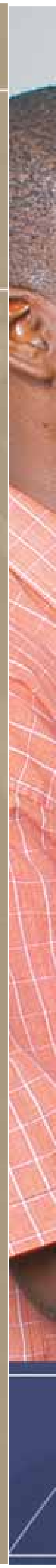
VISION

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

MISSION

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

CORE VALUES



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

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

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

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

CARING
To treat all persons fairly and with respect.

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

COntents

Letter to the Prime Minister

June 23, 2005

The Most Hon. P.J. Patterson,ON,PC,QC,MP
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, 2005, and a copy of the Statement of the Trust's Accounts at March 31,2005, duly certified by the Auditors.

I am
Yours respectfully,

Kingsley Thomas
Chairman

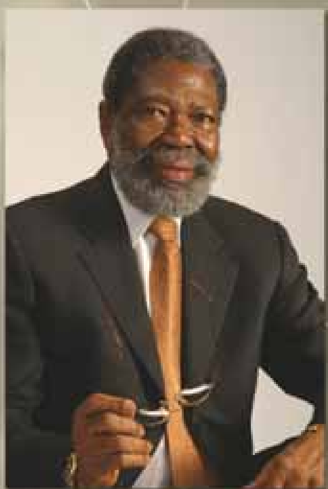
seven year statistical summary

	2005 $'000	2004 $'000	2003 $'000	2002 $'000	2001 $'000	2000 $'000	1999 $'000
Total Assets	72,773,699	64,325,995	54,405,229	46,174,088	38,758,201	32,413,635	26,207,052
Finance for Housing Construction	1,834,251	2,105,594	1,820,770	1,534,622	1,889,852	1,759,289	2,740,154
Loans to Beneficiaries	44,126,523	40,683,473	36,061,548	32,075,191	26,883,649	22,857,396	17,516,317
Refundable Contributions	25,103,757	21,834,847	18,480,715	15,774,631	12,552,555	10,501,730	8,542,499
Accumulated Fund							
Non-Refundable Contributions	24,886,011	21,377,650	18,345,658	16,118,228	13,629,486	11,400,443	9,416,777
Surplus on Income & Expenditure Account	18,668,351	16,890,418	14,484,883	12,086,260	10,038,436	8,200,718	6,345,845
Results From Operations							
Total Operating Income	7,081,626	7,019,101	4,920,487	4,247,692	3,436,459	3,368,360	2,564,212
Operating Expenditure	2,147,312	1,756,312	1,488,443	1,218,175	980,055	856,781	739,643
Net Surplus	1,833,432	2,661,999	2,419,622	2,297,824	1,837,718	1,854,873	1,291,948
***Financial Ratios**							
Average interest on loans %	7.9%	8.2%	7.8%	8.1%	8.2%	9.5%	9.7%
Yield on investments %	21.8%	26.7%	20.6%	16.3%	17.2%	22.7%	22.3%
Efficiency Ratio %	46.0%	37.0%	41.0%	36.0%	35.0%	32.0%	39.0%
Return on Capital %	4.2%	6.9%	7.3%	8.7%	8.4%	10.0%	8.7%
Return on Assets %	2.7%	4.8%	5.0%	6.0%	6.0%	6.1%	5.3%
Other Information							
Annual Housing Expenditure	5,735,970	5,332,619	5,773,547	5,773,356	4,842,873	5,051,643	4,197,000
Contributions Received	7,060,372	6,034,126	5,461,210	4,935,584	4,334,441	3,945,528	3,711,881
Contributions Refunded	1,230,626	513,355	520,742	446,083	192,082	110,701	91,614
Number of Mortgages Created since Inception	101,084	94,830	87,878	81,434	74,317	69,413	63,500
Number of Individual Benefits Provided since Inception	112,514	106,246	99,294	92,810	85,436	78,74	69,932

* restated for 2002,2001

NATIONAL HOUSING TRUST

BOARD OF D



From LEFT:

Hon. Kingsley Thomas, O.J.
Chairman

Earl Samuels
Managing Director

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

Guila Bernal

Hon. Hopeton Caven, O.J.

Robert Cranston

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

Errol Greene, J.P.

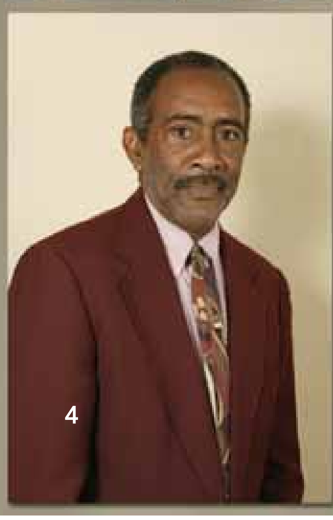
UST

F DIRECTORS










From LEFT:

Evon Hewitt

Genefa Hibbert

Wayne Jones

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

Isiaa Madden

Danny Roberts

Travert Spence, J.P.

Dawnett Turner

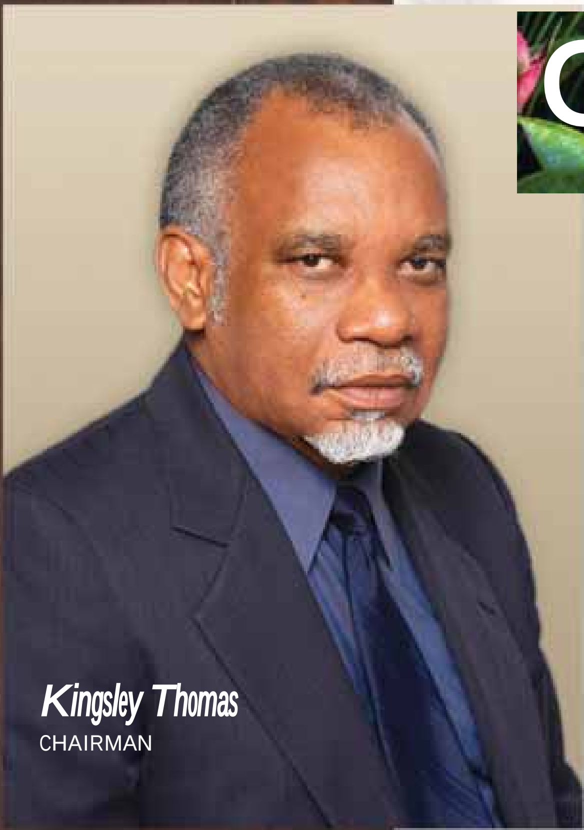
NATIONAL HOUSING TRUST

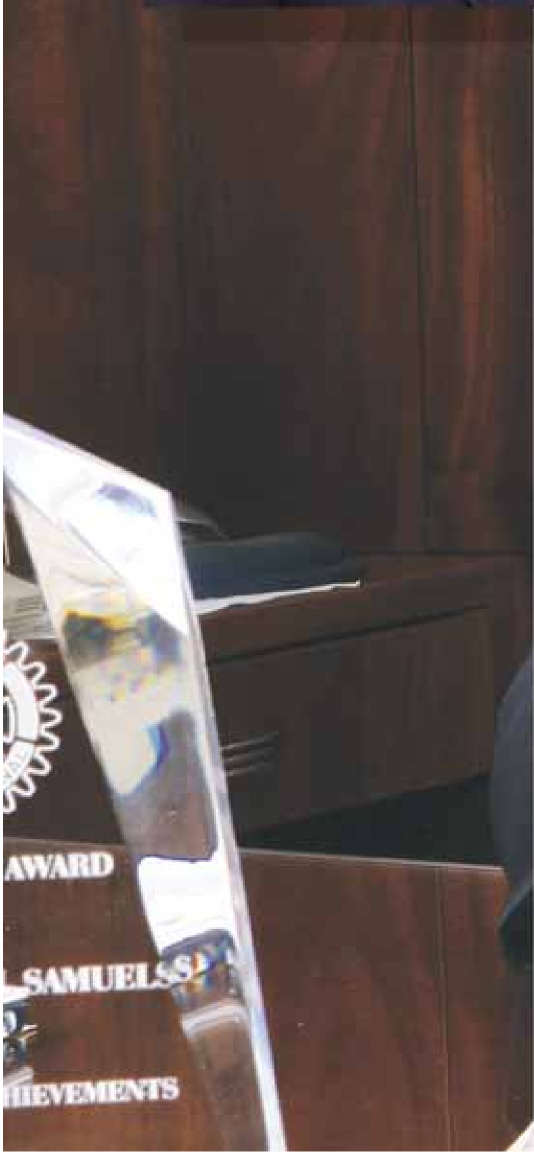
LEADERSHIP TEAM

FROM LEFT:

