Chartered Accountants
& Business Advisors

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

FINANCIAL STATEMENTS

31 DECEMBER 2019

Chartered Accountants
& Business Advisors

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

I N D EX

	Page
Statement of Management Responsibilities	1
Independent Auditors' Report	2 - 4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Funds	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 41

THE TRINIDAD BUILDING & LOAN ASSOCIATION
Housing Finance Institution Since 1891
Thrift and Home Ownership

The Trinidad Building and Loan Association

Statement of Management Responsibilities

Management is responsible for the following:

Preparing and fairly presenting the accompanying financial statements of The Trinidad Building and Loan Association, which comprise the statement of financial position as at 31 December, 2019 the 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:

- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorized for issue, if later.

Management affirms that is has carried out its responsibilities as outlined above.

Signed

05th June, 2020
Date

Signed

05th June, 2020
Date

89 Queen Janelle Commissiong Street, Port of Spain, Trinidad, West Indies, P.O. BOX 104.
Tel: 868-623-1501/4 • Fax: 868-627-0675 • Email: info@tblamortgages.com • Website: www.tblamortgages.com

Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Members
The Trinidad Building and Loan Association

Opinion

We have audited the financial statements of The Trinidad Building and Loan Association, which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in funds and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Trinidad Building and Loan Association as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The Trinidad Building and Loan Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Association's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we concluded that there is a material misstatement of this other information, we are required to communicate the matter to the Board of Directors.

Telephone: (868) 235-5063
Address: 111 Eleventh Street, Barataria, Trinidad, West Indies
Mailing Address: PO Box 10205, Eastern Main Road, San Juan

Partners: Renée-Lisa Philip Mark K. Superville

INDEPENDENT AUDITORS' REPORT (Cont'd)

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the association's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit, 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 Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit, 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 Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PKF

5 June 2020
Barataria
TRINIDAD

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2019 ($)	31 December 2018 ($)
Assets:			
Cash and cash equivalents	5	4,407,277	3,475,946
Accounts receivable and prepayments	6	2,222,933	2,599,918
Investments	7	5,991,759	9,745,532
		12,621,969	15,821,396
Mortgages	8	75,170,633	66,023,819
Land loans	9	9,694,303	9,194,030
Fixed assets	10	11,336,310	11,543,346
Total Assets		108,823,215	102,582,591
Liabilities:			
Accounts payable and accruals	11	2,608,995	5,317,779
Depositors	12	26,320,707	20,621,038
Unpaid matured shares	13	434,274	416,635
Members/Shareholders	14	21,061,812	19,330,950
Loan payable	15	5,000,000	5,000,000
Total Liabilities		55,425,788	50,686,402
Net Assets		**53,397,427**	**51,896,189**
Financed by:			
Dividend Reserve		5,117,726	4,409,800
Capital Reserve		8,570,752	8,570,752
Investment Remeasurement Reserve		72,439	(21,408)
Revenue Reserve		26,002,552	25,303,087
Special Reserve Fund		13,633,958	13,633,958
Total Funds		**53,397,427**	**51,896,189**

These financial statements were approved by the Board of Directors and authorised for issue on 5 June 2020 and signed on their behalf by

Bliss Seepersad: President | Leslie Nelson | **Leslie Nelson: Secretary**

(The accompanying notes form part of these financial statements)

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2019 ($)	31 December 2018 ($)
Interest earned	16	6,326,238	5,653,769
Other income	17	858,205	737,788
Total income		7,184,443	6,391,557
Interest paid	18	554,304	499,383
Other expenditure	19	4,270,383	4,084,560
Total expenditure		4,824,687	4,583,943
Net surplus for the year		2,359,756	1,807,614
Other Comprehensive Income:			
Items that will not be reclassified subsequently to profit and loss			
Net fair value gain/(loss) on financial assets classified as fair value through other comprehensive income		93,847	(23,321)
Total comprehensive income for the year		**2,453,603**	**1,784,293**

(The accompanying notes form part of these financial statements)

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

STATEMENT OF CHANGES IN FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Dividend Reserve ($)	Capital Reserve ($)	Investment Remeasurment Reserve ($)	Revenue Reserve ($)	Special Reserve Fund ($)
Balance as at 1 January 2018	3,906,290	8,570,752	1,913	24,895,689	13,633,958
Net surplus for the year				1,807,614	
Investment Re-measurement Reserve Adjustment			(23,321)		
Dividend Reserve Addition	723,046			(723,046)	
Reserve Adjustment	(219,536)			219,536	
Interim dividend June : 2.5%				(395,642)	
Final dividend December: 2.75 %	-	-	-	(501,064)	-
Balance as at 31 December 2018	4,409,800	8,570,752	(21,408)	25,303,087	13,633,958

	Dividend Reserve ($)	Capital Reserve ($)	Investment Remeasurment Reserve ($)	Revenue Reserve ($)	Special Reserve Fund ($)
Balance as at 1 January 2019	4,409,800	8,570,752	(21,408)	25,303,087	13,633,958
Net surplus for the year				2,359,756	
Investment Re-measurement Reserve Adjustment			93,847		
Dividend Reserve Additions	707,926			(707,926)	
Interim dividend June : 2.5%				(487,229)	
Final dividend December: 2.5%	-	-	-	(465,136)	-
Balance as at 31 December 2019	5,117,726	8,570,752	72,439	26,002,552	13,633,958

(The accompanying notes form part of these financial statements)

