National Housing Trust
...the key to your home

ANNUAL REPORT & FINANCIAL STATEMENTS 2014 - 2015

Your Home Ownership, Our Priority.

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 decision.

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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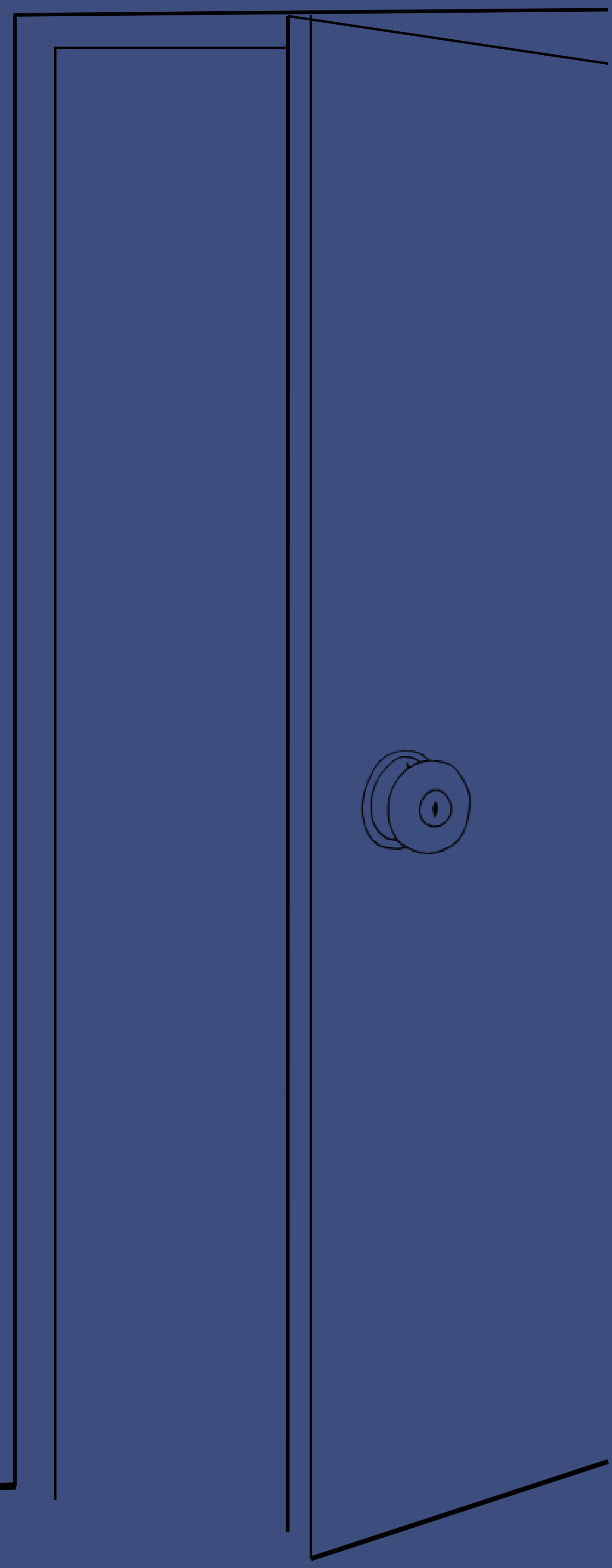


LETTER TO THE PRIME MINISTER

June 30, 2015

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 National Housing Trust's report for the year ended March 31, 2015, and a copy of its Statement of Accounts at March 31, 2015, duly certified by the Auditors.

Yours respectfully,

Carlton E. Davis

Dr. the Hon. Carlton Davis, OJ, CD.
Chairman

7-YEAR STATISTICAL SUMMARY

Year Ended March 31	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Total Assets*	220,950,445	206,289,926	194,612,864	177,781,356	155,566,439	134,114,628	115,995,523
Inventories*	8,303,657	8,822,275	11,372,815	9,902,862	8,380,924	5,693,088	4,914,369
Loans Receivable	180,909,435	166,336,403	148,065,717	129,364,036	110,276,274	95,757,161	85,131,068
Refundable Contributions	80,658,857	75,539,203	67,971,646	62,177,515	56,286,861	50,235,825	44,060,124
Accumulated Profit+	121,669.927	115,120,488	113,353,683	100,888,863	87,756,967	75,652,719	64,316,457
Results From Operations							
Total Operating Income+	26,954,190	22,604,097	22,800,802	21,089,237	19,119,432	18,234,578	17,279,732
Operating Expenditure*	4,968,250	5,106,979	4,290,512	4,165,473	4,168,474	4,214,928	3,740,782
Net Surplus (Deficit)*	18,668,454	14,149,563	14,458,141	13,871,239	12,233,004	11,331,360	10,634,847
Financial Ratios							
Average Interest on Loans (%)**	4.9	4.9	4.8	4.7	4.4	5.5	5.5
Yield on Investments (%)	7.5	7.4	8.4	7.6	8.9	14.1	12.0
Efficiency Ratio (%)*	61.5	71.3	60.6	75.9	79.6	62.1	70.7
Return on Capital (%)+	14.4	11.7	12.5	13.6	13.9	15.0	16.5
Return on Assets (%)+	8.7	7.1	8.7	8.3	8.4	9.1	9.9
Other Information							
Annual Housing Expenditure	20,774,445	22,077,311	22,607,055	24,216,512	21,209,341	16,915,796	20,242,636
Contributions Received	23,361,346	21,412,380	19,901,498	19,505,023	18,526,158	16,821,186	16,131,501
Contributions Refunded	5,339,328	4,437,518	3,908,254	3,253,025	2,874,123	2,751,659	2,624,178
Number of Mortgages Created Since Inception	174,768	168,744	160,937	153,087	145,424	138,353	131,804
Number of Individual Benefits Provided Since Inception*	186,248	180,224	172,420	164,570	156,907	149,836	143,287

* 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 Income

BOARD OF DIRECTORS

CHAIRMAN (Former)

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

Hon. Easton Douglas is a Real Estate Businessman and a Fellow of the Royal Institution of Chartered Surveyors. His past appointments include Government Town Planner, as well as Permanent Secretary and Cabinet Minister in the Housing Ministry. Mr. Douglas was appointed to the NHT Board in April 2012.

DEPUTY CHAIR

Hon. Daisy May Coke, O.J., C.D.

A retired actuary, Mrs. Coke has served as Chairman/Director – Public Service Commission and the Prices Commission; Deputy Chairman – National Hotel & Properties Limited, Director of the then Jamaica Broadcasting Corporation; the National Insurance Fund; Jamaica Industrial Development Corporation, Management Institute for National Development and the Statistical Institute of Jamaica.

Mrs. Coke has also served on the Boards of several financial institutions, and as a Member of Council at the University of the West Indies, and as a member of its Audit Committee. She is a member of the Board of Happy Grove School and St Hugh's High School. Mrs. Coke is a Commissioner of the Overseas Examination Commission.

Vincent Morrison, C.D.

Mr. Morrison joined the staff of the National Workers Union 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 Order of Distinction, Commander Class by the Government of Jamaica.

Sonia Hyman

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

O'Neil Grant

Mr. Grant is the President of the Jamaica Civil Service Association and Board Member of First Heritage Cooperative Credit Union.

Percival La Touche

Mr. La Touche is the CEO of K. Rose Consultant & Construction Company. He is the Founder, President and Chief Executive Officer of the Association for the Resettlement of Returning Residents. Mr. La Touche is the former Chairman of Sunset Strip Association.

BOARD OF DIRECTORS continued...

Robert Buddan

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

Michael Hugh Harvey, J.P.

Mr. Harvey is the Vice President of Spiritual Affairs at Northern Caribbean University (NCU), and a member of the University's Cabinet. He served as a District Pastor in the West Jamaica Conference of Seventh-day Adventists (WJCSDA), President of the NCU Alumni Association – St. James Chapter and as Publishing Director of the WJCSDA. He also served as President of the North Jamaica Mission of Seventh-day Adventists.

Currently he is a member of the Community Counseling and Restorative Justice Board, and Chairman of the Manchester Dispute Resolution & Violence Prevention Association. He also sits on the Board of the Jamaica Social Investment Fund.

Sgt. Raymond Wilson

Sergeant Raymond Wilson has dedicated more than two decades of service to the Jamaica Constabulary Force. He has been head of the Police Federation for more than a decade and was appointed to the Board of the National Housing Trust in April 2015.

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 Corporation.

Senator Lambert Brown, C.D.

Senator Brown is the President of the University & Allied Workers Union and the Vice President of the Jamaica Conference of Trade Unions. He is a member of the Urban Development Corporation Board and of the Jamaica Productivity Centre Advisory Board.

Clayton Hall

Mr. Hall was appointed to the Board in April 2015. He is the Principal of the Spanish Town High School and is a former President of the Jamaica Teachers' Association.

MANAGEMENT TEAM

Martin Miller
Acting Managing Director

Jeneita Townsend
General Manager Human Resource Management

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

Leighton Palmer
Chief Information Officer

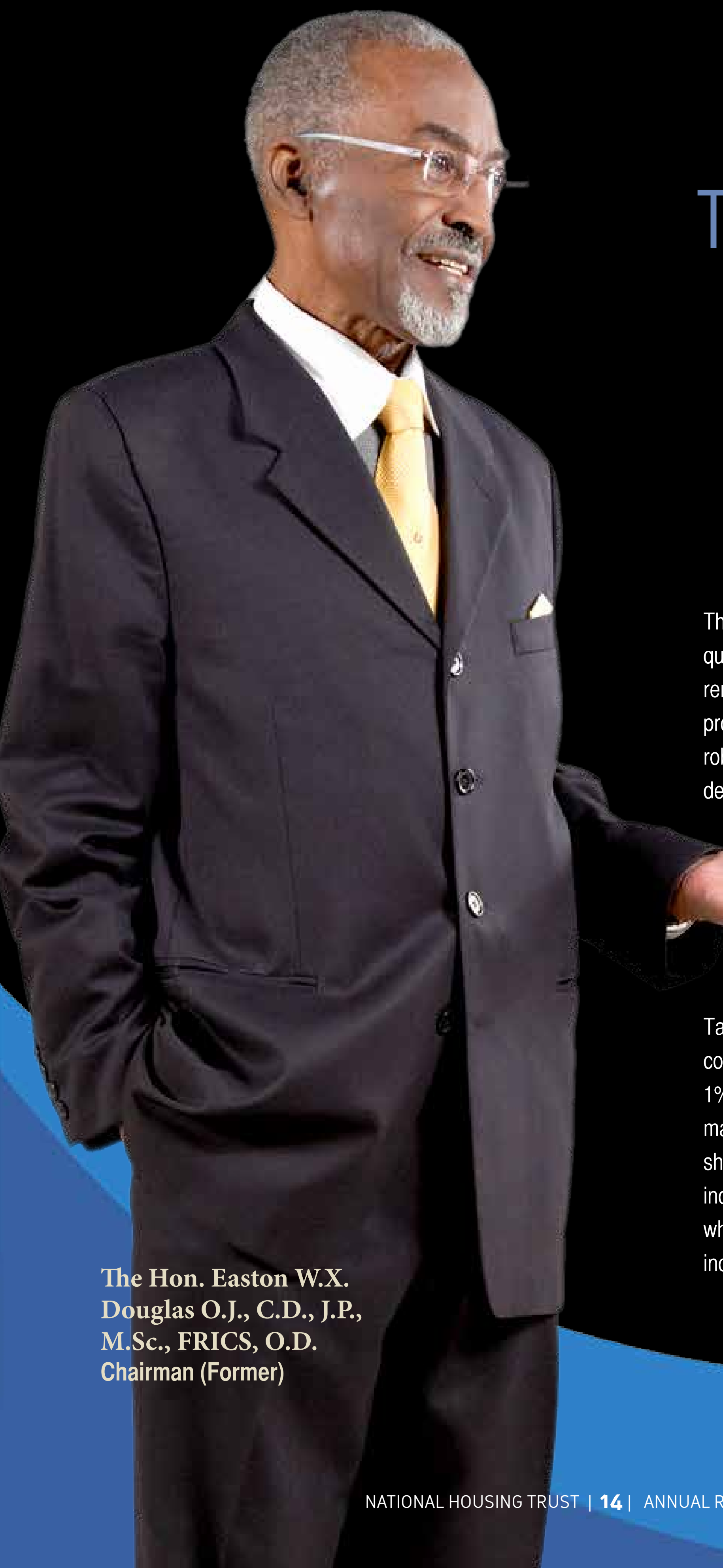
Lorna Walker
Chief Internal Auditor

Neil Miller
Senior General Manager (Acting) Corporate Services

THE YEAR IN REVIEW

ANNUAL REPORT & FINANCIALS

2014/2015



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

The year just ended was a remarkable one. The question of how to better serve you, our contributors remained foremost in our minds, as we sought to produce more houses for less, sustain our financially robust position, optimize our operations and service delivery and build a performance driven team here at the Trust. Within the context of the prevailing economic challenges, the National Housing Trust (NHT) produced mixed results for the 2014/2015 Financial Year. Targets were exceeded in the areas of contribution collections (by 8%), mortgage collections (by 1%), housing completions (by 10%) and budget management (by 2%), however, the Trust fell short of its loan creation target by 9%. Operating income increased by 20% over the previous year while outflows were reduced by 8% resulting in an increased net operating profit.

The NHT's success over the year is a direct result of the dedicated staff island-wide. We take this opportunity to thank the men and women of the NHT, who continue to give the best of themselves to ensure high levels of service to our contributors. Over the past five years, the Trust has won numerous awards through the efforts of its staff, the latest being the prestigious Human Resource Management Association of Jamaica (HRMAJ) Innovation Award for 2014 for its Go Green Project.

During the year, the Trust improved its use of technology, through the provision of online services resulting in the addition of an electronic facility to send loan statements directly from our system to customers' email addresses. Customers who register for this facility, in addition to receiving annual loan statements, are able to receive other information such as account status, new products and services offerings and public service announcements. Also, these customers will be able to make requests and provide instructions to the NHT regarding their loan accounts via email. Customers with Visa, MasterCard or KeyCard credit cards are now able to make regular mortgage and contribution payments via NHT's website.

