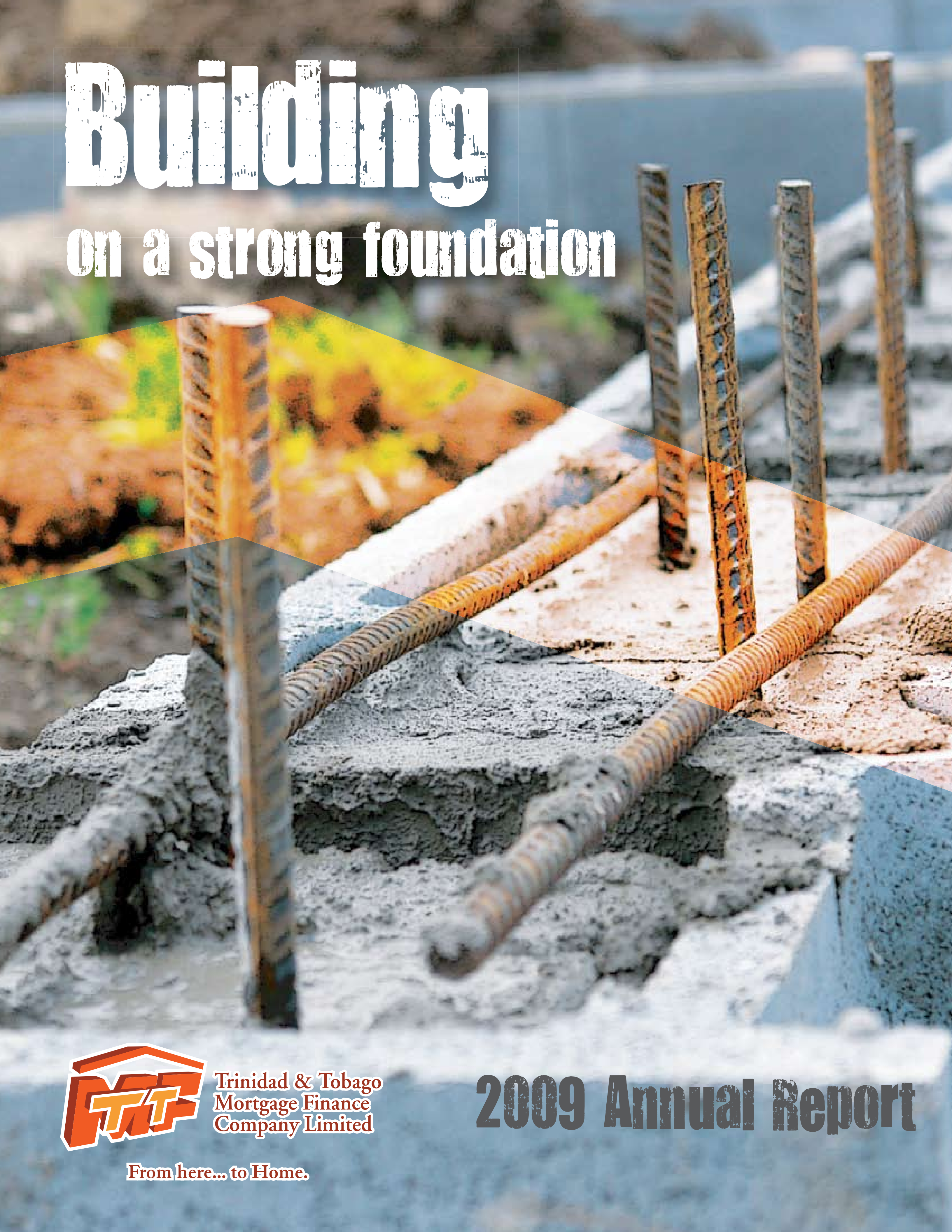
Building

on a strong foundation



Trinidad & Tobago
Mortgage Finance
Company Limited

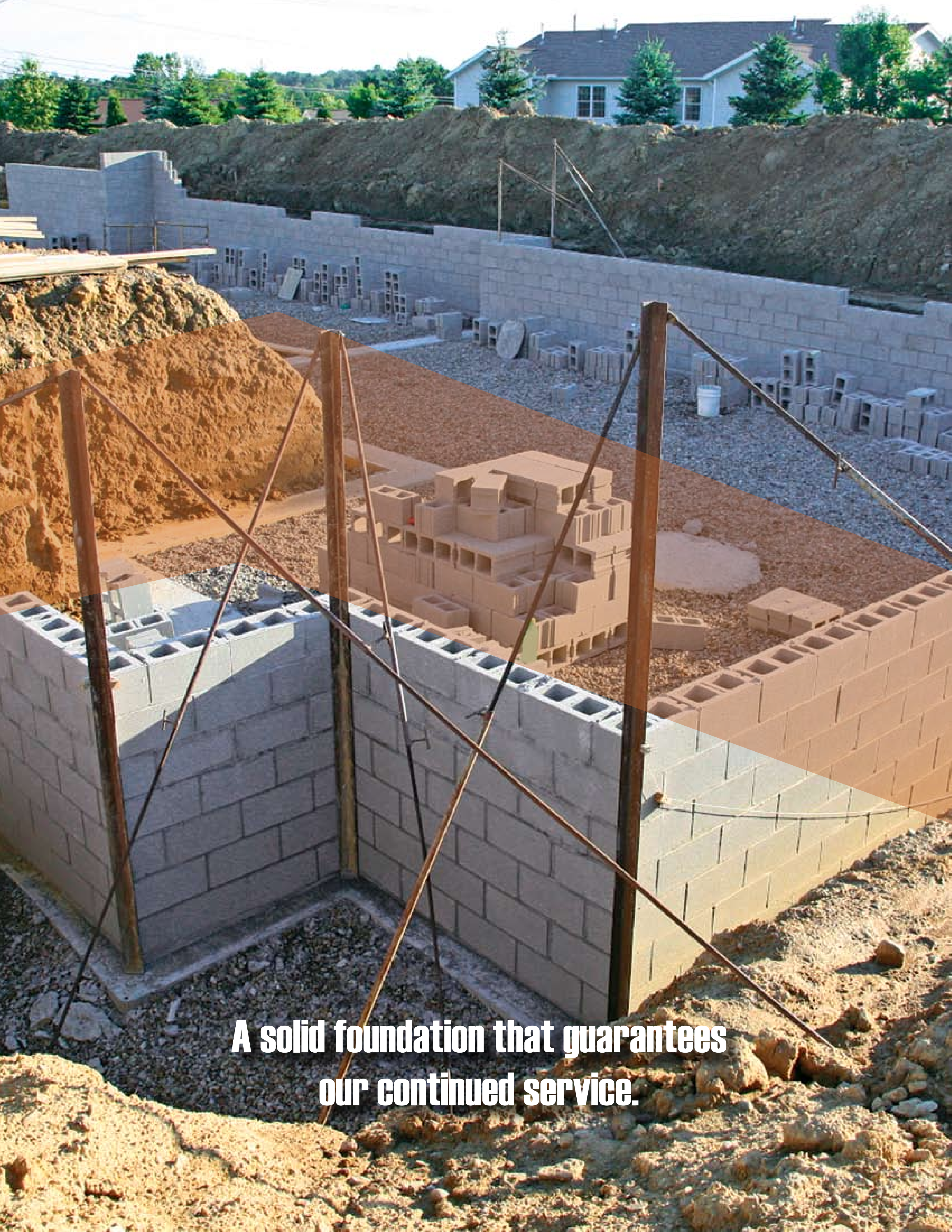
From here... to Home.

2009 Annual Report

Trinidad & Tobago
Mortgage Finance
Company Limited

From here... to Home.

2009 Annual Report



A solid foundation that guarantees
our continued service.

Our Vision

We are the lender of first choice for residential mortgages in Trinidad and Tobago.

We are passionate and proud about what we do, with a reputation for exceptional, friendly and professional service.

We focus on fulfilling our potential with the most skilled and knowledgeable team in the industry.

Our Mission

In partnering, we make home ownership an easy and rewarding experience.

Our Core Values

- Results oriented.
- Customer focused.
- Integrity.
- Teamwork.
- Empowerment.

Corporate Information

BOARD OF DIRECTORS

Deputy Chairman
E. Henry Sealy

Managing Director/Chief Executive Officer
Ingrid L-A. Lashley

Directors
Michael Annisette
Ruben Mc Sween
Esther Rajpaul
Eunice Walton

Chief Operating Officer/Secretary
Robert Green

CORPORATE OFFICE

Head Office and Main Customer Service Centre
Albion Court
61 Dundonald Street
P.O. Box 1096
Port of Spain
Trinidad W.I.
Tel: (868) 623-TTMF or 625-TTMF (8863)
Fax: (868) 624-3262
E-mail: info@ttmf-mortgages.com
Website: www.ttmf-mortgages.com

BRANCHES

Arima
#32 Sanchez Street
Arima
Trinidad W.I.
Tel: (868) 667-2TMF (2863)
Fax: (868) 667-0732

Chaguanas
9 Southern Main Road
Chaguanas
Trinidad W.I.
Tel: (868) 672-5246
Fax: (868) 671-6648

San Fernando
Cor. Mucurapo and Coffee Streets
San Fernando
Trinidad W.I.
Tel: (868) 652-1151
Fax: (868) 652-6543

Tobago
Shell 6, Level 2, Block B, NIB Mall
Scarborough
Tobago W.I.
Tel: (868) 639-1540
Fax: (868) 639-2366

BANKERS

Republic Bank Limited
9-17 Park Street
Port of Spain
Trinidad W.I.

