National Housing Trust

...the key to your home

2013-2014

ANNUAL REPORT & FINANCIAL STATEMENTS

empowering **YOU** || developing **COMMUNITIES**

OUR VISION

To be a role model among the world's leading housing finance institutions delivering affordable housing solutions in a service culture, with professional staff serving customers with integrity & excellence.

OUR MISSION

To be effective stewards, caring for our contributors as we deliver housing solutions, build communities, refund contributions and influence the market to make housing more affordable.

CORE VALUES

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

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

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

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

Caring
To treat all persons fairly and with respect.

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

Teamwork
To work collaboratively to achieve the organization's goals, using individual skills, providing feedback, and treating each colleague with respect.

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LETTER TO THE PRIME MINISTER

June 30, 2014

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

Dear Prime Minister,

In accordance with Section 3 First Schedule (no. 6) of the National Housing Trust Act 1979, I have the pleasure to present the NHT report for the year ended March 31, 2014, and a copy of its Statement of Accounts at March 31, 2014, duly certified by the Auditors.

Yours respectfully,

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

The Most Hon. Portia Simpson Miller, O.N., M.P., Prime Minister of Jamaica and Portfolio Minister for the NHT, signs the Memorandum of Understanding for Y.U.T.E Phase II in February 2014. Seated beside her is the Hon. Dr. Morais Guy, Minister without Portfolio in the Ministry of Transport, Works and Housing. Standing (L-R) are Hon. Easton Douglas, NHT Board Chairman and Mr. Martin Miller, Acting Managing Director of the NHT.

7-YEAR STATISTICAL SUMMARY

Year Ended March 31	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Total Assests*	206,289,926	194,612,864	177,781,356	155,566,439	134,114,628	115,995,523	98,363,100
Inventories	8,822,275	11,372,815	9,902,862	8,380,924	5,693,088	4,914,369	3,909,465
Loans Receivable	166,336,403	148,065,717	129,364,036	110,276,274	95,757,161	85,131,068	70,629,633
Refundable Contributions	75,539,203	67,971,646	62,177,515	56,286,861	50,235,825	44,060,124	38,188,003
Accumulated Profit+	115,120,488	113,353,683	100,888,863	87,756,967	75,652,719	64,316,457	54,419,427
Results From Operations							
Total Operating Income+	22,604,097	22,800,802	21,089,237	19,119,432	18,234,578	17,279,732	12,079,104
Operating Expenditure*	5,106,979	4,290,512	4,165,473	4,168,474	4,214,928	3,740,782	3,901,326
Total Comprehensive Income+	14,466,866	14,458,141	13,871,239	12,233,004	11,331,360	10,634,847	5,163,523
Financial Ratios							
Average Interest on Loans (%) **	4.9	4.8	4.7	4.4	5.5	5.5	4.8
Yield on Investments (%)	7.4	8.4	7.6	8.9	14.1	12.0	11.2
Efficiency Ratio (%) *	71.3	60.6	75.9	79.6	62.1	70.7	135.0
Return on Capital (%) +	11.7	12.5	13.6	13.9	15.0	16.5	9.1
Return on Assets (%) +	7.1	8.7	8.3	8.4	9.1	9.9	5.5
Other Information							
Annual Housing Expenidture	22,077,311	22,607,055	24,216,512	21,209,341	16,915,796	20,242,636	16,941,643
Contributions Received	21,412,380	19,901,498	19,505,023	18,526,158	16,821,186	16,131,501	11,648,169
Contributions Refunded	4,437,518	3,908,254	3,253,025	2,874,123	2,751,659	2,624,178	2,250,457
Number of Mortgages Created Since Inception*	168,744	160,937	153,087	145,424	138,353	131,804	124,934
Number of Individual Benefits Provided Since Inception*	180,224	172,420	164,570	156,907	149,836	143,287	136,417

* Restated for 2013
** Comprises all loan types: Mortgage, Institutional, Interim Financed etc.
+ Restated for all years. Change in reporting format in 2014. Non-Refundable Contributions now considered revenue.

BOARD OF DIRECTORS

Chairman
The Hon. Easton W.X. Douglas O.J., C.D., J.P., M.Sc., FRICS

Hon. Easton Douglas is a Chartered Surveyor and Real Estate Consultant. He is the Principal of Easton Douglas & Co., Chartered Surveyors. He was a member of Parliament and Cabinet Minister in the Ministries of Health, Public Service and Environment, and Land and Housing. He has held various positions including Permanent Secretary, Principal Assistant Secretary, Valuation Surveyor, and Government Town Planner. Mr. Douglas was appointed to the NHT Board in April 2012, and the Board of Harmonisation Ltd. in May 2012.

Sonia Hyman

Ms. Hyman is the Senior Director of Planning & Development in the Office of the Prime Minister. Ms. Hyman currently sits on the board of the Urban Development Corporation, St. Ann Development Corporation, Montego Bay Freeport & Caymanas Dev. Company. She is a former Board member of the Jamaica Cultural Development Commission and the Bureau of Standards.

Senator Kavan Gayle, O.D.

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

O'Neil Grant

Mr. Grant is the President of the Jamaica Civil Service Association and Vice Chairman of the First Heritage Cooperative Credit Union (FHC). He's the Chairman of the FHC Foundation, a Council Member of the National Partnership Council and a Director of the Jamaica Cooperative Credit Union League. He previously served as Director in the Ministry of Agriculture, Vice President of the Caribbean Public Services Association, and Vice President of GSB Cooperative Credit Union.

Helene Davis Whyte, C.D.

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

Robert Buddan

Mr. Buddan is a Lecturer at the University of the West Indies in the Department of Government. He is a Board member of the Social Development Commission, and a past Board Director of Jamaica Social Policy Evaluation Committee, the Public Policy Commission, and The Prime Minister's Task Force.

Percival LaTouche

Mr. LaTouche is the CEO for K. Rose Consultant & Construction Company. He is the Founder, President and Chief Executive Officer of the Association for the Resettlement of Returning Residents. Mr. LaTouche was formerly Chairman of Sunset Strip Association, Chairman of the East Portland Action Lobby Group, a Director of the Port Antonio Hospital and Chairman of the Jamaica Association of Contractors, Construction and Consultants. He is a British trained Motor Mechanic who owned and operated a Chevron Petrol Station while living in England.

Vincent Morrison, C.D.

Mr. Morrison joined the staff of the National Workers Union (NWU) on April 14, 1969 and was elected President of the Union in 2006, having served as Vice President for over 25 years. In October 1998, Mr. Morrison was awarded the Commander of the Order of Distinction, (C.D.) Commander Class by the Government of Jamaica.

Norman Horne

Mr. Horne was appointed to the NHT Board in April 2012. He is the Chairman of the ARC Group of Companies and is also a Board Director of the Jamaica Promotions Corporations (JAMPRO).

Senator Lambert Brown, C.D.

Senator Brown is currently the President of the University & Allied Workers Union and the Vice President of the Jamaica Conference of Trade Unions (JCTU). He is Chairman of the Montego Freeport Limited as well as a member of the Urban Development Corporation's Board. He is also a member of the Jamaica Productivity Centre Advisory Board.

Brenda Cuthbert

Mrs. Cuthbert is the CEO for the Jamaica Employers' Federation. She is also a Board member of the Fisheries Management & Development Fund and the Rural Agricultural Development Authority (RADA). Mrs. Cuthbert has knowledge, training and expertise in Agri-Business, Agriculture, Management and Finance.

THE MANAGEMENT TEAM

Martin Miller
Managing Director
(Acting)

Donald Moore
Senior
General Manager
Construction &
Development

Lanie-Marie Oakley Williams
Senior
General Manager
Customer Relations
Management

Errol Thompson
Senior
General Manager
(Acting) Finance

Judith Larmond Henry
General Counsel &
Company Secretary

Neil Miller
Senior
General Manager
(Acting)
Corporate Services

Jeneita Townsend
General Manager
Human Resource
Management

Leighton Palmer
Chief
Information Officer

Lorna Walker
Chief
Internal Auditor

CHAIRMAN'S REPORT

ANNUAL REPORT 2013/2014

Dear Contributors,

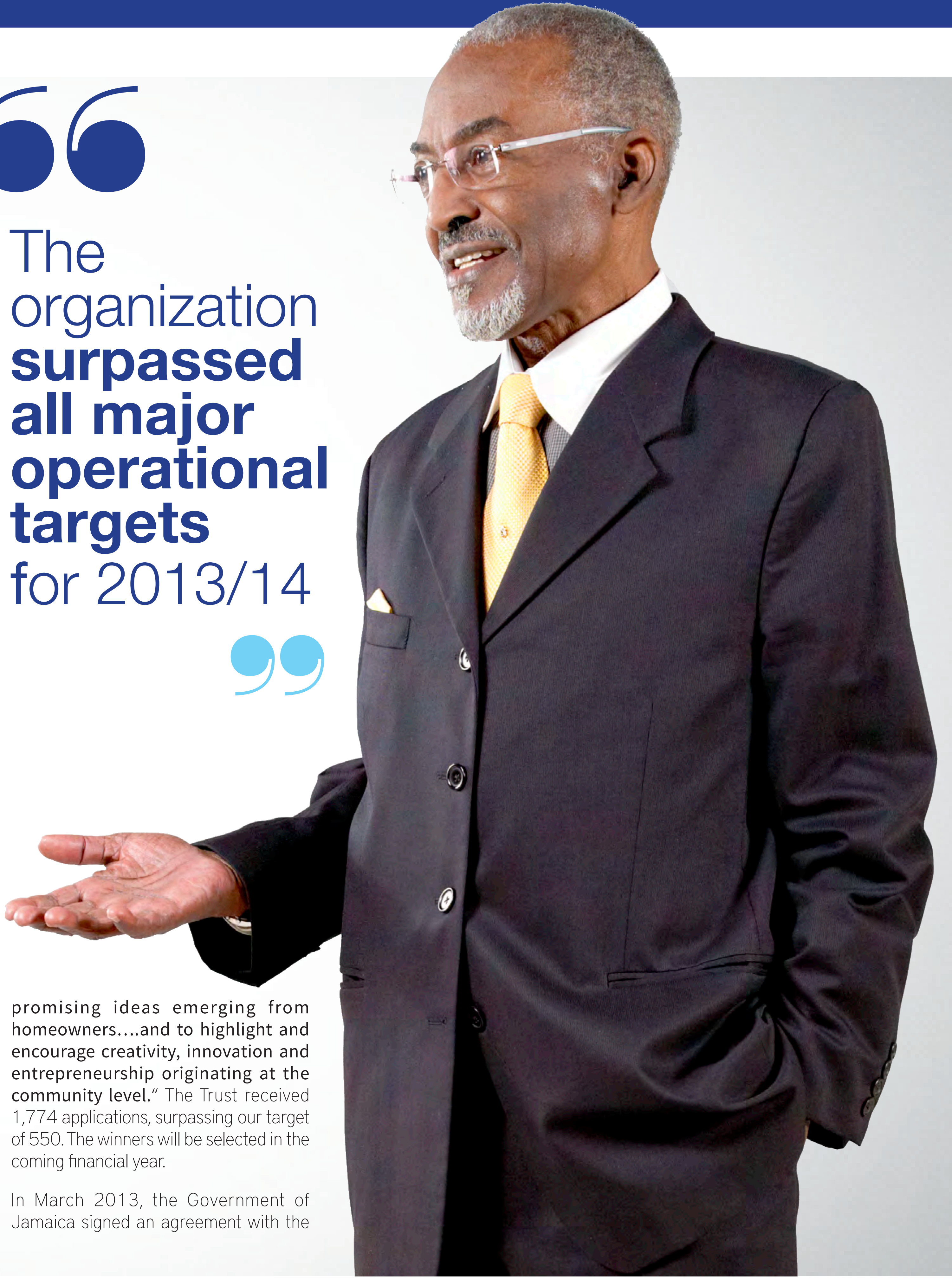
The NHT's commitment to providing housing and giving our contributors opportunities for a better quality of life, remains firmly etched in the minds of the Board of Directors, management and staff.This is evidenced through our achievements over the past years. In line with our mandate, we continue to focus on providing affordable housing solutions and building the capacities of the members of our communities island-wide. The Trust has never lost sight of this charge over its 38 years of existence and has made significant strides in keeping with its mandate and objectives.

The NHT has provided over 180,000 mortgages to its contributors, since inception, and has had a direct hand in the construction of over 94,000 housing solutions. With an estimate of about four persons per household, the impact of the Trust's activities on the daily lives of Jamaicans has been, and continues to be tremendous. The organization remains a major player in local residential housing construction and finances more than 50% of all mortgages written island-wide annually.

The NHT continued along the path of empowering our contributors during the 2013/2014 fiscal year. The Inner City Housing Programme and our First Step initiatives, both aimed at increasing access to affordable housing solutions among our less affluent contributors, in tandem with our social development programme, have reaped significant success in the development of communities.

The NHT also introduced the Entrepreneurial Challenge, the newest component of our celebrated Best Schemes Competition. As stated by the Most Honourable Prime Minister in her 2013 Budget presentation… "**the primary purpose of the award is to encourage the development and commercialization of**

The organization **surpassed all major operational targets** for 2013/14



promising ideas emerging from homeowners….and to highlight and encourage creativity, innovation and entrepreneurship originating at the community level." The Trust received 1,774 applications, surpassing our target of 550. The winners will be selected in the coming financial year.

In March 2013, the Government of Jamaica signed an agreement with the

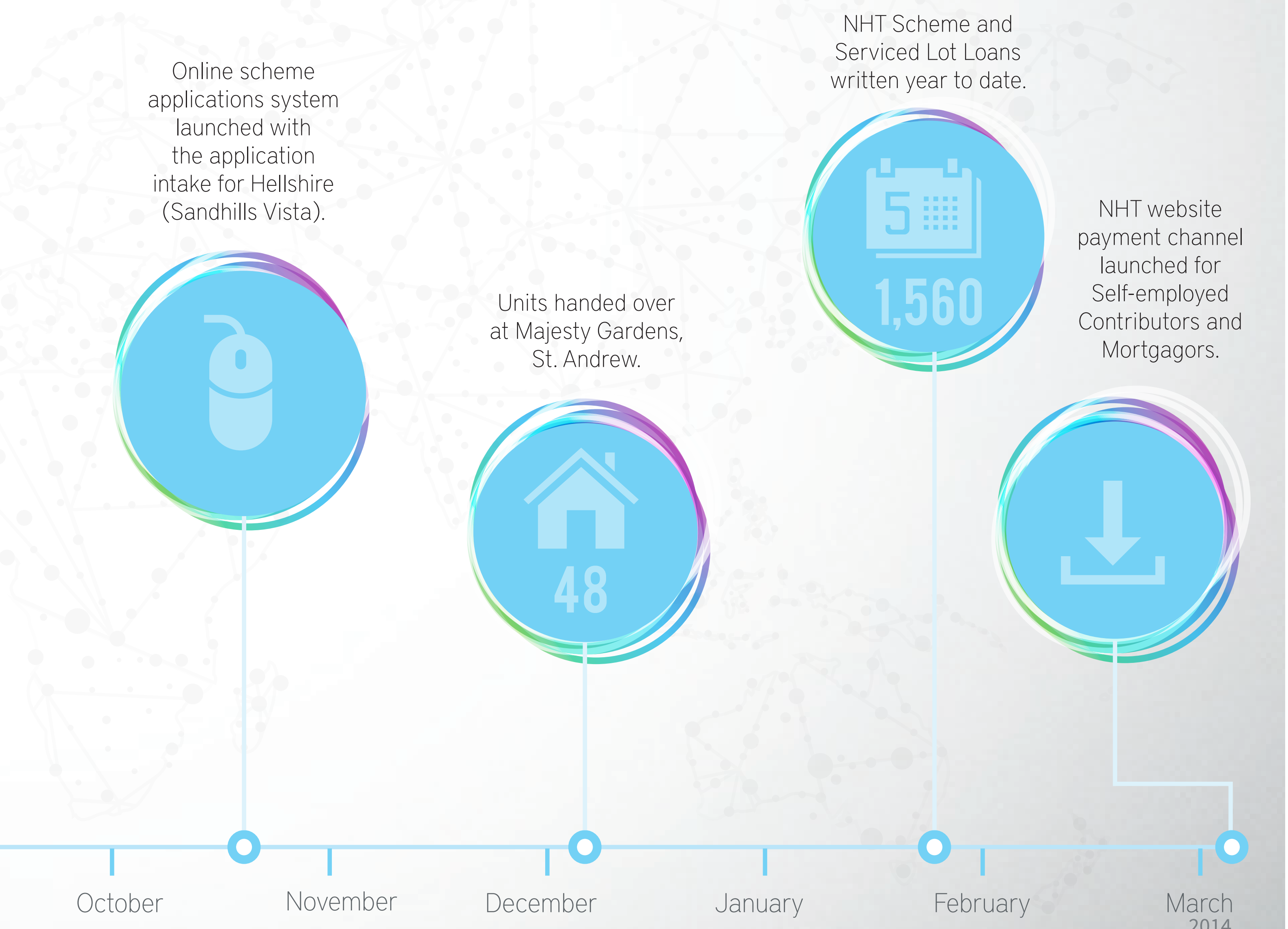
International Monetary Fund (IMF), securing a four-year (2013-2017) programme aimed at restoring the economy. A major part of the funding agency's conditionality was for the country to drive down its national debt, as part of the fiscal measures. The NHT was called upon to contribute a maximum of $11.4 billion annually over the four-year period. We honoured all quarterly tranches that were due for payment.

The organization surpassed all major operational targets for 2013/2014. I would like on behalf of the Board to congratulate the management and staff for these achievements. These triumphs extended beyond the walls of the NHT with the Trust being named "**Employer of Choice**" among both Private and Public Sector entities by the Jamaica Employers' Federation, and retaining the Prime Minister's Trophy for the **Best Public Sector Customer Service Agency**.

For the coming year, we wish to recommit ourselves to continue steering the Trust along a path that is congruent with our mandate. We will

continue to put the needs of our contributors at the forefront of all deliberations, and continue to focus on our role in the growth and development of our country. Please accept our continuing best wishes to all.

Easton W.X. Douglas, O.J., C.D., J.P., M.Sc., FRICS
Chairman



"The NHT continues to provide support in **building on the talent, enthusiasm and leadership capacity of its human resources...**"

MANAGING DIRECTOR'S REPORT

ANNUAL REPORT
& FINANCIALS
2013/2014

Dear Contributors,

The NHT recorded positive results in all key areas during the 2013/14 financial year, despite the challenges experienced by the Jamaican economy. All operational targets were exceeded, while maintaining healthy current balances, improving on customer service levels, boosting staff morale and increasing access to housing for many Jamaicans.

The extraordinary commitment and dedication of our employees to maintaining a high level of service to our customers is worthy of note. In this regard, the NHT continues to provide support in building on the talent, enthusiasm and leadership capacity of its human resources.

The focus on excellence in customer service is enhanced by a robust wellness programme which has resulted in the NHT being truly a fun place to work. We continue to implement development programmes aimed at building staff capacity, particularly in the core areas of our operations. Consequently, we are proud to have received the Jamaica Employers' Federation's Employer of Choice Award for 2012.

While it is mooted that there has been a general slowing down in the residential construction sector, the value of mortgages written during the year under review was among the highest on record, and was the major factor in the increase in Loans Receivable. Cash and bank balances were at $4.8B or 53.8% higher than that for 2012/13. Investment Securities were reduced in order to meet cash flow obligations.

