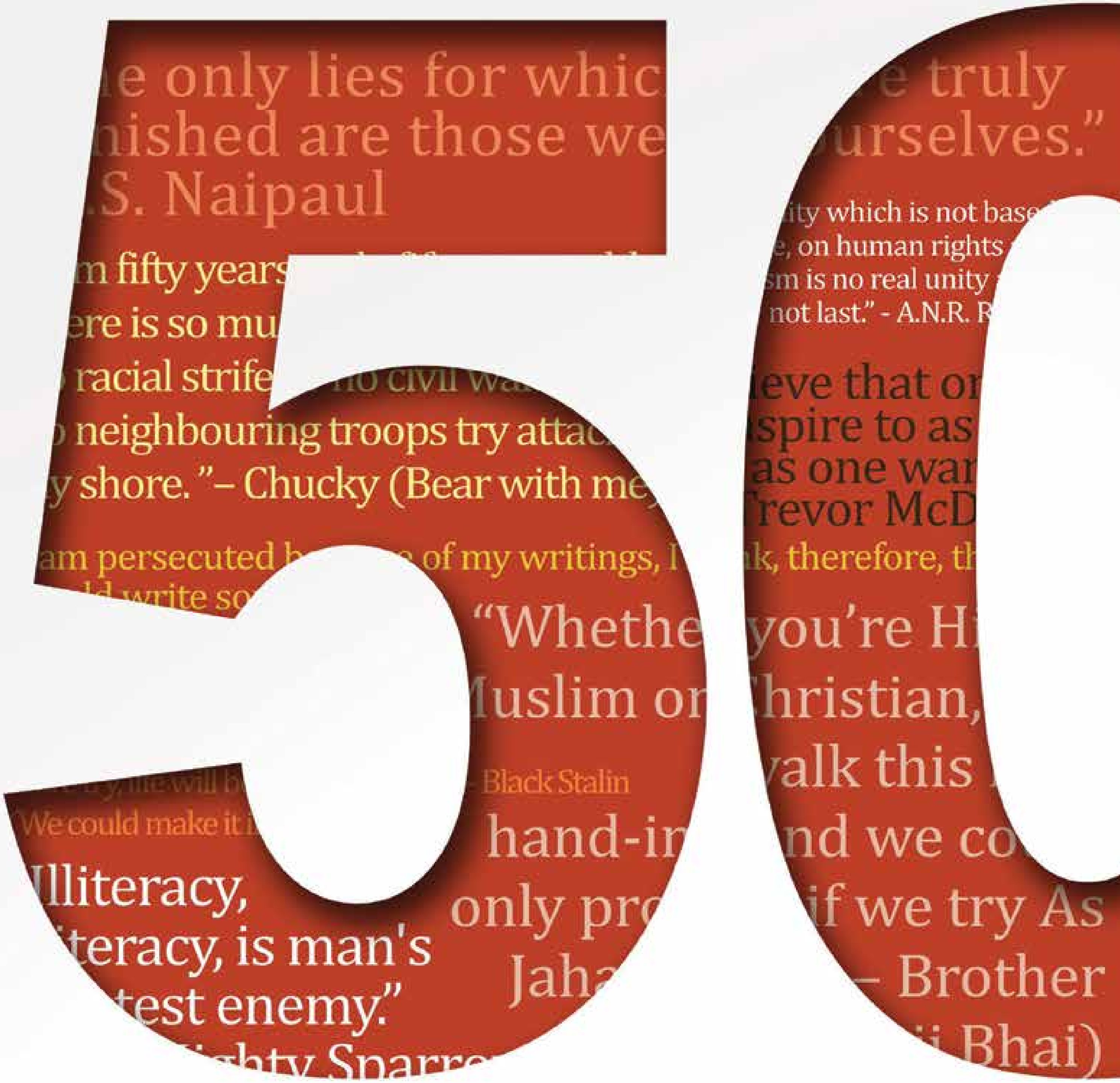

2014
FINANCIAL STATEMENTS

50 YEARS
From here... to Home.

50 YEARS
From here... to Home.

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REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS

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 2014, 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 presents fairly in all material respects, the financial position of the Company as of 31 December 2014 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
20 March 2015

