ANNUAL REPORT • 2011
YOUR HOME, OUR LEGACY

2011 ANNUAL REPORT

Your Home, Our Legacy

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

Chairman

Chairman
Albert T. Vincent

Deputy Chairman

Feroze Khan

Managing Director/Chief Executive Officer

Ingrid L-A. Lashley

Directors

Sharda Baksh
Terrance Bhagwatsingh
Ann Chan Chow
Lorna Charles
Maureen Munro-Legge

Secretary/Chief Operating Officer

Robert C. 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

Citibank (Trinidad & Tobago) Limited
12 Queen's Park East
Port of Spain
Trinidad W.I.

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

CORPORATE ATTORNEYS

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

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

AUDITORS

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

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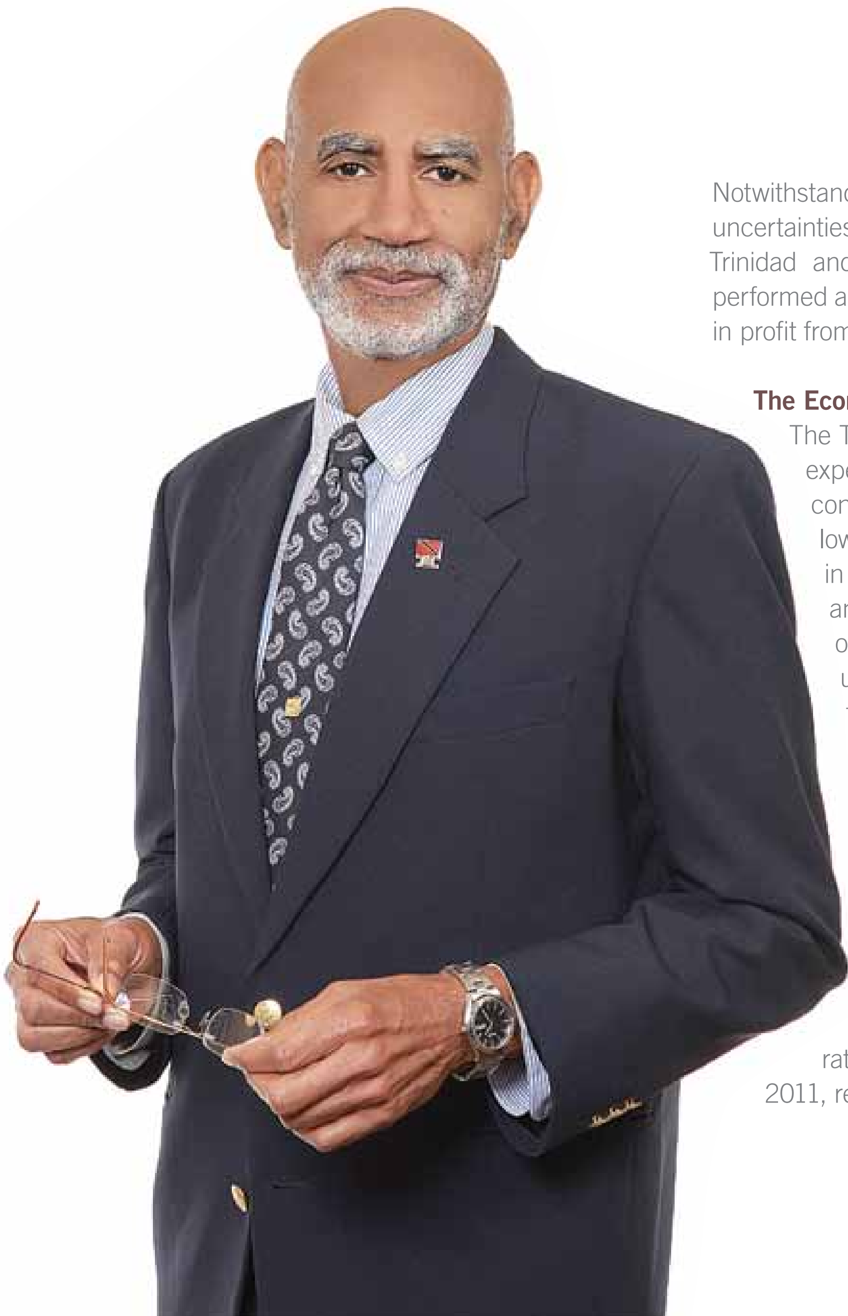
CHAIRMAN'S REPORT



Notwithstanding a contracting national economy and continuing uncertainties in global financial markets, I am proud to report that Trinidad and Tobago Mortgage Finance Company Limited (TTMF) performed admirably in the last financial year achieving a 14.1% growth in profit from $59.7 million in 2010 to $68.1 million in 2011.

The Economy

The Trinidad and Tobago economy contracted by 1.4% in 2011, experiencing its third consecutive year of decline. Factors contributing to weaker economic activity in 2011 include lower production in the energy sector, softening of demand in international markets for this country's exports, lower than anticipated Government expenditure and the negative impact of the State of Emergency in the latter part of 2011. The unemployment rate for the second quarter of 2011 relative to the corresponding period of 2010 increased to 5.8% from 4.8%. Inflationary pressures eased as the inflation rate fell from 13.4% in December 2010 to 5.3% in 2011.

As a step towards stimulating growth in the economy, the Central Bank of Trinidad and Tobago (CBTT) maintained an accommodative monetary stance during 2011. Following a 25 basis points reduction in July 2011 the repo rate remained unchanged at 3.0% throughout the period to December 31, 2011. The basic prime lending rate declined from 8.0% in June 2011 to 7.75% in September 2011, remaining unchanged to December 2011.

The Housing Market

The CBTT reported an increased level of activity within the housing sector in 2011 relative to 2010 with real estate mortgage loans growing by 9.1% during the year. This increased activity in the housing sector was evidenced not only in the construction of new units but also in repairs and maintenance activities. Conditions favouring this increased activity included lower mortgage lending rates and the steadying of house prices.

For our part, we are in discussions with the Government of Trinidad and Tobago (GOTT) to finalize a mechanism for the reduction in interest rates as was announced in the budget speech of 2011/2012. This initiative will place recipients of mortgages under the 'approved mortgage company' provisions of the Housing Act in a position to benefit from the lowering of interest rates which thus far has been the preserve of recipients of variable interest rate funding.