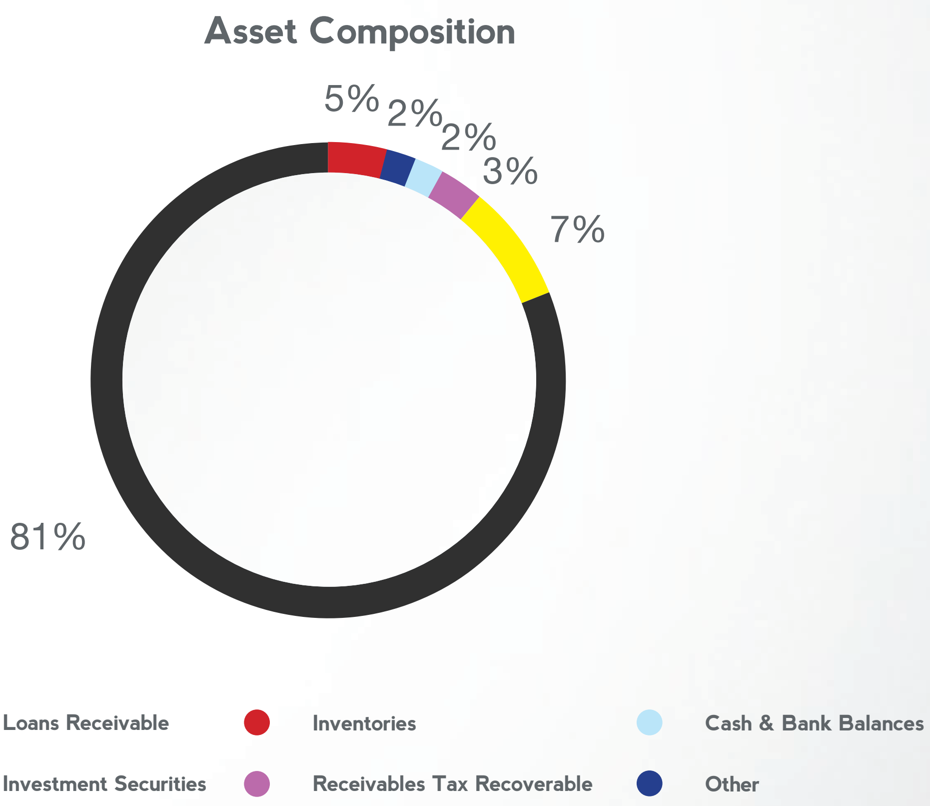
FINANCIAL REVIEW

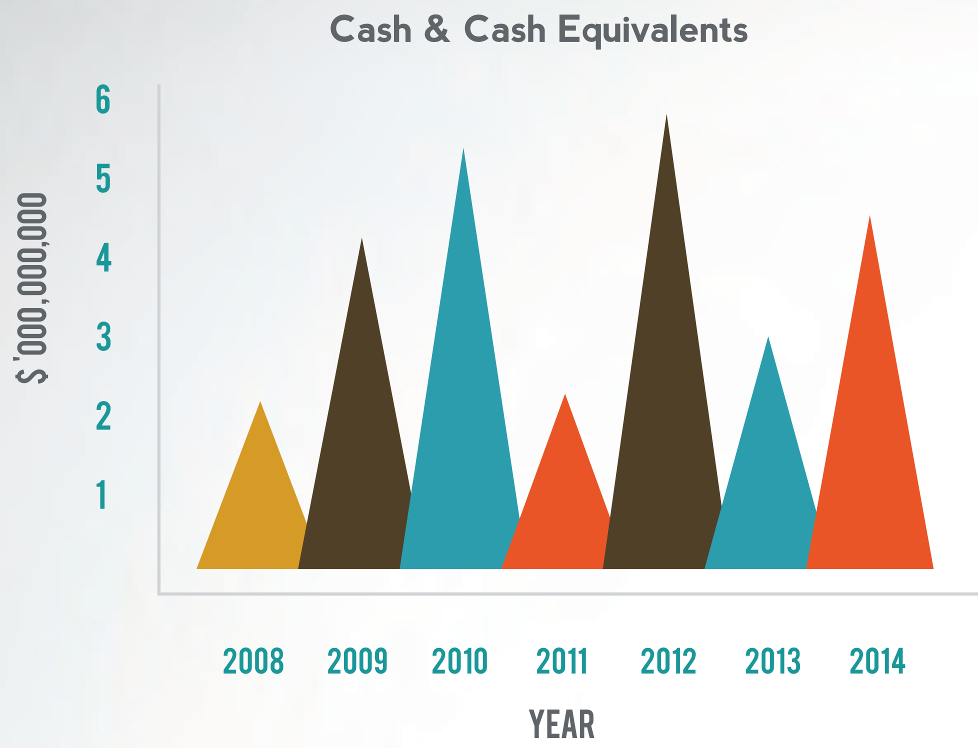
Assets

The total assets of the NHT stood at $206.3B at March 31, 2014, representing a 6% ($11.7B) increase over last year. Loans Receivable accounted for 81% of our assets (or $166.3B), this represents a 12% or $18.3B increase over the last fiscal period. Investment Securities accounted for 7% of assets or $14.8B, a decline of 28.6% or $5.9B. Another $8.8B or 4.8% of assets was in the form of Inventories, a 22.4% reduction, owing to the selling of solutions at Longville, Creighton Hall, and Perth.

Income and Expenditure

During the financial year, the NHT accounted for non-refundable contributions as revenue. In previous years, this was treated as captial. There was also a change with respect to the treatment of mortgage subsidy which resulted in the amounts being included as appropriations of accumulated profit. These adjustments along with compulsory adjustments arising from the adoption of revisions to IAS 19, Employee Benefits, have led to items in the financial statement being adjusted. Where relevant, the values for prior years were also adjusted for comparability.





Comprehensive income for 2013/14 remained flat. Despite increase of $1B in mortgage interest, this was offset by a reduction of $0.6B in investment interest and a $0.7B increase in operating expenses.

OPERATIONAL REVIEW

Loans Created

Loans created during the review period totaled 7,807, 43 less than the previous year. The main portfolio accounted for 7,570 at a face value of $21.6B.

An additional 834 loans were written under the Joint Financed Mortgage programme at a value of $3.2B

Mortgage Collection

The NHT collected a total of $15.8B in mortgage repayment for 2013/14, an increase of $1.9B or 14%. This amount was 4% above target. While there is a natural increase in repayments associated with a growth in the mortgage portfolio, our efforts to increase compliance in this area reaped significant reward. We devised various means of facilitating our mortgagors given the prevailing economic conditions, which redounded not only to their benefit, but to ours as well.

Contributions Management

Contributions Refunds

The Contribution Refund process is prescribed in the NHT Act. Contributors become eligible for a refund in the eighth year of contribution. Contributions paid to the NHT in 2006 and earlier years, are being refunded in 2014. During the 2013/14 period, the Trust refunded contributions to over 150,000 Jamaicans at a value of over $4.4 billion (including interest).

Contributions Collections

Contributions collected for the 2013/14 financial year amounted to $21.4 billion, an increase of $1.5 billion or 8% over last year, and $600M or 2.9% above budget; employers' portion was 50% of this amount. Normally a 3:2 ratio is expected, implying non-compliance on the part of some employers. We continue to employ strategies to ensure greater compliance.

Table 1: Loan Type by Number & Value of Loans Written

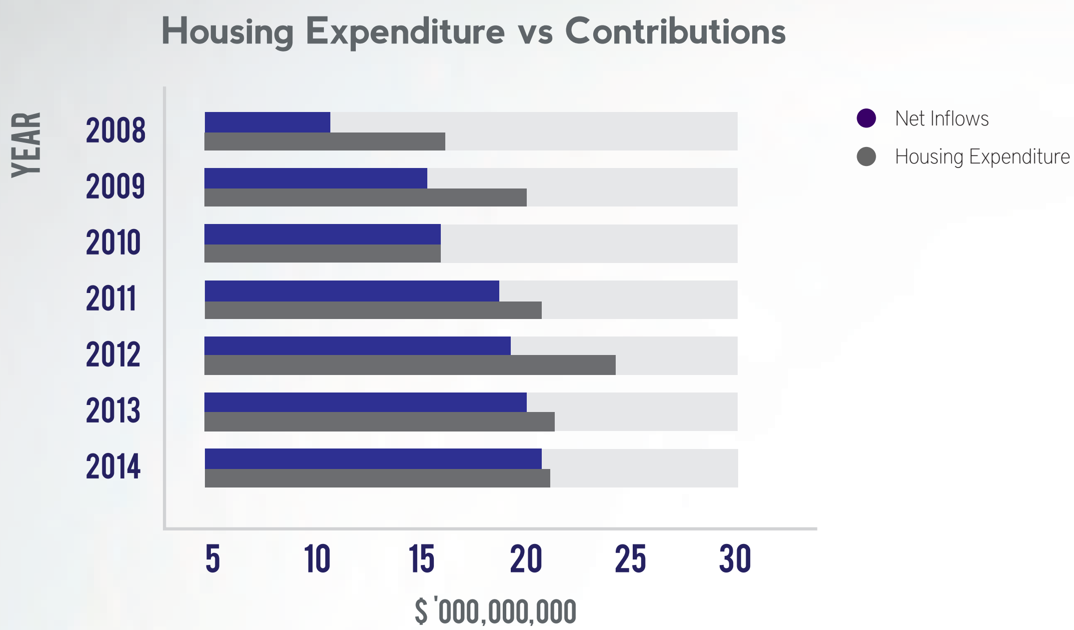
Loan Type	Number	Value
MAIN MORTGAGE LOAN:		
Build on Own Land	513	1,844,637,505
Construction Loan	981	2,615,566,767
Home Improvement	285	436,420,500
House Lot	1,355	1,737,180,463
Home Enhancement Loan Plan	13	19,905,000
Open Market	3,212	11,494,632,396
Scheme	936	2,991,107,848
Serviced Lot	275	450,990,660
Subtotal	**7,570**	**21,590,441,139**
OTHER LOANS:		
Solar Water Heater	231	42,020,476
Others	6	11,294,904
Subtotal	**237**	**53,315,380**
TOTALS:	**7,807**	**21,643,756,519**

Housing Expenditure

Total housing expenditure for the period was $22.1B. The NHT revised the proposed composition of projects during the year with a view to delivering lower priced units to the market in 2014/15. The NHT spent 103% of contributions received during the year on housing.

Housing Completions

NHT completed a total of 2,593 solutions during the review period. NHT projects accounted for 61% of this total, with Build-on-Own Land (BOL), Construction Loan (CL) and Home Improvement Loan (HI), being the major categories. Interim Finance projects accounted for the remaining overall completions (39%).



Market Share

For the calendar year 2013, the NHT accounted for 1,621 housing completions or 29% of total residential completions in the sector. The total value of mortgages created amounted to $37.7 billion, of which NHT accounted for $21.7 billion or 58%. The sector also showed an overall increase in the number of mortgages created, moving from 11,684 in 2012 to 17,308 in 2013. The NHT accounted for 46% of this total, representing a 10% increase over last year.

Improving Access to Housing

Community Renewal Programme (Inner-City Programme)

The communities of Majesty Gardens, Frog City, and White Wing were targeted for intervention under the Inner-City Housing Project during the year under review. While efforts were mobilized to begin work in these areas, Majesty Gardens was the first to bear fruit with 48 units being completed and handed over in December 2013. An additional 32 units will be constructed under Phase II of the Majesty Gardens project in the coming year. The social surveys, which will inform the NHT's intervention in the other communities, were undertaken. Construction works will commence in these areas in the 2014/2015 fiscal year.

First Step Homes

The NHT in partnership with Food For The Poor introduced the First Step Homes product in 2012. The product is a super studio unit that can be easily converted into a two bedroom unit with living and dining areas. As a starter unit, the house is not completely outfitted. Beneficiaries will have to install fixtures and fittings before occupation. The units, which cost $1.2 million to be erected, are available to contributors who already own land or have permission from a land owner to build on the land.

The NHT has undertaken to build 180 of these units annually, on serviced lots sold in our schemes to contributors. During the year, 67 of these units were handed over to beneficiaries in Hampden, Trelawny. The product targets our lower income contributors, allowing them to own a house (inclusive of land) for approximately $2.4 million. The marketing and construction of this product will be intensified in 2014/15 to increase its uptake.

Table 2: Mortgages by Major Agencies 2010-2013

Agency	Number of Mortgages			
	2010	2011	2012	2013
SPECIALISED MORTGAGE AGENCIES:				
National Housing Trust	6,806	7,425	7,205	7,916
Building Societies	1,479	918	1,281	1,649
NON – SPECIALISED:				
Credit Unions & Insurance Companies	7	5,747	3,198	7,743
TOTAL:	8,292	13 ,172	11,684	17,743

Agency	Value of Mortgages			
SPECIALISED MORTGAGE AGENCIES:				
National Housing Trust	15,715	20,672	19,387	21,697
Building Societies	8,910	5,171	7,399	12,265
NON – SPECIALISED AGENCIES:				
Credit Unions & Insurance Companies	49	2,112	1,911	3,726
TOTAL:	24,675	27,956	28,698	37,688

Source: Planning Institute of Jamaica (PIOJ), 2013.

Home Grant

Through the Home Grant Programme, persons contributing for at least 10 years and who earn $10,000 weekly or less, may apply for a Home Grant of $1.2 million. The grant may then be added to any loan for which he/she is eligible, in order to buy land or a house, or to build. Over the year, 247 contributors in the lowest income bands received a total of $296 million under this programme.

Community Development

In our ongoing thrust to impact contributors and beneficiaries at the community level, much was accomplished through interventions from the Social Development arm of the organization. Several strategies were employed, summarily: community governance; behaviour change; environmental management; opportunities for income generation; arrears and special investigations; community development; and community competition. All of these contribute to the objective of building the capacity of residents to manage their communities.

Community governance initiatives were introduced to over 1,000 individuals in the recently developed communities of Longville, Perth, Unions Estate, Creighton Hall and Nashville. Residents participated in preoccupancy/strata training. Strategic partnerships were brokered between communities and entities such as Universal Access Services and the Digicel Foundation which provided computers and internet access.

Under the banner of behaviour change, four Music for Social Transformation projects received continued support. The general aim of the project is to provide music and life skills training for youths in NHT schemes. During the year, 111 children participated in two summer camps for children in targeted low income communities in the parishes of Kingston, St. Andrew and St. Catherine. The camps focused on culture and sports.

As an extension to the biannual Best Schemes Competition, $10.6 million was allocated for a Special Small Business Entrepreneurial Award category. The entrepreneurial challenge is open to all NHT communities and the awards will be presented at the Best Schemes Competition Ceremony in November 2014. We thank our partners in this initiative: Development Options, HEART Trust NTA, Jamaica Business Development Company, Jamaica National Foundation, UWI School of Social Entrepreneurship, and the Development Bank of Jamaica.

Contribution to Phase 2 of the Y.U.T.E. Build Programme

The NHT is particularly proud of its collaboration with the Youth Upliftment Through Employment (Y.U.T.E.) programme, of which the PSOJ, the Ministry of Transport, Works and Housing, the Ministry of Education and the HEART Trust/NTA are sponsors and stakeholders.

The initiative seeks to empower and encourage young people (18-29 years), living in Inner City communities by providing skills training, mentorship and certification in the field of construction. For the second phase of the programme, the NHT contributed a total of $32 million, which will support the training of 100 young people in various construction disciplines. The trainees will be selected from NHT schemes in the Corporate Area and St. Catherine.

THE YEAR AHEAD

Spurred by our achievements in the 2013/14 fiscal year, we move with a renewed passion in continuing to serve you our contributors.

Revision of Product Mix

The NHT recently reintroduced the studio and one-bedroom unit types. Anecdotally, many Jamaicans only require “a start” in the pursuit of home ownership. Many smaller type units that were produced by the NHT have been transformed into homes that would make some of the most affluent Jamaicans beam with pride. Evidence of this can be found in many NHT schemes, however some of the best examples can be found at Duncans Hill, Trelawny; Greater Portmore, St. Catherine; Longville, Clarendon and Woodlawn, Manchester.

It is with these examples in mind that the NHT has undertaken to diversify the product mix offered to our contributors as mandated by our Prime Minister, and informed by our Housing Demand Survey results. The process is already advanced with the revision of planned unit types for several schemes.

Mobile NHT

This was manadated by our Minister the Most Hon. Portia Simpson Miller as a new service delivery channel for reaching existing and potential contributors and mortgagors. The aim is to extend our reach to contributors in rural and deep rural Jamaica, while growing our contributor base. Phase 1 of the programme will be launched on April 16, 2014, after which, Mobile NHT will traverse the length and breadth of rural parishes. The NHT’s loan to perfect titles is believed to

Table 3: Projects Slated for 2014/15 by Number of Solutions

Projects	Number of Solutions
NASHVILLE, ST. MARY	63 serviced lots
HELLSHIRE, PHASE 4, ST. CATHERINE	180 units, 46 serviced lots
CHERRY GARDENS, ST. CATHERINE	31 units
BELLROCK, ST. THOMAS	18 serviced lots
BALACLAVA, ST. ELIZABETH	88 serviced lots, 3 agricultural lots
WICKIE, WACKIE, ST. ANDREW	13 units

be one of the main products that will appeal to citizens in these communities, owing to the frequent cases of common law titles that are typical of these areas.

In furtherance of our mandate we will be completing over 2,000 housing solutions through our various programmes. Construction has commenced on some of these solutions.

While our major priorities remain, we are cognisant that the relative importance of our financial perspective has to be elevated. The threat of rising costs for construction inputs and the current economic challenges demand that the NHT continue to refine its strategies to empower our contributors, and develop communities.

We wish you our contributors, stakeholders, and partners the best for the upcoming financial year and beyond.

Martin M. Miller
Acting Managing Director

Public Sector Customer Satisfaction Competition

NHT receives the Prime Minister's Award for Best Public Sector Agency in the area of customer service. The award marks the second consecutive win for the entity. Sharing in the moment are several employees of the Trust.

Jannett Shirley Brown (left), Clivia Green (centre) & Nikasha Bailey of the Compliance Unit pose with the Prime Minister's Award.

Staff memebers from the Procurement and Stores Unit show off the Prime Minister's Trophy.

Youth Upliftment Through Employment (Y.U.T.E.) Build

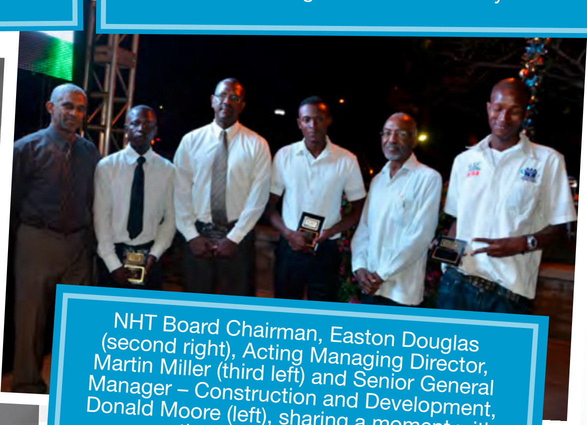
Highlights of the Youth Upliftment Through Employment (Y.U.T.E.) Build first cohort graduation ceremony.

A section of the crowd at the graduation ceremony for the YUTE, First cohort.

Joseph Matalon of the PSOJ being presented with an award of appreciation by a YUTE graduate.

Emprezz Mullings Golding presents an award at the YUTE graduation ceremony.

Graduates are presented with plaques by NHT Board Chairman, Easton Douglas.



NHT Board Chairman, Easton Douglas (second right), Acting Managing Director, Martin Miller (third left) and Senior General Manager – Construction and Development, Donald Moore (left), sharing a moment with three of the graduates.

Handovers and Ground Breakings

Elated residents of Majesty Gardens display their keys and Letters of Commitment at the Handing Over Ceremony held during the year.

Prime Minister, the Most Honourable Portia Simpson Miller and NHT Board Chairman, Easton Douglas, cut the ribbon to one of the units at Majesty Gardens. At left is Donald Moore, Senior General Manager, Construction and Development at the NHT.

Prime Minister, the Most Honourable Portia Simpson Miller, presents the instruments of ownership to a beneficiary of Majesty Gardens Phase 1.

Prime Minister, the Honourable Portia Simpson Miller, breaks ground for Phase 1A of the Majesty Gardens Community Renewal Programme with Minister Morias Guy (right), NHT's Board Chairman Easton Douglas and Acting Managing Director Martin Miller. Other members of the Board look on.

Minister without Portfolio in the Ministry of Transport, Works and Housing, the Honourable Dr. Morias Guy, presents the instruments of ownership to a beneficiary of Majesty Gardens Phase 1.

Employer of Choice

Mr. Neil Miller, Acting Senior General Manager, Corporate Services accepting the 2012 JEF Employer of Choice Award from JEF President David Wan. Announcing the award is Ms. Brenda Cuthbert, CEO JEF (background).

Acting Managing Director Martin Miller (centre), Jeneita Townsend (GM HRM) & Antoinette Young - Irons (left) Training Manager display the JEF Employer of Choice Trophy and the sectional prize for Occupational Safety and Health.

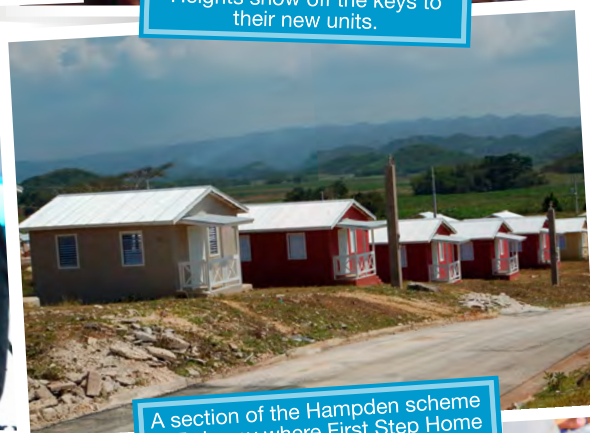
Hampden Handover


First Step model unit on display in Hampden, Trelawny.


New home owners of Hampden Heights show off the keys to their new units.


A new resident of Hampden Heights is presented with her key by Board Director Sonia Hyman.


Prime Minister, Portia Simpson Miller congratulating a new homeowner at Hampden, Trelawny.


A section of the Hampden scheme in Trelawny where First Step Home units were constructed.


Students of Muschette High School entertain the gathering at the Hampden Heights handover ceremony.

NHT at Play


Staff competing in the Inter-Department Netball Competition.


NHT's representatives to the Sigma Corporate Run 2014.

NHT at Play

Staff competing in the Inter-Department Football Competition.

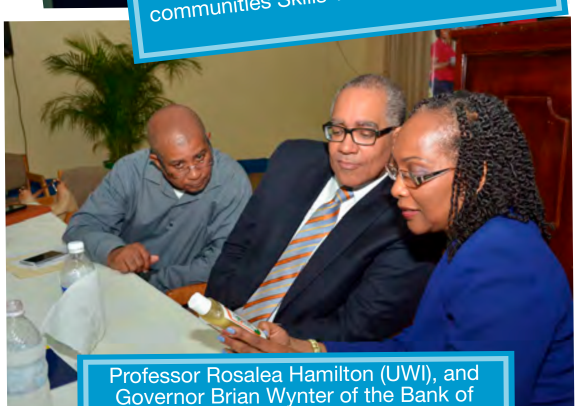
Shawn Miller lays up during the finals of the Business House Basketball Competition. Javon Bailey (left) looks on.

