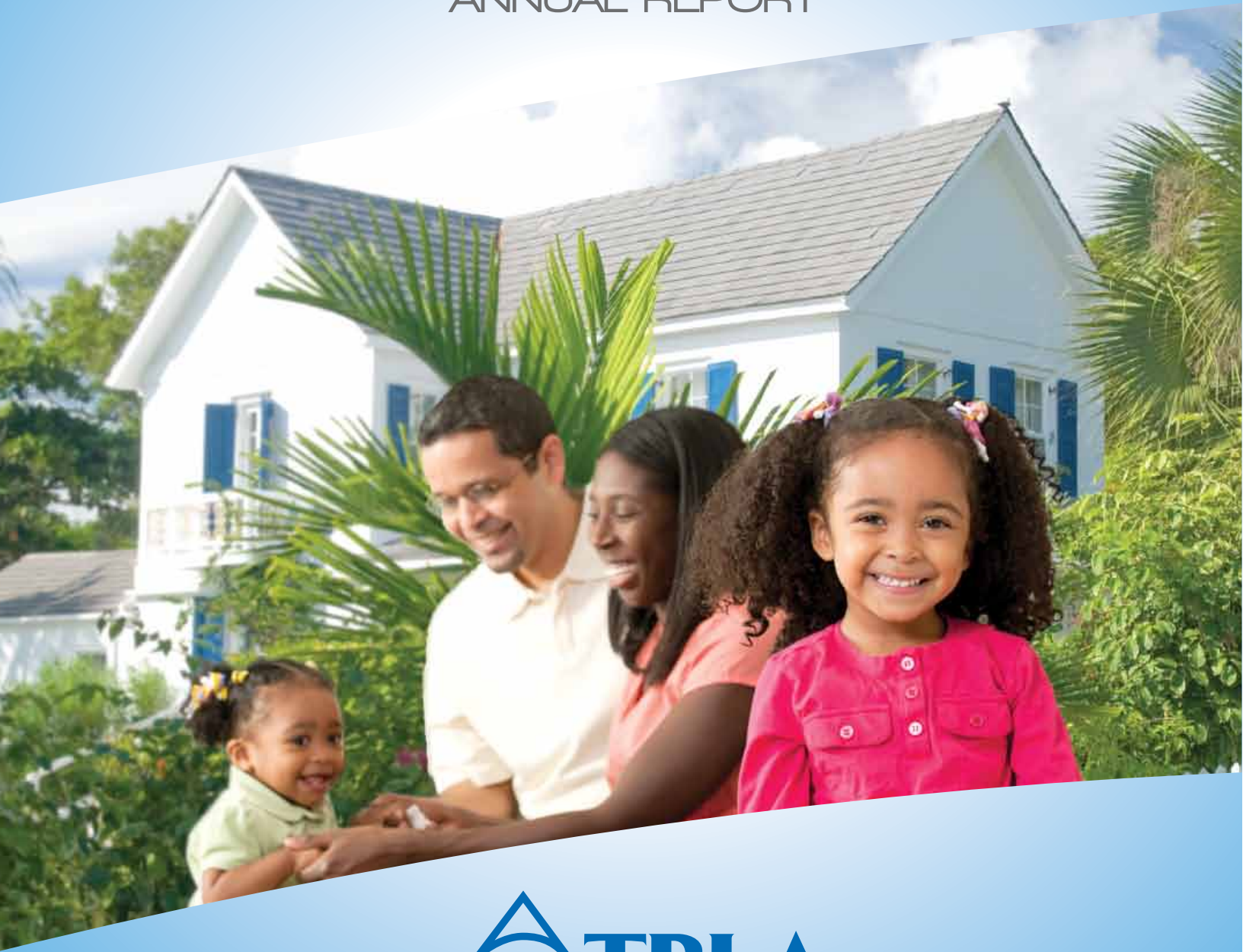


Expanding Stakeholder Relationships

# 2012

ANNUAL REPORT



THE TRINIDAD BUILDING & LOAN ASSOCIATION  
Housing Finance Institution Since 1891

Thrift and Home Ownership



## Vision Statement

To be a strong, dynamic organisation, providing easy access to home mortgage financing and maintaining and enhancing our customer service, thereby ensuring customer loyalty.

## Mission Statement

To enable you to own, renovate or improve your existing property,  
by providing easy access to mortgage financing.

“Quiitez loyer ou payer pour cai ou”  
(Let your rent pay for your home.)