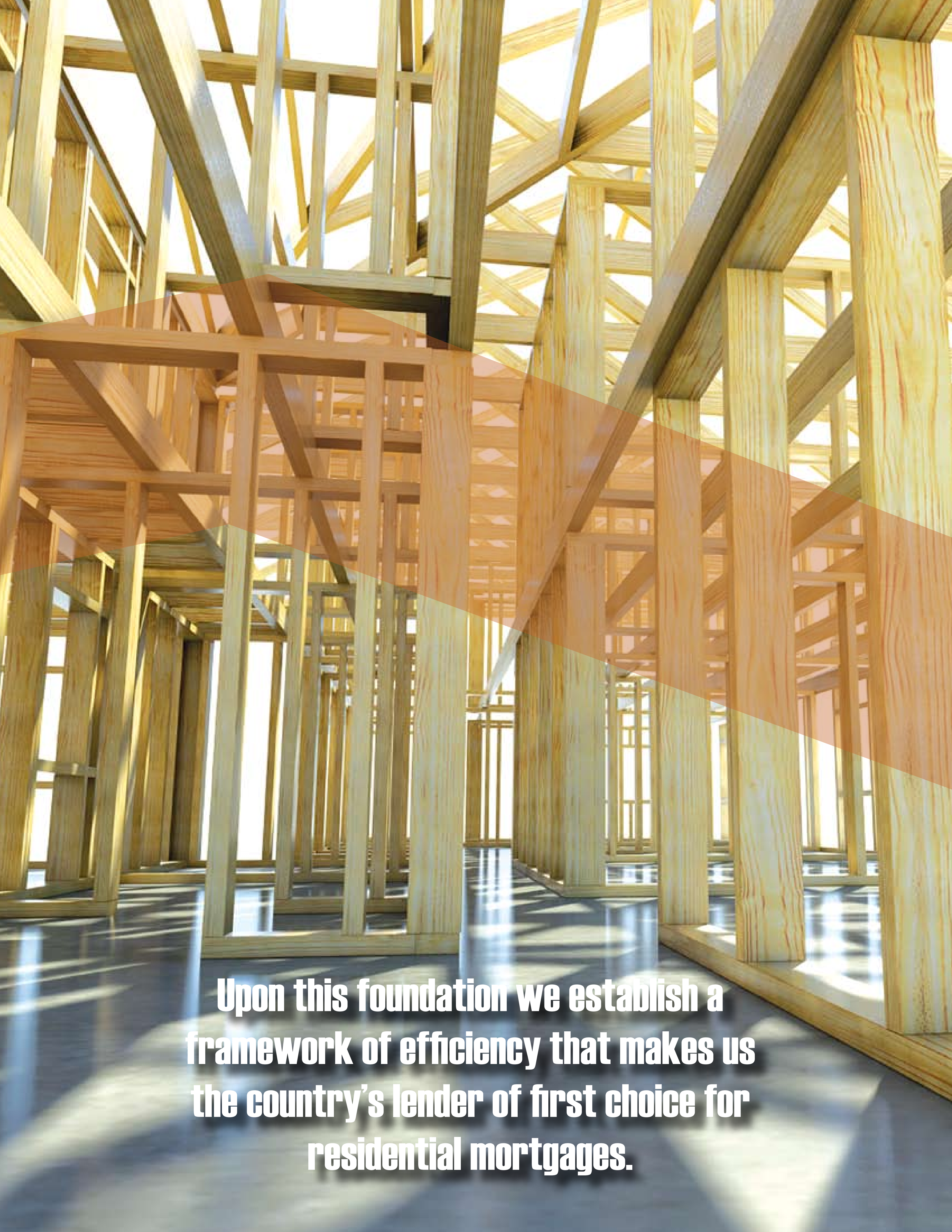
CORPORATE ATTORNEYS

M.G. Daly & Partners
115a Abercromby Street
Port of Spain
Trinidad W.I.

Ashmead Ali & Company
#36 Edward Street
Port of Spain
Trinidad W.I.

AUDITORS

Ernst & Young
5-7 Sweet Briar Road
St. Clair
Port of Spain
Trinidad W.I.


Upon this foundation we establish a
framework of efficiency that makes us
the country's lender of first choice for
residential mortgages.

Contents

Deputy Chairman's Report

E. Henry Sealy
Deputy Chairman

Trinidad and Tobago Mortgage Finance Company Limited (TTMF) has redefined its position in the mortgage market in Trinidad and Tobago. We successfully executed our mandate to provide affordable financing in a period of higher mortgage rates, we solidified our strategy to expand our business outside of our traditional products thus becoming more competitive, and we took steps to improve and enhance operational efficiencies and effectiveness. The result was that net profit before tax for fiscal 2009 increased year over year by $5.3 million or 14%. The mortgage portfolio grew by 1,541 loans for a total value of $535.3 million and now consists of 14,833 mortgages for a total value of $2.6 billion. Total assets grew by 22.6% from $2.7 billion in 2008 to $3.3 billion in 2009.

The Economy

After three Quarters of decline, global economies had shown signs of recovery at the end of 2009. Weak credit growth, historically high unemployment rates and high public debt have however continued to hinder the economic expansion of Trinidad and Tobago's main trading partners. Oil production continued its decline while output of gas and petrochemicals grew slightly as a result of increase in global demand and prices in the latter part of the year. Activity in the non-energy sector also declined, the most significant of which occurred in the manufacturing and agriculture sectors. As a result, the Central Bank reported that Trinidad and Tobago's economy declined by 3% in 2009. Unemployment rose from 4.6% in 2008 to 5.7% in 2009, with layoffs taking place in the manufacturing, construction, agriculture and petroleum sectors. Average inflation for the year was 7.2% compared with 12.0% the previous year, a sobering level given the reported 15+% increases reported month to month in 2008.

In support of the domestic economy the Central Bank reduced its 'repo' rate from 8.75% in January 2009 to 5.25% in December. Against the background of high liquidity, commercial banks responded by reducing the prime lending rate from 13% in January 2009 to 10.75% in December of the same year. Credit expansion was limited however, due to the softening economy. The Central Bank reported that consumer lending declined by 3.4% and business lending by 2.5%. Foreign reserves fell from US$9.4 billion in 2008 to US$8.6 billion in 2009 while the TT dollar depreciated by 1.5% over the year to TT$6.35 to US$1.00.

The Housing Market

The Central Bank reported that property prices declined by 10.1% in the first six months of 2009 following a decline of 11.8% in 2008. Buoyed by the supply of units from the Government's housing programme, property prices in the lower income segment remained flat. As a result, the demand for real estate mortgage financing continued to expand in 2009 by 7.95%, down from 17.1% in 2008. The increase in the upper limit for properties qualifying under the Approved Mortgage Company programme (from $450K to $850K), should result in an increase in the supply of properties in this price range by housing developers.

The Trinidad and Tobago Housing Development Corporation continued its construction drive in 2009. Work continued on the regularization of title and the conversion of properties occupied under licenses, to ownership via mortgage financing. Priority was also given to the streamlining of procedures with respect to the completion of the mortgages, title transfer as well as the rationalization of the allocation process. We have deployed additional resources to ensure that we meet the anticipated demand as we seek to fulfil our role as preferred mortgage provider under the Government's Housing Programme.

In support of the Division of Settlements and Labour of the Tobago House of Assembly, we are pleased to report that we have completed the financing of most of the Roxborough Housing Development and stand ready to assist the Division with the financing of the Blenheim, Castara and Plymouth developments within the next few months.

Outlook for 2010

Current indications are that our economy is poised for a small recovery in 2010 with growth rates predicted at 2% by the Central Bank. Economic activity is likely to be sustained by the continuation of public infrastructural projects, strengthening in energy prices and modest increases in petrochemical output. Our expectation is that mortgage demand will increase this year and we will continue to refine our systems to improve our level of efficiency and effectiveness. We will continue to build on our reputation for quality service while giving customers the flexibility required to manage their interest costs over the term of their mortgage. Our distribution network has been bolstered to accommodate the volumes anticipated from the Government's housing programme and we will continue to offer the variation of product for which we are now reputed.

TTMF has embarked on a new strategic initiative that will build on the strides made over the last few years and consolidate the resources available to us in pursuit of making home ownership "an easy and rewarding experience". The Board of Directors acknowledges the performance of the TTMF team in their contribution to the continued growth of the Company as the lender of first choice for residential mortgages in Trinidad and Tobago.

Conclusion

We are encouraged by our performance for 2009 and with cautious optimism we feel that we are well positioned to build on our "reputation for exceptional, friendly and professional service" and deliver superior results in 2010.

I would like to thank my fellow Directors, the Managing Director/CEO, our management and staff for their tremendous support and I congratulate them on their performance for 2009. I look forward to another successful year in 2010.