Martin Miller
Acting Managing Director

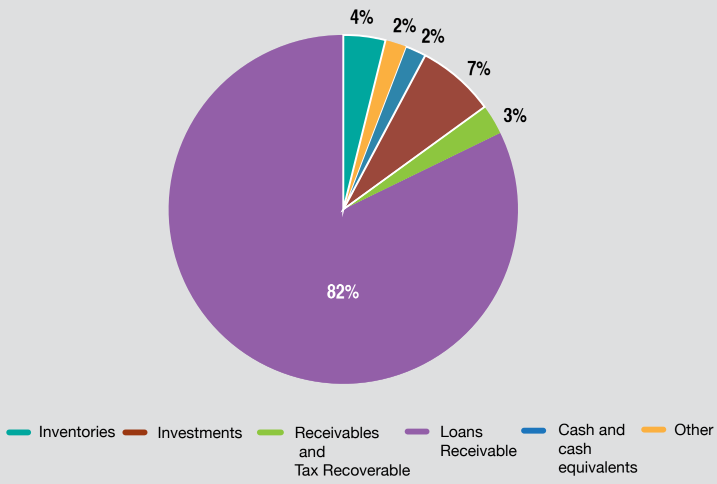
FINANCIAL REVIEW

Assets

The Total Assets of the NHT increased by 7.1% during 2014/2015, a better result than the 6% increase realized in the previous financial year. The value of all assets stood at $221.0B at March 31, 2015 and compares favourably to the $206.3B balance at the end of the previous financial year. The growth in assets was seen mainly in the area of Loans Receivable which increased by 8.8%, and now account for 82% of all NHT assets.

The NHT's assets were funded in the main by Refundable Contributions, valued at $80.7B, an increase of 6.8% over 2013/2014 and by Accumulated Surplus of $121.7B which increased by 5.7% over last year. Investment Securities, which amounted to $14.2B or 6.4% of total assets, declined modestly from the $14.8B last year. The liquidation of parts of this asset class remains necessary for the NHT to meet cash flow requirements for contributing to the Government of Jamaica's Consolidated Fund. Inventories stood at $8.3B or 3.8% of assets, a 5.9% decline over the previous year. The value of land held for housing increased by 4% to $3.4B. The value of solutions completed, but not yet sold increased by 26% to $3.5B; while solutions under construction declined in value to $1.6B or by 47%.

Asset Composition



Cash and Cash Equivalents ($4.75B) accounted for 2.1% and is relatively flat when compared to the previous year. The NHT continues to maintain reasonable cash balances to meet its operating obligations.

Income and Expenditure

The NHT realized a 31.2% increase in Total Comprehensive Income over 2013/14. Overall, the NHT recorded a Total Comprehensive Income of $19.0B for the financial year versus $14.5B for the prior year, due mainly to increases in contributions from employers.

The NHT also increased efforts to collect outstanding contributions from non-compliant entities, which realized $990M in additional inflows.

Interest revenue on loans increased by 11.0% or $850M, commensurate with the overall growth in the mortgage portfolio, while interest on investments declined marginally as a result of the aforementioned liquidation of some investments.

On the expenses side, the NHT reduced its operating expenses by $139M or 2.7%. The organization reversed the $276M losses on projects to record a $10M gain, and subsidies and grants declined by $84M due to reduced activities in the Inner City Housing Project. Total outflows for the year amounted to $5.6B, an 8.0% decline from the $6.1B recorded in the prior year.

OPERATIONAL REVIEW

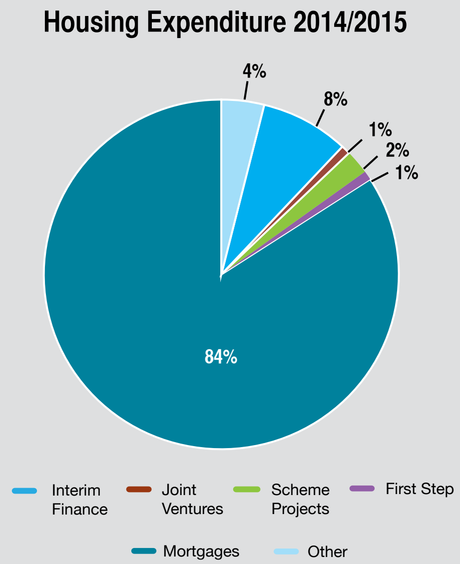
Housing Expenditure

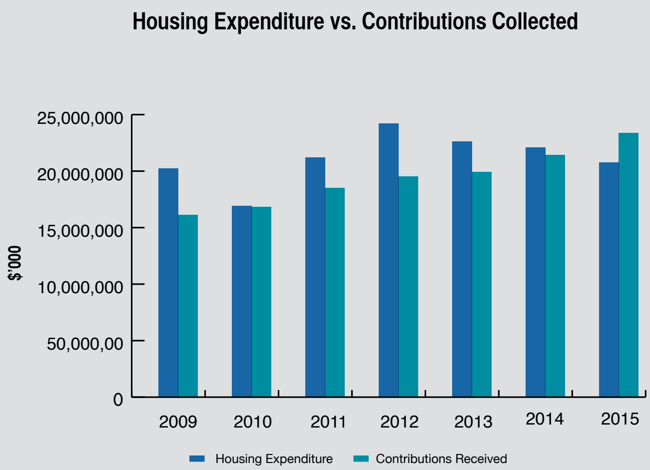
The NHT spent $20.8B on mortgage and construction activities during the year; a 5.9% decline from the $22.1B outlaid during 2013/2014. When compared to the $23.4B collected in total contributions during the year, the Trust spent the equivalent of 88.9% of contributions collected on housing.

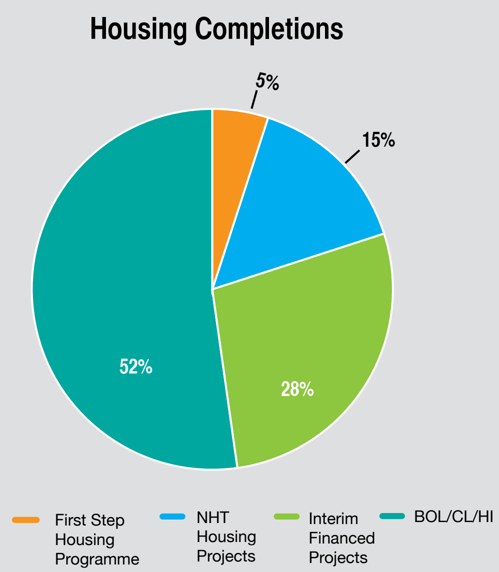
The Trust has been revising its planned housing projects since the previous year with a view to delivering more affordable units to the market, particularly for low-income contributors. As in the prior year, mortgages accounted for the greater portion (84%) of housing expenditure. However, with the general downturn in the housing sector currently being experienced, this translated to $17.8B in the period under review which is a decline from the $19.9B mortgage total from the previous year.

Housing Completions

The NHT completed a total of 2,342 solutions during the review period; a reduction of 9.7% compared to last year. Build-on-Own Land (BOL), Construction Loan (CL) and Home Improvement Loan (HI) accounted for 52% (1,222) of this total, with Interim Finance projects contributing 28% of the total. NHT Projects under which scheme solutions were completed accounted for 15%, while the First Step Housing Programme accounted for the remainder of overall completions.







Scheme Handovers

Sandhills Vista

"The realization of a lifelong dream" was how NHT beneficiary Vaughnette Boothe described the handover of keys and letters of possession for housing solutions at Sandhills Vista, Hellshire at a ceremony held on February 13, 2015. Fifty eight successful applicants attended the event at which Prime Minister, Hon. Portia Simpson Miller led the handover of the benefits. The scheme comprises 226 solutions, 130 of which are two-bedroom units, 50 three-bedroom units and 46 serviced lots, constructed at a cost of $1.8 billion.

Creighton Hall

One hundred and forty contributors who live or work in St. Thomas are now proud owners of serviced lots in that parish after the NHT formally handed over letters of possession to some beneficiaries at Creighton Hall on Friday, March 6, 2015. The scheme which was developed at just over $268 million comprises 140 large lots ranging in size from 8,600 to 10,000 square feet.

Prime Minister the Most Hon. Portia Simpson Miller, local officials and political representatives congratulated the newest landowners in the parish. The Trust has offered a range of subsidies to facilitate ownership at Creighton Hall. Twenty lots, for example, were set aside at lower than the general rate, for contributors earning $10,000 or less, weekly. To further enhance affordability and to encourage early construction, the Trust has offered a subsidy of $2 million to members from that income group, who build their homes within two years of buying the property.

Loans Created

Loans created during the review period totaled 6,273; 8.8% below target, and 1,534 fewer loans than for the previous year. The main portfolio accounted for 6,112 loans at a face value of $17.6B.

An additional 940 loans were written under the Joint Financed Mortgage programme at a value of $3.91B. These represent increases in number (12.7%) and value (22.2%) of loans written under this programme over the prior year.

Mortgage Collection

The NHT collected $17.4B in mortgage repayment for 2014/15, an increase of $1.6B or 13%. While there is a natural increase in repayments associated with a growth in the mortgage portfolio, the NHT realized some benefits from efforts to reduce delinquency. The Trust continues to provide various avenues for our mortgagors to become compliant with the terms agreed.

Contributions Refunds

Currently, contributions paid to the NHT in 2007 and earlier years, are being refunded. The process of Refunding contributors during 2014/2015 proved smoother than in any other year owing to refinements to our Contribution Processing System. During the 2014/15 period, the Trust provided refunds to over 140,000 contributors at a value of over $5.3B.

Contributions Collection

Contributions collected for the 2014/15 financial year amounted to $23.4 billion, an increase of $2.0 billion or 9.3% over last year. Efforts to improve compliance levels, which included litigation, led to the collection of approximately $1.0B from entities in chronic arrears. The NHT will redouble its efforts to further reduce delinquency in the coming year.

LOAN TYPE BY NUMBER AND VALUE OF LOAN DISBURSEMENT

LOAN TYPE	NUMBER	FACE VALUE
MAIN MORTGAGE LOANS:		
Build on Own Land	476	1,736,045,133
Construction Loan	973	2,488,905,900
Home Improvement	239	368,839,372
House Lot	1,068	1,377,072,960
Open Market	2,888	10,511,378,680
Scheme	280	816,963,484
Serviced Lot	188	328,206,179
Subtotal	6,112	17,627,411,708
OTHER LOANS:		
Solar Water Heater	145	29,453,375
Others	16	32,674,143
Subtotal	161	62,127,518
TOTALS	6,273	17,689,539,226

New Operational Initiatives

The NHT constantly tries to change the way that it does business to utilize the most efficient processes, people and technologies, aiming to reduce customer transaction times, offering the world-class customer service that you have come to expect from this organization, and by reducing the cost to deliver our services. Ease and convenience are the buzzwords in the NHT, as they form the basis for much of the reforms that take place. The following are the initiatives, aimed at improving operational efficiency, that were introduced during the year.

The Go Green Project

The Go Green Project was launched on February 21, 2013 with a vision to enable the NHT to make a positive impact on the environment by efficiently using energy, natural and other resources in its daily operations. The activities under the programme included the reduction of waste, and the reuse and recycling of resources where possible. By August 2014, the project had surpassed expectations, resulting in a reduction in electricity usage by 5.7%. Conservation methods included installation of occupancy sensor lighting equipment, replacement of air conditioning units with inverter technology units, and the installation of water saving devices in the bathrooms.

The Trust was also able to reduce paper consumption by 12% during the year owing to a thrust to print fewer documents.

The NHT continues to strive to be an effective steward of the funds with which it is entrusted, and is unwavering in its efforts to provide excellent service to customers.

Mobile NHT

On April 16, 2014, Prime Minister the Most Hon. Portia Simpson Miller commissioned the National Housing Trust's, (NHT) mobile unit into service at a launch at the Mile Gully Community Centre in Manchester. The Trust retrofitted a bus to accommodate two work stations which can seat two customer service representatives and four customers simultaneously. The unit branded, 'NHT on Wheels: service at your doorstep', operates as a mobile office, with the full gamut of services including; self-employed registration, loan processing, contributions, refunds applications, acceptance of non-cash contributions and mortgage payments as well as general information. In addition to making the trek to deep rural points of Jamaica, the bus has been used to bolster the offerings of our offices on peak days each month.

COMMUNITY DEVELOPMENT

The NHT's involvement in the communities it builds does not end with the handover of the units. The Trust, through its Social Development Department, continues to impact the lives of our mortgagors and contributors with capacity building, community governance and income generation workshops.

Best Schemes

Our flagship community development vehicle, the biennial Best Schemes Competition, was concluded this year with Regional prizes being awarded to Cornwall Courts, Angels Grove, Delacree Park and Portmore Pines. The National winner was Portmore Pines with Chudleigh (Manchester) and Wickie Wackie (Kingston & St. Andrew) placing 2nd and 3rd, respectively. Communities were judged on areas such as: governance, culture, environment & health and level of arrears.

NHT Journalism Award

The 2014 NHT Journalism Award marks the third time that the NHT has offered the award. As part of its 35th anniversary celebrations, and in advancement of the Vision 2030 strategic outcome of "safe, sanitary and affordable shelter for all", in 2010 the NHT took the decision to recognize journalists who excel in researching and reporting on sustainable development with specific reference to housing. The first award was presented in 2012.

Television Jamaica's Kirk Wright and the Gleaner's Petre Williams-Raynor are the winners of the third staging of the National Housing Trust (NHT) Journalism Award for

Excellence in Reporting on Sustainable Development and Affordable Housing. The two walked away with trophies and a cash prize of $150,000 each at the Press Association of Jamaica Journalism Awards on November 28, 2014.

The judges, in their report, noted that the entries ranged from excellent investigative pieces to more routine reporting. "All entries reflected outstanding writing and reporting and showed commitment to exposing issues affecting both the built and natural environments."

YUTE Build II

The Prime Minister in her 2013 budget presentation, announced YUTE Build II which would target an additional 100 participants to be trained in general construction techniques. The NHT would continue to play a pivotal role in this redesigned 18 month programme schedule to be completed in July 2015. One hundred and five (105) individuals were initially enrolled and placed in the HEART Trust, NTA Levels I, II & II General Construction courses. To date 89 participants remain in the programme and are expected to complete same by July 2015. Some of the participants were key to the successful completion of the NHT's Labour Day 2015 project.

THE YEAR AHEAD

In addition to improving affordability and access to housing for our contributors during 2015/16, the NHT hopes to increase its operational efficiency in the delivery of these products and services. The Trust will automate several manual processes, which will result in speedier turnaround times in several areas.

Several databases are being cleaned/condensed in an effort improve the quality of information upon which decisions are taken in the Trust, leading to better responses to the needs of our customers. The quality of service provided in our offices and through the mobile NHT and other access points will undergo a revision during the year.

The trust will also commence work in the near term on schemes at Eltham Farm, Industry Cove, Sevens, Vineyard Town, Wickie Wackie, Granville, Longville Park, Marysfield and Hellshire. The Trust will again complete more than 2,000 housing solutions through our various programmes during the year ahead.

The NHT is aware of the challenges that its contributors face during this period of national adjustment and commits itself to improving access to housing. The Trust will partner with other agencies of the Government of Jamaica shortly to deliver more low income units nationally. The Trust is also reviewing various policies which will improve access to housing, as well as those which will increase our contribution to the country's growth agenda. We will continue to strive to meet the needs of the persons that this institution is built upon, and to make your homeownership our priority.

