

CORE VALUES

The background of the slide features a technical drawing, likely a mechanical or architectural plan, rendered in blue ink on a light-colored paper. A large, detailed compass is positioned on the left side of the drawing, with its legs extended. A pencil lies horizontally across the upper middle of the image. The drawing includes various lines, circles, and alphanumeric labels such as (308), (320), (322), (324), (326), (328), (330), (332), (334), (336), (338), (340), (342), (344), (346), (348), (350), (352), (354), (356), (358), (360), (362), (364), (366), (368), (370), (372), (374), (376), (378), (380), (382), (384), (386), (388), (390), (392), (394), (396), (398), (400), (402), (404), (406), (408), (410), (412), (414), (416), (418), (420), (422), (424), (426), (428), (430), (432), (434), (436), (438), (440), (442), (444), (446), (448), (450), (452), (454), (456), (458), (460), (462), (464), (466), (468), (470), (472), (474), (476), (478), (480), (482), (484), (486), (488), (490), (492), (494), (496), (498), (500), (502), (504), (506), (508), (510), (512), (514), (516), (518), (520), (522), (524), (526), (528), (530), (532), (534), (536), (538), (540), (542), (544), (546), (548), (550), (552), (554), (556), (558), (560), (562), (564), (566), (568), (570), (572), (574), (576), (578), (580), (582), (584), (586), (588), (590), (592), (594), (596), (598), (600), (602), (604), (606), (608), (610), (612), (614), (616), (618), (620), (622), (624), (626), (628), (630), (632), (634), (636), (638), (640), (642), (644), (646), (648), (650), (652), (654), (656), (658), (660), (662), (664), (666), (668), (670), (672), (674), (676), (678), (680), (682), (684), (686), (688), (690), (692), (694), (696), (698), (700), (702), (704), (706), (708), (710), (712), (714), (716), (718), (720), (722), (724), (726), (728), (730), (732), (734), (736), (738), (740), (742), (744), (746), (748), (750), (752), (754), (756), (758), (760), (762), (764), (766), (768), (770), (772), (774), (776), (778), (780), (782), (784), (786), (788), (790), (792), (794), (796), (798), (800), (802), (804), (806), (808), (810), (812), (814), (816), (818), (820), (822), (824), (826), (828), (830), (832), (834), (836), (838), (840), (842), (844), (846), (848), (850), (852), (854), (856), (858), (860), (862), (864), (866), (868), (870), (872), (874), (876), (878), (880), (882), (884), (886), (888), (890), (892), (894), (896), (898), (900), (902), (904), (906), (908), (910), (912), (914), (916), (918), (920), (922), (924), (926), (928), (930), (932), (934), (936), (938), (940), (942), (944), (946), (948), (950), (952), (954), (956), (958), (960), (962), (964), (966), (968), (970), (972), (974), (976), (978), (980), (982), (984), (986), (988), (990), (992), (994), (996), (998), (1000).

INNOVATION

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

EXCELLENCE

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

PROFESSIONALISM

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

ACCOUNTABILITY

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

CARING

To treat all persons fairly and with respect.

INTEGRITY

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

PLAN
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Supporting Communities... Building a Nation

LETTER TO THE PRIME MINISTER

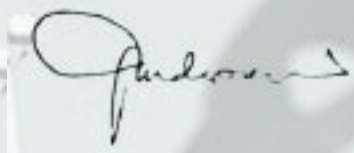
June 23, 2006

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

Dear Prime Minister,

In accordance with Section 3 First Schedule (no.6) of the National Housing Trust Act 1979, I transmit herewith the Trust's report for year ended March 31, 2006, and a copy of the Statement of the Trust's Accounts at March 31, 2006, duly certified by the Auditors.

*I am
Yours respectfully,*

A handwritten signature in black ink, appearing to read 'Anderson', enclosed within a thin black rectangular border.

*Alva Anderson
Chairman*

7

SEVEN YEAR STATISTICAL SUMMARY

	2006 \$'000	2005 \$'000	2004 \$'000	2003 \$'000	2002 \$'000	2001 \$'000	2000 \$'000
Total Assets	78,726,140	72,873,470	64,504,428	54,070,447	46,174,088	38,758,201	32,413,635
Inventories	3,651,406	1,834,251	2,105,594	1,938,761	1,534,622	1,889,852	1,759,289
Loans to Beneficiaries	49,656,370	45,282,026	39,007,787	36,022,744	32,075,191	26,883,649	22,857,396
Refundable Contributions	28,449,888	25,103,757	21,834,847	19,207,721	15,774,631	12,552,555	10,501,730
Accumulated Fund							
Non-Refundable Contributions	28,772,475	24,886,011	21,377,650	18,345,653	16,118,228	13,629,486	11,400,443
Surplus on Income & Expenditure Account	16,355,028	18,668,351	16,942,946	13,875,124	12,086,260	10,038,436	8,200,718
Results From Operations							
Total Operating Income	6,651,401	7,079,517	7,024,124	4,835,593	4,247,692	3,436,459	3,368,360
Operating Expenditure	2,294,056	2,147,312	1,754,811	1,540,625	1,218,175	980,055	856,781
Net Surplus	(1,859,737)	1,833,432	2,752,317	2,018,864	2,297,824	1,837,718	1,854,873
*Financial Ratios							
Average interest on loans %**	6.5%	7.9%	8.2%	7.8%	8.1%	8.2%	9.5%
Yield on investments %	18.6%	21.8%	26.7%	20.6%	16.3%	17.2%	22.7%
Efficiency Ratio %	(302.0)%	46.0%	37.0%	41.0%	36.0%	35.2%	32.0%
Return on Capital %	(3.8)%	4.2%	6.9%	7.3%	8.7%	8.4%	10.0%
Return on Assets %	(2.0)%	2.7%	4.8%	5.0%	6.0%	6.0%	6.1%
Other Information							
Annual Housing Expenditure	7,710,150	5,735,970	5,332,619	5,773,547	5,773,356	4,842,873	5,051,643
Contributions Received	8,369,589	7,060,372	6,034,056	5,461,210	4,935,584	4,334,441	3,945,528
Contributions Refunded	2,087,408	1,230,626	513,355	520,742	446,083	192,082	110,701
Number of Mortgages Created since Inception	108,233	101,084	94,830	87,878	81,434	74,317	69,413
Number of Individual Benefits Provided since Inception	119,695	112,514	106,246	99,294	92,810	85,436	78,744

* restated for 2002,2001

** excluding interest receivable



Alva Anderson
Chairman



Earl Samuels, C.D.
Managing Director



Patrick Lawrence, O.D., J.P.
Deputy Chairman



Hopeton Caven, O.J.

BOARD OF

Robert Cranston

Patricia Sinclair McCalla

Wayne Jones

Genefa Hibbert





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



Errol Greene, J.P.



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



Isiaa Madden

DIRECTORS

Danny Roberts



Evon Hewitt



Travert Spence, J.P.



Dawnett Turner





CHAIRMAN & MANAGING DIRECTOR'S MESSAGE

In 1975, the Government of Jamaica recognised the need for an organisation, which would enable lower income workers to access affordable housing. The NHT was established in the following year to do just that, and also to add to, and improve on the existing housing stock by:

- a) promoting new housing projects
- b) financing the construction and purchase of houses on the open market
- c) making loans available to workers to expand, repair or otherwise improve their existing homes.
- d) promoting greater efficiency in the construction sector.

Thirty years have now elapsed and the NHT has woven itself into the tapestry of the Jamaican society. The Organisation has been successful in all areas of its mandate and has made the dream of homeownership a reality for ordinary Jamaicans:

- Since inception the Trust has provided 106,678 mortgages to 118,127 benefi-

ciaries.

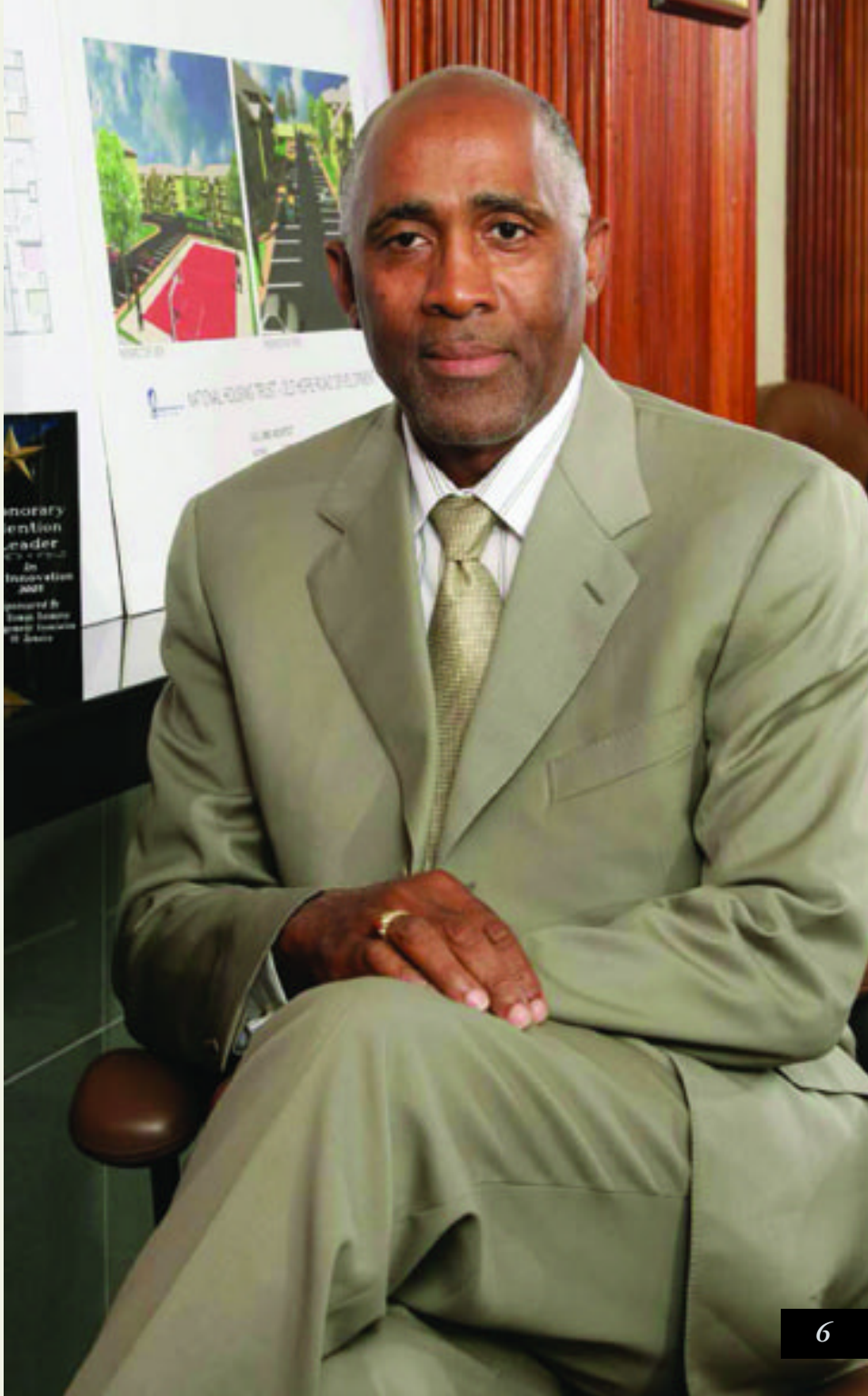
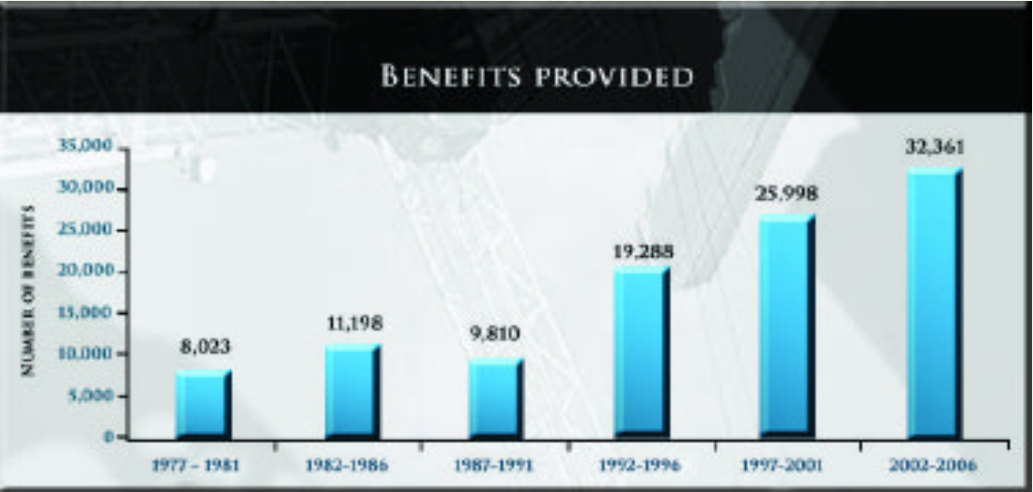
- Over the years, loan limits have increased for all loan types in recognition of rising construction costs. Currently, single applicants are able to access up to \$3m for the purchase of a home.
- Several reductions in interest rates over the years have seen contributors to the Trust benefiting from the lowest interest rates in the mortgage market: 2% - 8%.
- The NHT remains the largest player in the construction market. For the calendar year 2005, the NHT contributed 57% of the 4,121 starts and 54% of the 4,186 completions in the formal housing sector .
- With an asset base of \$79 billion, 68% of which is invested in housing (including inventories), the Trust has the largest pool of funds available for housing in Jamaica.

The Trust's core function of providing housing solutions for less fortunate Jamaicans is not just a mantra which is recited for persons outside of its walls, but has been the central theme around which the operations of the Organisation coalesce. Currently, the NHT is on track to provide 2,700 units under the Sugar Workers Housing Programme, and 5,000 units under the Inner-City Housing Project, these follow on the Relocation 2000 and Indigent Housing projects, all of which provided housing for persons who, in the main, are low income earners.

Thirty years of prudent financial management has enabled the Trust to contribute significantly, not only to housing via considerable subsidies, but also to other areas of development. Over the years, the Trust has given grants and subsidies to various

organisations in Jamaica, demonstrating an understanding of the role it must play in national development. The NHT takes pride in being an exemplary corporate citizen.

In the fiscal year 2005/2006 the Trust continued on the path to which it was directed 30 years ago. The asset base was further strengthened to equip the Organisation for the challenges ahead; more housing solutions were provided for contributors; the amounts available for loan to each contributor were increased; and new initiatives were introduced to boost customer service. Highlights of the year are now presented:



At March 31, 2006, total assets of the National Housing Trust stood at \$78,726m, representing an increase of 8.03% over that of the previous financial year. The major areas of increase were: loans outstanding of \$49,656m, up from \$45,282m; and inventories of \$3,651m increasing from \$1,834m last year. Investment securities of \$9,633m ended the year lower than the \$12,257m balance at the end of last year, as did cash and cash equivalents, which fell by \$222m to \$4,921m.

Income declined from \$7.1 billion in 2004/2005 to \$6.7 billion this year. This decline was due to the lowering of interest rates charged on NHT loans and the decline in interest rates paid on investment instruments. The major contributors to income were interest on loans receivable of \$3.0 billion, down 10% and interest on investments \$3.2 billion, declining by 3%. On the expenditure side, operating expenses increased by 6.8% to \$2.3 billion and was mainly the result of inflationary pressures. Special subsidies and grants rose to \$6 billion, increasing from \$1 billion last year. The special grant to the education sector of \$5 billion accounted for this large increase.

