Trinidad & Tobago Mortgage Finance Company Limited

From here... to Home.

life Stages

Annual Report 2013

Corner of Jerningham & Ross Streets, James Park, Upper Scarborough, Tobago

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

CORPORATE OFFICE

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

16 Southern Main Road
Edinburgh, Chaguanas, 500626
Trinidad W.I.
Tel: (868) 672-5246
Fax: (868) 671-6648

San Fernando

63 St. James St
San Fernando
Trinidad W.I.
Tel: (868) 652-1151
Fax: (868) 652-6543

Tobago

Corner of Jerningham & Ross Streets
James Park
Upper Scarborough
Tobago W.I.
Tel: (868) 639-1540
Fax: (868) 639-2366

BOARD OF DIRECTORS

Chairman
Albert T. Vincent

Deputy Chairman
Feroze Khan

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

Directors
Sharda Baksh
Ann Chan Chow
Varun Debideen
Maureen Munro-Legge

Secretary/Chief Operating Officer
Robert C. Green

BANKERS

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

Citibank (Trinidad & Tobago) Limited
12 Queen's Park East
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.

63 St. James Street, San Fernando

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The domestic economy has recorded steady growth in the last quarter of 2013 and the Government is expecting this trend to continue with expected growth of 2.5% in 2014.

Chairman's Report

In 2013 the mortgage market remained highly competitive as growth in the domestic economy continued to be subdued. Against this background, Trinidad and Tobago Mortgage Finance Company Limited (TTMF) recorded solid performance with total assets increasing by 5.4% from $3.48 billion as at December 31, 2012 to $3.67 billion for the corresponding period of 2013. Net Income before tax for the fiscal year ended December 31, 2013 was TT$59.4 million representing an increase of 10.8% or TT$5.8 million over the previous year. Net income after tax fell marginally by 2.9% from $63.1 million in 2012 to $61.3 million in 2013.

The Economic Climate

The global economy continues to recover slowly from the economic crises of the past few years, and is expected to grow by 2.9% in 2013.The emerging and developing economies continued to grow at a fairly robust pace, with China and India experiencing growth rates of 7.8% and 4.8% respectively. On the other hand, on a quarter on quarter basis in the third quarter of 2013, the US economy grew by 1.0%, the UK by 0.8% and the Euro area by 0.1%.

Here at home, the domestic economy grew by 2.3% in the first half of 2013 but lost momentum in the third quarter of 2013 resulting from a decline in the energy sector of 4.1% in the quarter. Headline inflation increased to 5.6% in December 2013, up from a low of 2.7% in October 2013. According to the latest available data from the Central Statistical Office, the unemployment rate was relatively low at 4.8%.

The Central Bank's accommodative monetary stance has been maintained and the repo rate continued at 2.75% for the fifth consecutive quarter to December 2013. Accordingly, the basic prime lending rate also remained unchanged at 7.50%.

The Housing Market

The housing market remains strong with real estate mortgage loans experiencing a growth rate of 14% from January to November 2013. The buoyancy in the housing market is clearly attributable to relatively low interest rates which over the last twelve (12) months have been in the region of 5% to 7% per annum. The Mortgage Market Reference Rate (MMRR) remained relatively stable at 2.75% over the calendar year reflecting high liquidity and modest interest rates on deposits.

TTMF was excluded from the determination of mortgage interest rates by reference to the MMRR. It is computed by the Central Bank of Trinidad and Tobago based on information on commercial banks' funding costs and yields on ten-year treasury bonds. TTMF raises funds through the capital market largely through bond issues, rendering its cost of funding relatively higher than that of the commercial banks. By this means, however, TTMF's interest rates remain relatively stable, and it is this that provided for the success of the 'FIXED at Six' promotion that occurred during this fiscal year.

In late 2013 TTMF's line ministry was changed to the Ministry of Housing and Urban Development from the Ministry of Finance and the Economy. While we retain our relationship with the latter as Corporation Sole and representative of our minority shareholder, we have established an expanded relationship with the Ministry of Housing and Urban Development to work with its agencies to execute our public policy mandate.

It is in the latter context therefore that, as of fiscal year 2014, the 2% loan programme was expanded beyond properties originating from Trinidad and Tobago Housing Development Corporation (HDC), Tobago House of Assembly (THA) and Caroni Lands, to include all properties valued up to $625,000. Further, TTMF collaborated with the Land Settlement Agency (LSA) to develop a programme for the beneficiaries of lands under the Land for the Landless Programme and the Squatter Regularisation Programme. These developments augur well for the expansion of affordable housing going forward.

Outlook for 2014

We continue to monitor the growth of the global economy, particularly in the European region, as it will have a domino effect on world interest rates and currency pricing.

The domestic economy has recorded steady growth in the last quarter of 2013 and the Government is expecting this trend to continue with expected growth of 2.5% in 2014. Liquidity levels in the banking system remain high which lends itself to the continued competitiveness of the mortgage market. In light of this, TTMF intends to become even more assertive in implementing strategies developed to protect its customer base and to ensure new growth, particularly as it pertains to first-time homeowners.

In the National Budget presentation 2013, the Government outlined its major construction projects aimed at providing adequate and affordable housing units to the citizens of Trinidad and Tobago. Combined with the expanded 2% mortgage programme, we feel confident that affordable housing is in expansionary mode and we are equipped to play our part.

As the technical work on the corporate restructuring of the Home Mortgage Bank (HMB) and TTMF gains momentum, we remain confident that the advantages of this approach to the consolidation of the parent company's interests in the mortgage market is timely and to the benefit of all stakeholders. Ultimately this approach will increase our access to long term funding and provide the opportunity to contribute to accelerated growth in the housing market, the benefit of which will redound to our stakeholders.

Conclusion

On behalf of the Board of Directors I wish to thank the management and staff for another strong performance in 2013. I thank our former directors, Mr. Terrance Bhagwatsingh and Ms. Lorna Charles for their unstinting support during their tenure and wish them well in their future endeavours. We are well-placed to move on to the next level of our development as an organization and will work with all stakeholders with continued diligence for a successful 2014.

Albert T. Vincent
Chairman

Board Of Directors

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 organisations.

Sharda Baksh
- Director

Sharda has over 15 years' experience working for one of the largest conglomerates in the Caribbean in the areas of General Management including Quality, Health, Safety and Environmental Management Systems, Customer Service and Sales (locally and regionally). She is the holder of a BSc. from the University of the West Indies and an Executive MBA from Arthur Lok Jack Graduate School of Business. She led several successful projects with the local Caterpillar dealer and she holds membership in the AMCHAM-HSE Sub-Committee.

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.