Captain Clifton Lumsden, President of the Jamaica Basketball Association presents the Champions Trophy to Lovern McDonald and the NHT team.

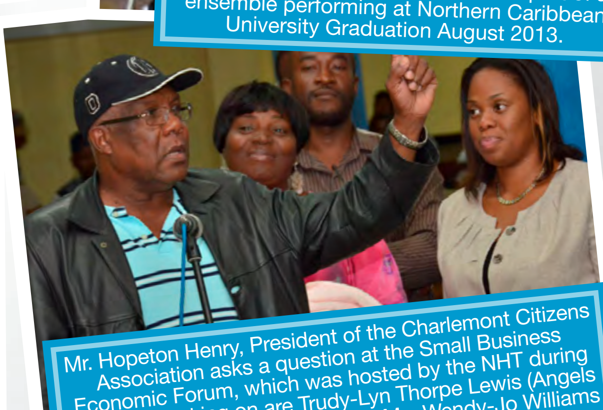
Social Development in Action

Participants from the NHT ICHP communities Skills Training programme.

Members of the Providence Heights Music for Social Transformation programme as part of an ensemble performing at Northern Caribbean University Graduation August 2013.



Professor Rosalea Hamilton (UWI), and Governor Brian Wynter of the Bank of Jamaica (centre), read the label of a product displayed at the Small Business



Mr. Hopeton Henry, President of the Charlemont Citizens Association asks a question at the Small Business Economic Forum, which was hosted by the NHT during the year, Looking on are Trudy-Lyn Thorpe Lewis (Angels Grove), Vaughn Moore (NHT) and Ms. Wendy-Jo Williams (right), Social Development Manager at the NHT.

DIRECTORS' REPORT

1. Statement of Profit and Loss and Other Comprehensive Income Year Ended March 31, 2014

	2014 $'000	2013 $'000
Non-refundable employers' contributions	10,732,933	11,390,873
Interest revenue:		
- Loans	7,693,814	6,670,432
- Investments	1,580,657	2,175,537
	9,274,471	8,845,969
Bonus on employees' contributions	(1,325,628)	(1,191,696)
Net interest revenue	7,948,843	7,654,273
Other gains on securities carried at fair value through profit or loss	292,833	242,376
Dividends from equity investments	14,287	28,459
Service charge on loans to beneficiaries	855,257	711,076
Miscellaneous	1,434,316	1,582,049
	10,545,536	10,218,233
	21,278,469	21,609,106
Operating expenses	5,106,979	4,290,512
Increase in allowance for impairment on loans receivable	155,971	26,520
Losses (Gains) on projects (including allowance for impairment)	276,449	(260,934)
Special subsidies and grants	514,172	319,085
Restructuring costs	-	2,223
Loss on disposal of investment securities	44,965	51,292
Share of comprehensive losses of associates	37,454	40,195
	6,135,990	4,468,893

1. Statement of Profit and Loss and Other Comprehensive Income Year Ended March 31, 2014 (Cont'd)

	2014 $'000	2013 $'000
PROFIT BEFORE TAXATION	15,142,479	17,140,213
Taxation	(992,916)	(857,837)
PROFIT FOR THE YEAR	14,149,563	16,282,376
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
- Gains (Losses) on available-for-sale financial assets	129,226	(1,687,829)
Items that will not be reclassified subsequently to profit or loss:		
- Remeasurement gains(losses) on defined benefit plan	249,759	(194,006)
- Deferred tax on remeasurement gains (losses) on defined benefit plan	(62,440)	48,502
- Reduction in deferred tax liability on revaluation of property, plant and equipment	758	9,098
	188,077	(136,406)
Other comprehensive income (expense) for the year, net of tax	317,303	(1,824,235)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14,466,866	14,458,141

2. The Board of Directors

Hon. Easton Douglas, O.J., C.D., J.P., M.Sc., FRICS, Chairman
Robert Buddan
Helene Davis-Whyte, C.D.
O'neil Grant
Sonia Hyman
Vincent Morrison, C.D.
Senator Lambert Brown, C.D.
Brenda Cuthbert
Senator Kavan Gayle, O.D.
Norman Horne
Percival La Touche

3. The Auditors

Effective November 2013, Ernst & Young, Chartered Accountants, have been appointed auditors for a period of one year.

4. The Employees

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

FINANCIAL STATEMENTS
2013/14

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INDEPENDENT AUDITORS' REPORT

YEAR ENDED MARCH 31, 2014

Building a better working world

Chartered Accountants

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Kingston 8
Jamaica, W.I.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The National Housing Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the National Housing Trust (the Trust), which comprise the statement of financial position as at March 31, 2014, the statement of profit and loss and other comprehensive income, the statement of changes in accumulated fund and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the National Housing Trust Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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.

Building a better working world

Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Trust as at March 31, 2014 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the National Housing Trust Act.

Other Matter

The financial statements of the Trust for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 29, 2013.

Report on additional requirements of the National Housing Trust Act

As detailed in Note 21(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.

Ernst & Young

Chartered Accountants

Kingston, Jamaica
May 26, 2014

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

	Notes	2014 $'000	2013 $'000	2012 $'000
ASSETS				
Cash and bank balances	6	4,788,725	3,113,815	5,853,929
Receivables and prepayments	7	1,216,057	1,102,830	790,265
Non-current assets held for sale	8	70,904	70,904	70,904
Securities purchased under resale agreements	9	579,059	684,147	1,097,979
Investment securities	10	14,778,869	20,705,907	21,744,980
Taxation recoverable	31(a)	5,615,340	5,250,174	4,678,670
Loans receivable	11,12	166,336,403	148,065,717	129,364,036
Inventories	13	8,822,275	11,372,815	9,902,862
Intangible assets	14	25,920	28,135	30,543
Investments in associates	15	1,139,453	1,176,907	1,217,102
Retirement benefit asset	16,41	1,464,980	1,561,960	1,563,880
Investment property	17	39,000	46,600	-
Property, plant and equipment	18	1,412,941	1,432,953	1,466,206
Total assets		206,289,926	194,612,864	177,781,356
LIABILITIES AND ACCUMULATED FUND				
LIABILITIES				
Payables and accruals	19	2,651,673	2,789,319	1,890,714
Provisions	20	182,285	114,243	109,667
Refundable contributions	21	75,539,203	67,971,646	62,177,515
Deferred tax liabilities	22,41	592,376	678,997	856,046
Retirement benefit obligation	16,41	216,912	159,166	141,091
Taxation payable	31(b)	1,363,620	222,502	2,245,216
		80,546,069	71,935,873	67,420,249
ACCUMULATED FUND				
Fair value and other reserves	23	1,187,086	1,057,186	2,735,980
Mortgage subsidy reserve	24	1,842,395	1,398,354	798,440
Peril reserve	25	3,269,997	2,946,858	2,607,465
Loan loss reserve	11,26	4,323,891	3,920,910	3,330,359
Accumulated profit	41	115,120,488	113,353,683	100,888,863
		125,743,857	122,676,991	110,361,107
Total liabilities and accumulated fund		206,289,926	194,612,864	177,781,356

The accompanying notes form an integral part of these financial statements.

The financial statements were approved on May 26, 2014 by the Board of Directors and signed on its behalf by:

.... Easton Douglas – Chairman

.... Martin Miller – Managing Director (Acting)

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2014

	Notes	2014 $'000	2013 $'000
Non-refundable employers' contributions	2(c)	10,732,933	11,390,873
Interest revenue:			
- Loans	32	7,693,814	6,670,432
- Investments	32	1,580,657	2,175,537
		9,274,471	8,845,969
Bonus on employees' contributions	32	(1,325,628)	(1,191,696)
Net interest revenue		7,948,843	7,654,273
Other gains on securities carried at fair value through profit or loss	10(a)	292,833	242,376
Dividends from equity investments	32	14,287	28,459
Service charge on loans to beneficiaries	11(p)	855,257	711,076
Miscellaneous	28	1,434,316	1,582,049
		10,545,536	10,218,233
		21,278,469	21,609,106
Operating expenses	41	5,106,979	4,290,512
Increase in allowance for impairment on loans receivable	11(o)	155,971	26,520
Losses (Gains) on projects (including allowance for impairment)	13(b)	276,449	(260,934)
Special subsidies and grants	29,41	514,172	319,085
Restructuring costs	30	-	2,223
Loss on disposal of investment securities	32(c)	44,965	51,292
Share of comprehensive losses of associates	15	37,454	40,195
		6,135,990	4,468,893
PROFIT BEFORE TAXATION		15,142,479	17,140,213
Taxation	31(c),41	(992,916)	(857,837)
PROFIT FOR THE YEAR	32,41	14,149,563	16,282,376
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
- Gains (Losses) on available-for-sale financial assets	23	129,226	(1,687,829)
Items that will not be reclassified subsequently to profit or loss:			
- Remeasurement gains(losses) on defined benefit plan	16	249,759	(194,006)
- Deferred tax on remeasurement gains (losses) on defined benefit plan	22,41	(62,440)	48,502
- Reduction in deferred tax liability on revaluation of property, plant and equipment	23	758	9,098
		188,077	(136,406)
Other comprehensive income (expense) for the year, net of tax	41	317,303	(1,824,235)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	41	14,466,866	14,458,141

The accompany notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN ACCUMULATED FUND

YEAR ENDED MARCH 31, 2014

	Notes	Non-refundable employers' contributions	Fair value and other Reserves	Mortgage subsidy reserve	Peril Reserve	Loan loss reserve	Accumulated profit	Total accumulated fund
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at April 1, 2012, as previously reported		78,686,847	2,735,980	-	2,607,465	3,330,359	21,939,916	109,300,567
Adjustment in respect of restatements	41	(78,686,847)	-	798,440	-	-	78,948,947	1,060,540
Balances at April 1, 2012, as restated		-	2,735,980	798,440	2,607,465	3,330,359	100,888,863	110,361,107
Profit for the year, as restated	41	-	-	-	-	-	16,282,376	16,282,376
Other comprehensive expense for the year, as restated	41	-	(1,678,731)	-	-	-	(145,504)	(1,824,235)
Total comprehensive income for the year, as restated	41	-	(1,678,731)	-	-	-	16,136,872	14,458,141
Recognised directly in accumulated fund:								
Loss on recognition of fixed rate accreting notes (FRAN) – National Debt Exchange	10(b)(iv)	-	-	-	-	-	(1,142,257)	(1,142,257)
Special Distribution	27	-	-	-	-	-	(1,000,000)	(1,000,000)
Contribution shortage on annual return	23	-	(63)	-	-	-	63	-
Transfers to (from) accumulated profit	24,25,26	-	-	599,914	339,393	590,551	(1,529,858)	-
Balance at March 31, 2013, as restated	41	-	1,057,186	1,398,354	2,946,858	3,920,910	113,353,683	122,676,991
Profit for the year		-	-	-	-	-	14,149,563	14,149,563
Other comprehensive income for the year		-	129,984	-	-	-	187,319	317,303
Total comprehensive income for the year		-	129,984	-	-	-	14,336,882	14,466,866
Recognised directly in accumulated fund:								
Transfer to consolidated fund	27	-	-	-	-	-	(11,400,000)	(11,400,000)
Contribution shortage on annual return	23	-	(84)	-	-	-	84	-
Transfers to (from) accumulated profit	24,25,26	-	-	444,041	323,139	402,981	(1,170,161)	-
Balance at March 31, 2014		-	1,187,086	1,842,395	3,269,997	4,323,891	115,120,488	125,743,857

The accompany notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014

	Notes	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		14,149,563	16,282,376
Adjustments to profit for the year	40	(7,564,957)	(8,292,597)
		6,584,606	7,989,779
Increase in operating assets			
Receivables and prepayments		(113,725)	(310,005)
Contributions retirement benefits		(142,341)	(134,915)
(Decrease) Increase in operating liabilities:			
Payables and accruals		(137,646)	898,605
Provisions utilised		(214,512)	-
Cash provided by operations		5,976,382	8,443,464
Interest received		9,311,686	8,554,282
Tax paid		(365,267)	(3,571,504)
Cash provided by operating activities		14,922,801	13,426,242
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of securities purchased under resale agreements		(1,498,313)	(2,613,840)
Proceeds on encashment of securities purchased under resale agreements		1,629,314	3,089,070
Acquisition of investment securities		(598,409)	(1,611,999)
Proceeds on encashment of investment securities		7,339,030	496,220
Loans receivable, less recoveries		(17,554,165)	(17,695,382)
Decrease (Increase) in inventories (net)		2,664,120	(1,332,202)
Intangible assets	14	(16,224)	(14,595)
Acquisition of property, plant and equipment	18	(86,414)	(90,983)
Proceeds on disposal of property, plant and equipment		-	1,053
Cash used in investing activities		(8,121,061)	(19,772,658)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employees		10,679,447	8,510,625
Refund of employees' contributions		(4,437,518)	(3,908,190)
Transfer to consolidated fund		(11,400,000)	-
Special distribution		-	(1,000,000)
Cash (used in) provided by financing activities		(5,158,071)	3,602,435
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,643,669	(2,743,981)
OPENING CASH AND CASH EQUIVALENTS		3,106,566	5,829,499
Effect of foreign exchange rate changes		33,299	21,048
CLOSING CASH AND CASH EQUIVALENTS	6	4,783,534	3,106,566

The accompany notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

1 IDENTIFICATION

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

The functions of the Trust are:

(a) 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.

(b) To enhance the usefulness of the funds of the Trust by promoting greater efficiency in the housing sector.

National Housing Trust (Special Provisions) Act, 2013

In addition to the functions specified in (a) and (b) above, the Trust may provide financing up to to a maximum annual amount of eleven billion, four hundred million dollars for the fiscal consolidation in respect of each financial years ending respectively, on

- March 31, 2014
- March 31, 2015
- March 31, 2016 and
- March 31, 2017

Financing provided may be by way of distribution, grant or otherwise as the Minister responsible for finance may determine.

Other

These financial statements include the Trust's share of the results of the Trust's associated company (Note 15).

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

2 CONTRIBUTIONS AND BENEFITS

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

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

- (i) loans for housing acquisition or improvement;
- (ii) contribution refunds including bonuses awarded in the eighth year after the first contribution year and annually thereafter for each successive year in which contributions were made;
- (iii) contribution refunds in the event of death, invalidity and other circumstances prescribed.

(c) Each year's contributions made by employers in respect of the period from inception to July 31, 1979 were refundable twenty-five years after the end of the year in which they were made. These amounts have been substantially repaid subject to contributors 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.

3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods)

In the current year, the Trust has applied a number of new and revised IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period. These are listed below.

IFRS 13 *Fair Value Management*

IFRS 13 establishes a single source of guidance of fair value measurements and disclosures about fair value measurements. The Scope of IFRS is broad; the fair value measurement requirements of IFRS 13 apply to both financial instruments and non-financial instruments for which other IFRS require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair valued (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price. IFRS 13 also includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standards in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Trust has not made any new disclosures required by IFRS 13 for the 2013 comparative period (Please see Notes 17 and 36 for the 2013/2014 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 introduce new terminology, whose use is not mandatory, for the statements of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The Trust adopted the change in name. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. The amendments to IAS 1 also require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Annual Improvements to IFRS 2009 – 2011 Cycle issued in May 2012

- **Amendments to IAS *Presentation of Financial Statements***
  The Annual Improvements to IFRS 2009 – 2011 have made a number of amendments to IFRS. The amendments that are relevant to the Trust are listed below.

  The amendments to IAS 1 gives guidance on when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

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

3.1 Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods) (Cont'd)

Annual Improvements to IFRS 2009 – 2011 Cycle issued in May 2012 (Cont'd)

- **Amendments to IAS *Presentation of Financial Statements (Cont'd)***
  In the current year, the Trust has applied IAS 19 Employee Benefits (as revised in 2011) and effected certain restatements which have resulted in changes to the information presented in the statement of financial position as at April 1, 2012. In accordance with the amendments to IAS 1, the Trust has presented a third statement of financial position as at April 1, 2012 without the related notes except for the disclosure requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. (See Note 41 for disclosure of the effect of the changes).

IAS 19 *Employee Benefits (as revised in 2011)*

In the current year, the Trust has applied IAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on the plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. The amended standard requires retrospective application with certain limited exceptions. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. (See Notes 16 and 41 for disclosures of the effects of the changes).

The Trust has applied the relevant transitional provisions.

3.2 ***Standards and Interpretations adopted with no effect on financial statements***

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

		Effective for annual periods beginning on or after
Amendments to Standards		
IAS 1, 16, 32, 34 and IFRS 1	Amendment arising from 2009 - 2011 Annual Improvements to IFRS	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures	January 1, 2013
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting financial assets and financial liabilities	January 1, 2013

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

3.2 ***Standards and Interpretations adopted with no effect on financial statements (Cont'd)***

		Effective for annual periods beginning on or after
Amendments to Standards (Cont'd)		
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 10, 11, and 12	Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities - Transition guidance	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosures of Interests in Other Entities	January 1, 2013
IFRIC 20	Stripping costs in the Production Phase of a Surface Mine	January 1, 2013

3.3 ***Standards and interpretations in issue not yet effective***

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

		Effective for annual periods beginning on or after
New and Revised Standards		
IAS 16, 24, 38 and IFRS 2, 3, 8 and 13	Amendments arising from 2010 – 2012 Annual Improvements to IFRS	July 1, 2014
IAS 40 and IFRS 1, 3 and 13	Amendments arising from 2011 – 2013 Annual Improvements to IFRS	July 1, 2014
IAS 19	Employee Benefits – Amendment to clarify the requirements that relate to how contributions from employees or third parties linked to service should be attributed to periods of service	July 1, 2014
IAS 32	Financial Instruments: - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to continue to apply hedge accounting requirements	When IFRS 9 is applied
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendment for Government loan with a below-market rate of interest when transitioning to IFRS	July 1, 2013
IFRS 7	Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2015 (or otherwise when IFRS 9 is first applied)
	- Additional hedge accounting disclosures (and consequential amendments)	When IFRS 9 is applied

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

3.3 *Standards and interpretations in issue not yet effective (Cont'd)*

		Effective for annual periods beginning on or after
New and Revised Standards (Cont'd)		
IFRS 9	Financial Instruments: Classification and Measurement of financial assets	January 1, 2018
IFRS 10, 12 and IAS 27	Consolidated Financial Statements, Disclosure of Interests In Other Entities, and Separate Financial Statements - Amendments for investment entities	January 1, 2014
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
New and Revised Interpretations		
IFRIC 21	Levies	January 1, 2014

New and Revised Standards and Interpretations in issue not yet effective that are relevant

The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the Trust and are likely to impact amounts reported in the Trust's financial statements:

- IFRS 9 *Financial Instruments*

  IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

  Key requirements of IFRS 9:

  - All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  - With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors and management anticipate that the application of IFRS 9 may impact the amounts reported in respect of the Trust's financial assets and liabilities. However, the directors and management have not yet completed their detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of compliance

The Trust's financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the relevant requirements of the National Housing Trust Act.

4.2 Basis of preparation

These financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

4.3 Fair value measurement

The Trust measures financial instruments and non-financial assets such as investment properties, at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Trust.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Trust's Board of Directors determines the policies and procedures for recurring fair value measurement, such as investment properties and available-for-sale financial assets.

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

4.3 **Fair value measurement (Cont'd)**

External valuers are involved for valuation of certain assets, such as investment properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, the Trust analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Trust's accounting policies.

The Trust, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.4 **Financial instruments**

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

Financial assets of the Trust include any asset that is:

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

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

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

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

Financial assets and financial liabilities are recognised on the Trust's statement of financial position when the Trust becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The fair values of the financial instruments are discussed in Note 36.

4.4.1 ***Financial assets***

These are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by regulation or convention in the market place.

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

4.4 **Financial instruments (Cont'd)**

4.4.1 ***Financial assets (Cont'd)***

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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

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

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

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
- on initial recognition it is part of a portfolio of identified 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 and effective as a hedging instrument.

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

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

Financial assets at FVTPL are stated at fair value based on quoted prices with any gains or losses arising on remeasurement 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)**

4.4 **Financial instruments (Cont'd)**

4.4.1 ***Financial assets (Cont'd)***

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

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 the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

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

b) Loans and receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Trust's portfolio of loans and receivables including cash and cash equivalents, loans receivable, securities purchased under resale agreements and other short-term receivables 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 effect of discounting is immaterial.

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.

Loans receivable and service charge on loans

Loans receivable

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

Service charge on loans to beneficiaries

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

c) Available-for-sale (AFS) financial assets

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those neither classified as held for trading nor designated at fair value through profit or loss.

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

4.4 **Financial instruments (Cont'd)**

4.4.1 ***Financial assets (Cont'd)***

c) Available-for-sale (AFS) financial assets (Cont'd)

Debt securities in this category are those that 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.