Martin Miller
Donald Moore
Lanie-Marie Oakley-Williams
Benedict Ranger

Hugh Reid
Judith Larmond Henry
Earl Samuels
Jeneita Townsend
Vincent George





Kingsley Thomas
CHAIRMAN

CHAIRMAN & MANAGING DIRECTOR S MESSAGE

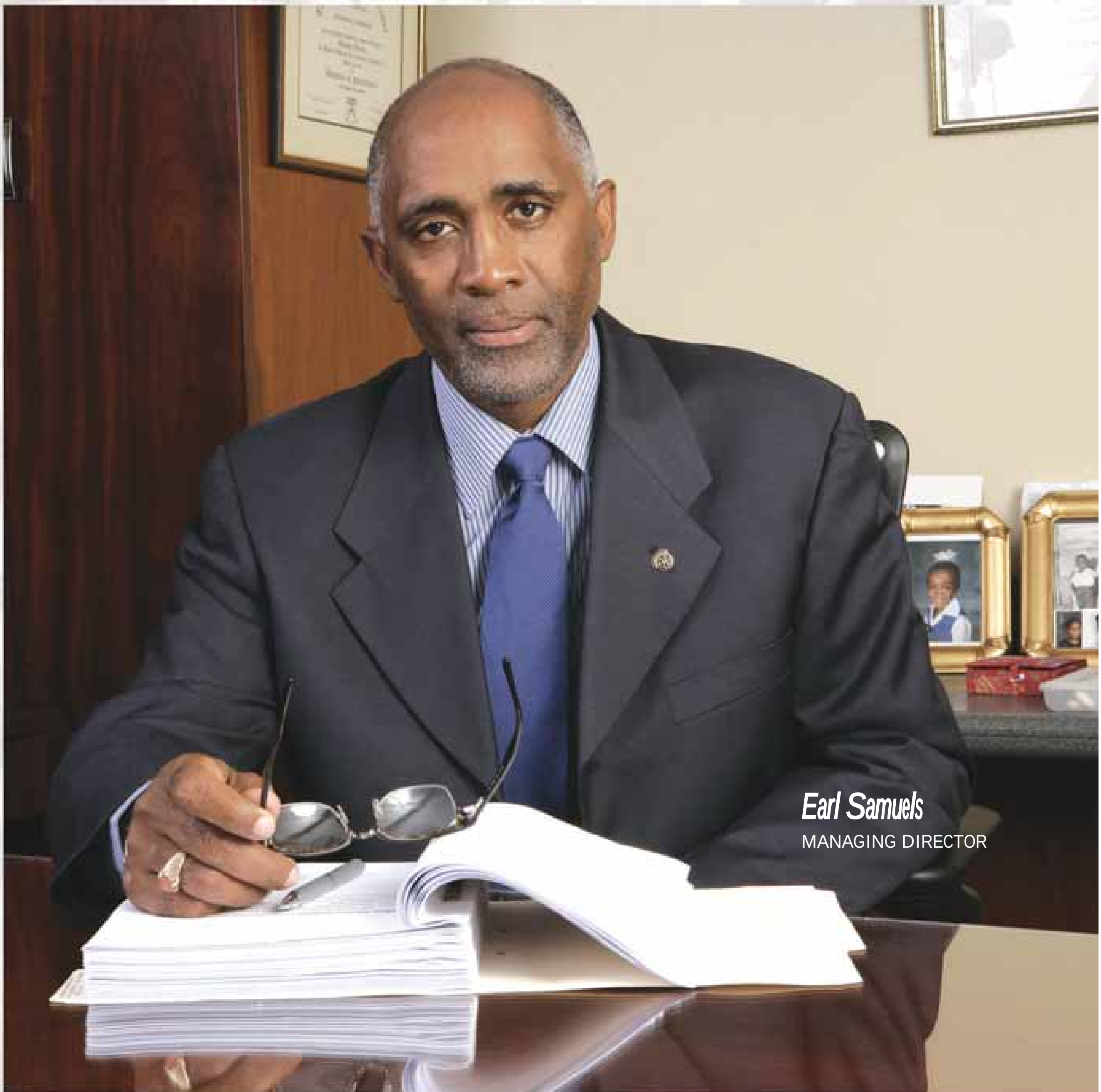
During the financial year 2004/05 the National Housing Trust designed and implemented policies which sought to actualize the vision of the organization, i.e. "to be ranked among the leading housing finance institutions in the world, renowned for customer service and contribution to national development". This was evidenced in the organisation's interaction with and contribution to its various stakeholders, in particular its contributors, communities and the nation. The company built on the commitments outlined in the strategic plan for the period 2002-2007 which recognized that the provision of housing solutions is but one segment of national development. The strategic objectives for the year, therefore, addressed not only the physical aspects of community building but the socio-economic and psychological aspects as well.

To strengthen its ability to provide quality service to its clients and business partners, the Trust undertook various capacity building exercises which included continued development of human resources; improvement of procedural efficiencies, systems integration and upgrade, policy refinement and planning concentration. Some of the more significant achievements over the year include:

- Refund of contributions. For the year under review, the NHT refunded $1.2 billion to contributors. An increase of 140% over the previous financial year;

- Housing provision. A total of 6,254 mortgages were provided to contributors during the year. While, a total of $5.4 billion was spent on housing construction.

- Social Development. Under the Inner-City Housing Project (ICHP), construction work continued and/or commenced on four (4) sites comprising 580 housing units. These were Denham Town (Little King Street); 88-100 Spanish Town Road; Trench Town and Monaltrie.



Earl Samuels
MANAGING DIRECTOR

- Operational Efficiencies. A special unit was established at the Titles Office which will reduce registration time for mortgages from four (4) weeks to ten (10) days. Through a special arrangement with the Stamp Office, stamping of NHT mortgage documents will now be done internally, leading to reduced processing times. In terms of technology, the International Comprehensive Banking System (ICBS) and the Alliant Branch Teller (ABT) were upgraded resulting in greater efficiencies in respect of our core business systems.

- Human Resources. For the year under review, the NHT concentrated its staff development activities in three main areas: 1) training in core competencies 2) leadership development and 3) staff welfare.

FINancial Management

At March 31st 2005, total assets of the National Housing Trust amounted to $72.9 billion. This represents an increase of $8.6 billion over the total assets for the previous financial year. Main areas of growth included:

1) an increase of 16.4% in cash and cash equivalents, from $4.5 billion to $5.3 billion over the figure for the 2003/04 financial year;

2) an 8% increase in loan receivables, from $40.7 billion to $44.1 billion and

3) a 30% increase in investment securities, from a reported $13.4 billion at the end of the 2003/04 financial year to $17.4 billion at the end of the year under review.

Total revenue increased marginally (1%) from $7.0 billion to $7.1 billion. Total expenditure, on the other-hand, increased by 20% over the figure for the 2003/04 financial year, moving from $3.5 billion to $4.3 billion. Growth in expenditure is substantially explained by the settlement of hurricane insurance claims amounting to $265 million and contribution to the Office of National Reconstruction of $400 million, to assist with re-housing of communities in the aftermath of hurricane Ivan. Surplus before tax amounted to $2.8 billion at the end of the year, a reduction of 22%.

The total contribution collected over the period is $7.1 billion. This represents an 18% increase over the previous financial year. Total contributions comprise $3.5 billion from employers and $3.6 billion from employees. The expected ratio of employer contribution to employee contribution is 3:2. Based on the collections, the ratio is closer to 1:1. This clearly indicates that some employers continue to withhold the employer portion of contributions due for payment to the NHT.

For the financial year 2004/05 the NHT refunded $1.2 billion to its contributors. An increase of 140% over the previous financial year. This is partially a result of the public awareness programme launched in the previous year.

HOUSING EXPENDITURE AS A PERCENTAGE OF CONTRIBUTION COLLECTIONS

OPERATIONAL Efficiencies

Customer Satisfaction is the central consideration in the design of our systems, structures and processes. These are continually reviewed and improved. During the year, several initiatives were undertaken. Perhaps, the most important were the alliances formed with business partners and improvements to internal systems. Key initiatives pursued during the year are presented below:

- Establishing a special unit at the Titles Office. The National Housing Trust (NHT) creates in excess of 25,000 documents to register its mortgages annually, which must be secured by the Legal Department via the Titles Office of the National Lands Agency (NLA). NHT mat--ters have always been a serious challenge for the Agency, as we submit the largest number of documents. The project, completed in November 2004 will result in the following:

  1) Reduced registration time to ten (10) days (down from four (4) weeks), resulting in improved customer service.

  2) Reduced rejection rate for documents with typographical errors

  3) Direct access to enquire on NHT documents sent for registration.

- Establishing a composition arrangement with the Stamp Office. The Legislation and Regulations Unit of the Office of the Prime Minister is spearheading an initiative to reduce the bottlenecks in relation to submission of documents on which ad valorem duties are payable. The arrangement prevents these documents from having to be sent to the Stamp Commissioner, before being sent for registration purposes. The NHT was invited to participate in this programme along with other financial institutions. The project, implemented at the end of the financial year delivered the following:

  1. Execution of a Composition Agreement, which sets out the terms / conditions of the operation of the programme.

  2. Implementation of a system for affixing stamp duty paid on the medallion.

  3. Implementation of a security system for the medallion.

The initiative has led to greatly reduced processing times and, of course, increased customer satisfaction.

ScHEME LOANS 2004/2005

Parish	No. of Loans	Value (millions)
Kingston	0	0.00
St. Andrew	0	0.00
St. Thomas	9	6.86
Portland	0	0.00
St. Mary	0	0.00
St Ann	9	5.13
Trelawny	2	1.86
St James	446	329.54
Hanover	0	0.00
Westmoreland	0	0.00
St. Elizabeth	0	0.00
Manchester	0	0.00
Clarendon	8	6.91
St. Catherine	8	6.10
TOTAL	**482**	**356.40**

- The "Tele-banking" facility. Consequent on the introduction of payment by debit and credit cards, the NHT introduced tele-banking in January 2005. The facility makes it possible for NHT mortgagors, who are holders of an active Bank of Nova Scotia Debit Card (Scotia Card) or National Commercial Bank (Midas) Card, to make payments from anywhere in the world and at any time of day or night using a touch tone telephone.

- The Customer Centered Business Model. The NHT has designed an approach to customer service, for implementation in the coming year, which will see all aspects of our operations (structures, processes. procedures) being reviewed and redesigned to meet customer requirements. The expected outcomes from this initiative include:

  a) a 95 percent reduction in customer complaint by September 30, 2006 and

  b) a 90 percent customer satisfaction index by March 30,2007.

- The International Comprehensive Banking System (ICBS) and the Alliant Branch Teller (ABT) upgrade. The systems, which together form the main operating system for the organization, were upgraded and will now provide Users with added flexibility and ease of use. The result will be faster processing times and therefore, shortened waiting times for our customers. Greater security and the minimization of errors will also be significant benefits to the organization.

- Improvement of NHTs Network infrastructure. The Network was improved to enhance the simultaneous processing of several transactions. This will lead to faster processing in areas such as: posting of transactions, report generation, general ledger updates, processing of queries and User acceptance testing.

Se r viceD l o t 2004/2005

Parish	No. of Loans	Value (millions)
Kingston	0	0.00
St. Andrew	0	0.00
St. Thomas	5	6.03
Portland	74	5.16
St. Mary	0	0.00
St Ann	83	34.00
Trelawny	12	3.82
St James	270	98.80
Hanover	0	0.00
Westmoreland	0	0.00
St. Elizabeth	0	0.00
Manchester	0	0.00
Clarendon	579	469.63
St. Catherine	49	17.78
TOTAL	**1072**	**635.22**

Aerial View of Green Pond, Phase 11, St. James.

Human resources

In the strategic planning sessions of 2003, management acknowledged the need for an all- encompassing framework to guide its human resource practices. A Human Resource Model for the NHT was the result. This model, developed internally, combines the results of research into international best practices with the stated objectives of the organization. The model identified practical steps to be taken in three core areas: 1) recruitment and retention 2) industrial relations and 3) training and development.

During the year, the NHT concentrated its staff development activities in the areas of training in core competencies, leadership development and staff welfare. The organization thought it timely to employ a more methodical approach to staff training. The starting point for this was an assessment of the impact of training on the organization. This assessment had four (4) broad objectives:

1) To assess the programme offerings, in terms of content, coverage, delivery, support systems and related costs and overall value of training;

2) To assess the impact of training on the organization's performance;

3) To fulfill the need for management information regarding the status and value of the training being offered by the NHT;

4) To determine possible returns.