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

STATEMENT OF CASH FLOWS

	31 December 2019 ($)	2018 ($)
Cash flows from operating activities:		
Net surplus for the year	2,359,756	1,807,614
Expected credit loss	(204,051)	95,492
Depreciation	233,963	199,584
Operating profit before changes in operating assets	2,389,668	2,102,690
Net change in accounts receivable and prepayments	376,985	(479,612)
Net change in accounts payable and accruals	(2,708,784)	1,690,575
Net cash provided by operating activities	57,869	3,313,653
Cash flows from investment activities:		
Net change in land loans	(500,273)	(5,315,363)
Net change in investments	3,847,620	(201,871)
Net change in mortgages from members	(8,942,763)	(3,469,384)
Fixed assets purchased	(26,927)	(704,909)
Net cash used in investing activities	(5,622,343)	(9,691,527)
Cash flows from financing activities:		
Net change in depositors	5,699,669	1,466,300
Net change in members' balances	17,639	(34,516)
Net change in amounts due to shareholders	1,730,862	1,286,568
Dividends paid	(952,365)	(896,706)
Loans received	-	2,000,000
Net cash provided by financing activities	6,495,805	3,821,646
Net change in cash and cash equivalents	931,331	(2,556,228)
Cash and cash equivalents, beginning of the year	3,475,946	6,032,174
Cash and cash equivalents, end of the year	**4,407,277**	**3,475,946**

(The accompanying notes form part of these financial statements)

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. **Registration and Principal Activity:**

The Association is registered in the Republic of Trinidad and Tobago under the Building Societies Act Ch. 33:04 to make advances to members to acquire or to make improvements to freehold or leasehold estates, out of the funds of the Association by way of mortgage upon the security of such unencumbered estates. The address of its registered office is 89 Queen Janelle Commissiong Street, Port of Spain.

2. **Statement of Accounting Policies:**

a) **Basis of financial statements preparation -**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars rounded to the nearest dollar. These financial statements are stated on the historical cost basis, except for the measurement at fair value of available-for-sale investments and certain other financial instruments.

b) **Use of estimates -**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Association's accounting policies. It also requires the use of 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 income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

c) **New Accounting Standards and Interpretations -**

The company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they:

- do not apply to the activities of the company;
- have no material impact on its financial statements; or
- have not been early adopted by the entity.

IFRS 3 — Business Combinations - Amendments to clarify the definition of a business (effective for accounting periods beginning on or after 1 January 2020).

IFRS 3 — Business Combinations - Amendments resulting from Annual Improvements 2015–2017 Cycle – Re-measurement of previously held interest (effective for accounting periods beginning on or after 1 January 2019).

IFRS 9 — Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities (effective for accounting periods beginning on or after 1 January 2019).

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. **Significant Accounting Policies (Cont'd):**

c) **New Accounting Standards and Interpretations (cont'd) -**

IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019).
IFRS 11	Joint Arrangements - Amendments resulting from Annual Improvements 2015–2017 Cycle – Re-measurement of previously held interest (effective for accounting periods beginning on or after 1 January 2019).
IAS 23	Borrowing Costs - Amendments resulting from Annual Improvements 2015–2017 Cycle - Borrowing costs eligible for capitalization (effective for accounting periods beginning on or after 1 January 2019).
IAS 28	Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
IAS 40	Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018).
IFRIC 23	Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).

d) **Fixed assets -**

Fixed assets are stated at historical cost, and except for freehold buildings, are depreciated on the straight-line basis at rates estimated to write off the assets over their respective useful lives.

The following rates are considered appropriate to write-off the assets over their estimated useful lives:

Office equipment and fittings - 20%
Computer equipment - 20% to 33 1/3%
Office furniture - 5%
Motor vehicles - 25%
Machines - 10%

Increases in the carrying amount arising on revaluation of land and buildings are credited to Capital Revaluation Reserve in Members' Equity. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Income and depreciation based on the asset's original cost is transferred from the Capital Revaluation Reserve to the Revenue Reserve. When revalued assets are sold, the amounts included in the Capital Revaluation Reserve are transferred to the Revenue Reserve.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. **Significant Accounting Policies (Cont'd):**

d) **Fixed assets (cont'd) -**

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the "Gain/Loss on Disposal" account in the Statement of Comprehensive Income.

e) **Income and expenditure -**

(i) Income items are dealt with as follows:

(a) Mortgage interest, investments, bank deposits and savings revenues are dealt with on the accruals basis.
(b) Other income is dealt with on the receipts basis.

(ii) Expenditure items are dealt with on the accruals basis.

f) **Financial Instruments -**

All recognised financial assets that are within the scope of International Financial Reporting Standard (IFRS) 9 are required to be subsequently measured at amortised cost or fair value on the basis of:

(i) the entity's business model for managing the financial assets; and
(ii) the contractual cash flow characteristics of the financial assets.

The Association reassess its business models each reporting period to determine whether they have changed. No such changes have been identified for the current year.

Principal is the fair value of the financial asset at initial recognition. Interest is consideration for the time value of money and for credit and other risks associated with the principal outstanding. Interest also has a profit margin element.

Initial measurement

All financial instruments are initially measured at the fair value of consideration given or received.

The Association measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association uses a fair value hierarchy that categorises valuation techniques into three levels:

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. **Significant Accounting Policies (Cont'd):**

f) **Financial Instruments (cont'd) -**

Initial measurement (cont'd)

(i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Assets and liabilities are classified as Level 1 if their value is observable in an active market. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value.