In an effort to expand the funding opportunities for recipients of houses from the Trinidad and Tobago Housing Development Corporation (HDC) and the Tobago House of Assembly (THA), mortgage financing for this group of prospective mortgagors has been expanded to commercial banks. At the same time, the CBTT with the support of the Bankers' Association of Trinidad and Tobago (BATT) has introduced a mortgage median reference rate (MMRR) that will allow for transparency of the determination and application of mortgage interest rates. For us at TTMF, our competitive position is steeped in our ability to assure that our financing options carry relatively stable interest rates. This assures that, for our customers, affordability is long term and projected costs are assured.

We anticipate that as the housing objectives of GOTT are pursued over the next year and more, we will continue to partner with relevant stakeholders to ensure that "home ownership is an easy and rewarding experience"

Outlook for 2012

The CBTT envisages positive growth in the economy of 1.5% in 2012. The demand for bank credit by businesses has begun to show signs of a slow recovery which, if sustained, could help in the rebuilding of private sector investment which remains crucial in helping to push growth upwards. This growth will be further assisted with modest improvement in the GOTT's project implementation.

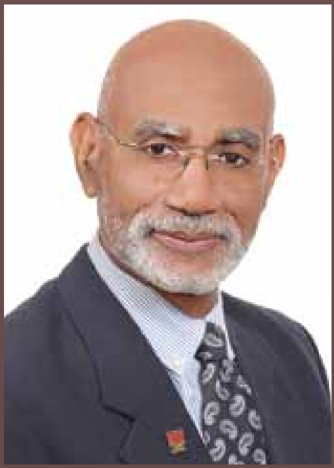
Against the background of global financial turmoil and political adjustments and changes, we remain positive that the economy will improve and that the demand for mortgages will thereby increase. We are improving our technology platform to ensure that we are better able to manage our customer relationships and meet the demands of our expanding customer base.

We are continuing to collaborate with the GOTT, the National Insurance Board (NIB), Home Mortgage Bank (HMB) and other stakeholders towards the formation of Trinidad and Tobago Mortgage Bank as a key policy instrument for the transformation of the mortgage sector and the deepening of the country's capital market.

Conclusion

On behalf of the Board of Directors I wish to thank the management team and staff for the performance of the organization during 2011. We are encouraged by these achievements and look forward to further successes as we confront the challenges and expectations of 2012.

Albert T. Vincent
Chairman



Albert T. Vincent
Chairman

Feroze Khan
Deputy Chairman

Ingrid L-A. Lashley
Managing Director
Chief Executive Officer

Sharda Baksh

Albert T. Vincent - Chairman

Mr. Albert T. Vincent is a financial economist who holds the Chartered Financial Analyst (CFA) designation and has been involved in the financial services sector for over twenty five years as a senior executive and consultant. He provides consulting services in various areas including, investment management, strategic planning and corporate financial planning. He has served as a member of the National Economic Advisory Council of the Government of Trinidad and Tobago and currently serves as a member of the Board of Directors of the National Insurance Board.

Feroze Khan - Deputy Chairman

Feroze Khan is a registered professional Engineer and brings with him over 20 years of experience, having held senior positions at Methanex. Mr. Khan holds a Bsc. in Electrical and Computer Engineering from the University of the West Indies and an EMBA from Arthur Lok Jack Graduate School of Business.

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

Our Managing Director/Chief Executive Officer has performed in the financial services sector for more than twenty years. An accountant by profession with a Masters Degree in Business Administration from McGill University, Montreal, Canada, Ms. Lashley has held senior and executive management positions in an international commercial bank. Ms. Lashley joined the TTMF team in 2004. Under her leadership, the company has extended its product line, expanded its branch network and transformed its operating systems to allow for growth in assets in excess of 100%. Ms. Lashley has served on the boards of private, public and charitable

Sharda Baksh - Director

A graduate from the University of the West Indies and the holder of an EMBA from Arthur Lok Jack Graduate School of Business, Ms Sharda Baksh has over 15 years experience in General Management, including Quality, Health, Safety and Environmental Management Systems where she chairs Management Review Meetings. She has led several successful projects with the local Caterpillar (CAT) dealer and is presently leading one in the region for the subsidiary of a conglomerate. She holds memberships in the American Society for Quality (ASQ) and AMCHAM-HSE Sub-Committee

BOARD OF DIRECTORS

Terrance Bhagwatsingh - Director
Mr. Terrance Bhagwatsingh has a strong accounting background and currently holds the position of Investment Analyst in the Ministry of Finance, where he manages the portfolio of State Enterprises on issues of governance, accountability and reporting. Mr. Bhagwatsingh has valuable years of experience in Project Management, Control and Finance gained from his experience in Export, Petrochemical, Shipping, Beverage and Construction industries. An Economist by profession, Mr. Bhagwatsingh also holds a Masters in Business Administration with specialization in International Finance from the Arthur Lok Jack Graduate School of Business.

Ann Chan Chow - Director
With her accounting experience, Ann Chan Chow has served as Treasurer of several unions. She has been a member of the board of Textel Credit Union and a Caribbean Representative of the Women's committee of the UNI Global Union. She currently serves as a member of the Board of Directors of the National Insurance Board.


Terrance Bhagwatsingh


Ann Chan Chow


Lorna Charles


Maureen Munro-Legge

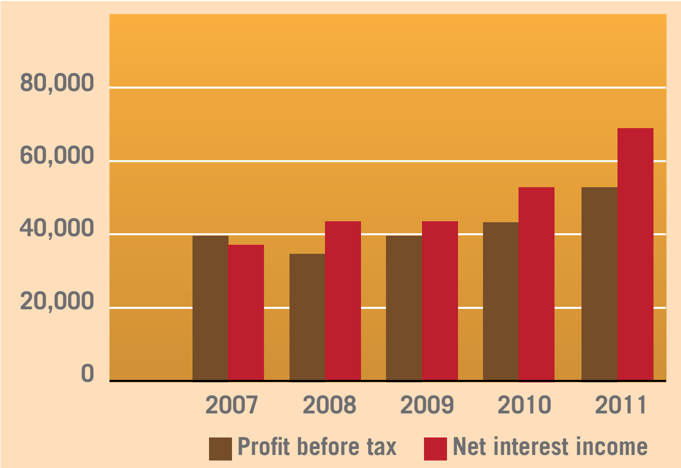
Lorna Charles - Director
With over twenty years of strategic thinking, leadership and cross functional collaboration at The National Insurance Board, Lorna Charles now holds the position there, of Executive Director. Her prior experience included the positions of Consultant Analyst and Project Manager at Ernst & Young. Ms. Charles is a member of several cabinet appointed committees on Social Security, National Pension Reform and National Health Services. She is also a Board Member and Past President of the Rotary Club of Maraval.