This assessment was completed during the year. The findings from the report pointed to areas for strengthening. The recommendations will be further assessed and an implementation plan developed for the coming financial year.

Leadership, management and supervisory capabilities are constantly being improved through regular "management fora" and interactive training sessions. The management fora is an internally driven programme in which managers with expertise in an area (example, industrial relations, procurement procedures etc.) share their insights with other managers, in a formal session held quarterly. Training sessions in leadership and management are carefully selected to ensure usefulness and fit.

Orientation for new employees in progress.

Housing

BUILD ON OWN LAND 2004/2005		
Parish	**No. of Loans**	**Value (millions)**
Kingston	4	3.82
St. Andrew	65	61.97
St. Thomas	31	31.72
Portland	17	15.02
St. Mary	17	16.84
St Ann	33	31.97
Trelawny	12	12.26
St James	39	37.88
Hanover	13	13.05
Westmoreland	27	24.85
St. Elizabeth	27	26.64
Manchester	54	53.00
Clarendon	33	32.76
St. Catherine	117	99.85
TOTAL	**489**	**461.63**

In 2004/2005, the NHT spent $5.4 billion on housing construction. This represents an increase of $70 million over the amount spent in the previous financial year. Housing completions totalled 2,434 and comprise: Build-On-Own-Land (BOL) - 1,302 and Scheme solutions (NHT and Interim Financed projects) - 1,132. Housing completions for the 2004/2005 financial year increased by 93 solutions over 2003/2004. Scheme solutions also increased by 245. Some of the major schemes developed during the year are:

- Green Pond II - 651 solutions
- Appleton (Sugar Workers Housing Programme) - 133 solutions
- Fair Prospect - 89 solutions

Under the Interim Finance programme, six (6) schemes were developed: Bushy Park, Eltham, Aviary and White Water in St. Catherine; and Highland Meadows and Palmetto Meadows in Clarendon.

A total of 6,254 mortgages were provided to contributors for this financial year with mortgages for Scheme solutions, House Lot and Construction increasing over the previous year.

Potential Beneficiaries in discussions with NHT representatives at the newly developed Fair Prospect Housing Scheme, Portland.

Inner-city Housing Project

The Inner-City Housing Project (ICHP) is one element of a holistic plan to improve the living conditions and the quality of life of residents in selected inner city areas. The project has two components; 1) construction 2) social development. The construction component involves the building of new units and all related social and physical infrastructure, as well as the refurbishing of existing housing units. The aim of the programme, as outlined by the Prime Minister, in his 2003 budget speech "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 challenge is to balance the provision of adequate space with affordability".

To date, sites under Construction include Denham Town (Little King Street); 88-100 Spanish Town road; Trench Town and Monaltrie.

- Denham Town (Little King Street) comprises 94 housing units. With a hand-over date of July 2005, the development was far advanced at the end of the financial year.

- 88-100 Spanish Town Road consists of 186 Units. The project will be handed over in the third quarter of the 2005/06 financial year.

- Trench Town comprises 252 Units. Construction on this project will also end in the third quarter of the 2005/06 financial year.

- Monaltrie, the smallest of the four (4) developments will have 48 housing units. Completion is scheduled for the third quarter of the 2005/06 financial year.

Projects in the design stage include Denham Town (North); White Wing (10 Olympic Way); Spanish Town Road; Maxfield Park (Frog City); Maxfield Park (Tarrant); Majestic Gardens; Railway Lands and Prison Lands. Acquisition of lands on which to construct developments continued throughout the year.

OPEN MARKET 2004/2005

Parish	No. of Loans	Value (millions)
Kingston	73	61.28
St. Andrew	601	511.70
St. Thomas	13	12.24
Portland	5	3.84
St. Mary	14	12.80
St Ann	27	23.18
Trelawny	6	5.02
St James	164	143.54
Hanover	3	3.15
Westmoreland	16	15.34
St. Elizabeth	14	13.82
Manchester	16	15.65
Clarendon	17	14.74
St. Catherine	1176	820.39
TOTAL	**2145**	**1656.69**

Units under construction at 88-100 Spanish Town Road.

HOME IMPROVEMENT 2004/2005

Parish	No. of Loans	Value (millions)
Kingston	2	0.80
St. Andrew	27	11.20
St. Thomas	3	1.23
Portland	1	0.40
St. Mary	3	1.24
St Ann	1	0.35
Trelawny	2	0.84
St James	4	1.67
Hanover	0	0.00
Westmoreland	0	0.00
St. Elizabeth	2	0.83
Manchester	5	2.09
Clarendon	8	3.21
St. Catherine	60	24.22
TOTAL	**118**	**48.08**

CONSTRUCTION LOANS 2004/2005

Parish	No. of Loans	Value (millions)
Kingston	14	9.02
St. Andrew	50	34.67
St. Thomas	52	35.11
Portland	18	12.34
St. Mary	26	19.14
St Ann	43	29.60
Trelawny	19	12.49
St James	61	39.57
Hanover	1	1.03
Westmoreland	14	8.68
St. Elizabeth	19	14.57
Manchester	47	32.39
Clarendon	257	164.83
St. Catherine	244	159.44
TOTAL	**865**	**572.88**

HOUSE LOT 2004/2005

Parish	No. of Loans	Value (millions)
Kingston	30	8.54
St. Andrew	59	22.38
St. Thomas	149	54.99
Portland	21	6.70
St. Mary	26	8.73
St Ann	144	54.24
Trelawny	14	4.68
St James	25	9.29
Hanover	8	2.92
Westmoreland	11	3.45
St. Elizabeth	80	30.54
Manchester	94	36.19
Clarendon	127	45.42
St. Catherine	298	111.63
TOTAL	**1086**	**399.70**

SOCIAL DEVELOPMENT

Since the inception of the project, the NHT recognized that changing attitudes and behaviours, as well as improving the economic status of the potential beneficiaries, would be integral to it's success. The social development programme addressed these concerns. Highlights during the year include:

- Over two hundred (200) residents of Denham Town, Hannah Town, White Wing and Frog City (an informal settlement in the Maxfield Park area) completed a variety of skills training programmes. These courses include leadership and work orientation, customer service, cashiering, welding, carpentry, landscaping, pest control, food preparation, cosmetology and remedial education. Classes were held in centres across the corporate area. The HEART Trust and the Jamaica Chamber of Commerce were the main facilitators of the courses.

- Over 80 persons have become employed or self-employed as a result of the ICHP training programmes

- A sports clinic in football and netball was held for twenty (25) children living in the communities of Maxfield Park, Denham Town, Hannah Town, White Wing and Monaltrie. The training was aimed at developing positive values and attitudes in children between the ages of seven (7) and twelve (12).

- A seven-week training in Parenting/ Community Health & Reprodctive Health was held for the communities of Denham Town and Frog City. Youth Opportunities Unlimited (YOU) facilitated these meetings.

- Twelve (12) persons were trained in art and interior design at the Edna Manley School for the Visual Arts.

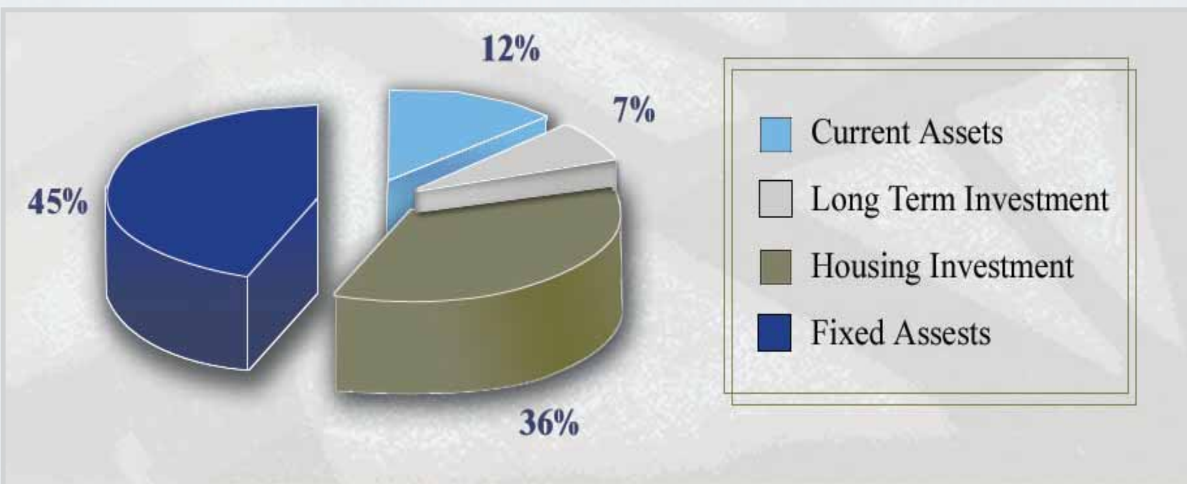
- Beneficiaries slated to occupy units in Denham Town and Monaltrie were trained in Strata Management.

No. OF LOANS 2004/2005 BY PARISH

Parish	No. of Loans	Value (millions)
Kingston	123	83.47
St. Andrew	802	641.92
St. Thomas	262	148.17
Portland	136	43.47
St. Mary	86	58.75
St Ann	340	178.47
Trelawny	67	40.97
St James	1009	660.29
Hanover	25	20.15
Westmoreland	68	52.33
St. Elizabeth	142	86.40
Manchester	216	139.31
Clarendon	1029	737.50
St. Catherine	1949	1239.40
TOTAL	**6254**	**4130.60**

Prospective beneficiaries of the NHT's Inner City Housing Project, being trained in Leadership and Employment Readiness at the Jamaica Chamber of Commerce.

asset distribution



TOWARD THE FUTURE

We believe that the future of the NHT will be nothing short of exciting. We are two years away from achieving the vision, set in 2002 and refined in later years. When we have successfully completed the process, the Trust will be a housing finance institution of excellence. We will have:

- improved customer satisfaction levels
- wholesome inner-city communities
- an effective human resource model
- quality housing products that meet demand and
- improved internal efficiencies.

Overall, we will have contributed to improving the quality of life of Jamaicans, by facilitating home ownership and community development, particularly among low income persons.