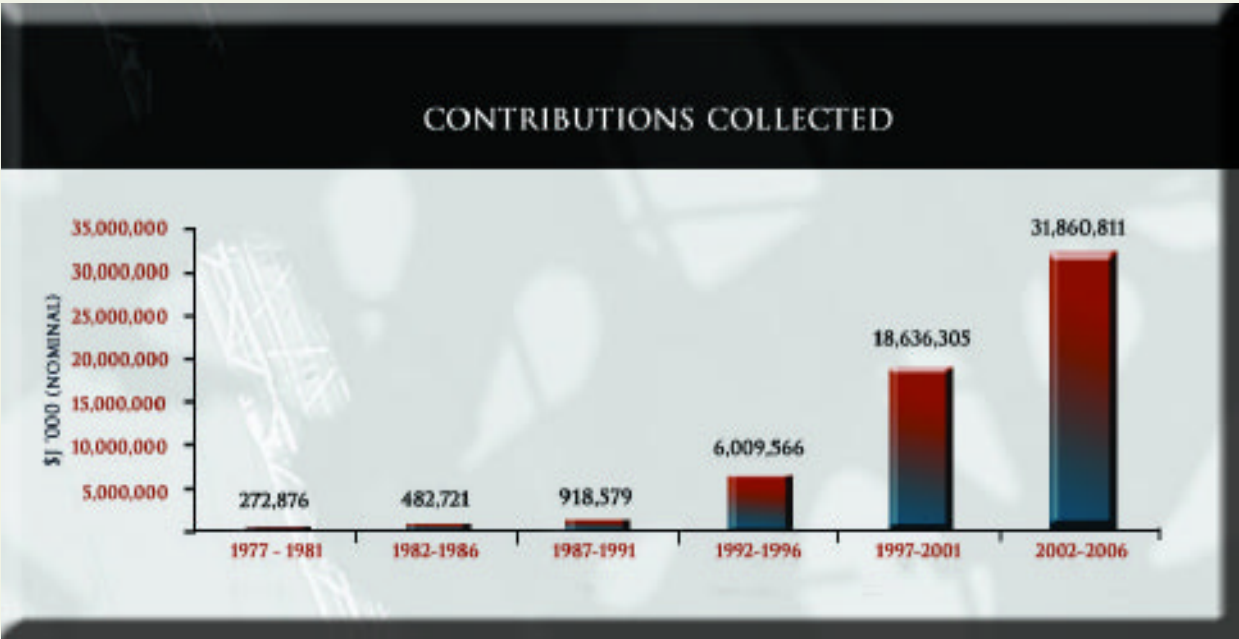
There was a significant increase in contributions collected for the year. A total of \$8.4 billion was

received by the Trust, up by 19% over last year. This was due to a combination of: utilisation of more aggressive collection strategies; increases in the loan limits (which made loans more attractive and encouraged greater compliance by contributors), and, wage increases in the private sector. The amnesty extended to companies over the last three months of the financial year also proved productive.

Net movement in loans receivable increased from \$3.6 billion in 2004/2005 to \$4.7 billion for the year under review. In 2004/2005 a post Hurricane Ivan moratorium extended to customers resulted in lower collections over that period. New loans were the main source of increased collections for the year under review.

SCHEME 2005/2006

Parish	No. of Loans	Value (millions)
Kingston	1	0.16
St. Andrew	0	0.00
St. Thomas	0	0.00
Portland	9	34.61
St. Mary	0	0.00
St Ann	0	0.00
Trelawny	4	2.80
St James	149	171.64
Hanover	0	0.00
Westmoreland	0	0.00
St. Elizabeth	0	0.00
Manchester	10	7.45
Clarendon	6	4.44
St. Catherine	101	69.28
TOTAL	280	290.38



OPERATIONAL EFFICIENCIES

The National Housing Trust was recognised for the effort that it has made to make its services more customer friendly. The Organisation was awarded 1st place in the annual Public Sector Customer Service Competition in the Multiple Location Agency category. Three employees received special individual awards. Customer service continues to be the focal point of the Trust's operations and several initiatives were implemented during this fiscal year: the Loans Management Process was revised and yielded reductions in the time taken to disburse and secure loans; the communications program for customers was streamlined to better inform the public; and surveys were conducted to determine the level of demand for houses in the parishes of St. Ann and Manchester. Demand surveys for other parishes were completed in the previous year.

The complaints mechanism for customers was revamped and has been working well. The majority of recorded complaints were resolved to the satisfaction of our valued customers and this was reflected in the improved customer satisfaction ratings for the year.

The contributions refund process was enhanced with the addition of more persons to the team, and the introduction of an online application process;

thereby making it easier for contributors to collect their refunds. This factored significantly in the 70% increase in amounts paid out. The target of 76,000 refunds was exceeded, as 113,000 individuals received payment.

The unveiling of the revised loan limits in February saw the introduction of three new products - HOPE, HELP, and Solar Water Heater loans. These will become available in 2006/2007 and will allow persons who have already benefitted from the Trust to access additional loans. The solar water heater loan is designed to reduce demand for electricity in Jamaica, and consequently, the country's oil bill.

The restructuring and staff level review exercise continued throughout the year. The aim of this initiative is to revise the structure of the Organisation to maximize efficiency in its operations, and to evaluate the core competences required for each position on the organisational chart. The process will continue into the first half of 2006/2007.

Posing with the Prime Minister's Trophy for Best Customer Service Agency are (back l-r) General Manager of Branch Operations, Dr. Lanie-Marie Oakley Williams; Managing Director, Earl Samuels; Customer Care Manager, Allison Levy-Farquharson; Senior General Manager, Corporate Services, Dr. Vincent George; (front l-r) Client Services Representative, Natalie Fowler; Client Services Representative, Karen Flemmings and Financial Transaction Processor, Lilieth Haughton.

SERVICED LOTS 2005/2006

Parish	No. of Loans	Value (millions)
Kingston	16	14.84
St. Andrew	66	60.70
St. Thomas	9	5.63
Portland	4	16.57
St. Mary	0	0.00
St Ann	18	16.38
Trelawny	1	1.02
St James	134	95.52
Hanover	4	1.93
Westmoreland	75	257.21
St. Elizabeth	87	32.18
Manchester	16	5.54
Clarendon	153	89.15
St. Catherine	198	150.60
TOTAL	781	747.28



HUMAN RESOURCES

The NHT, in its five-year strategic plan (compiled in 2002), identified as a strategic imperative, a revised Employee Performance Incentive Payment (EPIP) Plan. The aim of this plan was to bring a greater degree of objectivity in rewarding excellence and ultimately improving performance and productivity. During the 2005/2006 financial year, the first phase of this plan was implemented with the development of an automated Performance Management System. The system allows for a more effective and efficient management of performance through electronic tracking of employee performance against agreed work plans.

The NHT recognises that to remain productive, it must pay keen attention to the personal fulfillment of staff. To this end, a campaign to make the company a fun place to work was initiated under the Trust's Wellness Programme. Throughout the year, several inter-departmental competitions took place, which allowed staff to exhibit their prowess in netball, football, cheerleading, dominoes and debate. The year culminated with the presentation of the "Vibes Awards" in recognition of employees who contributed to the social well being of the Organisation. Additionally, the NHT continued its emphasis on employee wellness, by conducting a Health Fair across its Branch Network. This was done in conjunction with Blue Cross of Jamaica.

It is this focus on staff welfare that enabled the Organisation to emerge as one of the top three companies at the inaugural presentation of the Human Resource Management Association of Jamaica (HRMAJ) Innovation Award in November 2005. Companies were assessed on the following bases:

1. Use of a human resource or people management project, or initiative to overcome a particular business issue or problem.
2. The direct impact of the initiative on the overall business performance, whether in terms of growth, profitability or meeting of specific objectives.

The company received the Honorary Mention Leader Award for its submission: the After School Program for children of employees.



OPEN MARKET 2005/2006

Parish	No. of Loans	Value (millions)
Kingston	67	71.33
St. Andrew	432	487.83
St. Thomas	55	466.34
Portland	4	17.81
St. Mary	13	66.23
St Ann	23	49.97
Trelawny	8	16.75
St James	101	283.19
Hanover	5	34.62
Westmoreland	12	12.63
St. Elizabeth	11	9.94
Manchester	28	26.04
Clarendon	97	85.84
St. Catherine	1122	2089.07
TOTAL	1978	3717.57

BUILD ON OWN LAND 2005/2006

Parish	No. of Loans	Value (millions)
Kingston	11	10.48
St. Andrew	65	121.69
St. Thomas	27	56.58
Portland	13	76.62
St. Mary	26	86.24
St Ann	33	105.09
Trelawny	11	25.45
St James	52	104.01
Hanover	9	9.12
Westmoreland	36	58.92
St. Elizabeth	35	100.19
Manchester	61	163.83
Clarendon	28	75.68
St. Catherine	103	287.66
TOTAL	510	1281.58

HOUSING

Actual housing expenditure amounted to \$7.7b or 74% of the budgeted amount. This represents an increase of approximately \$2.0b over the previous year's performance. Housing completions totaled 2,245 solutions. This comprises 1,204 Build-On-Own Land and Home Improvement, 346 Interim Financed solutions and 695 solutions in NHT developed schemes.

Three schemes were taken over under the Interim Finance programme:

- Duncans Hill in Trelawny,
- Morris Park in St. Catherine
- Winchester Meadows in Hanover.

During the year new schemes were developed in St. Catherine (Bernard Lodge) and St. James (Green Pond Phase II).

The organisation remains committed to contributing to national development by improving the quality of life of residents in inner-city communities. To date, construction has been completed on the following sites:

- Little King Street (Denham Town) - 94 units
- Trench Town - 252 units*

- Monaltrie - 48 units*
- 88-100 Spanish Town Road - 186 units*

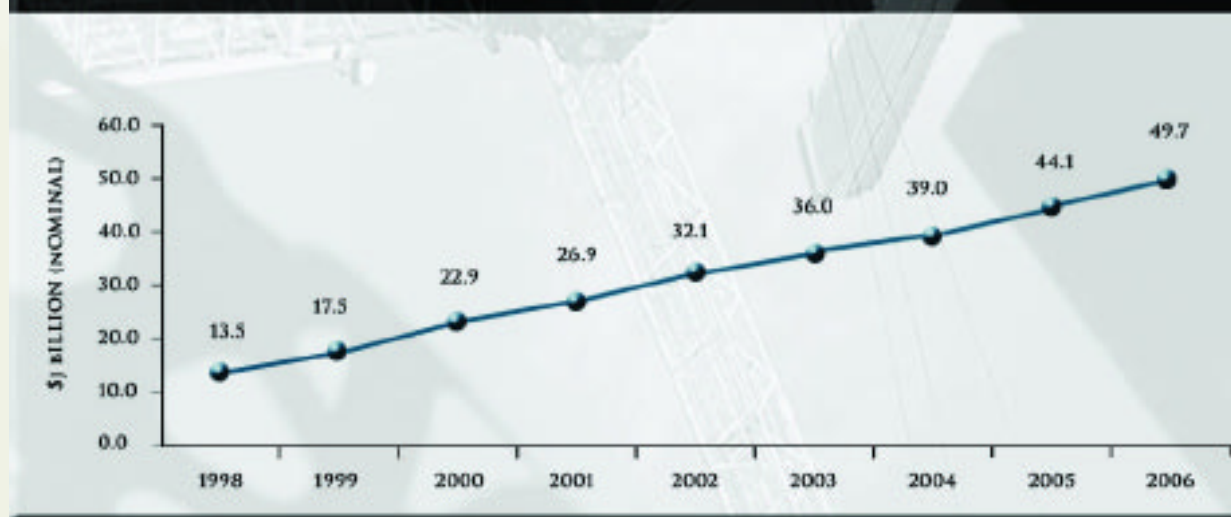
Along with developing affordable solutions, the NHT continues to assist Jamaicans in realizing their dream of homeownership by providing 7,149 mortgages for the financial year. Whilst the Open Market loan type continues to record the highest number of mortgages provided yearly, 2005/2006 saw increases in the number of mortgages provided for Build-On-Own Land, Construction, and Home Improvement loans.

* - Units not yet handed over

HOUSE LOT 2005/2006

Parish	No. of Loans	Value (millions)
Kingston	4	1.19
St. Andrew	52	45.24
St. Thomas	91	55.16
Portland	16	4.08
St. Mary	7	2.61
St Ann	91	74.41
Trelawny	15	5.44
St James	41	18.33
Hanover	3	7.64
Westmoreland	13	4.38
St. Elizabeth	68	44.46
Manchester	52	50.86
Clarendon	190	77.98
St. Catherine	359	404.23
TOTAL	1002	796.00

LOANS TO BENEFICIARIES

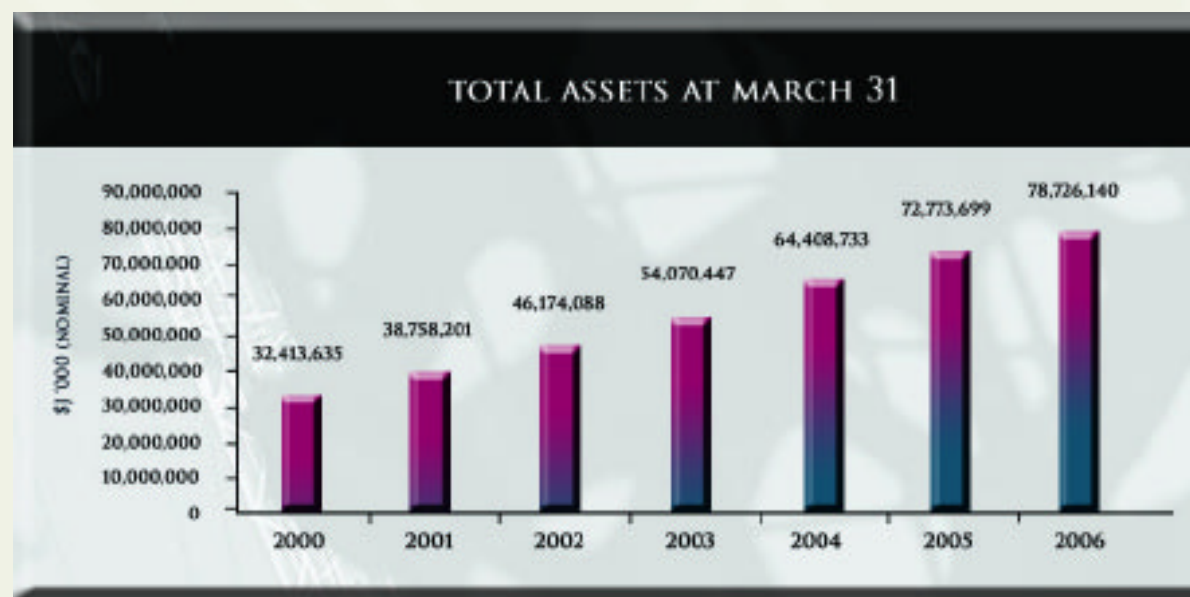


FUTURE PLANS

It is anticipated that the years ahead will be very productive. In the 2006/07 financial year, a five-year housing plan will be implemented for the construction of approximately 29,000 units at current costs of \$70 billion. Housing developments are planned for every parish and will include a concentration of houses at various points of the Highway 2000 corridor. This is intended to reduce the general demand for housing and the consequential overcrowding in some areas of the Kingston Metropolitan Area (KMA).