Varun Avinash Debideen
- Director

Varun Avinash Debideen is an Attorney-at-Law by profession, practicing in the areas of Civil, Contract, Company, Constitutional and Land Law. He has been the instructing attorney to senior advocates in several state matters and has served on the Board of Directors of private companies. He holds a BSc. in Management Studies (First Class Honours) from the University of the West Indies and a Bachelor of Laws Degree from the University of London. He also completed a Legal Practice Course (with commendation) from the College of Law, London, England.

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 2013 witnessed a period of seminal growth and performance for Trinidad and Tobago Mortgage Finance Company Limited (TTMF). We were able to rise to the economic challenges of our operating and global environment and face strenuous competition from other financial institutions, while effectively meeting the needs of our stakeholders.

The residential mortgage market continued to be competitive as liquidity in the financial services sector remained high. This is evidenced by growth in consumer lending and robust growth in the real estate mortgage market. This scenario was due in part to the low interest rates offered by our competitors, which in turn challenged us to improve our customer service levels and offer creative options for fulfilling the needs of our clientele. Against this backdrop, we had a successful year, highlighting the company's strength and stability.

Financial Review 2013

Profit before tax for the fiscal year ended December 31, 2013 amounted to TT$59.4 million. This represents an increase of TT$5.8 million or 10.8% over the previous year arising largely from our continued execution of a liability management strategy which resulted in lower cost of funding and an increase in net interest income. On an after tax basis, TTMF in 2013 experienced a slight contraction of net income by 2.9% relative to 2012.

Having given our customers the benefit of reduced interest rates since October 1, 2012, we accelerated our strategy to refinance high cost debt, taking advantage of lower interest rates on the capital market and, at the same time, widening our investor base as we increased our capital market activity.

This boon was coupled with our 'FIXED at Six' promotion, which gave TTMF customers the benefit of securing

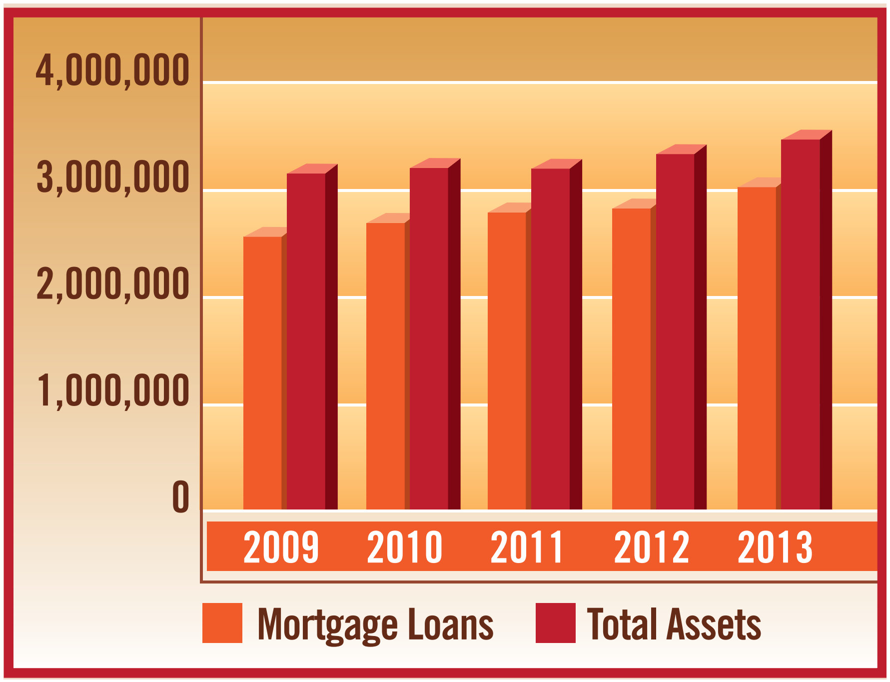
Forecasts suggest that growth in the economy will continue in 2014 and, as such, we expect that the demand for mortgages will continue as has the demand for housing at every level of the financial landscape.

a relatively lower interest rate for the life of their mortgage (all things remaining equal). The essence of the promotion was based on stability of interest rates as opposed to absolute pricing. It is our position that, for fixed income earners in particular, stability in the face of future increase in interest rates is more important to long-term affordability than is the absolute interest rate in a low interest rate environment that is inevitably subject to change.

Thus, the reduction in funding costs coupled with the growth in mortgage assets over the period, allowed for an increase in net interest income of TT$4.1 million or 5.5% as we commenced our recovery from the interest rate reduction strategy which was implemented in 2012. The effective return on the loan portfolio for fiscal 2013 was 6.4% compared to 7.2% for the same period last year.

Other avenues of income remained relatively stable, except for the category 'Other Income' which increased by $4.9 million or 4.8% due largely to an increase in loan-related fees also connected to the rise in the number of loans facilitated by the 'FIXED at Six' campaign. Effective cost control and persistent delinquency management decreased expenses by almost TT$2.0 million or 4.5% year over year.

Total assets stood at $3.67 billion, $187.7 million or 5.4% higher than that of the previous year. This increase is primarily based on the net growth in our loan portfolio increasing by $185 million year on year.



We are also pleased to report that we have retained our rating of AA- (high grade) by Caribbean Information and Credit Rating Services Limited (CariCRIS) and this has served us well in our ability to source competitively priced funding in the local capital market.

A review of our performance over the last five years shows steady growth in net interest income and profit before tax. Our mortgage portfolio also shows consistent growth as we continue to expand our product and market base in keeping with our blend of competitive mortgage offering and adherence to our public policy mandate.

Mortgage Services

In an effort to capture new business and retain existing customers, we introduced the 'FIXED at Six' campaign offering a 'fixed' rate of 6% per annum for the term of the loan. The promotion period ran from May 1 to July 31, 2013. The options provided received good response from both new and existing customers who were encouraged to close their loans by December 31, 2013 in order to qualify for the programme. While we may not offer the lowest price in the market, we are conscious of our customers' need for stability, affordability, and long-term financial planning. To this end, we manage our package offering emphasizing that price is not the be-all for a competitive position. Indeed, price must be combined with pre-payment and lump-sum payment options without penalty that allow our customers to manage their interest cost over the term of the loan.

In 2012, we increased our customer interaction with the "We Make House Calls" campaign which was designed to increase our customer outreach. In fiscal 2013 we expanded that reach to include all stakeholders – Trinidad and Tobago Housing Development Corporation (HDC), the Tobago House of Assembly (THA), the Land Settlement Agency (LSA), private developers, Real Estate agents and industry-related professionals. Our customer outreach approach included the appointment of mobile mortgage officers whose primary role is to assist in the management of these relationships; to educate the public on mortgage financing, visit communities to assist them with their initiatives to facilitate the acquisition of homes, and encourage the use of property for wealth creation. We are committed to build and maintain relationships with them, to ensure that our mutual customers are afforded every opportunity to achieve their dream. The focus will be on assisting customers in a more comprehensive manner by making our service more accessible and convenient.

