Trinidad & Tobago Mortgage Finance Company Limited

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2006

C O N T E N T S **Page**

Ernst & Young

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

We have audited the accompanying financial statements of Trinidad and Tobago Mortgage Finance Company Limited and its subsidiary which comprise the consolidated balance sheet as at 31st December, 2006 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED
(Continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as of 31st December 2006, 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:
26th July, 2007

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 2006
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2006	Restated 2005
ASSETS			
Cash and cash equivalents	5	55,885	8,187
Debtors and prepayments	6	15,736	9,462
Investment securities	7	243,767	18,236
Mortgage loans	8	1,371,523	1,422,789
Property and equipment	9	35,647	28,054
Pension asset	10	–	8
Deferred tax asset	11	97,673	81,117
TOTAL ASSETS		1,820,231	1,567,853
LIABILITIES AND EQUITY			
LIABILITIES			
Pension liability	10	177	–
Bank overdraft	12	15,367	–
Prepayments by mortgagors		21,342	14,228
Amount due under IDB loan program	13	11,172	9,542
Sundry creditors and accruals	14	11,908	12,217
Taxation payable		–	303
Interest payable on borrowings		13,118	9,471
Borrowings	15	1,271,109	1,083,971
TOTAL LIABILITIES		1,344,193	1,129,732

The notes on pages 10 to 34 form part of these financial statements.

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

	Note	2006	Restated 2005
EQUITY			
Share capital	16	12,408	12,408
Retained earnings		463,630	425,713
TOTAL EQUITY		476,038	438,121
TOTAL EQUITY AND LIABILITIES		1,820,231	1,567,853

The notes on pages 10 to 34 form part of these financial statements

On 26th July, 2007, the Board of Directors of Trinidad and Tobago Mortgage Finance Company Limited authorised these financial statements for issue.

: Director

: Director Jaggernauth Soom

Trinidad & Tobago Mortgage Finance Company Limited

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2006
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	2006	Restated 2005
Income			
Mortgage interest		113,315	110,682
Interest expense	17	(70,640)	(59,169)
Net interest income		42,675	51,513
Investment income	18	10,761	2,223
Rental income		1,194	1,084
Other income	19	9,184	8,332
		63,814	63,152
Expenses			
Administration	20	(23,414)	(21,219)
Building		(3,069)	(1,968)
		(26,483)	(23,187)
Profit before tax		37,331	39,965
Taxation	21	16,513	3,816
Profit after tax		53,844	43,781

The notes on pages 10 to 34 form part of these financial statements

Trinidad & Tobago Mortgage Finance Company Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2006
(Expressed in Thousands of Trinidad and Tobago dollars)

	Share capital	Retained earnings	Pension reserve	Total
Balance as at December 31, 2004 as previously reported	12,408	321,406	322	334,136
Prior period adjustment	–	77,077	–	77,077
As restated	12,408	398,483	322	411,213
Dividend 2004	–	(16,537)	–	(16,537)
Pension reserve	–	–	(322)	(322)
Net income for the year as previously reported	–	39,818	–	39,818
Prior period adjustment	–	3,949	–	3,949
Balance as at December 31, 2005(restated)	12,408	425,713	–	438,121
Dividend 2005	–	(15,927)	–	(15,927)
Net income for the year	–	53,844	–	53,844
Balance at December 31, 2006	12,408	463,630	–	476,038

The notes on pages 10 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2006
(Expressed in Thousands of Trinidad and Tobago dollars)