The Trust is committed to deploying the requisite staff to serve in all areas of its operations; to equip them with the tools necessary to accomplish set goals; and to provide training that will keep them current with global trends. To this end, the recommendations of the job evaluation exercise, currently underway, will be implemented in the upcoming year. In the same period, upgraded information systems will be implemented in the Investment and Budget Management departments and also the Legal Conveyancing and Mortgage Registry areas.

The new loan types will be effected in fiscal year 2006/2007 and we will continue to review loan poli-



CONSTRUCTION LOAN 2005/2006

Parish	No. of Loans	Value (millions)
Kingston	6	29.22
St. Andrew	42	65.12
St. Thomas	70	131.16
Portland	20	42.49
St. Mary	30	61.95
St Ann	88	171.32
Trelawny	24	21.49
St James	88	159.57
Hanover	3	1.59
Westmoreland	19	34.24
St. Elizabeth	35	38.82
Manchester	54	79.90
Clarendon	214	409.28
St. Catherine	196	339.07
TOTAL	889	1585.21

HOME IMPROVEMENT 2005/2006

Parish	No. of Loans	Value (millions)
Kingston	5	2.05
St. Andrew	37	17.13
St. Thomas	3	1.25
Portland	0	0.00
St. Mary	7	7.23
St Ann	5	2.71
Trelawny	0	0.00
St James	6	2.86
Hanover	1	6.30
Westmoreland	8	2.89
St. Elizabeth	6	7.78
Manchester	9	9.83
Clarendon	6	2.30
St. Catherine	61	66.64
TOTAL	154	128.97

-cies at regular intervals to ensure that they remain current with market trends.

The physical infrastructure of the Trust will be further upgraded: the new multi-story Car Park will be completed in the first half of 2006/2007; and branch offices/services centers and the remaining sections of the head office will be refurbished during the year.

The NHT will continue the prudent financial management for which it has become known, while providing housing opportunities for our valued contributors.

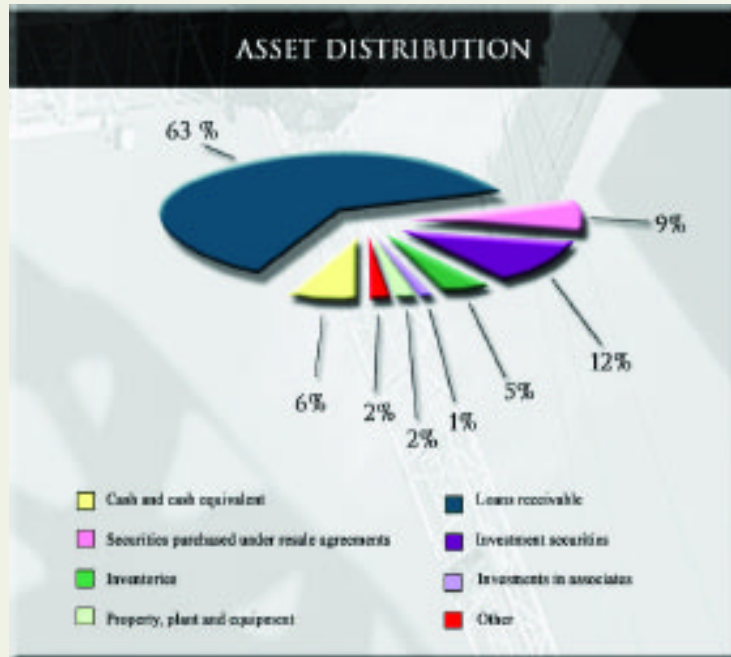
Denham Town Housing Development



TOTAL LOANS CREATED 2005/2006

Parish	No. of Loans	Value (millions)
Kingston	110	129.27
St. Andrew	694	797.71
St. Thomas	255	716.11
Portland	66	192.17
St. Mary	83	224.25
St Ann	258	419.89
Trelawny	63	72.95
St James	571	835.13
Hanover	25	61.20
Westmoreland	163	370.27
St. Elizabeth	242	233.37
Manchester	230	343.44
Clarendon	694	744.67
St. Catherine	2140	3406.56
TOTAL	5594 *	8546.99

* Total does not include Joint Finance Mortgage (JFM) loans.



TAKEOVER SCHEDULE FOR 2006/2007

PARISH	PROJECT	UNIT TYPE	TOTAL
St. Catherine	Morris Meadows	2 Bedrooms	150
	Bushy Park	2 Bedrooms	36
	Cherry Gardens	2 Bedrooms	34
	Twickenham Park	2 Bedroom Townhouse	156
		2 Bedroom Apartment	162
		3 Bedroom Apartment	162
	Hellshire II	2 Bedrooms	48
	Hellshire III	2 Bedroom Townhouse	80
	Eltham	3 Bedroom Townhouse	15
		2 Bedroom Townhouse	35
Manchester	Perth I	Serviced Lots	70
Westmoreland	Waterworks	2 Bedrooms	40
St. Elizabeth	Leeds	Serviced Lots	35
Trelawny	Braco	Serviced Lots	80
	Granville	Serviced Lots	80
TOTAL			1,183

PICTORIAL REVIEW



NHT Board Chairman Alva Anderson and the Most Hon. P. J. Patterson release butterflies at the media launch of NHT's 30th Anniversary celebrations. (February 2006)



Former Prime Minister Michael Manley at a handing over ceremony in 1976.



Former Prime Minister, The Most Hon. Edward Seaga address the gathering at the launch of the NHT's 10th Anniversary in 1986



Former Managing Director, Milverton Reynolds (right) presents then Chairman Dr. Carlton Davies with a gift at Dr. Davies' farewell function in 1993.



Former Prime Minister, the Most Hon. P. J. Patterson confers with former Chairman Kingsley Thomas at a 1996 Press Conference. Former Managing Director, Milverton Reynolds looks on.



Members of staff dance the night away at a Christmas Party (1983).

National Housing Trust
Financing more Homes for Jamaicans



Holden Hammond, former Managing Director address staff & customers on Customer Appreciation Day (1987).



Members of staff enjoy the entertainment at the Christmas Cantata (1996)



Managing Director, Earl Samuels, share a program with Neville Ying, former Board Member at the Easter Cantata (1998)



REFLECTIONS



Delacree Park, St. Andrew



Yallahs, St. Thomas



East Prospect, St. Thomas



Greenwich Acres, St. Ann



*Left:
The Most Honourable
P.J. Patterson making a
presentation to a bene-
ficiary at Frome in
February 2006.
Assisting is Dahlia
Cooke of the
Westmoreland Branch.*



*Right: Managing Director, Earl Samuels listens keenly to the Most
Hon. P. J. Patterson. Chairman Alva Anderson (left) looks on.*

HANDING OVER

Former Member of Parliament for West Kingston, the Most Honourable Edward Seaga congratulates a beneficiary of an ICHP unit at Little King Street, Denham Town. July 2005 (Right)

Children of beneficiaries of the Denham Town units perform at the handing over ceremony. (Below, left)

Opposition Leader, Bruce Golding, former Leader of the Opposition, the Most Honourable Edward Seaga, Minister of Development, Hon. Paul Robertson, Managing Director Earl Samuels and Deputy Commissioner of Police, Gevene Bent listen with rapt attention at the handing over of units at Denham Town. In the background are NHT staff members and other well wishers. (Below, right)





The NHT Chorale performs at "Music in the House", NHT's end of year function. 2005 (Above)

The Praise Academy of Dance go through their paces at "Music in the House" (Below)



Board members watch the performances at "Music in the House". To the far left, Deputy Chairman Patrick Lawrence converses with Isiaa Madden and Chairman Alva Anderson. Also in picture are Genefa Hibbert, George Fyffe, Robert Cranston and former Board member Shirley Ann Eaton. (Below)





Recipients of the inaugural Vibes Awards 2005. L - R: Michael Allen, Petula Brown, Winston Sherwood and Courtney Davis being presented with awards by Errol Greene, Wayne Jones (Board Members) & Jeneita Townsend (General Manager, Human Resource & Management Dept.). Missing: Rohan Lawrence



Teams in the 2005 Debating competition. L-R: The winning Corporate Services Team, the Corporate Division Team, the Finance Team and the team from the Operations Division.



"Sunshine All-Stars", second time winners of the Inter-Department Netball competition. (L-R) Wendy Davis, Lovern McDonald, Lorna Tingle, Karen Bogle, Kayan Merritt and Sandra Gordon. In background (L-R) Jahmiah Pettigrew and Damion Atkinson.

"Manchester United" winners of the Earl Samuels/Kingsley Thomas Football competition. Below: Team captain Jahmiah Pettigrew poses with the winner's trophy. Team members from left to right are: Eukal Sharras, Yateech Bowen, Asif Lattimore, Ian Edmondson, Anthony Henry and Damion Atkinson.



DIRECTORS' REPORT

The Director's are pleased to present their report and audited statements of Accounts, ended March 31st 2006.

1. FINANCIAL RESULTS

Income	<u>2006</u> (<u>\$000</u>)	<u>2005</u> (<u>\$000</u>)
Interest on		
Loans receivables	3,035,052	3,370,432
Investments	3,234,094	3,344,784
Gains on projects	75,318	75,573
Service charge on loans to beneficiaries	<u>306,937</u>	<u>288,728</u>
Miscellaneous		
	<u>6,651,401</u>	<u>7,079,517</u>
 EXPENDITURE		
Operating expenses	2,294,056	2,147,312
Bonus on employees' contributions	950,414	947,525
Provision (recovery) on loans receivable	33,743	165,904
Losses on projects	26,929	60,862
Special subsidies and grants	6,044,406*	951,481
Restructuring costs	<u>41,873</u>	<u>48,325</u>
	<u>9,391,421</u>	<u>4,321,409</u>
 (DEFICIT)/SURPLUS BEFORE TAXATION	 (2,740,020)	 2,758,108
 Taxation	 <u>880,283</u>	 (<u>924,676</u>)
 NET (DEFICIT)/SURPLUS	 <u>(1,859,737)</u>	 <u>1,833,432</u>

* The deficit for 2006 is the result of the \$5 billion grant to the Educational Transformation Fund.

2 THE BOARD

Alva Anderson, Chairman
C. Earl Samuels, C.D., Managing Director
Patrick Lawrence, O.D., J.P., Deputy Chairman
Hopeton Caven, O.J.
Robert Cranston
George Fyffe, O.D., J.P.
Errol Greene, J.P.
Evon Hewitt
Genefa Hibbert
Wayne Jones
Herbert Lewis, O.D., J.P.
Isiaa Madden
Danny Roberts
Patricia Sinclair-McCalla
Travert Spence, J.P.
Dawnett Turner

3 THE AUDITORS

The auditors, Deloitte & Touche, have indicated their willingness to continue in office.

4 THE EMPLOYEES

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



AUDITED

FINANCIAL STATEMENTS



AUDITORS' REPORT

*To the Board of Directors of
NATIONAL HOUSING TRUST*

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

Telephone: (876) 922-6825/7
Facsimile: (876) 922-7673
<http://www.deloitte.com.jm>

42B & 42C Union Street
Montego Bay
Jamaica, W.I.

Telephone: (876) 952-4713-4
Facsimile: (876) 979-0246

We have audited the accompanying balance sheet of the National Housing Trust as of March 31, 2006 and the related income statement and statements of changes in accumulated fund and cash flows for the year then ended and have received all the information and explanations which we considered necessary. These financial statements are the responsibility of the directors and management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by directors and management, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

As detailed in Note 18, the Trust has not fully established personal accounts for employed persons who made contributions to the Trust, to enable it to issue certificates of contributions made as required by the National Housing Trust Act. The processing of annual returns is ongoing, and the Trust is taking steps to complete the processing to bring its records up to date and issue the relevant certificates, although its progress is hampered by employers not submitting the returns required in a timely manner.

In our opinion, except for the effects of such adjustments, if any, arising from the matters referred to in the preceding paragraph, proper accounting records have been kept and the financial statements, which are in agreement therewith, present fairly in all material respects the state of the Trust's affairs as at March 31, 2006 and of the results of its operations, its changes in accumulated fund and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Kingston, Jamaica
June 5, 2006

Donald S. Reynolds, Carey O. Metz, Audley L. Gordon, Winston G. Robinson, Fagan E. Calvert, Gihan C. de Mel

Consultant: T. Sydney Fernando


Member firm of
Deloitte Touche Tohmatsu

NATIONAL HOUSING TRUST
BALANCE SHEET AT MARCH 31, 2006
(Expressed in \$'000)

	<u>Notes</u>	<u>2006</u> \$	<u>2005</u> \$
<u>ASSETS</u>			
Cash and cash equivalents	6	4,921,344	5,142,546
Other receivables	7	310,617	224,783
Income tax recoverable		906,296	49,933
Loans receivable	8,9	49,656,370	45,282,026
Securities purchased under resale agreements	10	6,715,636	6,079,895
Investment securities	11	9,632,515	12,256,766
Inventories	12	3,651,406	1,834,251
Intangible assets	13	25,400	31,795
Investments in associates	14	1,145,085	685,046
Retirement benefit asset	15	270,300	201,900
Property, plant and equipment	16	1,365,622	1,084,529
Deferred tax asset	19	<u>125,549</u>	<u>-</u>
Total assets		<u>78,726,140</u>	<u>72,873,470</u>
<u>LIABILITIES AND ACCUMULATED FUND</u>			
<u>LIABILITIES</u>			
Accounts payable and accruals	17	1,272,640	703,252
Refundable contributions	18	28,449,888	25,103,757
Deferred tax liabilities	19	<u>-</u>	<u>755,745</u>
		<u>29,722,528</u>	<u>26,562,754</u>
<u>ACCUMULATED FUND</u>			
Non-refundable employers' contributions	2(c)	28,772,475	24,886,011
Fair value and other reserves	20	1,600,430	934,261
Peril reserve	21	1,240,000	920,441
Loan loss reserve	22	1,035,679	901,652
Surplus on income statement		<u>16,355,028</u>	<u>18,668,351</u>
		<u>49,003,612</u>	<u>46,310,716</u>
Total liabilities and accumulated fund		<u>78,726,140</u>	<u>72,873,470</u>

The Notes on pages 32-91 form an integral part of the Financial Statements.