## Board of Directors



Mr. Terence Boswell Inniss  
President



Mr. Teasley Taitt  
Vice President



Ms. Joanne Prosper  
Director



Ms. Bliss Seepersad  
Director



Mr. Percy Farrell  
Director



Mr. Keith Ortiz  
Director



Mr. Afra Raymond  
Director



Mr. John B.C. Martin  
Director



Ms. Jo-Anne Julien  
Director / Ex Officio Counsel



Mr. Leslie Nelson  
Secretary

# Expanding Stakeholder Relationships

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*We provide personalized attention and quick processing times when conducting business.*

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On love  
to last a  
lifetime*

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DSP**

Save towards the down  
payment of a house or  
land purchase

**TBLA**  
THE TRINIDAD BUILDING & LOAN ASSOCIATION  
Housing Finance Institution Since 1891  
Thrift and Home Ownership  
Easy access to mortgage financing

## NOTICE OF MEETING

### 122nd ANNUAL MEETING

Notice is hereby given that the One Hundred and Twenty Second Annual Meeting of The Trinidad Building and Loan Association will be held at The Capital Plaza Hotel, Calypso Lounge, Wrightson Road, Port-of-Spain on Wednesday 20th March, 2013 at 5:00 p.m. for the following purposes:-

Namely:

1. To receive and consider the Financial Statements and the General Statement of the Affairs of the Association under the Building Societies Ordinance, Ch.33:04 for the year ended 31 December 2012 and the reports of the Directors and Auditors thereon.
2. To elect Directors.
3. To elect a President and Vice-President.
4. To appoint auditors for the ensuring year at a fee to be fixed by the Board.
5. To transact such other ordinary business of the Association as may directly arise out of the consideration of the Annual Report.

Mr. Teasley Taitt – Vice President and Ms. Bliss Seepersad - Director who retire by rotation under Rule 4.2, being eligible, offer themselves for re-election. No other nominations have been received for the vacant posts of Directors.

A member entitled to attend and vote at the meeting is entitled, subjected to Rule 9.8 of the Rules of the Association, to appoint a proxy to attend and vote in his stead. A proxy must also be a member of the Association.

BY ORDER OF THE BOARD

Leslie Nelson  
SECRETARY

## Corporate Information

<b>Directors</b>	<b>Yr. of Appt</b>		<b>Yr. of Election</b>
Mr. Terence Boswell Inniss - President	June	1992	2012
Mr. Teasley Taitt - Vice President	February	1997	2009
Mr. J. B.C. Martin C.A., F.C.A.	June	1974	2010
Ms. Bliss Seepersad	September	2008	2009
Ms. Jo-Anne Julien -Counsel	July	2001	(Ex-Officio)
Mr. Keith Ortiz	January	1993	2012
Mr. Percy Farrell	February	1996	2010
Mr. Afra Raymond, BSc. MRICS	February	1999	2011
Ms. Joanne Prosper	April	2011	2011

---

### **ASSOCIATION SECRETARY/CEO**

Mr. Leslie Nelson FCMA,CA,MBA,FLMI

### **REGISTERED OFFICE**

#### **The Trinidad Building and Loan Association**

89 Queen Street, Port of Spain

Trinidad and Tobago, W.I

Phone: (868) 623-1501/4

Fax: (868) 627-0675

Website: tblamortgages.com

Email: info@tblamortgages.com

Website: www.tblamortgages.com

### **ATTORNEYS-AT-LAW**

Lex Caribbean

1st Floor, 5-7 Sweet Briar Road

St Clair

Trinidad & Tobago, W.I

Phone (868) 628-9255

### **ATTORNEYS-AT-LAW**

#### **Wheeler & Co.**

22-24 St Vincent Street

Port of Spain

Trinidad & Tobago, W.I

Phone: (868) 627-9014

#### **Maurice Valere**

2nd Floor, 37 Abercromby Street,

Port of Spain

Trinidad & Tobago, W.I

Phone: (868) 625-1339

### **BANKERS**

RBC Royal Bank Limited

Independence Square

Port of Spain

Trinidad & Tobago W.I

Phone (868) 625-7288

### **AUDITORS**

PKF

124 Belmont Circular Road

Belmont Trinidad & Tobago, W.I

Phone: (868) 624-4569



## Directors' Report

Your Directors have the honour to present their Annual Report as well as the Financial Statements and Report of the Auditors for the year 2012.