E. Henry Sealy
Deputy Chairman

E. Henry Sealy
Deputy Chairman

Ingrid L-A. Lashley
Managing Director/Chief Executive Officer

Board Of Directors

Michael Annisette
Director

Ruben Mc Sween
Director

Esther Rajpaul
Director

Eunice Walton
Director

Managing Director/Chief Executive Officer's Report

Ingrid L-A. Lashley
Managing Director/Chief Executive Officer

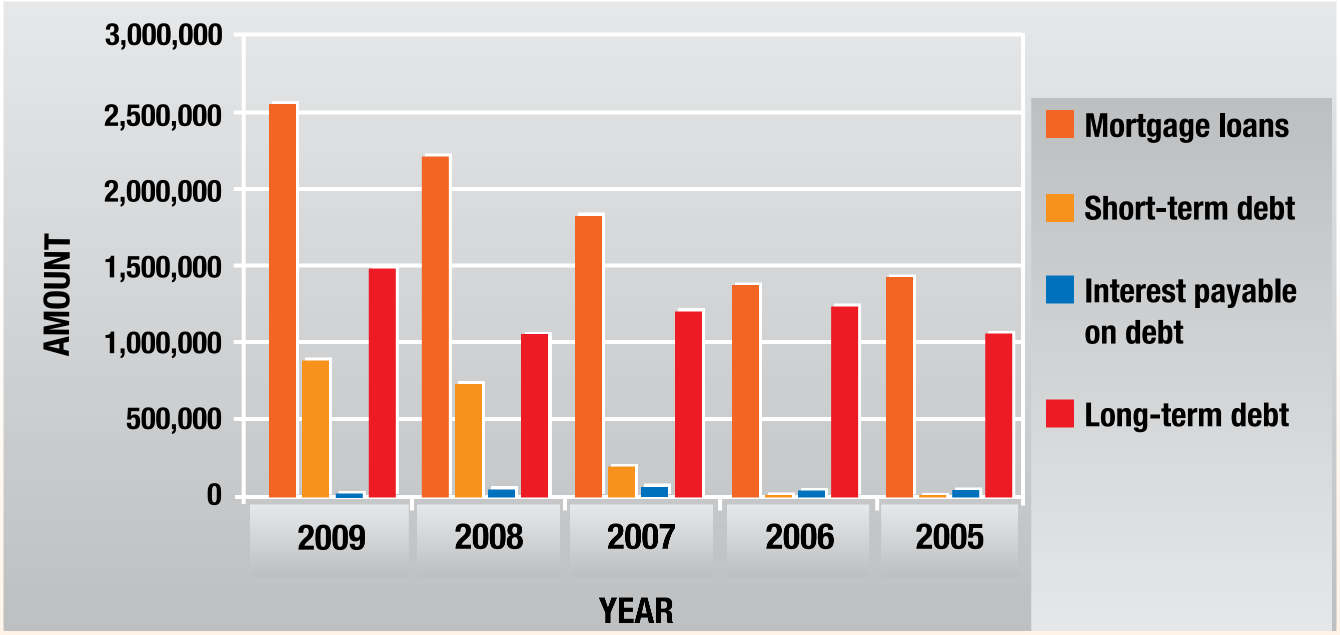
2009 marked the successful culmination of a three year strategic plan that brought Trinidad and Tobago Mortgage Finance Company Limited (TTMF) closer to realizing its vision of becoming the lender of first choice for mortgages in Trinidad and Tobago. Against the background of increasing mortgage rates in the market, increased cost of borrowing and lower demand for mortgages, the strategies undertaken by the Company over the last three years have paid dividends placing us on the road to sustainable growth.

Financial Review

Profit for 2009 surpassed that of the previous year, setting a new milestone; a commendable performance especially in view of the downturn experienced last year. Profit before tax increased by 14.1% from $37.2 million in 2008 to $42.5 million in 2009. Profit after tax fell by 0.4% from $48.1 million in 2008 to $47.9 million in 2009, as a result of a reduction in the deferred tax asset applied.

Our profitability was enhanced by the implementation of a new account management system which contributed to a significant reduction in the loan loss provision. Interest cost was contained through short term financing at competitive rates from our parent company and the issuance of a $500M bond secured by our mortgage portfolio. The long term solution to our borrowing costs that will provide a competitive interest rate spread includes the rationalization and consolidation of the mortgage operations of our parent company to facilitate sustainable funding including securitized asset financing. Increase in non-interest revenues is also envisioned from the administration of mortgage portfolios on behalf of third parties.

MORTGAGE LOANS INCREASE vs LIABILITIES



Total assets grew by 22.6% from $2.7 billion in 2008 to $3.3 billion in 2009, an increase of $603 million. Growth was partially funded by an increase in liabilities of $569.8M or 26.8% year over year.

Mortgage Underwriting

Our strategy to expand the mortgage portfolio by focusing on non-traditional products resulted in the granting of more than fifteen hundred (1,500) new loans in 2009, for a total value of $533.3 million. The total portfolio now stands at 14,833 mortgages totalling $2.6 billion. Seventy percent (70%) of our new business comprised open market mortgages, that is, a mix of acquisition, construction and equity loans. We continued to fulfil our mandate as lender of choice for the Government's housing programme by providing 696 mortgages amounting to $145.4 million under the programme. Under our Approved Mortgage Company (AMC) portfolio, 81 loans were granted valued at $16.3 million. In the 2009 – 2010 budget presentation, the Minister of Finance announced the increase in the upper limit for properties value under the AMC programme from $450K to $850K. We anticipate that a larger number of properties will come under this regime in 2010, improving our prospects for originating loans in this classification.

Increases in the repo rate by the Central Bank in 2008 resulted in an increase in interest rates generally. Mortgage rates rose to as high as 10.5% in 2008 and continued at that level for most of 2009. Notwithstanding, TTMF maintained a maximum rate of 8% in keeping with the Government's mandate to keep home financing at an affordable level to prospective homeowners.

Funding

As forecasted in 2008, the sourcing of competitively priced funding that would allow for positive interest spreads proved to be a challenge in 2009. However, reductions in the Central Bank's policy rate from 8.75% in January of 2009 to 5.25% in December 2009 allowed the issuance of a bond issue of $500M in two tranches at 7.0% for thirteen (13) years and 6.0% for five (5) years reducing the average effective interest rate on long-term debt to 5.835% compared to 6.51% in 2008. Our long term funding strategy has been set out in our strategic plan 2009 to 2012 and will involve cooperation from our shareholders, the National Insurance Board, the Corporation Sole and the introduction of long term investment instruments for sale locally.

TTMF will continue to redefine its position in the market as lender of first choice for residential mortgages in Trinidad and Tobago and stands prepared to capitalize on whatever opportunities that will emerge in 2010 and beyond.

Platform for growth

Operational efficiencies were enhanced with the introduction of a new ***i-series*** system to support our technology platform. Mandatory training on the use and processes associated with the system and its ancillary features were effected at all levels of the organization. Features of the system that facilitate the management of timely delivery of services were introduced and steps have been taken to fine-tune processes for greater efficiency. Ongoing training at the supervisory and customer service levels continued throughout the year.

Over the past year we have concentrated steadily on developing and nurturing our human resource asset. We remain encouraged by the cooperation of the representative Union, the Banking Insurance and General Workers' Union (BIGWU), and in the successful conclusion of the Collective Bargaining Agreement and the impending conclusion of the Job Evaluation exercise. This we view as precisely the sort of "partnership" that will be required if we are to responsibly and successfully deliver upon our goals of affordable home ownership.

Conclusion

Global economies showed signs of recovery by the end of 2009 and the Central Bank has forecast growth of 2% for 2010. Notwithstanding, cautious optimism exists amongst homeowners and investors. TTMF will continue to redefine its position in the market as lender of first choice for residential mortgages in Trinidad and Tobago and stands prepared to capitalize on whatever opportunities that will emerge in 2010 and beyond.

I wish to extend deep appreciation and thanks to my fellow directors for their insight, guidance and valuable input, and to my Executive team for their vision, energy and commitment. Deserving special mention is our members of staff for their outstanding performance during the year and our customers for their continued loyal support, co-operation and contribution to the growth of the Company.

Ingrid L-A. Lashley
Managing Director/Chief Executive Officer

NOTES

Robert C. Green
Chief Operating Officer/Secretary

Marsha Rae Leben
Manager, Marketing and Public Relations

Myrtle Harris
Manager, Branch Operations

Miguel Awai
Manager, Mortgage Administration

Wendy Huggins
Manager, Mortgage Origination

Management Team

Cherrie Caracciolo
Manager, Human Resources

Sharon Cools-Lartigue
Manager, Administration

Brent Mc Fee
Manager, Finance

Waheeda Ali
Manager, Internal Audit

Philip G. Joseph
Manager, Information Technology

Social Investment Report

Facilitating home ownership is our business. In essence, our business is a combination of social and economic responsibility and financial services to families of Trinidad and Tobago. In view of this we continue our participation in community initiatives with particular focus on the areas of sports and culture, social welfare and the environment.

Culture

In 2009 The Signal Hill Alumni Choir (SHAC) celebrated its 25th anniversary, which was marked by its signature performance - Jubilee! The Concert. We took pride in our status as platinum sponsor of this event. The Alumni Choir performed to sold-out audiences across the country from Naparima Bowl in the South to Queens Hall in the North, and to the choir's Alma Mater - The Signal Hill Comprehensive School in Tobago.

The core group of the Signal Hill Alumni Choir consists of 30 dedicated amateur singers, a pianist, and several percussionists performing a repertoire of African-Caribbean folk songs, jazz, gospel, and calypso. Internationally recognized and acclaimed, they continue to produce quality performances and recordings that will surely find a place in the rich cultural legacy of Trinidad and Tobago, a legacy which we are proud to support.

Community

As in the past we have continued to partner with local charitable organizations including Habitat for Humanity and Rainbow Rescue.

Habitat for Humanity aims to eradicate homelessness in Trinidad & Tobago. It assists those citizens who are most vulnerable in our society through building simple and affordable housing units and assisting in the repair and completion of properties for qualifying families. We partner in contribution and core business – making home ownership an easy and rewarding experience. Thus, we supported their fund raising venture - Habitat for Humanity Golf Tournament – Hammer it Home, which was held in February 2009. Proceeds were made available to the Habitat's growing portfolio of housing projects.