The financial statements on pages 32-91 were approved and authorized for issue by the Board of Directors on June 5, 2006 and are signed on its behalf by:

.......... Alva Anderson - Chairman

.......... Earl Samuels - Managing Director

NATIONAL HOUSING TRUST
INCOME STATEMENT

YEAR ENDED MARCH 31, 2006

(Expressed in \$'000)

	<u>Notes</u>	<u>2006</u> \$	<u>2005</u> \$
INCOME			
Interest on:			
- Loans receivable		3,035,052	3,370,432
- Investments		3,234,094	3,344,784
Service charge on loans to beneficiaries	8	75,318	75,573
Miscellaneous	23	<u>306,937</u>	<u>288,728</u>
		<u>6,651,401</u>	<u>7,079,517</u>
EXPENSES			
Operating expenses		2,294,056	2,147,312
Bonus on employees' contributions		950,414	947,525
Provision on loans receivable	8	33,743	165,904
Losses on projects		26,929	60,862
Special subsidies and grants	24	6,044,406	951,481
Restructuring costs	25	<u>41,873</u>	<u>48,325</u>
		<u>9,391,421</u>	<u>4,321,409</u>
(DEFICIT) SURPLUS BEFORE TAXATION		(2,740,020)	2,758,108
Taxation	26	<u>880,283</u>	(924,676)
NET (DEFICIT) SURPLUS	27	<u>(1,859,737)</u>	<u>1,833,432</u>

The Notes on pages 32-91 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST
STATEMENT OF CHANGES IN ACCUMULATED FUND

YEAR ENDED MARCH 31, 2006

(Expressed in \$'000)

	<u>Notes</u>	<u>Non- Refundable Employers' Contributions</u> \$	<u>Fair Value and Other Reserves</u> \$	<u>Peril Reserve</u> \$	<u>Loan loss Reserve</u> \$	<u>Surplus on Income Statement</u> \$	<u>Total</u> \$
Balance at April 1, 2004		21,377,650	908,905	911,861	854,733	16,890,418	40,943,567
Net gains not recognized in the income statement							
Reduction in deferred tax liability on revaluation of property, plant and equipment	19	-	1,011	-	-	-	1,011
Increase in fair values of available-for-sale investments	20	-	24,345	-	-	-	24,345
Net gains not recognized in the income statement		-	25,356	-	-	-	25,356
Net surplus for the year		-	-	-	-	1,833,432	1,833,432
Non-refundable contributions for the year		3,508,361	-	-	-	-	3,508,361
Transfer to peril reserve	21	-	-	273,696	-	(273,696)	-
Utilised during the year	21	-	-	(265,116)	-	265,116	-
Transfer to loan loss reserve	22	-	-	-	46,919	(46,919)	-
Balance at March 31, 2005		24,886,011	934,261	920,441	901,652	18,668,351	46,310,716
Net gains not recognized in the income statement							
Reduction in deferred tax liability on revaluation of property, plant and equipment	19	-	1,011	-	-	-	1,011
Increase in fair values of available-for-sale investments	20	-	583,431	-	-	-	583,431
Net gains not recognized in the income statement		-	584,442	-	-	-	584,442
Losses on impairment of available-for-sale investments charged to income	20	-	81,727	-	-	-	81,727
Net deficit for the year		-	-	-	-	(1,859,737)	(1,859,737)
Non-refundable contributions for the year		3,886,464	-	-	-	-	3,886,464
Transfer to peril reserve	21	-	-	371,053	-	(371,053)	-
Utilised during the year	21	-	-	(51,494)	-	51,494	-
Transfer from loan loss reserve	22	-	-	-	134,027	(134,027)	-
Balance at March 31, 2006		28,772,475	1,600,430	1,240,000	1,035,679	16,355,028	49,003,612

The Notes on pages 32-91 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST
STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2006

(Expressed in \$'000)

	<u>2006</u> \$	<u>2005</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (deficit) surplus for the year	(1,859,737)	1,833,432
Adjustments for:		
Losses and subsidies on projects	1,084,686	272,330
Provisions on loans receivable	33,743	165,904
Provision for bonus on employees' contribution	950,414	947,525
Depreciation	93,060	103,462
Gain on sale of property, plant and equipment	(13,542)	(1,447)
Adjustments to property, plant and equipment	(4,787)	798
Service charges amortised	(75,318)	(75,573)
Intangible assets amortised/written off	17,805	13,249
Loss on impairment of available-for-sale investments	81,727	-
Retirement benefit asset	(18,800)	(19,100)
Deferred tax adjustments	(880,283)	84,766
Interest income	(6,269,146)	(6,715,216)
Foreign exchange adjustment	(5,411)	(2,593)
	(6,865,589)	(3,392,463)
Increase in operating assets		
Other receivables	(85,834)	(7,467)
Retirement benefit contributions	(49,600)	(46,300)
Increase (decrease) in operating liabilities		
Accounts payable and accruals	569,388	(167,894)
Bonus payable to employers	-	(3,407)
Employer's contribution refunded	-	(1,038)
Cash used in operations	(6,431,635)	(3,618,569)
Interest received	6,930,035	6,510,847
Tax (paid) refunded	(856,363)	342,501
Cash (used in) provided by operating activities	(357,963)	3,234,779

NATIONAL HOUSING TRUST
STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2006

(Expressed in \$'000)

	<u>Note</u>	<u>2006</u> \$	<u>2005</u> \$
CASH FLOWS FROM INVESTING ACTIVITIES			
Intangible assets		(11,410)	(10,270)
Loans receivable less recoveries		(4,699,877)	(3,621,172)
Acquisition of property, plant and equipment		(378,151)	(335,425)
Acquisition of securities purchased under resale agreements		(9,781,947)	(10,225,766)
Proceeds on encashment of securities purchased under resale agreements		9,147,350	7,834,004
Acquisition of investment securities		(5,163,881)	(5,965,304)
Proceeds on encashment of investment securities		8,077,782	4,219,243
(Increase) decrease in inventory (net)		(2,901,841)	4,716
Proceeds on sale of property, plant and equipment		22,327	4,331
Investment in, and advances to associated company		(460,039)	(407,973)
Cash used in investing activities		<u>(6,149,687)</u>	<u>(8,503,616)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employers		3,886,464	3,508,361
Contributions from employees		4,483,125	3,552,011
Refund of employees' contributions		<u>(2,087,408)</u>	<u>(1,230,626)</u>
Cash provided by financing activities		<u>6,282,181</u>	<u>5,829,746</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(225,469)	560,909
OPENING CASH AND CASH EQUIVALENTS		5,142,546	4,581,139
Effect of foreign exchange rate changes		<u>4,267</u>	<u>498</u>
CLOSING CASH AND CASH EQUIVALENTS	6	<u>4,921,344</u>	<u>5,142,546</u>

The Notes on pages 32-91 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

1 IDENTIFICATION

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

The functions of the Trust are:

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

- (i) promoting housing projects to such extent as may from time to time be approved by the Minister responsible for the Trust.
- (ii) making loans available to contributors to assist in the purchase, building, maintenance, repair or improvement of houses; and
- (iii) encouraging and stimulating improved methods of production of houses.

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

The Trust was originally exempt from income tax, transfer tax and property tax, however by way of the Public Enterprises (Removal of Tax Concessions) Act: 2002, these exemptions were rescinded with effect from December 23, 2003. Notwithstanding the effective date of December 23, 2003 the Taxpayer Audit and Assessment Department determined that January 1, 2004 was to be used as the effective date as regards Income Tax and as such the Trust accounted for Income Tax from that date (See Note 26).

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

2 CONTRIBUTIONS AND BENEFITS

- (a) The Act requires certain employed persons, their employers and self-employed persons to make contributions to the Trust.
- (b) The benefits (as defined in the Act) in relation to contributions made by employed and self-employed persons are:
 - (i) loans for housing acquisition or improvement;
 - (ii) contribution refunds including bonuses awarded in the eighth year after the first contribution year and annually thereafter for each successive year in which contributions were made;
 - (iii) contribution refunds in the event of death, invalidity and other circumstances prescribed.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

2 CONTRIBUTIONS AND BENEFITS (Cont'd)

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

3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Trust has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2005.

The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Trust's accounting policies nor the amounts reported for the current and prior years although additional disclosures have resulted in some instances.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6	Exploration for and Evaluation of Mineral Reserves
IFRS 7	Financial Instruments: Disclosure
IFRIC 4	Determining whether an Arrangement contains a lease
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste, Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives

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

The Board of Directors and management anticipate that the adoption of these Standards and Interpretations in the future periods will have no material impact on the financial statements, although additional disclosures will arise on adoption of IFRS 7 (effective for financial years commencing on or after January 1, 2007).

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

These financial statements are expressed in Jamaican dollars.

(b) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during their reporting period. Actual results could differ from those estimates and any adjustments that may be necessary would be reflected in the year in which actual results are known (See Note 5).

(c) Cash and cash equivalents

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

(d) Other receivables

These are measured on initial recognition at their fair values. Interest is not charged on outstanding balances and these are not generally discounted as they are expected to be settled within a short period during which market interest rates do not usually move significantly. Appropriate allowances for estimated irrecoverable amounts are recognized in income when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

- (e) Loans receivable, provisions for impairment, loan loss reserve and service charges on loans

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

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

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

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

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

Service charge on loans to beneficiaries

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

- (f) Securities purchased under resale agreements

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Investment securities

Investments are recognized and derecognized on a trade date basis and are classified into the following categories: investments held-to-maturity, and available-for-sale securities.

Investments held-to-maturity are those that the Trust has the expressed intention and ability to hold to maturity. They are initially recognized at fair value, which includes transaction costs, and subsequently carried at amortized cost less any impairment loss recognized to reflect irrecoverable amounts. The annual amortization of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognized in each period represents a constant yield on the investment. An impairment loss is recognized in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognized.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates, or market prices. They are initially recognized at fair value, (including transaction costs), and for subsequent re-measurements fair value is based on quoted bid prices or amounts derived from cash flow models. Where fair values cannot be reliably determined, available-for-sale securities are carried at cost less provision for impairment. Gains and losses arising from changes in fair value of available-for-sale securities are recognized directly in fair value and other reserves included in the accumulated fund until the security is disposed of or is determined to be impaired. When the securities are disposed of or determined to be impaired, the related accumulated unrealized gains or losses included in the accumulated fund are transferred to the income statement for the period. Impairment losses recognized in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement. Impairment losses recognized in the income statement for debt instruments classified as available-for-sale are subsequently reversed if an increase in fair value of the instrument can be objectively related to an event occurring after recognition of the impairment loss.

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Inventories

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

(i) Intangible assets

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

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

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

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

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

(j) Investments in associates

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

These are accounted for in the financial statements at cost less any impairment in the value of individual investments.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Employee benefits

Pension obligations

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

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

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

Termination obligations

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

Leave entitlements

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Property, plant and equipment

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets (other than land and artwork) over their estimated useful lives, using the straight line method. No depreciation is provided on freehold land and artwork.

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

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

(m) Impairment of tangible and intangible assets

At each balance sheet date, the Trust reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of tangible and intangible assets (Cont'd)

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

(n) Accounts payable

These are initially measured at their fair values. No interest is charged on outstanding balances and these are not generally discounted as they are settled within a short period during which interest rates do not normally move significantly.

(o) Borrowings

Interest bearing loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Trust's accounting policy for borrowing costs (See Note 4(y)).

(p) Taxation

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Taxation (Cont'd)

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable surplus, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates currently enacted, which rates are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to accumulated fund, in which case the deferred tax is also charged or credited in the accumulated fund.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Trust intends to settle its current tax assets and liabilities on a net basis.

(q) Contributions

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

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

(r) Fair value reserve

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Peril reserve

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

(t) Financial instruments

Financial assets and liabilities are recognized on the Trust's balance sheet when the Trust becomes a party to the contractual provisions of the instrument.

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

Financial assets include the Trust's assets except intangible assets, property, plant and equipment, investments in associates, retirement benefit asset, inventories, income tax recoverable, prepayments and deferred taxation.

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

The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item.

The fair values of the financial instruments are discussed at Note 31.

(u) Related party

A party is considered related if:

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Revenue recognition

- (i) Interest income is accrued on the time basis by reference to the principal outstanding and the effective interest rate applicable.
- (ii) Surpluses/losses on disposal of all units in a housing project are credited/charged against the income statement in the year of occurrence.
- (iii) Dividend income from investments is recognised when the Trust's rights to receive payments have been established.

(w) Leases

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

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

(x) Interest and penalties

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

(y) Borrowing costs

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

(z) Foreign currencies

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

Transactions in currencies other than the Jamaican dollar are recorded at the rates of exchange prevailing on the dates of those transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

4 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Foreign currencies (Cont'd)

Non-monetary items that are measured in terms of historical costs in foreign currency are not re-translated. All exchange gains and losses are credited to, or charged against, income of the year.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Trust's accounting policies, which are described in Note 4, management has made the following judgements and estimates that have the most significant effect on the amounts recognized in the financial statements and could cause material adjustments to the carrying amounts of assets and liabilities.

Impairment losses on loans and advances

The Trust reviews its loan portfolio to assess impairment on a monthly basis. A provision for impairment is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for loan losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. In respect of loans to beneficiaries the value of the security is based on proxy values determined by the Trust's technical department, which values take cognizance of factors such as the type of unit, the date it was constructed, its location and the current market conditions. Past experience and judgement are used in estimating the timing of the expected cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimize any differences between loss estimates and actual loss experience. To the extent that the expected future cash flows differs by +/- 1 percent, the resulting provision for impairment would be estimated \$3.72 million lower or \$3.83 million greater.

Peril insurance

The Trust maintains a reserve equivalent to the insurance policy deductible limit of US\$20 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 28(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 fully funded by certain securities denominated in United States dollars included in cash equivalents, securities purchased under resale agreements and investment securities.

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

Employee benefit – pension obligation

As disclosed in Note 15, the Trust operates a defined benefit pension plan. The amount shown in the balance sheet of an asset of approximately \$270.3 million in respect of the defined benefits plan is subject to estimates in respect of periodic costs, which costs would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Trust estimates the appropriate discount rate annually, which rate is used to determine the present value of estimated cash outflows expected to be required to settle any future pension obligation.

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities were considered.

Intangible assets

The Trust has recognized as assets, costs directly associated with unique and identifiable software products, currently being developed and controlled by the Trust. Management represents that the economic benefits to be generated will exceed costs beyond one year. Accordingly, direct costs of \$10.270 million have been recognized during the year.

6 CASH AND CASH EQUIVALENTS

These comprise:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Reverse repurchase agreements with financial institutions maturing within ninety days of original date of purchase at interest rates ranging from 6% to 13.25% per annum (2005: 5.1% to 14.1% per annum) (Note 6(a))	4,584,965	5,046,285
Bank balances (Note 6(b))	334,497	95,480
Cash in hand	<u>1,882</u>	<u>781</u>
	<u>4,921,344</u>	<u>5,142,546</u>

(a) Reverse repurchase agreements are fully backed by Government of Jamaica securities. At year end, these investments include foreign currency deposits amounting to US\$101,963 (2005: US\$742,024) and interest receivable totalling \$53,365,404 (2005: \$38,201,501).

(b) Bank balances include foreign currency deposits of US\$378,272 (2005: US\$965,853) at interest rates of 1.5% (2005: 1.5%).

NATIONAL HOUSING TRUST
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7 OTHER RECEIVABLES

	<u>2006</u> \$'000	<u>2005</u> \$'000
Staff loans	129,498	127,863
Prepayments	29,524	16,654
Deposits for acquisition of property, plant and equipment	-	34,329
Mortgage litigation receivable	67,393	25,837
Mortgage loan fees receivable	25,087	22,243
Death claims recoverable	7,889	18,088
Due from Ministry of Finance and Planning (Note 7(a))	99,005	-
Other	<u>20,711</u>	<u>12,209</u>
	379,107	257,223
Less provision for irrecoverable debt	<u>68,490</u>	<u>32,440</u>
	<u>310,617</u>	<u>224,783</u>

- (a) This represents amounts due to the Trust to March 31, 2006 in lieu of interest foregone consequent on early encashment of investment securities in order to meet its obligation under the Education Transformation Fund (Note 24(b)). The Ministry of Finance has undertaken to refund the interest foregone, which will total approximately \$250 million up to August 2006 (the maturity date of the securities) of which \$99 million has been accrued to March 31, 2006.