	2006	2005
Cash flows from operating activities		
Profit before tax	37,331	39,965
Adjustments for		
Depreciation	2,117	1,752
Loss / (gain) on sale of fixed assets	5	(931)
Interest capitalised	(1,844)	(1,637)
Decrease in pension asset	185	314
Surplus before working capital changes	37,794	39,463
Increase in debtors and prepayments	(9,388)	(544)
Decrease / (increase) in mortgages	54,380	(96,234)
Increase / (decrease) in prepayment by mortgagors	7,114	(1,535)
Increase/ (decrease) in amount due under IDB loan program	1,630	(1,092)
Decrease / (increase) in sundry creditors and accruals	(309)	3,037
Increase in interest payable on borrowings	3,647	581
Taxes paid	(346)	(459)
Net cash inflow/(outflow) from operating activities	94,492	(56,783)
Cash flows from financing activities		
Proceeds from borrowings	242,699	93,618
Repayments on borrowings	(55,561)	(24,038)
Dividends paid	(15,927)	(16,537)
Net cash inflow from financing activities	171,211	53,043
Cash flows from investing activities		
Purchase of fixed assets	(9,724)	(5,184)
Proceeds from sale of fixed assets	9	1,883
Purchase of investments	(223,687)	–
Repayments on investments	–	345
Net cash outflow from investing activities	(233,402)	(2,956)
Net cash inflow/ (outflow) for the year	32,331	(6,696)
Cash and cash equivalents at the beginning of year	8,187	14,883
Cash and cash equivalents at the end of year	40,518	8,187

The notes on pages 10 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2006
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	2006	2005
Represented by:		
Cash at bank	55,885	8,187
Bank overdraft	(15,367)	–
	40,518	8,187
Supplemental information		
Interest received	117,405	106,067
Interest paid	66,993	58,588

The notes on pages 10 to 34 form part of these financial statements.

Trinidad & Tobago Mortgage Finance Company Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2006
(Expressed in Thousands of Trinidad and Tobago dollars)

1. Incorporation and principal activity

Trinidad and Tobago Mortgage Finance Company Limited, the parent company, is incorporated in the Republic of Trinidad and Tobago and provides mortgage finance .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 owned by the Government of Trinidad and Tobago. The registered office is located at 61 Dundonald Street, Port of Spain.

2. Significant accounting policies

a) Basis of presentation

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

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

b) Standards in issue not yet effective

The Group has not applied the following IFRS's and IFRIC Interpretations that have been issued but are not yet effective. These standards/interpretations either do not apply to the activities of the Group or have no impact on its financial statements.

IFRS 6	-	Exploration for and evaluation of mineral resources
IFRIC 4	-	Determining whether an arrangement contains a lease
IFRIC 5	-	Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds
IFRIC 6	-	Liabilities arising from participating in a specific market – Waste electrical and electronic equipment
IFRIC 7	-	Applying the restatement approach under IAS 29 *Financial Reporting in Hyperinflationary Economies*
IFRIC 8	-	Scope of IFRS 2

2. Significant accounting policies (continued)

b) Standards in issue not yet effective (continued

The Group has not applied IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risk arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages its capital. The Group has assessed the impact of IFRS 7 and the amendment to IAS 1 and expects that adoption of these standards will have no quantitative impact on its financial statements but will impact disclosure requirements.

c) Basis of consolidation

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

d) Financial instruments

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

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

2. Significant accounting policies (continued)

e) Investment securities

The Group classifies its investment securities as held-to-maturity financial assets. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Premiums and discounts are amortized over the life of the instrument using the effective interest rate method. The amortization of premiums and discounts is taken to the Statement of Income.

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 stated at principal amounts outstanding net of any unearned interest and allowance for impairment losses.

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.

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

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

2. Significant accounting policies (continued)

h) Property and equipment

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

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

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

Office building and improvements	-	2%
Residential buildings	-	2½%
Motor vehicles	-	25%
Furniture and equipment	-	12½%
Computer software	-	20%
Computer hardware	-	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 Income.

2. Significant accounting policies (continued)

i) Cash and cash equivalents

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

j) Provisions

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

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 balance sheet date.

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

k) Employee benefits

Pension obligations

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

2. Significant accounting policies (continued)

k) Employee benefits (continued)

Pension obligations (continued)

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Under this method, the cost of providing pensions is charged to the Statement of Income 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.

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

l) Financial liabilities

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

2. Significant accounting policies (continued)

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 Statement of Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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 consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

n) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling on 31st December, 2006. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the Statement of Income.

2. Significant accounting policies (continued)

o) Revenue recognition

Mortgage loans

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

Investment income

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

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

Fees and commissions

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

Other income and expenditure

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

2. Significant accounting policies (continued)

p) Mortgage agency business

The Group manages the disbursement and collection of mortgage loans on behalf of other mortgage companies. The loan portfolios managed under these agreements totaled $711.8M (2005: $536M) and are 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.