Rainbow Rescue, a home of hope for socially displaced boys, is committed to child protection and development. We are pleased to continue to support their fund-raising ventures and other activities.

Environment

Issues of the environment and the effects of global warming now dominate the international agenda. It is well accepted that environmental degradation holds profoundly negative implications for human existence and particularly so for small islands. As Trinidad and Tobago hosted the Commonwealth Heads of Government Conference (CHOGM), and with climate change and global warming being one of the items on the agenda, we contributed in lending our support to building the awareness of delegates in matters related to recycling and 'going green'.

We remain faithful to our corporate pledge of making homeownership an easy and rewarding experience and, at the same time, taking every opportunity to play our part in enriching the lives of our citizens through community support in Trinidad and Tobago.

NOTES

NOTES

Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

We have audited the accompanying consolidated financial statements of Trinidad and Tobago Mortgage Finance Company Limited which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
TRINIDAD:
25th March, 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2009	2008
ASSETS			
Cash and cash equivalents	4	262,649	4,202
Debtors and prepayments	5	15,146	15,556
Investment securities - held to maturity	6	250,464	248,692
Mortgage loans	7	2,577,626	2,242,919
Property and equipment	8	32,270	33,918
Pension asset	9	2,151	1,057
Deferred tax asset	10	135,466	126,582
TOTAL ASSETS		3,275,772	2,672,926
LIABILITIES AND EQUITY			
LIABILITIES			
Bank overdraft		162	684
Prepayments by mortgagors		23,955	17,612
Amount due under IDB loan program	11	15,587	3,998
Sundry creditors and accruals	12	49,154	91,422
Short-term debt	13	883,763	732,167
Interest payable on debt		15,528	41,176
Long-term debt	14	1,521,770	1,042,723
Subsidy 2% mortgage programme	16	183,721	194,725
Deferred tax liability		931	264
TOTAL LIABILITIES		2,694,571	2,124,771

The accompanying notes form integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
Continued

	Notes	2009	2008
EQUITY			
Share capital	18	12,408	12,408
Retained earnings		568,793	535,747
TOTAL EQUITY		581,201	548,155
TOTAL EQUITY AND LIABILITIES		3,275,772	2,672,926

The accompanying notes form integral part of these financial statements.

On 25th March, 2010, the Board of Directors of Trinidad and Tobago Mortgage Finance Company Limited authorised these financial statements for issue.

: Director

: Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2009	2008
Income			
Mortgage interest		178,003	149,302
Interest expense (net)	15	(130,408)	(100,797)
Net interest income		47,595	48,505
Investment income	19	21,318	23,986
Rental income		258	812
Other income	20	8,339	7,164
		77,510	80,467
Expenses			
Administration	21	(34,238)	(36,189)
Building		(3,807)	(3,675)
Loan loss expenses	7 b	2,997	(3,398)
		(35,048)	(43,262)
Profit before tax		42,462	37,205
Taxation	23	5,466	10,912
Profit after tax		47,928	48,117

The accompanying notes form integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2008

(Expressed in Thousands of Trinidad and Tobago dollars)

	Share capital	Retained earnings	Total
Balance as at 31 December 2007	12,408	504,422	516,830
Dividend 2007	-	(16,792)	(16,792)
Net income for the year	-	48,117	48,117
Balance at 31 December 2008	12,408	535,747	548,155
Balance as at 31 December 2008	12,408	535,747	548,155
Dividend 2008	-	(14,882)	(14,882)
Net income for the year	-	47,928	47,928
Balance at 31 December 2009	12,408	568,793	581,201

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)

	2009	2008
Cash flows from operating activities		
Profit before tax	42,462	37,205
Adjustments for		
Depreciation	3,770	3,736
Loss on sale of fixed assets	48	1
Interest capitalised	(1,772)	(2,919)
Amortised subsidy 2% mortgage programme	(11,004)	(4,419)
Increase in pension asset	(1,094)	(958)
Surplus before working capital changes	32,410	32,646
Decrease in debtors and prepayments	410	5,468
Increase in mortgages	(334,707)	(406,204)
Increase in prepayment by mortgagors	6,343	1,342
Increase in amount due under IDB loan program	11,589	2,427
(Decrease)/increase in sundry creditors and accruals	(42,268)	18,516
Decrease in interest payable on debt	(25,648)	(14,752)
Taxes paid	(2,751)	(347)
Net cash outflow from operating activities	(354,622)	(360,904)
Cash flows from financing activities		
Proceeds from debt	751,596	542,835
Repayments on debt	(120,953)	(143,585)
Dividends paid	(14,882)	(31,656)
Net cash inflow from financing activities	615,761	367,594
Cash		
Purchase of fixed assets	(2,259)	(2,439)
Proceeds from sale of fixed assets	89	47
Net cash outflow from investing activities	(2,170)	(2,392)
Net cash inflow for the year	258,969	4,298
Cash and cash equivalents at the beginning of year	3,518	(780)
Cash and cash equivalents at the end of year	262,487	3,518

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	2009	2008
Represented by:		
Cash at bank	262,649	4,202
Bank overdraft	(162)	(684)
	262,487	3,518
Supplemental information		
Interest received	201,479	177,747
Interest paid	172,228	127,363

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)

1. Incorporation and principal activity

Trinidad and Tobago Mortgage Finance Company Limited (TTMF), the parent company, is incorporated in the Republic of Trinidad and Tobago and provides mortgage financing for the purchase of residential property. The Company is also an "approved mortgage company" under the provisions of the Housing Act, Ch. 33.01. The Company is a subsidiary of The National Insurance Board which is a statutory board under the National Insurance Act.

TTMF has one subsidiary, Trinidad Mortgage Agency Company Limited (TRINMAC). This subsidiary is 100% owned and is incorporated in Trinidad and Tobago under the Companies Act of 1995. Its principal business activity is also mortgage financing. Prior to 2007, all taxable mortgages were booked under TRINMAC.

The registered office of the parent and its subsidiary is located at 61 Dundonald Street, Port of Spain.

2. Significant accounting policies

a) Basis of presentation

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in thousands of Trinidad and Tobago dollars. These financial statements have been prepared on a historical cost basis.

The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

b) Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new and revised IFRSs and IFRIC interpretations as of 1 January 2009:

- IAS 1 (Revised) *Presentation of Financial Statements*
- Amendment to IFRS *7 Financial Instruments: Disclosures*
- Amendment to IAS 23 *Borrowing Costs*

Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Group. It did however give rise to additional disclosures including revisions to certain accounting policies and an overall revision in the presentation format of the financial statements contained and as set out in pages 13 to 16.

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

The principal effects of these changes are as follows:

IAS 1 (Revised) Presentation of Financial Statements

This standard requires all owner changes in equity and all non-owner changes to be presented in either one Statement of Comprehensive Income or in two separate Statements of Income and Comprehensive Income. The previous standard required components of comprehensive income to be presented in the Statement of Changes in Equity. In addition, it requires entities to present a comparative Statement of Financial Position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Group has elected to present comprehensive income in one Statement of Comprehensive Income. The Group has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has made a retrospective restatement or retrospectively reclassified items in the financial statements.

Amendment to IFRS 7 Financial Instruments: Disclosure

The amendment to the standard requires an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy. Furthermore, for those instruments which have significant unobservable inputs (classified as Level 3), the amendment requires disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognised in other comprehensive income, purchases, sales issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions. In addition, disclosure is required of the movements between different levels of the fair value hierarchy and the reason for those movements. Finally, the standard amends the previous liquidity risk disclosures as required under IFRS 7 for non-derivative and derivative financial liabilities.

Entities are required to apply this amendment for annual periods beginning on or after 1 January 2009, with no requirement to provide prior year comparatives on transition.

2. **Significant accounting policies** (continued)

b) **Changes in accounting policy** (continued)

Amendment to IAS 23 Borrowing Costs

IAS 23 (revised) is effective for accounting periods beginning on or after 1 January 2009.

The main change from the previous version is the removal of the option to immediately recognise as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

The amendment to IAS 23 does not have any impact on the financial performance or position of the Group.

Listed below are standards and interpretations that have been issued, but have no significant impact on the Group's financial statements.

IFRS 2 Share-Based Payment (Amendment)

This amendment to IFRS 2 Share-based payments was issued in January 2008 and became effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of 'vesting condition' to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. The Group currently does not have share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications as a result of this amendment.

IAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity (Amendment)*

This amendment to IAS 27 is effective for financial years beginning on or after 1 January 2009. The amendment deletes the definition of the 'cost method' under IAS 27, thereby removing the distinction between pre- and post-acquisition profits in its separate financial statements. The entity therefore can recognise all dividends from a subsidiary, jointly controlled entity or associate, but must consider whether any payment of such dividends provides an indication of impairment. In addition, IAS 27 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary rather than its fair value. This amendment did not have any impact on the financial performance or position of the Group.

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosure (Amendment)*

Amendments to IAS 39 and IFRS 7 were issued in October 2008 in response to the global credit crisis.

The amendments allow entities to reclassify certain financial assets out of held-for-trading if they are no longer held for the purpose of being sold or repurchased in the near term. In addition, financial assets that are not eligible for classification as loans and receivables may be transferred from 'Held-for-trading' to 'Available-for-sale' or to 'Held-to-maturity', only in rare circumstances.