Handovers

Prime Minister, the Most Honourable Portia Simpson Miller (right) congratulates Basil Ferril a Sandhills Vista beneficiary.

ABOVE: NHT's Acting Managing Director, Martin Miller, addresses the audience at Creighton Hall handover ceremony.

Model unit at Sandhills Vista in Hellshire, St. Catherine.

Students of Yallahs Basic School in performance (mourning the death of 'Sammy')

ABOVE: Prime Minister, the Most Honourable Portia Simpson Miller (right) presents an elated beneficiary with her commitment letter at the Creighton Hall Handover Ceremony.

Former NHT Chairman, Easton Douglas hands over a letter of commitment to a Sandhills Vista beneficiary.

Staff Sports Events

LEFT

The Champions of the 2014 Business House Netball Association Senior B League - National Housing Trust. From left to right: Lovern McDonald, Michelle White, Sandra Williams, Kayon Walker, Petula Fearon, Alistar Minto-Mohan, Wendy-Ann Davis, Tatika Andrerson, Opal Peart, Crystal Grant, Jodi-Ann Ffrench-Kentish.

The jubilant NHT's Team holds the BHNA Trophy aloft.

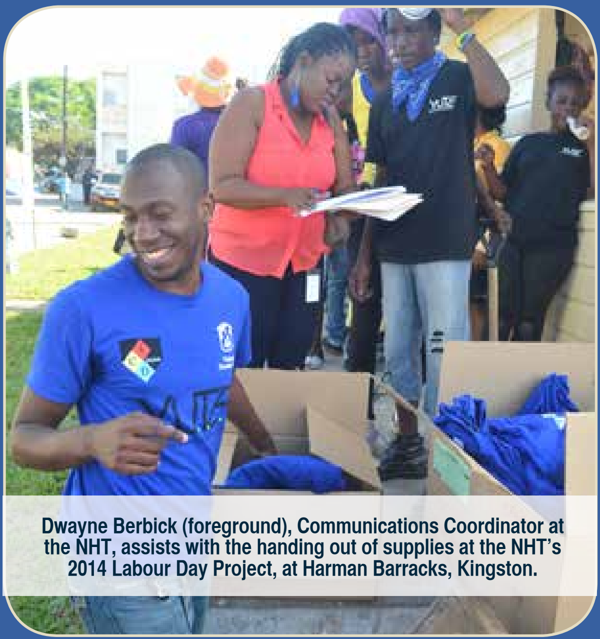
The NHT's Team to the 2015 Sigma Run.

ABOVE: Members of the Customer Care Department at the 2015 Sigma Run. From left to right: Lauren Soutar, Kamesha Paharsingh, Flavia Burke, Kashmane Golding, Tanya Speid-Hill, Sudeen Burton, Terry-Ann Goldson, Danielle Palmer, Eukal Sharras.

Champions of the 2014/15 Inter-department Football Tournament – the Finance Division. Front row - left to right: Martel Harris, Orane Edwards, Frederick Kermitt. Back row - left to right: Lionel Morant, Andre Edmondson, Dwanyne Binns and Pierce Amos

LEFT: Edson Hunt of the Legal Conveyancing and Mortgage Registry Department dribbles the ball during the 2014/15 Inter-department Football Tournament.

Labour Day



Dwayne Berbick (foreground), Communications Coordinator at the NHT, assists with the handing out of supplies at the NHT's 2014 Labour Day Project, at Harman Barracks, Kingston.

ABOVE: Former. Commissioner of Police, Owen Ellington (3rd from right), Chairman of Y.U.T.E. Joseph Matalon (2nd from right), and Acting Managing Director of the NHT, Martin Miller (right) helps to paint a walkway at the NHT's 2014 Labour Day Project.

ABOVE: Participants in the NHT's 2014 Labour Day Project: the Y.U.T.E. Build team, members of the Jamaica Constabulary Force, PSOJ members, and NHT staff members.

LEFT:

Y.U.T.E. trainees install a ceiling fan at the NHT's 2014 Labour Day Project, at Harman Barracks, Kingston.

Go Green

RIGHT:

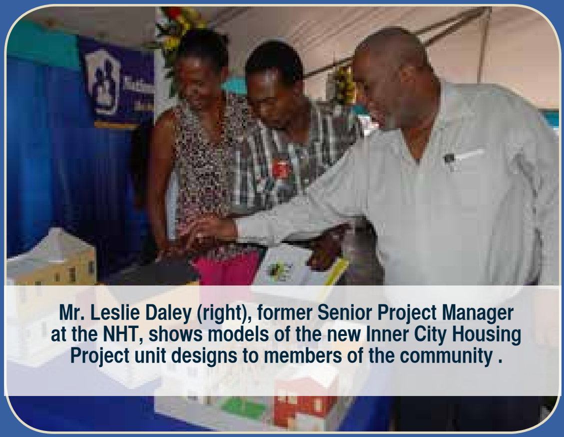
Mr. Michael McAnuff – Jones (left), President of the HRMAJ presents his organisation's 2014 Innovation Award to members of the NHT's Go Green Committee. From left to right: Sandra Hall-Willacey, Suzzette Singh-Ogle, Leleith Bennett, Herman Baker, Norman Wilberforce, Jeneita Townsend, Kerry-Ann Harrison.

NHT Journalism Award 2014

ABOVE: Dwayne Berbick (right), Communications Coordinator at the NHT, presents Mrs. Petre Williams – Raynor of the Gleaner Company with the 2014 NHT Journalism Award in the Print Media category.

ABOVE: Dwayne Berbick (right), Communications Coordinator at the NHT, presents Mr. Kirk Wright of Radio Jamaica Ltd. with the 2014 NHT Journalism Award in the Electronic Media category.

Majesty Gardens Phase II Ground Breaking



Mr. Leslie Daley (right), former Senior Project Manager at the NHT, shows models of the new Inner City Housing Project unit designs to members of the community .

Mr. Norman Anderson, Head of the NHT's Inner City Housing Project gives an overview of the Majesty Gardens Phase II designs to residents.

ABOVE: Prime Minister, the Honourable Portia Simpson Miller (second from right), and Minister Without Portfolio in the Ministry of Transport, Works and Housing, Hon. Dr. Morais Guy (right) breaks ground for Majesty Gardens Phase II with (left to right) Member of the NHT Board, Mr. Vincent Morrison; Former Chairman of the NHT Board, Mr. Easton Douglas; Councillor of the Greenwich Town division of the KSAC, Mr. Karl Blake; and Acting Managing Director of the NHT, Mr. Martin Miller.

NHT Mobile

Staff members (l-r) Jacqueline McDonald-Johnson, Sharon Babolal-Chin, and Donnetta Russell standing in front of the NHT Mobile unit.

BELOW ALL PICTURES: NHT Moblile in May Pen, Old Harbour and Lucea.

ABOVE: The Most Hon. Portia Simpson Miller and Member of Parliament Manchester North Western, Mikael Phillips, inside the NHT Mobile unit at the Mile Gully Community Centre in Manchester.

ABOVE: Prime Minister, the Most Honourable Portia Simpson Miller (center); Member of Parliament for Manchester North Western, Mikael Phillips (left); Minister Without Portfolio in the Ministry of Transport, Works and Housing, the Hon. Dr. Morais Guy; Prime Minister, Former Chairman of the NHT Board, Easton Douglas; and Acting Managing Director of the NHT, Martin Miller, in attendance at the launch of NHT Mobile in MIle Gully, Manchester.

HIGHLIGHTS

Best Schemes

Judges (left to right) Shauna Guthrie (NSWMA), Wyvolin Gager (Gleaner), and Kelly Magnus (Early Childhood Commission) inspect a visual arts display in Chudleigh, Manchester.

BELOW: Andrew Brodber(Judge) views a culinary arts display in Chudleigh, Manchester.

ABOVE: Best Shemes national winners: (left to right) Minister Without Portfolio in the Ministry of Transport, Works and Housing, the Hon. Dr. Morais Guy; President of Wickie Wackie Housing Scheme, Talbert White (3rd place winners), President of the Portmore Pines Housing Scheme Andrea Barrett – James (1st place winners); Minister of Local Government and Community Development, Hon. Noel Arscott; Chairman of the NHT, Dr. Hon. Carlton Davis and President of the Chudleigh Housing Scheme, Maureen Peart (2nd place winners)

ABOVE: Best Scheme Judges, from left - Shauna Guthrie (NSWMA), Andrew Brodber (JCDC), Stacy Clarke-Callum (PIOJ), Margaret Spooner (Social Development Officer, Acting) – standing in the background, Community representatives (4) and Morin Seymour (Gleaner) – back partially turned, listens to a presentation from the Wickie Wackie Community Group.

Ministers of Government Hon. Noel Arscott, the Hon. Dr. Morais Guy; NHT Chairman, Dr. Hon. Carlton Davis and Member of the NHT Board, Mrs. Sonia Hyman are pictured with the various winners of the NHT's Best Schemes Competition, at the Jamaica Conference Centre.

ABOVE: NHT's Social Development Manager, Ms. Wendy – Jo Williams and Social Development Officer (center), Mr. Cherton Dacosta (right) speaks with Host of Radio Jamaica's Hotline programme, Mrs. Emily Crooks Shields.

Entrepreneurial Competition

LEFT: Chairman of the NHT, Dr. Hon. Carlton Davis (left); Minister Without Portfolio in the Ministry of Transport, Works and Housing; the Hon. Dr. Morais Guy (2nd right); and Member of the NHT Board, Mrs. Sonia Hyman views Dermacare's display by Ms. Denise Coke of the Mineral Heights Community Group.

Minister Without Portfolio in the Ministry of Transport, Works and Housing, the Hon. Dr. Morais Guy (center); Minister of Local Government and Community Development, Hon. Noel Arscott (2nd Right); and Chairman of the NHT, Dr. Hon. Carlton Davis (right) inspect products on display. Looking on are the NHT's Social Development Manager, Ms. Wendy – Jo Williams (left), and a member of the public.

(left to right) Ms. Kelsey Jones, member of the Fair Prospect Community Group engages Member of the NHT Board, Mrs. Sonia Hyman(partially hidden) and Minister of Local Government and Community Development, Hon. Noel Arscott in conversation. Also pictured Mrs. Nadine Longmore, Project Manager at the NHT.

ABOVE: Organisers and winners of the Entrepreneurial Challenge display awards received.

ABOVE: A section of the Chudleigh Housing Scheme's display at the Best Schemes/Entrepreneurial Challenge Awards Ceremony.

DIRECTORS' REPORT

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

	2015	2014
	$'000	$'000
Non-refundable employers' contributions	14,379,086	10,732,933
Interest revenue:		
- Loans	8,543,361	7,693,814
- Investments	1,425,961	1,580,657
	9,969,322	9,274,471
Bonus on employees' contributions	(1,476,572)	(1,325,628)
Net interest revenue	8,492,750	7,948,843
Gains on securities carried at fair value through profit or loss	182,188	292,833
Dividends from equity investments	21,375	14,287
Service charge on loans to beneficiaries	1,009,964	855,257
Miscellaneous	1,392,255	1,434,316
	11,098,532	10,545,536
	25,477,618	21,278,469
Operating expenses	4,968,250	5,106,979
Increase in allowance for impairment on loans receivable	193,177	155,971
(Gains)/losses on projects (including allowance for impairment)	(10,122)	276,449
Special subsidies and grants	429,957	514,172
Government levies	15,845	-
- Loss on disposal of available-for-sale securities	123	44,965
Share of losses of associate	46,676	37,454
	5,643,906	6,135,990
PROFIT BEFORE TAXATION	19,833,712	15,142,479
Taxation	(1,165,258)	(992,916)
PROFIT FOR THE YEAR	18,668,454	14,149,563

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

Other comprehensive income:		
Item that may be reclassified to profit or loss:		
- Gains on available-for-sale financial assets	110,712	129,226
Items that will never be reclassified to profit or loss:		
- Contribution shortage on annual returns	(150)	-
- Remeasurement gains on defined benefit plan	264,551	249,759
- Deferred tax on remeasurement gains on defined benefit plan	(66,138)	(62,440)
- Reduction in deferred tax liability on revaluation of property, plant and equipment	758	758
	199,021	188,077
Other comprehensive income for the year, net of tax	309,733	317,303
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	18,978,187	14,466,866

2. The Board of Directors

Easton Douglas, C.D., J.P., Chairman
Daisy May Coke, O.J., C.D., Deputy Chairman
Martin Miller, Managing Director (Acting)
Sen. Lambert Brown
Robert Buddan
O'neil Grant
Clayton Hall
Michael Harvey, J.P.
Norman Horne
Sonia Hyman, O.D.
Percival LaTouche
Vincent Morrison, C.D.
Sgt. Raymond Wilson

The Board wishes to thank the following persons who also served as members during the year:

Sen. Kavan Gayle
Mrs. Helene Davis Whyte, C.D.
Mrs. Brenda Cuthbert

3. The Auditors

Effective January 2015, KPMG, Chartered Accountants, have been appointed auditors for a period of three years.

4. The Employees

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

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED MARCH 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Housing Trust

Report on the Financial Statements

We have audited the financial statements of National Housing Trust ("Trust"), set out on pages 3 to 73, which comprise the statement of financial position as at March 31, 2015, the statements of profit or loss and other comprehensive income, changes in accumulated fund and cash flows for the year then ended, and notes, comprising 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 our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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.

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED MARCH 31, 2015

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Trust as at March 31, 2015 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.

Report on additional matters as required by 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, so far as appears from our examination of those records, and the financial statements are in agreement therewith.

Comparative information

The financial statements of the previous year were audited by another firm of Chartered Accountants, which issued an unqualified opinion, dated May 26, 2014.