TAKEOVER SCHEDULE FOR 2005/2006

PARISH	PROJECT	UNIT TYPE	TOTAL
St. Catherine	Bernard Lodge	Serviced Lots	474
		Studio	1
	Bushy Park	2 Bedroom	40
	Cherry Gardens	2 Bedroom	34
St. James	Green Pond II	Detached Studio	24
		Duplex Studio	91
Westmoreland	Water Works	Serviced Lots	98
TOTAL			762

Signing of construction contract for the Inner City Housing Project (ICHP). (L-R seated) Prime Minister, the Most Hon. P.J Patterson, Managing Director of ASHTROM, Benny Goldstein, ASHTROM Chairman, Howard Hamilton, and Managing Director, NHT, Earl Samuels. (Standing) Maurice Anderson, Director, ICHP.

HOUSING

View of the Inner City Housing Project's 2 and 3 bedroom development, Little King Street, Denham Town.

Denham Town - Units under construction

Senior Project Manager- ICHP, Heather Pinnock discussing plans for Trench Town with members of ASHTROM Building Systems,(L-R) Donald Ellis, Rami Hazaz.
(R-L) Devon Sterling and Desmond Young. At centre, Donovan Franics of the NHT's Communications Department.

NHT's Newly Designed 2 Bedroom Units. Two of the 15 Units in the Prospect Housing Scheme Portland.

Dr. Vincent George, Senior General Manager, Corporate Services, NHT, presenting an award to a graduate of the Leadership & Employment Readiness Course.

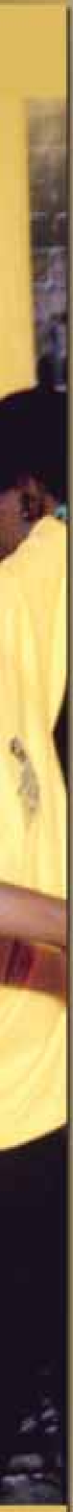
The Denham Town Drumming Group display their skills at the NHT's Inner City Housing Project cultural arts summer school at the Denham Town Community Center. The group was among the over 150 children and young adults from a number of inner-city communities who participated in the programme put on by the NHT to improve the well being of some of the young residents of the communities.

Mr. Earl Samuels, Managing Director, NHT, discussing features of the Inner City Housing Model, with (L-R) Mr. Errol Greene, Board member and Patrick Lawrence, Deputy Board Chairman.

Mr. Brian Martin, receiving his award from Mr. Hugh Ried, Senior General Manager, Finance & Operations. Mr. Martin is the recipient of a schoolarship to the University College of the Caribbean, awarded for outstanding performance during the Leadership & Employment Readiness Course. (Center) Mr. Sameer Younis, Chairman of the Inner City Development Committee of the Jamaica Chamber of Commerce.

BEST SCHEME COMPETITION

Children from the Angels, Victoria Court and Ebony Vale Schemes, in performance at the finals of the Best Scheme Competition.



Winners of the National Best Scheme Competition, Mr. Austin Hyman (4th from left) representing first place winners Cedar Grove, Mr. Junior Dunn (3rd from left) representing second place winners Donmair and Mr. Edmund Miller (2nd from left) representing 3rd place winner, Glendale.

Celebrating with the winners are Deputy Chairman, Patrick Lawrence, Managing Director Earl Samuels and Hon. Maxine Henry-Wilson, Minister of Education, Youth & Culture.

Cedar Grove, Manchester

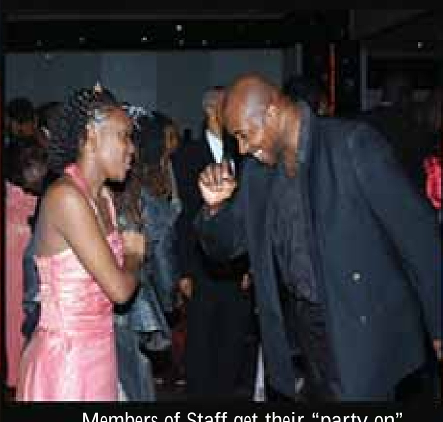
Donmair, Kingston

Glendale, Kingston

Dr. Vincent George, Senior General Manager, Corporate Services, presenting to a county level winner in the Best Scheme Competiton.

The NHT Chorale in performance at the end of year function.

Some of the recipients of the MD's Award for Excellence.



Members of Staff get their "party on" at the NHT's End of Year function.

Managing Director Mr. Earl Samuels in light conversation with former Managing Director, Milverton Reynolds & Deputy Chairman , Patrick Lawrence.

NHT staff members, resplendently attired, smiling for the cameras.

“ TEAM NHT”
at the 2005
Sigma Corporate Run.

"Sunshine All Stars", winners of the Inter-Department Netball Competition. (Standing L-R) Lovern McDonald, Carlene Hunter, Kayan Merritt, Michelle White, Lorna Tingle & Damion Atkinson. (In front L-R) Enis Levy & Karen Bogle.

Teams lined up for inspection at The Opening Ceremony of the NHT's Inter-Departments Netball Competition. (L-R) Trailblazers, Surfers, Sunshine All Stars, Invaders & Eagles.

"AC Milan", Winners of the Earl Samuels/Kingsley Thomas Football Competition. (Standing L-R) Keno Holness, Marlon Wright, Andrew Johnson, Collin Anderson, Okouri Collins & Warner Brown. (In front L-R) Orville Brown, Deon Grant & Sean Blake.

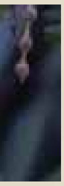
............and the fans go wild!!!

Directors' Report

The Director's are pleased to present their report and audited statements of Accounts, ended March 31st 2004

1. Financial Results

	2005 ($000)	2004 ($000)
Income		
Interest on		
Loans receivables	3,370,432	3,144,506
Investments	3,344,784	3,320,356
Gains on projects	-	141,065
Service charge on loans to beneficiaries	75,573	61,466
Miscellaneous	290,837	351,708
	7,081,626	7,019,101
EXPENDITURE		
Operating expenses	2,147,312	1,756,312
Bonus on employees' contributions	947,525	865,353
Provision (recovery) on loans receivable	165,904	420,228
Losses on projects	60,862	-
Subsidies - special projects	953,590	440,554
	4,275,193	3,482,447
SURPLUS BEFORE EXCEPTIONAL ITEMS AND TAXATION	2,806,433	3,536,654
EXCEPTIONAL ITEMS	48,325	2,312
SURPLUS BEFORE TAXATION	2,758,108	3,534,342
Taxation	924,676	872,343
NET SURPLUS	1,833,432	2,661,999



2. THE BOARD

Hon. Kingsley Thomas,O.J.,Chairman
Earl Samuels, Managing Director
Patrick Lawrence,O.D., J.P., Deputy Chairman
Guila Bernal
Hon. 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
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

Deloitte.

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
Facsmile: (876) 979-0246

AUDITORS REPORT

To the Board of Directors of
NATIONAL HOUSING TRUST

We have audited the accompanying balance sheet of the National Housing Trust as of March 31, 2005 and the related income and expenditure account 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.

The Trust has not fully established personal accounts for employed persons who made contributions to the Trust, as detailed in Note 15, to enable it to issue certificates of contributions made as required by the 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, the financial statements present fairly in all material respects the state of the Trust's affairs as at March 31, 2005 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. Except for the matters referred to in the preceding paragraph, proper accounting records have been kept and the financial statements are in agreement therewith.

Without qualifying our opinion, we draw attention to Note 7 which discloses that certain investments relating primarily to loans granted to beneficiaries are not secured, although the Trust is currently pursuing titles to register individual mortgages.

Deloitte & Touche

Chartered Accountants
Kingston, Jamaica
May 30, 2005

NATIONAL HOUSING TRUST

BALANCE SHEET AT MARCH 31, 2005

(Expressed in $'000)

	Notes	2005 $	2004 $
ASSETS			
Cash and cash equivalents	4	5,332,826	4,581,139
Interest and other receivables	5	2,170,448	1,870,821
Income tax recoverable		49,933	392,434
Loans receivable	6,7	44,126,523	40,683,473
Investment securities	8	17,356,219	13,382,236
Inventories	9	1,834,251	2,105,594
Intangible assets	10	31,795	34,774
Investment in associate	11	685,046	277,073
Retirement benefit asset	12	201,900	136,500
Property, plant and equipment	13	1,084,529	861,951
Total assets		72,873,470	64,325,995
LIABILITIES AND ACCUMULATED FUND			
LIABILITIES			
Accounts payable and accruals	14	703,190	871,146
Employers' contributions refundable		-	1,038
Bonus payable to employers		62	3,407
Refundable contributions	15	25,103,757	21,834,847
Deferred taxation	16	755,745	671,990
		26,562,754	23,382,428
ACCUMULATED FUND			
Non-refundable employers' contributions	2(c)	24,886,011	21,377,650
Fair value and other reserves	17	934,261	908,905
Peril reserve	18	920,441	911,861
Loan loss reserve	19	901,652	854,733
Surplus on income and expenditure account		18,668,351	16,890,418
		46,310,716	40,943,567
Total liabilities and accumulated fund		72,873,470	64,325,995

The Notes on pages 40-87 form an integral part of the Financial Statements.

The financial statements on pages 35-87 were approved and authorized for issue by the Board of Directors on May 30, 2005 and are signed on its behalf by:

Kingsley Thomas – Chairman

Earl Samuels – Managing Director

NATIONAL HOUSING TRUST

INCOME & EXPENDITURE ACCOUNT

YEAR ENDED MARCH 31, 2005

(Expressed in $'000)

	Notes	2005 $	2004 $
INCOME			
Interest on:			
- Loans receivable		3,370,432	3,144,506
- Investments		3,344,784	3,320,356
Gains on projects		-	141,065
Service charge on loans to beneficiaries	6	75,573	61,466
Miscellaneous	20	290,837	351,708
		7,081,626	7,019,101
EXPENDITURE			
Operating expenses		2,147,312	1,756,312
Bonus on employees' contributions		947,525	865,353
Provision on loans receivable	6	165,904	420,228
Losses on projects		60,862	-
Special subsidies and grants	21	953,590	440,554
		4,275,193	3,482,447
SURPLUS BEFORE EXCEPTIONAL ITEMS AND TAXATION		2,806,433	3,536,654
EXCEPTIONAL ITEMS	22	48,325	2,312
SURPLUS BEFORE TAXATION		2,758,108	3,534,342
Taxation	23	924,676	872,343
NET SURPLUS	24	1,833,432	2,661,999

The Notes on pages 40-87 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST

STATEMENT OF CHANGES IN ACCUMULATED FUND

YEAR ENDED MARCH 31, 2005

(Expressed in $'000)