(ii) Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the asset or liability.

(iii) Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

Subsequent measurement

Those financial assets such as members' loans and receivables, which are held within a business model with the sole objective of collecting contractual cash flows which comprise principal and interest only, are subsequently measured at amortised cost. Gains/losses arising on remeasurement of such financial assets are recognised in profit or loss as movements in Expected Credit Loss. When a financial asset measured at amortised cost is derecognised, the gain/loss is reflected in profit or loss.

Those financial assets such as bonds, which are held within a business model with the objectives of (i) collecting contractual cash flows which comprise principal and interest only, as well as (ii) selling the financial assets, are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI). Gains/losses arising on remeasurement of such financial assets are recognised in OCI as '*Items that may be reclassified subsequently to P&L*' and are called '*Net FV gain/(loss) on financial assets classified as at FVOCI*'.

All other financial assets are subsequently measured at Fair Value Through Profit and Loss (FVTPL), except for equity investments, which the Association has opted, irrevocably, to measure at FVTOCI. Gains/losses arising on remeasurement of such financial assets are recognised in profit or loss as '*Net FV gain/(loss) on financial assets classified at FVTPL*'. When a financial asset measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. **Statement of Accounting Policies (Cont'd):**

f) **Financial Instruments (cont'd) -**

Subsequent measurement (cont'd)

Gains/losses arising on remeasurement of equity investments, which the Association has opted, irrevocably, to measure at FVTOCI, are recognised in OCI *as 'Items that may not be reclassified subsequently to P&L'* and are called *'Net FV gain/(loss) on equity financial assets classified as at FVOCI'*. When an equity investment measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but instead, transferred within equity.

Reclassification

If the business model under which the Association holds financial assets changes, the financial assets affected are reclassified accordingly from the first day of the first reporting period following the change in business model. Equity instruments which the Association opted to treat at FVTOCI cannot be reclassified.

Impairment

Financial assets are amortised costs are impaired at one of two levels:

(i) Twelve-month Expected credit loss (ECL) - These are losses that result from default events that are possible within twelve months after the reporting date. Such financial assets are at 'Stage 1'.

(ii) Lifetime ECL - These are losses that result from all possible default events over the life of the financial instrument. Such financial assets are at 'Stage 2' or 'Stage 3'.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the twelve-month ECL.

ECL is a probability-weighted estimate of the present value of credit losses, measured as the present value of the difference between (i) the cash flows due to the Association under contract; and (ii) the cash flows that the Association expects to receive, discounted at the asset's effective interest rate.

2. **Significant Accounting Policies (Cont'd):**

f) **Financial Instruments (cont'd) -**

Impairment (cont'd)

Performing financial assets – Stage 1

For performing assets and those expected to perform normally, the loss allowance is the 12-month expected credit loss and is done immediately at initial recognition of asset.

Significant increase in credit risk – Stage 2

When an asset becomes 30 days past due, the Association considers that a significant increase in credit risk has occurred and the asset is deemed to be at Stage 2 and the loss allowance is measured as the lifetime ECL.

Credit-impaired financial assets – Stage 3

A financial asset is 'credit-impaired' when events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about one or more of the following events:

(i) significant financial difficulty of the borrower or issuer;

(ii) a breach of contract such as a default or past due event;

(iii) granted to the borrower of a concession that the lender would not otherwise consider;

(iv) the disappearance of an active market for a security because of financial difficulties; or

(v) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

The Association assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date. There is a rebuttable presumption that financial assets that are in defaulted for more than ninety (90) days are credit impaired. The Association also considers a financial asset to be credit impaired if the borrower is unlikely to pay its credit obligation. To determine this, the Association takes into account both qualitative indicators such as unemployment, bankruptcy, divorce or death and quantitative indicators, such as overdue status. The Association used its historical experience and forward-looking information that is available without undue cost or effort. If there has been a significant increase in credit risk the Association will measure the loss allowance based on lifetime rather than twelve-month ECL.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. **Significant Accounting Policies (Cont'd):**

f) **Financial Instruments (cont'd) -**

Modification and Derecognition of Financial Assets

The Association renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. This occurs particularly where, although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened. The revised terms usually include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan and /or a reduction in the amount of cash flows due. When a financial asset is modified, the Association assesses whether this modification results in derecognition of the original loan, such as when the renegotiation gives rise to substantially different terms.

In the case where the financial asset is derecognised, the new financial asset will have a loss allowance measured based on twelve-month ECL. If, however, there remains a high risk of default under the renegotiated terms, the loss allowance will be measured based on lifetime ECL.

When the modification does not result in derecognition, the Association will measure loss allowance at an amount equal to lifetime ECL.

Write-off

Loans and receivables are written off when the Association has no reasonable expectations of recovering the financial asset, for example, when the Association determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay. A write-off constitutes a derecognition event. Subsequent recoveries resulting from the Association's enforcement activities will result in gains.

Financial liabilities

Since the Association does not trade in financial liabilities, and since there are no measurement or recognition inconsistencies, all financial liabilities are initially measured at fair value, net of transaction costs and subsequently, at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition. Financial liabilities recognised at amortised cost are not reclassified.

2. **Significant Accounting Policies (Cont'd):**

f) **Financial Instruments (cont'd) -**

Measurement of ECL

The key inputs used for measuring ECL are:

(i) probability of default (PD);

(ii) loss given default (LGD); and

(iii) exposure at default (EAD).