8 LOANS RECEIVABLE

	<u>2006</u> \$'000	<u>2005</u> \$'000
(a) Loans to beneficiaries selected by the Trust (Note 8(e), (f))		
Mortgage loans	39,735,954	37,259,379
Loans for which mortgage processing is incomplete (Note 8(g))	1,887,953	1,625,096
Loans through financial institutions (Note 8(h))	1,257,622	1,301,092
Loans through joint venture programme (Note 8(i))	<u>24,574</u>	<u>27,615</u>
	42,906,103	40,213,182
Less: provisions for impairment (Note 8(o))	<u>430,697</u>	<u>427,241</u>
	42,475,406	39,785,941
Less: unexpired service charges (Note 8(p))	<u>988,697</u>	<u>979,123</u>
Balance carried forward	<u>41,486,709</u>	<u>38,806,818</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

8 LOANS RECEIVABLE (Cont'd)

	<u>2006</u> \$'000	<u>2005</u> \$'000
Balance brought forward	<u>41,486,709</u>	<u>38,806,818</u>
(b) Loans to beneficiaries selected by the following agencies approved by the Trust:		
Jamaica Teachers' Association Housing Co-operative Limited (JTAHC):		
Repayable in 25 years at 3% - 18% per annum (Note 8(j)(i))	59,203	65,196
National Housing Development Corporation (NHDC)		
(Formerly Caribbean Housing Finance Corporation)		
Repayable in 25 years at 8% per annum (Note 8(j)(ii))	730,471	730,471
Repayable in 15 years at 8% per annum (Note 8(j)(iii))	820,600	887,821
Repayable over 10 years at 4% per annum (Note 8(j)(iv))	120,286	120,286
Repayable in 10 years at 8% per annum (Note 8(j)(v))	786,556	789,941
Repayable in 15 years at 11% per annum (Note 8(j)(vi))	83,300	83,300
Repayable at 8% per annum (Note 8(j)(vii))	57,755	100,885
Joint financing mortgage programme (Note 8(j)(viii))	2,817,433	1,199,254
Special loans through joint financing – Hurricane Ivan (Note 8(j)(ix))	58,320	102,411
Special loans to churches through joint financing – Hurricane Ivan (Note 8(j)(x))	301,000	-
Other institutions	<u>138,186</u>	<u>91,484</u>
	<u>5,973,110</u>	<u>4,171,049</u>
(c) Loan financing to developers (Note 8(k))	1,268,954	968,193
Less: provision for impairment (Note 8(o))	<u>370,747</u>	<u>345,361</u>
	<u>898,207</u>	<u>622,832</u>
(d) Other		
University of the West Indies (Note 8(l))	597,740	595,439
University Hospital of the West Indies (Note 8(m))	-	10,498
Development Bank of Jamaica (Note 8(n))	<u>-</u>	<u>7,678</u>
	<u>597,740</u>	<u>613,615</u>
Interest receivable	<u>700,604</u>	<u>1,067,712</u>
Total	<u>49,656,370</u>	<u>45,282,026</u>

8 LOANS RECEIVABLE (Cont'd)

- (e) Effective April 1, 2002 the rate of interest payable by a beneficiary selected to the Trust on a loan varies from 2% to 9% depending on the income of the beneficiary. These rates were further adjusted effective August 15, 2005 to reflect rates ranging from 2% to 8%. The loans together with interest thereon are repayable in monthly instalments over periods ranging up to a maximum of 30 years.
- (f) Mortgage loans of \$39,735,954,000 (2005: \$37,259,379,000) include loans totalling \$1,117,673,000 (2005: \$1,525,827,000) in certain schemes for which parent titles exist or have been surrendered to the Registrar of Titles in order for the splinter titles to be prepared. The Trust is taking steps to ensure that all splinter titles are received for such schemes.
- (g) The loans for which mortgage processing is incomplete relate to housing schemes developed by the public sector, for which land titles are not available. Titles are required for each lot of land in the schemes in order to register the names of the beneficiaries and the mortgages taken by the Trust.
- (h) Loans through financial institutions

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

- (i) Loans through Joint Venture programme

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

8 LOANS RECEIVABLE (Cont'd)

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

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

During 2004 the JTAHC mortgage portfolio was transferred to the Trust in settlement of amounts owed by the JTAHC in respect of loans granted to the JTAHC under the Trust's Combined Mortgage and Build on Own Land (BOL) programmes. The formal agreement was signed between the parties on April 10, 2004. The Trust has registered its interest on the various titles.

- (ii) This loan is repayable in quarterly instalments over a 25 year period commencing January 1, 2001. Interest is chargeable at 8% per annum and is payable in quarterly instalments from January 1, 1997. The loan is secured by the transfer of mortgages by NHDC to the Trust.

- (iii) The Trust entered into an agreement in 2001 to make the sum of \$1.1 billion available for the purpose of providing shelter solutions for beneficiaries under the NHDC - Operation Pride portfolio. The loan is for a period of 15 years commencing November 2001, and is repayable, with interest, in installments of \$8,695,856 per month. Interest is charged at 8% per annum. The loan is secured by:

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

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

8 LOANS RECEIVABLE (Cont'd)

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

(iv) (Cont'd)

The principal loan is repayable over 10 years in 120 equal monthly installments at an interest rate of 4% per annum.

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

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

The loan is secured by:

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

(vi) The loan is for a sum of \$88,711,063 for the purpose of co-financing 279 mortgages in the Greater Portmore Project. The loan is for a period of 15 years and the principal is repayable in 180 equal monthly instalments. Interest is repayable monthly in arrears on the first business day in each calendar month and payments commenced August 2002. Interest is charged at 11% per annum or such other rate as the Trust may from time to time notify the NHDC.

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

8 LOANS TO RECEIVABLE (Cont'd)

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

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

The revolving loan is secured by deposit of the splinter titles in respect of the various projects to be retained by the Trust to cover the loan amount together with an excess equivalent to 15% of the loan amount.

In addition, it is the intention of the Trust to have the Ministry of Water & Housing (MOWH), acting on behalf of NHDC, assign its rights under the various land sale agreements as the land is owned by the MOWH.

(viii) Joint financing mortgage programme

The Trust entered into an agreement to invest funds with participating institutions through the use of an imprest account, in the name of the Trust for the sole purpose of onlending funds to qualified contributors of the Trust at the rates of interest applicable based on the Trust's loan policy. The purpose of the agreement is to assist the contributor in owning a home which shall be mortgaged to the participating financial institutions as security for the funds onlent.

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

The participating institutions include:

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

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

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

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

8 LOANS RECEIVABLE (Cont'd)

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

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

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

The obligations of the participating institutions are secured by:

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

(ix) Special loans joint financing – Hurricane Ivan

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

The participating institutions include:

- Jamaica National Building Society
- Victoria Mutual Building Society
- First Caribbean Building Society
- Scotia Jamaica Building Society

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

The obligations of the participating institutions are secured by:

- deposit certificate for 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.

8 LOANS RECEIVABLE (Cont'd)

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

(x) Special loans to churches □ Hurricane Ivan

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

The participating institutions include:

- Jamaica National Building Society'
- Victoria Mutual Building Society

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

The obligations of the participating institutions are secured by:

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

(k) Loan financing to developers

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

8 LOANS RECEIVABLE (Cont'd)

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

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

- (i) A letter of undertaking from the Ministry of Finance and Planning, which has undertaken to repay the full amount of principal plus interest if UWI is unable to do so.
- (ii) Assignment of a bank account used containing fees paid for accommodation by the students in respect of the buildings constructed.

(m) University Hospital of the West Indies

The loan was settled during the year.

(n) Development Bank of Jamaica (DBJ)

The outstanding amounts were settled during the year.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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8 LOANS RECEIVABLE (Cont'd)

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

	<u>2006</u>			<u>2005</u>
	<u>Mortgage</u>	<u>Development</u>		
	<u>Loans</u>	<u>Financing</u>	<u>Total</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance, April 1	427,241	345,361	772,602	616,844
Increase in provision for the year	8,357	25,386	33,743	165,904
Write off during the year	(4,901)	-	(4,901)	(10,146)
Balance, March 31	<u>430,697</u>	<u>370,747</u>	<u>801,444</u>	<u>772,602</u>

(p) Unexpired service charges on loan to beneficiaries:

This comprises:

	<u>2006</u>	<u>2005</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance, April 1	979,123	1,008,533
Additions during the year	84,892	46,163
Amortisation	(75,318)	(75,573)
Balance, March 31	<u>988,697</u>	<u>979,123</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

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

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
(a) Loans through joint venture mortgage programme (Note 9.2)	<u>24,574</u>	<u>27,615</u>
(b) Other loans (Note 9.3)		
Mortgage loans to beneficiaries:		
- Schemes for which parent titles exist or for which splintering is in process	1,117,673	1,525,827
- Schemes for which mortgage processing is incomplete and land titles are not available	<u>1,887,953</u>	<u>1,625,096</u>
	3,005,626	3,150,923
Finance for housing construction projects	<u>99,359</u>	<u>327,247</u>
Sub-total	<u>3,104,985</u>	<u>3,478,170</u>
Total	<u>3,129,559</u>	<u>3,505,785</u>

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

.3 It has been an established policy of the Trust to carry out housing projects on lands owned by the Government of Jamaica or its approved agencies without first registering mortgages on the land on which the houses are constructed. This has been done to minimise delays and to keep the cost of a housing unit to a minimum. In this respect obtaining land titles, sub-division plans and splinter titles takes place during construction and after the housing projects are completed and houses handed over to beneficiaries (See Note 8(f)). While this results in certain construction finance and mortgage loans not being secured in the interim, the directors do not consider the lack of security for finances provided under programmes described in Note 9.1(b) will have a material impact on these financial statements.

.4 A provision for mortgage losses of \$430,697,000 (2005: \$427,241,000) as reflected in Note 8, as well as an additional appropriation of surplus on the income and expenditure account of \$1,035,679,000 (2005: \$901,652,000) has been made to a loan loss reserve, to cover any losses that may arise from the loans referred to in Note 9.1 above and other mortgage loans.

Additionally, provisions of \$370,747,000 (2005: \$345,361,000) have been made in respect of loan financing to developers.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

10 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Jamaican dollars deposit (Note 10(a))	6,315,174	5,959,879
United States dollar deposits (Note 10(b))	<u>400,462</u>	<u>120,016</u>
	<u>6,715,636</u>	<u>6,079,895</u>

(a) These deposits mature within one to five months after year-end, with interest rates ranging between 12.75% and 13.75% (2005: 13.20% and 17.20%) per annum. As at March 31, 2006, the interest receivable included in these deposits amounted to \$288,174,000 (2005: \$431,879,000).

(b) These deposits totalling US\$6,134,805 (2005: US\$1,906,953) mature within one to six months of year-end, with interest rates ranging between 5.75% and 7.75% (2005: 6.25% and 7.35%) per annum. As at March 31, 2006 the interest receivable included in these deposits amounted to \$7,413,000 (2005:\$3,000,000).

11 INVESTMENT SECURITIES

These consist of the following:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Held-to-maturity securities (at amortised cost) Note 11(a)	-	11,827,597
Available-for-sale securities (at fair value) Note 11(b)	<u>9,632,515</u>	<u>429,169</u>
	<u>9,632,515</u>	<u>12,256,766</u>

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

(a) Held-to-maturity securities

	Nominal Value \$'000	<u>2006</u> \$'000	<u>2005</u> \$'000
Treasury bills at interest rates ranging from 15% to 16.4% per annum maturing within 12 months of year end	486,207	-	451,976
National Road Operating & Construction Company Limited (NROCC) Infrastructure 4.5% (plus adjustment for inflation component) Convertible Jamaican Dollar denominated Bonds maturing in 2032. The Trust has the option to convert bonds to NROCC shares at redemption		-	997,777
Government of Jamaica Indexed Bond US\$6,640,402 at interest rates of 9.90% - 13.95% per annum maturing 2006/2007		-	411,677
Government of Jamaica Bond at interest rate of 16.28% per annum maturing 2007/2008		-	306,155
Government of Jamaica Bond at interest rate of 14.25% per annum maturing 2008/2009		-	203,045
Government of Jamaica 17% - 16.5% Debenture maturing 2005/ 2006		-	708,402
Government of Jamaica 15.75% - 16.5% Debenture maturing 2006/2007		-	3,361,327
Government of Jamaica/Dehring, Bunting & Golding certificate of participation at a rate of interest based on the weighted average yield on the 6 month Treasury Bill, payable semi-annually at March 1 and September 1 maturing 2009/2010. The interest rate at year end was 17.79% per annum.		-	506,570
Balance c/f		-	6,946,929

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

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

			<u>2006</u> \$'000	<u>2005</u> \$'000
Balance b/f			-	<u>6,946,929</u>
	<u>Interest rate</u>	<u>Nominal</u>		
	%	<u>value</u>		
		\$'000		
Local registered stock				
Fixed rate 2005/2006	13.88 – 34.25	1,801,000	-	1,884,328
Fixed rate 2006/2007	10 – 16.5	1,244,647	-	1,287,218
Fixed rate 2007/2008	14.25 – 17.10	400,000	-	412,773
Fixed rate 2008/2009	15	237,510	-	238,584
Fixed rate 2009/2010	14.25 – 16.5	1,011,000	-	<u>1,057,765</u>
			-	<u>4,880,668</u>
			-	<u>11,827,597</u>

During the year, in order to settle the commitment in respect of the special grant related to the Government of Jamaica's Educational Transformation Fund (Note 24(b)), a significant portion of the above investments classified as held-to-maturity were early encashed. Consequently, the remaining balances in this category totalling approximately \$8.5 billion were reclassified as available-for-sale investments in accordance with IAS 39, Financial Instruments – Recognition and Measurement resulting in a fair value adjustment of a credit of approximately \$639 million being recognized in fair value reserves (Note 11(f)). The Trust is further prohibited from classifying investments in this category for the next two financial years.