Securities held by the Trust that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period based on quoted bid prices or amounts derived from cash flow models.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less any identified impairment losses at the end of each reporting period.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of fair value and other reserves in accumulated fund. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value and other reserves is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. 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.

d) Impairment of financial assets

Financial assets other than those held for trading or at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

For AFS equity investments, 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, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

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

4.4 **Financial instruments (Cont'd)**

4.4.1 ***Financial assets (Cont'd)***

d) Impairment of financial assets (Cont'd)

For financial assets carried at amortised cost, the amount of the impairment loss recognised 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.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

A loan is considered impaired when it is in arrears for 90 days and over and when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced, by recording specific allowances for loan losses, to its estimated recoverable amount, which is the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

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

IFRS permits specific loan loss and general allowances based upon the Trust's actual credit loss experience. General provisions are calculated on a portfolio basis based on the Trust's actual write off experience over the last two years. Prudential allowances by management for loan loss requirements are maintained at the higher of 3% of the total mortgage loans receivable (less loan financing to developers) net of IFRS provision, and the total arrears for over 90 days for which allowances are made. The loan loss allowance that is in excess of IFRS requirements is treated as an appropriation of undistributed surplus and included in a loan loss reserve (Note 26).

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.

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

4.4 **Financial instruments (Cont'd)**

4.4.1 ***Financial assets (Cont'd)***

d) Impairment of financial assets (Cont'd)

Loans receivable (Cont'd)

Renegotiated loans

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

Other

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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 in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

e) Derecognition of financial assets

The Trust recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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 asset and an associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, the Trust continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognltion of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity Is recognised in profit or loss.

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

4.4 **Financial instruments (Cont'd)**

4.4.1 ***Financial assets (Cont'd)***

e) Derecognition of financial assets (Cont'd)

On derecognition of a financial asset other than in its entirety (e.g. when the Trust retains an option to repurchase part of a transferred asset), the Trust allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

4.4.2 ***Financial liabilities***

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on the effective interest basis, except for short-term liabilities when the recognition of interest would be immaterial. The Trust's financial liabilities comprise accounts payable and refundable contributions.

Derecognition of financial liabilities

The Trust derecognises financial liabilities when and only when, the Trust's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.5 **Non-current assets held for sale**

The Trust classifies a non-current asset (or disposal group) as held-for-sale if the carrying amount will be recovered principally through a sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The non-current asset (or disposal group) classified as held for sale is measured at the lower of its previous carrying amount and fair value less costs to sell.

4.6 **Taxation**

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

<u>Current tax</u>

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from 'surplus before taxation' as reported in the statement of profit and loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Trust's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

4.6 **Taxation (Cont'd)**

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable surpluses will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 surplus against which to utilise 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 the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable surpluses 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 in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised in income, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4.7 **Inventories**

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

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

4.8 **Intangible assets**

4.8.1 Internally-generated intangible assets and research and development expenditure

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

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible assets first meet the recognition criteria above.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

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

4.8.2 Intangible assets acquired separately

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

4.8.3 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets are recognised in profit or loss when the asset is derecognised.

4.9 **Investments in associates**

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

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

4.9 **Investments in associates (Cont'd)**

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Specifically, the Trust controls an investee if and only if the Trust has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Trust has less than a majority of the voting or similar rights of an investee, the Trust considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Trust's voting rights and potential voting rights

The Trust re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Trust's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Trust's share of net assets of the associate since the acquisition date. The statement of profit or loss reflects the Trust's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the Trust's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Trust recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Trust and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Trust's share of profit or loss of an associate is shown on the face of the statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate, if any.

The financial statements of the associate is prepared for the same reporting period as the Trust. When necessary, adjustments are made to bring the accounting policies in line with those of the Trust.

After application of the equity method, the Trust determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Trust determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Trust calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Trust measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

4.10 **Employee benefits**

Pension obligations

The Trust has established a defined-benefit pension scheme for its employees that is administered by Trustees and managed by Sagicor Life Jamaica Limited. The scheme's assets are separately held and the scheme is funded by employee contributions of 5% of pensionable salaries (with the option of contributing an additional 5%) and employer contributions as recommended by independent actuaries of 8.5% (2013: 8.5%).

The cost of providing benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Trust recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Trust recognises the following changes in the net defined benefit obligation under 'administration expenses' in the statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

Other post-retirement obligations

The Trust provides medical benefits for its full time employees and pensioners retiring after May 1, 2007. The Trust pays the full cost of benefits for the pensioners and their spouses. Insurance coverage continues to the surviving spouses after the death of the retirees. The plan was amended effective May 1, 2010 to discontinue coverage of spouses. With effect from this date spouses of new retirees are not eligible for benefit under the Health Plan. The entitlement to these benefits is based on the employee remaining in service up to the retirement age and the completion of a minimum service period. The cost of providing these benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out at the end of each reporting period. The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation.

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 and is classified as current or non-current based on when the payment is expected to be made.

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

4.11 **Investment Property**

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Trust accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

4.12 **Property, plant and equipment**

Property, plant and equipment 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 any subsequent impairment losses.

Properties in the course of construction for administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, are the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than land, artwork and properties under construction) less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.13 **Impairment of tangible and intangible assets**

At the end of each reporting period, 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). When 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. When 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.

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

4.13 **Impairment of tangible and intangible assets (Cont'd)**

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

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

4.14 **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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

<u>Restructurings</u>
A restructuring provision is recognised when the Trust has developed a detailed formal plan for the 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 any ongoing activities of the Trust.

4.15 **Contributions**

Contributions are recorded when received as this is considered 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. Accruals are however made for expected collections based on prior period collections.

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 to revenue each year.

4.16 **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.

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

4.17 **Related party**

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

(a) A person or close member of that person's family is related to the Trust if that person:

(i) has control or joint control over the Trust;
(ii) has a significant influence over the Trust; or
(iii) is a member of the key management personnel of the Trust or of a parent of the Trust.

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

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

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

4.18 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of business.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Trust and the amount of income can be measured reliably. Interest income is recognised on the accrual 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 amount on initial recognition.

Dividend income
Dividend income from equity investments is recognised when the Trust's rights to receive payments have been established (provided that it is probable that the economic benefits will flow to the Trust and the amount of the income can be measure reliably).

Rental income
The Trust's policy for recognition of revenue from operating leases is described at 'leases' below.

Disposal of inventory units
Revenue from the disposal of inventory units and offset by cost of 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.

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

4.18 **Revenue recognition (Cont'd)**

Disposal of inventory units (Cont'd)
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.

4.19 **Bonus on employees' contributions**

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

4.20 **Leases**

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

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

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.

4.21 **Foreign currencies**

In preparing the financial statements of the Trust, transactions in currencies other than the Trust's functional currency (Jamaican dollar) are recognised at the rates of exchange prevailing on the dates of those transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical costs in foreign currency are not re-translated. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. The gain or loss arising on the translation of non-monetary items carried at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. Other exchange gains and losses are recognised in profit or loss for the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where such exchange differences are regarded as an adjustment to interest cost on foreign currency borrowings.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Litigations and claims

As detailed in Note 39, the Trust has recorded an additional provision of $96.25 million relating to a judgement of $214.50 million handed down by the Court of Appeal during the year in respect of interest charges to a developer on a Trust financed housing project. The Trust has been granted leave to Appeal the United Kingdom Privy Council (Note 39(i)).

In making this judgement, management considered the relevant facts and the opinion of its attorneys.

Security - loans receivable

As indicated in Note 11, there are impaired loans held by the Trust amounting to approximately $15.64 billion (2013: $14.03 billion) for which impairment provisions for IFRS purposes amounted to approximately $1.07 billion (2013: $934.41 million) in respect of loans to beneficiaries and developers approved by the Trust. There are additional prudential provisions (loan loss reserve) through an appropriation of accumulated profit of $4.32 billion (2013: $3.92 billion). Management believes, based on experience, that ultimately outstanding amounts and accumulated interest will be recovered through the realisation of securities, although, as disclosed in Note 12, at year-end the Trust did not hold title deeds to properties securing mortgages and amounts due from developers totaling approximately $3.11 billion (2013: $895.98 million).

Key sources of estimation uncertainty

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

Impairment losses on loans and advances

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

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

Key sources of estimation uncertainty

Impairment losses on loans and advances (Cont'd)

In respect of loans to beneficiaries, the value of the security used in the determination of the estimated recoverable amounts is based on proxy values determined by the Trust's Private Treaty Department, which values take cognizance of factors such as past real estate sales of houses of similar size and location. If the proxy values determined by the Trust's Private Treaty Department differ by ±10% from those used in determining recoverable amounts, the portion of loans to beneficiaries considered unsecured would decrease/increase by $117.0 million/$163.9 million, respectively (2013: $103.1 million/$156.7 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 minimise any differences between loss estimates and actual loss experience.

To the extent that the expected future cash flows in respect of the affected mortgage loans to beneficiaries differs by ±1%, the resulting provision for impairment would be estimated to be $12.7 million lower or $13.5 million greater (2013: $12.2 million lower or $12.8 million greater).

Revaluation of investment property

The Trust carries its investment property at fair value, with changes in fair value being recognised in the statement of profit or loss. The Trust engaged an external valuation specialist to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the assets, the Trust uses market observable data to the extent it is available.

Information about the valuation techniques and inputs used in determining the fair value of the investment property is disclosed in Note 17.

Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made (See Notes 22 and 31). A change of ±10% in the final tax outcome of these estimates would have the effect of approximately $105.54 million (2013: $80.93 million) increase/decrease in the current and deferred tax provisions.

Investment in associates

The Trust's share of associates' profits or losses (Note 15(a)) is based on available unaudited financial statements of the associates. The associates' audited financial statements, which usually become available after the issuing the Trust's financial statements may differ significantly from the unaudited figures.

Peril insurance

The Trust maintains a reserve equivalent to the insurance policy deductible limit of US$30 million (2013: 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 33(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 and cash equivalents, securities purchased under resale agreements and investment securities (Note 25).

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

Key sources of estimation uncertainty (Cont'd)

Employee benefit – pension obligation

As disclosed in Note 16, the Trust operates a defined-benefit pension plan and provides post-retirement medical benefits. The amounts shown in the statement of financial position as an asset of approximately $1.46 billion (2013: $1.56 billion) in respect of the defined benefit plan and a liability of approximately $216.91 million (2013: $159.17 million) in respect of the post-retirement medical benefit are subject to estimates in respect of periodic costs which net costs would be dependent on future returns on assets, future discount rates, rates of salary increases and the mortality rates in respect of the pension plan, as well as inflation rates and rates of increases in medical costs for the post-retirement medical plan. External actuaries are contracted by the Trust in this regard.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date.

The discount rates which are used to determine the present value of estimated cash outflows expected to be required to settle any future pension, medical and health obligation are determined at the end of each reporting period by the contracted external actuaries. The Trust's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds or, in their absence, certain Government of Jamaica bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of the bonds include the issue size of the bonds and the quality of the bonds.

For the benefits scheme, the benefit is derived using information supplied by the Trust and the Fund managers in relation to full members of the scheme.

Judgement is also exercised in determining the proportionate share of the health obligation and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions to the plan.

Details of sensitivity analyses in respect of the defined benefit plans are disclosed at Note 16(h).

Fair value of investment securities

As described in Note 4, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Trust. The financial assets of the Trust at year end stated at fair value using the above valuation techniques amounted to $12.34 billion (2013: $18.48 billion) (Note 36). Based on circumstances specific to certain securities, the fair value amounting to $234.98 million (2013: $294.99 million) was derived using pricing models adjusted for additional risk premium.

Service charge on loans to beneficiaries

As described in Note 4, these charges are amortised on the straight-line basis over five years which is the average time frame, as estimated by the Trust, where expenses directly related to these charges are incurred. The amount amortised during the year was approximately $855.26 million (2013: $711.08 million).

6 CASH AND BANK BALANCES

	2014	2013
	$'000	$'000
Reverse repurchase agreements:		
- Jamaica dollar (Note 6(a))	2,894,474	2,331,929
- United States dollar (Note 6(b))	530,618	124,892
Bank balances (Note 6(c))	1,358,645	651,992
Cash in hand	4,988	5,002
	4,788,725	3,113,815
Less interest receivable	(5,191)	(7,249)
Cash and cash equivalents	4,783,534	3,106,566

(a) These reverse repurchase agreements bear interest at rates ranging from 9.85% to 9.90% (2013: 5.75% to 5.85%) per annum and are fully backed by Government of Jamaica securities. At March 31, 2014, the interest receivable included in these agreements amounted to approximately $4.47 million (2013: $6.93 million). The nominal value of the underlying securities at March 31, 2014 was $3.18 billion (2013: $2.64 billion).

(b) These reverse repurchase agreements of US$4.84 million (2013: US$1.26 million) bear interest at rates ranging from 3.20% to 3.40% (2013: 3.10% to 3.25%) per annum and are fully backed by Government of Jamaica securities and are designated to fund the Trust's peril reserve (Note 25). At March 31, 2014, the interest receivable included in these instruments amounted to approximately $0.72 million (2013: $0.32 million). The nominal value of the underlying securities at March 31, 2014 was $5.08 million (2013: $1.64 million).

(c) Bank balances include foreign currency deposits of approximately $20.83 million (US$0.20 million) (2013: $27.70 million (US$0.28 million)) at interest rate of 0.5% (2013: 0.5%) per annum.

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.

7 RECEIVABLES AND PREPAYMENTS

	2014 $'000	2013 $'000
Staff loans	567,074	441,600
Mortgage litigation receivable (fully provided - see Note 7(a))	53,732	58,456
Death claims recoverable	71,043	188,960
Advances to Jamaica Lifestyle Village (fully provided - see Note 7(a))	63,188	63,188
Prepayments	90,088	17,980
NWC/Greenpond – Sewage Infrastructure receivable	103,980	111,500
Mortgage loan fees receivable (fully provided - see Note 7(a))	63,361	58,140
Receivable on sale of land	13,272	7,792
Other litigation receivable (fully provided - see Note 7(a)) and (Note 39(ii))	144,660	144,660
Taxes recoverable – other (Note 7(b))	230,974	229,569
Other	140,752	106,554
	1,542,124	1,428,399
Less provision for impairment (see note below)	(326,067)	(325,569)
	1,216,057	1,102,830

<u>Movement in provision for impairment</u>

	2014 $'000	2013 $'000
Balance at beginning of the year	325,569	328,129
Increase (Decrease) for the year	498	(2,560)
Balance at end of the year	326,067	325,569

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

(b) Approval was granted to the Trust for the payment of General Consumption Tax, transfer tax, stamp duty and property tax applicable to the operations, to be exempted for the period commencing on April 1, 2012 and ending on March 31, 2014. Consequently, the Trust has made claims in respect of amounts paid during the 2012/2013 financial year.

8 NON-CURRENT ASSETS HELD-FOR-SALE

Land and building are presented as assets held-for-sale, following the commitment of the Trust, in July 2010, to sell the Jamintel building located at 97 Duke Street, Kingston. A deposit was received from the purchaser during 2012/2013. Negotiations are currently being pursued for the balance of the purchase price to be settled in cash and land. An amount of $40 million was received subsequent to year end in April 2014.

At March 31, 2014, the carrying value of the disposal asset is as follows:

	2014 $'000	2013 $'000
Land	12,890	12,890
Building	58,014	58,014
	70,904	70,904

9 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2014 $'000	2013 $'000
Jamaican dollars deposits (Note 9(a))	172,426	-
United States dollar deposits (Note 9(b))	406,633	684,147
	579,059	684,147

(a) These instruments mature within one to two months after year-end, with interest rates ranging between 9.85% and 9.90% per annum. As at March 31, 2014, the interest receivable included in these balances amounted to $2.43 million. The fair value of the underlying securities at March 31, 2014 was $183.64 million.

(b) These instruments totaling approximately US$3.71 million (2013: US$6.88 million) mature within one to three months (2013: one to four months) after year-end with interest rates ranging between 3.50% and 3.60% (2013: 3.00% and 4.20%) per annum and are designated to fund the Trust's peril reserve (Note 25). As at March 31, 2014, the interest receivable included in these balances amounted to $0.64 million (2013: $3.66 million). The fair value of the underlying securities at March 31, 2014 was US$3.79 million (2013: US$7.28 million).

10 INVESTMENT SECURITIES

	2014 $'000	2013 $'000
Securities at fair value through profit or loss (Note10(a))	3,468,598	3,243,538
Available-for-sale securities (Note 10b))	11,310,271	17,462,369
	14,778,869	20,705,907

(a) Securities at fair value through profit or loss represent National Road Operating & Construction Company Limited (NROCC) 4.5% Real Return Bonds. They are denominated in Jamaica dollars and mature on February 6, 2032. Interest on the Bonds is paid semi-annually in arrears and is accrued at a rate of 4.5% per annum on the inflation adjusted principal. Under the terms of the agreement, the principal is adjusted for inflation on the Jamaican "All Group" Consumer Price Index (CPI). The principal and interest are paid by the Government of Jamaica. The Trust has the option to convert the bonds to NROCC shares at redemption.

As at March 31, 2014, interest receivable amounted to $23.26 million (2013: $91.03 million). The fair value gain for the year amounted to $292.83 million (2013: $242.38 million).

(b) Available-for-sale securities comprise:

	2014 $'000	2013 $'000
Equity securities		
Sagicor Life of Jamaica Limited – Universal Investment policy	203,946	174,322
Quoted equities	346,459	310,818
	550,405	485,140

10 **INVESTMENT SECURITIES**

(b) Available-for-sale securities (Cont'd)

	2014 $'000	2013 $'000
Debt securities		
Euro Bonds US$15,631,000 (2013: US$15,904,000) held at interest rates of 8.00% to10.625% (2013: 8.00% to 10.625%) per annum maturing in 2015/16 to 2027/28 (2013: 2015/16 to 2027/2028) (Note 10(b)(i))	1,856,426	1,617,348
Treasury bills at interest rates of 6.70% to 6.75% per annum matured 2013/14	-	102,147
Bank of Jamaica Certificates of Deposits at interest rate of 5.75% to 7.38% per annum matured 2013/14	-	483,930
NWC Variable Rate Corporate Notes at interest rate of 8.44% per annum maturing 2016/17 (Note 10(b)(ii))	37,551	49,815
UWI Senior Secured Corporate Notes at an interest rate of 9.85% per annum maturing 2019/2020 (Note 10(b)(iii))	234,984	294,159
GOJ Fixed Rate Benchmark Notes at interest rate of 7.20% to 11.00% (2013: 7.2% to 11.0%) per annum maturing 2014/15 to 2024/25 (Note 10(b)(iv))	3,107,878	8,298,632
GOJ Fixed Rate Accreting Notes (FRAN) at interest rate of 10% per annum maturing 2028/29 (Note 10(b)(iv))	4,088,105	3,981,334
Bank of Jamaica US$ Certificates of Deposits US$5,550,000 at interest rates of 5.25% to 5.50% per annum maturing 2016/17 to 2017/18	623,246	-
GOJ US$ Benchmark Notes US$7,315,000 (2013: US$21,628,000) at interest rates of 5.25% to 7.00% (2013: 5.25% to 7.00%) per annum maturing 2020/21 to 2019/20 (2013: 2013/14 to 2019/20) (Notes 10(b)(i))	811,676	2,149,864
Note 10(b)(v))	10,759,866	16,977,229
	11,310,271	17,462,369

(i) These investment securities are designated to fund the Trust's peril reserve (Note 25).

(ii) The notes are unsecured obligations of the NWC, however, the Government of Jamaica will irrevocably and unconditionally guarantee the due and punctual payment of interest and principal as and when they come due and to the extent not paid by the Commission.

(iii) These notes are secured by:

- Assignment of tuition fees of the 'full paying' Bachelor of Medicine and Bachelor of Science students, such funds to be held in a designated account maintained at National Commercial Bank Jamaica (NCBJ);
- Assignment of tuition fees of the 'Government Subsidised' medical students, such funds to be held in a designated account maintained at National Commercial Bank Jamaica (NCBJ);
- Irrevocable Letter of Undertaking from UWI to deposit all monthly subvention proceeds received from the Government of Jamaica and due to the Mona Campus, to a designated account maintained at National Commercial Bank Jamaica (NCBJ);
- Debt Service Reserve Account with National Commercial Bank Jamaica (NCBJ), maintaining a minimum of 3-months of interest payment requirement; and
- Any other security documentation that may be required the Arranger and agreed to by the Trust.

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

(b) Available-for-sale securities (Cont'd)

(iv) On February 12, 2013, the Government of Jamaica (GOJ) announced a National Debt Exchange (NDX) offer initiated through the Ministry of Finance and Planning with an expiration date of February 21, 2013. The NDX involved a par-for-par exchange of certain domestic debt instruments ("old notes") or in the case of Fixed Rate Accreting Notes (FRAN), an $80 FRAN for each $100 of old notes issued by the GOJ for new longer dated debt instruments ("new notes"). The new notes had a variety of payment terms, including but not limited to fixed and variable rates in Jamaican Dollars, CPI-indexed in Jamaican dollars and fixed rates in United States dollars. Participation in the NDX was voluntary and open to Jamaican resident holders.

The table below summarises the impact on the Trust's investment portfolio, the Statement of Comprehensive Income and the Statement of Changes in Accumulated Fund for the instruments that were exchanged.