KPMG

Chartered Accountants

Kingston, Jamaica

June 4, 2015

STATEMENT OF FINANCIAL POSITION

YEAR ENDED MARCH 31, 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Cash and cash equivalents	6	4,748,724	4,788,725
Receivables and prepayments	7	1,206,494	1,216,057
Non-current assets held for sale	8	-	70,904
Resale agreements	9	1,177,038	579,059
Investment securities	10	14,217,753	14,778,869
Taxation recoverable	30(a)	5,917,074	5,615,340
Loans receivable	11	180,909,435	166,336,403
Inventories	13	8,303,657	8,822,275
Intangible assets	14	8,679	25,920
Investments in associate	15	1,092,777	1,139,453
Employee benefits asset	16	1,926,137	1,464,980
Investment property	17	-	39,000
Property, plant and equipment	18	1,442,677	1,412,941
Total assets		220,950,445	206,289,926
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Payables and accruals	19	3,280,856	2,651,673
Provisions	20	193,176	182,285
Refundable contributions	21	80,658,857	75,539,203
Deferred tax liability	22	720,730	592,376
Employee benefits obligation	16	308,778	216,912
Taxation payable	30(b)	2,466,004	1,363,620
		87,628,401	80,546,069
ACCUMULATED FUND			
Fair value and other reserves	23	1,298,406	1,187,086
Mortgage subsidy reserve	24	2,315,927	1,842,395
Peril reserve	25	3,434,649	3,269,997
Loan loss reserve	11,26	4,603,135	4,323,891
Accumulated profit		121,669,927	115,120,488
		133,322,044	125,743,857
Total liabilities and accumulated fund		220,950,445	206,289,926

The financial statements, on pages 3 to 73, were approved on June 4, 2015 by the Board of Directors and signed on its behalf by:

Dr. the Hon. Carlton Davis OJ, CD – Chairman

Martin Miller – Managing Director (Acting)

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2015

	Notes	2015 $'000	2014 $'000
Non-refundable employers' contributions	2(c)	14,379,086	10,732,933
Interest revenue:			
- Loans	31(a)	8,543,361	7,693,814
- Investments	31(a)	1,425,961	1,580,657
		9,969,322	9,274,471
Bonus on employees' contributions	31(b)	(1,476,572)	(1,325,628)
Net interest revenue		8,492,750	7,948,843
Gains on securities carried at fair value through profit or loss	10(a)	182,188	292,833
Dividends from equity investments	31(a)	21,375	14,287
Service charge on loans to beneficiaries	11(p)	1,009,964	855,257
Miscellaneous	28	1,392,255	1,434,316
		11,098,532	10,545,536
		25,477,618	21,278,469
Operating expenses		4,968,250	5,106,979
Increase in allowance for impairment on loans receivable	11(o)	193,177	155,971
(Gains)/losses on projects (including allowance for impairment)	13(b)	(10,122)	276,449
Special subsidies and grants	29	429,957	514,172
Government levies		15,845	-
Loss on disposal of available-for-sale securities	31(c)	123	44,965
Share of losses of associate	15	46,676	37,454
		5,643,906	6,135,990
PROFIT BEFORE TAXATION		19,833,712	15,142,479
Taxation	30(c)	(1,165,258)	(992,916)
PROFIT FOR THE YEAR	31	18,668,454	14,149,563
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
- Gains on available-for-sale financial assets	23	110,712	129,226
Items that will never be reclassified to profit or loss:			
- Contribution shortage on annual returns		(150)	-
- Remeasurement gains on defined benefit plan	16	264,551	249,759
- Deferred tax on remeasurement gains on defined benefit plan	22	(66,138)	(62,440)
- Reduction in deferred tax liability on revaluation of property, plant and equipment	22	758	758
		199,021	188,077
Other comprehensive income for the year, net of tax		309,733	317,303
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,978,187	14,466,866

STATEMENT OF CHANGES IN ACCUMULATED FUND

YEAR ENDED MARCH 31, 2015

	Notes	Fair value and other reserves $'000	Mortgage subsidy reserve $'000	Peril reserve $'000	Loan loss reserve $'000	Accumulated profit $'000	Total $'000
Balance at March 31, 2013		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		129,900	-	-	-	187,403	317,303
Total comprehensive income for the year		129,900	-	-	-	14,336,966	14,466,866
Recognised directly in accumulated fund:							
Transfer to Consolidated Fund	27	-	-	-	-	(11,400,000)	(11,400,000)
Transfers	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
Profit for the year		-	-	-	-	18,668,454	18,668,454
Other comprehensive income for the year		111,320	-	-	-	198,413	309,733
Total comprehensive income for the year		111,320	-	-	-	18,866,8675	18,978,187
Recognised directly in accumulated fund:							
Transfer to Consolidated Fund	27	-	-	-	-	(11,400,000)	(11,400,000)
Transfers	24,25,26	-	473,532	164,652	279,244	(917,428)	-
Balance at March 31, 2015		1,298,406	2,315,927	3,434,649	4,603,135	121,669,927	133,322,044

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

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		18,668,454	14,149,563
Adjustments to profit for the year	39	(8,175,256)	(7,564,957)
		10,493,198	6,584,606
Increase in operating assets			
Receivables and prepayments		(35,729)	(113,725)
Employees benefit contributions		(145,641)	(142,341)
(Decrease) Increase in operating liabilities:			
Payables and accruals		629,184	(137,646)
Provisions utilised		-	(214,512)
Cash provided by operations		10,941,012	5,976,382
Interest received		9,732,399	9,311,686
Tax paid		(301,633)	(365,267)
Cash provided by operating activities		20,371,778	14,922,801
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Resale agreements		(4,164,404)	(1,498,313)
Proceeds on encashment of securities purchased under resale agreements		3,582,061	1,629,314
Acquisition of investment securities		(2,025,645)	(598,409)
Proceeds on encashment of investment securities		3,090,371	7,339,030
Loans receivable, less recoveries		(13,570,245)	(17,554,165)
Decrease in inventories (net)		547,285	2,664,120
Intangible assets	14	(900)	(16,224)
Acquisition of property, plant and equipment	18	(149,926)	(86,414)
Proceeds on disposal of non-current asset held-for-sale		70,904	-
Cash used in investing activities		(12,620,499)	(8,121,061)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employees		8,982,260	10,679,447
Refund of employees' contributions		(5,339,328)	(4,437,518)
Transfer to Consolidated Fund		(11,400,000)	(11,400,000)
Cash used in financing activities		(7,757,068)	(5,158,071)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(5,789)	1,643,669
OPENING CASH AND CASH EQUIVALENTS		4,783,534	3,106,566
Effect of foreign exchange rate changes		(40,569)	33,299
CLOSING CASH AND CASH EQUIVALENTS	6	4,737,176	4,783,534

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 at 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.

(c) In the exercise of its functions, the Trust shall have power:

- I. to provide for:
  - (i) development projects undertaken by the Trust;
  - (ii) social services and physical infrastructure for communities developed under the projects;
- II. to administer and invest the moneys of the Trust;
- III. to enter into loan agreements with borrowers;
- IV. to receive and administer funds entrusted to the Trust in accordance with the provisions of the Act:
- V. to make refunds and grants to contributors or any category thereof, on such terms and conditions as may be prescribed;
- VI. to re-finance from time to time, subject to such restrictions and conditions as may be prescribed, mortgages held by members of any prescribed category of contributors; and
- VII. to do such other things as may be advantageous, necessary or expedient for or in connection with the proper performance of its functions under this Act.

<u>National Housing Trust (Special Provisions) Act, 2013</u>
In addition to the functions specified in (a) and (b) above, the Trust may provide financing up to a maximum annual amount of eleven billion, four hundred million dollars for the fiscal consolidation in respect of each financial year 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.

2 CONTRIBUTIONS AND BENEFITS

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

2 **CONTRIBUTIONS AND BENEFITS (CONT'D)**

(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 [see note 21(b)] and;

(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 **BASIS OF PREPARATION**

3.1 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 and the relevant requirements of the National Housing Trust Act.

NEW, REVISED AND AMENDED STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR

Certain new, revised and amended standards and interpretations came into effect during the financial year under review. None of them had any material impact on the amounts and disclosures in the financial statements.

NEW, REVISED AND AMENDED STANDARDS AND INTERPRETATIONS THAT ARE IN ISSUE BUT NOT YET EFFECTIVE

At the date of approval of these financial statements, certain new, revised and amended standards and interpretations were in issue but were not effective at the reporting date and had not been early adopted by the Trust. The Trust has assessed them and determined that the following may be relevant to its operations:

- *Improvements to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the Trust are as follows:

    - IFRS 3, *Business Combinations* is amended to clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, *Financial Instruments: Presentation*, rather than to any other IFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 9, *Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortised cost. In addition, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration of an acquirer. IFRS 3, has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11, *Joint Arrangements* i.e. including joint operations in the financial statements of the joint arrangements themselves.

    - IFRS 13*, Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39, and IFRS 9, did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

BASIS OF PREPARATION (CONT'D)

3.1 Statement of compliance (cont'd)

NEW, REVISED AND AMENDED STANDARDS AND INTERPRETATIONS THAT ARE IN ISSUE BUT NOT YET EFFECTIVE (CONT'D)

- *Improvements to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the Trust are as follows (continued):

    - IAS 16, *Property, Plant and Equipment* and IAS 38*, Intangible Assets.* The standards have been amended to clarify that, at the date of revaluation:

        (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or

        (ii) the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

    - *IAS 24, Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a management entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

    - *IAS 40, Investment Property* has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

- *Improvements to IFRS, 2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Trust are as follows:

    - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

    - IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

    - IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

3 **BASIS OF PREPARATION (CONT'D)**

3.1 Statement of compliance (cont'd)

NEW, REVISED AND AMENDED STANDARDS AND INTERPRETATIONS THAT ARE IN ISSUE BUT NOT YET EFFECTIVE (CONT'D)

- Amendments to IAS 19, *Defined Benefits Plans*: *Employee Contributions,* effective for annual periods beginning on or after July 1, 2014, clarified the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of services.

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are effective for accounting periods beginning on or after January 1, 2016.

  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  - The amendment to IAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

- IFRS 9*, Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28, *Investments in Associates and Joint Ventures*, effective for accounting periods beginning on or after January 1, 2016, have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2017. It replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

3 **BASIS OF PREPARATION (CONT'D)**

3.1 Statement of compliance (cont'd)

NEW, REVISED AND AMENDED STANDARDS AND INTERPRETATIONS THAT ARE IN ISSUE BUT NOT YET EFFECTIVE (CONT'D)

- IAS *1 Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard
  - the order of notes to the financial statements is not prescribed.
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Lines items can be aggregated if they are not material.
  - specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows, the IAS 1 approach of splitting items that may, or that will never be reclassified to profit or loss.

- Amendments to IFRS 10, *Consolidated Financial Statements,* and IAS 28, *Investments in Associates and Joint Ventures,* in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognized when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.

The Trust is assessing the impact that these standards, amendments and interpretations will have on its financial statements when they are adopted.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost basis, except for certain financial instruments and investment property that are measured at fair values and employee benefits asset and liability which are measured by discounting the future benefits to determine their present 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.

3.3 Functional currency

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.

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

4 **SIGNIFICANT ACCOUNTING POLICIES**

4.1 **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

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

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

(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 35.

4.1.1 ***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.

Financial assets are classified into the following specified categories: 'at fair value through profit or loss (FVTPL)', 'loans and receivables' and 'available-for-sale' (AFS). 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) throughout 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 at FVTPL where the financial asset is either held for trading or 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.

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

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

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

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

Financial assets at FVTPL are stated at fair value based on quoted prices with any gains or losses arising on re-measurement 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.

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, resale agreements and other short-term receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments (these investments include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at cost.

Resale agreements

Resale 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 loans and receivables nor designated at fair value through profit or loss.

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.

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

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

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

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

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 each reporting date.

Changes in the carrying amount of AFS 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 each reporting date. 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.

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.

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

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

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

d) Impairment of financial assets (Cont'd)

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 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.

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:

(i) the total mortgage loans receivable, less loan financing to developers, and IFRS provision, and
(ii) the total arrears for over 90 days for which allowances are made [note 11(t)].

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.

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.

<u>Other</u>
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.

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

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

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

d) Impairment of financial assets (Cont'd)

Other (cont'd)

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 derecognItion 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.

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), theTrust allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognize 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 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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

4.1.2 ***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.

(a) Accounts payable and accruals

Accounts payable are stated at amortised cost

(b) 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 if 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.

Restructurings
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.

(c) Refundable 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 with bonus in accordance with the NHT Act as discussed in Note 2(b).

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.2 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.

4.3 Taxation

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

<u>Current tax</u>

Current tax 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.

<u>Deferred tax</u>

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 taxable temporary differences. Deferred tax assets are generally recognised for 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 each reporting date 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.

<u>Current and deferred tax for the period</u>

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

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

4.4 **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.

4.5 **Intangible assets**

4.4.1 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.

4.4.2 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.

4.4.3 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 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.6 Investments in associate

An associate is an entity in which the Trust has significant influence, but not control or joint control, over the financial and operating policies.

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 plus 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. 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 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 recognizes the loss in 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.

4.7 Employee benefits

Pension obligations
The Trust has established a defined-benefit pension plan for its employees who have met certain minimum requirements. The plan's assets are separately held and the plan is funded by employee contributions of 5% of pensionable salaries (with the option of contributing an additional 6.5%) and employer contributions of 8.5% (2014: 8.5%).

The Trust's net asset in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan assets.

The calculation of defined benefit obligations is performed annually by a qualified firm of actuaries using the projected unit credit method. When the calculation results in an asset for the Trust, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit obligation, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised in other comprehensive income. The Trust determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Trust recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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

4.7 **Employee benefits (cont'd)**

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.

4.8 **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.

4.9 **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.

4 **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.9 **Property, plant and equipment (cont'd)**

Depreciation is recognised so as to write down the cost of assets (other than land, artwork and properties under construction) to 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.

4.10 **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.

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.

4.11 **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)**

4.12 **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 associate or joint venture of a member of a group of which the other entity is a member);
(iii) both entities are joint ventures of the same third party;
(iv) 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.

4.13 **Revenue recognition**

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

Contributions

Employers contributions which are non-refundable are recognized as received and are credited to revenue each year.

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 measured reliably).

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

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

4.13 **Revenue recognition (cont'd)**

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.

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% or 500 basis points 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.

4.14 **Bonus on employees' contributions**

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

4.15 **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.

4.16 **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 converted 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 38, the Trust has recorded a provision of $109.13 million relating to a judgement of $214.50 million handed down by the Court of Appeal in respect of interest charges to a developer on a Trust financed housing project. The Trust has been granted leave to appeal to the United Kingdom Privy Council.

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 $18.16 billion (2014: $15.64 billion) for which impairment provisions for IFRS purposes amounted to approximately $1.24 billion (2014: $1.07 billion) 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 surplus of $4.60 billion (2014: $4.32 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 $3.62 billion (2014: $3.11 billion).

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.

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 Unit, 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 Unit differ by ±10% from those used in determining recoverable amounts, the portion of loans to beneficiaries considered unsecured would decrease/increase by $154.4 million/$224.6 million, respectively (2014: $117.0 million/$163.9 million, respectively).

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)

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 $18.9 million lower or $18.7 million greater (2014: $12.7 million lower or $13.5 million greater).

Revaluation of investment property

The Trust carries its investment property at fair value, with changes in fair value being recognised in 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 30). A change of ±10% in the final tax outcome of these estimates would have the effect of approximately $110.23 million (2014: $105.54 million) increase/decrease in the current and deferred tax provisions.