### Revenue and Appropriation Account

	<u>2012</u>	<u>2011</u>
	\$	\$
Revenue	4,491,037	4,474,981
Expenditure	3,418,114	3,622,610
Operating Surplus for the year	1,072,923	852,371
Impairment of investment income	-	-
Net Surplus for the year	<u>1,072,923</u>	<u>852,371</u>
Appropriation to Dividend	(321,878)	(255,712)
The following dividends were declared:		
Interim dividends of 3.00% at 30 <sup>th</sup> June (2011: 4.00%)	144,056	151,328
Final dividends of 3.5% at 31 <sup>st</sup> December (2011:6.00%)	<u>186,159</u>	<u>261,047</u>
	<u>330,215</u>	<u>412,375</u>
Balance After Appropriation and Dividends	420,830	184,284
To which was added the balance of Revenue to/Reserve brought forward	22,031,667	21,775,956
Transfer from Dividend Reserve	(98,485)	71,427
Borrowers' paid up shares adjustment	-	-
Retained Earnings carried forward	<u><u>22,354,012</u></u>	<u><u>22,031,667</u></u>



## Directors' Report (Cont'd)

### **Subscription Shares**

In 2012, the Subscription Share portfolio increased from \$4,795,485 to \$5,856,083 or 22%. During 2012, 822 shares were sold when compared to 54 in 2011. Also in 2012, subscription shares to the value of \$81,043.09 matured. Total shares to the value of \$ 157,668.24 were repaid in 2012, of which the amount of \$94,588.98 was attributable to matured shares from the current and previous periods.

### **Savings Portfolio**

At the end of 2012, this portfolio amount ed to \$5,628,886 compared with \$5,507,613 in 2011, an increase of 2.20%.

### **Special (Fixed) Deposit**

Special Deposits as at 31<sup>st</sup> December 2012 was \$5,513,960 an increase of \$282,084 or 5.39%.

### **Mortgage Loan**

The mortgage portfolio increased by 6.5M or 22.00% from 29.5M in 2011 to 36M in 2012. New Loans disbursed in 2011 amounted to 9M.

### **Interest Income**

There was a marginal increase in interest income from 3.7M in 2011 to 3.8M in 2012. This was due to increased returns on the mortgage portfolio but was reduced by lower returns on the investment portfolio.

### **Total Assets**

Assets increased from \$62.2M in 2011 to an amount of \$65.9M as at the end of 31<sup>st</sup> December 2012.

## Directors' Report (Cont'd)

### **Net Income**

In 2012 an interim dividend of 3.0% was paid and credited to share accounts at 30<sup>th</sup> June 2012, while a final dividend of 3.5% was paid and credited on 31<sup>st</sup> December 2012. Total dividend paid for the year 2012 was therefore 6.5%.

### **Group Health and Accident Insurance Plan**

This plan which was established in 1966 is operated on a 60% (company):40% (employee) contributory basis for the benefit of the staff and to which the sum of **\$29,967** was contributed by the Association during this year. (2011: **\$32,482**).

### **Auditors**

Messrs. PKF, the Auditors of the Association, whose term of office has come to a close and being eligible, have offered themselves for re-appointment.

# Expanding Stakeholder Relationships



## President's Report

### Global and National Prospective

The global financial challenges from 2011 and before continued in 2012. The year in review was characterized by weaker global activity and an escalation of financial stress in the Euro Area.

In advanced economies, sluggish growth of 1.4% was expected in 2012, down from 1.6% in 2011.

Global inflation was expected to fall marginally from 4.8% in 2011, to 4.0% in 2012.

Growth in the United States was expected to be slow but positive, at 2.1% up from 1.7 in 2011.

In 2012, the Trinidad and Tobago economy contracted by 3.6% with the energy sector contracting by 7.3%. However, the petroleum sector continues to dominate the output of the economy recording 46.8% contribution to GDP, notwithstanding the concerning trend of reductions in the level of production. Non-energy output decreased by 0.7%, with construction decreasing by 3.7%.

In 2012, limited investment opportunities and sluggish credit growth led to a build up of liquidity which has kept short term interest rates at record low levels.

Banks, having taken steps to lower interest expense and expand into non traditional markets has resulted in more competition to non-banking financial institutions.

For 2013, the Minister of Finance has adopted a stimulus route in a measured and watchful way to manage the economy as opposed to austerity measures.

The positives in the economy include healthy foreign exchange reserves, relatively low debt to GDP ratios and a robust, well-capitalized banking system. Also, in January 2013 International credit rating agency, Moody's Investors Service affirmed this country's Baal government bond rating adding that the economic outlook remains stable.

A budget deficit for 2013 of \$7.67 billion or 4.6% of GDP is forecasted, which is consistent with the 2012 budget.