	Notes	Non-Refundable Employers' Contributions $	Fair Value and Other Reserves $	Peril Reserve $	Loan loss Reserve $	Surplus on Income and Expenditure Account $	Total $
Balance at April 1, 2003		18,345,658	917,254	480,000	1,030,130	14,484,883	35,257,925
Net (losses) gains not recognized in the income and expenditure account							
Deferred tax liability on revaluation of property, plant and equipment	16	-	(41,447)	-	-	-	(41,447)
Increase in fair values of available-for-sale investments	17	-	18,620	-	-	-	18,620
Net losses not recognized in the income and expenditure account		-	(22,827)	-	-	-	(22,827)
Realised on disposal/write-off of available-for-sale investment	17	-	14,478	-	-	-	14,478
Net surplus for the year		-	-	-	-	2,661,999	2,661,999
Contributions for the year		3,031,992	-	-	-	-	3,031,992
Transfer to peril reserve	18	-	-	443,616	-	(443,616)	-
Utilised during the year	18	-	-	(11,755)	-	11,755	-
Transfer from loan loss reserve	19	-	-	-	(175,397)	175,397	-
Balance at March 31, 2004		21,377,650	908,905	911,861	854,733	16,890,418	40,943,567
Net (losses) gains not recognized in the income and expenditure account							
Reduction in deferred tax liability on revaluation of property, plant and equipment	16	-	1,011	-	-	-	1,011
Increase in fair values of available-for-sale investments	17	-	24,345	-	-	-	24,345
Net gains not recognized in the income and expenditure account		-	25,356	-	-	-	25,356
Net surplus for the year		-	-	-	-	1,833,432	1,833,432
Contributions for the year		3,508,361	-	-	-	-	3,508,361
Transfer to peril reserve	18	-	-	273,696	-	(273,696)	-
Utilised during the year	18	-	-	(265,116)	-	265,116	-
Transfer to loan loss reserve	19	-	-	-	46,919	(46,919)	-
Balance at March 31, 2005		24,886,011	934,261	920,441	901,652	18,668,351	46,310,716

The Notes on pages 40-87 form an integral part of the Financial Statements.

NATIONAL HOUSING TRUST

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2005

(Expressed in $'000)

	2005 $	2004 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	1,833,432	2,661,999
Adjustments for:		
Losses and subsidies on projects	272,330	135,434
Provisions on loans receivable	165,904	420,228
Provision for bonus on employees' contribution	947,525	865,353
Depreciation	103,462	69,790
Gain on sale of property, plant and equipment	(1,447)	(595)
Adjustments to property, plant and equipment	798	-
Service charges amortised	(75,573)	(61,466)
Intangible assets amortised/written off	13,249	86,194
Realised loss on disposal of available-for-sale investments	-	14,478
Retirement benefit asset	(19,100)	(62,925)
Deferred tax adjustments	84,766	630,543
Interest income	(6,715,216)	(6,464,862)
Foreign exchange adjustment	(2,593)	(69,557)
	(3,392,463)	(1,775,386)
Increase in operating assets		
Interest and other receivables	(95,258)	(37,734)
Retirement benefit contributions	(46,300)	(41,600)
(Decrease) increase in operating liabilities		
Accounts payable and accruals	(167,956)	211,704
Bonus payable to employers	(3,345)	(258)
Employer's contribution refunded	(1,038)	(2,444)
Cash used in operations	(3,706,360)	(1,645,718)
Interest received	6,510,847	5,980,015
Tax refund (paid)	342,501	(213,093)
Cash provided by operating activities	3,146,988	4,121,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Intangible assets	(10,270)	(22,203)
Loans receivable less recoveries	(3,533,381)	(4,980,687)
Acquisition of property, plant and equipment	(335,425)	(238,058)
Acquisition of investment securities	(15,210,628)	(17,179,775)
Proceeds on encashment of investment securities	11,263,085	15,350,095
Decrease (increase) in inventory (net)	4,716	(400,170)
Proceeds on sale of property, plant and equipment	4,331	613
Investment in, and advances to associated company	(407,973)	(277,073)
Cash used in investing activities	(8,225,545)	(7,747,258)

NATIONAL HOUSING TRUST

STATEMENT OF CASH FLOWS (Cont'd)

YEAR ENDED MARCH 31, 2005

(Expressed in $'000)

	Note	2005 $	2004 $
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from employers		3,508,361	3,031,992
Contributions from employees		3,552,011	3,002,134
Refund of employee contributions		(1,230,626)	(513,355)
Cash provided by financing activities		5,829,746	5,520,771
INCREASE IN CASH AND CASH EQUIVALENTS		751,189	1,894,717
OPENING CASH AND CASH EQUIVALENTS		4,581,139	2,682,079
Effect of foreign exchange rate changes		498	4,343
CLOSING CASH AND CASH EQUIVALENTS	4	5,332,826	4,581,139

The Notes on pages 40-87 form an integral part of the Financial Statements.

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 dated December 22, 2003, these exemptions were rescinded with effect from December 23, 2003. Notwithstanding the effective date of December 23, 2003 the Taxpayer Audit and Assessment Department has determined that January 1, 2004 is to be used as the effective date as regards Income Tax and as such the Trust has accounted for Income Tax from this date (See Note 23).

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;

2 **CONTRIBUTIONS AND BENEFITS (Cont'd)**

(b) (Cont'd)

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

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

(c) Each year's contributions made by employers in respect of the period from inception to July 31, 1979 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 **SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of preparation

The Trust's financial statements for the year ended March 31, 2005 have been prepared in accordance and comply in all material respects, with applicable 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 expenditure during their reporting period. Actual results could differ from those estimates.

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

(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) Interest and other receivables

These amounts, which are expected to be settled within a year of inception, are stated at their nominal values reduced by appropriate allowances for estimated irrecoverable amounts.

(e) Loans receivable and provisions for impairment

Loans are recognized when funds are advanced/disbursed to beneficiaries. They are initially recorded at cost, 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.

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

(e) Loans receivable and provisions for impairment (Cont'd)

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 and expenditure account.

Service charge on loans to beneficiaries

A fee of 5% to cover processing and administrative expenses is added to the purchase price 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) Investment securities

Investments 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 cost, 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.

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 cost, which includes transaction costs, and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealized 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. When the securities are disposed of or impaired, the related accumulated unrealized gains or losses included in the accumulated fund are transferred to the income and expenditure account.

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

(f) Investment securities (Cont'd)

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

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount and this change is expected to be permanent. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

All purchases and sales of investment securities are recognized on a trade-date basis.

(g) 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 and expenditure account in the period in which the reversal occurs.

(h) 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.

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

(h) Intangible assets (Cont'd)

Internally-generated and purchased intangible assets 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.

(i) Investment in associate

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.

Interest in the associate is carried in the balance sheet of the Trust at cost less a provision for diminution in value (if any).

(j) Retirement benefit costs

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 amended benefits become vested.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Retirement benefit costs (Cont'd)

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

(k) 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) over their estimated useful lives, using the straight line method on the following bases:

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

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.

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

(k) Property, plant and equipment (Cont'd)

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.

(l) Accounts payable

These are stated at their nominal values.

(m) Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges are accounted for on an accrual basis in the income and expenditure account using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(n) 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 and expenditure account 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.

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

(n) 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 and expenditure account, 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.

(o) 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 and their outstanding contributions. Accordingly, the Trust does not account for contributions which at year end (March 31) have not been collected from employers.

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

(p) Penalties

Section 37(4) of the Act directs the Trust to charge penalties at the rate of 20% per annum on contributions not paid over on the due dates. These penalties are recorded wholly on the basis of amounts collected. The penalty increases to 40% once the Trust obtains a judgement in respect of contributions not paid at the due date.

(q) Borrowing costs

These are recognised in the income and expenditure account in the period in which they are incurred.

(r) Peril reserve

Transfers are made from the accumulated surplus on the income and expenditure account 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.

(s) Financial instruments

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, investment in associate, inventories, income tax recoverable and prepayments.

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 27.

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

(t) Impairment

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.

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.

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

(u) 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 and expenditure account in the year of occurrence.

(v) Leases

Rental income/expense under operating leases is recognized in income on a straight-line basis over the term of the relevant lease.

(w) Foreign currencies

Transactions in foreign currencies 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 to Jamaican dollars at the rates prevailing at the balance sheet date. All exchange gains and losses are credited to or charged against income of the year.

(x) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

4 CASH AND CASH EQUIVALENTS

These comprise:

	2005 $'000	2004 $'000
Short-term investments with financial institutions maturing within ninety days of original date of purchase at interest rates ranging from 5.1% to 14.1% per annum (2004:6.5% to 18.5% per annum) (Note 4(a))	5,236,565	4,532,441
Bank balances (Note 4(b))	95,480	48,426
Cash in hand	781	272
	5,332,826	4,581,139

(a) These short-term investments include reverse repurchase agreements totalling $5,236,565,000 (2004: $2,961,044,000) which are fully backed by Government of Jamaica securities. At year end, these investments include foreign currency deposits amounting to US$742,024 (2004: US$1,996,000).

(b) Bank balances include foreign currency deposits of US$965,853 (2004: US$286,000) at interest rates of 1.5% (2004: 1.5%).

5 INTEREST AND OTHER RECEIVABLES

	2005 $'000	2004 $'000
Interest receivable		
- loans receivable	1,067,712	824,573
- investment securities	790,162	828,932
Staff loans	127,863	88,348
Prepayments	16,654	15,493
Deposits for acquisition of property, plant and equipment	34,329	23,185
Other	166,168	90,290
	2,202,888	1,870,821
Less provision for irrecoverable debt	32,440	-
	2,170,448	1,870,821

6 LOANS RECEIVABLE

	2005 $'000	2004 $'000
(a) Loans to beneficiaries selected by the Trust (Note 6(e), (f))		
Mortgage loans	37,171,588	33,391,078
Loans for which mortgage processing is incomplete (Note 6(g))	1,625,096	1,840,868
Loans through financial institutions (Note 6(h))	1,301,092	1,023,744
Loans through joint venture programme (Note 6(i))	27,615	143,382
	40,125,391	36,399,072
Less: provisions for impairment (Note 6(p))	427,241	329,239
	39,698,150	36,069,833
Less: unexpired service charges (Note 6(q))	979,123	1,008,533
	38,719,027	35,061,300
(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 6(j)(i))	65,196	44,458
National Housing Development Corporation (NHDC) (Formerly Caribbean Housing Finance Corporation)		
Repayable in 25 years at 8% per annum (Note 6(j)(ii))	730,471	738,368
Repayable in 15 years at 8% per annum (Note 6(j)(iii))	887,821	967,448
Repayable over 10 years at 4% per annum (Note 6(j)(iv))	120,286	125,826
Repayable in 10 years at 8% per annum (Note 6(j)(v))	789,941	778,225
Repayable in 15 years at 11% per annum (Note 6(j)(vi))	83,300	84,680
Repayable at 8% per annum (Note 6(j)(vii))	100,885	94,588
Joint financing mortgage programme (Note 6(j)(viii))	1,199,254	139,460
Special loans through joint financing – Hurricane Ivan (Note 6(j)(ix))	102,411	-
Other institutions	91,484	93,607
	4,171,049	3,066,660
Balance carried forward	42,890,076	38,127,960

6 LOANS RECEIVABLE (Cont'd)

		2005 $'000	2004 $'000
	Balance brought forward	42,890,076	38,127,960
(c)	Loan financing to developers (Note 6(k))	968,193	773,998
	Less: provision for impairment (Note 6(p))	345,361	287,605
		622,832	486,393
(d)	Other		
	Jamaica Teachers' Association Housing Co-operative Limited (JTAHC) (Note 6(l))	-	244,414
	University of the West Indies (Note 6(m))	595,439	604,885
	University Hospital of the West Indies (Note 6(n))	10,498	30,000
	Development Bank of Jamaica (Note 6(o))	7,678	1,189,821
		613,615	2,069,120
	Total	44,126,523	40,683,473

(e) Effective April 1, 2002 the rate of interest payable by a beneficiary selected by the Trust on a loan varies from 2% to 9% depending on the income of the beneficiary. The loans together with interest thereon are repayable in monthly instalments over periods ranging up to a maximum of 30 years.