Investment in associate

The Trust's share of associate's profits or losses (Note 15(a)) is based on available unaudited financial statements of the associate. The associate's audited financial statements, which usually become available after 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 (2014: 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, 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 benefits – 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 are subject to estimates such as 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.

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 reference to advisory issued by the Institute of Chartered Accountants of Jamaica and 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 benefit plan, the benefit is derived using information supplied by the Trust and the Fund managers in relation to full members of the plan.

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

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.

Service charge on loans to beneficiaries

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 $1.01 billion (2014: $855.26 million).

6 **CASH AND CASH EQUIVALENTS**

	2015	2014
	$'000	$'000
Resale agreements:		
- Jamaica dollar [Note 6(a)]	3,491,493	2,894,474
- United States dollar [Note 6(b)]	116,389	530,618
Bank balances [Note 6(c)]	1,135,804	1,358,645
Cash in hand	5,038	4,988
Cash and cash equivalents	4,748,724	4,788,725
Less interest receivable	(11,548)	(5,191)
Cash and cash equivalents, per statement of cash flows	4,737,176	4,783,534

(a) These resale agreements bear interest at rates ranging from 3.00% to 6.65% (2014: 9.85% to 9.90%) per annum and are fully backed by Government of Jamaica securities. At March 31, 2015, the interest receivable included in these agreements amounted to approximately $11.49 million (2014: $4.47 million). The nominal value of the underlying securities at March 31, 2015 was $3.65 billion (2014: $3.18 billion).

6 CASH AND CASH EQUIVALENTS (CONT'D)

(b) These resale agreements of US$1.01 million (2014: US$4.84 million) bear interest at rates ranging from 2.00% to 2.30% (2014: 3.20% to 3.40%) per annum, are fully backed by Government of Jamaica securities and are designated to fund the Trust's peril reserve (Note 25). At March 31, 2015, the interest receivable included in these instruments amounted to approximately $0.06 million (2014: $0.72 million). The nominal value of the underlying securities at March 31, 2015 was $1.06 million (2014: $5.08 million).

(c) Bank balances include foreign currency deposits of approximately $41.51 million (US$0.36 million) [2014:$20.83 million (US$0.20 million)] at interest rate of 0.5% (2014: 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 original maturities 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

	2015	2014
	$'000	$'000
Staff loans	590,623	567,074
Mortgage litigation receivable [Note 7(a)]	57,848	53,732
Death claims recoverable	132,075	71,043
Advances to Jamaica Lifestyle Village [Note 7(a)]	63,188	63,188
Prepayments	21,563	90,088
NWC/Greenpond – Sewage Infrastructure receivable	98,112	103,980
Mortgage loan fees receivable [Note 7(a)]	83,162	63,361
Receivable on sale of land	11,676	13,272
Other litigation receivable [Note 7(a)] and [Note 38(ii)]	144,660	144,660
Taxes recoverable – other [Note 7(b)]	225,968	230,974
Other	148,979	140,752
	1,577,854	1,542,124
Less provision for impairment (see note below)	(371,360)	(326,067)
	1,206,494	1,216,057

Movement in provision for impairment

	2015	2014
	$'000	$'000
Balance at beginning of the year	326,067	325,569
Increase for the year	45,293	498
Balance at end of the year	371,360	326,067

(a) Included in the above balances 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. During the year, the Trust made a request for the property tax recoverable amount to be offset against current year property tax charges. This request was granted and executed by the Tax Administration of Jamaica's property tax unit.

8 **NON-CURRENT ASSETS HELD-FOR-SALE**

Assets held for sale comprised the Jamintel building located at 97 Duke Street, Kingston, lands located at Lot 1 & 2A multistory car park (part of Knutsford Park, Liguanea Lands) and Lot 143 Johnson Hill, all of which were disposed of during the year (see note 28).

9 **RESALE AGREEMENTS**

	2015	2014
	$'000	$'000
Jamaican dollars [Note 9(a)]	1,006,439	172,426
United States dollar [Note 9(b)]	170,599	406,633
	1,177,038	579,059

(a) These instruments mature within one to three months after year-end, with interest rates ranging between 6.75% to 6.80% (2014: 9.85% to 9.90%) per annum. As at March 31, 2015, the interest receivable included in these balances amounted to $6.44 million (2014: $2.43 million). The fair value of the underlying securities at March 31, 2015 was $1.24 billion (2014: $183.64 million).

(b) These instruments totaling approximately US$1.48 million (2014: US$3.71 million) mature within one to two months (2014: one to three months) after year-end with interest rates ranging between 2.35% to 2.60% (2014: 3.50% to 3.60%) per annum and are designated to fund the Trust's peril reserve (Note 25). As at March 31, 2015, the interest receivable included in these balances amounted to $0.642 million (2014: $0.64 million). The fair value of the underlying securities at March 31, 2015 was US$1.56 million (2014: US$3.79 million).

10 **INVESTMENT SECURITIES**

	2015	2014
	$'000	$'000
Securities at fair value through profit or loss [Note10(a)]	3,652,017	3,468,598
Available-for-sale securities [Note 10(b)]	10,565,736	11,310,271
	14,217,753	14,778,869

(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, 2015, interest receivable amounted to $24.49 million (2014: $23.26 million). The fair value gain for the year amounted to $182.19 million (2014: $292.83 million).

10 **INVESTMENT SECURITIES (CONT'D)**

(b) Available-for-sale securities comprise:

	2015	2014
	$'000	$'000
Pooled Investment Funds		
Sagicor Life of Jamaica Limited – Universal Investment policy	215,712	203,946
Equity securities		
Quoted equities	383,148	346,459
	598,860	550,405
Debt securities		
Euro Bonds US$15,535,667 (2014: US$15,631,000) held at interest rates of 8.00% to10.625% per annum maturing in 2015/16 to 2027/28 [Note 10(b)(i)]	2,012,217	1,856,426
Treasury bills at interest rates of 6.90% to 7.20% per annum, maturing 2015/16	290,259	-
Bank of Jamaica variable rate Certificates of Deposit at interest rates of 6.98% to 7.35% per annum, maturing 2015/16 to 2016/17	393,588	-
National Water Commission ("NWC") Variable Rate Corporate Notes at interest rate of 9.48% per annum, maturing 2015/16 to 2016/17 [Note 10(b)(ii)]	25,143	37,551
University of the West Indies ("UWI") Senior Secured Corporate Notes at an interest rate of 9.50% per annum, maturing 2015/16 to 2019/2020 [Note 10(b)(iii)]	193,181	234,984
GOJ Fixed Rate Benchmark Notes at interests rate of 7.50% (2014: 7.2% to 11.0%) per annum, maturing 2017/18 [Note 10(b)(iv)]	450,025	3,107,878
GOJ Fixed Rate Accreting Notes (FRAN) at interest rate of 10% per annum, maturing 2028/29 [Note 10(b)(iv)]	4,126,975	4,088,105
Bank of Jamaica Certificates of Deposits US$13,735,000 (2014:US$5,550,000) at interest rates of 4.50% to 5.50% per annum, maturing 2015/16 to 2021/22	1,623,566	623,246
GOJ Benchmark Notes US$7,314,575 (2014: US$7,315,000) at interest rates of 5.25% (2014: 5.25% to 7.00%) per annum, maturing 2019/20 to 2020/21 (2014: 2020/21 to 2019/20) [Notes 10(b)(i)]	851,922	811,676
[Note 10(b)(v)]	9,966,876	10,759,866
	10,565,736	11,310,271

(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 unconditionally guarantee the due and punctual payment of interest and principal as and when they come due and to the extent not paid by NWC.

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

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

(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 Limited (NCB);
- Assignment of tuition fees of the 'Government Subsidised' medical students, such funds to be held in a designated account maintained at NCB;
- 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 NCB;
- Debt Service Reserve Account with NCB, maintaining a minimum of 3-months of interest payment requirement; and
- Any other security documentation that may be required by the Arranger and agreed to by the Trust.

(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 Jamaica dollars, CPI-indexed in Jamaica dollars and fixed rates in United States dollars. Participation in the NDX was voluntary and open to Jamaican resident holders.

With the FRAN, the $20 foregone will accrete until it is fully recovered prior to maturity, starting in 2015/16.

(v) At March 31, 2015, interest receivable included in the above amounted to $143.79 million (2014: $188.94 million).

11 **LOANS RECEIVABLE**

	2015 $'000	2014 $'000
(a) Loans to beneficiaries selected by the Trust [Notes 11(f)]		
Mortgage loans [note 11(g)]	143,357,235	132,518,557
Loans for which mortgage processing is incomplete [Note 11(h)]	2,713,147	2,303,238
Loans through financial institutions [Note 11(i)]	412,109	534,130
Loans through joint venture programme [Note 11(j)]	866	1,285
	146,483,357	135,357,210
Less: allowance for impairment [Note 11(o)]	(787,350)	(639,024)
	145,696,007	134,718,186
Less: unexpired service charges [Note 11(p)]	(2,112,544)	(2,497,796)
Balance c/f	143,583,463	132,220,390

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

	2015 $'000	2014 $'000
Balance b/f	143,583,463	132,220,390
(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)]	12,283	14,289
Housing Agency of Jamaica (HAJ):		
Repayable in 10 years at 3% (2014: 5%) per annum [Note 11(k)(ii)]	464,916	449,210
Repayable in 10 years at 3% per annum [Note 11(k)(iii)]	227,330	256,221
Repayable in 10 years at 3% per annum [Note 11(k)(iv)]	32,761	32,743
Repayable in 10 years at 3% per annum [Note 11(k)(v)]	223,003	231,318
Repayable in 10 years at 3% (2014: 8%) per annum [Note 11(k)(vi)]	35,700	34,070
Repayable in 3 years at 8% per annum [Note 11(k)(vii)]	7,440	7,440
Joint financing mortgage programme [Note 11(k)(viii)]	28,387,493	25,407,870
Special loans through joint financing – Hurricane Ivan [Note 11(k)(ix)]	2,187	9,720
Special loans to churches through joint financing – Hurricane Ivan [Note 11(k)(x)]	171,587	192,071
Jamaica Defence Force [Note 11(k)(xi)]	30,920	37,906
Other institutions	134,407	68,404
	29,730,027	26,741,262
(c) Loan financing to developers [Note 11(l)]	4,580,369	4,470,838
Less: allowance for impairment [Note 11(o)]	(451,683)	(428,095)
	4,128,686	4,042,743
(d) University of the West Indies		
Loan 1 [Note 11(m)]	483,840	514,775
Loan 2 [Note 11(m)]	1,896,188	1,915,085
	2,380,028	2,429,860
(e) Jamaica College Trust [Note 11(n)]	44,743	45,662
Interest receivable	1,042,488	856,486
Total	180,909,435	166,336,403

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

(f) The rates of interest payable on these loans 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 $143.36 billion (2014: $132.52 billion) include loans totaling $257.03 million (2014: $122.16 million) relating to 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 given 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) is 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 loan is 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 installments over a 25 year period which commenced January 1, 2001. Interest was chargeable at 5% per annum and was payable in monthly installments from January 1, 1997. The loan is secured by the transfer of mortgages by Housing Agency of Jamaica (HAJ) to the Trust. During 2014/2015 the interest rate on the loan was revised from 5% to 3% per annum with monthly repayment of $4.5 million to 2025 consequent on a request by HAJ.

(iii) The Trust entered into an agreement in 2001 to make the sum of $1.1 billion available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation PRIDE portfolio. The loan was for a period of 15 years which commenced November 2001, and was repayable, with interest, in installments 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.

In 2014/2015, the loan was rescheduled to mature in 2025 based on request from HAJ.

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 to make the sum of $800 million available for the purpose of providing shelter solutions for beneficiaries under the HAJ - Operation PRIDE portfolio.

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 was 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. During 2014/2015, the interest rate on the loan was reduced from 8% to 3% per annum with monthly repayment of $.344 million to 2015 consequent on a request by HAJ to reschedule the loan.

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 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.

The interest rates and repayment terms on these loans are the same as given to beneficiaries selected by the Trust.

(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 whose homes were damaged by 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 financing – 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 repayments, 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.

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) 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 allowance for impairment is as follows:

	Mortgage Loans	Development Financing	Total
	$'000	$'000	$'000
Balance at April 1, 2013	529,956	404,458	934,414
Increase in allowance for the year	132,334	23,637	155,971
Write-off during the year	(23,266)	-	(23,266)
Balance at March 31, 2014	639,024	428,095	1,067,119
Increase in allowance for the year	169,589	23,588	193,177
Write-off during the year	(21,263)	-	(21,263)
Balance at March 31, 2015	787,350	451,683	1,239,033

(p) Unexpired service charge on loans to beneficiaries:

	2015	2014
	$'000	$'000
Balance at beginning of the year	2,497,796	2,579,520
Additions during the year	624,712	773,533
Amortisation to profit or loss	(1,009,964)	(855,257)
Balance at end of the year	2,112,544	2,497,796

(q) Approval process and quality of receivables

Before approving a loan, the Trust uses an evaluation system to assess the potential borrowers' 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 placing strict limits on the percentage of total development cost it is willing to finance. 80% (2014: 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 95.48% (2014: 95.01%) and 15.69% (2014: 15.27%) of the total loans receivable. There is no other loan category with balance that represents more than 5% of the total loan balance.

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

(r) Past due loans

Past due but not impaired

Included in the Trust's loans to beneficiaries balance are debtors with a carrying amount of approximately $10.82 billion (2014: $10.29 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.

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

(r) Past due loans (cont'd)

Past due but not impaired (cont'd)

As at the reporting date, the aging of loans receivable that were past due but not impaired was as follows:

	2015	2014
	$'000	$'000
30 – 60 days	7,049,493	6,841,631
61 – 90 days	3,768,843	3,452,382
	10,818,336	10,294,013

(s) Loans past due and impaired

As at the reporting date, the aging of loans receivable that were past due and impaired was as follows:

	2015	2014
	$'000	$'000
91 – 180 days	4,722,618	4,292,802
181 – 360 days	6,851,156	5,859,338
Over 360 days	6,584,287	5,486,485
Total impaired loans	18,158,061	15,638,625

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).