### Industry Review and Outlook

The Mortgages Market Reference Rate (MMRR) introduced by the Central Bank in 2011, continues to be the guideline provided for pricing and re-pricing mortgages in the banking sector.

The weighted average rate on outstanding and new residential mortgages fell to 6.95% and 6.34% in December 2012, respectively from 7.07% and 6.40% in September 2012, respectively and 7.45% and 6.68% in December 2011.

Incentives have been provided in the 2012/ 2013 budget that should positively impact the mortgage market. These measures propose for the exemption from tax, the gains or profits derived from the initial sale of newly constructed

## President's Report (Cont'd)

houses of the class specified in section 43 of the Income Tax Act, by a registered trader of such houses.

It is also proposed to exempt from tax, gains or profits derived from the initial sale of land developed for residential housing, where development commences after October 2012, and the sale consummated prior to December 2015.

These initiatives, together with the continuing low rates, provides a positive outlook for the mortgage market in 2013 and beyond.

### Results and Achievements

The Association's net assets increased by 1.65% in 2012, from \$45.2M to \$45.9M. The marketing initiatives continued in 2012, and were mainly responsible for the growth in the mortgage portfolio by 22% from \$29.4M to \$35.9M. This represents the single largest year on year portfolio growth in the Associations history.

Profits before dividends for 2012 increased by 26% to \$1.1M, up from \$0.8M in 2011.

In 2012, the Board of Directors restructured the subscription share portfolio and recommenced the sale of new shares which were suspended during 2010 and 2011.

The response to the issue of new shares in 2012 have been tremendous with shareholders value increasing by 22% or \$1.1M.

The Association collected 100% of the CLICO Executive Flexible Premium Annuity with 50% in January 2012, and the balance in January 2013.

In 2012 the Association embarked on the theme of 'Building Stakeholder Relationships', and continued its marketing efforts by having an effective media presence in both electronic and print, and establishing relationships with other major financial institutions.

In addition during 2012 the Association held a Long Service Award Ceremony where staff was recognized for the many years of dedicated service.

At that ceremony, the Association launched its Down Payment Savings Plan (DSP), which is an investment certificate that allows young adults to save towards meeting the down payment and related cost of home ownership. This initiative has been successful. Many customers recognized the benefit and signed on to the realization of their dreams.

The Association also issued its Whistle Blowing Policy and undertook training for both Directors and Staff in Anti-Money Laundering (AML) and Countering Financial Terrorism (CFT), as required under the Financial Intelligence Unit of Trinidad and Tobago Act and the Proceeds of Crime Act.

### Acknowledgement

Once again, the contribution of the Management and staff of the Association is acknowledged. Their efforts contribute to the continued success of the Association.

I also wish to thank the other members of the Board of the Association for their sterling contributions at Board and Sub-Committee meetings.



**Terence Boswell Inniss**  
President

# Expanding Stakeholder Relationships



## Financial Statements

31 DECEMBER 2012

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

I N D E X

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Statement of Changes in Funds	5
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The Trinidad Building and Loan Association

Statement of Management Responsibilities

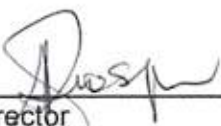
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It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association as at the end of the financial year and of the operating results of the Association for the year. It is also management's responsibility to ensure that the Association keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are also responsible for safeguarding the assets of the Association.

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 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.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Association and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Association will not remain a going concern for at least the next twelve months from the date of this statement.

  
\_\_\_\_\_  
Director  
Date: 06/03/2013

  
\_\_\_\_\_  
Director  
Date: 06/03/2013

## INDEPENDENT AUDITORS' REPORT

### **The Members**

#### **The Trinidad Building and Loan Association**

We have audited the accompanying financial statements of The Trinidad Building and Loan Association, which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Trinidad Building and Loan Association as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**PKF**