Maureen Munro-Legge - Director
Maureen Munro-Legge holds a Bachelor degree in Architecture from the Mackintosh School of Architecture, University of Glasgow. She has worked with Home Construction Group establishing the Architectural and Interior Design Department. She has also worked in London on several housing projects in inner city London. She is currently involved in the design of high end luxury residences, multifamily dwellings and resort architecture locally.

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REPORT

The year 2011 was challenging in the face of the continued sluggish economy and a competitive operating environment characterised by lower than average variable interest rates on mortgage loans. In spite of this, profit after tax for the fiscal year ended December 31, 2011 increased by $8.0 million or 14.1% over the previous year to TT$68.1 million. Net interest income increased over the same period last year by $15 million or 27.05% (2011: $71.4 million; 2010: $56.1 million). Total assets stood at $3.39 billion, $10 million higher than that of the previous year 2010: $3.38 billion).

Effective October 1, 2009, we were directed by the Government of Trinidad and Tobago (GOTT) to administer a portfolio of mortgages arising from the properties sold by Trinidad and Tobago Housing Development Corporation (HDC). HDC bore the associated risks and rewards of ownership of the mortgage assets and we received a fee for administrative services. In January 2011, this directive was reversed retroactively giving rise to the acquisition of the mortgage portfolio for our own book.

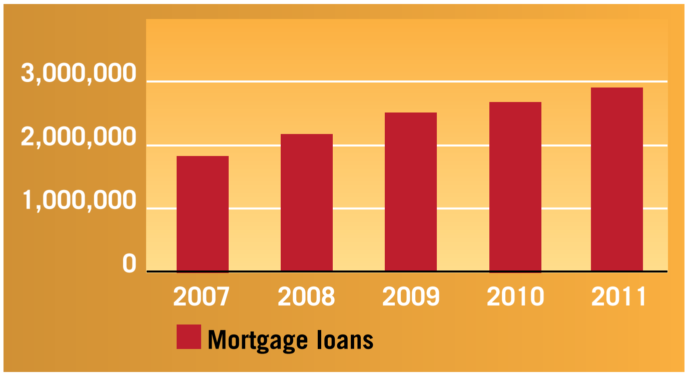


Review of our performance over the last five years shows steady growth in our portfolio as we expand our product and market base in keeping with our public policy mandate.

Mortgage Services

In order to improve public transparency on the adjustment of mortgage rates, the Central Bank of Trinidad and Tobago in association with the commercial banks introduced a "Mortgage Market Reference Rate" (MMRR) and a "Disclosure Statement". The MMRR is the interest rate benchmark that forms the basis for the pricing and re-pricing of residential mortgages granted by commercial banks. It is to be computed by the Central Bank based on information on commercial banks' funding costs and yields on applicable treasury bonds. Mortgage rates are now based on the MMRR plus a margin which will be negotiated between the lender and the customer. The Disclosure Statement is intended to provide borrowers with pertinent facts about their mortgage contracts in an easy to read and understandable format.

The new reference rate and disclosure statement does not apply to TTMF. While we continue to apply similar prudential credit criteria to commercial banks, our funding methodology and pricing differ. TTMF carries relative stable lending rates as determined by the Minister of Housing from time to time. We are not a deposit taking organization and thus far, we have funded our mortgage assets largely by debt financing. It is this consistent pricing and funding mix that has allowed for interest cost savings to our mortgagors over the term of their mortgage. Our mortgagors also benefit from penalty free prepayments and lump sum payments. TTMF therefore continues to assume a key role in the provision of overall affordable low cost mortgages to our citizens.



Additionally, citizens whose household income does not exceed $8,000.00 benefit from the 2% mortgage programme administered by TTMF on behalf of the GOTT. This programme is intended to assist in making housing more easily accessible and affordable for our citizens. This facility is for properties built/distributed for or on behalf of the Tobago House of Assembly (THA), Trinidad and Tobago Housing Development Corporation (HDC) and on Caroni Lands, with property value not exceeding $450,000.00.

During 2011, we exceeded our budget of new loans issued by $9.2 million with a total of 804 new loans for a total value of $349 million. This is a commendable performance in the face of a decline in new home purchasing and the expansion of the financing options available to new homeowners of properties sold under the HDC and the THA. 68.8% or $240 million in loans was granted under our expanded range of products including house and land acquisition, repair and renovations and equity loans.

Delivering a first-class customer service experience is integral to our vision and compulsory for our success. At TTMF we pride ourselves on our professionalism.

Operations

In 2011 we initiated the process of upgrade of our Information Technology platform to a solution which offers flexible, cost effective and innovative service-oriented architecture for account processing, customer sales and service, the teller function, business intelligence, payments and risk and compliance. This project is scheduled to be completed in the 3rd quarter of 2012.

Training and development programmes in skill sets relevant to our business and the career development of our people are on-going. In 2011, training programmes focused on team building programmes for management and sales skills for our staff to reinforce the peculiar talents required to operate effectively in this competitive environment.

In the meantime, we continued to recognise staff performance relevant to adherence to the company's core values with our reward and recognition programmes - Staff Top Achievement Recognition [STAR] Programmes which included the Employee of the Quarter and the Employee of the Year.