(f) Mortgage loans of $37,171,588,000 (2004: $33,391,078,000) include loans totalling $1,525,827,000 (2004: $1,860,386,000) 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.

6 LOANS RECEIVABLE (Cont'd)

(i) Loans through Joint Venture programme

These are loans granted to beneficiaries who are employees and 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 will 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 7.1(a)).

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

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

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.

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

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

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

The principal loan is repayable over 10 years in 120 equal 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 commenced September 2002 and the principal is repayable in 120 equal instalments commencing September 2003. The interest is repayable monthly in arrears on the first business day of each calendar month commencing 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.

6 **LOANS TO RECEIVABLE (Cont'd)**

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

(vi) The loan is for a sum of $88,711,063 for the purpose of co-financing 279 mortgages in the Greater Portmore Project. The loan is for a period of 15 years and the principal is repayable in 180 equal instalments. Interest is repayable monthly in arrears on the first business day in each calendar month commencing 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 agreement was finalized on April 17, 2004.

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

(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 Victoria Mutual Building Society (VMBS) and Jamaica National Building Society (JNBS) 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 above financial institution 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.

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

6 LOANS RECEIVABLE (Cont'd)

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

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

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 VMBS and JNBS as agreed between the parties).

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

Further, VMBS and JNBS 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 financial institution 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) During the year 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 will involve the utilization of an imprest mechanism whereby a float is 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.

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

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

(ix) (Cont'd)

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.

(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 7.1(b)).

(l) Jamaica Teachers' Association Housing Cooperative Limited (JTAHC)

The loan was fully settled during the year with the issue to the Trust on April 1, 2004 of Local Registered Stocks and property.

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

This loan commenced 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.

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

(n) University Hospital of the West Indies

This represents interim financing of $30 million towards the construction of an intensive care unit. The loan, which is unsecured, is for a period of eighteen months and is repayable in six equal installments commencing May 2004. Interest is charged at a rate of 10% per annum.

(o) Development Bank of Jamaica (DBJ)

The Trust entered into a short-term interim financing facility in respect of works under the road rehabilitation and maintenance programme. The loan was for a maximum period of three months commencing April 2003 and was repayable with interest before or on the due date. The facility was extended to mature in two equal tranches in May and November 2004. The principal balance was settled in December 2004. The balance remaining relates to outstanding interest at year end. Interest was charged at a rate of 20% per annum up to December 31, 2003, subsequent to which the rate was amended to 18% per annum.

The loan is secured by a letter of undertaking from the Ministry of Finance and Planning, which has given its irrevocable and unconditional undertaking to settle all obligations if DBJ is unable to do so.

The outstanding amounts were repaid subsequent to year end.

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

	2005			2004
	Mortgage Loans $'000	Development Financing $'000	Total $'000	Total $'000
Balance, April 1	329,239	287,605	616,844	214,909
Increase in provision for the year	108,148	57,756	165,904	420,228
Write off during the year	(10,146)	-	(10,146)	(18,293)
Balance, March 31	427,241	345,361	772,602	616,844

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

(q) Unexpired service charges on loan to beneficiaries:

This comprises:

	2005 $'000	2004 $'000
Balance, April 1	1,008,533	990,116
Additions during the year	46,163	79,883
Amortisation	(75,573)	(61,466)
Balance, March 31	979,123	1,008,533

7 **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:

		2005 $'000	2004 $'000
(a)	Loans through joint venture mortgage programme (Note 7.2)	27,615	143,382
(b)	Other loans (Note 7.3)		
	Mortgage loans to beneficiaries	3,150,923	3,701,254
	Finance for housing construction projects	327,247	243,550
	Sub-total	3,478,170	3,944,804
	Total	3,505,785	4,088,186

.2 The loans through joint venture programmes stated in Note 7.1(a) are supported by promissory notes, and in the case of building societies, share certificates. It is the Trust's intention to record pari passu mortgages on the titles in the name of the Trust in respect of all future loans under these programmes.

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

.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. 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 7.1(b) will have a material impact on these financial statements.

.4 A provision for mortgage losses of $427,241,000 (2004:$329,239,000) as reflected in Note 6, as well as an additional appropriation of surplus on the income and expenditure account of $901,652,000 (2004:$854,733,000) has been made to a loan loss reserve, to cover any losses that may arise from the loans referred to in Note 7.1 above and other mortgage loans.

Additionally, provisions of $345,361,000 (2004:$287,605,000) have been made in respect of loan financing to developers.

8 INVESTMENT SECURITIES

These consist of the following:

	2005 $'000	2004 $'000
Held-to-maturity securities (at amortised cost) Note 8(a)	16,930,123	13,135,261
Available-for-sale securities (at fair value) Note 8(c)	426,096	246,975
	17,356,219	13,382,236

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

(a) Held-to-maturity securities

	Nominal Value $'000	2005 $'000	2004 $'000
Treasury bills maturing within twelve months of year end	486,207	451,976	265,363
Deposits with financial institutions at interest rates ranging from 6.25% -17.8% (2004: 6.5% - 35.35%) per annum maturing within 12 months of year end Note 8(b)		5,414,016	2,859,022
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	991,300
Government of Jamaica Indexed Bond US$6,949,300 at interest rate of 12% per annum maturing 2004/2005		-	442,448
Government of Jamaica Indexed Bond US$6,640,402 (2004:US$2,242,000) at interest rates of 9.90% - 13.95% (2004:11.25% - 11.75%) per annum maturing 2006/2007		408,225	116,291
Government of Jamaica Bond at interest rate of 16.28% per annum maturing 2007/2008		300,000	-
Government of Jamaica Bond at interest rate of 14.25% per annum maturing 2008/2009		200,000	-
Government of Jamaica Debenture at interest rate of 14.5% - 36.25% maturing 2004/2005		-	1,142,131
Government of Jamaica 17% - 16.5% (2004:25% - 33.5%) Debenture maturing 2005/ 2006		698,750	337,287
Government of Jamaica 15.75% - 16.5% (2004:18.625% - 24.625%) Debenture maturing 2006/2007		3,271,443	1,213,350
c/f		11,735,710	7,367,192

8 INVESTMENT SECURITIES (Cont'd)

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

	Nominal value $'000	2005 $'000	2004 $'000
b/f		11,735,710	7,367,192
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% (2004:17.789%) per annum.		500,434	591,946
		12,236,144	7,959,138
Local registered stock - at cost			
Variable 2004/2005		-	2,376,156
Variable 2005/2006	1,801,000	1,801,000	1,699,967
Variable 2006/2007	1,244,647	1,244,647	-
Variable 2007/2008	400,000	400,000	100,000
Variable 2008/2009	237,510	237,510	-
Variable 2009/2010	1,011,000	1,010,822	1,000,000
		4,693,979	5,176,123
		16,930,123	13,135,261

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

(b) Deposits with financial institutions

These deposits include reverse repurchase agreements totalling $5,396,615,000 (2004: $3,280,391,000) which are fully backed by Government of Jamaica securities. At year end these deposits include foreign currency deposits of approximately US$1,907,000 (2004: US$962,000) at interest rates of 6.25% - 7.35% per annum (2004: 6.5% – 9%).

(c) Available-for-sale securities

	2005 $'000	2004 $'000
Life of Jamaica Limited – Universal Investment policy (Note 8(d))	85,281	72,872
Euro Bonds (Note 8(e))	185,991	173,777
Quoted equity investments (Note 8(f))	154,824	-
Unquoted equity investments (at cost)	-	326
	426,096	246,975

(d) Life of Jamaica Limited – Universal Investor Policy

	2005 $'000	2004 $'000
Fair value, April 1	72,872	53,379
Increase in fair value (Note 8(g))	12,409	19,493
Fair value, March 31	85,281	72,872

8 INVESTMENT SECURITIES (Cont'd)

(e) Euro Bonds

The investment in Euro Bonds of US$3,031,015 (2004:US$2,873,000) at an interest rate of 10.625% per annum matures in 2017/18.

	2005 $'000	2004 $'000
Fair value, April 1	173,777	-
Purchased during the year	-	135,013
Increase (decrease) in fair value (Note 8(g))	11,174	(873)
Unrealised foreign exchange gains	1,040	39,637
Fair value, March 31	185,991	173,777

(f) Quoted equity investments

The movement during the year is as follows:

	2005 $'000	2004 $'000
Purchased during the year	154,062	-
Increase in fair value (Note 8(g))	762	-
Fair value, March 31	154,824	-

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

		2005 $'000	2004 $'000
Life of Jamaica universal investor policy	(Note 8(d))	12,409	19,493
Euro Bonds	(Note 8(e))	11,174	(873)
Quoted equities	(Note 8(f))	762	-
Increase in fair value included in fair value and other reserves (Note 17)		24,345	18,620

9 **INVENTORIES**

	2005 $'000	2004 $'000
Land held for housing development	579,345	405,248
Housing under construction	814,196	1,304,263
Housing units completed but not allocated		
Total value of units	589,665	741,868
Inner City Housing Project (Note 9(a))	537,328	68,168
	2,520,534	2,519,547
Less: Provision for losses and subsidies	(686,283)	(413,953)
	1,834,251	2,105,594

The movement in the provision is as follows:

	2005 $'000	2004 $'000
Balance, April 1	413,953	385,469
Provisions during the year	272,330	135,434
Write-offs during the year	-	(106,950)
Balance, March 31	686,283	413,953

(a) Inner City Housing Project

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

In 2004, the Trust committed $7.5 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 at a cost of $5 billion.
- The provision of supporting social and physical infrastructure for new and existing communities at a cost of $2 billion.
- The refurbishment and upgrading of existing inner city communities at a cost of $500 million.