The standard was effective retrospectively from 1 July 2008 until 1 November 2008. Thereafter, retrospective application was not permitted. Similarly, IFRS 7 was amended for disclosure requirements in respect of the assets reclassified, including the amount reclassified into and out of each category and the gains and losses that would have been recognised in Statement of Income or Equity, had they not been reclassified. The Group has not taken advantage of this amendment for the period ending 31 December 2009.

Amendments to IAS 32 *Financial Instruments: Presentation and* IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*

Amendments to IAS 32 and IAS 1 were issued by the IASB in February 2008 and became effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity.

The amendments to IAS 32 and IAS 1 do not have any impact on the financial performance or position of the Group as the Group has not issued such instruments.

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

IFRIC 13 *Customer Loyalty Programmes*

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. It will be effective for financial years beginning on or after 1 July 2008. The amendment had no material impact on the Group's financial statements.

IFRIC 15 *Agreement for the Construction of Real Estate*

The interpretation is to be applied retrospectively and clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have an impact on the Group's financial statements because the Group does not conduct such activities.

Improvements to IFRSs

In May 2008 the IASB issued its first omnibus of amendments to its standards. The amendments primarily deal with a view to remove inconsistencies and clarify wordings. These amendments, unless otherwise stated, are effective for financial years beginning on or after 1 January 2009. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- *IFRS 7 Financial Instruments: Disclosures:* the amendment removed the reference to 'total interest income' as a component of finance costs. This had no impact to the accounting policy and financial position of the Group as this policy was already applied.

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

Improvements to IFRSs (continued)

- *IAS 1 Presentation of Financial Statements:* assets and liabilities classified as 'held-for-trading' in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the Statement of Financial Position. This had no impact on the Group as the Group does not classify its financial assets and liabilities between current and non-current categories.

- *IAS 8 Accounting Policies, Change in Accounting Estimates and Errors:* the amendment clarifies that only implementation guidance that is an integral part of an IFRS is mandatory when selecting an accounting policy. This had no impact on accounting policy and financial position of the Group as it had already been applied.

- *IAS 16 Property, Plant and Equipment:* replaces the term 'net selling price' with 'fair value less costs to sell'. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- *IAS 27 (Amended) Consolidated and Separate Financial Statements:* this amendment requires that any subsidiaries held in accordance with IAS 39 continue to be treated at that value when they meet the definition of held for sale. The change in accounting policy did not impact the Group's financial position, as no subsidiaries meet the criteria under IFRS 5, and the Group does not account for any subsidiaries at fair value on subsequent measurement.

- *IAS 28 Investment in Associates:* if an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has no impact on the Group.

  An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. This amendment had no impact on the Group since the Group does not have any investment in associates.

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

2. **Significant accounting policies** (continued)

   b) **Changes in accounting policy** (continued)

      Improvements to IFRSs (continued)

      - *IAS 38 Intangible Assets:* expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

      - *IAS 10 Events after the Reporting period:* the amendment clarifies that dividends declared after the end of the reporting period are not obligations. This had no impact to accounting policy and financial position of the Group as this was already applied.

      - *IAS 18 Revenue:* the amendment replaces the term 'direct costs' with transaction costs as defined in IAS 39.

      - *IAS 36 Impairment of Assets:* when discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the disclosures of the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using 'value in use'.

      - *IAS 19 Employee Benefits:* revised the definition of 'past service costs', 'return on plan assets' and 'short-term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. The reference to the recognition of contingent liabilities was deleted to ensure consistency with IAS 37. Changes to definitions on return on plan assets, contingent liability and short-term and other long-term benefits are to be applied retrospectively. The change to past service cost definition to be applied prospectively. The amendment had no impact on accounting policy and financial position of the Group.

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

Standards in issue not yet effective

The Group has not applied the following IFRS's and IFRIC Interpretations that have been issued but are not yet effective.

IAS 39 Financial Instruments: Recognition and Measurement was amended (effective from 1 July 2009) regarding hedging portions of risk, and clarifies the principles associated with designating a portion of cash flows or fair values of a financial instrument as a hedged item.

IFRS 3 Business Combinations was amended (effective from 1 July 2009). The amendments were the result of a joint project with the US FASB, and certain fundamental changes and improvements were made to reinforce the existing standard and remedy problems that have emerged with its application.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective from 1 July 2009) provides guidance on how to account for such transactions. It also provides guidance on when to recognise a liability and how to measure it and the associated assets, and when to derecognise the asset and liability and the consequences of doing so.

IFRIC 18 Transfers of Assets from Customers (effective from 1 July 2009) provides guidance on when and how an entity should recognise items of property, plant and equipment received from their customers.

IFRS 9 Financial instruments, this standard will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. Although adoption of this standard is permitted on a phased basis for periods ending on or after 31 December 2009, adoption of this standard becomes mandatory on 1 January 2013. For the year ended 31 December 2009 this standard was not adopted by the Group and as such does not have any impact on the financial performance or position of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

2. Significant accounting policies (continued)

c) Basis of consolidation

Subsidiary undertakings, which are those companies in which the Parent directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operation, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Parent and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated.

d) Financial instruments

The Group's financial assets and liabilities are recognised in the statement of financial position when it becomes party to the contractual obligations of the instrument. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The Group derecognises its financial assets when the rights to receive cash flows from the assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised only when the obligation under the liability is discharged, cancelled or expires. All "regular way" purchases and sales are recognized on the trade date, which is the date that the Group commits to purchase or sell the instrument.

e) Investment securities

The Group classifies its investment securities as held-to-maturity financial assets. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost, less allowance for impairment. Premiums and discounts are amortized over the life of the instrument using the effective interest rate method. The amortization of premiums and discounts is taken to the Consolidated Statement of Comprehensive Income.

2. Significant accounting policies (continued)

f) Mortgage loans

Mortgage loans are financial assets provided directly to a customer. These carry fixed or determinable payments and are not quoted in an active market. Mortgage loans are carried at amortized cost using the effective interest method, less provision for impairment.

g) Impairment of financial assets

Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

Provision for impairment is assessed for all loans where there is objective evidence that the full amount due to the Group would not be repaid. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset original effective interest rate.

When properties are seized by the Group, provisions are also made for the differences between the carrying value of the mortgages and the value of the related properties in the possession of the Group at the balance sheet date. Any change in provisions required is recorded in the Consolidated Statement of Comprehensive Income.

h) Property and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2. Significant accounting policies (continued)

h) Property and equipment (continued)

All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an infinite life. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Office buildings	-	2 to 33_%
Motor vehicles	-	25%
Furniture and equipment	-	12_%
Computer equipment	-	20 to 25%

Property and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts and are taken into the Consolidated Statement of Comprehensive Income.

i) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, bank overdraft, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in value.

j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events from which, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2. Significant accounting policies (continued)

j) Provisions (continued)

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the Statement of Financial Position date.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

k) Employee benefits

Pension obligations

The Group operates a defined benefit plan, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and by the Group, taking account of the recommendations of an independent qualified actuary. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset/liability recognized in the Consolidated Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Under this method, the cost of providing pensions is charged to the Consolidated Statement of Comprehensive Income so as to spread the regular cost over the service lives of the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

2. Significant accounting policies (continued)

k) Employee benefits (continued)

Pension obligations (continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognized immediately in administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

l) Financial liabilities

Financial liabilities are recognized initially at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

m) Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

2. Significant accounting policies (continued)

m) Taxation (continued)

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

n) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling on 31 December 2009. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the Consolidated Statement of Comprehensive Income.

o) Revenue recognition

Mortgage loans

Income from mortgage loans, including origination fees, is recognized on an amortized basis. Interest is accounted for on the accruals basis except where a loan becomes contractually three months in arrears and the interest is suspended and then accounted for on a cash basis until the loan is brought up to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

2. Significant accounting policies (continued)

o) Revenue recognition (continued)

Investment income

Interest income is recognized in the Consolidated Statement of Comprehensive Income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortization of any discount or premium. Investment income also includes dividends.

Rental income under operating leases is recognized in the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease.

Fees and commissions

Unless included in the effective interest calculation, fees are recognized on an accrual basis as the service is provided. Fees and commissions not integral to the effective interest arising from negotiating or participating in the negotiation of a transaction from a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contract.

Other income and expenditure

Other income and expenditure, inclusive of borrowing costs and related government subsidies are brought into account on the accruals basis.

p) Mortgage agency business

The Group manages the disbursement and collection of mortgage loans on behalf of other mortgage companies. The loan portfolios managed under these agreements totaled $535.5 million (2008: $572.3 million) and is not reflected in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

2. Significant accounting policies (continued)

q) Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business are included in the cost of acquisition.

r) Capitalized transaction costs

The costs incurred in the issue of bonds for investment in housing is amortized over the duration of the respective bond issue (see Note 14).

s) Comparative information

Certain changes in presentation have been made in these financial statements. These changes were primarily made to the Consolidated Statement of Financial Position, with the reclassification of assets and liabilities and income and expenses. These changes had no effect on the operating results or the profit after tax of the Group for the previous year.

3. Critical accounting judgments and key sources of estimation uncertainty

Key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

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

Critical accounting judgments

The following are the critical judgments, apart from those involving estimations that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in financial statements.

a) Deferred tax asset

In calculating the provision for deferred taxation, management uses judgment to determine the possibility that future taxable profits will be available to facilitate utilization of taxable losses which have arisen to the Statement of Financial Position date.

b) Impairment of financial assets

Management makes judgments at the end of the reporting period to determine whether financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

c) Net pension asset/liability

In conducting valuation exercises to measure the effect of employees benefit plans throughout the Group, judgment is used and assumptions are made, in determining discount rates, salary increases, National Insurance ceiling increases, pension increases and the rate of return on the assets of the Plan. These are detailed in Note 9 – Pension and other post employment benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	2009	2008
4. Cash and cash equivalents		
Cash in hand	7	7
Cash at bank	262,642	4,195
	262,649	4,202

The average effective interest rate on cash and cash equivalents for the current year is 0.25% (2008: 1%).
The Parent Company has overdraft facilities with Republic Bank Limited secured by a $50 million Government Guaranteed Trinidad and Tobago Housing Development Corporation Fixed Rate Bond.