The Association measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The Association's financial instruments are grouped on the basis of shared risk characteristics, such as:

(i) credit risk grade;

(ii) collateral type;

(iii) date of initial recognition;

(iv) remaining term to maturity;

(v) industry;

(vi) geographic location of the borrower;

(vii) income bracket of the borrower; and

(viii) the value of collateral relative to the financial asset.

The groupings are reviewed on a regular basis to ensure that each grouping is comprised of homogenous exposures.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. Significant Accounting Policies (Cont'd):

f) Financial Instruments (cont'd) -

Measurement of ECL (cont'd)

An analysis of the Association's credit risk exposure without taking into account the effects of collateral is provided in the following tables. The amounts in the table represent gross carrying amounts.

Loans	**Stage 1 12 mth ECL** ($)	**Stage 2 Lifetime ECL** ($)	**Stage 3 Lifetime ECL** ($)	**Total** ($)
Low risk	31,293,878	-	-	31,293,878
Medium Risk	-	1,493,208	27,131,642	28,624,850
Substandard	-		15,995,538	15,995,538
Doubtful	-	-	-	-
Impaired	-	-	-	-
Total gross carrying amount	31,293,878	1,493,208	43,127,180	75,914,266

The table below analyses the movement of the loss allowance on Loans to members at amortised cost during the year.

	Stage 1 ($)	**Stage 2** ($)	**Stage 3** ($)	**Total** ($)
Loss allowance, beginning of year	62,650	69,463	527,499	659,612
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Increase/(decrease) due to changes in credit risk	(22,258)	-	(181,793)	(204,051)
Write-offs	-	-	-	-
Loss allowance on derecognised loans	-	-	-	-
Loss allowance, end of year	40,392	69,463	345,706	455,561

2. **Significant Accounting Policies (Cont'd):**

f) **Financial Instruments (cont'd) -**

Collateral held as security

The Association holds the following types of collateral to mitigate credit risk associated with financial assets:

General loans	Shares in the Association
Mortgage lending *	Deed of Mortgage on property

*The Association holds properties as collateral for the mortgage loans it grants to its members. The value of the collateral for mortgage loans is typically based on the collateral value at origination, updated based on changes in property prices. For credit-impaired loans, the value of collateral is based on the most recent appraisals.

Assets obtained by taking possession of collateral

The Association obtained no assets during the year by taking possession of collateral held as security against loans held at the year end. The Association's policy is to realise collateral on a timely basis.

g) **Dividends payable to members -**

Dividends are computed on the basis of the average value of shares held throughout the year, the average being determined on the basis of the value of shares held at the end of each month. Dividends that are proposed and declared after the reporting date are not shown as a liability in accordance with IAS 10 but are disclosed as a note to the financial statements.

h) **Provisions -**

Provisions are recognised when the Association has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. **Significant Accounting Policies (Cont'd):**

i) Retirement benefit plan -

The Association operates a defined benefit plan covering substantially all eligible employees of the Association. The fund of this plan is administered by three trustees and is separate from the Association's assets. Contributions to the plan are based upon the triennial actuarial valuation and are charged against profits on the accruals basis. The last actuarial valuation of the Plan, which was carried out as at 31 December 2018, revealed that the value of the assets exceeded the liabilities by **$15,278,000**. The next actuarial valuation is due 31 December 2018.

j) Taxation -

The Association's net income and gross receipts are exempted from Corporation Tax and Business Levy under Sections 6(1)(J) and 3A(2)(c) of the Corporation Tax Act (Ch. 75:02 of the laws of Trinidad and Tobago).

k) Comparative information -

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

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Financial Risk Management:

Financial risk factors

The Association's activities are primarily related to the use of financial instruments. The Association accepts funds from members and earns interest by investing in equity investments, government securities and on-lending to members at higher interest rates.

Financial Instruments

The following table summarizes the carrying amounts and fair values of the Association's financial assets and liabilities:

	2019	
	Carrying Value ($)	Fair Value ($)
Financial Assets		
Cash and cash equivalents	4,407,277	4,407,277
Accounts receivable and prepayments	2,222,933	2,222,933
Investments	5,991,759	5,991,759
Mortgages and land loans	84,864,936	84,864,936
Financial Liabilities		
Depositors	26,320,707	26,320,707
Members/Shareholders	21,061,812	21,061,812
Accounts payable and accruals	2,608,995	2,608,995

	2018	
	Carrying Value ($)	Fair Value ($)
Financial Assets		
Cash and cash equivalents	3,475,946	3,475,946
Accounts receivable and prepayments	2,599,918	2,599,918
Investments	9,745,532	9,745,532
Mortgages and land loans	75,217,849	75,217,849
Financial Liabilities		
Depositors	20,621,038	20,621,038
Members/Shareholders	19,330,950	19,330,950
Accounts payable and accruals	5,317,779	5,317,779

3. Financial Risk Management (Cont'd):

a) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Association is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds, loans, customer deposits and other funding instruments.

The exposure is managed through monitoring market conditions and yields.

i) Bonds

The Association invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

The market values of the fixed rate bonds are not very sensitive to changes in interest rates. The market values of the floating rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market value will not impact the Statement of Comprehensive Income.