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Life of Jamaica Limited – Universal Investment policy (Note 11(c))	86,935	85,281
Euro Bonds (Note 11(d))	222,584	189,064
Quoted equity investments (Note 11(e))	<u>143,273</u>	<u>154,824</u>
Balance c/f	<u>452,792</u>	<u>429,169</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

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

(b) Available-for-sale securities (at fair values) (Cont'd)

	Nominal Value \$'000	2006 \$'000	2005 \$'000
Balance b/f		452,792	429,169
Treasury bills at interest rates of 13.15% and 13.35% per annum maturing 2006/2007	283,973	293,501	-
National Road Operating & Construction Company Limited (NROCC) Infrastructure 4.5% (plus adjustment for inflation component) Convertible Jamaican Dollar denominated Bonds maturing in 2032. The Trust has the option to convert bonds to NROCC shares at redemption	991,300	1,557,012	-
Government of Jamaica Indexed Bond US\$2,262,448 at interest rates of 11.25% and 11.75% per annum maturing 2006/2007	145,875	147,623	-
Government of Jamaica Indexed Bond US\$8,131,974 at interest rates of 9.90% and 10.5% per annum maturing 2009/2010	560,508	570,571	-
Government of Jamaica Indexed Bond US\$700,000 at an interest rate of 8.125% per annum maturing 2010/2011	45,500	45,714	-
Government of Jamaica Bond at interest rates of 13.75% and 14.66% per annum maturing 2007/2008	600,000	609,199	-
Government of Jamaica Bond at interest rates of 12.98% - 14.66% per annum maturing 2008/2009	500,000	502,352	-
Government of Jamaica 15.75% and 16.50% debenture maturing 2006/2007	860,000	893,666	-
Government of Jamaica 13.88% debenture maturing 2007/2008	250,000	256,027	-
Government of Jamaica 13.75% - 13.80% debenture maturing 2008/2009	900,000	918,824	-
Government of Jamaica 14.625% debenture maturing 2009/2010	447,925	465,427	-
Government of Jamaica/Dehring, Bunting & Golding certificate of participation at a rate of interest based on the weighted average yield on the 6 month treasury bill, payable semi-annually at March 1 and September 1 maturing 2009/2010. The interest rate at year end was 13.03% per annum (2005 - 17.79%).	403,981	408,680	-
Balance c/f		<u>7,121,388</u>	<u>429,169</u>

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

(b) Available-for-sale securities (at fair values) (Cont'd)

			<u>2006</u> \$'000	<u>2005</u> \$'000
Balance b/f			<u>7,121,388</u>	<u>429,169</u>
	<u>Interest rate</u>	<u>Nominal value</u>		
	%	\$'000		
Local registered stock				
Fixed rate 2006/2007	10	28,104	31,997	-
Fixed rate 2007/2008	10 □ 17.10	428,558	453,438	-
Fixed rate 2008/2009	15	240,108	243,745	-
Fixed rate 2009/2010	14.25 □ 16.5	510,865	568,233	-
Variable 2008/2009		1,200,000	<u>1,213,714</u>	<u>-</u>
			<u>2,511,127</u>	<u>-</u>
			<u>9,632,515</u>	<u>429,169</u>

(c) Life of Jamaica Limited □ Universal Investment policy

	<u>2006</u> \$'000	<u>2005</u> \$'000
Fair value, April 1	85,281	72,872
Increase in fair value (Note 11(f))	<u>1,654</u>	<u>12,409</u>
Fair value, March 31	<u>86,935</u>	<u>85,281</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

11 INVESTMENT SECURITIES (Cont'd)

(d) Euro Bonds

The investment in Euro Bonds of US\$3,410,550 (2005:US\$3,031,015) at an interest rate of 10.625% per annum matures in 2017/18.

	<u>2006</u>	<u>2005</u>
	<u>\$'000</u>	<u>\$'000</u>
Fair value, April 1	189,064	173,777
Increase in fair value (Note 11(f))	24,780	11,174
Unrealised foreign exchange gains	<u>8,740</u>	<u>4,113</u>
Fair value, March 31	<u>222,584</u>	<u>189,064</u>

(e) Quoted equity investments

The movement during the year is as follows:

	<u>2006</u>	<u>2005</u>
	<u>\$'000</u>	<u>\$'000</u>
Fair value, April 1	154,824	-
Purchased during the year	70,234	154,062
(Decrease) increase in fair value (Note 11(f))	<u>(81,785)</u>	<u>762</u>
Fair value, March 31	<u>143,273</u>	<u>154,824</u>

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

	<u>2006</u>	<u>2005</u>
	<u>\$'000</u>	<u>\$'000</u>
Life of Jamaica universal investor policy (Note 11(c))	1,654	12,409
Euro Bonds (Note 11(d))	24,780	11,174
Quoted equities (Note 11(e))	<u>(81,785)</u>	<u>762</u>
On reclassification of investments previously classified as held-to-maturity (Note 11(a))	<u>638,782</u>	<u>-</u>
Increase in fair value included in fair value and other reserves (Note 20)	<u>583,431</u>	<u>24,345</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

12 **INVENTORIES**

	<u>2006</u> \$'000	<u>2005</u> \$'000
Land held for housing development	2,013,887	579,345
Housing under construction	911,798	814,196
Housing units completed but not allocated (value of units)	735,352	589,665
Inner City Housing Project (Note 12(a))	<u>1,712,052</u>	<u>537,328</u>
	5,373,089	2,520,534
Less: Provision for losses and subsidies	<u>(1,721,683)</u>	<u>(686,283)</u>
	<u>3,651,406</u>	<u>1,834,251</u>

The movement in the provision is as follows:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Balance, April 1	686,283	413,953
Provisions during the year	1,084,686	272,330
Adjustments on closed projects	<u>(49,286)</u>	<u>-</u>
Balance, March 31	<u>1,721,683</u>	<u>686,283</u>

(a) Inner City Housing Project

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

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

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

12 **INVENTORIES (Cont'd)**

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

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

The amounts spent on refurbishing works will be borne by the Trust. As at March 31, 2006, \$233.8 million (2005:\$200 million) has been spent on refurbishing several schemes and this amount as well as other subsidies to the project are reflected in the Income and Expenditure account, as Subsidies – Special Projects (Note 24).

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

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

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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13 INTANGIBLE ASSETS

	\$'000
Cost	
Balance, April 1, 2004	40,825
Additions	<u>10,270</u>
Balance, April 1, 2005	51,095
Additions	<u>11,410</u>
Balance, March 31, 2006	<u>62,505</u>
Amortisation	
Balance, April 1, 2004	6,051
Charge for the year	<u>13,249</u>
Balance, April 1, 2005	19,300
Charge for the year	<u>17,805</u>
Balance, March 31, 2006	<u>37,105</u>
Carrying amount:	
March 31, 2006	<u>25,400</u>
March 31, 2005	<u>31,795</u>

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

14 **INVESTMENTS IN ASSOCIATES**

	<u>2006</u> \$'000	<u>2005</u> \$'000
Cost of investments:		
Central Waste Water (Note 14(a))	302,094	-
Harmonisation Limited	<u>490</u>	<u>490</u>
	<u>302,584</u>	<u>490</u>
Advances:		
Harmonisation Limited (including interest of \$211.111 million, 2005: \$95.922 million)	842,407	684,556
Jamaica Lifestyle Village (Note 14(b))	<u>94</u>	<u>-</u>
	<u>842,501</u>	<u>684,556</u>
	<u>1,145,085</u>	<u>685,046</u>

(a) Total allotment of equity in the above company amounts to US\$4.8 million, all of which was settled during the year. In respect of this investment, the Trust, along with the other three shareholders of this company, is a party to a guarantee of loans amounting to US\$2.5 million and US\$35.5 million from National Commercial Bank Jamaica Limited and NCB Capital Markets Limited respectively to this company.

(b) Represents amounts advanced to facilitate incorporation of company. Details of the Trust's shareholdings in this company have not yet been finalised.

Details of the associates as at March 31, 2006 are as follows:

<u>Name of associates</u>	<u>Place of Incorporation and operation</u>	<u>Proportion of ownership</u>	<u>Proportion of voting power held</u>	<u>Principal Activity</u>
Harmonisation Limited	Jamaica	49.5%	49.5%	Land investment and development
Central Waste Water	Jamaica	38.1%	38.1%	Management of waste water treatment

Summarized unaudited financial information in respect of the Trust's associates are as follows:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Total assets	2,253,415	1,015,857
Total liabilities	<u>1,664,456</u>	<u>1,306,918</u>
Net assets (liabilities)	<u>588,959</u>	<u>(291,061)</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

14 INVESTMENT IN ASSOCIATES (Cont'd)

	<u>2006</u>	<u>2005</u>
	\$ 000	\$ 000
Revenue	<u>275</u>	<u>624</u>
Loss for the period	<u>(93,137)</u>	<u>(221,718)</u>

15 RETIREMENT BENEFIT ASSET

The Trust operates a defined benefit pension plan. The plan is funded by contributions from the employees and the Trust. The employees contribute at a rate of 5% of annual pensionable salaries (with the option of increasing this amount by an additional 5%) with the Trust contributing the balance of the cost at rates determined periodically by independent actuaries. Pension benefits are determined on a prescribed basis and are payable at a rate of 1.67% of the employee's average earnings over the three years prior to retirement from the fund times the number of years of pensionable service. Normal retirement is at 65 years. No other post employment benefits are provided.

The disclosures below are based on the independent actuarial valuation carried out by Duggan Consulting Limited (Fellows of the Institute of Actuaries) as at March 31, 2006.

(a) Key assumptions used

	<u>2006</u>	<u>2005</u>
Gross discount rate	12.5%	12.5%
Expected return on assets	11.0%	12.5%
Expected rate of salary increases	10.0%	10.0%
Future pension increases	4.0%	4.0%

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

	<u>2006</u>	<u>2005</u>
	\$ 000	\$ 000
Present value of obligation	(605,800)	(515,800)
Fair value of plan assets	<u>1,054,700</u>	<u>904,600</u>
	448,900	388,800
Unrecognised actuarial gains	<u>(178,600)</u>	<u>(186,900)</u>
Net asset in balance sheet	<u>270,300</u>	<u>201,900</u>

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

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

	<u>2006</u> \$ 000	<u>2005</u> \$ 000
Current service cost	26,200	19,800
Interest cost	63,200	50,700
Expected return on assets	(103,100)	(87,100)
Net actuarial gain recognized in income	(5,100)	(2,500)
 Total included in staff costs	 (18,800)	 (19,100)
 Actual return on plan assets	 <u>84,600</u>	 <u>180,200</u>

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

	<u>2006</u> \$ 000	<u>2005</u> \$ 000
Balance, April 1	201,900	136,500
Amounts credited to income	18,800	19,100
Contributions by the Trust	<u>49,600</u>	<u>46,300</u>
 Balance, March 31	 <u>270,300</u>	 <u>201,900</u>

15 RETIREMENT BENEFIT ASSET (Cont'd)

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Opening defined benefit obligation	515,800	417,000
Service cost	26,200	19,800
Interest cost	63,200	50,700
Members' contributions	35,800	32,900
Benefits paid	(19,900)	(23,300)
Actuarial (gain) loss	(15,300)	18,700
Closing defined benefit obligation	<u>605,800</u>	<u>515,800</u>

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Opening fair value of plan assets	904,600	668,500
Contribution	85,400	79,200
Expected return on plan assets	103,100	87,100
Benefits and expenses paid	(19,900)	(23,300)
Actuarial (loss) gain	(18,500)	93,100
Closing fair value of plan assets	<u>1,054,700</u>	<u>904,600</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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15 RETIREMENT BENEFIT ASSET (Cont'd)

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
LOJ Pooled Funds	507,600	479,500
Assets held with First Life Insurance Company Limited	539,700	418,500
Contribution – March	<u>7,400</u>	<u>6,600</u>
Closing fair value of plan assets	<u>1,054,700</u>	<u>904,600</u>

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

16 **PROPERTY, PLANT AND EQUIPMENT**

	Freehold <u>Land</u> \$'000	Freehold <u>Buildings</u> \$'000	<u>Partitions</u> \$'000	<u>Artwork</u> \$'000	Furniture, Fixtures and Office <u>Equipment</u> \$'000	Computer <u>Equipment</u> \$'000	Heavy <u>Equipment</u> \$'000	Motor <u>Vehicles</u> \$'000	Construction <u>in progress</u> \$'000	<u>Total</u> \$'000
At cost										
April 1, 2004	98,759	519,911	9,040	10,444	189,725	334,695	84,032	34,725	98,390	1,379,721
Additions	50,210	-	-	2,806	57,259	51,016	-	8,239	165,895	335,425
Transfers	-	62,076	-	221	894	-	-	-	(63,191)	-
Adjustment	-	-	-	-	-	-	-	-	(786)	(786)
Disposals	-	-	-	-	(415)	(374)	-	(12,479)	-	(13,268)
April 1, 2005	148,969	581,987	9,040	13,471	247,463	385,337	84,032	30,485	200,308	1,701,092
Additions	-	-	77,534	-	59,132	26,112	-	21,933	193,440	378,151
Transfers	(40,610)	56,667	9,288	-	-	-	-	-	(25,345)	-
Adjustment (Note 16(a))	-	-	-	-	(88,287)	(166,251)	-	-	-	(254,538)
Disposals	-	(9,500)	-	-	(1,044)	(154)	-	(7,583)	-	(18,281)
March 31, 2006	<u>108,359</u>	<u>629,154</u>	<u>95,862</u>	<u>13,471</u>	<u>217,264</u>	<u>245,044</u>	<u>84,032</u>	<u>44,835</u>	<u>368,403</u>	<u>1,806,424</u>
Depreciation										
April 1, 2004	-	75,321	4,809	-	92,635	270,631	53,401	20,973	-	517,770
Charge for year	-	13,597	593	-	24,342	50,271	14,600	5,762	-	109,165
Adjustment	-	12	-	-	-	-	-	-	-	12
On disposals	-	-	-	-	(213)	(155)	-	(10,016)	-	(10,384)
April 1, 2005	-	88,930	5,402	-	116,764	320,747	68,001	16,719	-	616,563
Charge for year	-	17,819	522	-	35,235	27,187	3,990	8,307	-	93,060
Adjustment (Note 16(a))	-	-	-	-	(94,069)	(165,256)	-	-	-	(259,325)
On disposals	-	(2,177)	-	-	(684)	(137)	-	(6,498)	-	(9,496)
March 31	<u>-</u>	<u>104,572</u>	<u>5,924</u>	<u>-</u>	<u>57,246</u>	<u>182,541</u>	<u>71,991</u>	<u>18,528</u>	<u>-</u>	<u>440,802</u>
Net book value										
March 31, 2006	<u>108,359</u>	<u>524,582</u>	<u>89,938</u>	<u>13,471</u>	<u>160,018</u>	<u>62,503</u>	<u>12,041</u>	<u>26,307</u>	<u>368,403</u>	<u>1,365,622</u>
March 31, 2005	<u>148,969</u>	<u>493,057</u>	<u>3,638</u>	<u>13,471</u>	<u>130,699</u>	<u>64,590</u>	<u>16,031</u>	<u>13,766</u>	<u>200,308</u>	<u>1,084,529</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

16 **PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

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

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

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

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Buildings/Related infrastructure	202,536	202,536
Furniture, fixtures and office equipment	7,559	7,091
Artwork	<u>13,471</u>	<u>13,471</u>
	<u>223,566</u>	<u>223,098</u>

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

Depreciation amounting to \$Nil (2005: \$5.703 million) was charged to various projects included under inventory.

Following the revision to IAS 16, PP&E in 2003, that are effective for the current accounting period, the Trust has reviewed the residual values used for the purpose of depreciation calculations in the light of the amended definition of residual value in the revised standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. In line with the new requirements these residual values will be reviewed and updated annually.

- (a) During the year the Trust embarked upon a comprehensive physical verification of assets exercise resulting in a net write-back of accumulated depreciation of approximately \$4.8 million, after adjustments for obsolete assets of approximately \$255 million.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

17 ACCOUNTS PAYABLE AND ACCRUALS

	<u>2006</u> \$'000	<u>2005</u> \$'000
Land purchase	63,282	-
Accounts payable and accruals	867,959	332,387
Scheme deposits	65,363	95,731
Statutory and other payroll deductions	30,491	100,175
Other payables	<u>245,545</u>	<u>174,959</u>
	<u>1,272,640</u>	<u>703,252</u>

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

18 REFUNDABLE CONTRIBUTIONS

(a)

	<u>2006</u>			<u>2005</u>
	<u>Currently Due</u> \$'000	<u>Not Yet Due</u> \$'000	<u>Total</u> \$'000	<u>Total</u> \$'000
Contributions refundable	4,052,798	20,994,650	25,047,448	22,452,332
Bonus accrued (Note 18(b))	<u>822,217</u>	<u>2,580,223</u>	<u>3,402,440</u>	<u>2,651,425</u>
	<u>4,875,015</u>	<u>23,574,873</u>	<u>28,449,888</u>	<u>25,103,757</u>
Represented by:				
8% Savings Accounts				
Principal	(2,167,661)	-	(2,167,661)	(753,293)
Interest	<u>41,178</u>	<u>-</u>	<u>41,178</u>	<u>38,247</u>
	<u>(2,126,483)</u>	<u>-</u>	<u>(2,126,483)</u>	<u>(715,046)</u>
3% Time Accounts				
Principal	-	745,511	745,511	223,094
Interest	<u>-</u>	<u>69,445</u>	<u>69,445</u>	<u>32,100</u>
	<u>-</u>	<u>814,956</u>	<u>814,956</u>	<u>255,194</u>
Total for which personal accounts are established	(2,126,483)	814,956	(1,311,527)	(459,852)
Balances for which no personal accounts are established	<u>7,001,498</u>	<u>22,759,917</u>	<u>29,761,415</u>	<u>25,563,609</u>
Total refundable employee contribution	<u>4,875,015</u>	<u>23,574,873</u>	<u>28,449,888</u>	<u>25,103,757</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
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18 REFUNDABLE CONTRIBUTIONS (Cont'd)

- (b) Bonuses are payable to contributors at the rate specified by the Minister of Government responsible for the Trust. The amount payable to employers (Note 2(c)) is payable on a current basis whereas that payable to employees for each year will be paid together with the cash grant benefits awarded as described in Note 2(b)(ii). Bonuses have been calculated at 3% per annum for the first seven years and 8% per annum thereafter.