(t) Allowance for impairment

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

	2015	2014
	$'000	$'000
Prudential allowance set by management	5,390,485	4,962,915
IFRS provision:		
Specific provisions	768,919	598,766
General provisions	18,431	40,258
Total IFRS provision [note 11(o)]	787,350	(639,024)
Excess over IFRS provision reflected in loan loss reserve (Note 26)	4,603,135	4,323,891

(u) 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 judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

11. LOANS RECEIVABLE (Cont'd)

(u) Loans to beneficiaries renegotiated (cont'd)

As at March 31, 2015, loans totaling $790.73 million (2014: $1.56 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 loans:

		2015	2014
		$'000	$'000
(i)	Loans through joint venture mortgage programme [Note 11(j)]	866	1,265
(ii)	Other loans [Note 12(b)]		
	Mortgage loans to beneficiaries:		
	- Schemes for which splintering of parent titles is in process or has not yet commenced	257,027	122,155
	- Schemes for which mortgage processing is incomplete and land titles are not available	2,713,147	2,303,238
	- Non-scheme loans [Note 12(c)]	201,347	251,743
		3,171,521	2,677,136
	Finance for housing construction projects	451,683	428,095
		3,623,204	3,105,231
	Total	3,624,070	3,106,496

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

(c) 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**

	2015	2014
	$'000	$'000
Land held for housing development	3,373,019	3,254,127
Housing under construction	1,606,395	3,000,188
Housing units completed but not allocated	3,488,785	2,762,755
Inner City Housing Project [Note 13(a)]	14,581	12,995
Transferred from investment property (note 17)	39,000	-
	8,521,780	9,030,065
Less: Provision for losses and subsidies	(218,123)	(207,790)
	8,303,657	8,822,275

13 **INVENTORIES (Cont'd)**

The movement in the allowance is as follows:

	2015 $'000	2014 $'000
At beginning of year	207,790	321,370
Provisions during the year	16,687	38,451
Amounts written-back	(6,354)	(152,031)
At end of year	218,123	207,790

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

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

The units now 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:

	2015 $'000	2014 $'000
Sale of units	(1,275,260)	(3,178,078)
Cost of units sold	1,208,137	3,152,521
Net gain on disposal of units	(67,123)	(25,557)
Impairment allowance charged/(written back) for year	17,254	(152,031)
Loss on Trust projects	26,876	180,195
Litigation expenses [Note 20(a)]	12,871	273,842
	(10,122)	276,449

14 **INTANGIBLE ASSETS**

	2015 $'000	2014 $'000
Cost		
At the beginning of the year	181,105	164,881
Additions for the year	900	16,224
At the end of the year	182,005	181,105
Amortisation		
At the beginning of the year	155,185	136,746
Charge for the year	18,141	18,439
At the end of the year	173,326	155,185
Carrying amount	8,679	25,920

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.

15 **INVESTMENTS IN ASSOCIATE**

	2015 $'000	2014 $'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:		
Balance at beginning of year	(75,012)	(37,558)
Share of loss for the year	(46,676)	(37,454)
Balance at end of year	(121,688)	(75,012)
	1,092,777	1,139,453

(a) Details of the associate as at March 31, 2015 are as follows:

Name of Associate	Place of Incorporation and operation	Proportion of ownership	Proportion of voting power held	Principal Activities
Harmonisation Limited and its	Jamaica	49.5%	49.5%	Land investment and development
(i) wholly-owned subsidiary - Silver Sands Estate Limited	Jamaica			Rental of resort accommodation
(ii) 49% associated company – Harmony Cove Limited	Jamaica			Property development

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

	(Unaudited) 2015 $'000	(Audited) 2014 $'000
Total assets	2,523,679	2,484,701
Total liabilities	(2,748,511)	(2,635,394)
Net liabilities	(224,832)	(150,693)
Trust's share of associate's net liabilities	(111,292)	(74,593)
Revenue	13,380	14,320
Loss for the year	(94,295)	(76,902)
Trust's share of associate's loss for the year, net of adjustments	(46,676)	(37,454)

(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 **EMPLOYEE BENEFITS ASSET**

The Trust operates two post-retirement employee benefit arrangements:

(a) The National Housing Trust Staff Pension Plan ("staff pension plan")
(b) The Post-retirement medical benefits scheme

Staff pension plan

The Trust operates a defined benefit pension plan for qualified employees. The plan is administered by Trustees, who assisted by independent plan administrator, Employee Benefits Administrator Limited, a wholly-owned subsidiary of Sagicor Life Jamaica Limited. The fund manager, Sagicor Life Jamaica Limited, administers the pooled funds in which the investments of the plan are held. The plan is regulated by the Financial Services Commission (FSC). The Trustees include representatives from the employer, members and pensioners of the plan.

Post-retirement medical benefits scheme

The Trust provided medical benefits for its pensioners and their spouses under a policy insured by Sagicor Life Jamaica Limited, 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.

As at the reporting date, an actuarial valuation was done for the plan and the medical benefit scheme by Eckler Consultants + Actuaries, using the Projected Unit Credit Method. The results of the valuation are included below.

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

	Staff pension plan		Post-retirement medical benefit scheme	
	2015	2014	2015	2014
Financial assumptions				
Discount rate	9.50%	9.50%	9.50%	9.50%
Future salary increases	6.00%	6.50%	-	-
Future pension increases	3.00%	2.75%	-	-
Price inflation (CPI)	6.00%	5.50%	6.00%	5.50%
Health cost inflation	-	-	7.50%	7%

	2015 Years	2014 Years
Demographic assumptions		
Average liability duration for each category of member:		
- Staff pension scheme		
Active members	18.2	19.1
Deferred pensioners	3.4	4.0
Pensioners	12.4	12.5
All participants	17.2	18.3
- Post-retirement medical benefit scheme		
Active members	24.1	24.1
Pensioners	10.7	10.6
All participants	23.1	23.2

16 **EMPLOYEE BENEFITS ASSET (CONT'D)**

(a) (Cont'd)

Mortality in service and retirement – Specimen mortality rates (number of occurrences per 1000 members) are given below:

Attained age	Males	Females
20	0.339	0.202
25	0.535	0.216
30	0.721	0.284
35	0.766	0.379
40	0.906	0.516

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

	Staff pension scheme		Post-retirement medical benefit scheme	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Present value of obligation	(3,313,206)	(3,115,894)	(308,778)	(216,912)
Fair value of plan assets	5,239,343	4,580,874	-	-
Net asset/(liability) recognised in statement of financial position	1,926,137	1,464,980	(308,778)	(216,912)

(c) Movements in net defined benefit asset/liability were as follows:

	Staff Pension Plan		Medical Benefit Scheme	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at beginning of year	(1,464,980)	(1,561,960)	216,912	159,166
Included in profit or loss:				
current service cost	128,195	127,859	24,662	19,126
interest cost	299,345	238,273	20,572	15,891
past service cost	-	534,960	-	-
Expenses	16,354	12,305	-	-
interest on plan assets	(448,393)	(401,588)	-	-
	(4,499)	511,809	45,234	35,017
Included in other comprehensive income				
experience adjustment	(173,887)	(81,592)	-	-
financial assumptions	(121,287)	(114,066)	-	-
remeasurement of plan assets	20,450	(114,524)	47,363	23,233
other	(37,190)	37,024	-	166
	(311,914)	(273,158)	47,363	23,399
Other adjustments	166	166	-	(166)
Employer's contribution	(144,910)	(141,837)	(731)	(504)
Balance at end of year	(1,926,137)	(1,464,980)	308,778	216,912

16 **EMPLOYEE BENEFITS ASSET (CONT'D)**

(c) Movements in net defined benefit asset/liability were as follows:

(i) Amount recognized in profit or loss on:

	2015 $'000	2014 $'000
- Staff pension plan	(4,499)	511,809
- Post-retirement medical scheme	45,234	35,017
	40,735	546,826

(ii) Amount recognized in other comprehensive income:

	2015 $'000	2014 $'000
- Staff pension plan	311,914	273,158
- Post-retirement medical scheme	(47,363)	(23,399)
	264,551	249,759

(d) The major categories of plan assets and the percentage distribution for each category at the reporting date are analysed as follows:

	Staff pension plan			
	2015		2014	
	$'000	%	$'000	%
Pooled Investment Funds				
Equity	196,918	3.76	163,733	3.55
Fixed income	316,174	6.03	339,642	7.35
Mortgage and Real Estate	210,309	4.01	195,054	4.22
	723,401	13.80	698,429	15.12
Segregated funds				
GOJ securities	,099,496	59.16	2,874,309	62.24
Repurchase agreements	769,440	14.69	364,528	7.89
Corporate bonds	177,500	3.39	239,582	5.19
Equity	299,722	5.72	288,123	6.24
Other	169,784	3.24	115,903	3.32
	,515,942	86.20	3,882,445	84.88
Closing fair value of plan assets	,239,343	00.00	4,580,874	100.00

(e) Sensitivity analyses

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have effected the defined benefit asset and obligation by the amounts shown below:

March 31, 2015	1% movements in							
	Health inflation rate		Discount rate		Salary escalation rate		Pension increases	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Impact on:								
- Staff pension plan	-	-	(480,437)	655,092	368,313	(300,697)	220,108	(190,992)
- Post-retirement medical scheme	77,535	(59,881)	(58,491)	76,796	-	-	-	-

March 31, 2014	1% movements in							
	Health inflation rate		Discount rate		Salary escalation rate		Pension increases	
Sensitivity level	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Impact on:								
- Staff pension plan	-	-	(477,584)	646,815	373,858	(306,181)	207,147	(180,328)
- Post-retirement medical scheme								
	51,269	(39,660)	(38,577)	50,510	-	-	-	-

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 $147.45 million (2014: $147.68 million) to the defined benefit plan during the next financial year.

17 **INVESTMENT PROPERTY**

	2015	2014
	$'000	$'000
Fair Value	-	39,000

	$'000	$'000
Balance at beginning of year	39,000	46,600
Transferred to inventory (note 13)	(39,000)	-
Decrease in fair value (Note 28)	-	(7,600)
Balance at the end of the year	-	39,000

(a) During 2014/2015 an inventory unit (a townhouse) previously leased to a tenant was transferred to inventory due to change in its use. The lease expired in February 2015.

(b) The property rental income earned by the Trust from its investment property amounted to approximately $1.65 million (2014: $1.83 million). No direct operating expenses were incurred in respect of the investment property during the year (2014: $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.

(d) In the prior year, fair value was determined by an external, independent valuer with appropriate qualification and experience. The valuation technique used in measuring the investment property as well as unobservable inputs are as follows:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market approach. This model takes into account: • A willing seller and buyer; • A reasonable period in which to negotiate a sale, taking into account the nature of the property and state of the market; • Values are expected to remain stable throughout the period of market exposure and disposal by sale (hypothetical); • The property will be freely exposed to the market; and • Potential rental value of the property in the current investment climate.	• Judgements if the property can be sold, exchanged, transferred, let, mortgaged or used for any other economic activity, within its use class; and • The potential rental value of the property in the current investment climate.	The estimated fair value would increase/(decrease) if: • The potential rental value of the property increased/decreased; and • Judgement about what the property can be sold, exchanged, let, mortgaged, which had been determined to be better/(worse).

18 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Furniture, fixtures and other equipment $'000	Computer equipment $'000	Motor vehicles $'000	Advance on assets $'000	Construction in progress $'000	Total $'000
Cost or Valuation							
March 31, 2013	1,506,325	525,617	542,362	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)	-
Adjustments	-	(199)	2	(3,252)	(1,229)	(668)	(5,346)
Disposals	-	(4,445)	(16,561)	-	-	-	(21,006)
March 31, 2014	1,530,314	549,170	549,181	27,096	19,088	55,807	2,730,656
Additions	77,564	19,369	44,595	823	4,316	3,259	149,926
Transfers	14,236	995	476	10,422	(11,893)	(14,236)	-
Adjustments	-	(105)	-	-	(2,285)	-	(2,390)
Disposals	-	(8,409)	-	-	-	-	(8,409)
March 31, 2015	1,622,114	561,020	594,252	38,341	9,226	44,830	2,869,783
Depreciation							
April 1, 2013	304,573	415,159	495,815	22,094	-	-	1,237,641
Charge for the year	35,744	35,507	30,592	2,352	-	-	104,195
Impairment loss	-	-	-	(3,252)	-	-	(3,252)
Eliminated on disposals	-	(4,308)	(16,561)	-	-	-	(20,869)
March 31, 2014	340,317	446,358	509,846	21,194	-	-	1,317,715
Charge for the year	41,653	32,608	36,234	5,390	-	-	115,885
Impairment loss	-	210	-	-	-	-	210
Adjustments	1,738	(47)	14	-	-	-	1,705
Eliminated on disposals	-	(8,409)	-	-	-	-	(8,409)
March 31, 2015	383,708	470,720	546,094	26,584	-	-	1,427,106
Net Book Values							
March 31, 2015	1,238,406	90,300	48,158	11,757	9,226	44,830	1,442,677
March 31, 2014	1,189,997	102,812	39,335	5,902	19,088	55,807	1,412,941

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:

	2015	2014
	$'000	$'000
Buildings/related infrastructure	217,143	217,143
Furniture, fixtures and office equipment	158,201	156,389
Artwork	13,931	13,931
	389,275	387,463

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

	2015	2014
	$'000	$'000
Accounts payable and accruals*	1,830,270	1,551,705
Scheme deposits	87,670	84,993
Statutory and other payroll deductions	71,239	52,836
Retention payable	197,987	239,939
Withholding GCT	236,538	-
Sums withheld for modification of covenant	140,628	133,583
Other payables	702,717	565,822
Peril insurance claims [Note 33(b)]	13,807	22,795
	3,280,856	2,651,673

*The above balances primarily comprise amounts outstanding for purchases and other on-going operational costs.

20 PROVISIONS

	Sundry claims [Note 20(a)]		Employee Benefits [Note 20(b)]		Total	
	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000
Balances at beginning of the year	96,255	36,925	86,030	77,318	182,285	114,243
Recognised in profit or loss for the year	12,871	273,842	(1,980)	8,712	10,891	282,554
Utilised	-	(214,512)	-	-	-	(214,512)
Balance at end of the year	109,126	96,255	84,050	86,030	193,176	182,285

20 **PROVISIONS (CONT'D)**

(a) Sundry claim represents the provision for the settlement of a legal claim against the Trust [Note 38(i)].

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

21 **REFUNDABLE CONTRIBUTIONS**

(a)

	2015			2014
	Currently Due	Not Yet Due	Total	Total
	$'000	$'000	$'000	$'000
Contributions refundable	15,079,383	59,859,668	74,939,051	70,024,910
Bonus accrued [Note 21(b)]	2,399,040	3,320,766	5,719,806	5,514,234
	17,478,423	63,180,434	80,658,857	75,539,144
Represented by:				
Savings Accounts				
Principal	11,684,276	-	11,684,276	10,479,975
Interest	84,298	-	84,298	77,638
	11,768,574	-	11,768,574	10,557,613
Time Accounts				
Principal	-	26,840,738	26,840,738	27,334,053
Interest	-	2,959,208	2,959,208	2,892,916
	-	29,799,946	29,799,946	30,226,969
Total for which personal accounts are established	11,768,574	29,799,946	41,568,520	40,784,582
Balances for which no personal accounts are established [Note 21(c)]	5,709,849	33,380,488	39,090,337	34,754,621
Total refundable employee Contributions	17,478,423	63,180,434	80,658,857	75,539,203

(b) Bonuses are payable to contributors at the rate specified in the regulations made under the National Housing Trust Act. The amount payable to contributors 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 the Trust 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, 316,677 (2014: 317,893) individual (time) accounts totaling $5.21 billion (2014: $5.00 billion) were created.