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2014

(Expressed in Thousands of Trinidad and Tobago dollars)

	Note	2014	2013
ASSETS			
Cash and cash equivalents	4	137,469	5,508
Debtors and prepayments	5	13,283	12,401
Investment securities	6	251,838	251,564
Mortgage loans	7	3,066,640	3,174,874
Property and equipment	8	46,544	45,530
Deferred tax asset	9	168,549	176,686
TOTAL ASSETS		3,684,323	3,666,563
LIABILITIES AND EQUITY			
LIABILITIES			
Bank overdraft	4	–	21,199
Prepayments by mortgagors	10	89,527	39,474
Amount due under IDB loan programme	11	816	1,030
Amount due to HDC	12	15,863	16,027
Sundry creditors and accruals	13	45,675	53,517
Short-term debt	14	597,000	302,000
Interest payable on debt		30,196	30,783
Long-term debt	15	2,009,487	2,332,774
Subsidy 2% mortgage programme	16	94,834	112,602
Pension plan liability	18	7,414	6,284
TOTAL LIABILITIES		2,890,812	2,915,690
EQUITY			
Share capital	19	12,408	12,408
Retained earnings		781,103	738,465
TOTAL EQUITY		793,511	750,873
TOTAL EQUITY AND LIABILITIES		3,684,323	3,666,563

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

On 24 March 2015, 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, 2014

(Expressed in Thousands of Trinidad and Tobago dollars)

	Note	2014	2013
Income			
Mortgage interest		210,869	196,535
Interest expense (net)	20	(106,924)	(119,350)
Net interest income		103,945	77,185
Investment income	21	21,443	21,575
Rental income		703	643
Other income	22	8,299	8,546
		134,390	107,949
Expenses			
Administration	23	(50,586)	(41,799)
Loan impairment expense	7	(3,519)	(1,574)
Building		(4,797)	(5,158)
		(58,902)	(48,531)
Net income before tax		75,488	59,418
Taxation	25	(8,380)	1,862
Net income after taxation		67,108	61,280
Other comprehensive income, net of taxes			
Items that will not be reclassified subsequently to profit or loss:			
- Re-measurement losses on defined benefit plans		(938)	(2,737)
- Income tax credit		235	684
Other comprehensive loss for the year, net of tax		(703)	(2,053)
Total comprehensive income for the year		66,405	59,227

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2014

(Expressed in Thousands of Trinidad and Tobago dollars)

	Share capital	Retained earnings	Total
Balance at 31 December 2012	12,408	700,505	712,913
Dividends paid	–	(21,267)	(21,267)
Net income for the period	–	61,280	61,280
Other comprehensive loss for the year	–	(2,053)	(2,053)
Balance as at 31 December 2013	12,408	738,465	750,873
Dividends paid	–	(23,767)	(23,767)
Net income for the period	–	67,108	67,108
Other comprehensive loss for the year	–	(703)	(703)
Balance at 31 December 2014	12,408	781,103	793,511

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2014

(Expressed in Thousands of Trinidad and Tobago dollars)

	2014	2013
Cash flows from operating activities		
Net income before tax	75,488	59,418
Adjustments for		
Depreciation	4,205	3,547
Interest capitalized	–	(235)
Discount amortised	(274)	(236)
Amortised subsidy 2% mortgage programme	(17,768)	(17,050)
Increase in pension liability	192	(14)
Surplus before working capital changes	61,843	45,430
(Increase)/decrease in debtors and prepayments	(882)	7,965
Decrease/(increase) in mortgages	108,234	(184,533)
Increase in prepayment by mortgagors	50,053	5,462
Decrease in amount due under IDB loan programme	(214)	(428)
(Decrease)/increase in sundry creditors and accruals	(7,842)	4,956
(Decrease)/increase in interest payable on debt	(587)	13,327
Taxes paid	(447)	(1,014)
Net cash generated from/(used in) operating activities	210,158	(108,835)