	Nominal value of investment exchanged at February 21, 2013	Loss on exchange	
		Surplus for the year - Other	Accumulated Fund - FRAN
	$'000	$'000	$'000
Investments			
Available-for-sale	J$13,090,433 and US$16,814	67,276	1,142,257

(v) At March 31, 2014, interest receivable included in the above amounted to $188.94 million (2013: $172.96 million).

11 **LOANS RECEIVABLE**

	2014	2013
	$'000	$'000
(a) Loans to beneficiaries selected by the Trust (Note 11(f), (g))		
Mortgage loans	132,518,557	120,064,978
Loans for which mortgage processing is incomplete (Note 11(h))	2,303,238	170,889
Loans through financial institutions (Note 11(i))	534,130	648,808
Loans through joint venture programme (Note 11(j))	1,285	2,365
	135,357,210	120,887,040
Less: allowances for impairment (Note 11(o))	(639,024)	(529,956)
	134,718,186	120,357,084
Less: unexpired service charges (Note 11(p))	(2,497,796)	(2,579,520)
Balance c/f	132,220,390	117,777,564

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

	2014 $'000	2013 $'000
Balance b/f	132,220,390	117,777,564
(b) Loans to Institutions on behalf of beneficiaries selected by the following Agencies approved by the Trust:		
Jamaica Teachers' Association Housing Co-operative Limited (JTAHC):		
Repayable in 25 years at 8% - 18% per annum (Note 11(k)(i))	14,289	16,221
Housing Agency of Jamaica (HAJ):		
Repayable by 2026 at 5% per annum (Note 11(k)(ii))	449,210	489,785
Repayable by 2023 at 3% per annum (Note 11(k)(iii))	256,221	326,418
Repayable by 2018 at 3% per annum (Note 11(k)(iv))	32,743	41,757
Repayable by 2018 at 3% per annum (Note 11(k)(v))	231,318	310,432
Repayable by 2017 at 8% per annum (Note 11(k)(vi))	34,070	41,717
Repayable by 2015 at 8% per annum (Note 11(k)(vii))	7,440	7,440
Joint financing mortgage programme (Note 11(k)(viii))	25,407,870	22,855,846
Special loans through joint financing – Hurricane Ivan (Note 11(k)(ix))	9,720	16,901
Special loans to churches through joint financing – Hurricane Ivan (Note 11(k)(x))	192,071	211,606
Jamaica Defence Force (Note 11(k)(xi))	37,906	43,811
Other institutions	68,404	75,375
	26,741,262	24,437,309
(c) Loan financing to developers (Note 11(l))	4,470,838	3,123,302
Less: allowance for impairment (Note 11(o))	(428,095)	(404,458)
	4,042,743	2,718,844
(d) University of the West Indies		
Loan 1 (Note 11(m))	514,775	540,015
Loan 2 (Note 11(m))	1,915,085	1,706,449
	2,429,860	2,246,464
(e) Jamaica College Trust (Note 11(n))	45,662	46,284
Interest receivable	856,486	839,252
Total	166,336,403	148,065,717

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

(f) The rates of interest payable on loans by the Trust to beneficiaries range from 1% to 7% (2% to 8% prior to May 2010) except for new mortgagors aged 55 years or more who access their loans at rates 2% lower than the rate they would normally receive based on their income bands.

These new mortgagors should, however, have contributed for a minimum of ten years. Public sector workers receive an additional 1% reduction in their interest rates which is available for a period of three years. The loans, together with interest thereon, are repayable in monthly installments over periods ranging up to a maximum of 40 years.

(g) Mortgage loans of $132.52 billion (2013: $120.06 billion) include loans totaling $122.16 million (2013: $90.26 million) in certain schemes for which parent titles have been or will be surrendered to the Registrar of Titles in order for the splinter titles to be prepared. The Trust is taking steps to ensure that all splinter titles are received for such schemes.

(h) 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.

(i) 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.

(j) Loans through joint venture programme

These are loans granted to beneficiaries who are in a position to obtain additional funds from their employers to enable them to purchase housing units.

Under this programme the Trust and the participating employer provide financing on an equal basis equivalent to ninety percent (90%) of the sale price of the units with the employee paying a deposit of 10% (see Note 12(a)(i)).

(k) 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 repayable over a period of 25 years which commenced July 1, 2000 with interest rates ranging from 3% to 18% per annum.

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

(iii) The Trust entered into an agreement in 2001 to make the sum of $1.1 billion available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation PRIDE portfolio. The loan is for a period of 15 years which commenced November 2001, and was repayable, with interest, in instalments of $8.69 million per month. Interest was charged at 8% per annum.

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

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

(iii) (Cont'd)

During 2007/2008, the interest rate on the loan was reduced from 8% to 3% per annum with monthly repayments of $5.32 million to the year 2023, consequent on a request by HAJ to reschedule the loan.

The loan is secured by:

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

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

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

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

(v) The Trust entered into an agreement in 2002 to make the sum of $800 million available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation PRIDE portfolio. The loan was disbursed in September 2002 and the principal was repayable in 120 equal monthly instalments which commenced September 2003. Interest is repayable monthly in arrears on the first business day of each calendar month and payments commenced October 1, 2002. Interest was 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 a request by HAJ to reschedule the loan.

The loan is secured by:

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

(vi) The loan is for a sum of $88.71 million for the purpose of co-financing 279 mortgages in the Greater Portmore Project. The loan is for a period of 15 years and the principal is repayable in 180 equal monthly instalments. Interest is repayable monthly in arrears on the first business day in each calendar month and payments commenced August 2002. Interest is charged at 8% per annum or such other rate as the Trust may from time to time notify the HAJ. The loan is secured by mortgage over land at Barrett Hall Estates registered at Volume 1308 Folio 438.

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

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

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

The loan is secured by:

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

(viii) Joint financing mortgage programme

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

The participating institutions include:

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

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

The obligations of the participating institutions are secured by:

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

(ix) Special loans through joint financing – Hurricane Ivan

In 2004/05, the Trust entered into an agreement with participating institutions to provide funds to assist persons who suffered damages due to Hurricane Ivan.

This involved the utilisation 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

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

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

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

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) was combined to form the loan, which is repayable over 10 years on a quarterly basis and commenced 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.

(x) Special loans to churches through joint venture – Hurricane Ivan

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

The participating institutions include:

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

Interest is charged at a rate of 5% per annum to the Participating Institution for on-lending at a rate of 7% per annum to borrowers who qualify based on the criteria determined by the relevant participating institution (routed through one of the umbrella groups of churches – the Jamaica Council of Churches). The total loan to the participating institutions 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.

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 utilised exclusively for the JDF. The loan is repayable over 15 years in 180 equal monthly installments at an interest rate of 8% per annum.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

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

(l) Loan financing to developers

This represents the total amount of financing provided to public and private developers, inclusive of interest charged during the construction period at rates ranging from 5% to 12% per annum. The loans are secured by title deeds over properties.

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

Loan 1

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.

Loan 2

The loan in the sum of $1.4 billion was disbursed in June 2011 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 3% per annum for the first nine (9) years, thereafter; it will be based on the straight-line method.

In July 2012, the Trust approved an additional construction loan in the amount of $331.85 million. The Trust also approved a reduction of the interest rate in the construction loan from 8% per annum to 5% per annum. The other terms and conditions of the agreement remain unchanged.

The security for the advance is:

(i) Leasehold mortgage in respect to Land contained in Volume 1065 Folio 940.

(ii) Assignment of rental and/or payments arising from the use of units constructed with the Loan, which payments are due to the Borrower from the occupiers of the 600 single and double bedrooms and shared facilities, which are to be constructed for the use by the undergraduate students and are to be located within a cluster of three existing Halls of Residence and the 400 self-contained studio apartments.

(n) Jamaica College Trust

The Trust entered into an agreement with the Jamaica College Trust (JCT) in 2012 to make the sum of $45 million available to the JCT to be utilised exclusively for the purpose of constructing studio apartments together with such necessary infrastructure to accommodate teachers.

Repayment of the principal sum of the loan and interest shall be made in twenty-five (25) years representing three hundred (300) equal consecutive monthly installments on the first day in each calendar month of every year. Interest on the loan is computed at a fixed rate of five percent (5%) per annum or such other rates as the Trust may from time to time notify the Jamaica College Trust.

The obligations of the participating institution are secured by:

(i) First Legal Mortgage over the Project Land

(ii) Assignment of the rental and/or payments arising from the use and occupation of the studio units constructed with the Loan.

(iii) Assignment of the Performance Bond.

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

(n) Jamaica College Trust (Cont'd)

(iv) Assignment of adequate insurance coverage to mitigate loss such as contractors all risk, peril, public liability and employers' liability during the period of construction.
(v) Assignment of insurance coverage at the full insurable value over the building constructed with the loan.

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

	Mortgage Loans	Development Financing	Agencies	Total
	$'000	$'000	$'000	$'000
Balance, April 1, 2012	522,429	384,982	19,439	926,850
Increase (Decrease) in provision for the year	26,483	19,476	(19,439)	26,520
Write-off during the year	(18,956)	-	-	(18,956)
Balance, March 31, 2013	529,956	404,458	-	934,414
Increase in provision for the year	132,334	23,637	-	155,971
Write-off during the year	(23,266)	-	-	(23,266)
Balance, March 31, 2014	639,024	428,095	-	1,067,119

(p) Unexpired service charge on loans to beneficiaries:

	2014	2013
	$'000	$'000
Balance at beginning of the year	2,579,520	2,569,691
Additions during the year	773,533	720,905
Amortisation	(855,257)	(711,076)
Balance at end of the year	2,497,796	2,579,520

(q) Approval process and quality of receivables

Before approving a loan, the Trust uses an evaluation system to assess the potential borrower's eligibility in order to determine if they satisfy the qualifying requirements for a loan from the Trust, and to determine the maximum amount of loan they can afford to borrow from the Trust. For institutional loans, the process involves a comprehensive analysis of the institution's financial standing and their ability to fund their portion of the proposed development (where applicable), with the Trust's placing strict limits on the percentage of total development cost it is willing to finance. 81% (2013: 81%) of the loans to beneficiaries are neither past due nor impaired and are considered to be of good quality.

Of the total category of loans to beneficiaries selected by agencies of the Trust, joint financing mortgage programme accounts for 95.01% (2013: joint financing mortgage programme and HAJ account for 93.53% and 4.98% respectively). Joint financing mortgage programme accounts for 15.27% (2013: 15.44%) of the total loans receivable. There is 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.

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

(r) Past due not impaired loans

Included in the Trust's loans to beneficiaries balance are debtors with a carrying amount of approximately $10.29 billion (2013: $8.57 billion) which are past due at the reporting date and for which the Trust has not made an impairment provision, as there has not been a significant change in the beneficiaries' credit quality and the amounts are still considered fully recoverable.

Ageing of past due but not impaired

	2014 $'000	2013 $'000
30 – 60 days	6,841,631	5,760,206
61 – 90 days	3,452,382	2,815,748
	10,294,013	8,575,954

Ageing of impaired loans

	2014 $'000	2013 $'000
91 – 180 days	4,292,802	3,451,358
181 – 360 days	5,859,338	5,531,127
Over 360 days	5,486,485	5,046,385
Total impaired loans	15,638,625	14,028,870

Provisions 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 utilised in the determination of allowances are based on proxy value estimates developed by the Trust's technical department (see Note 5, Impairment losses on loans and advances).

The provision for credit losses determined based on the Trust's actual credit loss experience is as follows:

	2014 $'000	2013 $'000
Specific provisions	598,766	498,358
General provisions	40,258	31,598
	639,024	529,956
Excess over IFRS provision reflected in loan loss reserve (Note 26)	4,323,891	3,920,910

(s) Loans to beneficiaries renegotiated

Features of these loans include extended payment arrangements, modification to interest rates and deferral of payments. Following restructuring, a previously overdue beneficiary account is reset to a normal status and managed together with other similar accounts. Policies and practices in respect of these activities are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

As at March 31, 2014, loans totaling $1.56 billion (2013: $1.49 billion) were renegotiated which would have otherwise been past due or impaired.

12 **STATUS OF SECURITIES FOR FINANCING FOR DEVELOPERS AND LOANS TO BENEFICIARIES**

(a) The Trust does not hold title deeds as security in respect of the following investments:

		2014	2013
		$'000	$'000
(i)	Loans through joint venture mortgage programme (Note 12(b))	1,265	2,365
(ii)	Other loans (Note 12(c))		
	Mortgage loans to beneficiaries:		
	- Schemes for which splintering of parent titles is in process or has not yet commenced	122,155	90,263
	- Schemes for which mortgage processing is incomplete and land titles are not available	2,303,238	170,889
	- Non-scheme loans (Note 12(d))	251,743	228,004
		2,677,136	489,156
	Finance for housing construction projects	428,095	404,458
		3,105,231	893,614
	Total	3,106,496	895,979

(b) The loans through joint venture programmes stated in Note 12(a)(i) are supported by promissory notes and, in the case of building societies, share certificates.

(c) It has been an established policy of the Trust to carry out housing projects on lands owned by the Government of Jamaica or its approved agencies without first registering mortgages on the land on which the houses are constructed. This has been done to minimise delays and to keep the cost of a housing unit to a minimum. In this respect, obtaining land titles, sub-division plans and splinter titles takes place during construction, and, after the housing projects are completed and houses handed over to beneficiaries (Note 11(f)). While this results in certain construction finances and mortgage loans not being secured in the interim, management does not consider that the lack of security for finances provided under programmes described in Note 12(a)(ii) will have a material impact on the financial statements.

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

13 **INVENTORIES**

	2014	2013
	$'000	$'000
Land held for housing development	3,254,127	3,253,116
Housing under construction	3,000,188	2,356,919
Housing units completed but not allocated	2,762,755	5,840,653
Inner City Housing Project (Note 13(a))	12,995	243,497
	9,030,065	11,694,185
Less: Provision for losses and subsidies	(207,790)	(321,370)
	8,822,275	11,372,815

13 **INVENTORIES (Cont'd)**

The movement in the allowance is as follows:

	2014 $'000	2013 $'000
At beginning of year	321,370	503,191
Provisions during the year	38,451	1,142
Amounts written-back	(152,031)	(182,963)
At end of year	207,790	321,370

(a) Inner City Housing Project

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

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

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

The project was expected to run for the period 2003 to 2012. However, subsequent to March 31, 2008, the project scope was reduced and limited to works completed or under construction at that time.

During the 2013 budget presentation, the Prime Minister announced that the Trust will restart a revised Inner City Renewal Programme as of the 2014 financial year. Accordingly an amount of $400 million was approved in the 2014/2015 budget.

The revised total project cost is estimated at approximately $4.67 billion (2013: $4.27 billion) as follows:

- The construction of 1,270 housing solutions in Kingston & St. Andrew, including land purchases, at a cost of $2.57 billion (2013: $2.276 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 $741 million (2013: $640 million).

As at March 31, 2014, total expenditure on this project amounted to $4.1 billion (2013: $4.01 billion).
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The amounts spent on refurbishing works are being borne by the Trust. As at March 31, 2014, $721 million (2013: $698 million) has been spent on refurbishing several schemes and this amount, as well as, other subsidies to the project, are reflected in the statement of comprehensive income as Special Subsidies and Grants (Note 29).

Construction activities were concluded on the ICHP in March 2013 with the completion of the 48 apartments at Majesty Gardens, the superstructure of which was erected in 2007, bringing the total apartments completed under the project to 1,220 apartments.

The participation of the Trust in the programme of maintenance continues with the rehabilitation and expansion of Basic Schools in the communities. It is anticipated that this rehabilitation will be completed in the year 2014/2015.

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

13 **INVENTORIES (Cont'd)**

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

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

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

(b) Losses (Gains) on inventory projects during the year amounted to:

	2014 $'000	2013 $'000
Sale of units	(3,178,078)	(2,258,720)
Cost of units sold	3,152,521	2,180,303
Net gain on disposal of units	(25,557)	(78,417)
Impairment provision written back for year	(152,031)	(181,821)
Loss (Recovery) on Trust projects	180,195	(696)
Litigation expenses (Note 20(a))	273,842	-
	276,449	(260,934)

14 **INTANGIBLE ASSETS**

	2014 $'000	2013 $'000
Cost		
At the beginning of the year	164,881	150,286
Additions for the year	16,224	14,595
At the end of the year	181,105	164,881
Amortisation		
At the beginning of the year	136,746	119,743
Charge for the year	18,439	17,003
At the end of the year	155,185	136,746
Carrying amount	25,920	28,135

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 profit and loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

15 **INVESTMENTS IN ASSOCIATE**

	2014 $'000	2013 $'000
Harmonisation Limited:		
Cost of investments (Note 15(a))	490	490
Loans (including accrued interest) (Note 15(b))	1,597,944	1,597,944
Provision for possible loan loss	(383,969)	(383,969)
	1,213,975	1,213,975
Share of associate's (losses) profits:		
Balance, at beginning of year	(37,558)	2,637
Share of loss for the year	(37,995)	(39,274)
Adjustment	541	(921)
Balance, at end of year	(75,012)	(37,558)
	1,139,453	1,176,907

(a) Details of the associate as at March 31, 2014 are as follows:

Name of Associate	Place of Incorporation and operation	Proportion of ownership	Proportion of voting power held	Principal Activity
Harmonisation Limited	Jamaica	49.5%	49.5%	Land investment and development

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

	(Unaudited) 2014 $'000	(Audited) 2013 $'000
Total assets	2,491,806	2,493,060
Total liabilities	(2,635,351)	(2,566,851)
Net assets	(143,545)	(73,791)
Trust's share of associate's net assets	(71,055)	(36,527)
Revenue	14,036	12,697
Loss for the year	(76,758)	(79,342)
Trust's share of associate's loss for the year	(37,995)	(39,274)

(b) Due to an amendment to the Shareholders Agreement, as of April 1, 2009, the Trust no longer accrues interest on the amounts advanced to Harmonisation Limited.

16 RETIREMENT BENEFIT ASSET

The Trust operates two post-retirement employee benefit arrangements:

(a) The National Housing Trust Staff Pension Scheme ("Staff Pension Scheme")
(b) The Post-retirement medical benefits scheme

Staff pension scheme

The Trust operates a defined benefit pension plan for qualifying employees. The Scheme is administered by Trustees and managed by Sagicor Life Jamaica Limited and regulated by the Financial Services Commission (FSC). The Board of Trustees includes representatives from the employer and members and pensioners of the plan.

Each year, the Board of Trustees reviews the level of funding. Such review includes the asset liability matching strategy and investment risk management policy. The Board of Trustees decides its contribution based on the results of this annual review. Generally it aims to have a portfolio mix of 15.05% in the Pooled investment funds and 84.95% in the Segregated funds of Sagicor Life Jamaica Limited. The plan is exposed to inflation, interest rate risk and changes in the life expectancy for pensioners. As the plan assets include investments in quoted equities, the plan is exposed to market risk.

The most recent actuarial valuation of the plan assets and present value of the defined benefit obligation were carried out as of March 31, 2014 by Eckler Consultants & Actuaries, Fellow of the Society of Actuaries. The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method. The plan is funded by contributions from the employees and the Trust. The employees contribute at a rate of 5% of annual pensionable salaries. Each employee may also elect to pay additional voluntary contributions (provided that his/her total contributions to the scheme do not exceed 10% of his/her pensionable salary) in order to secure additional benefits under the scheme. The Trust's contribution as recommended by external actuaries is 8.5% (2013: 8.5%).

Pension benefits are determined on a prescribed basis and are payable at a rate of 2% of the employee's pensionable salary over the final twelve months times pensionable service prior to retirement (based on approved amendments made during the year 2013). The vesting period was also reduced to 5 years as part of the amendments effected during the year. The normal retirement age is 65 years and normal retirement pension accrues at a rate of 2% for each year of pensionable service. The effective date of the amendments was December 4, 2012 but these were approved April 11, 2013 by letter dated July 18, 2013 from the Financial Services Commission.

Post-retirement medical benefits scheme

The Trust provided medical benefits for its pensioners and their spouses under an insured arrangement, which came into effect in April 2007. The Trust covered 100% of the premium for the pensioners and spouses. Insurance coverage continued to the surviving spouses after the death of the retirees. The plan was amended effective May 1, 2010 to discontinue coverage of spouses. With effect from this date spouses of new retirees are not eligible for benefit under the Health Plan. As such from the effective date of the amendment only the pensioners are covered.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligations were carried out as at March 31, 2014 by Eckler Consultants & Actuaries, Fellows of the Society of Actuaries. The present-value of the defined-benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method.