The use of Social Media Marketing was initiated in the current year as online presence becomes the primary source of business interaction going forward. Our website has been enhanced to allow for on line application and interactive processing of mortgages. This was done against a background of intricate 'know your customer' criteria to ensure that all transactions meet the requirements of transparency and authenticity required by the Financial Intelligence Regulations. We have embraced this new channel which will allow us to extend the reach of the existing TTMF corporate messages and build relationships with our potential and existing customers.

Conclusion

We expect that the demand for mortgages will continue to increase as the economy improves and we will continue to strengthen our resources to participate in this growth in 2012. We will continue to work with the GOTT and other relevant stakeholders to achieve affordable financing for the citizens of Trinidad and Tobago. Improvement in operational processes will also be gained as we will have the information and analytics to proactively make decisions that will provide our customer with real-time data. As we progress to the "lender of choice for residential mortgages in Trinidad and Tobago" we will make every effort to "make home ownership an easy and rewarding experience".

On behalf of Team TTMF, I thank our Directors for their on-going support and commitment. We, the staff of TTMF are privileged that you share our passion and drive to serve.

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

Robert C. Green
Chief Operating Officer/
Secretary

Brent Mc Fee
Chief Financial Officer/
Assistant Secretary

Wendy Huggins
Manager, Mortgage Origination

Miguel Awai
Manager, Mortgage
Administration

Myrtle Harris
Manager, Branch
Operations

Cherrie Caracciolo
Manager, Human Resources

Philip G. Joseph
Manager, Information
Technology

Marsha Rae Leben
Manager, Marketing and
Public Relations

Lisa Williams
Manager, Finance

MANAGEMENT TEAM

Trinidad & Tobago
Mortgage Finance
Company Limited

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

We have audited the accompanying consolidated financial statements of Trinidad and Tobago Mortgage Finance Company Limited and its subsidiary (the "Group") which comprise the consolidated statement of financial position as at 31 December 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 Group as of 31 December 2011 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:
27 March 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2011	Restated 2010	Restated 2009
ASSETS				
Cash and cash equivalents	4	5,120	128,052	262,649
Debtors and prepayments	5	15,912	15,562	14,536
Investment securities - held to maturity	6	251,094	251,257	250,464
Mortgage loans	7	2,924,942	2,803,638	2,624,004
Property and equipment	8	29,244	30,474	32,270
Pension asset	9	2,334	2,845	2,151
Deferred tax asset	10	161,031	147,233	135,466
TOTAL ASSETS		3,389,677	3,379,061	3,321,540
LIABILITIES AND EQUITY				
LIABILITIES				
Bank overdraft		36,737	–	162
Prepayments by mortgagors		26,889	28,442	23,955
Amount due under IDB loan programme	11	1,576	1,513	15,587
Amount due to HDC	12	178,262	165,725	45,649
Taxation payable		989	438	3,913
Sundry creditors and accruals	13	41,131	34,825	45,241
Short-term debt	14	883,763	883,763	883,763
Interest payable on debt		12,965	15,537	15,528
Long-term debt	15	1,382,490	1,457,917	1,521,770
Subsidy 2% mortgage programme	16	147,306	165,878	183,460
Deferred tax liability	10	583	711	931
TOTAL LIABILITIES		2,712,691	2,754,749	2,739,959
EQUITY				
Share Capital	18	12,408	12,408	12,408
Retained earnings		664,578	611,904	569,173
TOTAL EQUITY		676,986	624,312	581,581
TOTAL EQUITY AND LIABILITIES		3,389,677	3,379,061	3,321,540

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

On 27 March 2012, the Board of Directors of Trinidad and Tobago Mortgage Finance Company Limited authorised these financial statements for issue.

: Director

: Director

Feroze Khan : Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2011	Restated 2010
Income			
Mortgage interest		208,622	199,478
Interest expense (net)	19	(137,249)	(143,314)
Net interest income		71,373	56,164
Investment income	20	20,765	21,020
Rental income		661	532
Other income	21	9,248	9,038
		102,047	86,754
Expenses			
Administration	22	(37,639)	(34,649)
Building		(4,432)	(3,670)
Loan impairment expense	7 b	(3,803)	–
		(45,874)	(38,319)
Profit before tax		56,173	48,435
Taxation	24	11,939	11,281
Profit after tax and comprehensive income for the year		68,112	59,716

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

	Share capital	Retained earnings	Total
Balance at 1 January 2009 as previously reported	12,408	535,747	548,155
Dividend 2008	–	(14,928)	(14,928)
Comprehensive income for the year (restated)	–	48,354	48,354
Restated balance at 31 December 2009	12,408	569,173	581,581
Dividend 2009	–	(16,985)	(16,985)
Comprehensive income for the year (restated)	–	59,716	59,716
Restated balance as at 31 December 2010	12,408	611,904	624,312
Dividend 2010	–	(15,438)	(15,438)
Comprehensive income for the year	–	68,112	68,112
Balance at 31 December 2011	12,408	664,578	676,986

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

	2011	Restated 2010
Cash flows from operating activities		
Profit before tax	56,173	48,435
Adjustments for		
Depreciation	3,796	3,922
Loss/(gain) on sale of fixed assets	972	(39)
Interest capitalized	(272)	(478)
Premium/(discount) amortised	311	(315)
Amortized subsidy 2% mortgage programme	(18,572)	(17,582)
Decrease/(increase) in pension asset	511	(694)
Surplus before working capital changes	42,919	33,249
Increase in debtors and prepayments	(350)	(1,026)
Increase in mortgages	(121,304)	(179,634)
(Decrease)/increase in prepayment by mortgagors	(1,553)	4,487
Increase/(decrease) in amount due under IDB loan programme	63	(14,074)
Increase in amount due to HDC	12,537	120,076
Increase/(decrease) in sundry creditors and accruals	6,306	(10,416)
(Decrease)/increase in interest payable on debt	(2,572)	9
Taxes paid	(1,309)	(4,181)
Net cash used in operating activities	(65,263)	(51,510)
Cash flows from investing activities		
Purchase of fixed assets	(4,241)	(2,409)
Proceeds from sale of fixed assets	700	322
Net cash used in investing activities	(3,541)	(2,087)
Cash flows from financing activities		
Proceeds from debt	–	–
Repayments on debt	(75,427)	(63,853)
Dividends paid	(15,438)	(16,985)
Net cash used in financing activities	(90,865)	(80,838)
Net decrease in cash and cash equivalents	(159,669)	(134,435)
Cash and cash equivalents at the beginning of year	128,052	262,487
Cash and cash equivalents at the end of year	(31,617)	128,052
Represented by:		
Cash at bank and in hand	5,120	128,052
Bank overdraft	(36,737)	–
	(31,617)	128,052
Supplemental information		
Interest received	216,295	223,578
Interest paid	147,309	148,416

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2010

(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 preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions. Actual results can differ from those estimates. Significant accounting judgements and estimates in applying the Group's accounting policies have been described in Note 3.

b) Changes in accounting policy

i) New accounting policies adopted

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except for the standard and interpretation noted below:

IAS 24 Related Party Disclosures (Revised) (effective 1 January 2011)

The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.