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2014

(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2014	2013
Cash flows from investing activities			
Purchase of fixed assets	8	(5,313)	(18,274)
Proceeds from sale of fixed assets		68	223
Net cash used in investing activities		(5,245)	(18,051)
Cash flows from financing activities			
Proceeds from debt		707,500	1,439,022
Repayments on debt		(735,486)	(1,318,530)
Dividends paid	19	(23,767)	(21,267)
Net cash (used in)/generated from financing activities		(51,753)	99,225
Net increase/(decrease) in cash and cash equivalents		153,160	(27,661)
Cash and cash equivalents at the beginning of year		(15,691)	11,970
Cash and cash equivalents at the end of year		137,469	(15,691)
Represented by:			
Cash at bank and in hand	4	137,469	5,508
Bank overdraft		–	(21,199)
		137,469	(15,691)
Supplemental information			
Interest received		231,133	224,883
Interest paid		107,510	106,003

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

1. Incorporation and principal activity

Trinidad and Tobago Mortgage Finance Company Limited (TTMF) or the 'Company' 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 preparation

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 2014

The following amendments to published standards are mandatory for the Company's accounting periods beginning on or after 1 January 2014:

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

The amendments to IAS 32 clarifies the following:

- The meaning of "currently has a legally enforceable right to set-off".
- The application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous.
- Rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. Rights of set-off must not be contingent on a future event.
- Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion.

The amendments have no impact on the Company's financial position or performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2014

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

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

ii) New standards and amendments/revisions to published standards and interpretations effective in 2014 but not applicable to the Company

The following new and revised IFRS that has been issued does not apply to the activities of the Company:

- IFRS 10, IFRS 12, and IAS 27 Investment Entities (Amendment)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

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 11	– Accounting for Acquisitions of Interests in Joint Operations – Amendment to IFRS 11
IFRS 14	– Regulatory Deferral Accounts
IFRS 15	– Revenue from Contracts with Customers
IAS 16 and 38	– Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments
IAS 16 and 41	– Agriculture: Bearer Plants
IAS 27	– Equity Method in Separate Financial Statements – Amendments

iv) Annual improvements to IFRS

The annual improvement process of the IASB deals with non-urgent but necessary clarifications and amendments to IFRS.

2010 – 2012 Cycle – Effective 1 January 2015:

- IFRS 2 Share Based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurements
- IAS 16 Property, Plant and Equipment
- IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

2011 – 2013 Cycle – Effective 1 January 2015

- IFRS 1 First time adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

2. Significant accounting policies (continued)

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.

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) 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.

f) 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.

g) Property and equipment

All property 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2014

(Expressed in Thousands of Trinidad and Tobago dollars)

(continued)

2. Significant accounting policies (continued)

g) 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 33⅓%
Motor vehicles	-	25%
Furniture and equipment	-	12½%
Computer equipment	-	20 to 25%

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

Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts and are taken into the statement of comprehensive income.

h) 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.

i) 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.

j) Employee benefits

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 into account the recommendations of an independent qualified actuary. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset/liability 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.

2. Significant accounting policies (continued)

j) Employee benefits (continued)

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

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.

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.

k) 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.

l) 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.

m) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2014

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

2. Significant accounting policies (continued)

n) 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.

o) 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 $445.7 million (2013: $241.7 million) and is not reflected in these financial statements.

p) 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.

q) 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).

2. Significant accounting policies (continued)

r) Comparative information

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

s) 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 Company'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 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 18 – Pension and other post-employment benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2014

(Expressed in Thousands of Trinidad and Tobago dollars)

(continued)

4. Cash and cash equivalents

	2014	2013
Cash in hand	7	7
Cash at bank	137,462	5,501
	137,469	5,508
Bank overdraft	–	(21,199)
	137,469	(15,691)

The average effective interest rate on cash and cash equivalents for the current year is 0.00.% (2013: 0.00%).

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

	2014	2013
Interest receivable on investments	4,576	4,573
Mortgage and other interest receivable	1,922	2,634
Insurance receivable	4,376	4,234
IDB service fee	816	352
Staff debtors	261	356
Sundry debtors	39	252
Other	1,293	–
	13,283	12,401

6. Investment securities

Securities held-to-maturity		
HDC Fixed Rate 8.5% Bond	225,553	225,252
NIPDEC 6.55% Bond	26,122	26,149
First Caribbean International Bank Investment	163	163
	251,838	251,564

The average effective interest rate on held-to-maturity securities for the current year is 8.52% (2013: 8.58%).