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

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

	Staff pension scheme		Post-retirement medical benefit scheme	
	2014	2013	2014	2013
Financial assumptions				
Discount rate	9.50%	10%	9.50%	10%
Future salary increases	6.50%	7.50%	-	-
Future pension increases	2.75%	3%	-	-
Price inflation (CPI)	5.50%	6%	5.50%	6%
Health cost inflation	-	-	7%	7.5%

	2014 Years	2013 Years
Demographic assumptions		
Average liability duration for each category of member:		
- Staff pension scheme		
Active members	19.1	19.8
Deferred pensioners	4.0	4.8
Pensioners	12.5	12.6
All participants	18.3	18.9
- Post-retirement medical benefit scheme		
Active members	24.1	24.5
Pensioners	10.6	10.7
All participants	23.2	23.4

Mortality in service and retirement

Attained age	Males	Females
20	0.345	0.206
25	0.541	0.219
30	0.725	0.287
35	0.770	0.383
40	0.913	0.524

(b) Amounts included in the statement of financial position in respect of these plans are as follows:

	Staff pension scheme		Post-retirement medical benefit scheme	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Present value of obligation	(3,115,894)	(2,342,905)	(216,912)	(159,166)
Fair value of plan assets	4,580,874	3,904,865	-	-
Net asset (liability) recognised in statement of financial position	1,464,980	1,561,960	(216,912)	(159,166)

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

(c) 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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Balance at beginning of the year	1,561,960	1,563,880	(159,166)	(141,091)
Net (expense) income to profit and loss	(511,809)	70,091	(35,017)	(30,995)
Total remeasurement to other comprehensive income	272,992	(206,494)	(23,233)	12,488
Contributions by the Trust	141,837	134,483	504	432
Balance at end of the year	1,464,980	1,561,960	(216,912)	(159,166)

(d) Amounts recognised in the statement of profit and loss and other comprehensive income in respect of the plans are as follows:

	Staff pension scheme		Post-retirement Medical benefits scheme		Total	Total
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	127,859	76,072	19,126	16,907	146,985	92,979
Past service cost	534,960	-	-	-	534,960	-
Interest cost	238,273	214,799	15,891	14,088	254,164	228,887
Interest income on plan assets	(401,588)	(373,808)	-	-	(401,588)	(373,808)
Expenses	12,305	12,846	-	-	12,305	12,846
Net costs for year included in profit and loss	511,809	(70,091)	35,017	30,995	546,826	(39,096)
Items in Other comprehensive income:						
Remeasurement (gain) loss on obligation	(199,407)	(104,202)	23,233	(12,488)	(176,174)	(116,690)
Remeasurement (gain) loss on assets	(73,585)	310,696	-	-	(73,585)	310,696
Total remeasurement for other comprehensive income	(272,992)	206,494	23,233	(12,488)	(249,759)	194,006
Total	238,817	136,403	58,250	18,507	297,067	154,910

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

(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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
At beginning of year	2,342,905	2,108,273	159,166	141,091
Current service cost	127,859	76,072	19,126	16,907
Past service cost	534,960	-	-	-
Interest cost	238,273	214,799	15,891	14,088
Members contributions	103,672	98,294	-	-
Benefits paid	(32,368)	(50,331)	(504)	(432)
Remeasurement (gain) loss on obligation to other comprehensive income	(199,407)	(104,202)	23,233	(12,488)
At end of year	3,115,894	2,342,905	216,912	159,166

	2014	2013
The remeasurement gain on the staff pension scheme comprises:		
- Changes in financial assumptions	(114,066)	-
- Experience adjustment	(85,341)	(104,202)
	(199,407)	(104,202)

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

	Staff Pension Scheme	
	2014	2013
	$'000	$'000
At beginning of year	3,904,865	3,672,153
Contributions		
- Trust	141,837	134,483
- employees	103,672	98,294
Interest income on plan assets	401,588	373,808
Benefits paid	(32,368)	(50,331)
Expenses paid	(12,305)	(12,846)
Remeasurement gain (loss) on plan assets	73,585	(310,696)
At end of year	4,580,874	3,904,865

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

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

	Staff Pension Scheme	
	2014	2013
	$'000	$'000
Pooled Investment funds		
Equity	163,733	159,153
Fixed income	339,642	343,186
Mortgage and real estate	195,054	167,447
	698,429	669,786
Segregated funds		
GOJ securities	2,874,309	2,392,483
Repurchase agreements	364,528	474,455
Corporate bonds	239,582	210,150
Equity	288,123	22,559
Other	115,903	135,432
	3,882,445	3,235,079
Closing fair value of plan assets	4,580,874	3,904,865

The percentage distribution of the major categories of plan assets at the reporting date for each category is as follows:

	Staff Pension Scheme	
	2014	2013
	%	%
Pooled Investment funds		
Equity	3.57	4.08
Fixed income	7.41	8.78
Mortgage and real estate	4.26	4.29
Segregated funds		
GOJ securities	62.75	61.27
Repurchase agreements	7.96	12.15
Corporate bonds	5.23	5.38
Equity	6.29	0.58
Other	2.53	3.47
Closing fair value of plan assets	100.00	100.00

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

(h) The quantitative sensitivity analyses for the significant assumptions are shown below:

March 31, 2014	Financial								Demographic
Assumptions	Health inflation rate		Discount rate		Salary escalation rate		Pension increases		Life expectancy
	1%	1%	1%	1%	1%	1%	1%	1%	1 year change
Sensitivity level	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Impact on defined benefit obligation:									
- Staff Pension Plan	-	-	(477,584)	646,815	373,858	(306,181)	207,147	(180,328)	44,000
- Post-Retirement Medical Plan	26,063	(22,597)	(41,246)	54,160	-	-	-	-	9,600

March 31, 2013	Financial							
Assumptions	Health inflation rate		Life expectancy		Salary escalation rate		Pension increases	
	1%	1%	1%	1%	1%	1%	1%	1%
Sensitivity level	Increase	Increase	Increase	Increase	Increase	Increase	Increase	Increase
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Impact on defined benefit obligation:								
- Staff Pension Plan	-	-	(368,675)	495,408	271,825	(225,738)	153,701	(368,675)
- Post-Retirement Medical Plan	19,825	(17,150)	(30,354)	39,826	-	-	-	-

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

(i) The Trust expects to make a contribution of $147.68 million (2013: $142.39 million) to the defined benefit plan during the next financial year.

17 **INVESTMENT PROPERTY**

	2014 $'000	2013 $'000
Fair Value	39,000	46,600

	$'000	$'000
Balance at beginning of year	46,600	-
Transferred from inventory (Note 17(a))	-	44,070
(Decrease) Increase in fair value (Note 28)	(7,600)	2,530
Balance at the end of the year (Note 17(b))	39,000	46,600

(a) During 2012/2013 an inventory unit (a townhouse) was leased to a tenant. Accordingly, the unit was transferred to the category of investment property due to change in use of item.

(b) The fair value of the Trust's investment property at the end of the reporting period has been arrived at on the basis of a valuation carried out in April 2014 by Henry Rose & Associates Limited external valuators to the Trust. Henry Rose & Associates Limited are licensed real estate valuers with the Real Estate Board, and have appropriate qualifications and relevant experience in the valuation of similar properties. In the opinion of the Board of Directors, the carrying values of the investment property at March 31, 2014 would not differ significantly from market values of such properties at the date of the valuations.

Fair value hierarchy disclosures are provided in the Note 36.

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The property rental income earned by the Trust from its investment property amounted to approximately $1.83 million (2013: $1.36 million). No direct operating expenses were incurred in respect of the investment property during the year (2013: $Nil).

(c) The title for the property is in the name of the Ministry of Transport, Works and Housing (the Ministry). However, by agreement dated May 2, 2008, the Ministry does not retain ownership but will ensure that the title is passed to the purchaser when a sale agreement has been entered into and finalised by the Trust.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2013

18 **PROPERTY, PLANT AND EQUIPMENT**

	Freehold Land	Land Improvement	Freehold Buildings	Partitions	Artwork	Furniture, Fixtures & Office Equipment	Computer Equipment	Heavy Equipment	Motor Vehicles	Advance on Fixed Assets	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
COST												
April 1, 2012	145,555	22,157	1,343,539	65,022	15,624	375,886	498,062	44,131	24,803	7,069	47,467	2,589,315
Additions	-	-	-	-	355	24,557	44,397	-	5,600	2,531	13,543	90,983
Transfers	-	-	-	-	-	42	-	-	4,626	(4,668)	-	-
Disposals	(4,926)	-	-	-	-	-	(97)	-	(4,681)	-	-	(9,704)
March 31, 2013	140,629	22,157	1,343,539	65,022	15,979	400,485	542,362	44,131	30,348	4,932	61,010	2,670,594
Additions	-	-	10,689	-	-	24,707	23,164	-	-	19,089	8,765	86,414
Transfers	-	-	13,300	-	-	3,490	214	-	-	(3,704)	(13,300)	-
Adjustment	-	-	-	-	-	(199)	2	-	(3,252)	(1,229)	(668)	(5,346)
Disposals	-	-	-	-	-	(4,445)	(16,561)	-	-	-	-	(21,006)
March 31, 2014	140,629	22,157	1,367,528	65,022	15,979	424,038	549,181	44,131	27,096	19,088	55,807	2,730,656
DEPRECIATION												
April 1, 2012	-	1,846	267,662	44,535	-	285,019	456,169	44,131	23,747	-	-	1,123,109
Charge for the year	-	1,477	33,588	5,780	-	35,689	39,743	-	3,028	-	-	119,305
Impairment loss	-	-	-	-	-	5	-	-	-	-	-	5
Eliminated on disposals	-	-	-	-	-	-	(97)	-	(4,681)	-	-	(4,778)
March 31, 2013	-	3,323	301,250	50,315	-	320,713	495,815	44,131	22,094	-	-	1,237,641
Charge for the year	-	1,477	34,267	5,675	-	29,832	30,592	-	2,352	-	-	104,195
Adjustment	-	-	-	-	-	-	-	-	(3,252)	-	-	(3,252)
Eliminated on disposals	-	-	-	-	-	(4,308)	(16,561)	-	-	-	-	(20,869)
March 31, 2014	-	4,800	335,517	55,990	-	346,237	509,846	44,131	21,194	-	-	1,317,715
NET BOOK VALUES												
March 31, 2014	140,629	17,357	1,032,011	9,032	15,979	77,801	39,335	-	5,902	19,088	55,807	1,412,941
March 31, 2013	140,629	18,834	1,042,289	14,707	15,979	79,772	46,547	-	8,254	4,932	61,010	1,432,953

18 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

Freehold buildings	-	40 years
Land Improvement	-	15 years
Partitions	-	10 years
Furniture and fixtures	-	8 years
Office equipment	-	5 years
Computer equipment	-	3 years
Heavy equipment	-	5 years
Motor vehicles	-	4 years

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

	2014	2013
	$'000	$'000
Buildings/related infrastructure	217,143	201,237
Furniture, fixtures and office equipment	156,389	19,354
Artwork	13,931	13,931
	387,463	234,522

The Emancipation Park is a public park managed and maintained by the Trust. The Trust intends to transfer the maintenance and management of the park to the Emancipation Park Trust.

19 PAYABLES AND ACCRUALS

	2014	2013
	$'000	$'000
Accounts payable and accruals	1,551,705	1,899,237
Scheme deposits	84,993	79,795
Statutory and other payroll deductions	52,836	50,984
Retention payable	239,939	228,256
Other payables	699,405	527,890
Peril insurance claims (Note 33(b))	22,795	3,157
	2,651,673	2,789,319

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

20 **PROVISIONS**

	Sundry claims (Note 20(a))		Employee Benefits (Note 20(b))		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Balances at beginning of the year	36,925	36,925	77,318	72,742	114,243	109,667
Charged to income for year	273,842	-	8,712	4,576	282,554	4,576
Utilised	(214,512)	-	-	-	(214,512)	-
Balance at end of the year	96,255	36,925	86,030	77,318	182,285	114,243

(a) Sundry claims represents the provision for the settlement of certain claims against the Trust (Note 39).

(b) Employee benefits represent provision for outstanding employee's vacation leave entitlements.

21 REFUNDABLE CONTRIBUTIONS

(a)

	2014			2013
	Currently Due	Not Yet Due	Total	Total
	$'000	$'000	$'000	$'000
Contributions refundable	13,875,082	56,149,828	70,024,910	62,649,900
Bonus accrued (Note 21(b))	2,327,393	3,186,841	5,514,234	5,321,746
	16,202,475	59,336,669	75,539,144	67,971,646
Represented by:				
Savings Accounts				
Principal	10,479,975	-	10,479,975	8,896,561
Interest	77,638	-	77,638	69,950
	10,557,613	-	10,557,613	8,966,511
Time Accounts				
Principal	-	27,334,053	27,334,053	27,405,882
Interest	-	2,892,916	2,892,916	2,761,738
	-	30,226,969	30,226,969	30,167,620
Total for which personal accounts are established	10,557,613	30,226,969	40,784,582	39,134,131
Balances for which no personal accounts are established (Note 21(c))	5,644,862	29,109,759	34,754,621	28,837,515
Total refundable employee Contributions	16,202,475	59,336,728	75,539,203	67,971,646

(b) Bonuses are payable to contributors at the rate specified in the regulations made under the National Housing Trust Act. The amount payable to employees for each year will be paid together with cash grant benefits awarded as described in Note 2(b)(ii). Bonuses on contributions not currently refundable are calculated at 2% per annum.

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

The primary reasons for the delay in establishing some personal accounts are:

(i) the non-submission of annual returns by employers.
(ii) where annual returns have been submitted, in many instances, these returns are incomplete, with a resultant difficulty in uniquely identifying some contributors and creating the appropriate personal accounts by interface with the computerised contributions system.

The Trust has implemented a number of strategies to address this problem. During the current financial year, 317,893 (2013: 292,153) individual (time) accounts totaling $5.00 billion (2013: $3.47 billion) were created.

22 DEFERRED TAX (ASSETS)/LIABILITIES

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

	Assets				Liabilities								
	Bonus payable	Post-retirement medical benefits	Accelerated depreciable charges	Total assets	Revaluation of properties	Retirement benefit asset	Interest receivable	Associates interest receivable and share of net assets	Unrealised foreign exchange gains	Rental income receivable	Other assets	Total liabilities	Net liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance, April 1, 2012	-	(47,030)	(1,374)	(48,404)	33,359	521,293	267,728	80,609	-	-	1,461	904,450	856,046
Charged (Credited) to income for the year (Note 31)	-	4,116	(10,712)	(6,596)	-	(79,179)	(11,948)	(28,883)	2,633	1,743	2,781	(112,853)	(119,449)
Charged (Credited) to accumulated fund during the year (Note 23)	-	3,122	-	3,122	(9,098)	(51,624)	-	-	-	-	-	(60,722)	(57,600)
Balance, March 31, 2013	-	(39,792)	(12,086)	(51,878)	24,261	390,490	255,780	51,726	2,633	1,743	4,242	730,875	678,997
(Credited) Charged to income for the year (Note 31)	(48,122)	(8,627)	4,845	(51,904)	-	(92,493)	7,639	(9,362)	(939)	(141)	(1,103)	(96,399)	(148,303)
(Credited) Charged to other comprehensive income during the year (Note 23)	-	(5,808)	-	(5,808)	(758)	68,248	-	-	-	-	-	67,490	61,682
Balance, March 31, 2014	(48,122)	(54,227)	(7,241)	(109,590)	23,503	366,245	263,419	42,364	1,694	1,602	3,139	701,966	592,376

23 FAIR VALUE AND OTHER RESERVES

	Other Reserves			
	Fair value reserve $'000	Unallocated contributions reserve $'000	Properties revaluation reserve $'000	Total $'000
Balances at April 1, 2012	1,825,388	712,008	198,584	2,735,980
Net decrease in fair value of available-for-sale investments	(1,708,744)	-	-	(1,708,744)
Loss on impairment of available-for-sale equity investments charged to income	20,915	-	-	20,915
Other comprehensive income – items that will be reclassified subsequently to profit or loss	(1,687,829)	-	-	(1,687,829)
Deferred tax arising on revaluation of property, plant and equipment (Note 22)	-	-	9,098	9,098
Other comprehensive income – items that will not be reclassified subsequently to profit or loss	-	-	9,098	9,098
Contribution shortage on annual return	-	(63)	-	(63)
Balances at March 31, 2013	137,559	711,945	207,682	1,057,186
Net increase in fair value of available-for-sale investments	63,303	-	-	63,303
Loss on impairment of available-for-sale equity investments charged to income	20,958	-	-	20,958
Loss on disposal of investment securities transferred to income	44,965	-	-	44,965
Other comprehensive income – items that will be reclassified subsequently to profit or loss	129,226	-	-	129,226
Deferred tax arising on revaluation of property, plant and equipment (Note 22)	-	-	758	758
Other comprehensive income – items that will not be reclassified subsequently to profit or loss	-	-	758	758
Contribution shortage on annual return	-	(84)	-	(84)
Balances at March 31, 2014	266,785	711,861	208,440	1,187,086

24 MORTGAGE SUBSIDY RESERVE

In July 2010, the Trust implemented a Mortgage Subsidy Programme for applicants who fall within the 1% to 3% income bands and have been contributing to the Trust for a minimum of 10 years. The Trust approves a maximum of 20% of its quarterly surplus after tax to be used to finance the Mortgage Subsidy Programme. The utilisation of the subsidy is dependent on the eventual successful completion of the application process by contributors. The actual take up of the subsidy by eligible contributors during the year amounted to $253.25 million (2013: $150.93 million) (Note 29).

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

25 **PERIL RESERVE**

The Trust's policy deductible is US$30 million (2013: 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) (Note 33(b)).

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

	2014	2013
	US$'000	US$'000
Cash and Cash Equivalents (Note 6(b))	4,836	1,260
Securities purchased under resale agreement (Note 9(b))	3,705	6,881
Available-for-sale securities (Note 10(b)(i))	29,481	37,532
	38,022	45,673

26 **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 (less loan financing to developers) receivable net of IFRS provision and the total arrears for over 90 days, for which allowances are made, over the amounts determined under IFRS (Note 11).

During the year, an increase of $402.98 million (2013: $590.60 million) was made to the loan loss reserve, to cover any losses that may arise from the loans referred to in (Note 12(a)(ii)) above as well as other mortgage loans.

27 **TRANSFERS**

Transfer to Government of Jamaica (GOJ) Consolidated Fund
This represents transfers made to the Government of Jamaica through the Ministry of Finance and Planning for the year 2013/14 based on the amendment to the National Housing Trust Act under which the Trust may transfer up to a maximum of $11.4 billion to the Consolidated Fund for each of four years up to 2016/2017.

Special Distribution to the Government of Jamaica (GOJ)
In keeping with a Memorandum of Understanding between the Ministry of Finance and Planning and the Trust, a payment of $1 billion was made by way of special distribution to the Government of Jamaica during 2012/2013.

28 **MISCELLANEOUS INCOME**

	2014	2013
	$'000	$'000
Foreign exchange gain (net)	439,916	603,397
Penalty income	108,495	133,078
Debt management fees	87,459	75,801
Peril and life insurance administrative fees	725,115	632,579
Fair value adjustment – investment property (Note 17)	(7,600)	2,530
Other	80,931	134,664
	1,434,316	1,582,049

29 **SPECIAL SUBSIDIES AND GRANTS**

	2014 $'000	2013 $'000
Special projects:		
Inner City Housing Project	166,076	22,278
Sugar Housing Programme	-	63,728
Emancipation Park (net of recoveries of $2.88 million (2013: $5.43 million)	85,407	71,745
Grants:		
Mortgage Subsidy (Note 24)	253,255	150,934
Other	9,434	10,400
	514,172	319,085

30 **RESTRUCTURING COSTS**

This comprised redundancy costs which resulted from the on-going restructuring of the organisation. Provisions are recognised when the Trust has an approved plan that has been communicated to affected stakeholders.

31 **TAXATION**

By Jamaica Gazette Supplement dated December 31, 2012, effective January 1, 2013, the corporate tax rate was reduced from 33⅓% to 25% for unregulated entities. Consequently, current and deferred taxes have been calculated using the tax rate of 25% (2013: 25%).

(a) Taxation recoverable

	2014 $'000	2013 $'000
Balance at the beginning of the year	5,250,174	4,678,670
Addition during the year	365,166	571,504
Balance at the end of the year	5,615,340	5,250,174

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

(b) Taxation payable

	2014 $'000	2013 $'000
Balance at the beginning of the year	222,502	2,245,216
Current tax charge for the year	994,630	977,286
Additional tax charge for 2012/2013 (Note 31(b)(i))	146,589	-
Paid during the year (Note 31(d))	(101)	(3,000,000)
Balance at the end of the year	1,363,620	222,502

(i) By Jamaican Gazette Supplement dated March 28, 2013, effective April 1, 2013, the corporate tax rate for large unregulated entities was revised to 30% with a cumulative /collective impact of the varied rates giving rise to an effective rate of 28.75% for the year. Consequently, an additional 3.75% tax surcharge in respect of the year of assessment 2013 was booked during the year.

31 **TAXATION (Cont'd)**

(c) Recognised in profit for the year

(i) The taxation charge for the year comprises:

	2014 $'000	2013 $'000
Current tax	994,630	977,286
Additional tax charge for 2012/2013	146,589	-
Deferred tax adjustment (Note 22)	(148,303)	(119,449)
	992,916	857,837

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

	2014 $'000	2013 $'000
Profit before taxation	15,142,479	17,140,213
Tax at domestic income tax rate of 25% (2013: 25%)	3,785,620	4,285,053
Tax effect of amounts not deductible in determining taxable profit	49,815	83,884
Tax effect of income not subject to tax	(2,906,245)	(3,109,569)
Net effect of other charges and allowances	(82,863)	(401,531)
Additional tax charge for 2012/2013	146,589	-
Taxation charge	992,916	857,837

(d) Further to Memorandum of Understanding dated May 24, 2012 between the Ministry of Finance and Planning and the Trust, a payment of $3 billion representing prepayment of corporation tax for the financial year 2012/2013 was made between July 2012 and March 2013.