3. Critical accounting judgments and key sources of estimation uncertainty

Key sources of estimation uncertainty

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

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

Critical accounting judgments

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

a) *Deferred tax asset*

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

The Parent Company was previously of the view that the Company was exempt from taxation. In the latter part of 2004, a review was commissioned which resulted in a different interpretation of the Company's tax status. It concluded that the Company was taxable under the existing tax ordinance, and that income earned on business under its "approved mortgage company" status only was exempt from taxation. Consequently, in 2006, management reopened and re-filed its tax returns and reported accumulated tax losses to December 31, 2006 of $389,522 (2005:$322,447).

Management has established tax planning opportunities to utilize the tax losses and is of the opinion that the losses will be fully utilized against future taxable income. The recording of this adjustment has been applied retrospectively, and comparative statements for 2005 have been restated. The effect is tabulated in Note 4: Restatement of prior period.

b) *Impairment of financial assets*

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

c) *Net pension asset/liability*

In conducting valuation exercises to measure the effect of employees benefit plans throughout the Group, the Group's independent actuaries use judgment and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the Plan. These are detailed in note 10 – Employee Benefits.

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

Critical judgments (continued)

d) *Loan fee recognition estimate*

In accordance with IAS 18: Revenue, loan origination fees, which have a high probability of being drawn down, are to be deferred (together with related direct costs) and recognized as an adjustment to the effective interest yield on the loan. The impact of this accounting treatment was in the past determined to be immaterial and as such, not recorded. During the current year however, a decision was taken to record the adjustment. The recording of this adjustment has been applied retrospectively, and comparative statements for 2005 have been restated. The effect is tabulated in Note 4: Restatement of prior period.

e) *Transactions costs relating to borrowings*

Borrowings are recognized initially at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method. During the current year, a decision was made to net unamortized transaction costs, previously reflected as an asset, against the value of outstanding Borrowings. The recording of this restatement has been applied retrospectively, and comparative statements for 2005 have been restated, the effect is tabulated in Note 4: Restatement of prior period.

(Expressed in Thousands of Trinidad and Tobago dollars)

4. Restatement of prior periods

The following table tabulates the impact of adjustments made to prior year as it relates to Loan fee recognition estimate, Transaction costs relating to Borrowings and Taxation.

The effect on the statement of income for 2005 was as follows:

Profit before tax as previously reported	40,370
Adjusted for:	
Decrease in other income as it relates to loan fees	(421)
Profit before tax (restated)	39,949
Change in tax expense as it relates to loan fees	(105)
Change in deferred tax expense/asset as it relates to tax losses available for utilization	3,937
Profit after tax as restated	43,781

The effect on the Balance Sheet for 2005 is as follows:

Total assets/equity and liabilities as previously reported	1,488,118
Adjusted for:	
Reclassification of transaction costs related to borrowings	(1,382)
Change in deferred tax asset as it related to utilization of tax losses	81,117
Total assets/equity and liabilities as restated	1,567,853

Trinidad & Tobago Mortgage Finance Company Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2006
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

		2006	2005
5.	**Cash and cash equivalents**		
	Cash in hand	5	5
	Cash at bank	734	182
	Call deposits	55,146	8,000
		55,885	8,187
6.	**Debtors and prepayments**		
	Interest receivable on investments	4,814	4
	Interest subsidy receivable	4,011	1,994
	Mortgage interest receivable	4,975	3,114
	IDB service fee	1,230	857
	Staff debtors	250	502
	Sundry debtors	357	1,614
	Other	99	1,377
		15,736	9,462
7.	**Investment securities**		
	Securities held-to-maturity		
	HDC Fixed Rate 8.5% Bond	223,687	–
	Sinking fund	20,080	18,236
		243,767	18,236

The market value of held to maturity securities amounted to $243,766,618 (2005:$18,235,762).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2006
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

8. Mortgage loans

a) A geographical analysis of the mortgage loans is as follows:

	2006	2005
Port of Spain City Council	84,470	64,139
San Fernando City Council	130,406	119,256
Arima Borough Council	101,967	102,407
Point Fortin Borough Council	18,791	18,710
Chaguanas Borough Council	221,848	236,162
Diego Martin Regional Corporation	89,504	87,650
San Juan/Laventille Regional Corporation	96,485	105,167
Tunapuna/Piarco Regional Corporation	262,207	327,777
Arima Regional Corporation	70,259	88,003
Sangre Grande Regional Corporation	38,032	40,012
Couva/Tabaquite/Talparo Regional Corporation	142,614	131,333
Debe/Penal Regional Corporation	24,245	26,258
Princess Town Regional Corporation	27,144	22,545
Siparia Regional Corporation	34,245	31,965
Mayaro/Rio Claro Regional Corporation	7,940	7,426
Tobago House of Assembly	26,124	19,737
	1,376,281	1,428,547
Less: Impairment provision	(4,758)	(5,758)
Net balance	1,371,523	1,422,789

b) Impairment provision:

	2006	2005
Balance at beginning	5,758	7,883
Recoveries/write backs	(1,000)	(2,223)
Provision for year	–	98
Balance at end	4,758	5,758

Trinidad & Tobago Mortgage Finance Company Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2006
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

9. Property and equipment

	Land & buildings	Motor vehicle	Furniture & equipment	Computer equipment	Total 2006	Total 2005
Cost						
At beginning of the period	31,562	1,255	3,722	5,982	42,521	39,357
Additions	1,007	230	731	7,756	9,724	5,184
Disposals	(6)	–	(127)	(54)	(187)	(2,020)
At end of period	32,563	1,485	4,326	13,684	52,058	42,521
Accumulated depreciation						
At beginning of the period	8,974	491	1,822	3,180	14,467	13,785
Current depreciation	634	352	419	712	2,117	1,752
Depreciation on disposals	(6)	–	(116)	(51)	(173)	(1,070)
At end of period	9,602	843	2,125	3,841	16,411	14,467
Net book value	22,961	642	2,201	9,843	35,647	28,054

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.

(Expressed in Thousands of Trinidad and Tobago dollars)

10. Pension and other post employment benefits

a) Amounts recognized in the balance sheet

	2006	2005
Defined benefit obligations	10,942	13,100
Fair value of plan assets	(11,755)	(11,285)
Unrecognised actuarial loss/(gain)	990	(1,823)
Net defined benefits liability/(asset)	177	(8)

b) Amounts recognized in the Statement of Income

	2006	2005
Current service cost	1,299	1,334
Interest costs	1,042	945
Expected return on plan assets	(1,005)	(896)
Net amortised gain	22	83
Net benefit cost	1,358	1,466
Actual return on plan assets	691	570

c) Changes in the present value of the defined benefit obligation are as follows:

	2006	2005
Opening defined benefit obligation	13,100	11,790
Service cost	1,299	1,334
Interest costs	1,042	945
Members' contributions	393	399
Actuarial gains	(3,105)	(1,332)
Benefits paid	(1,787)	(36)
Closing defined benefit obligation	10,942	13,100

(Expressed in Thousands of Trinidad and Tobago dollars)

10. Pension and other post employment benefits (continued)

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

	2006	**2005**
Opening fair value of plan assets	11,285	9,200
Expected return	1,006	896
Employer contributions	1,173	1,152
Members' contributions	393	399
Actuarial losses	(315)	(326)
Benefits paid	(1,787)	(36)
Closing fair value of plan assets	11,755	11,285

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

	2006	**2005**
Deposit administration contracts	100%	100%

f) Summary of principal actuarial assumptions

	2006	**2005**
Discount rate	8.5%	7.5%
Salary increases	7.5%	7.5%
Return on plan assets	8.5%	9%

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11. Deferred taxation	**2006**	**2005**
Components of deferred tax asset		
Property, plant and equipment	249	504
Pension plan liability	44	–
Taxation losses	97,380	80,613
	97,673	81,117

12. Bank overdraft

The parent Company has overdraft facilities with Republic Bank Limited which are secured by .$50 million Government Guaranteed Trinidad and Tobago Housing Development Corporation Fixed Rate Bond.