The Association actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

ii) Mortgage Loans

The Association grants mortgage loans on an adjustable rate basis of a long term nature. These are funded mainly from deposits and members' shares.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. Financial Risk Management (Cont'd):

a) Interest rate risk (cont'd) -

iii) Interest rate sensitivity analysis

The Association's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

2019

	Effective Rate	Up to 1 year ($)	1 to 5 years ($)	Over 5 years ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets						
Cash and cash equivalents	0.85- 4.22%	4,407,277	-	-	-	4,407,277
Accounts receivable and prepayments	0.0%	-	-	-	2,222,933	2,222,933
Investments	2.7-12%	660,046	1,320,894	4,010,819	-	5,991,759
Mortgages and land loans	7.0%	783,006	2,025,057	82,056,873	-	84,864,936
		5,850,329	3,345,951	86,067,692	2,222,933	97,486,905
Financial Liabilities						
Depositors	05.5.25%	21,923,694	4,004,406	392,607	-	26,320,707
Members/Shareholders	5.25%	336,208	8,759,054	11,966,550	-	21,061,812
Accounts payable and accruals	2.0%	2,608,995	-	-	-	2,608,995
		24,868,897	12,763,460	12,359,157	-	49,991,514

2018

	Effective Rate	Up to 1 year ($)	1 to 5 years ($)	Over 5 years ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets						
Cash and cash equivalents	0.85-4.22%	3,475,946	-	-	-	3,475,946
Accounts receivable and prepayments	0.0%	-	-	-	2,599,918	2,599,918
Investments	2.7-12%	4,342,445	1,392,511	4,010,576	-	9,745,532
Mortgages and land loans	5-13.0%	464,186	1,306,805	73,446,858	-	75,217,849
		8,282,577	2,699,316	77,457,434	2,599,918	91,039,245
Financial Liabilities						
Depositors	05.5.25%	17,192,440	2,469,021	959,577	-	20,621,038
Members/Shareholders	5.25%	91,466	12,069,329	7,170,156	-	19,330,950
Accounts payable and Accruals	2.0%	5,317,779	-	-	-	5,317,779
		22,601,685	14,538,350	8,129,733	-	45,269,768

3. Financial Risk Management (Cont'd):

b) Credit risk -

Credit risk is the risk that a member will default on his contractual obligations resulting in financial loss to the Association. Credit risk mainly arises from loans, and because it represents the Association's main income generating activity, credit risk is the principal risk for the Association.

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Association relies heavily on its Rules, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Association's lending philosophy; provide policy guidelines to team members involve in lending; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; as well as create the foundation for a sound credit portfolio.

The Association's loan portfolio is managed and consistently monitored by the Credit Committee and is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

Cash balances are held with high credit quality financial institutions and the Association has policies to limit the amount of exposure to any single financial institution.

The Association also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

3. **Financial Risk Management (Cont'd):**

b) Credit risk (cont'd) -

Credit risk management

The Association's credit committee is responsible for managing the Association's credit risk by:

(i) ensuring that the Association has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Association's policies and procedures, International Financial Reporting Standards and relevant supervisory guidance.

(ii) identifying, assessing and measuring credit risk across the Association, from an individual financial instrument to the portfolio level.

(iii) creating credit policies to protect the Association against the identified risks, including the obtaining collateral from borrowers, performing robust ongoing credit assessment of borrowers, and continually monitor exposures.

(iv) as far as possible, limiting concentrations of exposure by type of loan, industry, credit rating, geographic location, etc.

(v) establishing a robust control mechanism for loan approval.

(vi) categorising exposures according to the degree of risk of default.

(vii) developing and maintaining processes for measuring ECL.

(viii) providing guidance to promote best practice in the management of risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

3. Financial Risk Management (Cont'd):

b) Credit risk (cont'd) -

Significant increase in credit risk

The Association presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than thirty (30) days past due, unless the Association has reasonable and supportable information that demonstrates otherwise. The Association has monitoring procedures to ensure that significant increase in credit risk is identified before default occurs.

c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Association has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Association is able to make daily calls on its available cash resources to settle financial and other liabilities.

i) Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Association. The Association employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Association's assets as well as generating sufficient cash from new and renewed deposits and shares.

To manage and reduce liquidity risk the Association's management actively seeks to match cash inflows with liability requirements.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. **Financial Risk Management (Cont'd):**

c) **Liquidity risk (cont'd) -**

ii) Liquidity gap

The Association's exposure to liquidity risk is summarized in the table below which analyses assets and liabilities based on the remaining period from the reporting date to the contractual maturity date.

2019

	Up to 1 year ($)	1 to 5 years ($)	Over 5 years ($)	Total ($)
Financial Assets				
Cash and cash equivalents	4,407,277	-	-	4,407,277
Accounts receivable and prepayments	2,222,933	-	-	2,222,933
Investments	660,046	1,320,894	4,010,819	5,991,759
Mortgages and land loans	783,006	2,025,057	82,056,873	84,864,936
	8,073,262	3,345,951	86,067,692	97,486,905
Financial Liabilities				
Depositors	21,923,694	4,004,406	392,607	26,320,707
Members/Shareholders	336,208	8,759,054	11,966,550	21,061,812
Accounts payable and accruals	2,608,995	-	-	2,608,995
	24,868,897	12,763,460	12,359,157	49,991,514