A partial exemption from the disclosures has been included for government-related entities, whereby the general disclosure requirements of IAS 24 will not apply.

The adoption of this standard had no effect on the financial position or performance of the Group.

ii) New accounting policies not adopted

The Group has not adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued as these standards/interpretations do not apply to the activities of the Group:

IFRS 1	-	First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Effective 1 January 2011)
IAS 32	-	Financial Instruments: Presentation - Classification of Rights Issues (Amendment) (Effective 1 February 2010)
IFRIC 14	-	Prepayments of a Minimum Funding Requirement (Amendment) (Effective 1 January 2011)
IFRIC 19	-	Extinguishing Financial Liabilities with Equity Instruments (Effective 1 July 2010)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

iii) Standards issued but not yet effective

The Group has not early adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of these standards and interpretations.

IFRS 1	-	First-time Adoption of International Financial Reporting Standards (Amendment) Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Effective 1 July 2011)
IFRS 7	-	Financial Instruments: Disclosures (Amendment) (Effective 1 July 2011)
IAS 12	-	Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets (Effective 1 January 2012)
IFRS 9	-	Financial Instruments - Classification and Measurement (Effective 1 January 2013)
IFRS 10	-	Consolidated Financial Statements, IAS 27 Separate Financial Statements (Effective 1 January 2013)
IFRS 11	-	Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures (Effective 1 January 2013)
IFRS 12	-	Disclosure of Interests in Other Entities (Effective 1 January 2013)
IFRS 13	-	Fair Value Measurement (Effective 1 January 2013)
IAS 1	-	Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (Effective 1 July 2012)
IAS 19	-	Employee Benefits (Revised) (Effective 1 January 2013)

Improvements to International Financial Reporting Standards (issued 2010)

The International Accounting Standards Board (IASB) issued the "Improvement to IFRSs" which is part of its annual improvement project and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments are effective for periods beginning on or after 1 January 2011 unless otherwise stated. The following shows the IFRSs and topics addressed by the amendments.

IFRS	Subject of Amendment
IFRS 1 First-time Adoption of International Financial Reporting Standards	Accounting policy changes in the year of Adoption
IFRS 1 First-time Adoption of International Financial Reporting Standards	Revaluation basis as deemed cost
IFRS 1 First-time Adoption of International Financial Reporting Standards	Use of deemed cost for operations subject to rate regulation
IFRS 3 Business Combinations	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
IFRS 3 Business Combinations	Measurement of non-controlling interests (NCI)
IFRS 3 Business Combinations	Un-replaced and voluntarily replaced share-based payment awards
IFRS 7 Financial Instruments Disclosures	Clarification of disclosures
IAS 1 Presentation of Financial Statements	Clarification of statement of changes in equity
IAS 27 Consolidated and Separate Financial Statements	Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements
IAS 34 Interim Financial Reporting	Significant events and transactions
IFRIC 13 Customer Loyalty Programmes	Fair value of award credit

2. Significant accounting policies (continued)

iii) Standards issued but not yet effective (continued)

Improvements to International Financial Reporting Standards (issued 2010) (continued)

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December each year. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiary companies

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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.

f) Repurchase and reverse repurchase agreements

Securities purchased under an agreement to resell ('reverse repo') are recorded as cash and cash equivalents when the term to maturity is less than 90 days. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield.

g) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

2. Significant accounting policies (continued)

iii) Standards issued but not yet effective (continued)

Improvements to International Financial Reporting Standards (issued 2010) (continued)

h) 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's 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.

i) 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.

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 33⅓%
Motor vehicles	-	25%
Furniture and equipment	-	12½%
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.

j) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

2. Significant accounting policies (continued)

iii) Standards issued but not yet effective *(continued)*

Improvements to International Financial Reporting Standards (issued 2010) *(continued)*

k) 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.

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.

l) 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.

m) 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.

n) 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, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

2. Significant accounting policies (continued)

n) 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.

o) 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 2011. 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.

p) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

2. Significant accounting policies (continued)

q) 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 totalled $358.0 million (2010: $421.3 million) and is not reflected in these financial statements.

r) 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.

s) 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 15).

t) Comparative information

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year. Adjustments to previously reported results were made in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors. The financial statements have been restated for the years ended 31 December 2009 and 31 December 2010 and the impact of these adjustments and reclassifications are summarized in Note 12 - Amount due to HDC and related restatement.

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.

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 at the statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

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

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.

4. Cash and cash equivalents

	2011	2010
Cash in hand	7	7
Cash at bank	5,113	128,045
	5,120	128,052

The average effective interest rate on cash and cash equivalents for the current year is 0.01% (2010: 0.57%).

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.