22. DEFERRED TAX LIABILITY

Deferred tax liability is attributable to the following:

	2015			
	Balance at April 1, 2014 $'000	Recognised in income $'000	Recognised In other comprehensive income $'000	Balance at March 31, 2015 $'000
Interest payable	(48,122)	(3,271)	-	(51,393
Employee benefits asset (net)	312,018	26,185	66,138	404,341
Accelerated depreciable charges	(7,241)	2,451	-	(4,790)
Revaluation of properties	23,503	-	(758)	22,745
Interest receivable	263,419	37,808	-	301,227
Associates interest receivable and share of net assets	42,364	(6,305)	-	36,059
Unrealised foreign exchange gains	1,694	2,276	-	3,970
Rental income receivable	1,602	4,650	-	6,252
Other assets	3,139	(820)	-	2,319
Net liabilities	592,376	62,974	65,380	720,730

	2014			
	Balance at April 1, 2013 $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Balance at March 31, 2014 $'000
Interest payable	-	(48,122)	-	(48,122)
Employee benefits asset (net)	350,698	(101,120)	62,440	312,018
Accelerated depreciable charges	(12,086)	4,845	-	(7,241)
Revaluation of properties	24,261	-	(758)	23,503
Interest receivable	255,780	7,639	-	263,419
Associates interest receivable and share of net assets	51,726	(9,362)	-	42,364
Unrealised foreign exchange gains	2,633	(939)	-	1,694
Rental income receivable	1,743	(141)	-	1,602
Other assets	4,242	(1,103)	-	3,139
Net liabilities	678,997	(148,303)	61,682	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, 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
Contribution shortage on annual return	-	(84)	-	(84)
Deferred tax arising on revaluation of property, plant and equipment (Note 22)	-	-	758	758
Balances at March 31, 2014	266,785	711,861	208,440	1,187,086
Net increase in fair value of available-for-sale investments	99,668	-	-	99,668
Impairment loss on available-for-sale equity investments charged to income	10,921	-	-	10,921
Loss on disposal of investment securities transferred to income	123	-	-	123
Contribution shortage on annual return	-	(150)	-	(150)
Deferred tax arising on revaluation of property, plant and equipment (Note 22)	-	-	758	758
Balances at March 31, 2015	377,497	711,711	209,198	1,298,406

24 MORTGAGE SUBSIDY RESERVE

In July 2010, the Trust implemented a Mortgage Subsidy Programme for applicants who fall within those income bands which are charged 1% to 3% interest, 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 $273.38 million (2014: $253.25 million) (Note 29).

25 PERIL RESERVE

The Trust's insurance policy deductible is US$30 million (2014: US$30 million), i.e., peril insurance claims up to this amount will be for the self insurance retention account of the Trust (claims over this amount will be for the account of the insurer) [Note 33(b)(i)].

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

	2015 US$'000	2014 US$'000
Cash and cash equivalents [Note 6(b)]	1,011	4,836
Securities purchased under resale agreements [Note 9(b)]	1,477	3,705
Available-for-sale securities [Note 10(b)(i)]	38,386	29,481
	40,874	38,022

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(t)].

During the year, an increase of $279.24 million (2014: $402.98 million) was made to the loan loss reserve, to cover any losses that may arise from the loans referred to above as well as other mortgage loans [Note 12(a)].

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 based on the amendment to the National Housing Trust Act (the 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.

The matter is presently being challenged in court by a contributor on the grounds that the amendment to the Act was unconstitutional.

28 MISCELLANEOUS INCOME

	2015 $'000	2014 $'000
Foreign exchange gain, net	214,855	439,916
Penalty income	121,032	108,495
Debt management fees	94,611	87,459
Peril and life insurance administrative fees	377,027	725,115
Fair value adjustment – investment property (Note 17)	-	(7,600)
Other [Note 28(a)]	584,730	80,931
	1,392,255	1,434,316

(a) During the current year, the Trust recognized a gain on disposal of $78.60 million from the sale of the Jamintel building located at 97 Duke Street, Kingston, which was previously classified as Non-Current Asset Held for Sale (See Note 8).

29 SPECIAL SUBSIDIES AND GRANTS

	2015	2014
	$'000	$'000
Special projects:		
Inner City Housing Project	19,587	166,076
Emancipation Park [net of recoveries of $5.03 million (2014: $2.88 million)]	76,942	85,407
Grants:		
Mortgage Subsidy (Note 24)	273,382	253,255
Property maintenance – Orange Grove	22,389	-
Other	37,657	9,434
	429,957	514,172

30 TAXATION

(a) Taxation recoverable

	2015	2014
	$'000	$'000
Balance at the beginning of the year	5,615,340	5,250,174
Addition during the year	301,734	365,166
Balance at the end of the year	5,917,074	5,615,340

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

	2015	2014
	$'000	$'000
Balance at the beginning of the year	1,363,620	222,502
Current tax charge for the year	1,102,283	994,630
Additional tax charge for 2012/2013 [Note 30(b)(i)]	-	146,589
Adjustment	101	-
Paid during the year	-	(101)
Balance at the end of the year	2,466,004	1,363,620

(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 previous year. Consequently, an additional 3.75% tax surcharge was booked in respect of the year of assessment 2013. Also, the corporate income tax rate for unregulated entities was reduced to 25%, effective January 1, 2014.

30 **TAXATION (CONT'D)**

(c) Recognised in profit or loss for the year

(i) The taxation charge for the year comprises:

	2015 $'000	2014 $'000
Current tax	1,102,283	994,630
Additional tax charge for 2012/2013	-	146,589
Deferred tax (Note 22)	62,974	(148,303)
	1,165,258	992,916

(ii) Reconciliation of effective tax rate:

	2015 $'000	2014 $'000
Profit before taxation	19,833,712	15,142,479
Tax at domestic income tax rate of 25%	4,958,428	3,785,620
Tax effect of amounts not deductible in determining taxable profit	33,964	49,815
Tax effect of income not subject to tax	(3,792,119)	(2,906,245)
Net effect of other charges and allowances	(35,015)	(82,863)
Additional tax charge for 2012/2013	-	146,589
Taxation charge	1,184,620	992,916

31 **PROFIT FOR THE YEAR**

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

(a) Revenue on financial assets:

	2015 $'000	2014 $'000
Interest income on Loans:		
Financial assets at amortised cost		
- Reschedules loans	26,455	77,063
- Unimpaired loans	8,516,906	7,616,751
	8,543,361	7,693,814
Interest income on Investments:		
Available-for-sale investment securities	1,259,690	1,427,071
FVTPL investment securities	166,271	153,586
	1,425,961	1,580,657
	9,969,322	9,274,471
Dividends	21,375	14,287
	9,990,697	9,288,758

31 PROFIT FOR THE YEAR (Cont'd)

(b) Bonus on employees' contribution:

	2015 $'000	2014 $'000
- Savings accounts	(374,836)	(343,503)
- Time accounts	(1,101,736)	(982,125)
	(1,476,572)	(1,325,628)

(c) (Loss)/gain on financial assets

	2015 $'000	2014 $'000
(i) (Loss)/gain on disposal of available-for-sale securities		
Equity securities	-	59,235
Debt securities	(123)	(104,200)
	(123)	(44,965)
(ii) Gains on investment securities at fair-value-through-profit-or-loss	182,188	292,833

(d) Other

	2015 $'000	2014 $'000
Directors' emoluments:		
Non Executive Directors – fees (Note 32)	2,145	2,867
Executive director (Note 32)		
Basic	10,125	10,692
Incentive payments and gratuity in lieu of pension	1,348	3,111
Travelling allowance	976	1,137
Non-cash benefits	2,532	2,909
Audit fees	8,856	8,610
Depreciation	115,885	104,195
Impairment of property, plant and equipment	210	3,252
Amortisation of intangible assets	18,141	18,439

32 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		Balance owed (including interest)	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Key management personnel	35,131	650	93,743	60,162
Board of Directors and Committee members	-	-	8,034	2,164

32 RELATED PARTY TRANSACTIONS/BALANCES (CONT'D)

Compensation of key management personnel

Remuneration is determined by the Board of Directors under the guidelines set by the Ministry of Finance and Planning 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:

	2015	2014
Board of Directors and committee members:	$'000	$'000
Non-executive Directors' fees [Note 31(d)]	2,145	2,867
Executive remuneration	14,981	17,849
Other key management personnel:		
Short-term benefits	82,767	82,267
Post employment benefits – pension obligation	5,404	4,430
	88,171	86,697

33 COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2015	2014
	$'000	$'000
(i) Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	5,014,974	3,246,747
Purchase of land	1,657,917	-
Inner City Housing Project	26,649	35,382
Loans and/or mortgage financing	-	1,617,849
	6,699,540	4,899,978

	2015	2014
	$'000	$'000
(ii) Authorised and approved but not contracted for -		
Purchase of land	270,550	-
Computer software development	17,500	165,105
Office refurbishing	251,530	284,979
Construction contracts under negotiation	280,442	-
Mortgage subsidy	674,019	882,377
	1,494,041	1,332,461

33 **COMMITMENTS AND CONTINGENCIES**

(b) Contingencies

(i) *Peril insurance claims*
The Trust's policy self insured retention on its peril insurance cover was US$30 million (J$3.43 billion) [2014: US$30 million (J$3.27 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 retention for any one or several events in the given period. The NHT was insured for full value on all earthquake perils and for all other perils US$30M above the Self Insurance Retention (Note 25).

At year-end, claims made by beneficiaries provided for but not yet processed by the Trust amounted to approximately $13.81 million (2014: $22.80 million).

(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 38, 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 and 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.

34 **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.

34 **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)**

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 its 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 Committee, Audit Committee, Risk management and Information Systems Committee, Technical Committee, HRM, Communication and Governance Committee, Diaspora Committee and the Internal Audit Department.

Finance 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.

Risk management and Information Systems Committee

This Committee has the responsibility to review, evaluate and manage material business risk and to recommend strategies for the technological direction of the Trust.

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.

HRM, Communication and Governance Committee

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

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

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 year.

(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 and Barbados 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.

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

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% (2014: 10%) higher/lower, fair value and other reserves in accumulated fund for the year ended March 31, 2015 would increase/decrease by $38.31 million (2014: $55.04 million) as a result of the changes in fair values of the available-for-sale securities.

(ii) Foreign currency risk

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

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

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. The main currency giving rise to this risk is the United States dollar.

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

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

At March 31, 2015, the carrying amounts of the Trust's foreign currency denominated financial assets were as follows:

	Assets	
	2015	2014
	J$'000	J$'000
Cash and bank balances	158,217	551,448
Resale agreements	170,599	406,633
Investment securities	4,487,705	3,291,348
	4,816,521	4,249,429

The exchange rate of the United States dollar in relation to the Jamaica dollar was US$1 to J$115.03 (2014: US$1 to J$109.0).

Foreign currency sensitivity analysis

The following table details the Trust's sensitivity to a 1% revaluation and 10% devaluation (2014: 1% revaluation and 15% devaluation) of the Jamaica dollar against the United States dollar. 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.

	2015		2014	
	1% revaluation of the US$	10% devaluation of the US$	1% revaluation of the US$	15% devaluation of the US$
Effect on profit for the year	(48,165)	481,652	(42,494)	637,414

The Trust's sensitivity to foreign currency has increased during the current period mainly due to the growth in holdings of foreign currency investments. The analysis is done on the same basis as for 2014 and assumes that all other variables, in particular, interest rates remain constant.

(iii) Interest rate risk

Interest rate risk is the potential that the value or cash flows 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, loans to beneficiaries and inventory housing projects. Investment 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.

34 **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, 2015:

	Within 3 months $'000	Within 3-12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-rate sensitive $'000	Total $'000	Weighted efffective interest rate %
Assets:							
Cash and bank balances	3,607,882	-	-	-	1,140,842	4,748,724	6.28
Receivables	2,286	29,955	360,490	115,691	450,541	958,963	2.22
Resale agreements	1,177,038	-	-	-	-	1,177,038	6.16
Investment securities	1,288,800	365,473	3,089,449	8,875,171	598,860	14,217,753	7.07
Loans receivable	8,838,671	1,367,866	2,542,455	168,160,443	-	180,909,435	4.85
Total assets	14,914,677	1,763,294	5,992,394	177,151,305	2,190,243	202,011,913	
Liabilities							
Payables	-	-	-	-	2,806,468	2,806,468	-
Refundable contributions	1,556	16,113,574	41,289,498	23,254,229	-	80,658,857	3.27
	1,556	16,113,574	41,289,498	23,254,229	2,806,468	83,465,325	
Net interest rate sensitivity gap	14,913,121	(14,350,280)	(35,297,104)	153,897,076	(616,225)	118,546,588	
Cumulative gap	14,913,121	562,841	(34,734,263)	119,162,813	118,546,588	-	

34 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 $'000	Within 3-12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-rate sensitive $'000	Total $'000	Weighted efffective interest rate %
Assets:							
Cash and bank balances	3,445,921	-	-	-	1,342,804	4,788,725	7.77
Receivables	2,426	35,365	320,838	140,636	395,730	894,995	1.74
Resale agreements	523,448	55,611	-	-	-	579,059	5.79
Investment securities	148,419	193,553	2228674	11,657,818	550,405	14,778,869	7.62
Loans receivable	6,278,116	2,063,640	3,209,401	154,785,246	-	166,336,403	4.82
Total assets	10,398,330	2,348,169	5,758,913	166,583,700	2,288,939	187,378,051	
Liabilities							
Payables	-	-	-	-	2,266,923	2,266,923	-
Refundable contributions	1,026	16,201,449	38,430,753	20,905,975	-	75,539,203	3.29
	1,026	16,201,449	38,430,753	20,905,975	2,266,923	77,806,126	
Net interest rate sensitivity gap	10,397,304	(13,853,280)	(32,671,840)	145,677,725	22,016	109,571,925	
Cumulative gap	10,397,304	(3,455,976)	(54,583,904)	109,549,909	109,571,925	-	

34 **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 from non-derivative instruments at the reporting date. For floating rate assets, the analysis is prepared assuming the amount of assets held at the reporting date was held throughout the year. For Jamaica dollar instruments, a 250 basis points increase and a 100 basis points decrease (2014: 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 (2014: 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 Jamaica dollar instruments and 200 basis points higher and 50 basis points lower for foreign currency denominated instruments, (2014: 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, 2015 would increase by $15.2 million (2014: $0.9 million) or decrease by $6.1 million (2014: $0.4 million). This is mainly attributable to the Trust's exposure to interest rates on its variable rate investment securities; and
- fair value and other reserves would decrease/increase by $2.0 billion and $0.9 billion (2014: decrease/increase by $2.2 billion and $1.0 billion), mainly as a result of the changes in the fair value of available-for-sale variable rate 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. The maximum credit exposure of the Trust is represented by the carrying amount of each financial asset.