2018

	Up to 1 year ($)	1 to 5 years ($)	Over 5 years ($)	Total ($)
Financial Assets				
Cash and cash equivalents	3,475,946	-	-	3,475,946
Accounts receivable and prepayments	2,599,918	-	-	2,599,918
Investments	4,342,445	1,392,511	4,010,576	9,745,532
Mortgages and land loans	464,186	1,306,805	73,446,858	75,217,849
	10,882,495	2,699,316	77,457,434	91,039,245
Financial Liabilities				
Depositors	17,192,440	2,469,021	959,577	20,621,038
Members/Shareholders	91,466	12,069,329	7,170,156	19,330,950
Accounts payable and accruals	5,317,779	-	-	5,317,779
	22,601,685	14,538,350	8,129,733	45,269,768

3. Financial Risk Management (Cont'd):

d) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the Association's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Association. The Association engages in public social endeavours to engender trust and minimize this risk.

e) Operational risk -

Operational risk is the risk derived from deficiencies relating to the Association's information technology and control systems, as well as the risk of human error and natural disasters. The Association's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimise human error. Additionally, staff is often rotated and trained on an on-going basis.

f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Inspector of Financial Institutions at the Central Bank of Trinidad and Tobago, as well as by the monitoring controls applied by the Association. The Association has an Internal Audit Department which does routine reviews on compliance.

4. Critical Accounting Estimates and Judgments:

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The Association makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

4. Critical Accounting Estimates and Judgments (Cont'd):

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

i) Whether investments are classified as Fair Value through Profit and Loss, Fair Value through Other Comprehensive Income or Amortised Cost.

ii) Which depreciation method for fixed assets is used.

iii) Business model assessment:

The Association reassess its business models each reporting period to determine whether they continue to be appropriate and if there need to be a prospective change to the classification of financial assets. This assessment includes judgement regarding:

- how the performance of the assets is evaluated and measured; and
- the risks that affect the performance of the assets and how these risks are managed.

iv) Significant increase of credit risk:
The Association computes twelve-month ECL for Stage 1 assets and lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. Assessing whether there has been a significant increase in credit risk required judgement takes into account reasonable and supportable forward-looking information.

v) Establishing groups of assets with similar credit risk characteristics:
When ECL is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Association monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. Judgement is required in determining whether and when to move assets between portfolios.

vi) Valuation models and assumptions used:
The Association uses various valuation models and assumptions in measuring the fair value of financial assets, as well as in estimating ECL. Judgement is applied in identifying the most appropriate valuation model for each type of asset, as well as in determining the assumptions to be used for each model.

4. Critical Accounting Estimates and Judgments (Cont'd):

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Probability of default (PD)

PD is an estimate of the likelihood of default over a given period of time, the calculation of which includes historical data, assumptions and expectations of future conditions. PD constitutes a key input in measuring ECL.

iii) Loss Given Default (LGD):

LGD is an estimate of the percentage loss arising on default, and is based on the difference between the contractual cash flows due and those that the Association would reasonably expect to receive, taking into account cash flows from collateral. It requires forecasting the future valuation of collateral taking into account sale discounts, the time and cost associated with realising collateral and seniority of claim. LGD is a key input in measuring ECL.

iv) Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Association uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Association uses valuation models to determine the fair value of its financial instruments.

v) Exposure at Default (EAD)

EAD is an estimate of the **total loss incurred when a member defaults,** taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest. EAD is a key input in measuring ECL.

vi) Plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. Cash and Cash Equivalents:

	31 December 2019 ($)	31 December 2018 ($)
Cash on hand	75,247	39,255
RBTT Bank Limited	2,831,045	692,187
Trinidad and Tobago Unit Trust Corporation	44,734	839,992
Guardian Asset Management	1,456,251	1,904,512
	4,407,277	3,475,946

As at 31 December 2019, cash and cash equivalents comprise 4.0% (2018 – 3.4%) of total assets.

6. Accounts Receivable and Prepayments:

	31 December 2019 ($)	31 December 2018 ($)
Accrued commissions and interest on loans	1,337,001	837,170
Interest receivable	58,873	109,793
Staff loans	77,110	98,886
Prepayments	28,576	64,606
Judgement debtors	653,737	844,782
Other	67,636	644,681
	2,222,933	2,599,918

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

7. **Investments:**

	31 December 2019 ($)	31 December 2018 ($)
Financial assets at fair value through other comprehensive income –		
ROYTRIN Income and Growth Fund	660,046	729,567
Amortised Cost –		
Caribbean Finance Company Ltd 4.25% - Maturity 2020	134,959	134,959
WASA South Water Project:		
Guaranteed Redeemable Fixed Rate Bond 1st Tranche 12.00% - Maturity 2019	-	236,389
Guaranteed Redeemable Fixed Rate Bond 2nd Tranche 12.00% - Maturity 2019	-	117,318
WASA – Government of Trinidad and Tobago $330M Redeemable Floating Rate Bond 9.00% - 11.50% - Maturity 2021	139,895	209,843
Government of Trinidad and Tobago Fixed Bond 5.95% - Maturity April 2023	1,046,040	1,047,709
Government of Trinidad and Tobago Fixed Bond - Maturity April 2028	1,965,786	1,962,516
NIPDEC TT$750M Fixed Rate Bond 6.55% - Maturity 2030	2,045,033	2,048,060
Caribbean Finance Company Ltd 4.25% - Maturity 2019	-	1,124,969
Caribbean Finance Company Ltd 4.25% - Maturity 2019	-	1,091,702
Caribbean Finance Company Ltd 4.25% - Maturity 2019	-	1,042,500
	5,991,759	9,745,532

8. Mortgages:

Statement pursuant to section 45(1) of the Building Societies Act Ch. 33:04.