5. Debtors and prepayments

	2011	2010	2009
Interest receivable on investments	4,567	4,422	4,894
Interest subsidy receivable	3,007	1,550	2,776
Mortgage interest receivable	5,661	6,935	5,978
IDB service fee	456	594	323
Staff debtors	588	613	360
Sundry debtors	311	333	98
Other	1,322	1,115	107
	15,912	15,562	14,536

6. Investment securities

	2011	2010
Securities held-to-maturity		
HDC Fixed Rate 8.5% Bond	224,721	225,018
NIPDEC 6.55% Bond	26,209	–
First Caribbean International Bank Investment	164	26,239
	251,094	251,257

The average effective interest rate on held-to-maturity securities for the current year is 8.26% (2010: 7.96%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

7. Mortgage loans	2011	2010	2009
a) Gross mortgages	2,934,155	2,809,048	2,629,414
Less: Impairment provision (7b)	(9,213)	(5,410)	(5,410)
Net balance	2,924,942	2,803,638	2,624,004
b) Impairment provision:			
Balance at beginning	5,410	5,410	8,429
Loan loss recovered	–	–	(22)
Impairment expense/(write back) for the year	3,803	–	(2,997)
Balance at end	9,213	5,410	5,410
Individual impairment	4,617	3,346	3,346
Collective impairment	4,596	2,064	2,064
	9,213	5,410	5,410

The average effective interest rate on the mortgage loan portfolio for the current year is 7.28% (2010: 7.46%; 2009: 7.39%).

8. Property and equipment	Land & buildings	Motor vehicle	Furniture & equipment	Computer equipment	2011	2010
Cost						
At beginning of the period	33,874	1,359	4,835	12,729	52,797	51,659
Additions	95	298	355	3,493	4,241	2,410
Disposals	–	(274)	(23)	(1,631)	(1,928)	(1,272)
At end of period	33,969	1,383	5,167	14,591	55,110	52,797
Accumulated depreciation						
At beginning of the period	11,244	376	2,348	8,355	22,323	19,389
Current depreciation	784	345	604	2,063	3,796	3,923
Depreciation on disposals	–	(232)	(19)	(2)	(253)	(989)
At end of period	12,028	489	2,933	10,416	25,866	22,323
Net book value	21,941	894	2,234	4,175	29,244	30,474

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, 2011

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

9. Pension and other post employment benefits

	2011	2010
a) Amounts recognized in the consolidated statement of financial position:		
Defined benefit obligations	32,963	32,532
Fair value of plan assets	(32,297)	(29,245)
Unrecognised actuarial losses	(3,000)	(6,132)
Net defined benefit asset	(2,334)	(2,845)
b) Amounts recognized in the Consolidated statement of comprehensive income:		
Current service cost	2,005	1,346
Interest costs	2,002	1,847
Expected return on plan assets:	(1,596)	(1,955)
Net actuarial loss recognized in the year	174	–
Net benefit cost	2,585	1,238
c) Actual return on plan assets:		
Expected return on plan assets	1,596	1,955
Experience adjustments on plan assets – gain/(loss)	(295)	446
Actual return on plan assets	1,301	2,401
d) Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	32,533	24,140
Current service cost	2,005	1,346
Interest costs	2,002	1,847
Members' contributions	696	662
Actuarial losses	(3,254)	5,567
Benefits paid	(1,019)	(1,029)
Closing defined benefit obligation	32,963	32,533

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

	2011	2010
Opening fair value of plan assets	29,245	25,279
Expected return	1,596	1,955
Employer contributions	2,074	1,932
Members' contributions	696	662
Actuarial gain/(loss) on plan assets	(295)	446
Benefits paid	(1,019)	(1,029)
Closing fair value of plan assets	32,297	29,245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

9. Pension and other post employment benefits (continued)

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

	2011	2010
Deposit administration contracts	75%	70%
Individual annuity contracts	25%	30%
	100%	100%
Summary of principal actuarial assumptions		
Discount rate	6.5%	6.0%
Salary increases	5.0%	5.0%
Expected return on plan assets	5.3%	5.3%

g) The Group is expected to contribute $2,145 (2010: $2,066) to its defined benefit plan in 2012.

10. Deferred tax assets and liabilities	**2011**	**2010**
Components of deferred tax asset and liabilities		
(a) Deferred tax assets		
Taxation losses	155,555	146,126
Loan fees	3,684	–
Other	1,792	1,107
	161,031	147,233
(b) Deferred tax liability - Pension asset	583	711

11. Amount due under IDB loan programme

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. Amount due to HDC and related restatement

In October 2009, on the advice of the Government of Trinidad and Tobago (GOTT), the Company was asked to manage properties purchased from the Trinidad and Tobago Housing Development Corporation (HDC) as an administered mortgage portfolio, with the HDC bearing the associated risks and rewards. The Company therefore ceased recognizing any new mortgages as assets and provided only administrative services for which a fee was earned.

In January 2011, the GOTT reversed the original arrangement and advised the Company that the risks and rewards of this mortgage portfolio were to reside with TTMF with retroactive effect. To account for this change retroactively and recognize the HDC mortgages and related impact on the statement of income, the Company's financial statements have been restated as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

12. Amount due to HDC and related restatement (continued)

	Restated	As previously reported	Restated	As previously reported
	2010	**2010**	**2009**	**2009**
Mortgage loans	2,803,638	2,633,865	2,624,004	2,577,626
Debtors and prepayments	15,562	15,616	14,536	15,146
Amount due to HDC	165,725	–	45,649	–
Subsidy 2% mortgage programme	165,878	172,104	183,460	183,721
Retained earnings	611,904	601,684	569,173	568,793
Mortgage interest	199,478	194,399	178,187	178,003
Interest expense	143,314	148,426	130,183	130,408
Other income	9,038	9,389	8,310	8,339

13. Sundry creditors and accruals

	2011	2010
Unearned loan fees	14,735	13,346
Home Mortgage Bank	5,114	4,755
Provision for staff bonus and unpaid leave	3,217	2,999
Advance - Beneficiary Owned Land Subsidy	3,454	3,341
Mortgage clearing accounts	10,336	5,206
Other	4,275	5,178
	41,131	34,825

14. 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 7.50% (2010:7.50%).