The THA has been integral to our success in Tobago through the expansion of the housing sector with developments in Roxborough, Blenheim, Adventure and Castara. We will maintain close relationships with the THA as they aggressively pursue their goal of providing houses to the low and middle income groups. The same is true of the HDC, LSA and the administration of Caroni Lands, as they strive to execute the Government's Housing Policy throughout Trinidad and Tobago.

Operational Review

Our technological infrastructure was enhanced over the fiscal year ended December 31, 2013 with a change in our operating platform that will provide for workflow management, digital storage and introduction of call centre efficiencies that will mature over the next fiscal year. This new integrated system will also improve our overall record keeping and retrieval processes adding to our customer service efficiency and reduced turn-around time of service.

The upgrading of our information technology infrastructure as outlined above, coupled with the ongoing documentation of the integrated performance management systems, documentation of policies and procedures as they pertain to our business, and staff programmes that ensure training and development at every level, will all redound to the benefit of our varied stakeholders in the private and public sectors.

Conclusion

Forecasts suggest that growth in the economy will continue in 2014 and, as such, we expect that the demand for mortgages will continue as has the demand for housing at every level of the financial landscape. TTMF will continue to strengthen its resources to meet this need. We will explore all viable avenues to achieve affordable financing for the citizens of Trinidad and Tobago.

In October 2013, TTMF was re-aligned to the Ministry of Housing and Urban Development. As the newest addition to this dynamic Ministry, we intend to work as a part of a cohesive team to provide adequate shelter for all, adhering to our vision to be the "lender of first choice for residential mortgages in Trinidad and Tobago." Proof of this commitment to teamwork is evident in the Government's expansion of the 2% mortgage programme to include all properties valued up to $625,000, thereby removing the restriction to government-initiated developments.

In 2014 we will continue to support the Government of Trinidad and Tobago, in the plan that will give life to the formation of Trinidad and Tobago Mortgage Bank (TTMB). The Government has proceeded with the groundwork necessary for this initiative and we are supportive of this venture as we anticipate that it will ultimately provide a self-sustaining platform for the expansion of the housing sector.

On behalf of Team TTMF, I wish to thank our Directors for their on-going support and commitment. As we look forward to another year of service to the citizens of Trinidad and Tobago, we feel privileged to be a part of the development of TTMF's brand.

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

Management Team

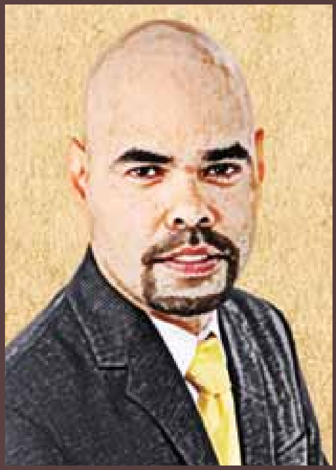
Ingrid L-A. Lashley
Managing Director/
Chief Executive Officer

Robert C. Green
Chief Operating Officer/
Secretary

Brent Mc Fee
Chief Financial Officer/
Assistant Secretary

Vernie Shield
General Manager,
Mortgage Services

Wendy Huggins
Assistant General Manager,
Mortgage Origination



Miguel Awai
Assistant General Manager,
Mortgage Administration

Cherrie Caracciolo
Manager,
Human Resources

Nicole Hospedales
Manager,
Corporate Services

Marsha Rae Leben
Manager,
Marketing and Public Relations

Myrtle Harris
Senior Manager,
Mortgage Operations

Meera Roopan
Manager,
Mortgage Origination

Lisa Williams
Manager, Finance

Social Investment Report

Corporate Social Responsibility (CSR) is a philosophy that is hinged upon the position that corporate entities should seek to improve the quality of life of their stakeholders in reciprocation for the business these entities would have garnered, whether directly or indirectly. In short, companies should "give back" to the communities in which they operate. The very nature of our business incorporates a social integration programme that is essential to our mandate. Thus, social investment in our customers, their families, communities and the nation as a whole is not a choice. Rather, this form of investment is the only way that we can fulfil our true mandate – shelter, safety, financial security and personal wealth.

Community

We have adopted as our major CSR investment, RAFFA House, which was founded by Loveuntil Foundation, a non-governmental organisation established in 2005. The foundation supports two homes for displaced children and engage in a number of activities in support of the social well-being of communities including HIV/AIDS education and awareness, and life skills programmes.

Children are placed in these homes by the Courts after ruling that their current living environment is unfit or unsafe for them. The staff and professional caregivers of the home are responsible for the well-being of the children, inclusive of medical check-ups, nutrition, clothing and enrolling these "wards of the state" into a school to continue their formal education.

During 2013, we contributed to RAFFA House's building fund as they sought to construct a new home. Additionally, in the same year we subsidised the living expenses of its wards and hosted a Christmas party for the children under their care. Christmas decorations for the Homes were also extended as part of the Company décor. Further, because of the circumstances into which these children were born and the negative experiences which they face, we, through the providers of our Employee Assistance Programme, facilitated counselling sessions to its wards deemed in need of such service by their caregivers.

In addition to the financial assistance, computers were donated while managers and staff donated items of clothing, personal hygiene items, and school uniforms for each of the children.

Culture

We are always seeking ways to increase our CSR activity so that our scope is not restricted to our immediate stakeholders, but also extends to our indirect stakeholders. As such, in the area of culture, as a policy, we include local talent in all of our company sponsored events. Consequently, in 2013 we were entertained by the illustrious calypsonian, Short

Pants at our Media launch, and then we were treated to tassa drummers at the 10th Anniversary of the opening of the Chaguanas branch. Also, the talented Tobagonian, Oscar B was engaged for the festivities accompanying the opening of our new Tobago office.

Sport

Our corporate responsibility drive recognizes that sporting events offer an avenue to develop skills and values appropriate for a world of continuous change and competition. As part of our 'FIXED at Six' promotion we incorporated the game of cricket in our messaging and utilized players from the Trinidad and Tobago Under 17 National Cricket Team to support us in our road shows at various communities as we sought to educate the public on the steps necessary to acquire a home. In return for this support we sponsored the Team in the Regional Under 17 Tournament held in Tobago.

Conclusion

In 2014 we will remain faithful to our corporate pledge of "making homeownership an easy and rewarding experience". At the same time we will take every opportunity to play our part in enriching the lives of the citizens of Trinidad and Tobago through our corporate social responsibility initiatives and community support throughout Trinidad and Tobago.

NOTES

Trinidad & Tobago
Mortgage Finance
Company Limited

Foreword

Summary Financial Statements

This summary financial statements contains the Statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows as well as a note to explain them. It does not contain sufficient information to allow a full understanding of the results and state of affairs of Trinidad and Tobago Mortgage Finance Company Limited.