32 **PROFIT FOR THE YEAR**

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

(a) Revenue on financial assets:

	2014 $'000	2013 $'000
Interest income on Investments:		
Available-for-sale investment securities	1,427,071	1,966,061
Held-for-trading investment securities	153,586	209,476
	1,580,657	2,175,537
Interest income on Loans:		
Financial assets at amortised cost		
- Impaired financial assets	77,063	80,072
- Unimpaired financial assets	7,616,751	6,590,360
	7,693,814	6,670,432
	9,274,471	8,845,969
Dividends	14,287	28,459
	9,288,758	8,874,428

32 **PROFIT FOR THE YEAR (Cont'd)**

(b) Bonus on employees' contribution:

	2014	2013
	$'000	$'000
- Savings accounts	(343,503)	(317,458)
- Time accounts	(982,125)	(874,238)
	(1,325,628)	(1,191,696)

(c) Gain (Loss) on financial assets

	2014	2013
	$'000	$'000
(i) (Loss) Gain on disposal of available-for-sale investment securities		
Equity securities	59,235	15,984
Debt securities	(104,200)	(67,276)
	(44,965)	(51,292)
(ii) Fair value gain on held-for-trading investment securities	292,833	242,376

(d) Other

	2014	2013
	$'000	$'000
Directors' emoluments:		
Non Executive Directors – fees (Note 34)	2,867	2,322
Executive director (Note 34)		
Basic	10,692	9,800
Incentive payments and gratuity in lieu of pension	3,111	3,773
Travelling allowance	1,137	1,476
Non-cash benefits	2,909	4,037
Audit fees	8,610	8,500
Depreciation	104,195	119,305
Impairment of property, plant and equipment	-	5
Adjustment to property, plant and equipment	1,623	-
Loss on disposal of property, plant and equipment	-	3,873
Amortisation of intangible assets	18,439	17,003

33 **COMMITMENTS AND CONTINGENCIES**

(a) Commitments

	2014	2013
	$'000	$'000
(i) Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	3,246,747	5,263,058
Purchase of land	-	158,048
Inner City Housing Project	35,382	56,393
Loans and/or mortgage financing	1,617,849	9,184,775
	4,899,978	14,662,274

33 **COMMITMENTS AND CONTINGENCIES (Cont'd)**

(a) Commitments (Cont'd)

	2014	2013
	$'000	$'000
(ii) Authorised and approved but not contracted for -		
Housing expenditure	22,371,291	23,115,839
Purchase of land	-	136,686
Computer software development	165,105	196,953
Office refurbishing	284,400	59,200
Air conditioning unit	579	43,980
Construction contracts under negotiation	-	178,648
Mortgage subsidy	882,377	750,848
	23,703,752	24,482,154

(iii) National Housing Trust (Special Provision) Act, 2013

By amendment to the NHT Act, the Trust may provide financing for fiscal consolidation up to a maximum of $11.4 billion annually for the next three (3) years to 2016/2017. (See Note 1).

(b) Contingencies

(i) *Peril insurance claims*
The Trust's policy deductible on its peril insurance cover is US$30 million (J$3.27 billion) (2012: US$30 million (J$2.95 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 25).

At year-end, claims made by beneficiaries provided for but not yet processed by the Trust amounted to approximately $22.80 million (2013: $3.16 million) (Note 19).

(ii) *Litigation*
The Trust is involved in litigation in the normal course of operations. Management believes that, apart from the matters referred to in Note 39, liabilities, if any, arising from such litigation will not have a material adverse effect on the financial position of the Trust.

(iii) T*axation*
There are certain expenses claimed by the Trust that Tax Administration Jamaica is contesting on the following bases:

(i) whether certain expenses were incurred solely in the normal course of operations.
(ii) whether certain expenses representing costs associated with collecting employers' contributions should be allowed for tax purposes.

A meeting was held on April 15, 2013 with representatives of Tax Administration Jamaica (TAJ) and the Trust concerning the Income Tax Objection.

A decision was taken as follows:

(i) The Letter of Decision delivered to the Trust be withdrawn to facilitate further deliberation on the objection lodged by the Trust.
(ii) The Trust undertakes to present TAJ with a detailed proposal on the bases of apportionment and the amounts of indirect/overhead cost allocable to the investment income earned by the Trust for all the relevant Years of Assessment.
(iii) The Trust upon receipt of TAJ's decision will withdraw their Letter of Appeal that was filed at Taxpayer Appeals Department.

No provision has been made in the financial statements in respect of any liability that may result from the resolution of matters contested by the TAJ. Discussions are continuing.

34 **RELATED PARTY TRANSACTIONS/BALANCES**

Operating transactions

During the year, the Trust entered into the following transactions with key management personnel, including members of the Board of Directors:

	Loans granted (including interest)		Balance owed	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Key management personnel	650	21,090	60,162	100,257
Board of Directors and Committee members	-	-	2,164	2,260

Compensation of key management personnel

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

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

	2014	2013
Board of Directors and Committee members:	$'000	$'000
Non-executive Directors' fees (Note 32(d))	2,867	2,322
Executive remuneration	17,849	19,086
Other key management personnel:		
Short-term benefits	82,267	75,657
Post employment benefits – pension obligation	4,430	4,061
	86,697	79,718

35 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

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

Categories of financial instruments

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

	2014 $'000	2013 $'000
Financial assets		
Fair value through profit or loss (FVTPL)		
- Held for trading	3,468,598	3,243,538
Loans and receivables (including cash and cash equivalents) – at amortised cost		
- Cash and bank balances	4,788,725	3,113,815
- Loans receivable	166,336,403	148,065,717
- Securities purchased under resale agreements	579,059	684,147
- Receivables	894,995	855,281
	172,599,182	152,718,960
Available-for-sale financial assets	11,310,271	17,462,369
	187,378,051	173,424,867
Financial liabilities (at amortised cost)		
- Payables	2,266,923	2,447,694
- Refundable contributions	75,539,203	67,971,646
	77,806,126	70,419,340

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, interest rate risk and price risk), credit risk and liquidity risk.

Financial risk management policies and objectives

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

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the Trust's risk management framework. The Board of Directors risk management mandate is principally carried out through:

The Finance and Information System Committee, Audit Committee, Policy Committee, Technical Committee, Corporate Governance Committee and the Internal Audit Department.

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

Financial risk management policies and objectives (Cont'd)

Finance and Information System Committee

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

Audit Committee

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

Policy Committee

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

Technical Committee

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

Corporate Governance Committee

This committee has responsibility for providing the Board with advice and recommendations relating to corporate governance in general. This includes the Board's stewardship role in the management of the Trust, as well as its size, composition and compensation.

The Internal Audit Department

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

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

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market risk is the risk that the value or expected cash flows of a financial instrument will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Trust's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates, as well as equity price risks as disclosed below.

Management of market risk

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

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

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

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

Management of market risk (Cont'd)

The Trust faces risk in respect of its equity investments because of fluctuations in the prices of equities 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.

(i) Equity price sensitivity analysis

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

If quoted equity prices had been 10% (2013: 10%) higher/lower, fair value and other reserves in accumulated fund for the year ended March 31, 2014 would increase/decrease by $55.04 million (2013: $48.51 million) as a result of the changes in fair values of the available-for-sale securities. The increase in sensitivity is due to increased value of equity investments during the year.

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

(ii) Foreign currency risk

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

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

Management of foreign currency risk

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

At March 31, 2014, the Trust had US$ denominated investments amounting to US$38.32 million (2013: US$45.954 million). The Trust holds a minimum amount of US$ investments in respect of funding its peril reserve.

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

	Assets	
	2014	2013
	J$'000	J$'000
Cash and bank balances	551,448	152,592
Securities purchased under resale agreements	406,633	684,147
Investment securities	3,291,348	3,767,212
	4,249,429	4,603,951

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

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis
The following table details the Trust's sensitivity to a 1% revaluation and 15% devaluation (2013: 1% revaluation and 10% devaluation) change in the Jamaica dollar against the relevant foreign currencies. The change in the sensitivity rates below are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

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 1% or weakens by 15% against the US dollar (2013: 1% revaluation and 10% devaluation), income will (decrease) or increase by:

	Revaluation 2014		Devaluation 2014		Revaluation 2013		Devaluation 2013	
	Change in Currency Rate		Change in Currency Rate		Change in Currency Rate		Change in Currency Rate	
	%	J$'000	%	J$'000	%	J$'000	%	J$'000
Income	+1	(42,494)	-15	637,414	+1	(46,040)	-10	460,395

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

The Trust's sensitivity to foreign currency has decreased during the current period mainly due to the decline in holdings of foreign currency deposits and investments.

(i) Interest rate risk

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

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

Management of interest rate risk

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

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, categorised by the earlier of the contractual repricing or maturity dates.

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

Financial risk management policies and objectives (Cont'd)

(iii) Interest rate risk (Cont'd)

As at March 31, 2014:	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 Effective Interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets										
Cash and bank balances	3,445,921	-	-	-	-	-	-	1,342,804	4,788,725	7.77
Receivables	2,426	35,365	84,254	124,413	65,179	46,992	140,636	395,730	894,995	1.74
Securities purchased under resale agreements	523,448	55,611	-	-	-	-	-	-	579,059	5.79
Investment securities	148,419	193,553	407,849	42,713	889,938	888,174	11,657,818	550,405	14,778,869	7.62
Loans receivable	6,278,116	2,063,640	659,654	425,256	988,797	1,135,694	154,785,246	-	166,336,403	4.82
Total assets	10,398,330	2,348,169	1,151,757	592,382	1,943,914	2,070,860	166,583,700	2,288,939	187,378,051	
Liabilities and accumulated fund										
Payable	-	-	-	-	-	-	-	2,266,923	2,266,923	
Refundable contributions	1,026	16,201,449	7,356,879	9,717,285	10,738,904	10,617,685	20,905,975	-	75,539,203	3.29
Total liabilities and accumulated fund	1,026	16,201,449	7,356,879	9,717,285	10,738,904	10,617,685	20,905,975	2,266,923	77,806,126	
Net Interest Rate Sensitivity Gap	10,397,304	(13,853,280)	(6,205,122)	(9,124,903)	(8,794,990)	(8,546,825)	145,677,725	22,016	109,571,925	
Cumulative Gap	10,397,304	(3,455,976)	(9,661,098)	(18,786,001)	(27,580,991)	(36,127,816)	109,549,909	109,571,925	-	

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

Financial risk management policies and objectives (Cont'd)

(iii) Interest rate risk (Cont'd)

As at March 31, 2013:	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 Effective Interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets										
Cash and bank balances	2,484,521	-	-	-	-	-	-	629,294	3,113,815	5.67
Receivables	3,820	36,846	103,073	109,392	79,905	116,669	149,580	255,996	855,281	3.80
Securities purchased under resale agreements	684,147	-	-	-	-	-	-	-	684,147	3.74
Investment securities	662,834	699,818	344,875	2,247,957	-	3,801,709	12,463,574	485,140	20,705,907	6.94
Loans receivable	800,319	1,392,667	484,939	957,468	585,213	1,271,390	142,573,721	-	148,065,717	5.69
Total assets	4,635,641	2,129,331	932,887	3,314,817	665,118	5,189,768	155,186,875	1,370,430	173,424,867	
Liabilities and accumulated fund										
Payable	-	-	-	-	-	-	-	2,447,694	2,447,694	
Refundable contributions	684	14,547,900	5,633,807	7,225,506	9,540,607	10,540,449	20,482,693	-	67,971,646	3.60
Total liabilities and accumulated fund	684	14,547,900	5,633,807	7,225,506	9,540,607	10,540,449	20,482,693	2,447,694	70,419,340	
Net Interest Rate Sensitivity Gap	4,634,957	(12,418,569)	(4,700,920)	(3,910,689)	(8,875,489)	(5,350,681)	134,704,182	(1,077,264)	103,005,527	
Cumulative Gap	4,634,957	(7,783,612)	(12,484,532)	(16,395,221)	(25,270,710)	(30,621,391)	104,082,791	103,005,527	-	

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

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

(iii) Interest rate risk (Cont'd)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the statement of financial position date. For floating rate assets, the analysis is prepared assuming the amount of assets held at the statement of financial position date was held throughout the year. For Jamaican dollar instruments, a 250 basis points increase and a 100 basis points decrease (2013: 250 basis points increase and 100 basis points decrease) and for foreign currency denominated instruments, a 200 basis points increase and a 50 basis points decrease (2013: 200 basis points increase and 50 basis points decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 250 basis points higher and 100 basis points lower for Jamaican dollar instruments and 200 basis points higher and 50 basis points lower for foreign currency denominated instruments, (2013: 250 basis points higher and 100 basis points lower for Jamaican dollar instruments and 200 basis points higher and 50 basis points lower for foreign currency denominated instruments) and all other variables were held constant, the Trust's:

- profit for the year ended March 31, 2014 would increase by $96.1 million or decrease by $35.6 million (2013: increase by $115.4 million or decrease by $115.4 million). This is mainly attributable to the Trust's exposure to interest rates on its repurchase agreements and variable rate investment securities; and
- fair value and other reserves in accumulated fund would decrease/increase by $2.2 billion and $1.0 billion (2013: decrease/increase by $659.1 million and $684.7 million), mainly as a result of the changes in the fair value of available-for-sale variable rate instruments.
- cashflow from floating rate assets would increase/decrease by $0.9 million and $0.4 million (2013: increase/decrease by $17.8 million and $17.8 million) as a result of the changes in the weighted average coupon rate earned of 8.72% (2013: 7.60%) on available-for-sale variable rate instruments.

The Trust's sensitivity to interest rate risk has decreased during the current period mainly due to the reduced holdings of variable rate interest bearing instruments.

(b) Credit risk

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

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

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

Financial risk management policies and objectives (Cont'd)

(b) 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 units submit monthly and quarterly statements to beneficiaries and have dialogue with the relevant parties to ensure that repayments are received on a timely basis.

The credit risk for financial institutions and developers for housing construction are assessed by preparing a Financial Review Report which is presented to management for decision-making. The exposure to credit risk for financial institutions and developers is mitigated as maximum limits are set for amounts advanced and adherence to terms of the loan agreement is monitored and reviewed on a regular basis. The Trust conducts periodic risk assessments to ensure its interest is secure in the event of default by the participating institution.

The carrying amount of financial assets in respect of loans receivable totalling approximately $166.34 billion (2013: $148.06 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.

<u>Collateral</u>

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 Planning 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.

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

Financial risk management policies and objectives (Cont'd)

(b) Credit risk (Cont'd)

(i) Loans receivable (Cont'd)

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

	2014 $'000	2013 $'000
Property	77,925,250	60,501,261

Repossessed collateral

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

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

	2014		2013	
	Carrying Value $'000	Value of Collateral $'000	Carrying Value $'000	Value of Collateral $'000
Residential properties	1,477,188	5,977,107	1,322,198	3,231,570

(ii) Investment securities, securities purchased under resale agreements and cash and bank balances

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

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

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

Financial risk management policies and objectives (Cont'd)

(b) Credit risk (Cont'd)

(ii) Investment securities and cash and bank balances (Cont'd)

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

	2014	2013
	$'000	$'000
Government of Jamaica	13,370,234	19,442,678
Bank of Jamaica	623,246	483,930
Corporate	4,789,540	3,920,267
Total	18,783,020	23,846,875

(iii) Investment in associate

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

(c) Liquidity risk

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

Management of liquidity risk

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

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

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

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

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

Financial risk management policies and objectives (Cont'd)

(c) Liquidity risk (Cont'd)

Management of liquidity risk (Cont'd)

- 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 readily liquidated as protection against any unforeseen interruption to cash flow. They include equities traded on the Jamaica Stock Exchange, money market investments and GOJ and BOJ debt issues.

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

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

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

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

Financial risk management policies and objectives (Cont'd)

(c) Liquidity risk (Cont'd)

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

As at March 31, 2014:

	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	Total	Carrying Value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets									
Cash and bank balances	4,799,452	-	-	-	-	-	-	4,799,452	4,788,725
Receivables	23,179	257,456	316,408	228,965	116,690	118,298	201,757	1,262,753	894,995
Securities purchased under resale agreements	528,419	56,144	-	-	-	-	-	584,563	579,059
Investment securities	499,559	1,017,541	1,460,218	1,077,846	1,880,008	1,819,590	20,253,261	28,008,023	14,778,869
Loans receivable	6,387,984	2,208,095	752,006	514,560	1,265,661	1,533,187	235,447,960	248,109,453	166,336,403
Total assets	12,238,593	3,539,236	2,528,632	1,821,371	3,262,359	3,471,075	255,902,978	282,764,244	187,378,051
Liabilities									
Payables	2,266,923	-	-	-	-	-	-	2,266,923	2,266,923
Refundable contributions	1,110	17,922,199	7,960,501	10,374,149	11,445,616	11,214,314	21,074,566	79,992,455	75,539,203
Total liabilities	2,268,033	17,922,199	7,960,501	10,374,149	11,445,616	11,214,314	21,074,566	82,259,378	77,806,126

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

(c) Liquidity risk (Cont'd)

As at March 31, 2013:

	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	Total	Carrying Value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets									
Cash and bank balances	3,118,548	-	-	-	-	-	-	3,118,548	3,113,815
Receivables	16,674	168,681	390,820	142,487	47,681	66,042	143,656	976,041	855,281
Securities purchased under resale agreements	686,918	-	-	-	-	-	-	686,918	684,147
Investment securities	808,058	1,366,666	1,140,048	3,314,314	909,164	4,551,812	17,237,273	29,327,335	20,705,907
Loans receivable	814,325	1,490,154	552,830	1,158,536	749,072	1,716,376	217,134,389	223,615,682	148,065,717
Total assets	5,444,523	3,025,501	2,083,698	4,615,337	1,705,917	6,334,230	234,515,318	257,724,524	173,424,867
Liabilities									
Payables	2,447,694	-	-	-	-	-	-	2,447,694	2,447,694
Refundable contributions	768	16,268,650	6,237,429	7,882,370	10,247,318	11,137,078	21,281,960	73,055,573	67,971,646
Total liabilities	2,448,462	16,268,650	6,237,429	7,882,370	10,247,318	11,137,078	21,281,960	75,503,267	70,419,340

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

Capital risk management

The Trust's objectives when managing capital are:

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

Capital adequacy is monitored by the Trust's management on a regular basis. The Trust's overall strategy remains unchanged from 2012/2013.

The capital structure of the Trust consist of non-refundable employers contributions (Note 2(c)), fair value and other reserves (Note 23), mortgage subsidy reserve (Note 24), peril reserve (Note 25), loan loss reserve (Note 26) and accumulated profit.

36 FAIR VALUES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument.

The National Housing Trust was established under legislation which was designed, inter alia, to expand the pool of low cost housing by providing loans at interest rates lower than market rates. These housing projects and/or loans would be funded by contributions from employees, at interest rates below market rates, and from contributions by employers which are non-refundable and non-interest bearing.

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

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

(i) The carrying amounts of cash and bank balances, 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.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

36 FAIR VALUES (Cont'd)

Fair Values versus carrying amounts

	2014		2013	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Assets carried at fair value				
Financial assets				
Available-for-sale securities(Note 10(b))	11,310,271	11,310,271	17,462,369	17,462,369
Securities at FVTPL (Note 10(a))	3,468,598	3,468,598	3,243,538	3,243,538
	14,778,869	14,778,869	20,705,907	20,705,907
Non-financial assets				
Investment property	39,000	39,000	46,600	46,600
	14,817,869	14,817,869	20,752,507	20,752,507
Assets carried at amortised cost				
Financial assets				
Cash and bank balances	4,788,725	4,788,725	3,113,815	3,113,815
Loans receivable	166,336,403	166,336,403	148,065,717	148,065,717
Securities purchased under resale agreements	579,059	579,059	684,147	684,147
Receivables	894,995	894,995	855,281	855,281
	172,599,182	172,599,182	152,718,960	152,718,960
Liabilities carried at amortised cost				
Financial liabilities				
Payables	2,266,923	2,266,923	2,447,964	2,447,964
Refundable Contribution	75,539,203	75,539,203	67,971,646	67,971,646
	77,806,126	77,806,126	70,419,610	70,419,610

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method as at March 31, 2014. 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)

	2014			
	Level 1 $'000	**Level 2** $'000	**Level 3** $'000	**Total** $'000
Assets measured at fair value:				
- Available-for-sale securities (Note 10(b))	2,202,885	8,872,402	234,984	11,310,271
- Securities at FVTPL (Note 10(a))	-	3,468,598	-	3,468,598
- Investment property	-	39,000	-	39,000
	2,202,885	12,380,000	234,984	14,817,869

36 **FAIR VALUES (Cont'd)**

Fair value hierarchy (Cont'd)

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
Assets measured at fair value:				
- Available-for-sale securities (Note 10(b))	1,927,333	15,240,045	294,991	17,462,369
- Securities at FVTPL (Note 10(a))	-	3,243,538	-	3,243,538
- Investment property	-	46,600	-	46,600
	1,927,333	18,530,183	294,991	20,752,507

a) Available-for-sale securities classified as Level 3 as at March 31, 2013 comprise:

- Corporate bonds, not guaranteed by the Government of Jamaica, for which there is no clear yield curve. A pricing model commonly used by market practitioners, plus additional risk premium of 2%, was used to determine the fair value for these instruments.