	2009	2008
5. Debtors and prepayments		
Interest receivable on investments	4,894	5,121
Interest subsidy receivable	2,776	1,741
Mortgage interest receivable	5,978	7,909
IDB service fee	323	348
HDC Administered Portfolio	673	–
Staff debtors	360	389
Sundry debtors	33	17
Other	109	31
	15,146	15,556

	2009	2008
6. Investment securities		
Securities held-to-maturity		
HDC Fixed Rate 8.5% Bond	224,703	224,389
FirstCaribbean International Bank Investment	25,761	24,303
	250,464	248,692

The average effective interest rate on held-to-maturity securities for the current year is 8.40% (2008: 9.25%).

The FirstCaribbean International Bank investment secures the $100 million Bond held with them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

		2009	2008
7.	**Mortgage loans**		
a)	Gross mortgages	2,583,036	2,251,348
	Less: Impairment provision (7b)	(5,410)	(8,429)
	Net balance	2,577,626	2,242,919
b)	Impairment provision:		
	Balance at beginning	8,429	5,031
	Write back for the year	(22)	–
	Provision for year	(2,997)	3,398
	Balance at end	5,410	8,429

The average effective interest rate on the mortgage loan portfolio for the current year is 7.39% (2008: 7.88%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

8. Property and equipment

	Land & buildings	Motor vehicle	Furniture & equipment	Computer equipment	Total 2008	Total 2007
Cost						
At beginning of the period	33,551	1,793	5,581	15,466	56,391	54,254
Additions	1,108	–	583	568	2,259	2,439
Disposals	(1,034)	(297)	(1,778)	(3,882)	(6,991)	(289)
At end of period	33,625	1,496	4,386	12,152	51,659	56,404
Accumulated depreciation						
At beginning of the period	10,865	783	3,043	7,784	22,475	18,991
Current depreciation	654	375	515	2,226	3,770	3,736
Depreciation on disposals	(1,034)	(220)	(1,760)	(3,842)	(6,856)	(241)
At end of period	10,485	938	1,798	6,168	19,389	22,486
Net book value	23,140	558	2,588	5,984	32,270	33,918

Included in land and buildings is a residential property at St. Andrews Terrace, Maraval which is subject to a lease of 199 years from May 1956.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

9. Pension and other post employment benefits	**2009**	**2008**
a) Amounts recognized in the Consolidated Statement of Financial Position:		
Defined benefit obligations	24,140	19,114
Fair value of plan assets	(25,279)	(22,081)
Unrecognised actuarial gains	(1,012)	1,910
Net defined benefits asset	(2,151)	(1,057)
b) Amounts recognized in the Consolidated Statement of Comprehensive Income:		
Current service cost	1,007	861
Interest costs	1,695	1,421
Expected return on plan assets:	(1,952)	(1,706)
Net actuarial gain	-	(60)
Net benefit cost	750	516
c) Actual return on plan assets:		
Expected return on plan assets	1,952	1,706
Experience adjustments on plan assets - Loss	(104)	(142)
Actual return on plan assets	1,848	1,564
d) Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	19,114	16,538
Current service cost	1,007	861
Interest costs	1,695	1,421
Members' contributions	623	502
Actuarial losses	2,819	841
Benefits paid	(1,118)	(1,101)
Adjustment for pensioner contracts	-	–
Data adjustments	-	52
Closing defined benefit obligation	24,140	19,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

9. Pension and other post employment benefits (continued)

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

	2009	2008
Opening fair value of plan assets	22,081	19,643
Expected return	1,952	1,706
Employer contributions	1,844	1,474
Members' contributions	623	502
Actuarial losses	(104)	(142)
Benefits paid	(1,118)	(1,102)
Adjustment for pensioner contracts	-	–
Closing fair value of plan assets	25,278	22,081

d) The major categories of plan assets as a percentage of total plan assets are as follows:

	2009	2008
Deposit administration contracts	70%	70%
Individual annuity contracts	30%	30%
	100%	100%

e) Summary of principal actuarial assumptions

	2009	2008
Discount rate	7.5%	8.75%
Salary increases	6.0%	6.75%
Expected return on plan assets	7.5%	8.58%

h) The Group is expected to contribute $1,931 (2008: $1,596) to its defined benefit plan in 2010.

NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS
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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

10. Deferred tax assets and liabilities

Components of deferred tax asset and liabilities

	2009	2008
(a) Deferred tax assets		
Taxation losses	132,304	123,225
Other	3,162	3,357
	135,466	126,582
(b) Deferred tax liability – Pension asset	931	264

11. Amount due under IDB loan program

The parent Company has been appointed agents by the Government of Trinidad and Tobago to disburse funds to beneficiaries under the IDB Settlements Programme. This balance includes funds received and not yet disbursed and repayments from borrowers received and not yet remitted.

12. Sundry creditors and accruals

	2009	2008
Unearned loan fees	12,647	10,917
Home Mortgage Bank	13,065	51,707
Surplus on sales of properties in possession	627	627
NHA loan retentions	763	763
Provision for staff bonus and unpaid leave	2,866	2,242
Advance – Beneficiary Owned Land Subsidy	2,826	2,826
Mortgage clearing accounts	9,801	17,001
Corporation tax payable	3,584	3,584
Other	2,975	1,755
	49,154	91,422

(Expressed in Thousands of Trinidad and Tobago dollars)

13. Short-term debt

This represents short-term advances by the major shareholder to assist in the granting of mortgages and operational expenses. The average effective interest rate on short-term debt for the current year is 8.89% (2008:8.33%).

The Group is currently evaluating its long-term funding strategy, which includes the analysis of its short-term debt position and the avenues available to the Group such as the conversion of this debt to long-term.

In the interim, the National Insurance Board, the provider of the short-term debt, has granted a moratorium on the principal and interest to 31 December 2009.

14. Long term debt

	2009	2008
Government of Trinidad and Tobago loans		
- 7.00% debentures 1999/2018	20,073	21,630
- 7.50% debentures 1999/2018	9,530	10,250
- 5.00% debentures 1999/2018	52,391	56,900
- 5.00% debentures 2018	127,490	127,490
	209,484	216,270
National Insurance Board loans		
- 5.00% debentures 1999/2018	9,486	10,303
- 5.00% debentures 1999/2018	65,282	70,903
	74,768	81,206

NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
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14. Long term debt

	2009	2008
Bonds		
5.5%/6.5%/7% 2004 Bond Issue	225,000	225,000
6.0% 2005 Bond Issue	201,000	234,500
2.375% 1994 Bond Issue 2019	25,000	25,000
2.25% 1995 Bond Issue 2020	41,290	41,290
9.475/10.45% 1998 Bond 2023	100,000	100,000
10.0% 2000 Bond Issue 2020	110,000	120,000
7%/6% 2009 Bond Issue	500,000	-
8.5% 2009 HMB Loan	35,771	–
	1,238,061	745,790
	1,522,313	1,043,266
Less: unamortized transaction cost	(543)	(543)
	1,521,770	1,042,723

Loans amounting to $74.8 million (2008: $81.2 million) are fully secured by government guarantee, whilst loans amounting to $426 million (2008: $459.5 million) are fully secured by the Group's mortgage assets.

The average effective interest rate on long-term debt for the current year is 5.83% (2008: 6.51%).

15. Interest expense

	2009	2008
Gross interest expense	146,579	111,916
Less Government subsidy:		
Bonds (Note 17)	(6,650)	(7,395)
2% Mortgage Programme (Note 16)	(9,521)	(3,724)
Net interest expense	130,408	100,797

NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
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16. Subsidy 2% mortgage programme

The Government of Trinidad and Tobago developed a Strategic Plan with a view to achieving developed country status by the year 2020 coined 'Vision 2020'. One of its primary objectives is the provision of affordable housing for the citizens of this country under an approved national Housing Policy document entitled **"Showing Trinidad and Tobago a New Way Home"**. The parent company was chosen to partner with the Government in this initiative as the principal mortgage provider to qualifying citizens at subsidized rates of interest through a Government subsidy.

A subsidy of TTD$200M was received from the Government of Trinidad and Tobago in June 2007 to assist with the financing and the provision of affordable housing at subsidized rates of interest to citizens of Trinidad and Tobago. This subsidy also compensates TTMF for the overall administration of this portfolio. The subsidy is being released to income on an amortized basis over the duration of the subsidized mortgages, with the interest element of the subsidy being net off against interest expense and the administration fees being recognized in other income.

	2009	2008
Grant balance b/f	194,725	199,144
Less amounts released:		
Interest expense (Note 15)	(9,521)	(3,724)
Other income (Note 20)	(1,483)	(695)
Balance deferred	183,721	194,725

17. Subsidy – Government $100M & $200M Bond

The subsidy received from the Government of Trinidad and Tobago is calculated on a quarterly basis as the difference between the cost of the bonds, plus an administrative fee, and the effective rate of return on the Group's mortgage loans, over the term of the bonds. This enabled the Group to lend at specified interest mortgage rates under the approved mortgage company programme. This is recognized on the accruals basis and is net off against Interest expense in the Consolidated Statement of Comprehensive Income.