The full annual financial statements and reports are available online at www.ttmf-mortgages.com or at our registered offices.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

We have audited the accompanying financial statements of Trinidad and Tobago Mortgage Finance Company Limited which comprise the statement of financial position as at 31 December 2013, and the related 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 Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2013 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
25 March 2014

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2013
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2013	2012	2011
ASSETS				
Cash and cash equivalents	4	5,508	11,970	5,120
Debtors and prepayments	5	12,401	20,366	15,912
Investment securities	6	251,564	251,328	251,094
Mortgage loans	7	3,174,874	2,990,341	2,924,942
Property and equipment	8	45,530	31,026	29,244
Deferred tax asset	9	176,686	173,868	161,196
TOTAL ASSETS		3,666,563	3,478,899	3,387,508
LIABILITIES AND EQUITY				
LIABILITIES				
Bank overdraft	4	21,199	–	36,737
Prepayments by mortgagors		39,474	34,013	26,889
Amount due under IDB loan programme	10	1,030	1,458	1,576
Amount due to HDC	11	16,027	16,027	178,262
Taxation payable		–	976	989
Sundry creditors and accruals	12	53,517	48,561	41,131
Short-term debt	13	302,000	958,763	883,763
Interest payable on debt		30,783	17,456	12,965
Long-term debt	14	2,332,774	1,555,519	1,382,490
Subsidy 2% mortgage programme	15	112,602	129,652	147,306
Pension plan liability	17	6,284	3,561	665
TOTAL LIABILITIES		2,915,690	2,765,986	2,712,773
EQUITY				
Share capital	18	12,408	12,408	12,408
Retained earnings		738,465	700,505	662,327
TOTAL EQUITY		750,873	712,913	674,735
TOTAL EQUITY AND LIABILITIES		3,666,563	3,478,899	3,387,508

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

On 25 March 2014, the Board of Directors of Trinidad and Tobago Mortgage Finance Company Limited authorised these financial statements for issue.

: Director

Feroze Khan : Director

: Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2013
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2013	2012
Income			
Mortgage interest		196,535	213,583
Interest expense (net)	19	(119,350)	(140,449)
Net interest income		77,185	73,134
Investment income	20	21,575	21,643
Rental income		643	632
Other income	21	8,546	7,611
		107,949	103,020
Expenses			
Administration	22	(41,799)	(43,754)
Loan impairment expense	7	(1,574)	(970)
Building		(5,158)	(4,691)
		(48,531)	(49,415)
Net income before tax		59,418	53,605
Taxation 24		1,862	9,520
Net income after taxation		61,280	63,125
Other comprehensive income, net of taxes			
Items that will not be reclassified subsequently to profit or loss:			
- Re-measurement losses on defined benefit plans		(2,737)	(3,304)
- Income tax credit		684	826
Other comprehensive loss for the year, net of tax		(2,053)	(2,478)
Total comprehensive income for the year		59,227	60,647

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2013
(Expressed in Thousands of Trinidad and Tobago dollars)

	Share capital	Retained earnings	Total
Balance at 31 December 2011	12,408	664,578	676,986
Prior period adjustments (Note 2 b) i))	–	(2,251)	(2,251)
Balance at 31 December 2011 (Restated)	12,408	662,327	674,735
Dividend 2011	–	(22,469)	(22,469)
Net income for the period (Restated)	–	63,125	63,125
Other comprehensive income for the year (Restated)	–	(2,478)	(2,478)
Balance as at 31 December 2012 (Restated)	12,408	700,505	712,913
Dividend 2012	–	(21,267)	(21,267)
Net income for the period	–	61,280	61,280
Other comprehensive income for the year	–	(2,053)	(2,053)
Balance at 31 December 2013	12,408	738,465	750,873

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2013
(Expressed in Thousands of Trinidad and Tobago dollars)

	2013	2012
Cash flows from operating activities		
Net income before tax	59,418	53,605
Adjustments for		
Depreciation	3,547	2,584
Loss on sale of fixed assets	1	25
Interest capitalized	(236)	(234)
Discount amortised	(236)	(232)
Amortised subsidy 2% mortgage programme	(17,050)	(17,654)
Increase in pension liability	(14)	(409)
Surplus before working capital changes	45,430	37,685
Decrease/(increase) in debtors and prepayments	7,965	(4,454)
Increase in mortgages	(184,533)	(65,399)
Increase in prepayment by mortgagors	5,462	7,124
Decrease in amount due under IDB loan programme	(428)	(118)
Decrease in amount due to HDC	–	(162,235)
Increase in sundry creditors and accruals	4,956	7,417
Increase in interest payable on debt	13,327	4,491
Taxes paid	(1,014)	(2,021)
Net cash used in operating activities	(108,835)	(177,510)

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2013
(Expressed in Thousands of Trinidad and Tobago dollars)

	2013	2012
Cash flows from investing activities		
Purchase of fixed assets	(18,274)	(4,393)
Proceeds from sale of fixed assets	223	1
Net cash used in investing activities	(18,051)	(4,392)
Cash flows from financing activities		
Proceeds from debt	1,439,022	425,000
Repayments on debt	(1,318,530)	(177,042)
Dividends paid	(21,267)	(22,469)
Net cash generated from financing activities	99,225	225,489
Net (decrease)/increase in cash and cash equivalents	(27,661)	43,587
Cash and cash equivalents at the beginning of year	11,970	(31,617)
Cash and cash equivalents at the end of year	(15,691)	11,970
Represented by:		
Cash at bank and in hand	5,508	11,970
Bank overdraft	(21,199)	–
	(15,691)	11,970
Supplemental information		
Interest received	224,883	234,117
Interest paid	106,003	135,958

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

1. Incorporation and principal activity

Trinidad and Tobago Mortgage Finance Company Limited (TTMF) is incorporated in the Republic of Trinidad and Tobago and provides mortgage financing secured by 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.

The registered office is located at 61 Dundonald Street, Port of Spain.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of presentation

The financial statements of the Company 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 IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

b) Changes in accounting policy

i) New standards and amendments/revisions to published standards and interpretations effective in 2013

The following amendments to published standards are mandatory for the Company's accounting periods beginning on or after 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 introduce a grouping requirement for items presented in other comprehensive income. Items that will be reclassified ('recycled') to the consolidated statement of income in the future (e.g., exchange differences on translating foreign operations) will be presented separately from items that will not be reclassified (e.g., gain recognised on revaluation of land and buildings). The amendment only affects disclosures of the Company and as such did not have any effect on the Company's financial position or performance.

IAS 1 Presentation of Financial Statements - Clarification of requirements for comparative information (as part of the Annual Improvements to IFRSs 2009 - 2011 cycle

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Company's financial position or performance.