13. Amount due under IDB loan program

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

14. Sundry creditors and accruals	**2006**	**2005**
Diamond Vale	–	1,857
Unearned loan fees	1,913	421
Home Mortgage Bank	595	5,655
Surplus on sales of properties in possession	628	627
NHA loan retentions	763	763
Provision for staff bonus and unpaid leave	993	1,196
Advance – Beneficiary Owned Land Subsidy	3,300	–
Other	3,716	1,698
	11,908	12,217

(Expressed in Thousands of Trinidad and Tobago dollars)

15. Borrowings

	2006	2005
Government of Trinidad and Tobago loans		
- 7.00% debentures 1999/2018	24,439	25,705
- 7.50% debentures 1999/2018	11,540	12,117
- 5.00% debentures 1999/2018	65,281	69,171
- 5.00% debentures 2018	127,490	127,490
	228,750	234,483
National Insurance Board loans		
-5.00% debentures 1999/2018	11,820	12,524
-5.00% debentures 1999/2018	81,344	86,191
	93,164	98,715
Private loans		
-Citibank 8.0/8.5% debentures 1997/2007	31,954	29,587
Bonds		
5.5%/6.5%/7% 2004 Bond Issue	300,000	300,000
6.0% 2005 Bond Issue	301,500	95,000
6.75% 1994 Bond Issue 2019	25,000	25,000
6.50% 1995 Bond Issue 2020	51,790	52,568
8.45/8.925% 1998 Bond 2023	100,000	100,000
12.0% 2000 Bond Issue 2020	140,000	150,000
	918,290	722,568
	1,272,158	1,085,353
Less: unamortized transaction cost	(1,049)	(1,382)
	1,271,109	1,083,971

Loans amounting to $93.2 million (2005: $98.7 million) are fully secured by government guarantee, whilst loans amounting to $601.5 million (2005: $395 million) are fully secured by the Group's mortgage assets.

(Expressed in Thousands of Trinidad and Tobago dollars)

16. Share capital

	2006	2005
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

17. Interest expense

Interest expense is stated net of a government subsidy of $7.96M (2005: $8.19M) on the $100M and $200M Government Bonds received in 1998 and 2000 respectively, which enabled the Group to lend at subsidised mortgage rates at that time, in support of low income housing projects.

18. Investment income

	2006	2005
Interest on call deposits and bank account	4,484	586
Interest on investments	6,277	1,637
	10,761	2,223

19. Other income

	2006	2005
Loan fees	999	1,455
IDB income	1,395	295
Bad debts recovered & provision written back	1,000	2,223
Home Mortgage Bank service and origination fee	3,566	2,807
(Loss)/gain on disposal of fixed assets	(5)	931
Write-off of Diamond Vale liability account	1,879	–
Other	350	621
	9,185	8,332

20. Administration expenses

Included therein are the following items:

	2006	2005
Depreciation	2,117	1,752
Bank interest and charges	86	53
Staff costs (note 22)	13,469	12,423

(Expressed in Thousands of Trinidad and Tobago dollars)

21. Taxation

	2006	2005
a) Components of tax expense		
Deferred tax	(16,685)	(4,464)
Current tax - current year	172	648
	(16,513)	(3,816)

b) Reconciliation of accounting to tax profit:	**2006**	**2005**
Accounting profit	37,331	39,965
Tax at applicable statutory rate (15%)	9,333	9,991
Tax effect of items that are adjustable in determining taxable profit:		
Green fund levy / Business levy	174	147
Effect of reduction in tax rate	–	13,175
Tax exempt income	(26,870)	(27,227)
Other	850	98
Tax expense	(16,513)	(3,816)

21. Mortgage commitments

At 31 December 2006 the group had outstanding commitments totaling $116.7M (2005: $139.1M), to intending mortgagors.

22. Staff costs

	2006	2005
Wages, salaries and other benefits	11,738	10,677
National insurance	373	280
Pension costs – defined benefit plan	1,358	1,466
	13,469	12,423

23. Financial instruments

a) Credit risk

Credit risk is the potential for loss due to the failure of a counter-party or borrower to meet its financial obligations. Credit risk arises from traditional lending and investing activities. Impairment provisions are established for losses that have been incurred at the balance sheet date.

Significant changes in the economy could result in losses that are different from those provided at the balance sheet date.

