND ACCUMULATED FUND				
LIABILITIES				
Payables and accruals		1,585,418	-	1,585,418
Provisions		152,208	-	152,208
Refundable contributions		44,060,124	-	44,060,124
Deferred tax liabilities	(iii)	633,347	(63,668)	569,679
Retirement benefit		131,700	-	131,700
		46,562,797	(63,668)	46,499,129
ACCUMULATED FUND				
Non-refundable employers' contributions		47,579,711	-	47,579,711
Fair value and other reserves	(ii), (iii)	1,022,678	(655,268)	367,410
Peril reserve		2,638,626	-	2,638,626
Loan loss reserve		2,173,901	-	2,173,901
Accumulated surplus	(i), (iii)	16,314,412	422,334	16,736,746
		69,729,328	(232,934)	69,496,394
Total liabilities and accumulated fund		116,292,125	(296,602)	115,995,523

37 FINANCIAL EFFECTS OF RESTATEMENTS (Cont'd)

(c) Reconciliation of surplus for the year-ended March 31, 2009

	Notes	Previously Reported $	Effects of Adjustments $	Restated $
Interest revenue:				
- Loans receivable		4,311,023	-	4,311,023
- Investments		1,928,573	270,030	2,198,603
		6,239,596	270,030	6,509,626
Bonus on employees' contributions		(972,400)	-	(972,400)
Net interest revenue		5,267,196	270,030	5,537,226
Other gains on investment securities		270,030	(11,086)	258,944
Dividends from investment securities		28,459	-	28,459
Service charge on loans to beneficiaries		93,288	-	93,288
Gains on projects		444,763	-	444,763
Miscellaneous	(i)	1,386,420	(94,000)	1,292,420
		7,490,156	164,944	7,655,100
Operating expenses		3,961,817	(221,035)	3,740,782
Charge for provision on loans receivable		18,468	-	18,468
Special subsidies and grants		694,840	-	694,840
Share of comprehensive losses of associates	(ii)	139,112	226,337	365,449
		4,814,237	5,302	4,819,539
SURPLUS BEFORE TAXATION		2,675,919	159,642	2,835,561
Taxation		(852,946)	-	(852,946)
SURPLUS FOR THE YEAR		**1,822,973**	**159,642**	**1,982,615**
Other Comprehensive Income:				
Gains (losses) on available-for-sale financial assets	(iii)	(462,113)	(195,276)	(657,389)
Share of gains of property revaluation of associate	(ii)	-	23,735	23,735
TOTAL COMPREHENSIVE INCOME		**1,360,860**	**(11,899)**	**1,348,961**

37 FINANCIAL EFFECTS OF RESTATEMENTS (Cont'd)

Notes

(i) Effect of reversal of income recognised in the previous year in respect of conditional sale of land not yet finalised.

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

(iii) Effect of adjustments to investment revaluation reserve, relating to restated amounts previously charged to the statement of comprehensive income.

38 SUBSEQUENT EVENT

The National Housing Trust has implemented a subsidised loan programme for non-homeowners within the 1% and 3% income bands, effective April 1, 2010. The Trust will invite applicants for this subsidy quarterly. The Trust will apportion up to forty percent (40%) of the pre-tax surplus quarterly to finance the subsidy. The subsidy will be available only if the Trust makes a surplus in the previous quarter.

EXECUTIVE COMPENSATION

The basic salaries for 65 executives for the years ended 31 March 2009 & 2010 are as follows:

		2010 $000	2009 $000	
Managing Director (1)		10,294	9,789	(See notes 1 & 2)
Senior General Managers (2)	From	6,481	6,163	(See note 3)
General Managers (6)	From	5,487	5,217	(See note 3)
	To	6,102	5,802	
Assistant General Managers	From	3,238	3,079	(See note 3)
& Managers (56)	To	4,684	4,043	

Notes

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

2. The amounts shown for the Managing Director exclude the total for the provision of a fully maintained motor vehicle.

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

National Housing Trust

ADMINISTRATION

MANAGING DIRECTOR
- C. Earl Samuels C.D. (Tenure ended February 2010)

SENIOR GENERAL MANAGERS
- Vincent George – Corporate Services
- Donald Moore – Construction and Development (Acting Managing Director at the end of Mr. Samuels' tenure)

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
- Helen Pitterson – Company Secretariat & Legal Services
- Maxine Hart – Project Management Office
- Quinton Masters – Project Appraisal Management
- Neil Miller – Corporate & Business Strategy
- Camille Chevannes – Legal Conveyancing & Mortgage Registry
- Hortense Rose – Corporate Communication
- Joyce Simms-Wilson – Branch Network
- Michael Taylor – Project Management
- Errol Thompson – Financial Control
- Gladstone Johnson – Contributions Management
- Suzanne Wynter Burke – Loan Management
- Elton Vassell – Treasury 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
- Clive Davis – Project Management, ICHP
- Dwight Ebanks - Investments
- Delores Facey-Johnson – Project Management, PMO
- Clivia Green – Compliance

- Harvey Hall – Business Analysis
- Ransford Hamilton – Property Management
- Cheryll Harris-Walder – Change Management, PMO
- Dian Isaacs – Risk & Insurance Management
- Rohan Jones – Information Systems Security
- Lisa Myrie-Davis – Internal Audit
- Paul Oliver – Loan Accounting
- Leighton Palmer – Technical Support, Information Systems
- Donnetta Russell – Customer Care
- Philbert Solomon – Banking 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 Millwood – St. Catherine
- Allison Beaumont-Smith – 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
- Ketrion Harris – St. Mary
- Cotchesta Watson (Actg.) – St. Thomas

LEGAL TEAM

Legal Services

- Sharon Green Brown

Legal Conveyancing

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