As at the year end the fair value of investment securities classified as held to maturity amounted to $350,921 (2013: $366,804)

(Expressed in Thousands of Trinidad and Tobago dollars)

7. Mortgage loans

		2014	2013
a)	Gross mortgages	3,077,193	3,186,631
	Less: Impairment provision (7b)	(10,553)	(11,757)
	Net balance	3,066,640	3,174,874
b)	Impairment provision:		
	Balance at beginning	11,757	10,183
	Amounts written off	(2,775)	–
	Impairment expense for the year	1,551	(1,574)
	Balance at end	10,553	11,757
	Individual impairment	4,260	7,097
	Inherent risk impairment	6,293	4,660
		10,553	11,757

The average effective interest rate on the mortgage loan portfolio for the current year is 6.73% (2013: 6.37%).

8. Property and equipment

	Land & buildings	Motor vehicle	Furniture & equipment	Computer equipment	2014	2013
Cost						
At beginning of the period	49,317	2,046	4,374	7,983	63,720	48,367
Additions	745	285	888	3,395	5,313	18,274
Disposals	(38)	(426)	(683)	(387)	(1,534)	(2,921)
At end of period	50,024	1,905	4,579	10,991	67,499	63,720
Accumulated depreciation						
At beginning of the period	12,973	600	2,276	2,341	18,190	17,340
Current depreciation	1,583	495	498	1,628	4,205	3,547
Depreciation on disposals	(38)	(358)	(657)	(387)	(1,440)	(2,697)
At end of period	14,518	738	2,117	3,582	20,955	18,190
Net book value	35,506	1,167	2,462	7,409	46,544	45,530

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, 2014

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

9. Deferred tax assets and liabilities

	2014	2013
Components of deferred tax asset		
Taxation losses	163,520	168,637
Loan fees	4,376	4,519
Pension liability	1,853	1,571
Other	(1,200)	1,959
	168,549	176,686

	2013	Credit/(charge) to income statement	OCI	2014
Taxation losses	168,637	(5,117)	–	163,520
Loan fees	4,519	(143)	–	4,376
Pension liability	1,571	47	235	1,853
Other	1,959	(3,159)	–	(1,200)
	176,686	(8,372)	235	168,549

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. Prepayments by mortgagors

Prepayments by mortgagors reflect payments received by customers primarily for remittance to third parties. During the year the company entered into a License to Occupy (LTO) and Rent to Own (RTO) agreement with The Housing Development Corporation which accounts for the increase in the Prepayments by Mortgagors to December 2014.

	2014	2013
Escrows	63,956	25,522
Insurance	18,103	5,913
Other	7,468	8,039
	89,527	39,474

11. 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.

(Expressed in Thousands of Trinidad and Tobago dollars)

12. 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.

13. Sundry creditors and accruals

	2014	2013
Unearned loan fees	17,505	18,077
Home Mortgage Bank	4,991	3,735
Provision for staff costs	1,919	1,454
Advance - Beneficiary Owned Land Subsidy	2,826	2,826
Mortgage clearing accounts	9,663	20,719
Other	8,771	6,706
	45,675	53,517

14. 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 1.96% (2013:1.60%).

Short term debt	**2014**	**2013**
Secured:		
First Citizens Bank Limited	247,000	247,000
Unsecured:		
Citibank T&T Limited	–	25,000
Ansa Merchant Bank Limited	350,000	30,000
	597,000	302,000

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

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15. Long term debt	2014	2013
Government of Trinidad and Tobago Loans		
- 7.00% debentures 1999/2018	10,461	12,657
- 7.50% debentures 1999/2018	5,019	6,058
- 5.00% debentures 1999/2018	26,171	31,945
- 5.00% debentures 2018	127,490	127,490
	169,141	178,150
National Insurance Board Loans		
- 5.00% debentures 1999/2018	4,739	5,784
- 5.00% debentures 1999/2018	32,611	39,806
	37,350	45,590
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
Bonds		
6.0% 2005 Bond Issue	33,500	67,000
2.375% 1994 Bond Issue 2019	12,500	15,000
2.25% 1995 Bond Issue 2020	24,774	28,903
9.475/10.45% 1998 Bond 2023	–	100,000
10.0% 2000 Bond Issue 2020	60,000	70,000
7%/6% 2009 Bond Issue	179,307	500,000
20 Series Bond Issue	542,000	582,000
20 Series Bond Issue	474,000	500,000
20 Series Bond Issue (AMBL)	235,669	–
	1,561,750	1,867,571
	2,018,241	2,341,311
Less: unamortised transaction cost	(8,754)	(8,537)
	2,009,487	2,332,774

Loans amounting to $60 million (2013: $170 million) are fully secured by Government guarantee, whilst debt amounting to $1,716 million (2013: $1,899 million) is fully secured by the Company's mortgage assets.