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

i) New standards and amendments/revisions to published standards and interpretations effective in 2013 (continued)

IFRS 7 Financial Instruments Disclosures: Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related arrangements (e.g., collateral agreements). The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. The amendment did not have any effect on the financial position, performance or disclosures of the Company.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer to liability in an orderly transaction between market participants at the measurement date" (i.e., an exit price).

IFRS 13 provides clarification on a number of areas, including the following:
Concepts of ‘highest and best use’ and ‘valuation premise’ are relevant only for non-financial assets.
Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements.
A description of how to measure fair value when a market becomes less active.

IFRS 13 has not materially impacted the fair value measurements of the Company.

(Expressed in Thousands of Trinidad and Tobago dollars)

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

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

i) **New standards and amendments/revisions to published standards and interpretations effective in 2013** (continued)

IAS 19 Employee Benefits (Amendment)

The amendment changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and the fair value of plan assets when they occur, hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the financial statement of financial position to reflect the full value of the plan deficit or surplus. This has resulted in the following restatements by the Company:

Statement of financial position	**2012**	**2011**
Pension asset	(2,305)	(2,334)
Restated pension liability	(3,561)	(665)
Increase in liabilities	(5,866)	(2,999)
Deferred tax liability	403	583
Restated deferred tax asset	890	165
Increase in assets	1,293	748
Net decrease in equity	(4,573)	(2,251)
Net impact on 2012	(2,322)	
Changes in statement of comprehensive income:		
Decrease in expenses	437	
Taxation expense	(281)	
Profit for the year	156	
Remeasurement of pension plan liabilities	(3,304)	
Income tax effect on above	826	
Decrease in total comprehensive income	(2,322)	

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

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

ii) **New standards and amendments/revisions to published standards and interpretations effective in 2013 but not applicable to the Company**

The Company 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 Company:

IFRS 1 - Government Loans - Amendments to IFRS 1 - 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)
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine - Effective 1 January 2013.

Annual Improvements to IFRSs 2009 - 2011 cycle - Effective 1 January 2013:

IFRS 1 - First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1 and borrowing costs
IAS 16 - Property Plant and Equipment - Classification of servicing equipment
IAS 32 - Financial Instruments, Presentation - Tax effect of distributions to holders of equity instruments
IAS 34 - Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities

iii) **New interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company**

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

IFRS 9 - Financial Instruments - Classification and Measurement - In July 2013 the IASB tentatively decided to defer the mandatory effective date of IFRS 9 (1 January 2015) until the issue date of the completed version of IFRS 9 is known.
IFRS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 - Effective 1 January 2014
IFRS 36 - Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 - Effective January 1 2014
IFRS 21 - Levies - Effective 1 January 2014

c) **Financial instruments**

The Company'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 Company derecognises its financial assets when the rights to receive cash flows from the assets have expired or where the Company 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 recognised on the trade date, which is the date that the Company commits to purchase or sell the instrument.

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

d) Investment securities

The Company 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 Company's management has the positive intention and ability to hold to maturity.

After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost, less allowance for impairment. Premiums and discounts are amortised over the life of the instrument using the effective interest rate method. The amortization of premiums and discounts is taken to the Statement of Comprehensive Income.

e) 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.

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 amortised 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 Company would not be repaid. The allowance recognised 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 Company, 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 Company at the balance sheet date.

Any change in provisions required is recorded in the income statement and other 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 Company 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.

2. Significant accounting policies (continued)

h) Property and equipment (continued)

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 331/3%
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 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 Company 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.

k) Employee benefits

Pension obligations

The Company 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 Company, 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.

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

k) **Employee benefits** (continued)

Pension obligations (continued)

The asset/liability recognised in the 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 unrecognised 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 income statement so as to spread the regular cost over the service lives of the employees.

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.

Re-measurement of the net defined benefit liability, which comprise of actuarial gains and losses and the return on Plan assets (excluding interest) are recognised immediately through the Statement of Comprehensive Income (see Note 2 b) i)).

The defined benefit plan mainly exposes the Company to actuarial risks such as investment risk, inherent rate risk and longevity risks.

Past service cost is recognised as an expense at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises any termination benefits or related restructuring costs.

l) **Financial liabilities**

Financial liabilities are recognised initially at fair value net of transaction costs, and subsequently measured at amortised 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 income statement and other 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

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 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 recognised 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 recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

2. Significant accounting policies (continued)

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 2013. All revenue and expenditure transactions denominated in foreign currencies are translated at the buying (cash) rate of our bankers and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

o) Revenue recognition

Mortgage loans

Income from mortgage loans, including origination fees, is recognised on an amortised 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 of at least 6 months subsequent to the loan being brought up to date.

Investment income

Interest income is recognised in the 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 recognised in the income statement and other 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 recognised 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 recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised 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 Company manages the disbursement and collection of mortgage loans on behalf of other mortgage companies. The loan portfolios managed under these agreements totalled $241.7 million (2013: $290.7 million) and is not reflected in these financial statements.

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.

2. Significant accounting policies (continued)

r) Capitalized transaction costs

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

s) Comparative information

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year.

f) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

3. Critical accounting judgments and key sources of estimation uncertainty

Key sources of estimation uncertainty

The preparation of the 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 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical 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 recognised 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.

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 Company, 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 17 – Pension and other post-employment benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013
(Expressed in Thousands of Trinidad and Tobago dollars)
(continued)

4. Cash and cash equivalents

	2013	2012
Cash in hand	7	7
Cash at bank	5,501	11,963
	5,508	11,970
Bank overdraft	(21,199)	–
	(15,691)	11,970

The average effective interest rate on cash and cash equivalents for the current year is 0.00% (2012: 0.03%).

The Company has a credit line for TT$25Mn with Citibank T&T Limited secured by a lien of TT$19.5Mn of the Government guaranteed Trinidad and Tobago Housing Development Corporation Fixed Rate Bond TT$228Mn. An unsecured overdraft facility for TT$25Mn with Republic Bank Limited is also maintained.

5. Debtors and prepayments

	2013	2012
Interest receivable on investments	4,573	4,567
Mortgage and other interest receivable	2,634	9,586
Insurance receivable	4,234	4,387
IDB service fee	352	405
Staff debtors	356	540
Sundry debtors	252	264
Other	–	617
	12,401	20,366

6. Investment securities

	2013	2012
Securities held-to-maturity		
HDC Fixed Rate 8.5% Bond	225,252	224,975
NIPDEC 6.55% Bond	26,149	26,186
First Caribbean International Bank Investment	163	167
	251,564	251,328

The average effective interest rate on held-to-maturity securities for the current year is 8.58% (2012: 8.60%).