- (c) The primary reasons for the backlog in establishing personal accounts are
 - i) the non-submission of annual returns by employers.

 - ii) where annual returns have been submitted, in many instances these returns are incomplete, with a resultant difficulty in reconciling these returns and creating the appropriate personal accounts by interface with the computerized contributions system.

The Trust is considering a number of strategies to address this problem, which, when implemented, will result in the reduction of the backlog in establishing personal accounts.

19 DEFERRED TAX (ASSET) LIABILITIES

This comprises:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Deferred tax liabilities	595,804	755,745
Deferred tax asset	<u>(721,353)</u>	<u>-</u>
	<u>(125,549)</u>	<u>755,745</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

19 DEFERRED TAX (ASSET) LIABILITIES (Cont'd)

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

	<u>Asset</u>	<u>Liabilities</u>							
	<u>Tax</u>	<u>Accelerated</u>	<u>Revaluation</u>	<u>Retirement</u>	<u>Unrealized</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>	<u>Total</u>
	<u>Losses</u>	<u>Capital</u>	<u>of Property,</u>	<u>Benefit</u>	<u>Foreign</u>	<u>Receivable</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Total</u>
	<u>\$'000</u>	<u>Allowances</u>	<u>Plant and</u>	<u>Asset</u>	<u>Exchange</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
		<u>\$'000</u>	<u>Equipment</u>	<u>\$'000</u>	<u>Gains</u>	<u>\$'000</u>			
Balance, April 1, 2004	-	8,420	41,447	45,500	21,737	551,169	3,717	671,990	671,990
Charged to income for the year (Note 26)	-	1,615	-	21,800	(7,914)	68,122	1,143	84,766	84,766
Credited to accumulated fund during the year (Note 20)	-	-	(1,011)	-	-	-	-	(1,011)	(1,011)
Balance, March 31, 2005	-	10,035	40,436	67,300	13,823	619,291	4,860	755,745	755,745
Charged (credited) to income for the year (Note 26)	(721,353)	16,317	-	22,800	20,379	(220,296)	1,870	(158,930)	(880,283)
Credited to accumulated fund during the year 2005/06 (Note 20)	-	-	(1,011)	-	-	-	-	(1,011)	(1,011)
Balance, March 31, 2006	<u>(721,353)</u>	<u>26,352</u>	<u>39,425</u>	<u>90,100</u>	<u>34,202</u>	<u>398,995</u>	<u>6,730</u>	<u>595,804</u>	<u>(125,549)</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

20 **FAIR VALUE AND OTHER RESERVES**

	Unallocated Contributions <u>Reserves</u> \$'000	Properties Revaluation <u>Reserves</u> \$'000	Investment Revaluation <u>Reserves</u> \$'000	<u>Total</u> \$'000
Balance, March 31, 2004	723,524	166,761	18,620	908,905
Net increase in fair value of available-for-sale investments (Note 11(f))	-	-	24,345	24,345
Deferred tax arising on revaluation of property, plant and equipment (Note 19)	<u>-</u>	<u>1,011</u>	<u>-</u>	<u>1,011</u>
Balance, March 31, 2005	723,524	167,772	42,965	934,261
Net increase in fair value of available-for-sale investments (Note 11(f))	-	-	583,431	583,431
Loss on impairment of available-for-sale equity investments charged to income	-	-	81,727	81,727
Deferred tax arising on revaluation of property, plant and equipment (Note 19)	<u>-</u>	<u>1,011</u>	<u>-</u>	<u>1,011</u>
Balance, March 31, 2006	<u>723,524</u>	<u>168,783</u>	<u>708,123</u>	<u>1,600,430</u>

21 **PERIL RESERVE**

During the year, the Trust increased its policy deductible to US\$20 million, i.e., peril insurance claims up to this amount will be for the account of the Trust (claims over this amount will be for the account of the insurer) (Notes 27 (b) and 28(b)).

22 **LOAN LOSS RESERVE**

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

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

23 MISCELLANEOUS INCOME

This comprises:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Foreign exchange gains (net)	56,234	13,257
Penalty income	64,367	72,964
Debt management fees	25,846	25,429
Peril and life insurance administrative fees	100,124	114,777
Other	<u>60,366</u>	<u>62,301</u>
	<u>306,937</u>	<u>288,728</u>

24 SPECIAL SUBSIDIES AND GRANTS

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Special projects		
Social Housing Programme	150,000	150,000
Relocation 2000	30,808	25,598
Inner City Housing Project	755,556	332,874
Emancipation Park (net of recoveries of \$4.96 million (2005: \$2.11 million))	43,042	43,009
Grants		
Contribution to Office of National Reconstruction (Note 24(a))	65,000	400,000
Education Transformation Fund (Note 24(b))	<u>5,000,000</u>	<u>-</u>
	<u>6,044,406</u>	<u>951,481</u>

- (a) Of the total contribution of \$465 million in respect of the Office of National Reconstruction provided for in 2005 and 2006, \$463.281 million (2005:\$347.688 million) has been advanced at year end. These contributions were made in relation to restoration works after the passage of Hurricane Ivan in September 2004.
- (b) Consequent on the amendment of The NHT Act in July 2005, requiring the Trust to make a contribution to the Government of Jamaica's Education Transformation Fund, the Trust advanced the above amounts during the year. As at March 31, 2006 all amounts were fully settled (Note 11(a)).

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2006

25 **RESTRUCTURING COSTS**

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

26 **TAXATION**

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

The total (credit) charge for the year comprises:

	<u>2006</u> \$'000	<u>2005</u> \$'000
Current tax	-	839,910
Deferred tax adjustment (Note 19)	<u>(880,283)</u>	<u>84,766</u>
	<u>(880,283)</u>	<u>924,676</u>

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
(Deficit) surplus before taxation	<u>(2,740,020)</u>	<u>2,758,108</u>
Tax at current tax rate of 33⅓%	(913,340)	919,369
Tax effect of amounts not deductible in determining taxable surpluses	67,128	38,904
Tax effect of amounts deductible for tax purpose only	(34,071)	(33,600)
Rounding	<u>-</u>	<u>3</u>
Taxation (write back) expense	<u>(880,283)</u>	<u>924,676</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

26 **TAXATION (Cont'd)**

Subject to the agreement of the Commissioner, Taxpayer Audit and Assessment, tax losses amounting to approximately \$2.16 billion are available for set off against future taxable profits. A deferred tax asset has been recognized in respect of these losses.

In addition to the amount charged to the Income and Expenditure account, deferred tax relating to the revaluation of the Trust's property, plant and equipment amounting to approximately \$1,011,000 has been credited directly to accumulated fund (See Note 20).

27 **NET (DEFICIT) SURPLUS**

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

	<u>2006</u> \$'000	<u>2005</u> \$'000
Directors' emoluments:		
Non Executive Directors – fees	1,917	1,195
Management		
Basic	6,348	6,354
Incentive payments and gratuity in lieu of pension	3,490	2,603
Audit fees - current year	8,575	7,975
- prior year	-	(150)
Depreciation	93,060	103,462
Amortisation of intangible asset	13,128	13,249
Loss on impairment of available-for-sale equity investments	81,727	-

(b) Operating expenses includes an amount of \$51.494 million (2005: \$265.113 million), relating primarily to post Hurricane Ivan peril claims (Note 21).

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

28 **COMMITMENTS AND CONTINGENCIES**

(a) Commitments

	<u>2006</u> \$'000	<u>2005</u> \$'000
Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	6,452,344	8,615,760
Purchase of land	63,000	473,422
Inner City Housing Project	2,740,000	2,780,483
Loans and/or mortgage financing	2,730,910	1,214,000
Car park	<u>132,559</u>	<u>-</u>
	<u>12,118,813</u>	<u>13,083,665</u>
Authorised and approved but not contracted for -		
Purchase of land	600,000	-
Inner City Housing Project	10,260,000	3,901,891
Newtown development project	5,000	75,000
Education fund contribution	-	5,000,000
Community projects	27,280	25,900
Computer software development	267,784	-
Waste water project (US\$4,800,000)	-	292,800
Office refurbishing	134,000	-
Sugar workers' subsidy	<u>2,174,035</u>	<u>-</u>
	<u>13,468,099</u>	<u>9,295,591</u>

(b) Contingencies

Peril claims

The Trust has increased the level of its policy deductible on its peril insurance cover to US\$20 million (J\$1.24 billion) (2005:US\$15 million (J\$920.441 million)). Should a catastrophic event occur such as a hurricane or an earthquake, the Trust will be liable to meet the cost of damages up to the aggregate amounts of the deductible with the balance borne by the insurer (Note 21).

At year end claims made by beneficiaries not yet processed by the Trust amounted to approximately \$8.07 million.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2006

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

(b) Contingencies (Cont'd)

Litigation

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

29 **RELATED PARTY TRANSACTIONS**

Operating transactions

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

	Loans granted (including interest)		Balance owed	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	\$'000	\$'000	\$'000	\$'000
State controlled entities	<u>-</u>	<u>72,500</u>	<u>57,755</u>	<u>100,855</u>
Key management personnel	<u>16,375</u>	<u>1,000</u>	<u>43,946</u>	<u>30,648</u>
Board of Directors and Committee members	<u>-</u>	<u>-</u>	<u>987</u>	<u>1,056</u>

During the year the Trust purchased land at a cost of \$1.009 billion from, as well as paid fees for services rendered on the Inner City Housing Project (IHP) totalling \$31,260 million (2005: \$117.056 million) to, National Housing Development Corporation (NHDC). Loans made to beneficiaries selected by NHDC are disclosed at Note 8(b).

The Trust also paid rental and maintenance fees of \$8.562 million (2005: \$4.793 million) for the office space occupied to, as well as reimbursed \$9.180 million (2005: \$21.543 million) for expenses incurred on the Trust's behalf by, Development Bank of Jamaica.

29 **RELATED PARTY TRANSACTIONS (Cont'd)**

Compensation of key management personnel

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

Key management personnel

	<u>2006</u>	<u>2005</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term benefits	52,142	45,551
Post employment benefits (*)	<u>2,721</u>	<u>2,277</u>
	<u>54,863</u>	<u>47,828</u>

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

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

Board of Directors and Committee members

	<u>2006</u>	<u>2005</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term benefits (directors fees)	<u>1,917</u>	<u>1,195</u>

30 **RISK MANAGEMENT**

(a) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Trust will encounter difficulty in raising funds to meet commitments associated with financial instruments.

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YEAR ENDED MARCH 31, 2006

30 RISK MANAGEMENT (Cont'd)

(a) Liquidity risk (Cont'd)

The Trust is exposed to daily calls on its available cash resources primarily in respect of loan and project disbursements. The Trust, based on experience, holds a sufficient amount of cash and cash equivalents to cover unexpected levels of demand. Liquidity and funding management policies are established by the Trust and limits are set to control the risk, which is monitored on a monthly basis.

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

As at March 31, 2006:

	Within 3 Months \$'000	Within 3 - 12 Months \$'000	1 to 2 Years \$'000	2 to 3 Years \$'000	3 to 4 Years \$'000	4 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	Total \$'000
Assets									
Cash and cash equivalents	4,921,344	-	-	-	-	-	-	-	4,921,344
Other receivables	-	177,016	-	-	-	133,601	-	-	310,617
Income tax recoverable	-	906,296	-	-	-	-	-	-	906,296
Loans receivable	1,066	7,594	20,051	427,703	86,471	188,006	48,925,479	-	49,656,370
Securities purchased under resale agreements	6,365,352	350,284	-	-	-	-	-	-	6,715,636
Investment securities	206,705	1,262,252	1,420,834	2,980,805	1,706,401	45,714	1,779,596	230,208	9,632,515
Inventories	-	-	-	-	-	-	-	3,651,406	3,651,406
Deferred tax asset	-	-	-	-	-	-	-	125,549	125,549
Other	-	-	-	-	-	-	-	2,806,407	2,806,407
Total assets	11,494,467	2,703,442	1,440,885	3,408,508	1,792,872	367,321	50,705,075	6,813,570	78,726,140
Liabilities and Accumulated Fund									
Accounts payable and accruals	-	1,272,640	-	-	-	-	-	-	1,272,640
Refundable contributions	4,875,059	1,780,202	2,919,346	2,738,890	2,542,694	3,552,011	10,041,686	-	28,449,888
Accumulated fund	-	-	-	-	-	-	-	49,003,612	49,003,612
Total liabilities and accumulated fund	4,875,059	3,052,842	2,919,346	2,738,890	2,542,694	3,552,011	10,041,686	49,003,612	78,726,140
Net Liquidity Gap	6,619,408	(349,400)	(1,478,461)	669,618	(749,822)	(3,184,690)	40,663,389	(42,190,042)	-
Cumulative Liquidity Gap	6,619,408	6,270,008	4,791,547	5,461,165	4,711,343	1,526,653	42,190,042	-	-

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

30 RISK MANAGEMENT (Cont'd)

(a) Liquidity risk (Cont'd)

As at March 31, 2005:

	Within 3 <u>Months</u> \$'000	Within 3 - 12 <u>Months</u> \$'000	1 to 2 <u>Years</u> \$'000	2 to 3 <u>Years</u> \$'000	3 to 4 <u>Years</u> \$'000	4 to 5 <u>Years</u> \$'000	Over <u>5 Years</u> \$'000	No Specific <u>Maturity</u> \$'000	<u>Total</u> \$'000
Assets									
Cash and cash equivalents	5,142,546	-	-	-	-	-	-	-	5,142,546
Other receivables	-	133,830	-	-	-	90,953	-	-	224,783
Income tax recoverable	-	49,933	-	-	-	-	-	-	49,933
Loans receivable	4,264	28,039	71,302	169,633	307,493	174,184	44,527,091	-	45,282,006
Securities purchased under resale agreements	4,150,760	1,929,135	-	-	-	-	-	-	6,079,895
Investment securities	-	3,593,549	1,434,594	3,523,924	1,688,882	686,241	1,089,491	240,105	12,256,786
Inventories	-	-	-	-	-	-	-	1,834,251	1,834,251
Other	-	-	-	-	-	-	-	2,003,270	2,003,270
Total assets	<u>9,297,570</u>	<u>5,734,486</u>	<u>1,505,896</u>	<u>3,693,557</u>	<u>1,996,375</u>	<u>951,378</u>	<u>45,616,582</u>	<u>4,077,626</u>	<u>72,873,470</u>
Liabilities and Accumulated Fund									
Accounts payable and accruals	-	703,252	-	-	-	-	-	-	703,252
Refundable contributions	4,665,657	1,661,624	1,780,202	2,919,346	2,738,890	2,542,694	8,795,344	-	25,103,757
Deferred tax liabilities	-	-	-	-	-	-	-	755,745	755,745
Accumulated fund	-	-	-	-	-	-	-	46,310,716	46,310,716
Total liabilities and accumulated fund	<u>4,665,657</u>	<u>2,364,876</u>	<u>1,780,202</u>	<u>2,919,346</u>	<u>2,738,890</u>	<u>2,542,694</u>	<u>8,795,344</u>	<u>47,066,461</u>	<u>72,873,470</u>
Net Liquidity Gap	<u>4,631,913</u>	<u>3,369,610</u>	<u>(274,306)</u>	<u>774,211</u>	<u>(742,515)</u>	<u>(1,591,316)</u>	<u>36,821,238</u>	<u>(42,988,835)</u>	<u>-</u>
Cumulative Liquidity Gap	<u>4,631,913</u>	<u>8,001,523</u>	<u>7,727,217</u>	<u>8,501,428</u>	<u>7,758,913</u>	<u>6,167,597</u>	<u>42,988,835</u>	<u>-</u>	<u>-</u>

(b) Interest rate risk

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rates as a result of cash flow or fair value interest rate risk. 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 flows risks. Interest margins may increase or decrease as a result of such changes and create losses in the event that unexpected movements arise.