The average effective interest rate on long-term debt for the current year is 4.39% (2013: 5.06%).

(Expressed in Thousands of Trinidad and Tobago dollars)

16. 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.

	2014	2013
Grant balance brought forward	112,602	129,652
Less amounts released:		
Interest expense (Note 19)	(14,041)	(14,210)
Other income	(3,727)	(2,840)
Balance deferred	94,834	112,602

17. 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 $4,513 million (2013: $5,208 million). Refer to Note 20.

18. Pension and other post-employment benefits

	2014	2013
a) Amounts recognised in the statement of financial position		
Defined benefit obligations	(39,982)	(36,399)
Fair value of plan assets	32,568	30,115
Net defined benefit liability	(7,414)	(6,284)
b) Amounts recognised in profit or loss		
Current service cost	2,319	1,884
Interest costs	311	173
Admin expenses	66	–
Net benefit cost	2,696	2,057

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18.	Pension and other post-employment benefits (continued)	2014	2013
c)	Amounts recognised in other comprehensive income		
	Experienced loss – demographic	746	2,582
	Experience loss – financial	192	155
		938	2,737
d)	Actual return on plan assets	1,342	1,230
e)	Changes in the present value of the defined benefit obligation are as follows:		
	Opening defined benefit obligation	36,399	30,011
	Current service cost	2,319	1,884
	Interest costs	1,845	1,558
	Members' contributions	853	706
	Actuarial losses	746	2,524
	Benefits paid	(2,180)	(284)
	Closing defined benefit obligation	39,982	36,399
f)	Changes in the fair value of plan assets are as follows:		
	Opening fair value of plan assets	30,115	26,451
	Expected return	1,534	1,385
	Employer contributions	2,504	2,070
	Members' contributions	853	706
	Actuarial gain on plan assets	(192)	(155)
	Benefits paid	(2,246)	(342)
	Closing fair value of plan assets	32,568	30,115
g)	The major categories of plan assets as a percentage of total plan assets are as follows:		
	Deposit administration contracts	100%	100%
	Summary of principal actuarial assumptions		
	Discount rate	5.0%	5.0%
	Salary increases	3.0%	3.0%

(Expressed in Thousands of Trinidad and Tobago dollars)

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

h) The Company is expected to contribute $2,632 (2013: $2,440) to its defined benefit plan in 2015.

i) Sensitivity of Present value of Defined Benefit Obligation

	1% Increase	1% Decrease
Discount rate	(7,458)	9,904
Salary growth	4,166	(3,599)

The weighted average duration of the obligations is 25 years.

19. Share capital

	2014	2013
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

Dividend per share in 2014 was $9.19 (2013:$8.23)

20. Interest expense

	2014	2013
Gross interest expense	125,478	138,768
Less Government subsidy:		
Bonds (Note 17)	(4,513)	(5,208)
2% Mortgage Program (Note 16)	(14,041)	(14,210)
Net interest expense	106,924	119,350

21. Investment income

	2014	2013
Amortization of discount/(premium) on		
Held-to-maturity investment	274	240
Interest on call deposits and bank account	90	236
Interest on investments	21,079	21,099
	21,443	21,575

22. Other income

	2014	2013
Loan fees	2,515	2,154
IDB income	548	634
Home Mortgage Bank service and origination fee	2,183	2,172
Subsidy 2% mortgage programme-Administration fees	2,884	2,949
Other	169	637
	8,299	8,546