Mortgages on properties where the present debt does not exceed **$100,000** and the repayments are not upwards of 12 months in arrears and the property has not been upwards of 12 months in possession of the Association Section 45(1) (a).

		31 December 2019 ($)	2018 ($)
On 6	Mortgages where the debt does not exceed **$10,000** (2018: 28)	394,431	462,568
On 25	Mortgages where the debt exceeds **$10,000** and does not exceed **$25,000** (2018: 31)	390,587	566,148
On 9	Mortgages where the debt exceeds **$25,000** and does not exceed **$50,000** (2018: 12)	296,364	409,400
On 16	Mortgages where the debt exceeds **$50,000** and does not exceed **$100,000** (2018: 17)	1,121,216	900,402
On 152	Mortgages where the debt exceeds **$100,000** Section 45(1) (b) (2018: 153)	73,711,668	64,690,567
Mortgages on properties of which the repayments are upwards of 12 months in arrears and the property has been upwards of 12 months in possession of the Association Section 45(1) (b).			
On 0	Mortgages (2018: 0)	-	-
	Total Mortgages 208 (2018: 241)	75,914,266	67,029,085
Less:	Accrued interest on demand loans	(288,072)	(345,653)
	Allowance for Expected Credit Loss	(455,561)	(659,613)
		75,170,633	**66,023,819**

Allowance for expected credit loss -

	2019 ($)	2018 ($)
Balance brought forward	659,612	564,120
Change in expected credit loss	(204,051)	95,492
Bad debts written-off	-	-
Balance carried forward	455,561	659,612

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

9. **Land Loans:**

	31 December 2019 ($)	31 December 2018 ($)
Balance brought forward	9,194,030	7,118,709
New loans during the year	2,795,500	2,402,000
Repayments during the year	(2,295,227)	(326,679)
Balance carried forward	9,694,303	9,194,030

10. **Fixed Assets:**

Cost	**Freehold Properties ($)**	**Motor Vehicles ($)**	**Office Equipment and Fittings ($)**	**Total ($)**
Balance as at 1 January 2019	10,400,000	166,278	2,382,277	12,948,555
Additions	-	-	26,927	26,927
Balance as at 31 December 2019	10,400,000	166,278	2,409,204	12,975,482
Accumulated Depreciation				
Balance as at 1 January 2019	-	69,281	1,335,928	1,405,209
Charge for the year	-	41,570	192,393	233,963
Balance as at 31 December 2019	-	110,851	1,528,321	1,639,172
Net Book Value				
Balance as at 31 December 2019	10,400,000	55,427	880,883	11,336,310
Balance as at 31 December 2018	10,400,000	96,997	1,046,349	11,543,346

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

10. Fixed Assets (Cont'd):

Cost	Freehold Properties ($)	Motor Vehicles ($)	Office Equipment and Fittings ($)	Total ($)
Balance as at 1 January 2018	10,623,432	166,278	1,453,936	12,243,646
Additions	-	-	704,909	704,909
Reclassification	(223,432)	-	223,432	-
Balance as at 31 December 2018	10,400,000	166,278	2,382,277	12,948,555
Accumulated Depreciation				
Balance as at 1 January 2018	-	27,712	1,177,913	1,205,625
Charge for the year	-	41,569	158,015	199,584
Balance as at 31 December 2018	-	69,281	1,335,928	1,405,209
Net Book Value				
Balance as at 31 December 2018	**10,400,000**	**96,997**	**1,046,349**	**11,543,346**
Balance as at 31 December 2017	**10,623,432**	**138,566**	**276,023**	**11,038,021**

11. Accounts Payable and Accruals:

	31 December 2019 ($)	31 December 2018 ($)
Trinidad and Tobago Housing Development Corporation	359,373	596,000
Mortgages approved and not disbursed	2,113,277	4,585,433
Other	136,345	136,346
	2,608,995	5,317,779

The Association acts as agent for the Trinidad and Tobago Housing Development Corporation (HDC) administering its mortgage loan portfolio, which amounts to approximately **$2,021,746** (2018**: $2,369,146**). The amount due to HDC represents receipts collected before deductions and charges.

The Association facilitates the underwriting process for mortgage loans for the CLICO Credit Union Cooperative Society Limited (CCU). The Association is compensated through a monthly management fee. All loans are disbursed through CCU to the members' accounts and all mortgage installments are paid directly to CCU by the mortgagors.

12. Depositors:

	31 December 2019 ($)	31 December 2018 ($)
Special deposits	19,862,910	14,141,479
Savings deposits	6,457,797	6,479,559
	26,320,707	20,621,038

(i) As at 31 December 2019, total deposits to mortgage loans amount to 35% (2018: 31%).

(ii) As at 31 December 2019, deposits maturing in 2020 will amount to **$13,465,897** and deposits maturing after 31 December 2020 will amount to **$6,397,013** (2018: **$2,469,021**).

13. Unpaid Matured Shares:

	31 December 2019 ($)	31 December 2018 ($)
Amounts due for unpaid matured shares	434,274	416,635

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

14. Members/Shareholders:

		31 December 2019 ($)		2018 ($)
Balance, beginning of year		19,330,950		18,044,383
Share purchases less withdrawals and transfers		778,496		389,584
		20,109,447		18,433,967
Dividends paid				
- 30 June – 2.5% (2018: 2.5%)	487,229		397,237	
- 31 December – 2.5% (2018: 2.5%)	465,136		499,746	
		952,365		896,983
Balance, end of year		21,061,812		19,330,950

Members'/Shareholders' share balances are represented by members' share purchases less withdrawals and transfers, and accumulated dividends. In accordance with International Financial Reporting Interpretation Committee (IFRIC) Interpretation #2, these redeemable shares have been treated as liabilities.