As at the year end the fair value of investment securities classified as held to maturity amounted to $366,804 (2012: $318,137)

(Expressed in Thousands of Trinidad and Tobago dollars)

7. Mortgage loans

		2013	2012
a)	Gross mortgages	3,186,631	3,000,524
	Less: Impairment provision (7b)	(11,757)	(10,183)
	Net balance	3,174,874	2,990,341
b)	Impairment provision:		
	Balance at beginning	9,213	5,410
	Balance at beginning	10,183	9,213
	Loan loss recovered	–	–
	Impairment expense for the year	1,574	970
	Balance at end	11,757	10,183
	Individual impairment	7,097	5,201
	Inherent risk impairment	4,660	4,982
		11,757	10,183

The average effective interest rate on the mortgage loan portfolio for the current year is 6.37% (2012: 7.22%).

8. Property and equipment

	Land & buildings	Motor vehicle	Furniture & equipment	Computer equipment	2013	20112
Cost						
At beginning of the period	35,299	1,383	5,180	6,505	48,367	55,110
Additions	14,227	1,620	445	1,982	18,274	4,393
Disposals	(209)	(957)	(1,251)	(504)	(2,921)	(11,137)
At end of period	49,317	2,046	4,374	7,983	63,720	48,366
Accumulated depreciation						
At beginning of the period	12,269	835	2,930	1,306	17,340	25,866
Current depreciation	909	502	596	1,540	3,547	2,584
Depreciation on disposals	(206)	(737)	(1,250)	(504)	(2,697)	(11,110)
At end of period	12,972	600	2,276	2,342	18,190	17,340
Net book value	36,345	1,446	2,098	5,641	45,530	31,026

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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013
(Expressed in Thousands of Trinidad and Tobago dollars)
(continued)

9. Deferred tax assets and liabilities

	2013	2012
Components of deferred tax asset		
Taxation losses	168,637	167,637
Loan fees	4,519	3,725
Pension liability	1,571	890
Other	1,959	1,616
	176,686	173,868

	2012	Credit/(charge) to income statement (note 24)	Other	2013
Taxation losses	167,637	1,000	–	168,637
Loan fees	3,725	794	–	4,519
Pension liability	890	(3)	684	1,571
Other	1,616	343	–	1,959
	173,868	2,134	684	176,686
	2011			**2012**
Taxation losses	155,555	12,082	–	167,637
Loan fees	3,684	41	–	3,725
Pension liability	165	(101)	826	890
Other	1,792	(176)	–	1,616
	161,196	11,846	826	173,868

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized (refer Note 2 m)). Management's retention of this asset is based on the tax planning associated with likely corporate restructuring associated with the planned formation of Trinidad and Tobago Mortgage Bank (TTMB). Such restructuring will allow for the use of accumulated income tax losses against future taxable profits in the short to medium term.

10. Amount due under IDB loan programme

The 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.

11. Amount due to HDC

This balance relates to the liability due to HDC from the GOTT's decision to rescind the administered portfolio arrangement with TTMF.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013
(Expressed in Thousands of Trinidad and Tobago dollars)
(continued)

12. Sundry creditors and accruals

	2013	2012
Unearned loan fees	18,077	14,898
Home Mortgage Bank	3,735	7,156
Provision for staff costs	1,454	6,920
Advance - Beneficiary Owned Land Subsidy	2,826	2,826
Mortgage clearing accounts	20,719	11,498
Other	6,706	5,263
	53,517	48,561

13. Short-term debt

This represents a revolving facility with CitiBank, commercial paper from First Citizens Bank Limited and a bridge facility with Ansa Merchant Bank Limited to assist in the granting of mortgages and operational expenses. The average effective interest rate on short-term debt for the current year is 1.60% (2012:6.79%).

Short term debt	2013	2012
National Insurance Board	–	783,763
First Citizens Bank Limited	247,000	175,000
Citibank T&T Limited	25,000	–
Ansa Merchant Bank Limited	30,000	–
	302,000	958,763

The company is currently implementing a liability management strategy which resulted in the repayment of the NIB short-term facility.

14. Long term debt

	2013	2012
Government of Trinidad and Tobago Loans		
- 7.00% debentures 1999/2018	12,657	14,706
- 7.50% debentures 1999/2018	6,058	7,024
- 5.00% debentures 1999/2018	31,945	37,441
- 5.00% debentures 2018	127,490	127,490
	178,150	186,661
National Insurance Board Loans		
- 5.00% debentures 1999/2018	5,784	6,779
- 5.00% debentures 1999/2018	39,806	46,654
	45,590	53,433
Mortgage backed Loans		
- 3.75% debentures 2012/2017	108,000	108,000
- 4.00% debentures 2012/2019	51,750	51,750
- 4.95% debentures 2012/2022	90,250	90,250
	250,000	250,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2013
(Expressed in Thousands of Trinidad and Tobago dollars)
(continued)

14. Long term debt (continued)

	2013	2012
Bonds		
5.5%/6.5%/7% 2004 Bond Issue	–	225,000
6.0% 2005 Bond Issue	67,000	100,500
2.375% 1994 Bond Issue 2019	15,000	17,500
2.25% 1995 Bond Issue 2020	28,903	33,032
9.475/10.45% 1998 Bond 2023	100,000	100,000
10.0% 2000 Bond Issue 2020	70,000	80,000
7%/6% 2009 Bond Issue	500,000	500,000
20 Series Bond Issue	582,000	–
20 Series Bond Issue	500,000	–
8.5% 2009 HMB Loan	4,668	13,434
	1,867,571	1,069,466
	2,341,311	1,559,560
Less: unamortised transaction cost	(8,537)	(4,041)
	2,332,774	1,555,519

Loans amounting to $170 million (2012: $53.4 million) are fully secured by Government guarantee, whilst loans amounting to $1,899 million (2012: $1,075.5 million) are fully secured by the Company's mortgage assets.

The average effective interest rate on long-term debt for the current year is 5.06% (2012: 6.30%).

15. Subsidy 2% mortgage programme

The 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 GOTT 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 amortised 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 recognised in other income.

	2013	2012
Grant balance brought forward	129,652	147,306
Less amounts released:		
Interest expense (Note 19)	(14,210)	(14,785)
Other income	(2,840)	(2,869)
Balance deferred	112,602	129,652

(Expressed in Thousands of Trinidad and Tobago dollars)

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

The subsidy received from the GOTT 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 Company's mortgage loans, over the term of the bonds. This enabled the Company to lend at specified mortgage interest rates under the approved mortgage company programme. This is recognised on the accruals basis and is net off against interest expense in the statement of comprehensive income.

The total subsidy net off against interest expenses during the current year was $5,208 million (2012: $5.573 million). Refer to Note 19.