9 **INVENTORIES (Cont'd)**

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

The project is expected to run over the period 2004 to 2008.

The amounts spent on refurbishing works will be borne by the Trust. As at March 31, 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 21).

The ICHP is being undertaken as a distinct and separate, though complementary project, under the broader 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.

10 **INTANGIBLE ASSETS**

	$'000
Cost	
Balance, April 1	40,825
Additions	10,270
Balance, March 31	51,095
Amortisation	
Balance, April 1	6,051
Charge for the year	13,249
Balance, March 31	19,300
Carrying amount:	
March 31, 2005	31,795
March 31, 2004	34,774

10 **INTANGIBLE ASSETS (Cont'd)**

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

11 **INVESTMENT IN ASSOCIATE**

	2005 $'000	2004 $'000
Shares at cost	490	-
Advances	684,556	277,073
	685,046	277,073

Details of the associate as at March 31, 2005 are as follows:

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

12 **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. No other post employment benefits are provided.

The disclosures below are based on the independent actuarial valuation as at March 31, 2005.

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

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

	2005 $'000	2004 $'000
Current service cost	19,800	3,600
Interest cost	50,700	43,100
Expected return on assets	(87,100)	(59,793)
Net actuarial gain recognized in income	(2,500)	
Change in unrecognized asset due to limitation in Paragraph 58, IAS 19	-	(49,832)
Total included in staff costs	(19,100)	(62,925)
Actual return on plan assets	180,200	161,093

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

	2005 $'000	2004 $'000
Present value of obligation	(515,800)	(417,000)
Fair value of plan assets	904,600	668,500
Unrecognised actuarial gains	(186,900)	(115,000)
Net asset in balance sheet	201,900	136,500

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

	2005 $'000	2004 $'000
Balance, April 1	136,500	31,975
Amounts credited to income	19,100	62,925
Contributions	46,300	41,600
Balance, March 31	201,900	136,500

(d) Key assumptions used

	2005	2004
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%

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings $'000	Partitions $'000	Artwork $'000	Furniture, Fixtures and Office Equipment $'000	Computer Equipment $'000	Heavy Equipment $'000	Motor Vehicles $'000	Construction in progress $'000	Total $'000
At cost										
April 1	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)
March 31	148,969	581,987	9,040	13,471	247,463	385,337	84,032	30,485	200,308	1,701,092
Depreciation										
April 1	-	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)
March 31	-	88,930	5,402	-	116,764	320,747	68,001	16,719	-	616,563
Net book value										
March 31, 2005	148,969	493,057	3,638	13,471	130,699	64,590	16,031	13,766	200,308	1,084,529
March 31, 2004	98,759	444,590	4,231	10,444	97,090	64,064	30,631	13,752	98,390	861,951

13 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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:

	2005 $'000	2004 $'000
Buildings/Related infrastructure	202,536	202,530
Furniture, fixtures and office equipment	7,091	6,575
Artwork	13,471	10,444
	223,098	219,549

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 $5.703 million (2004: $20.088 million) was charged to various projects included under inventory.

14 ACCOUNTS PAYABLE AND ACCRUALS

	2005 $'000	2004 $'000
Accounts payable	332,387	389,224
Scheme deposits	95,731	260,526
Statutory and other payroll deductions	100,175	22,393
Accruals and other payables	174,897	199,003
	703,190	871,146

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

15 REFUNDABLE CONTRIBUTIONS

(a)

	2005			2004
	Currently Due $'000	Not Yet Due $'000	Total $'000	Total $'000
Contributions refundable	4,086,437	18,365,895	22,452,332	19,934,172
Bonus accrued (Note 15(b))	579,220	2,072,205	2,651,425	1,900,675
	4,665,657	20,438,100	25,103,757	21,834,847
Represented by:				
8% Savings Accounts				
Principal	(753,293)	-	(753,293)	31,237
Interest	38,247	-	38,247	35,339
	(715,046)	-	(715,046)	66,576
3% Time Accounts				
Principal	-	223,094	223,094	535,214
Interest	-	32,100	32,100	83,167
	-	255,194	255,194	618,381
Total for which personal accounts are established	(715,046)	255,194	(459,852)	684,957
Balances for which no personal accounts are established	5,380,703	20,182,906	25,563,609	21,149,890
Total refundable employee contribution	4,665,657	20,438,100	25,103,757	21,834,847

(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.

15 **REFUNDABLE CONTRIBUTIONS (Cont'd)**

(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.

16 **DEFERRED TAXATION**

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

	Accelerated capital allowances $'000	Revaluation of property, plant and equipment $'000	Retirement benefit asset $'000	Unrealized foreign exchange gains $'000	Interest receivable $'000	Other Assets $'000	Total $'000
Charged to income for the year 2003/04 (Note 23)	8,420	-	45,500	21,737	551,169	3,717	630,543
Charged to accumulated fund during the year 2003/04 (Note 17)	-	41,447	-	-	-	-	41,447
Balance, April 1, 2004	8,420	41,447	45,500	21,737	551,169	3,717	671,990
Charged to income for the year (Note 23)	1,615	-	21,800	(7,914)	68,122	1,143	84,766
Credited to accumulated fund during the year (Note 17)	-	(1,011)	-	-	-	-	(1,011)
Balance, March 31, 2005	10,035	40,436	67,300	13,823	619,291	4,860	755,745

17 FAIR VALUE AND OTHER RESERVES

	Unallocated Contributions Reserves $'000	Properties Revaluation Reserves $'000	Investment Revaluation Reserves $'000	Total $'000
Balance, March 31, 2003	723,524	208,208	(14,478)	917,254
Net increase in fair value of available-for-sale investments (Note 8(g))	-	-	18,620	18,620
Realised on disposal/ write-off of available-for-sale investments	-	-	14,478	14,478
Deferred tax arising on revaluation of property, plant and equipment (Note 16)	-	(41,447)	-	(41,447)
Balance, March 31, 2004	723,524	166,761	18,620	908,905
Net increase in fair value of available-for-sale investments (Note 8(g))	-	-	24,345	24,345
Deferred tax arising on revaluation of property, plant and equipment (Note 16)	-	1,011	-	1,011
Balance, March 31, 2005	723,524	167,772	42,965	934,261

18 PERIL RESERVE

Since the 2003-2004 policy year, the Trust increased its policy deductible to US$15 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 24 (b) and 25(b)).

19 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 6).

20 MISCELLANEOUS INCOME

This comprises:

	2005 $'000	2004 $'000
Foreign exchange gains (net)	13,257	81,004
Penalty income	72,964	66,820
Debt management fees	25,429	43,803
Peril and life insurance administrative fees	114,777	151,768
Other	64,410	8,313
	290,837	351,708

21 SPECIAL SUBSIDIES AND GRANTS

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

	2005 $'000	2004 $'000
Special projects		
Relocation 2000	175,598	230,634
Inner City Housing Project	332,874	158,497
Emancipation Park	45,118	51,423
Grants		
Contribution to Office of National Reconstruction (See note below)	400,000	-
	953,590	440,554

Of the total contribution of $400 million in respect of the Office of National Reconstruction provided above, $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.

22 EXCEPTIONAL ITEMS

The balance comprises:

	2005 $'000	2004 $'000
Restructuring expenses (Note 22(a))	48,325	1,215
25th Anniversary celebration expenses	-	1,097
	48,325	2,312

(a) The amount represents redundancy costs resulting from the restructuring of the organisation.

23 TAXATION

As disclosed in Note 1, by way of the Public Enterprises (Removal of Tax Concessions) Act: 2002, dated December 22, 2003, the Trust's operations became subject to income tax.

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

The total charge for the year comprises:

	2005 $'000	2004 $'000
Current tax	839,910	241,800
Deferred tax adjustment (Note 16)	84,766	630,543
	924,676	872,343

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

	2005 $'000	2004 $'000
Surplus before taxation	2,758,108	3,534,342
Tax at current tax rate of 33⅓%	919,369	1,178,114
Tax effect of surplus not taxable based on prior existing regime	-	(762,917)
Tax effect of amounts not deductible in determining taxable surpluses	611,810	446,923
Tax effect of amounts deductible for tax purpose only	(691,272)	(620,364)
Increase in deferred tax liability	84,766	630,543
Rounding	3	44
Taxation expense	924,676	872,343

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 17).

24 **NET SURPLUS**

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

	2005 $'000	2004 $'000
Directors' emoluments:		
Non Executive Directors – fees	1,015	794
Management		
Basic	6,503	6,716
Retroactive payments	-	609
Gratuity in lieu of pension and incentive payments	2,603	2,445
Audit fees - current year	7,975	8,100
- prior year	(150)	-
Depreciation	103,462	69,790
Amortisation/write-off of intangible asset	13,249	86,194
Realised loss on disposal of available-for-sale investment	-	14,478

(b) Operating expenses includes an amount of $265.113 million (2004: $11.755 million), relating primarily to post Hurricane Ivan peril claims (Note 18).

25 **COMMITMENTS AND CONTINGENCIES**

(a) Commitments

	2005 $'000	2004 $'000
Commitments contracted for -		
Financing house construction and acquisition of houses for allocation to beneficiaries	8,615,760	9,696,617
Purchase of land	473,422	-
Inner City Housing Project	2,780,483	-
Loans and/or mortgage financing	1,214,000	-
	13,083,665	9,696,617
Authorised and approved but not contracted for -		
Purchase of land	-	264,997
Loans and/or mortgage financing	-	400,000
Inner City Housing Project	3,901,891	7,500,000
Newtown development project	75,000	-
Education fund contribution	5,000,000	-
Community projects	25,900	-
Computer software development (US$247,500)	-	15,098
Waste water project (US$4,800,000)	292,800	292,800
Car park	-	300,000
Office refurbishing	-	85,660
	9,295,591	8,858,555

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

(b) Contingencies

The Trust has increased the level of its policy deductible on its peril insurance cover to 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 18).

26 **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. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities.