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 to 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

15. Long term debt

	2011	2010
Government of Trinidad and Tobago loans		
- 7.00% debentures 1999/2018	16,620	18,406
- 7.50% debentures 1999/2018	7,921	8,755
- 5.00% debentures 1999/2018	42,673	47,652
- 5.00% debentures 2018	127,490	127,490
	194,704	202,303
National Insurance Board loans		
- 5.00% debentures 1999/2018	7,726	9,062
- 5.00% debentures 1999/2018	53,173	62,366
	60,899	71,428
Bonds		
5.5%/6.5%/7% 2004 Bond Issue	225,000	225,000
6.0% 2005 Bond Issue	134,000	167,500
2.375% 1994 Bond Issue 2019	20,000	22,500
2.25% 1995 Bond Issue 2020	37,161	41,290
9.475/10.45% 1998 Bond 2023 (Note19)	100,000	100,000
10.0% 2000 Bond Issue 2020 (Note 19)	90,000	100,000
7%/6% 2009 Bond Issue	500,000	500,000
8.5% 2009 HMB Loan	21,485	28,883
	1,127,646	1,185,173
	1,383,249	1,458,904
Less: unamortized transaction cost	(759)	(987)
	1,382,490	1,457,917

Loans amounting to $60.9 million (2010: $71.4 million) are fully secured by Government guarantee, whilst loans amounting to $869 million (2010: $892.5 million) are fully secured by the Group's mortgage assets.

The average effective interest rate on long-term debt for the current year is 6.51% (2010: 6.56%).

16. Subsidy 2% mortgage programme

The Parent Company is the Government's partner in the provision of mortgage financing for affordable housing. The facility is provided 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.

	2011	2010	2009
Grant balance brought forward	165,878	183,460	194,725
Less amounts released:			
Interest expense (Note 19)	(15,712)	(15,006)	(9,746)
Other income (Note 21)	(2,860)	(2,576)	(1,519)
Balance deferred	147,306	165,878	183,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

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 $5.939 million (2010: $6.269 million). Refer to Note 19.

18. Share capital

	2011	2010
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. Interest expense

	2011	2010
Gross interest expense	158,900	164,589
Less Government subsidy:		
Bonds (Note 15)	(5,939)	(6,269)
2% Mortgage Program (Note 16)	(15,712)	(15,006)
Net interest expense	137,249	143,314

20. Investment income

	2011	2010
Amortization of (premium)/discount on held-to-maturity investment	(311)	315
Interest on call deposits and bank account	–	747
Interest on investments	21,076	19,958
	20,765	21,020

21. Other income

	2011	2010
Loan fees	1,550	1,688
IDB income	838	1,057
Home Mortgage Bank service and origination fee	3,165	3,510
Subsidy 2% mortgage programme		
- Administration fees	2,979	2,641
Other	716	142
	9,248	9,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

22. Administration expenses

	2011	2010
Included therein are the following items:		
Staff costs (Note 23)	24,387	24,218
Depreciation	3,796	3,922
Legal and professional fees	3,046	1,636
Advertising and public relations	2,190	1,647
Bank interest and charges	167	48
Other	4,053	3,178
	37,639	34,649

23. Staff costs

	2011	2010
Wages, salaries and other benefits	20,874	22,023
National insurance	927	926
Pension costs – defined benefit plan	2,586	1,269
	24,387	24,218

24. Taxation

a) Components of tax income

	2011	2010
Deferred tax	(13,925)	(11,987)
Current tax - current year	1,986	706
	(11,939)	(11,281)

b) Reconciliation of accounting to tax profit:

	2011	2010
Accounting profit	56,173	48,435
Tax at applicable statutory rate (25%)	14,043	12,109
Tax effect of items that are adjustable in determining taxable profit:		
Provision for Green Fund Levy and other taxes	492	367
Tax exempt income	(21,088)	(20,293)
Other	(5,386)	(3,464)
Tax income	(11,939)	(11,281)

25. Mortgage commitments

At 31 December 2011 the Group had outstanding commitments totalling $341 million (2010: $336 million), to intending mortgagors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

26. 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.

	2011	2010
Mortgage loans		
Key management personnel (including Directors)	5,768	9,626
Borrowings and other liabilities		
National Insurance Board		
Short-term debt	883,763	883,763
Interest payable on debt	4,589	6,881
Borrowings	419,899	463,928
Interest and other income		
Key management personnel	326	540
Borrowings interest and other expense		
National Insurance Board	94,009	96,326
Key management compensation		
Short-term benefits	1,928	2,384
Post employment benefits	248	247
Directors' remuneration	464	355

In the normal course of the Group's business, Government and Government related entities invest in the Group's funding instruments offered to the public. The Government also provides financing for specifically designated arrangements. The Group also administers portfolios for Government and Government related entities and earns fees for these services. These specific arrangements have been disclosed in the financial statements.

27. Contingent liabilities - litigation

As at 31 December 2011, 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.

28. 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 $53 million to $677 million during the year under review.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

29. 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.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party 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 financial instruments, such as loan commitments which is not included in the Statement of Financial Position. These commitments are due within one year of the financial year end.

Maximum exposure to credit risk before collateral held or other credit enhancements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

29. Risk management (continued)

Credit risk (continued)

The table below show the Group's maximum exposure to credit risk:

Details	**Maximum exposure**	
	2011	**2010**
Financial assets		
Mortgage loans	2,934,155	2,809,048
Investment securities (held-to-maturity)	251,094	251,257
Other receivables	10,222	11,098
Cash at bank and cash equivalents	5,120	128,052
Total gross financial assets	3,200,591	3,199,455
Mortgage commitments	341,000	336,000
Total credit risk exposure	3,541,591	3,535,455

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

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.

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.

29. Risk management (continued)

Credit risk (continued)

Risk limit control and mitigation policies (continued)

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.

(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.

In measuring credit risk of mortgage loans, the Group assesses the probability of default by a counter party 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.