17. Pension and other post-employment benefits

		2013	2012
a)	Amounts recognised in the statement of financial position:		
	Defined benefit obligations	(46,719)	(40,331)
	Fair value of plan assets	40,435	36,770
	Net defined benefit liability	(6,284)	(3,561)
b)	Amounts recognised in the statement of comprehensive income:		
	Current service cost	1,884	1,573
	Interest costs	173	29
	Net benefit cost (Note 22)	2,057	1,602
c)	Actual return on plan assets	1,990	3,066
d)	Changes in the present value of the defined benefit obligation are as follows:		
	Opening defined benefit obligation	40,331	32,963
	Current service cost	1,884	1,573
	Interest costs	2,053	2,174
	Members' contributions	706	688
	Actuarial losses	2,847	4,225
	Benefits paid	(1,102)	(1,292)
	Closing defined benefit obligation	46,719	40,331
e)	Changes in the fair value of plan assets are as follows:		
	Opening fair value of plan assets	36,770	32,297
	Expected return	1,881	2,145
	Employer contributions	2,070	2,011
	Members' contributions	706	688
	Actuarial gain on plan assets	110	921
	Benefits paid	(1,102)	(1,292)
	Closing fair value of plan assets	40,435	36,770

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17. Pension and other post-employment benefits (continued)

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

	2013	**2012**
Deposit administration contracts	74%	72%
Individual annuity contracts	26%	28%
	100%	100%

Summary of principal actuarial assumptions

Discount rate	5.0%	5.0%
Salary increases	3.0%	3.0%

g) The Company is expected to contribute $2,440 (2013: $2,110) to its defined benefit plan in 2014.

h) Sensitivity of Present value of Defined Benefit Obligation

	100 Basis Pts Increase $'000	**100 Basis Pts Decrease $'000**
Discount rate	(7,618)	9,992
Salary growth	3,742	(3,223)

The weighted average duration of the obligations is 21 years.

18. Share capital	**2013**	**2012**
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	**2013**	**2012**
Gross interest expense	138,768	160,807
Less Government subsidy:		
Bonds (Note 16)	(5,208)	(5,573)
2% Mortgage Program (Note 15)	(14,210)	(14,785)
Net interest expense	119,350	140,449

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20. Investment income

	2013	2012
Amortization of discount/(premium) on		
Held-to-maturity investment	240	232
Interest on call deposits and bank account	236	239
Interest on investments	21,099	21,172
	21,575	21,643

21. Other income

	2013	2012
Loan fees	2,154	1,037
IDB income	634	729
Home Mortgage Bank service and origination fee	2,172	2,674
Subsidy 2% mortgage programme-Administration fees	2,949	2,983
Other	637	188
	8,546	7,611

22. Administration expenses

	2013	2012
Staff costs (Note 23)	25,736	28,168
Depreciation	3,547	2,584
Legal and professional fees	1,781	2,120
Advertising and public relations	3,616	2,168
Bank interest and charges	149	1,047
Capital Issue Costs	2,184	1,354
Other	4,786	6,313
	41,799	43,754

23. Staff costs

	2013	2012
Wages, salaries and other benefits	22,565	25,585
National insurance	1,114	981
Pension costs – defined benefit plan	2,057	1,602
	25,736	28,168

24. Taxation

a) Components of tax income

	2013	2012
Deferred tax	(2,134)	(11,846)
Current tax - current year	272	2,326
	(1,862)	(9,520)

(Expressed in Thousands of Trinidad and Tobago dollars)

24. Taxation (continued)

b) Reconciliation of accounting to tax profit:

	2013	2012
Accounting profit	59,418	53,605
Tax at applicable statutory rate (25%)	14,854	13,401
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(18,708)	(18,683)
Other	1,992	(4,238)
Tax income	(1,862)	(9,520)

25. Mortgage commitments

At 31 December 2013 the Company had outstanding commitments totalling $183 million (2012: $92 million), to intending mortgagors.

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 Company.

	2013	2012
Mortgage loans		
Key management personnel (including Directors)	5,768	5,517
Borrowings and other liabilities		
National Insurance Board		
Short-term debt	–	783,763
Interest payable on debt	2,778	4,082
Borrowings	182,590	378,933
Home Mortgage Bank		
Other liabilities	3,735	7,156
Borrowings	4,668	13,432
Interest and other income		
Key management personnel	249	330
Borrowings interest and other expense		
National Insurance Board	48,481	90,449
Home Mortgage Bank	806	1,517

(Expressed in Thousands of Trinidad and Tobago dollars)

26. Related party transactions (continued)

	2013	2012
Key management compensation		
Short-term benefits	2,820	1,943
Post-employment benefits	309	295
Directors' remuneration	445	464

In the normal course of the Company's business, Government and Government related entities invest in the Company's funding instruments offered to the public. The Government also provides financing for specifically designated arrangements. The Company 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 2013, there were certain legal proceedings outstanding for the Company. 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 Company's objectives when managing capital, which is a broader concept than equity on the face of the Statement of Financial Position, are:

To safeguard the Company'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 Company defines capital as an appropriate mix of debt and equity. Capital increased by $158.5 million to $3,385.6 million during the year under review.

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

29. Risk management

The Company's activities are primarily related to the provision of mortgage loans for the purchase of residential properties. The Company'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 Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse 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 Company 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 Company 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.

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(continued)

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 Company are audited periodically by the internal audit function, which examines both the adequacy of the procedures and the Company'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 Company takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Company either by its unwillingness to perform on an obligation or its ability to perform such an obligation is impaired. The Company 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 Company 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 Company'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

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

Details	**Maximum exposure**	
	2013	**2012**
Financial assets		
Mortgage loans	3,186,631	3,000,524
Investment securities	251,564	251,328
Other receivables	4,573	11,340
Cash at bank and cash equivalents	5,508	11,970
Total gross financial assets	3,448,276	3,275,162
Mortgage commitments	182,615	92,033
Total credit risk exposure	3,630,891	3,367,195

Of the Investment securities which the Company holds, $250.60M was pledged as security as follows:

$19.5M – Revolving Loan facility at Citibank
$26.10M – Fixed/Floating Rate Bond Issue arranged by First Caribbean International Bank
$205.00M – Commercial Paper arranged by First Citizens Investment Services

Risk limit control and mitigation policies

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

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or Company 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 Company 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 Company'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 Company's performance to developments affecting a particular geographic location.

In order to avoid excessive concentrations of risk, the Company'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 Company 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 Company 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 Company'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 Company does not occupy repossessed properties for business use.

(2) Lending

The Company 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 Company assesses the probability of default by a counter party on its contractual obligation and the possibility of recovery on defaulted obligations.

The Company 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.

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(continued)

(3) Geographical concentrations

The Company monitors the financial assets credit risk by geographical concentration to prevent over exposure in any area or any residential housing development. The Company 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 Company's principal financial asset, by region, based upon where the land and building taxes are paid.