- Shares in New Transport Group (2012) Limited (NTG). These shares were received as settlement for acceptance of Campari Espana S.L. Ltd's offer to acquire the Trust's holdings in Lascelles deMercardo & Co. Ltd in December 2012. This transaction was settled in cash plus one share of the newly formed NTG for each share held in Lascelles. The shares were sold in December 2013.

b) Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale		
	Unlisted Shares	Debt Securities	Total
	$'000	$'000	$'000
March 31, 2014			
Opening balance	833	294,158	294,991
Total gains or losses:			
- in profit or loss	957	-	957
- in other comprehensive income	-	(16,303)	(16,303)
Disposals/settlements	(1,790)	(42,871)	(44,661)
Closing balances	-	234,984	234,984
March 31, 2013			
Purchases	833	300,001	300,834
Disposals/settlements	-	(35,903)	(35,903)
Total gains or losses:			
- in profit or loss	-	14,552	14,552
- in other comprehensive income	-	15,508	15,508
Closing balances	833	294,158	294,991

The balance above only includes financial assets. The total gains or losses for the year included a loss of $16.30 million (2013: gain of $15.51 million) relating to available-for-sale assets held at the end of the reporting period. Such fair value gains or losses are included in other comprehensive income and accumulated in 'Fair value and other reserves' (See Note 23).

All gains and losses included in other comprehensive income relate to unlisted shares and debt securities, held at the end of the reporting period and are reported as changes of fair value reserve (see Note 23).

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

37 OPERATING LEASE ARRANGEMENTS

The Trust as a lessee

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

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

	2014	2013
	$'000	$'000
Within one year	21,719	20,791

The Trust as a lessor

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

The property rental income earned by the Trust from these properties in the period amounted to $2.3 million (2013: $3.4 million).

Maintenance charges received on these properties in the period amounted to $4.98 million (2013: $10.19 million).

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

	2014	2013
	$'000	$'000
Within one year	3,753	3,983
Within two to five years	19,160	20,333
Over 5 years	6,044	6,415
	28,957	30,731

38 OTHER DISCLOSURES – EMPLOYEES' COSTS

	2014	2013
	$'000	$'000
Staff costs incurred during the year:		
Salaries and wages including statutory contributions	3,254,373	2,584,765
Other staff costs	455,337	335,884
	3,709,710	2,920,649

39 LITIGATION AND CLAIMS

Developer's claim

(i) In July 2005, an arbitrator awarded a developer under the Trust's finance of housing construction programme the sum of $24.32 million – developer's profit and risk – in respect of a housing development project which the developer commenced in 1995. The arbitrator declined to award interest and the sum of $24.32 million was paid by the Trust. The developer then sought an order from the Supreme Court regarding the consideration of interest by the arbitrator.

In January 2007, the court ordered that the matter be remitted to the arbitrator for him to consider interest on the developer's profit and risk. A supplementary award was published by the arbitrator on May 11, 2007 and received by the Trust on May 22, 2007 whereby the sum of $214.50 million and costs were awarded to the developer. During 2008, the Trust recorded a provision of $36.92 million using the simple interest method (Note 20 (a)).

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

Developer's claim (Cont'd)

(i) (Cont'd)

The attorneys representing the Trust were of the opinion that the award was open to challenge on the basis of error of law and the matter relating to the challenge was heard in court on April 10 and 14, 2008. In September 2009, the court ruled in favour of the Trust and set aside the Supplemental Arbitration Award and remitted the matter to the Arbitrator to reconsider the rate of simple interest. In November 2009, the Trust received notice from the developer's attorneys, indicating that they were appealing the ruling.

The date of July 12, 2010 was fixed and the hearing scheduled for three (3) days. For various reasons the hearing was rescheduled and finally heard during the week commencing May 14, 2012.

On November 22, 2013, Judgment was handed down by the Court of Appeal in favour of the developer. The Judgment upheld the supplementary award of the Arbitrator in the amount of $214.50 million which was the amount awarded as at May 11, 2007.

The Trust has taken steps to appeal the decision of the Court of Appeal at the Privy Council. In the interim, a Sub-Committee of the Board was established to negotiate settlement with the developer.

On December 20, 2013, the Court of Appeal granted the Trust's application for Conditional Leave to appeal to the Privy Council, but refused the Trust's application for a Stay pending the Appeal. The Trust was ordered to pay the amount of the award within 30 days of the date of the Order. The developer was ordered to provide a bond from a reputable insurance company or bank, guaranteeing the repayment to the Trust of the amount of the award, in the event that the Trust's appeal to the Privy Council succeeds.

The Sub-committee was instructed by the Board to continue its negotiations with the developer, given claims by the developer for interest of varying amounts. The negotiations were undertaken and the last claim received was in the amount of $411.42 million.

The Trust was subsequently provided with the requisite Bank Guarantee/Bond by the Developer and, on March 7, 2014 carried out a wire transfer of $214.50 million to the account of the Developer, pursuant to the Judgment of the Court of Appeal. (Note 20(a)).

In the interim, instructions were given to the Trust's external council to engage the services of a Privy Council Agent for conduct of the matter on the Trust's behalf at the Privy Council. External Council was also requested to reject the claim for interest, which had been submitted by the Developer. They should, however, seek audience with council for the Developer, "without prejudice", with a view to determining the rationale for the claim submitted.

(ii) In March 2009, new arbitration proceedings were commenced by the same developer in respect of re-measurement of works and final accounts on the project. An award was made by the Arbitrators on October 7, 2009 in favour of the developer amounting to $144.66 million. The Trust 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 Trust paid the amount of $144.66 million to an interest-bearing account by May 31 2010. This amount was subsequently paid (Note 7). A pre-trial review date was set for March 7, 2011 and a trial date set for May 2, 2011. The matter was heard from May 2 – 6, 2011 and continued June 27 – July 1, 2011 and July 4, 2011.

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

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

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

The hearing of the matter was scheduled to continue for the seven (7) days, November 5 -13, 2012 and the adjournment hearing in the part-heard matter took place from November 5-6, 2012. At the close of submissions, the Judge took time to consider the matter before rendering her decision. The court did not provide a timeframe within which the Judgement would be available.

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

Developer's claim (Cont'd)

Management, based on the facts and the opinion of their attorneys, has made certain provisions at year-end based on its best judgement of the likely liability resulting from the litigation and claims.

However, the ultimate outcome of those matters cannot be determined at this time and should the Trust be unsuccessful in its challenge and in the mediation process, an adjustment (which may or may not be significant) may be required to the amounts provided in the financial statements.

40 **ADJUSTMENTS TO RECONCILE PROFIT FOR THE YEAR TO CASH PROVIDED BY OPERATING ACTIVITIES**

	2014 $'000	2013 $'000
Provisions for losses on projects	38,451	1,142
Provisions on projects written back	(152,031)	(182,963)
Increase in provisions on loans receivable	155,971	26,520
Bonus on employees' contribution	1,325,628	1,191,696
Provision (Write back of provision) for irrecoverable debt on receivables	498	(2,560)
Depreciation	104,195	119,305
Loss on impairment of property, plant and equipment	-	5
Loss on disposal of property, plant and equipment	137	3,873
Adjustments to property, plant and equipment	2,094	-
Fair value (loss) gain on investment property	7,600	(2,530)
Service charges amortised	(855,257)	(711,076)
Intangible assets amortised	18,439	17,003
Loss on impairment of equity investment security	20,958	20,915
Gain in revaluation of held for trading investment securities	(292,833)	(242,376)
(Loss) Gain on disposal of equity investment securities	58	(15,984)
Loss on disposal of investment securities	44,907	67,276
Retirement benefit charge (credit) (net) (Note 16)	546,826	(39,096)
Interest Income	(9,274,471)	(8,845,969)
Foreign exchange adjustment	(569,051)	(600,386)
Share of losses of associates	37,454	40,195
Tax expense	992,916	857,837
Provisions charged during the year	282,554	4,576
Adjustments to reconcile net profit to cash flow used in operating activities and changes in operating assets (liabilities)	(7,564,957)	(8,292,597)

41 **FINANCIAL EFFECTS OF RESTATEMENTS**

During the year the following changes were made to the Trust's accounting policies resulting from changes in accounting standards and reassessment of the presentation of the relevant activities in the Trust's financial statements:

(i) IAS 19 Employee Benefit (as revised in 2011) was applied and the related retrospective amendments along with the respective deferred tax adjustments were applied.
(ii) Non-refundable contributions previously accounted for directly in equity are now recorded as revenue.
(iii) Amounts in respect of mortgage subsidy are included as appropriations of accumulated profit as these relate to reserves being set up to provide future subsidies to beneficiaries meeting certain criteria established by the Trust.
(iv) Amounts in respect of unallocated contributions being treated as an appropriation of profit.

41 FINANCIAL EFFECTS OF RESTATEMENT (Cont'd)

Below are the reconciliations of accumulated fund as at April 1, 2012 and March 31, 2013 and of the statement of profit and loss and other comprehensive income for the year-ended March 31, 2013.

(a) Reconciliation of Statement of Financial Position as at April 1, 2012

	Previously reported	Effects of IAS 19 adjustments	Non-refundable employers' contribution adjustment	Mortgage subsidy adjustment	Restated
		Note (i)	Note (ii)	Note (iii)	
	$'000	$'000	$'000	$'000	$'000
ASSETS					
Cash and bank balances	5,853,929	-	-	-	5,583,929
Receivables and prepayments	790,265	-	-	-	790,265
Non-current assets held for sale	70,904	-	-	-	70,904
Securities purchased under resale agreements	1,097,979	-	-	-	1,097,979
Investment securities	21,744,980	-	-	-	21,744,980
Taxation recoverable	4,678,670	-	-	-	4,678,670
Loans receivable	129,364,036	-	-	-	129,364,036
Inventories	9,902,862	-	-	-	9,902,862
Intangible assets	30,543	-	-	-	30,543
Investments in associates	1,217,102	-	-	-	1,217,102
Retirement benefit asset	1,245,589	318,291	-	-	1,563,880
Property, plant and equipment	1,466,206	-	-	-	1,466,206
Total assets	177,463,065	318,291	-	-	177,781,356
LIABILITIES AND ACCUMULATED FUND					
LIABILITIES					
Payables and accruals	1,890,714	-	-	-	1,890,714
Provisions	908,107	-	-	(798,440)	109,667
Refundable contributions	62,177,515	-	-	-	62,177,515
Deferred tax liabilities	724,999	131,047	-	-	856,046
Retirement benefit obligation	215,947	(74,856)	-	-	141,091
Taxation payable	2,245,216	-	-	-	2,245,216
	68,162,498	56,191	-	(798,440)	67,420,249
ACCUMULATED FUND					
Non-Refundable employer's contribution	78,686,847	-	(78,686,847)	-	-
Fair value and other reserves	2,735,980	-	-	-	2,735,980
Mortgage subsidy reserve	-	-	-	798,440	798,440
Peril reserves	2,607,465	-	-	-	2,607,465
Loan loss reserve	3,330,359	-	-	-	3,330,359
Accumulated profit	21,939,916	262,100	78,686,847	-	100,888,863
	109,300,567	262,100	-	798,440	110,361,107
Total liabilities and accumulated fund	177,463,065	318,291	-	-	177,781,356

41 **FINANCIAL EFFECTS OF RESTATEMENT (Cont'd)**

(a) Reconciliation of Statement of Financial Position as at March 31, 2013

	Previously reported	Effects of IAS 19 adjustments Note (i)	Non-refundable employers' contribution adjustment Note (ii)	Mortgage subsidy adjustment Note (iii)	Restated
	$'000	$'000	$'000	$'000	$'000
ASSETS					
Cash and bank balances	3,113,815	-	-	-	3,113,815
Receivables and prepayments	1,102,830	-	-	-	1,102,830
Non-current assets held for sale	70,904	-	-	-	70,904
Securities purchased under resale agreements	684,147	-	-	-	684,147
Investment securities	20,705,907	-	-	-	20,705,907
Taxation recoverable	5,250,174	-	-	-	5,250,174
Loans receivable	148,065,717	-	-	-	148,065,717
Inventories	11,372,815	-	-	-	11,372,815
Intangible assets	28,135	-	-	-	28,135
Investments in associates	1,176,907	-	-	-	1,176,907
Retirement benefit asset	1,431,031	130,929	-	-	1,561,960
Investment property	46,600	-	-	-	46,600
Property, plant and equipment	1,432,953	-	-	-	1,432,953
Total assets	194,481,935	130,929	-	-	194,612,864
LIABILITIES AND ACCUMULATED FUND					
LIABILITIES					
Payables and accruals	2,789,319	-	-	-	2,789,319
Provisions	1,512,597	-	-	(1,398,354)	114,243
Refundable contributions	67,971,646	-	-	-	67,971,646
Deferred tax liabilities	625,185	53,812	-	-	678,997
Retirement benefit obligation	243,494	(84,328)	-	-	159,166
Taxation payable	222,502	-	-	-	222,502
	73,364,743	(30,516)	-	(1,398,354)	71,935,873
ACCUMULATED FUND					
Non-Refundable employer's contribution	90,077,720	-	(90,077,720)	-	-
Fair value and other reserves	1,057,186	-	-	-	1,057,186
Mortgage subsidy reserve	-	-	-	1,398,354	1,398,354
Peril reserves	2,946,858	-	-	-	2,946,858
Loan loss reserve	3,920,910	-	-	-	3,920,910
Accumulated profit	23,114,518	161,445	90,077,720	-	113,353,683
	121,117,192	161,445	-	1,398,354	122,676,991
Total liabilities and accumulated fund	194,481,935	130,929	-	-	194,612,864

41 FINANCIAL EFFECTS OF RESTATEMENT (Cont'd)

(c) Reconciliation of Surplus for the year-ended March 31, 2013

	Previously Reported	Effects of IAS 19 adjustments	Non-refundable Employers contribution adjustment	Mortgage subsidy adjustments	Unallocated contribution reserve adjustment	Restated
		Note (i)	Note (ii)	Note (iii)	Note (iv)	
	$'000	$'000	$'000	$'000	$'000	$'000
Employers' non-refundable contributions received	-	-	11,390,873	-	-	11,390,873
Interest revenue:						
- Loans	6,670,432	-	-	-	-	6,670,432
- Investments	2,175,537	-	-	-	-	2,175,537
	8,845,969	-	-	-	-	8,845,969
Bonus on employees' contributions	(1,191,696)	-	-	-	-	(1,191,696)
Net interest revenue	7,654,273	-	-	-	-	7,654,273
Other gains on securities carried at fair value through profit or loss	242,376	-	-	-	-	242,376
Dividends from equity investments	28,459	-	-	-	-	28,459
Service charge on loans to beneficiaries	711,076	-	-	-	-	711,076
Miscellaneous	1,582,049	-	-	-	-	1,582,049
	10,218,233	-	-	-	-	10,218,233
	10,218,233	-	11,390,873	-	-	21,609,106
Operating expenses	4,306,565	(16,116)	-	-	63	4,290,512
Increase (Decrease) in allowance for impairment on loans receivable	26,520	-	-	-	-	26,520
(Gains) Losses on projects (including allowance for impairment)	(260,934)	-	-	-	-	(260,934)
Special subsidies and grants	918,999	-	-	(599,914)		319,085
Restructuring costs	2,223	-	-	-	-	2,223
Loss on disposal of investment securities	51,292	-	-	-	-	51,292
Share of comprehensive losses of associates	40,195	-	-	-	-	40,195
	5,084,860	(16,116)	-	(599,914)	63	4,468,893
PROFIT BEFORE TAXATION	5,133,373	16,116	11,390,873	599,914	(63)	17,140,213
TAXATION	(886,570)	28,733	-	-	-	(857,837)
PROFIT FOR THE YEAR	4,246,803	44,849	11,390,873	599,914	(63)	16,282,376
Other Comprehensive Income:						
Items that will be reclassified subsequently to profit or loss:						
- Losses on available-for-sale financial assets	(1,687,829)	-	-	-	-	(1,687,829)
Items that will not be reclassified subsequently to profit or loss:						
- Remeasurement losses on defined benefit plan	-	(194,006)	-	-	-	(194,006)
- Deferred tax on remeasurement losses on defined benefit plan	-	48,502	-	-	-	48,502
- Reduction in deferred tax liability on revaluation of property, plant and equipment	9,098	-	-	-	-	9,098
	9,098	(145,504)	-	-	-	(136,406)
Other comprehensive expense for the year, net of tax	(1,678,731)	(145,504)	-	-	-	(1,824,235)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,568,072	(100,655)	11,390,873	599,914	(63)	14,458,141

DIRECTORS' COMPENSATION

2013/2014

Position of Director	Fees ($)	Motor Vehicle Upkeep/Travelling or Value of Assignemnt of Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Chairman	437,500	-	-	-	437,500
Director 1	206,000	-	-	-	206,000
Director 2	143,000	-	-	-	143,000
Director 3	117,500	-	-	-	117,500
Director 4	176,500	-	-	-	176,500
Director 5	242,000	-	-	-	242,000
Director 6	189,500	-	-	-	189,500
Director 7	147,000	-	-	-	147,000
Director 8	107,500	-	-	-	107,500
Director 9	128,820	-	-	-	128,820
Director 10	169,000	-	-	-	169,000
Director 11	280,000	-	-	-	280,000
Director 12	112,500	-	-	-	112,500
Director 13	191,000	-	-	-	191,000
Director 14	219,000	-	-	-	219,000
TOTAL	2,866,820				2,866,820

SENIOR EXECUTIVE COMPENSATION

2013/2014

Position of Senior Executive	Salary ($)	Gratuity or Performance Incentive ($)	Travel Allow. or Value of Assigned M/V ($)	Non Cash Benefits ($)	Total ($)
Managing Director*	14,109,951	3,111,500	1,029,527	2,909,211	21,160,189
SGM - Finance	6,642,515	939,673	975,720	2,023,099	10,581,007
SGM - Constr. & Dev	6,642,515	939,673	1,065,988	2,023,099	10,671,275
SGM - Corp. Services	6,378,200	939,673	853,755	2,023,099	10,194,727
SGM - Cust. Relations	6,642,515	955,874	1,065,988	2,023,099	10,687,476
GM - Company Secretariat	6,254,405	884,770	975,720	1,262,028	9,376,923
GM - HRM	5,623,774	809,274	975,720	1,262,028	8,670,796
Chief Int. Auditor	5,623,744	795,558	975,720	1262,028	8,657,080
Chief Inf. Officer	4,897,512	692,819	1,065,988	1,304,848	7,961,167
Total	62,815,161	10,068,814	8,984,126	16,092,539	97,960,640

*Include amounts paid to the former Managing Director while on suspension.

ADMINISTRATION

MANAGING DIRECTOR (Acting)

Martin Miller

SENIOR GENERAL MANAGERS

Neil Miller (Acting) – Corporate Services
Donald Moore – Construction & Development
Dr. Lanie-Marie Oakley Williams – Customer Relations Management
Errol Thompson (Acting) – Finance

GENERAL MANAGERS

Judith Larmond Henry – Company Secretariat & Legal Services
Leighton Palmer – Information Services
Jeneita Townsend – Human Resources Management
Lorna Walker – Internal Audit

ASSISTANT GENERAL MANGERS

Norman Anderson – Inner City Housing Project
Camille Chevannes – Legal Conveyancing & Mortgage Registry
Maxine Hart – Project Management Office
Dian Isaacs (Acting) – Corporate & Business Strategy
Gladstone Johnson – Contributions Processing
Quinton Masters – Project Appraisal & Management
Helen Pitterson – Company Secretariat & Legal Services
Hortense Rose – Corporate Communications
Joyce Simms-Wilson – Branch Network
Michael Taylor – Project Management
Philbert Solomon – Financial Reporting & Cost Management
Suzanne Wynter – Loan Management
Elton Vassell – Receivables, Banking & Investments

MANAGERS

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

MANAGERS (Cont'd)

Clivia Green – Compliance
Harvey Hall – Business Analysis, IS
Ransford Hamilton – Project Services
Cheryll Harris-Walder – Project Management, PMO
Rohan Jones – Information Systems Security
Lisa Myrie-Davis – Internal Audit
Paul Oliver – Loan Accounting
Donnetta Russell – Customer Care
Audley Stewart – Contributor Accounts
Sandra Williams – Data Quality Unit, Corporate & Business Strategy
Wendy-Jo Williams – Social Development
Vencot Wright – Planning & Research

BRANCH NETWORK: MANAGERS

Allison Beaumont – Smith – Kingston & St Andrew
Ava – Ann Scott – New Loans, KSAB
Morcelle Brown – Customer Service, KSAB
Janet Hartley Millwood – St Catherine
Judith Thompson – Clarendon
Eric McLeish – Manchester
Norris Rainford – Westmoreland
Lorna Bernard – St James
Dameon McNally – St Ann

SENIOR CUSTOMER SERVICE REPRESENTATIVES

Sancia Cornwall – St Elizabeth
Karen Forbes- Rodney – Portland
Althea Green – Trelawny
Nickcole Howden – Hanover
Ketrion Verisales – St Mary
Cotchesta Watson – St Thomas

LEGAL TEAM: LEGAL SERVICES

Andrew Antonio
Sheron Green Brown
Donna Stevenson
Nadine Taylor
Dawn Walker

LEGAL CONVEYANCING

Alayne Bennett
Sharon Blair
Marisa Forbes-Spencer
Carol Higgins
Tashia Madourie
Jefferine Stubbs-Rubbock
Mazielyn Walker

NOTES

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