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23. Administration expenses

	2014	2013
Staff costs (Note 24)	30,308	25,736
Depreciation	4,205	3,547
Legal and professional fees	1,918	1,781
Advertising and public relations	3,243	3,616
Bank interest and charges	199	149
Bond Issue Costs	2,916	2,184
Other	7,797	4,786
	50,586	41,799

24. Staff costs

	2014	2013
Wages, salaries and other benefits	26,266	22,565
National insurance	1,346	1,114
Pension costs – defined benefit plan	2,696	2,057
	30,308	25,736

25. Taxation

a) Components of tax income

	2014	2013
Deferred tax	(8,372)	(2,134)
Current tax - current year	(243)	272
Other	235	-
	(8,380)	(1,862)

b) Reconciliation of accounting to tax profit:

	2014	2013
Accounting profit	75,488	59,418
Tax at applicable statutory rate (25%)	18,872	14,854
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	(16,429)	(18,708)
Other	(10,823)	1,992
Tax income	(8,380)	(1,862)

(Expressed in Thousands of Trinidad and Tobago dollars)

26. Mortgage commitments

At 31 December 2014 the Company had outstanding commitments totalling $89.7 million (2013: $183 million), to intending mortgagors.

27. 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.

	2014	2013
Mortgage loans		
Key management personnel (including Directors)	5,263	5,586
Borrowings and other liabilities		
National Insurance Board		
Interest payable on debt	2,019	2,778
Borrowings	130,850	182,590
Home Mortgage Bank		
Other liabilities	4,991	3,735
Borrowings	–	4,668
Interest and other income		
Key management personnel	243	249
Borrowings interest and other expense		
National Insurance Board	12,694	48,481
Home Mortgage Bank	116	806
Key management compensation		
Short-term benefits	2,669	2,820
Post-employment benefits	1,524	309
Directors' remuneration	445	445

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2014

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

28. Contingent liabilities - litigation

As at 31 December 2014, 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.

29. 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 $14.3 million to $3.4 billion 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.

30. 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.

Board of Directors

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

(Expressed in Thousands of Trinidad and Tobago dollars)

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 2014**	**2013**
Financial assets		
Mortgage loans	3,077,193	3,186,631
Investment securities	251,838	251,564
Other receivables	4,576	4,573
Cash at bank and cash equivalents	137,469	5,508
Total gross financial assets	3,471,076	3,448,276
Mortgage commitments	89,708	182,615
Total credit risk exposure	3,560,784	3,630,891

Of the Investment securities which the Company holds, $224.5M was pledged as security as follows:

- $19.5M – Revolving Loan facility at Citibank
- $205.0M – Commercial Paper arranged by First Citizens Investment Services

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2014

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(continued)

30. Risk management (continued)

Credit Risk (continued)

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.

(Expressed in Thousands of Trinidad and Tobago dollars)

30. Risk management (continued)

Credit Risk (continued)

Risk limit control and mitigation policies (continued)

(2) Lending (continued)

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.

(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

	2014		2013	
MORTGAGE LOANS	$	%	$	%
ARIMA BOROUGH COUNCIL	400,064	11.53%	413,760	12.00%
CHAGUANAS BOROUGH COUNCIL	415,218	11.96%	436,578	12.66%
COUVA/TABAQUITE/TALPARO REG.	327,736	9.44%	349,809	10.15%
D/MARTIN REGIONAL CORPORATION	256,203	7.38%	279,429	8.11%
LAVENTILLE/SAN JUAN REGIONAL CORPORATION	227,654	6.56%	242,032	7.02%
MAYARO/RIO CLARO REGIONAL CORPORATION	15,085	0.43%	15,702	0.46%
POS CITY COUNCIL	111,896	3.22%	125,054	3.63%
PENAL/DEBE REGIONAL CORPORATION	50,429	1.45%	52,399	1.52%
POINT FORTIN BOROUGH COUNCIL	41,845	1.21%	42,133	1.22%
PRINCESS TOWN REGIONAL CORPORATION	70,359	2.03%	67,581	1.96%
SAN FERNANDO CITY COUNCIL	302,261	8.71%	305,676	8.87%
SANGRE GRANDE REGIONAL CORPORATION	89,085	2.57%	91,351	2.65%
SCARBOROUGH	30,252	0.87%	28,580	0.83%
SIPARIA REGIONAL CORPORATION	59,278	1.71%	60,760	1.76%
TOBAGO EAST	44,480	1.28%	40,150	1.16%
TOBAGO WEST	58,051	1.67%	47,447	1.38%
TUNAPUNA/PIARCO REGIONAL CORPORATION	577,092	16.63%	588,190	17.06%
TOTAL MORTGAGE LOANS	3,077,193	88.65%	3,186,631	92.43%
OTHER FINANCIAL ASSETS	394,088	11.35%	261,645	7.57%
TOTAL	3,471,076	100.00%	3,448,276	100.00%

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(continued)

30. Risk management (continued)

Credit risk (continued)

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.