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

30 RISK MANAGEMENT (Cont'd)

(b) Interest rate risk (Cont'd)

The Trust's exposure to significant interest rate risks is limited for the reason that the primary funding of the Trust are contributions which are either non-refundable or refundable at nominal rates of interest. These funds together with surpluses on operations are the main source of investments in securities, loans to beneficiaries and inventory housing projects. Such investments are at significantly higher rates of return. The tables below summarise the interest rate gap based on the earlier of the contractual repricing or maturity dates.

Included in the tables are the Trust's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates:

As at March 31, 2006:

	Within 3 Months \$'000	Within 3 - 12 Months \$'000	1 to 2 Years \$'000	2 to 3 Years \$'000	3 to 4 Years \$'000	4 to 5 Years \$'000	Over 5 Years \$'000	Non- rate Sensitive \$'000	Total \$'000
Assets									
Cash and cash equivalents	4,614,375	-	-	-	-	-	-	306,969	4,921,344
Other receivables	-	-	-	-	-	-	-	310,617	310,617
Income tax recoverable	-	-	-	-	-	-	-	906,296	906,296
Loans receivable	1,066	7,594	20,051	427,703	86,471	188,006	48,925,479	-	49,656,370
Securities purchased under resale agreements	6,365,352	350,284	-	-	-	-	-	-	6,715,636
Investment securities	206,705	5,039,039	1,062,637	746,097	568,233	-	1,866,531	143,273	9,632,515
Inventories	-	-	-	-	-	-	-	3,651,406	3,651,406
Deferred tax asset	-	-	-	-	-	-	-	125,549	125,549
Other	-	-	-	-	-	-	-	2,806,407	2,806,407
Total assets	11,187,498	5,396,917	1,082,688	1,173,800	654,704	188,006	50,792,010	8,250,517	78,726,140
Liabilities and accumulated fund									
Accounts payable and accruals	-	-	-	-	-	-	-	1,272,640	1,272,640
Refundable contributions	4,875,059	1,780,202	2,919,346	2,738,890	2,542,694	3,552,011	10,041,686	-	28,449,888
Accumulated fund	-	-	-	-	-	-	-	49,003,612	49,003,612
Total liabilities and accumulated fund	4,875,059	1,780,202	2,919,346	2,738,890	2,542,694	3,552,011	10,041,686	50,276,252	78,726,140
Net Interest Rate Sensitivity Gap	6,312,439	3,616,715	(1,836,658)	(1,565,090)	(1,887,990)	(3,364,005)	40,750,324	(42,025,735)	-
Cumulative Gap	6,312,439	9,929,154	8,092,496	6,527,406	4,639,416	1,275,411	42,025,735	-	-

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

30 RISK MANAGEMENT (Cont'd)

(b) Interest rate risk (Cont'd)

As at March 31, 2005:

	Within 3 Months \$ 000	Within 3 - 12 Months \$ 000	1 to 2 Years \$ 000	2 to 3 Years \$ 000	3 to 4 Years \$ 000	4 to 5 Years \$ 000	Over 5 Years \$ 000	Non-rate Sensitive \$ 000	Total \$ 000
Assets									
Cash and cash equivalents	5,104,783	-	-	-	-	-	-	37,763	5,142,546
Other receivables	-	-	-	-	-	-	-	224,783	224,783
Income tax recoverable	-	-	-	-	-	-	-	49,933	49,933
Loans receivable	4,264	28,039	71,302	169,633	307,493	174,184	44,527,111	-	45,282,026
Securities purchased under resale agreements	4,150,760	1,929,135	-	-	-	-	-	-	6,079,895
Investment securities	475,232	5,918,525	3,607,908	400,087	300,087	372,020	1,028,083	154,824	12,256,766
Inventories	-	-	-	-	-	-	-	1,834,251	1,834,251
Other	-	-	-	-	-	-	-	2,003,270	2,003,270
Total assets	<u>9,735,039</u>	<u>7,875,699</u>	<u>3,679,210</u>	<u>569,720</u>	<u>607,580</u>	<u>546,204</u>	<u>45,555,194</u>	<u>4,304,824</u>	<u>72,873,470</u>
Liabilities and accumulated fund									
Accounts payable and accruals	-	-	-	-	-	-	-	703,252	703,252
Refundable contributions	4,665,657	1,661,624	1,780,202	2,919,346	2,738,890	2,542,694	8,795,344	-	25,103,757
Deferred tax liabilities	-	-	-	-	-	-	-	755,745	755,745
Accumulated fund	-	-	-	-	-	-	-	46,310,716	46,310,716
Total liabilities and accumulated fund	<u>4,665,657</u>	<u>1,661,624</u>	<u>1,780,202</u>	<u>2,919,346</u>	<u>2,738,890</u>	<u>2,542,694</u>	<u>8,795,344</u>	<u>47,769,713</u>	<u>72,873,470</u>
Net Interest Rate Sensitivity Gap	<u>5,069,382</u>	<u>6,214,075</u>	<u>1,899,008</u>	<u>(2,349,626)</u>	<u>(2,131,310)</u>	<u>(1,996,490)</u>	<u>36,759,850</u>	<u>(43,464,889)</u>	<u>-</u>
Cumulative Gap	<u>5,069,382</u>	<u>11,283,457</u>	<u>13,182,465</u>	<u>10,832,839</u>	<u>8,701,529</u>	<u>6,705,039</u>	<u>43,464,889</u>	<u>-</u>	<u>-</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

30 RISK MANAGEMENT (Cont'd)

(b) Interest rate risk (Cont'd)

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

2006							
	TERM TO MATURITY						
	<u>Within 3 Months</u>	<u>Within 3 - 12 months</u>	<u>1 to 2 Years</u>	<u>2 to 3 Years</u>	<u>3 to 4 Years</u>	<u>4 to 5 Years</u>	<u>Average</u>
	%	%	%	%	%	%	%
Assets							
Cash and cash equivalents	12.69	-	-	-	-	-	12.69
Loans receivable	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Securities purchased under resale agreements	12.28	10.60	-	-	-	-	12.19
Investment securities	9.77	13.25	14.67	13.98	15.78	-	12.08
Liabilities and accumulated fund							
Refundable contributions	8.0	8.0	3.0	3.0	3.0	3.0	3.4
2005							
	TERM TO MATURITY						
	<u>Within 3 Months</u>	<u>Within 3 - 12 months</u>	<u>1 to 2 Years</u>	<u>2 to 3 Years</u>	<u>3 to 4 Years</u>	<u>4 to 5 Years</u>	<u>Average</u>
	%	%	%	%	%	%	%
Assets							
Cash and cash equivalents	13.0	-	-	-	-	-	13.0
Loans receivable	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Securities purchased under resale agreements	11.25	11.01	-	-	-	-	11.19
Investment securities	15.57	15.39	17.33	15.18	14.36	12.60	17.49
Liabilities and accumulated fund							
Refundable contributions	8.0	8.0	3.0	3.0	3.0	3.0	3.4

30 RISK MANAGEMENT (Cont'd)

(c) Credit risk

Credit risk is the risk of loss that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is managed primarily by reviews of the financial status of each obligator and making provisions where there is evidence of impairment.

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

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

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

Financial appraisals of new and existing institutions transacting with the Trust in the area of investments, construction and mortgage loan financiers.

The Trust also has a significant credit risk exposure in respect of loans to beneficiaries and loan financing for housing construction including those to other financial institutions. This risk, however, is mitigated as the maximum loan to a single mortgagor is restricted and a significant number of mortgagors must default before there is a significant impact on the Trust's operations. Additionally, a significant portion of these loans is secured on houses and letters of undertaking from the Ministry of Finance. The Trust's experience of credit loss has been low. (See Notes 8 and 9).

(d) 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 incurs foreign currency risks on transactions that are denominated in currencies other than the Jamaican dollar. The Trust's net foreign currency assets at the end of the year were as follows:

<u>2006</u>	<u>2005</u>
US\$'000	US\$'000
<u>20,787</u>	<u>13,286</u>

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

30 RISK MANAGEMENT (Cont'd)

(e) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Trust's market risk is limited to its equity securities and variable rate Government of Jamaica instruments valued at approximately \$2.143 billion at year end. The Trust manages its risk through a thorough research of the financial institutions being invested in. The price movement of these available-for-sale securities is monitored on a monthly basis.

(f) Cash flow risk

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

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value

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

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

31 FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value (Cont'd)

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

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

- (i) The carrying amounts of cash and cash equivalents, receivables, accounts payable and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturities of these instruments.
- (ii) The fair values of available-for-sale investment securities are measured by reference to quoted market prices. The fair values of held-to-maturity investments are determined by discounting future cash flows using the rates on similar investments at the balance sheet date. The carrying values of held-to-maturity investments are based on their amortised costs (See 31 (iv) below).
- (iii) The carrying values of loans receivable (after deductions for the provision for impairment), bonus to employees not yet due and refundable contributions not yet due are assumed to approximate their fair values based on the particular circumstances of the Trust.
- (iv) The fair values of the following differed from their carrying values:

	2006		2005	
	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000
Held to maturity Investments	-	-	18,749,133	16,930,123

NATIONAL HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

32 OTHER DISCLOSURES □ EMPLOYEES □ COSTS

	<u>2006</u> \$ 000	<u>2005</u> \$ 000
Staff costs incurred during the year in respect of these employees were:		
Salaries and wages including statutory contributions	1,076,996	939,502
Pension costs and other staff costs	<u>179,636</u>	<u>153,417</u>
	<u>1,256,632</u>	<u>1,092,919</u>

ADMINISTRATION

EXECUTIVE COMPENSATION

The Basic Salary for 55 executives for 12 months ending 31 March 2006 is as follows:

		2006 \$'000	2005 \$'000
Managing Director (1)		6,354	6,354 (see notes 1&2)
Senior General Managers (3)	From To	4,000 4,200	4,000 (see note 2) 4,200
General Managers (5)	From To	2,870 3,301	2,870 (see note 3) 3,301
Assistant General Managers & Managers (46)	From To	1,800 2,814	1,800 (see note 3) 2,814

Notes

1. The Managing Director being a contract officer whose position does not fall under the company's pension scheme, receives a gratuity of 25% on his compensation package in addition to the amount specified above.
2. The amounts shown for the Managing Director and Senior General Managers exclude the amounts for the provision of a fully maintained vehicle.
3. The amounts shown for General Managers and Assistant General Managers do not include motor vehicle allowances.

LEADERSHIP TEAM



FROM LEFT:

*Benedict Ranger
Lanie-Marie Oakley-Williams*

*Earl Samuels C.D.
Martin Miller*

*Vincent George
Jeneita Townsend J.P.*

*Donald Moore
Judith Larmond Henry
Hugh Reid*

ADMINISTRATION

MANAGEMENT TEAM

MANAGING DIRECTOR

Carlton Earl Samuels C.D.

SENIOR GENERAL MANAGERS

Vincent George
Corporate Services

Donald Moore
Construction and Development

Hugh Reid
Finance and Operations

GENERAL MANAGERS

Judith Larmond-Henry
Company Secretariat & Legal Services

Martin Miller
Finance & Accounting

Lanie-Marie Oakley Williams
Operations

Benedict Ranger
Information Systems

Jeneita Townsend J.P.
Human Resources Management

ASSISTANT GENERAL MANAGERS

Maurice Anderson
Inner City Housing Project

Sharon Bucknor-Lynch
Kingston & St. Andrew Branch

Quinton Masters
Project Appraisal & Management

Neil Miller
Corporate & Business Strategy

Kaleen Mills
Legal Conveyancing & Mortgage Registry

Ray Nixon
Financial Control

Hortense Rose
Corporate Communication

Philbert Solomon
Treasury Management

Michael Taylor
Project Management

Lorna Walker
Chief Internal Auditor

MANAGERS

Sharon Blair
Legal Counsel

George Brooks
Compliance

Erica Burrell
Management Support

Camille Chevannes-Redwood
Legal Counsel

Alison Chung Campbell
Legal Counsel

Keith Clarke
Interim Financed Projects

Tracey-Ann Creary
Special Projects and Planning

Clive Davis
Project Management, ICHP

Carol Dorman
Legal Counsel

Delores Facey-Johnson
Information Technology Projects

Raymour Francis
Investment

MANAGERS CONT'D.

Sharon Brown
Legal Counsel

Ransford Hamilton
Property Management

Cheryl Harris-Walder
Business Analysis

Gladstone Johnson
Branch Operations Support

Rohan Jones
Information Systems Security

Allison Levy-Farquarson
Customer Care

Leighton Palmer
Technical Support

Kim-Marie Spence
Social Development, ICHP

Audley Stewart
Loan Administration

Jefferine Stubbs-Ruddock
Legal Counsel

Errol Thompson
General Accounts

Elton Vassell
Contributor Accounts

Winston Weir
Internal Audit

MANAGERS CONT'D.

Sandra Hall-Willacey
Personnel & Industrial Relations (Acting)

Wendy- Jo Williams
Social Development

Kareen Willie-Daley
Application Development

Vencot Wright
Planning & Research

Suzanne Wynter-Burke
Risk Management

BRANCH NETWORK

MANAGERS

Lorna Bernard
Westmoreland

Novelette Forbes
St. James Regional Office

Janet Hartley
St. Catherine Branch

Paul Reid
St. Ann Branch

Ava-Ann Scott
Client Services, KSA Branch

Judith Thompson
Clarendon Branch

Joyce Simms-Wilson
Manchester Branch

SENIOR CUSTOMER SERVICE REPRESENTATIVES

Sancia Cornwall
St. Elizabeth Service Centre

Karen Forbes-Rodney
Portland Service Centre

Althea Green
Trelawny Service Centre

Alwyn Hayes
Hanover Service Centre

Violet Salabie
St. Thomas Service Centre

Janice Speid
St. Mary Service Centre

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