Concentration of risks of financial assets with credit risk exposure

DETAILS

	2013		2012	
MORTGAGE LOANS	**$**	**%**	**$**	**%**
ARIMA BOROUGH COUNCIL	413,760	12.00%	397,078	12.13%
CHAGUANAS BOROUGH COUNCIL	436,578	12.66%	426,173	13.01%
COUVA/TABAQUITE/TALPARO REG.	349,809	10.15%	334,293	10.21%
D/MARTIN REGIONAL CORPORATION	279,429	8.11%	247,716	7.56%
LAVENTILLE/SAN JUAN REGIONAL CORPORATION	242,032	7.02%	206,575	6.31%
MAYARO/RIO CLARO REGIONAL CORPORATION	15,702	0.46%	14,990	0.46%
POS CITY COUNCIL	125,054	3.63%	153,526	4.69%
PENAL/DEBE REGIONAL CORPORATION	52,399	1.52%	59,995	1.83%
POINT FORTIN BOROUGH COUNCIL	42,133	1.22%	34,497	1.05%
PRINCESS TOWN REGIONAL CORPORATION	67,581	1.96%	67,117	2.05%
SAN FERNANDO CITY COUNCIL	305,676	8.87%	268,558	8.20%
SANGRE GRANDE REGIONAL CORPORATION	91,351	2.65%	83,666	2.55%
SCARBOROUGH	28,580	0.83%	21,073	0.64%
SIPARIA REGIONAL CORPORATION	60,760	1.76%	65,895	2.01%
TOBAGO EAST	40,150	1.16%	35,615	1.09%
TOBAGO WEST	47,447	1.38%	31,741	0.97%
TUNAPUNA/PIARCO REGIONAL CORPORATION	588,190	17.06%	552,016	16.85%
TOTAL MORTGAGE LOANS	3,186,631	92.43%	3,000,524	91.61%
OTHER FINANCIAL ASSETS	261,645	7.57%	274,638	8.39%
TOTAL	3,448,276	100.00%	3,275,162	100.00%

Credit quality per class of financial assets

The Company has determined that credit risk exposure arises from the following 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.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

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
2013					
Balance	2,690,221	388,402	72,194	35,814	3,186,631
	84%	12%	2%	1%	100%
2012					
Balance	2,441,066	420,756	100,304	38,398	3,000,524
	82%	14%	3%	1%	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.

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
2013					
Held to maturity	251,402	162	–	–	251,564
	99.93%	0.07%	–	–	100%
2012					
Held to maturity	251,161	167	–	–	251,328
	99.94%	0.06%	–	–	100%

The credit quality of cash and cash equivalents as at 31 December 2013 and 31 December 2012 has been assessed as standard grade.

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

At 31 December 2013, mortgage loans which represent the largest portion of the Company's financial assets (92%) are backed by collateral. The comparative figure is 83%.
1% of the mortgage loans portfolio is impaired (2012: 1%). The fair value of collateral supporting these impaired mortgage loans generally exceeds the outstanding balances. Where shortfalls in security values are noted, adequate provisions have been established.

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 Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Individually assessed allowances

The Company 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 Company 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 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 $35.814 million (2012: $38.398 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 Company as security, are as follows:

	2013	2012
Mortgage loans - individually impaired		
Total	35,814	38,398
Fair value of collateral (before factoring in time to sell)	33,785	45,440

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.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Collectively assessed allowances (continued)

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

Impairment Provision Details	Individual	Collective	2013 Total	Individual	Collective	2012 Total
Beginning balance	5,201	4,982	10,183	4,617	4,596	9,213
Recoveries/write-backs	–	(322)	(322)	–	–	–
Provision for the year	1,896	–	1,896	584	386	970
Balance at year end	7,097	4,660	11,757	5,201	4,982	10,183

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 2013 is $35.423 million (2012: $39.021 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 Company has no significant exposure to currency risk and other price risk.

Interest rate risk

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

i. Financial assets

a) Mortgage loans

Mortgage loans account for 87% (2012: 86%) of the Company's total assets. A Ministerial decree is required by the Company for any changes in mortgage interest rates. These interest rates have been changed during 2012 from 6-8% to 5-7%.

b) Investment securities

Investments securities account for 6.9% (2012: 7.3%) of the Company's total assets. These are held-to-maturity financial assets comprising of fixed rate bonds.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Interest rate risk (continued)

ii. Financial liabilities

Long-term and short-term debt accounts for 91% (2012: 91%) of the Company's financial liabilities. This is made up of fixed and floating bonds and debentures as follows:

	2013	%	2012	%
Short-term debt				
Fixed	302,000	100	958,763	100
Long-term debt				
Fixed	2,208,221	95	1,414,337	91
Floating	124,553	5	141,182	9
	2,332,774	100	1,555,519	100
Total debt	2,634,774		2,514,282	

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 Company'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 2013		
Profit before tax	(1,246)	1,246
Tax impact 25%	311	(311)
Profit after tax	(935)	935
31 December 2012		
Profit before tax	(1,411)	1,411
Tax impact 25%	353	(353)
Profit after tax	(1,058)	1,058

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 Company 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 Company might lose liquidity if it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with the Company. The consequence may be the failure to meet obligations to repay debts and fulfil commitments to lend.

(Expressed in Thousands of Trinidad and Tobago dollars)

29. Risk management (continued)

Liquidity risk management process

The Company'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 Company 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 Company's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

2013	Up to 1 year $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Bank overdraft	21,199	–	–	21,199
Amounts due under IDB loan programme	1,030	–	–	1,030
Short-term debt	302,000	–	–	302,000
Interest payable on debt	30,783	–	–	30,783
Sundry creditors and accruals	53,517	–	–	53,517
Long-term debt	425,240	768,316	1,139,218	2,332,774
Total undiscounted financial liabilities	833,769	768,316	1,139,218	2,741,303

2013	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	1,458	–	–	1,458
Short-term debt	958,763	–	–	958,763
Interest payable on debt	17,456	–	–	17,456
Sundry creditors and accruals	48,561	–	–	48,561
Long-term debt	75,248	1,032,241	448,030	1,555,519
Total undiscounted financial liabilities	1,101,486	1,032,241	448,030	2,581,757

29. Risk management (continued)

Liquidity risk management process (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 Company 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 2013, 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 amortised cost are estimated by comparing market interest rates when they were first recognised 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 Company'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 Company's assets are all classified as Level 2. Included in the Level 2 category are financial assets that are measured using 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 Company's own models whereby the majority of assumptions is market observable.

For the year ended 31 December 2013 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 Company cannot expect to eliminate all operational risks, but through a controlled framework and by monitoring and responding to potential risks, the Company 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.

NOTES

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