34 **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. Each loan is assigned to loan officers who are responsible for the monitoring and management of the loan facilities.

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 Trust imposes a late fee charge on mortgages in arrears of fifteen days and over. In respect of loans to beneficiaries, the exposure is mitigated as the maximum loan to a single mortgagor is restricted and a significant number of mortgagors must default before there is a significant impact on the Trust's operations.

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

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

Collateral

The Trust employs a range of policies to mitigate credit risk. For loans to beneficiaries and financial institutions, a significant portion of these loans is secured on properties. 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.

34 **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

	2015 $'000	2014 $'000
Properties	84,776,050	77,925,250

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 debts. The Trust does not occupy or use repossessed assets in its operations.

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

	2015		2014	
	Carrying Value $'000	Value of Collateral $'000	Carrying Value $'000	Value of Collateral $'000
Residential properties	2,120,566	9,308,491	1,477,188	5,977,107

The Trust does not have any significant concentration of credit risk to any one party or group of counterparties.

(ii) Investment securities, Resale agreements and cash and cash equivalents.

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 and cash equivalents.
- 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.

34 **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 cash equivalents (Cont'd)

The following table summarises the Trust's credit exposure and concentration for investments, resale agreements, and cash and cash equivalents:

	2015	2014
	$'000	$'000
Government of Jamaica	11,408,557	13,370,234
Bank of Jamaica	2,017,155	623,246
Others	5,576,962	4,789,540
Total	19,002,674	18,783,020

(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 Cash management Units, 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.
- 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.

34 **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 maturities for its non-derivative financial liabilities. The amounts are gross and undiscounted, estimated interest payments and are based on the earliest date on which the Trust can be required to pay.

As at March 31, 2015:

	Within 3 Months	Within 3-12 Months	1 to 5 Years	Over 5 Years	Total	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities						
Payables and accruals	2,806,468	-	-	-	2,806,468	2,806,468
Refundable Contributions	1,747	18,033,636	44,734,606	24,158,479	86,928,468	80,658,857
Total liabilities	2,808,215	18,033,636	44,734,606	24,158,479	89,734,936	83,465,325

As at March 31, 2014:

	Within 3 Months	Within 3-12 Months	1 to 5 Years	Over 5 Years	Total	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities						
Payables and accruals	2,266,923	-	-	-	2,266,923	2,266,923
Refundable Contributions	1,110	17,922,199	40,994,580	21,074,566	79,992,455	75,539,203
Total liabilities	2,268,033	17,922,199	40,994,580	21,074,566	82,259,378	77,806,126

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

Capital risk management

The Trust's objectives when managing capital, which is its accumulated fund, 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 prior year, and the Trust is not subject to any external capital requirements.

35 **FAIR VALUES**

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. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. 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).

The following table shows the Trust financial assets that are carried at fair value and their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities where the carrying amount is a reasonable approximation of fair value.

	2015			
	Level 1	**Level 2**	**Level 3**	**Carrying amount**
	$'000	$'000	$'000	$'000
Assets measured at fair value:				
- Available-for-sale securities [Note 10(b)]	383,148	7,761,479	193,181	10,565,736
- Securities at FVTPL [Note 10(a)]	-	3,652,017	-	3,652,017
	383,148	11,413,496	193,181	14,217,753

	2014			
	Level 1	**Level 2**	**Level 3**	**Carrying amount**
	$'000	$'000	$'000	$'000
Assets measured at fair value:				
- Available-for-sale securities [Note 10(b)]	346,459	8,872,402	234,984	11,310,271
- Securities at FVTPL [Note 10(a)]	-	3,468,598	-	3,468,598
	346,459	12,341,000	234,984	14,778,869

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

Fair value hierarchy (Cont'd)

The following table shows the valuation technique used in measuring fair value in the level 2 and level 3 hierarchy, as well as the significant unobservable input used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Government of Jamaica securities	Obtain bid yield from yield curve provided by a recognized pricing source (which uses market-supplied indicative bids) Using this yield, determine price using accepted formula Apply price to estimate fair value.	Not applicable	Not applicable
Corporate bonds, not guaranteed by the Government of Jamaica	A pricing model commonly used by market practitioners, plus additional risk premium of 2%	Risk premium of 2%	The estimated fair value would increase (decrease) if the risk premium was higher or lower

The fair value of the Trust's financial assets and liabilities that are not carried at fair value are as follows:

(i) The carrying amounts of cash and cash equivalents, resale agreements, other 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 carrying values of loans receivable (after deductions of 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 fact that there will be no discount or premium on settlement.

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale		
	Unlisted Shares	Debt Securities	Total
	$'000	$'000	$'000
At March 31, 2013	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)
At March 31, 2014	-	234,984	234,984
Total gains or losses:			
- in profit or loss	-	(64)	(64)
- in other comprehensive income	-	1,118	1,118
Disposals/settlements	-	(42,857)	(42,857)
At March 31, 2015	-	193,181	193,181

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

Fair value hierarchy (Cont'd)

The balance above only includes financial assets. The total gains or losses for the year included a loss of $0.06 million (2014: loss of $16.30 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).

36 **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:

	2015 $'000	2014 $'000
Within one year	21,724	21,719

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 $2.05 million (2014: $2.3 million).

Maintenance charges received on these properties in the period amounted to $4.76 million (2014: $4.98 million).

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

	2015 $'000	2014 $'000
Within one year	2,673	3,753
Within two to five years	13,648	19,160
Over 5 years	4,305	6,044
	20,626	28,957

37 **OTHER DISCLOSURES – EMPLOYEES' COSTS**

	2015 $'000	2014 $'000
Staff costs incurred during the year:		
Salaries and wages including statutory contributions	2,864,929	3,254,373
Other staff costs	466,374	455,337
	3,331,303	3,709,710

38 **LITIGATION AND CLAIMS**

Developer's claim

(i) The Trust and the developer entered into a loan agreement on or about August 28, 1995, whereby the Trust granted a loan in the amount of $187,316,603.00 to the developer for the purpose of financing the construction of 210 two bedroom units and 49 serviced lots with all related infrastructure and facilities. It was an express term of the agreement that interest would accrue on all outstanding advances from the Trust to the developer.

The developer failed to complete the development due to a number of reasons including restive labour and occupation by squatters.

The Trust's claim for interest and the developer's claim for profit were referred to arbitration by the parties and the Arbitrator made an award with respect to the claim for profit and did so in favour of the developer (in the sum of $24,325,000.00), but did not award interest thereon.

The developer challenged the non-award of interest and in January 2007 the Supreme Court remitted the matter to the Arbitrator for him to consider the claim for interest on profit.

In May 2007, in a Supplemental Award, the Arbitrator found in favour of the developer and awarded compound interest in the sum of $214,512,232.76 in respect of the $24.325 Million. The Trust challenged the said supplemental award of compound interest in the Supreme Court and this challenge was heard in April 2008. Judgment was delivered in September 2009 in favour of the Trust and the matter remitted back to the Arbitrator.

The developer successfully appealed the decision of the Supreme Court. The Court of Appeal reinstated the Arbitration Award. The Trust paid the $214,512,232.76 to the developer following receipt of a Banker's Guarantee regarding repayment in the event and to the extent that the Trust succeeds in its appeal to the Privy Council. That appeal is set for hearing on the 3rd to the 4th June 2015.

Despite the payment of $214,512,232.76, the developer contends that it is owed interest (compound) on this sum amounting to $411.42 Million. The Trust has made a provision of over $100 Million (using simple interest see Note 20). No additional provision has been made in these financial statements for this request, as the management of the Trust, based on the advice of its Attorneys-at-Law, believes that the request is without merit.

(ii) In March 2009, new arbitration proceedings commenced in respect of the re-measurement of works and final accounts on the project by the said developer. An award was made by the Arbitrators on October 7, 2009 in favour of the developer amounting to $144.66 million, which was paid by the Trust.

The Trust had appealed the matter and Judgement was handed down in favor of the Trust on December 18, 2014 whereby the Court ordered that:

- The award dated October 7,2009 was void,
- The award dated October 7, 2009 be set aside,
- Costs to the National Housing Trust to be agreed and taxed.

The Trust has since been served with Notice of Appeal by the developer.

Management considers that NHT's chances of success on this appeal are good.

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

	2015 $'000	2014 $'000
Provisions for losses on projects	16,687	38,451
Provisions on projects written back	(6,354)	(152,031)
Increase in provisions on loans receivable	193,177	155,971
Bonus on employees' contributions	1,476,572	1,325,628
Provision for other receivables	45,292	498
Depreciation	117,590	104,195
Impairment of property, plant and equipment	210	-
Loss on disposal of property, plant and equipment	-	137
Adjustments to property, plant and equipment	2,390	2,094
Fair value loss on investment property	-	7,600
Service charges amortised	(1,009,964)	(855,257)
Intangible assets amortised	18,141	18,439
Loss on impairment of equity investment portfolio	10,921	20,958
Gain in revaluation of held for trading investment securities	(182,188)	(292,833)
Loss on disposal of equity investment securities	-	58
Loss on disposal of investment securities	123	44,907
Employee benefit charge (net) (Note 16)	40,735	546,826
Interest Income	(9,969,322)	(9,274,471)
Foreign exchange adjustment	(152,091)	(569,051)
Share of losses of associates	46,676	37,454
Tax expense	1,165,258	992,916
Provisions charged during the year	10,891	282,554
Adjustments to reconcile net profit to cash flow used in operating activities and changes in operating assets/(liabilities)	(8,175,256)	(7,564,957)

DIRECTOR'S COMPENSATION
2014 TO 2015

Position Of Director	Fees $	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Chairman	281,500.00				281,500.00
Deputy Chairman	97,000.00				97,000.00
Director 1	88,120.00				88,120.00
Director 2	114,000.00				114,000.00
Director 3	74,000.00				74,000.00
Director 4	129,500.00				129,500.00
Director 5	111,125.00				111,125.00
Director 6	72,728.00				72,728.00
Director 7	77,000.00				77,000.00
Director 8	189,000.00				189,000.00
Director 9	263,316.00				263,316.00
Director 10	55,000.00				55,000.00
Director 11	205,678.00				205,678.00
Director 12	210,00.00				210,00.00
Director 13	177,000.00				177,000.00

SENIOR EXECUTIVE COMPENSATION

2014 TO 2015

Position Of Senior Executive	Salary ($)	Gratuity or Performance Incentive ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Other Allowances ($)	Non-Cash Benefits ($)	Total ($)
Managing Director (Acting)	10,125,227	1,347,500	975,720		2,531,618	14,980,065
SGM – Construction & Development	6,996,037	939,673	1,065,988		2,354,201	11,355,899
SGM – Corporate Services (Acting)	6,652,547	939,673	975,720		1,135,531	9,703,471
SGM – Finance (Acting)	6,597,281	972,075	975,720		1,300,651	9,845,727
Company Secretary	6,406,952	869,515	975,720		1,362,866	9,615,053
Chief Internal Auditor	5,760,939	795,558	975,720		993,579	8,525,796
SGM – Customer Relations Management	6,804,527	972,075	1,065,988		2,531,618	11,374,208
GM – HRM	5,818,279	822,991	975,720		1,225,973	8,842,963
Chief Information Officer	5,016,963	680,874	975,720		1,336,390	8,009,947
SGM – Other	3,402,263	0	487,860		2,463,816	6,353,939
TOTAL	63,581,015	8,339,934	9,449,876		17,236,243	98,607,068

ADMINISTRATION

MANAGING DIRECTOR (Acting)

Martin Miller

SENIOR GENERAL MANAGERS

Neil Miller – Corporate Services (Acting)

Donald Moore – Construction & Development

Dr. Lanie-Marie Oakley Williams – Customer Relations Management

Errol Thompson – Finance (Acting)

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

Gladstone Johnson – Contributions Processing

Quinton Masters – Project Appraisal Management

Dian Isaacs – Corporate & Business Strategy (Acting)

Helen Pitterson – Company Secretariat & Legal Services

Hortense Rose – Corporate Communications

Joyce Simms-Wilson – Branch Network

Michael Taylor – Project Management

Dave Campbell – Financial Reporting and Cost Management (Acting)

Suzanne Wynter – Loan Management

Elton Vassell – Receivables, Banking & Investments

MANAGERS

Andre Atkinson – Project Services (Acting)

Herman Baker - Industrial Relations & Staff Benefits, HRM

Richard Blackwood – Management Support, HRM

Everton Boothe – Loan Portfolio Management

Judith Brown – Accounts Payable & Payroll

Keith Clarke – Energy Saving Initiative

Tracey- Ann Creary – Project Management

Percival Cunningham – Technical Support, Information Systems

Shani Dacres – Lovindeer – Project Management

Kareen Daley – Application Development & Support

Clive Davis – Project Appraisal Management

Dwight Ebanks – Investments

Delores Facey – Johnson – Contributions Refund

Clivia Green – Compliance

Harvey Hall – Business Analysis

Ransford Hamilton – Property Management

Cheryll Harris – Walder – Project Management, PMO

Rohan Jones – Information Systems Security

Lisa Myrie – Davis – Internal Audit

Paul Oliver – Loan Accounting

Donnetta Russell – Customer Care

Philbert Solomon – Banking and Accounts Receivables

Audley Stewart – Contributor Accounts

Sandra Williams – Data Quality and Special Projects

Wendy- Jo Williams - Social Development

Vencot Wright – Planning & Research

BRANCH NETWORK

MANAGERS

Allison Beaumont – Smith – Kingston & St Andrew

Lorna Bernard – St James

Morcelle Brown – Customer Service, Kingston & St Andrew

Janet Hartley Millwood – St Catherine

Eric McLeish – Manchester

Dameon McNally – St Ann

Norris Rainford – Westmoreland

Ava – Ann Scott – New Loans, Kingston & St Andrew

Judith Thompson – Clarendon

SENIOR CUSTOMER SERVICE REPRESENTATIVES

Sancia Cornwall – St Elizabeth

Karen Forbes – Rodney – Portland

Althea Green – Trelawny

Nichole Howden – Hanover

Ketrion Verisales – St Mary

Cotchesta Watson – St Thomas

LEGAL TEAM

LEGAL SERVICES

Sheron Green Brown

Donna Stephenson

Nadine Taylor

Dawn Walker

LEGAL CONVEYANCING

Alayne Bennett

Sharon Blair

Marisa Forbes Spencer

Tashia Madourie

Carol Higgins

Jefferine Stubbs-Rubbock

Mazielyn Walker

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