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, 2005:	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
Assets					
Cash and cash equivalents	5,332,826	-	-	-	5,332,826
Interest and other receivables	2,079,495	90,953	-	-	2,170,448
Income tax recoverable	49,933	-	-	-	49,933
Investment securities	8,458,513	7,568,110	1,089,491	240,105	17,356,219
Loans receivable	32,303	548,429	43,545,791	-	44,126,523
Inventories	-	-	-	1,834,251	1,834,251
Other	-	-	-	2,003,270	2,003,270
Total assets	15,953,070	8,207,492	44,635,282	4,077,626	72,873,470
Liabilities and Accumulated Fund					
Accounts payable and accruals	703,190	-	-	-	703,190
Refundable contributions	4,665,657	11,642,756	8,795,344	-	25,103,757
Other liabilities	62	-	-	-	62
Deferred taxation	-	-	-	755,745	755,745
Accumulated fund	-	-	-	46,310,716	46,310,716
Total liabilities and accumulated fund	5,368,909	11,642,756	8,795,344	47,066,461	72,873,470
Net Liquidity Gap	10,584,161	(3,435,264)	35,839,938	(42,988,835)	-
Cumulative Liquidity Gap	10,584,161	7,148,897	42,988,835	-	-

26 **RISK MANAGEMENT (Cont'd)**

(a) Liquidity risk (Cont'd)

As at March 31, 2004:	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
Assets					
Cash and cash equivalents	4,581,139	-	-	-	4,581,139
Interest and other receivables	1,784,662	86,159	-	-	1,870,821
Income tax recoverable	392,434	-	-	-	392,434
Investment securities	5,701,411	5,442,550	2,165,403	72,872	13,382,236
Loans receivable	40,163	205,461	40,437,849	-	40,683,473
Inventories	-	-	-	2,105,594	2,105,594
Other	-	-	-	1,310,298	1,310,298
Total assets	12,499,809	5,734,170	42,603,252	3,488,764	64,325,995
Liabilities and Accumulated Fund					
Accounts payable and accruals	871,146	-	-	-	871,146
Refundable contributions	4,187,519	8,740,014	8,907,314	-	21,834,847
Other liabilities	4,445	-	-	-	4,445
Deferred taxation	-	-	-	671,990	671,990
Accumulated fund	-	-	-	40,943,567	40,943,567
Total liabilities and accumulated fund	5,063,110	8,740,014	8,907,314	41,615,557	64,325,995
Net Liquidity Gap	7,436,699	(3,005,844)	33,695,938	(38,126,793)	-
Cumulative Liquidity Gap	7,436,699	4,430,855	38,126,793	-	-

(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.

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.

...

26 RISK MANAGEMENT (Cont'd)

(b) Interest rate risk (Cont'd)

As at March 31, 2005:

	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non- rate Sensitive $'000	Total $'000
Assets					
Cash and cash equivalents	5,295,063	-	-	37,763	5,332,826
Interest and other receivables	-	-	-	2,170,448	2,170,448
Income tax recoverable	-	-	-	49,933	49,933
Investment securities	11,258,721	4,680,102	1,262,572	154,824	17,356,219
Loans receivable	32,303	548,429	43,545,791	-	44,126,523
Inventories	-	-	-	1,834,251	1,834,251
Other				2,003,270	2,003,270
Total assets	16,586,087	5,228,531	44,808,363	6,250,489	72,873,470
Liabilities and accumulated fund					
Accounts payable and accruals				703,190	703,190
Refundable contributions	4,665,657	11,642,756	8,795,344	-	25,103,757
Other liabilities	-	-	-	62	62
Deferred taxation	-	-	-	755,745	755,745
Accumulated fund	-	-	-	46,310,716	46,310,716
Total liabilities and accumulated fund	4,665,657	11,642,756	8,795,344	47,769,713	72,873,470
Net Interest Rate Sensitivity Gap	11,920,430	(6,414,225)	36,013,019	(41,519,224)	-
Cumulative Gap	11,920,430	5,506,205	41,519,224	-	-

26 **RISK MANAGEMENT (Cont'd)**

(b) Interest rate risk (Cont'd)

As at March 31, 2004:

	Within 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non- rate Sensitive $'000	Total $'000
Assets					
Cash and cash equivalents	4,548,770	-	-	32,369	4,581,139
Interest and other receivables	-	-	-	1,870,821	1,870,821
Income tax recoverable	-	-	-	392,434	392,434
Investment securities	8,501,378	3,642,583	1,238,275	-	13,382,236
Loans receivable	40,163	205,461	40,437,849	-	40,683,473
Inventories	-	-	-	2,105,594	2,105,594
Other	-	-	-	1,310,298	1,310,298
Total assets	13,090,311	3,848,044	41,676,124	5,711,516	64,325,995
Liabilities and accumulated fund					
Accounts payable and accruals	-	-	-	871,146	871,146
Refundable contributions	4,187,519	8,740,014	8,907,314	-	21,834,847
Other liabilities	-	-	-	4,445	4,445
Deferred taxation	-	-	-	671,990	671,990
Accumulated fund	-	-	-	40,943,567	40,943,567
Total liabilities and accumulated fund	4,187,519	8,740,014	8,907,314	42,491,148	64,325,995
Net Interest Rate Sensitivity Gap	8,902,792	(4,891,970)	32,768,810	(36,779,632)	-
Cumulative Gap	8,902,792	4,010,822	36,779,632	-	-

26 **RISK MANAGEMENT (Cont'd)**

(b) Interest rate risk (Cont'd)

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

	2005 TERM TO MATURITY			
	Within 12 months %	1 to 5 Years %	Over 5 years %	Average %
Assets				
Cash and cash equivalents	13.0	-	-	13.0
Investment securities	15.8	17.2	5.1	15.4
Loans receivable	7.4	7.4	7.4	7.4
Liabilities and accumulated fund				
Refundable contributions	8.0	3.0	3.0	3.4

	2004 TERM TO MATURITY			
	Within 12 months %	1 to 5 Years %	Over 5 years %	Average %
Assets				
Cash and cash equivalents	14.5	-	-	14.5
Investment securities	17.0	17.0	14.5	16.6
Loans receivable	7.4	7.4	7.4	7.4
Liabilities and accumulated fund				
Refundable contributions	8.0	3.0	3.0	3.9

26 **RISK MANAGEMENT (Cont'd)**

(c) Credit risk

Credit risk is the risk of loss from default by an obligator. The risk is managed primarily by reviews of the financial status of each obligator.

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.

The Trust 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, and the Trust makes provisions to safeguard itself against credit losses. The Trust's experience of credit loss has been low. (See Notes 6 and 7).

(d) Foreign currency risk

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:

2005 US$'000	2004 US$'000
13,286	15,308

26 **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 has no significant exposure to market risk and the risk is limited to its equity securities valued at approximately $155 million at year end.

(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.

27 **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.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value (Cont'd)

These conditions will 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 27 (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.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value (Cont'd)

(iv) The fair values of the following differed from their carrying values:

	2005		2004	
	Fair Value $'000	Carrying Value $'000	Fair Value $'000	Carrying Value $'000
Held to maturity investments	18,749,133	16,930,123	13,411,949	13,135,261

28 OTHER DISCLOSURES – EMPLOYEES' COSTS

	2005	2004
(a) Number of persons employed by the Trust as at year end:		
Permanent staff	582	580
Temporary staff	301	256
	883	836
	$'000	$'000
(b) Staff costs incurred during the year in respect of these employees were:		
Salaries and wages including statutory contributions	939,502	923,566
Pension costs and other staff costs	153,417	136,194
	1,092,919	1,059,760

EXECUTIVE COMPENSATION

The Basic Salary for 51 executives for 12 months ending 31 March 2005 are as follows:

		2005 $'000	2004 $'000	
Managing Director (1)		6,354	6,354	(see notes 1 & 2)
Senior General Managers (2)	From	4,000		(see notes 2 & 4)
	To	4,200		
General Managers (5)	From	2,870		(see notes 3 & 4)
	To	3,301		
Assistant General Managers & Managers (43)	From	1,800	1,680	(see notes 3 & 5)
	To	2,814	2,318	

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 does not include motor vehicle allowances.

4. These positions came into being on April 1, 2004 hence there are no comparisons available for the year 2003/4.

5. The movement in salary between 2004 and 2005 is the result of the reclassification exercise which was approved by the Ministry of Finance in 2003/4 but implemented in 2004/5, and not made retroactive.

BRANCH NETWORK

SENIORGENERAL MANAGERS

Vincent George
Corporate Services

Hugh Reid
Finance & Operations

GENERAL MANAGERS

Judith Larmond-Henry
General Legal Counsel & Company Secretary

Martin Miller
Finance & Accounting

Donald Moore
Construction & Development

Benedict Ranger
Chief Information Officer

Jeneita Townsend
Human Resources Management

Lanie Oakley-Williams
Operations

ASSISTANT GENERAL MANAGERS

Maurice Anderson
Director, Inner City Housing Project

Sharon Bucknor-Lynch
Kingston & St. Andrew Branch

Quinton Masters
Project Appraisal & Management

Kalean Mills
Legal Conveyancing

Ray Nixon
Financial Control

Hortense Rose
Corporate Communication

Lorna Walker
Chief Internal Auditor

Morais Wallen
Corporate & Business Strategy

Michael Taylor
Project Management

MANAGERS

Lorna Bernard
Westmoreland Branch Office

George Brooks
Compliance

Andrew Burke
Information Systems Security

Erica Burrell
Management Support

Keith Clarke
Interim Financed Projects

Delores Facey-Johnson
Information Technology Projects

Novelette Forbes
St. James Regional Office

Raymour Francis
Budget

Ransford Hamilton
Property Management

Cheryl Harris-Walder
Business Analysis

Janet Hartley
St. Catherine Branch Office

Gladstone Johnson
Branch Operation

Allison Levy-Farquharson
Customer Care

Neil Miller
Planning & Research

Harold Minott
Personnel & Industrial Relations

Leighton Palmer
Technical Support

Heather Pinnock
Project Management
Inner City Housing Project

Paul Reid
St. Ann Regional Office

Ava-Ann Scott
Client Services

Joyce Simms- Wilson
Manchester Regional Office

Philbert Solomon
Investment

Audley Stewart
Loan Administration

Imani Tafari-Ama
Social Development
Inner City Housing Project

Errol Thompson
General Accounts

Judith Thompson
Clarendon Branch Office

Elton Vassell
Contributor Accounts

Winston Weir
Internal Audit

Wendy-Jo Williams
Social Development

Kareen Willie-Daley
Application Development (Acting)

Suzanne Wynter-Burke
Risk Management

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