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
2014	2,628,602	343,410	82,211	22,970	3,077,193
Balance	85%	11%	3%	1%	100%
2013	2,690,221	388,402	72,194	35,814	3,186,631
Balance	84%	12%	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
2014	251,676	162	–	–	251,838
Held-to-maturity	99.93%	0.07%	–	–	100%
2013	251,402	162	–	–	251,564
Held-to-maturity	99.93%	0.07%	–	–	100%

30. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

The credit quality of cash and cash equivalents as at 31 December 2014 and 31 December 2013 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 2014, mortgage loans which represent the largest portion of the Company's financial assets (89%) are backed by collateral. The comparative figure is 83%.
- 1% of the mortgage loans portfolio is impaired (2013: 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.

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.

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(continued)

30. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Mortgage loans - individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $22.97 million (2013: $35.81 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:

Mortgage loans - individually impaired	2014	2013
Total	22,970	35,814
Fair value of collateral (before factoring in time to sell)	22,750	33,785

Collectively assessed allowances

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

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

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

Impairment Provision	2014			2013		
Details	Individual	Collective	Total	Individual	Collective	Total
Beginning balance	7,097	4,660	11,757	5,201	4,982	10,183
Amounts written off	(2,755)	–	(2,755)	–	–	–
Recoveries/write-backs	(82)	–	(82)	–	(322)	(322)
Provision for the year	–	1,633	1,633	1,896	–	1,896
Balance at year end	6,293	4,260	10,553	7,097	4,660	11,757

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 2014 is $37.82 million (2013: $35.42 million).

(Expressed in Thousands of Trinidad and Tobago dollars)

30. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, currency risk and other price risk. The 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 83% (2013: 87%) of the Company's total assets. A Ministerial decree is required by the Company for any changes in mortgage interest rates. There were no changes to interest rates since 2012.

b) Investment securities

Investments securities account for 6.8% (2013: 6.9%) of the Company's total assets. These are held-to-maturity financial assets comprising of fixed rate bonds.

ii. Financial liabilities

Long-term and short-term debt accounts for 97% (2013: 91%) of the Company's financial liabilities. This is made up of fixed and floating bonds and debentures as follows:

	2014	%	2013	%
Short-term debt				
Fixed	350,000	59	302,000	100
Floating	247,000	41	–	–
	597,000	100	302,000	100
Long-term debt				
Fixed	1,912,213	95	2,208,221	95
Floating	97,274	5	124,553	5
	2,009,487	100	2,332,774	100
Total debt	2,606,487		2,634,774	

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(continued)

30. Risk management (continued)

Interest rate risk **(continued)**

ii. Financial liabilities (continued)

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 2014		
Profit before tax	(973)	973
Tax impact 25%	243	(243)
Profit after tax	(730)	730
31 December 2013		
Profit before tax	(1,246)	1,246
Tax impact 25%	311	(311)
Profit after tax	(935)	935

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.

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

(Expressed in Thousands of Trinidad and Tobago dollars)

30. Risk management (continued)

Liquidity risk management process **(continued)**

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.

Liquidity risk management process

2014	Up to 1 year $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Amounts due under IDB loan programme	816	–	–	816
Short-term debt	597,000	–	–	597,000
Interest payable on debt	30,196	–	–	30,196
Sundry creditors and accruals	45,675	–	–	45,675
Long-term debt	353,631	1,165,589	490,267	2,009,487
Total undiscounted financial liabilities	1,027,318	1,165,589	490,267	2,683,174

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

Funding approach

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2014

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

30. Risk management (continued)

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 2014, 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 2014 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.

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