The Group's exposure to credit risk is managed by spreading the risk over a diversity of borrowers and by placing limits on the amount of risk accepted in relation to one borrower.

b) Fair values

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, debtors and prepayments, sundry creditors and accruals and other accrued liabilities, are a reasonable estimate of their fair values because of the short maturity of these instruments.

The estimated fair value for performing loans is assumed to be equal to the carrying values as the inherent rates of interest in the portfolio approximate market conditions and yield cash flow values, which are substantially equal to the carrying value. Discounting the contractual cash flows would approximate to the carrying value. The fair value of borrowings is assumed to be equal to the carrying value.

24. Subsidiary

Name of company	Country of Incorporation	% Holding
The Trinidad Mortgage Agency Company Limited	Trinidad and Tobago	100

The subsidiary grants mortgage loans on the open market.

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25. Interest rate risk

The Group is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group employs various asset/liability techniques to manage its exposure to interest rate sensitivity gaps.

The following table summarizes assets and liabilities at their carrying amounts categorized by the earlier of contractual repricing or maturity dates.

2006	Weighted average rate %	Up to one year	One to five years	Over five years	Non-interest bearing	Total
ASSETS						
Cash and cash equivalents	7.24	55,885	–	–	–	55,885
Investment securities	8.59	–	–	243,767	–	243,767
Mortgage loans	7.85	5,328	38,303	1,327,892	–	1,371,523
Other		–	–	–	149,056	149,056
		61,213	38,303	1,571,659	149,056	1,820,231
LIABILITIES						
Bank overdraft	11.75	15,367	–	1,043,669	–	15,367
Borrowings	6.18	227,440	–	138,680	–	1,271,109
Other		–	–	–	57,717	57,717
		242,807	–	1,043,669	57,717	1,344,193

2005	Weighted average rate %	Up to one year	One to five years	Over five years	Non-interest bearing	Total
ASSETS						
Cash and cash equivalents	4.60	8,187	–	–	–	8,187
Investment securities	10.00	–	–	18,236	–	18,236
Mortgage loans	7.85	450	22,486	1,399,853	–	1,422,789
Other		–	–	–	118,641	118,641
		8,637	22,486	1,418,089	118,641	1,567,853
LIABILITIES						
Borrowings	6.20	238,218	–	845,753	–	1,083,971
Other		–	–	–	45,761	45,761
		24,038	–	845,753	45,761	1,129,732

(Expressed in Thousands of Trinidad and Tobago dollars)

26. Liquidity Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as the mature, are important factors in assessing the liquidity of the Group and its exposure to change in interest and exchange rates.

The table below analyses major financial assets and liabilities of the Group into relevant groupings based on the remaining period at 31st December to the contractual maturity date.

2006	**Up to one year**	**One to five years**	**Over five years**	**Total**
ASSETS				
Cash and cash equivalents	55,885	–	–	55,885
Investment securities	–	–	243,767	243,767
Mortgage loans	5,328	38,303	1,327,892	1,371,523
Other	15,736	–	133,320	149,056
	76,949	38,303	1,704,979	1,820,231
LIABILITIES				
Bank overdraft	15,367	–	–	15,367
Borrowings	90,843	138,680	1,041,586	1,271,109
Other	57,717	–	–	57,717
	163,927	138,680	1,041,586	1,344,193

(Expressed in Thousands of Trinidad and Tobago dollars)

26. Liquidity Risk management (continued)

2005	Up to one year	One to five years	Over five years	Total
ASSETS				
Cash and cash equivalents	8,187	–	–	8,187
Investment securities	–	–	13,998	18,236
Mortgage loans	450	22,486	1,399,853	1,422,789
Other	9,462	–	109,179	118,641
	18,099	22,486	1,527,268	1,567,853
LIABILITIES				
Borrowings	24,038	147,016	912,917	1,083,971
Other	45,761	–	–	45,761
	69,799	–	57,717	1,129,732

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

As part of the normal course of business, the Group has obtained financing at competitive rates, from its Parent Company. The principal balances outstanding on these loans as at December 31, 2006 amount to $694.7 million (2005: $493.7 million). The interest incurred on these borrowings amounted to $51.8 million (2005: $25.9 million).

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

Key management compensation

	2006	2005
Short term benefits	2,406	
Post employment benefits	123	
Directors' remuneration	230	232