(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, 2011

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

29. Risk management (continued)

Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure

DETAILS

	2011		2010	
MORTGAGE LOANS	**$**	**%**	**$**	**%**
ARIMA BOROUGH COUNCIL	391,388	12.20%	373,431	11.70%
CHAGUANAS BOROUGH COUNCIL	431,248	13.50%	432,902	13.50%
COUVA/TABAQUITE/TALPARO REG.	317,211	10.00%	284,626	9.00%
D/MARTIN REGIONAL CORPORATION	244,968	7.70%	233,654	7.30%
LAVENTILLE/SAN JUAN REGIONAL CORPORATION	201,563	6.30%	191,480	6.00%
MAYARO/RIO CLARO REGIONAL CORPORATION	17,541	0.50%	17,034	0.50%
POS CITY COUNCIL	152,789	4.80%	162,482	5.00%
PENAL/DEBE REGIONAL CORPORATION	58,325	1.90%	53,318	1.70%
POINT FORTIN BOROUGH COUNCIL	32,690	1.00%	32,762	1.00%
PRINCES TOWN REGIONAL CORPORATION	63,703	2.00%	62,111	2.00%
SAN FERNANDO CITY COUNCIL	268,583	8.40%	270,321	8.40%
SANGRE GRANDE REGIONAL CORPORATION	78,307	2.00%	73,023	2.20%
SCARBOROUGH	13,243	0.50%	12,864	0.40%
SIPARIA REGIONAL CORPORATION	64,582	2.00%	63,054	2.00%
TOBAGO EAST	28,688	1.00%	27,187	0.90%
TOBAGO WEST	29,618	1.00%	28,051	0.90%
TUNAPUNA/PIARCO REGIONAL CORPORATION	539,708	16.90%	490,748	15.30%
TOTAL MORTGAGE LOANS	2,934,155	91.70%	2,809,048	87.80%
OTHER FINANCIAL ASSETS	266,436	8.30%	390,407	12.20%
TOTAL	3,200,591	100.00%	3,199,455	100.00%

Credit quality per class of financial assets

The Group has determined that credit risk exposure arises from the following consolidated statement of financial position lines:

- Mortgage loans
- Investment securities
- Cash and cash equivalents

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.

The tables below show the credit quality of mortgage loans as at 31 December:

Mortgage loans	**High grade**	**Standard grade**	**Sub-standard grade**	**Individually impaired**	**Total**
2011					
Balance	2,282,990	506,287	104,962	39,916	2,934,155
	78%	17%	4%	1%	100%
2010					
Balance	2,102,078	560,419	106,362	40,189	2,809,048
	75%	20%	4%	1%	100%

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

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.

The table below shows the credit quality of investments securities as at 31 December:

Investment Securities	High grade	Standard grade	Sub-standard grade	Individually impaired	Total
2011					
Held-to-maturity	250,930	164	–	–	251,094
	99.94%	0.06%	–	–	100%
2010					
Held-to-maturity	225,018	26,239	–	–	251,257
	90%	10%	–	–	100%

The credit quality of cash and cash equivalents as at 31 December 2011 and 31 December 2010 has been assessed as standard grade.

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 2011 mortgage loans which represent the largest portion of the Group's financial assets (86%), are backed by collateral. The comparative figure is 83%.
- 1% of the mortgage loans portfolio is impaired (2010: 1%). The fair value of collateral supporting these impaired mortgage loans, exceeds the outstanding balances.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Impairment assessment *(continued)*

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 or valuations updated by Management based on their knowledge of recent comparable transactions. 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.

Mortgage loans - individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $39.916 million (2010: $40.189 million). 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:

Mortgage loans – individually impaired	**2011**	**2010**
Total	39,916	40,189
Fair value of collateral (before factoring in time to sell)	43,442	43,637

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.

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

Impairment Provision Details	**Individual**	**Collective**	**2011 Total**	**Individual**	**Collective**	**2010 Total**
Beginning balance	3,346	2,064	5,410	3,346	2,064	5,410
Recoveries/write-backs	–	–	–	–	–	–
Provision for the year	1,271	2,532	3,803	–	–	–
Balance at year end	4,617	4,596	9,213	3,346	2,064	5,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

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 2011 is $37.829 million (2010: $12.015 million).

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 exposure to 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 86% (2010: 83%) 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 7.4% (2010: 7.4%) of the Group's total assets. These are held-to-maturity financial assets comprising of fixed rate bonds.

ii. Financial liabilities

Long-term and short-term debt accounts for 84% (2010: 85%) of the Group's financial liabilities. This is made up of fixed and floating bonds and debentures as follows:

	2011	%	2010	%
Short-term debt				
Fixed	883,763	100	883,763	100
Long-term debt				
Fixed	1,224,679	89	1,283,477	88
Floating	157,811	11	174,440	12
	1,382,490	100	1,457,917	100
Total debt	2,266,253		2,341,680	

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

29. Risk management (continued)

Interest rate risk (continued)

ii. Financial liabilities (continued)

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	**Decrease**
31 December 2011		
Profit before tax	(1,578)	1,578
Tax impact 25%	394	(394)
Profit after tax	(1,184)	1,184
31 December 2010		
Profit before tax	(1,744)	1,744
Tax impact 25%	436	(436)
Profit after tax	(1,308)	1,308

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 fulfil 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

29. Risk management (continued)

Liquidity risk management process (continued)

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

2011	Up to 1 year $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Bank overdraft	36,737	–	–	36,737
Amounts due under IDB loan programme	1,576	–	–	1,576
Short-term debt	883,763	–	–	883,763
Interest payable on debt	12,965	–	–	12,965
Sundry creditors and accruals	41,131	–	–	41,131
Long-term debt	138,968	1,008,753	912,963	2,060,684
Total undiscounted financial liabilities	1,115,140	1,008,753	912,963	3,036,856

2010	Up to 1 year $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Bank overdraft	–	–	–	–
Amounts due under IDB loan programme	1,513	–	–	1,513
Short-term debt	883,763	–	–	883,763
Interest payable on debt	15,537	–	–	15,537
Sundry creditors and accruals	34,825	–	–	34,825
Long-term debt	138,261	1,020,103	974,552	2,132,916
Total undiscounted financial liabilities	1,073,899	1,020,103	974,552	3,068,554

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 statement of financial position 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2011

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

29. Risk management (continued)

Fair value of financial assets and liabilities (continued)

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 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 approximates 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.

The Group's assets are all classified as Level 2. Included in the Level 2 category are financial assets that are measured using a valuation techniques 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 valued using the Group's own models whereby the majority of assumptions are market observable.

For the year ended 31 December 2011 there was no transfer of assets among any level.

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.

30. Subsequent events

The Board of Directors of the both companies (TTMF and TRINMAC) approved the amalgamation of TRINMAC and TTMF in November 2011. The documents were filed with the Registrar of Companies to effect the amalgamation. We are currently awaiting the issuance of the Certificate of Amalgamation. The amalgamation of TRINMAC and TTMF will be effected in the 2012 financial statements.

NOTES

NOTES

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