15. Loan Payable:

This represents a **$5 million** loan facility granted to the Association by the National Insurance Board of Trinidad and Tobago on 22 September 2017 for the financing of the existing loan portfolio and is administered by the First Citizens Trustee Services Limited. The loan carries an interest rate of 3.5% accruing semi-annually on 4 April and 4 October. The loan is due to mature on 4 October 2022 and it requires a bullet payment on maturity.

The facility is secured by a charge over the Government of Trinidad and Tobago 2023 bond, the National Investment and Property Development Company 2030 bond and the Government of Trinidad and Tobago 2028 bond.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

16. **Interest Earned:**

	31 December 2019 ($)	31 December 2018 ($)
Mortgages (net)	5,763,250	4,959,096
Investments - Long-term	431,009	510,031
- Short-term	67,370	107,882
Share loans	64,609	76,760
	6,326,238	5,653,769

17. **Other Income:**

	31 December 2019 ($)	31 December 2018 ($)
Commission		
- NHA's assisted loans	28,000	58,567
- Insurance on TBLA's mortgages	38,000	18,000
- NHA's soft loans (interest)	-	2,125
	66,000	78,692
Rent	433,536	390,642
Interest on current account	-	359
Processing fees	169,050	120,052
Other fees	189,619	148,043
	858,205	737,788

18. **Interest Paid:**

	Simple average 2019 %	Simple average 2018 %	31 December 2019 ($)	31 December 2018 ($)
Savings	0.5	0.5	32,758	63,192
Special deposits	2.0	2.0	304,750	285,002
Paid up shares	3.0	3.0	10,300	11,772
DSP	5.25	-	31,500	-
NIB loan	3.5	3.5	174,996	139,417
			554,304	499,383

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

19. Other Expenditure:

	31 December			
		2019 ($)		2018 ($)
Staff remuneration	2,132,733		1,679,775	
National Insurance contributions	130,910		113,208	
Health Scheme contribution	32,924		26,430	
Pension Fund contribution	32,791		32,289	
Direct staff costs: 56% (2018: 46%)		2,329,358		1,851,702
Staff vacation leave	8,133		8,121	
Staff expense and training	73,621		49,745	
Staff/Pensioners ex-gratia	3,000		2,750	
Staff uniforms	27,073		13,170	
Other staff costs: 3% (2018: 2%)		111,827		73,786
Total staff costs: 59% (2018: 48%)		2,441,185		1,925,488
Management expenses **(Note 20)**	1,309,958		1,358,877	
Depreciation to furniture, equipment and motor vehicles	233,963		199,584	
Other operating expenses	76,030		75,138	
Directors' fees	229,200		240,200	
Legal and professional fees	167,923		173,591	
Bank interest and charges	16,175		16,190	
Expected credit loss	(204,051)		95,492	
		1,829,198		2,159,072
		4,270,383		4,084,560

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

20. Management Expenses:

	31 December 2019 ($)	31 December 2018 ($)
Telephone	62,316	66,904
Electricity	53,039	56,247
Professional services	139,260	114,084
Stamps, stationery and printing	24,171	27,318
Insurance - property	50,125	58,479
Property maintenance	114,362	187,402
Rates and taxes	82,858	81,309
Miscellaneous expenses	123,971	137,952
Insurance - equipment, burglaries, cash in transit, etc.	40,379	49,576
Advertising/Marketing/Promotion	196,581	219,592
Tea room expenses	32,761	37,228
Subscriptions and donations	33,347	35,102
Security guard cost	112,496	95,536
Transunion – Credit Investigation	19,057	12,030
Upkeep allowance	15,419	26,892
Computer software maintenance	209,816	153,226
	1,309,958	1,358,877

21. Employees:

At 31 December 2019, the Association had in its employ a staff complement of 15 persons (2018: 14).

22. Contingent Liabilities:

Under the provisions of the Retrenchment and Severance Benefits Act 1985, an amount of approximately **$499,634** as at 31 December 2019 (2018: **$601,342**) would have been payable if the services of the employees of the Association were terminated. No provision is made for this contingent liability in these financial statements.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

23. Related Party Transactions:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

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

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the year were as follows:

	31 December 2019 ($)	31 December 2018 ($)
Assets		
Loans to key management personnel	26,437	46,729
Deposits and other liabilities		
Deposits held by directors and key management personnel	1,383,679	1,480,667
Shares held by directors and key management personnel	1,328,879	1,143,961
	2,712,558	2,624,628
Interest and other income		
Directors and key management personnel	5,342	24,970
Interest and other expenses		
Directors and key management personnel	59,799	55,481
Key management compensation		
Short-term benefits	884,630	857,212
Post employment benefits	14,333	13,914
	898,963	871,126

24. Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

a) **Current assets and liabilities -**

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

b) **Members' loans -**

Loans are net of specific provisions for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

c) **Investments -**

The fair values of investments are determined on the basis of market prices available at 31 December 2019.

d) **Deposits -**

Deposits bear interest at rates that are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

25. Capital Risk Management:

The Association manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members, whilst providing value to its members by offering loan and savings facilities. The Association's overall strategy remains unchanged from previous years.

The capital structure of the Association consists of equity attributable to members, which comprises issued members shares and reserves.