The total subsidy net off against interest expenses during the current year was $6,650 (2008: $7,395). Refer to Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	2009	2008
18. Share capital		
Authorised		
Unlimited number of ordinary shares of no par value		
Issued and fully paid		
2,585,000 shares of no par value	12,408	12,408
19. Investment income		
Amortization of discount on held to maturity investment	315	702
Interest on call deposits and bank account	337	1,355
Interest on investments	20,666	21,929
	21,318	23,986
20. Other income		
Loan fees	1,491	509
IDB income	1,159	1,191
Bad debts recovered & provision written back	–	15
Home Mortgage Bank service and origination fee	3,868	4,543
(Loss) on disposal of fixed assets	(48)	(1)
Subsidy 2% mortgage programme – Administration fees	1,483	695
Other	386	212
	8,339	7,164
21. Administration expenses		
Included therein are the following items:		
Staff costs (Note 22)	20,318	20,288
Depreciation	3,770	3,736
Legal and professional fees	2,505	3,894
Advertising and public relations	1,828	1,890
Bank interest and charges	1,431	1,148
Other	4,386	5,233
	34,238	36,189

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(Expressed in Thousands of Trinidad and Tobago dollars)
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22. Staff costs

	2009	2008
Wages, salaries and other benefits	18,702	18,928
National insurance	867	844
Pension costs – defined benefit plan	749	516
	20,318	20,288

23. Taxation

a) Components of tax income

	2009	2008
Deferred tax	(8,245)	(14,843)
Current tax - current year	2,779	3,931
	(5,466)	(10,912)

b) Reconciliation of accounting to tax profit:

	2009	2008
Accounting profit	42,462	37,205
Tax at applicable statutory rate (25%)	10,616	9,301

Tax effect of items that are adjustable in determining taxable profit:

	2009	2008
Green fund levy/business levy	395	347
Tax exempt income	(21,067)	(22,819)
Other	4,590	2,259
Tax income	(5,466)	(10,912)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

24. Mortgage commitments

At 31 December 2009 the Group had outstanding commitments totaling $358 million (2008: $341 million), to intending mortgagors.

25. Related party transactions

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. A number of transactions are entered into with related parties in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Group.

	2009	2008
Mortgage loans		
Key management personnel (Including Directors)	10,845	8,521
Provisions for amounts due from related parties	–	–
Borrowings and other liabilities		
National Insurance Board		
Short term debt	883,763	732,167
Interest payable on debt	5,820	36,282
Borrowings	500,768	540,705
Interest and other income		
Key management personnel	645	371
Borrowings interest and other expense		
National Insurance Board	104,271	74,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

25. Related party transactions (continued)

Key management compensation

	2009	2008
Short-term benefits	2,333	2,487
Post employment benefits	297	262
Directors' remuneration	398	284

26. Contingent liabilities - litigation

As at 31 December 2009, there were certain legal proceedings outstanding for the Group. This is expected in the normal course of business, with the re-possession of the underlying collateral supporting mortgage loans in arrears. This is taken into consideration in the establishment of individual and collective provisions in the assessment of the impairment of mortgages.

27. Capital management

The Group's objectives when managing capital, which is a broader concept than equity on the face of the Consolidated Statement of Financial Position, are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group defines capital as an appropriate mix of debt and equity. Capital increased by $664 million to $3.0 billion during the year under review.

The Group reviews its capital adequacy annually at the Finance committee and Board Level. The Group maintains healthy capital ratios in order to support its business and to maximize shareholder value.

28. Risk management

The Group's activities are primarily related to the provision of mortgage loans for the purchase of residential properties. The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practice. The most important types of risk that the Group is exposed to are credit risk, liquidity risk, market risk and other operational risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Internal audit

Risk management processes throughout the Group are audited periodically by the internal audit function, which examines both the adequacy of the procedures and the Group's compliance with the procedures. In addition, internal audit is responsible for the independent review of risk management and the control environment. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group either by its unwillingness to perform on an obligation or its ability to perform such an obligation is impaired. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counter-parties and for geographical concentrations, and by monitoring exposures in relation to such limits.

Credit risk is the most important risk that the Group faces; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to mortgage loans, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-Statement of Financial Position financial instruments, such as loan commitments.

Maximum Exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to Statement of Financial Position assets are as follows:

Details	Maximum exposure	
	2009	**2008**
Financial assets		
Mortgage loans	2,583,036	2,251,348
Investment securities (held-to-maturity)	250,464	248,692
Other receivables	10,872	13,030
Cash at bank and cash equivalents	262,649	4,202
Total gross financial assets	3,107,021	2,517,272
Mortgage commitments	358,000	341,000
Total credit risk exposure	3,465,021	2,858,272

The above table represents a worse case scenario of credit risk exposure to the Group at 31 December, without taking account of any collateral held or other credit enhancements attached.

28. **Risk management** (continued)

Credit risk (continued)

Of the Investment securities which the Group holds, $50M was pledged in 2009 as security for overdraft facilities at Republic Bank Limited (see Note 4).

Off-balance sheet items – Mortgage commitments

The dates of the contractual amounts of the Group's off-Statement of Financial Position financial instruments that commit it to extend credit to customers and other facilities are summarised in the table below. These commitments are due within one year of the financial year end.

Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified-in particular, to individual counterparties.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or Groups of borrowers and to geographical segments.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations.

The Group has developed a credit risk strategy that establishes the objectives guiding the organization's credit-granting activities and has adopted the necessary policies and procedures for conducting such activities having determined the acceptable risk/reward trade-off for its activities, factoring in the cost of capital. The credit risk strategy, as well as significant credit risk policies are approved and periodically reviewed by the Board of Directors.

The Group's credit strategy reflects its willingness to grant credit based on exposure type-residential mortgages, geographic location, maturity and anticipated profitability. The strategy also encompasses the identification of specific target markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Credit risk (continued)

Risk limit control and mitigation policies (continued)

Concentrations arise when a number of counterparties are engaged in similar activities in the same geographic region that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular geographic location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on a diversified portfolio.

Some specific risk control and mitigation measures are outlined below:

(1) Collateral

The Group employs various policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral type for mortgage loans is charges over residential properties.

Management monitors the market value of collateral at the point of granting the mortgage commitment and during its review of the adequacy of the allowance for impairment losses.

The Group's policy is to dispose of repossessed properties in a structured manner. The proceeds from the sale are used to repay the outstanding amounts. In general, the Group does not occupy repossessed properties for business use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Credit risk (continued)

Risk limit control and mitigation policies (continued)

(2) Lending

The Group lends up to a maximum of 90% of the property value and 100% under a special programme for projects of The Trinidad and Tobago Housing Development Corporation.

(3) Geographical concentrations

The Group monitors the financial assets credit risk by geographical concentration to prevent over exposure in any area or any residential housing development. The Group manages its investment portfolio by focusing on maintaining a diversified portfolio and concentration percentages. Identified concentrations of credit risks are controlled and managed accordingly.

The table below breaks down mortgage loans, which are the Group's principal financial asset, by region, based upon where the land and building taxes are paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure

DETAILS	2009 Mortgage loans	2009 Other financial assets	2009 TOTALS		2008 Mortgage loans	2008 Other financial assets	2008 TOTALS	
	$	$	$	%	$	$	$	%
ARIMA BOROUGH COUNCIL	339,744		339,744	10.9	285,225		285,225	11.3
CHAGUANAS BOROUGH COUNCIL	386,850		386,850	12.5	342,975		342,975	13.6
COUVA/TABAQUITE/TALPARO REG.	266,774		266,774	8.6	225,439		225,439	8.9
D/MARTIN REGIONAL CORPORATION	232,676		232,676	7.5	198,770		198,770	7.9
LAVENTILLE/SAN JUAN REGIONAL CORPORATION	183,652		183,652	5.9	170,237		170,237	6.8
MAYARO/RIO CLARO REGIONAL CORPORATION	14,698		14,698	0.5	13,785		13,785	0.5
POS CITY COUNCIL	149,933		149,933	4.8	129,924		129,924	5.2
PENAL/DEBE REGIONAL CORPORATION	43,073		43,073	1.4	40,492		40,492	1.6
POINT FORTIN BOROUGH COUNCIL	33,157		33,157	1.1	29,918		29,918	1.2
PRINCESS TOWN REGIONAL CORPORATION	49,285		49,285	1.6	45,146		45,146	1.8
SAN FERNANDO CITY COUNCIL	225,067		225,067	7.2	191,266		191,266	7.6
SANGRE GRANDE REGIONAL CORPORATION	67,787		67,787	2.2	60,991		60,991	2.4
SCARBOROUGH	11,443		11,443	0.4	11,480		11,480	0.5
SIPARIA REGIONAL CORPORATION	61,556		61,556	2.0	53,575		53,575	2.1
TOBAGO EAST	24,068		24,068	0.8	10,081		10,081	0.4
TOBAGO WEST	28,892		28,892	0.9	27,245		27,245	1.1
TUNAPUNA/PIARCO REGIONAL CORPORATION	464,381		464,381	14.9	414,799		414,799	16.5
		523,985	523,985	16.8		265,924	265,924	10.6
TOTALS	**2,583,036**	**523,985**	**3,107,021**	**100.0**	**2,251,348**	**265,924**	**2,517,272**	**100.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets
The tables below show the credit quality of financial assets.

MORTGAGE LOANS	Notes	High grade	Standard grade	Sub-standard grade	Individually impaired	Total
As at 31 December 2009						
Balance		1,139,009	1,196,624	194,486	52,917	2,583,036
		44%	46%	8%	2%	100%
As at 31 December 2008						
Balance		637,990	1,076,775	516,267	20,316	2,251,348
		28%	48%	23%	1%	100%

Mortgage loans are classified based on the arrears position at the end of the financial year in addition to other factors that may threaten the quality of the portfolio.

High grade mortgages are defined as those where loan payments are up to date. Standard grade mortgages are those where loan payments are no more than six months in arrears and sub-standard mortgages are those mortgages over six months in arrears. Individually impaired mortgages are mortgages that are not being serviced, legal action is being taken against the mortgages and specific provisions are made for the impaired portion.

INVESTMENT SECURITIES	Notes	High grade	Standard grade	Sub-standard grade	Individually impaired	Total
As at 31 December 2009						
Held to maturity		224,703	25,761			250,464
		90%	10%			100%
As at 31 December 2008						
Held to maturity		224,389	24,303			248,692
		91%	9%			100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

CASH AND CASH EQUIVALENTS	Notes $	High grade	Standard grade	Sub-standard grade	Individually impaired	Total
As at 31 December 2009						
Balance			262,649			262,649
			100%			100%
As at 31 December 2008						
Balance			4,202			4,202
			100%			100%

Investment securities and cash and cash equivalents are classified as 'high grade' where the instruments were issued by the Government or government related organizations. Standard grade assets consist of instruments issued by other reputable financial institutions.

Management is confident in its ability to continue to ensure minimal exposure of credit risk to the Group resulting from its mortgage loans portfolio and investment securities based on the following:

- At 31 December 2009 mortgage loans which represent the largest portion of the Group's financial assets (83%), are backed by collateral. The comparative figure for 2008 was 89%.
- 2% of the mortgage loans portfolio is impaired (2008: 1%). The fair value of collateral supporting these impaired mortgage loans, exceeds the outstanding balances.

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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Mortgage loans

In measuring credit risk of mortgage loans, the Group assesses the probability of default by a counterparty on its contractual obligation and the possibility of recovery on defaulted obligations.

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. These rating tools combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data.

Fair Value of collateral

Upon initial recognition of mortgage loans and advances, the fair value of collateral is based on external valuations commonly used for residential properties. In subsequent periods, the fair value is up dated periodically to ensure the quality of the portfolio is maintained.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques. TTMF's assets are only valued at the Level 2 category.

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

For the year ended 31 December 2009 there was no transfer of assets among any level.

28. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Mortgage loans (continued)

Impairment assessment

The main considerations for the mortgage loans impairment assessment include whether any payments of principal or interest are overdue by more than 180 days or whether there are any known difficulties in the cash flows of mortgagors or infringement of the original term of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group determines the allowances appropriate for each significant mortgage loan on an individual basis. Items considered when determining allowance amounts include the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings.

The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

The fair value of individually impaired loans is determined by reference to external valuations. No interest is accrued on individually impaired mortgage loans.

Where it is determined that the realizable value of collateral is insufficient to offset the balance of an impaired loan, the allowance account is offset against the receivable and the remaining balance is written off.

Legal action may be initiated against the mortgagor for the outstanding sum. If monies are recovered, these are offset against bad debt expense.

The carrying amounts of impaired financial assets are not otherwise directly reduced.

(Expressed in Thousands of Trinidad and Tobago dollars)

28. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Mortgage loans (continued)

Mortgage loans - Individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $52,917 (2008: $20,316). The breakdown of the gross amount of individually impaired loans and advances, along with the fair value of the related collateral held by the Group as security, are as follows:

	2009	2008
Mortgage loans – Individually impaired		
Total	52,917	20,316
Fair value of collateral (before factoring in time to sell)	57,005	51,515

Collectively assessed allowances

Allowances are assessed collectively for losses on mortgage loans that are not individually significant and for individually significant loans where there is not yet objective evidence of individual impairment.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment assessment are estimated by taking into consideration the following information: current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Mortgage loans (continued)

Collectively assessed allowances (continued)

Following is a reconciliation of the movement in the impairment provision:

Impairment provision		**2009**			**2008**	
Details	**Individual**	**Collective**	**Total**	**Individual**	**Collective**	**Total**
Beginning balance	4,776	3,653	8,429	980	4,051	5,031
Recoveries/write-backs	-	(20)	(20)	-	-	-
Provision for the year	(1,430)	(1,569)	(2,999)	3,796	(398)	3,398
Balance at year end	3,346	2,064	5,410	4,776	3,653	8,429

Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The fair value (after factoring in time to sell) of repossessed properties at 31 December 2009 is $73,792 (2008: $74,444).

Renegotiated mortgage loans

When the terms of mortgage loans which are impaired have been renegotiated, interest income is once more recognized on such loans on an accrual basis, rather than as paid.

28. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Mortgage loans (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, currency risk and other price risk. The Group has no significant concentration of currency risk and other price risk.

Interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. This exposure is concentrated in the Group's financial liabilities, because the majority of the Group's financial assets carry fixed interest rates where movements in market rates will not affect the consolidated statement of income.

i. Financial assets

a) Mortgage loans

Mortgage loans account for 79% (2008: 84%) of the Group's total assets. A Ministerial decree is required by the Group for any changes in mortgage interest rates. These interest rates have not been changed within recent times.

b) Investment securities

Investments securities account for 8% (2008: 9%) of the Group's total assets. These are held-to-maturity financial assets comprising of a fixed rate bond and a sinking fund with a fixed maturity value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Interest rate risk (continued)

ii. Financial liabilities

Long-term and short-term debt accounts for 89% (2008: 84%) of the Group's financial liabilities. This is made up of fixed and floating bonds and debentures as follows:

	2009	%	2008	%
Short-term debt				
Fixed	883,763	100	732,167	100
Long-term debt				
Fixed	1,334,830	88	845,783	81
Floating	186,940	12	196,940	19
	1,521,770	100	1,042,723	100
Total debt	2,405,533		1,774,890	

Long-term and short-term debt is mainly fixed. However, we have assessed the impact of a 100 basis points change in interest rates on the long-term floating debt. Such movement is believed by management to represent those variable changes which are reasonably possible as at the balance sheet date.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's income. This change in interest rates does not give rise to changes in equity.

Effect on profit after tax of a 100 basis points change in interest rates	100 Basis Points Increase	100 Basis Points Decrease
31 December 2009		
Profit before tax	(1,869)	1,869
Tax impact 25%	467	(467)
Profit after tax	(1,402)	1,402
31 December 2008		
Profit before tax	(1,969)	1,969
Tax impact 25%	492	(492)
Profit after tax	(1,477)	1,409

28. Risk management (continued)

Interest rate risk (continued)

Interest rate risk is further mitigated by the subsidies received from the Government in support of granting subsidized mortgages. These subsidies serve to reduce borrowing cost.

Liquidity risk

Liquidity risk is financial risk due to uncertain liquidity. It is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The Group might lose liquidity if it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with the Group. The consequence may be the failure to meet obligations to repay debts and fulfill commitments to lend.

Liquidity risk management process

The Group's liquidity management process includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Diversification of its funding base through access to an expanded range in terms of the number of financial institutions and longer term financing tenure;
- Monitoring balance sheet liquidity ratios against internal requirements; and managing the concentration and profile of debt maturities.

The Group also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and the usage of overdraft facilities.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Liquidity risk (continued)

Liquidity risk management process (continued)

As at 31 December 2009	Up to 1 years $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Bank overdraft	162	-	-	162
Dividend payable	-	-	-	-
Amounts due under IDB loan program	15,587	-	-	15,587
Short-term debt	883,763	-	-	883,763
Interest payable on debt	15,528	-	-	15,528
Sundry creditors and accruals	49,154	-	-	49,154
Long-term debt	138,883	916,351	1,217,141	2,272,375
Total undiscounted financial liabilities	1,103,077	916,351	1,217,141	3,236,569

As at 31 December 2009	Up to 1 years $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Bank overdraft	684	–	–	684
Dividend payable	–	–	–	–
Amounts due under IDB loan program	3,998	–	–	3,998
Short-term debt	732,167	–	–	732,167
Interest payable on debt	41,176	–	–	41,176
Sundry creditors and accruals	87,838	–	–	87,838
Long-term debt	200,107	470,351	899,372	1,569,830
Total undiscounted financial liabilities	1,065,970	470,351	899,372	2,435,693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

28. Risk management (continued)

Liquidity risk (continued)

Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification by provider and term.

Fair value of financial assets and liabilities

The Group computes the estimated fair value of all financial instruments held at the balance sheet date and separately discloses information where the fair values are different from the carrying values. At 31 December, carrying values approximated their fair values for all classes of financial instruments as follows:

Financial instruments where the carrying values are assumed to approximate to their fair values, due to their short-term to maturity include: Cash and cash equivalents, debtors and prepayments, short-term debt and sundry creditors and accruals.

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The carrying value of Investment securities and floating long term debt is assumed to approximate their fair values as market rates are comparable with the instruments' actual interest rates.

The Group's loan portfolio is net of specific provisions for impairment and a general provision. The fair value of performing mortgages is assumed to be equal to the present value of the estimated future cash flows discounted at the current market rate of return having factored in the subsidies received from the Government.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a controlled framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include a periodically reviewed disaster recovery plan and business continuity plan, effective segregation of duties, access, authorization and reconciliation procedures, staff training and development and assessment processes.

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Trinidad & Tobago
Mortgage Finance
Company Limited

From here... to Home.

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