**Port-of-Spain  
6 March 2013**



**THE TRINIDAD BUILDING AND LOAN ASSOCIATION**

**STATEMENT OF FINANCIAL POSITION**

<b>Assets:</b>	<b>Notes</b>	<b>31 December</b>	
		<b><u>2012</u></b>	<b><u>2011</u></b>
Cash and cash equivalents	5	\$ 9,143,182	\$ 9,354,366
Accounts receivable and prepayments	6	431,008	747,667
Investments	7	<u>9,327,430</u>	<u>11,593,976</u>
		18,901,620	21,696,009
Mortgages	8	34,388,835	28,049,842
Land loans	9	1,595,528	1,480,600
Fixed assets	10	<u>11,037,932</u>	<u>11,058,352</u>
<b>Total Assets</b>		<u>65,923,915</u>	<u>62,284,803</u>
<b>Liabilities:</b>			
Accounts payable and accruals	11	2,459,479	1,092,744
Depositors	12	11,142,846	10,739,489
Unpaid matured shares	13	533,667	473,979
Members/Shareholders	14	<u>5,856,083</u>	<u>4,795,485</u>
<b>Total Liabilities</b>		<u>19,992,075</u>	<u>17,101,697</u>
<b>Net Assets</b>		<b><u>\$ 45,931,840</u></b>	<b><u>\$ 45,183,106</u></b>
<b>Financed by:</b>			
Dividend Reserve		\$ 1,361,808	\$ 941,445
Capital Reserve		8,570,752	8,570,752
Investment Remeasurement Reserve		11,310	5,284
Revenue Reserve		22,354,012	22,031,667
Special Reserve Fund		<u>13,633,958</u>	<u>13,633,958</u>
<b>Total Funds</b>		<b><u>\$ 45,931,840</u></b>	<b><u>\$ 45,183,106</u></b>

These draft financial statements were approved by the Board of Directors and authorized for issue on 6 March 2013 and signed on their behalf by:



**Terence Boswell Inness: President**



**Leslie Nelson: Secretary**

(The accompanying notes form part of these financial statements)

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

STATEMENT OF COMPREHENSIVE INCOME

	<u>Schedules</u>	<b>31 December</b>	
		<u>2012</u>	<u>2011</u>
Interest earned	1	\$ 3,779,418	\$ 3,755,240
Other income	2	<u>711,619</u>	<u>719,741</u>
Total income		<u>4,491,037</u>	<u>4,474,981</u>
Interest paid	3	142,457	280,859
Loan loss expense		-	100,000
Other expenditure	4	<u>3,275,657</u>	<u>3,241,751</u>
Total expenditure		<u>3,418,114</u>	<u>3,622,610</u>
Net surplus for the year		1,072,923	852,371
Other Comprehensive Income:			
Unrealised gain on available-for-sale financial assets		<u>6,026</u>	<u>4,932</u>
<b>Total comprehensive income for the year</b>		<b><u>\$ 1,078,949</u></b>	<b><u>\$ 857,303</u></b>

(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 2012**

	<b><u>Dividend Reserve</u></b>	<b><u>Capital Reserve</u></b>	<b><u>Investment Remeasurment Reserve</u></b>	<b><u>Revenue Reserve</u></b>	<b><u>Special Reserve Fund</u></b>
Beginning balance as at 1 January 2011	\$ 757,160	\$ 8,570,752	\$ 352	\$ 21,775,956	\$ 13,633,958
Net surplus for the year				852,371	
Investment Re-measurement Reserve Adjustment			4,932		
Dividend Reserve Addition	255,712			(255,712)	
Reduction	(71,427)			71,427	
Interim dividend June : 4%				(151,328)	
Final dividend December: 6%	-	-	-	(261,047)	-
Balance as at 31 December 2011	<b><u>\$ 941,445</u></b>	<b><u>\$ 8,570,752</u></b>	<b><u>\$ 5,284</u></b>	<b><u>\$ 22,031,667</u></b>	<b><u>\$ 13,633,958</u></b>
Balance as at 1 January 2012	\$ 941,445	\$ 8,570,752	\$ 5,284	\$ 22,031,667	\$ 13,633,958
Net surplus for the year				1,072,923	
Investment Re-measurement Reserve Adjustment			6,026		
Dividend Reserve Addition	321,878			(321,878)	
Addition	98,485			(98,485)	
Interim dividend June : 3%				(144,056)	
Final dividend December: 3.5%	-	-	-	(186,159)	-
Balance as at 31 December 2012	<b><u>\$ 1,361,808</u></b>	<b><u>\$ 8,570,752</u></b>	<b><u>\$ 11,310</u></b>	<b><u>\$ 22,354,012</u></b>	<b><u>\$ 13,633,958</u></b>

(The accompanying notes form part of these financial statements)

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

STATEMENT OF CASH FLOWS

	31 December	
	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Net surplus for the year	\$ 1,072,923	\$ 852,371
Bad debts written off	111,644	-
Gain on disposal of fixed asset	(20,999)	-
Loan loss expense	-	100,000
Depreciation	<u>161,159</u>	<u>184,076</u>
Operating profit before changes in operating assets	1,324,727	1,136,447
Net change in accounts receivable and prepayments	205,015	(86,733)
Net change in accounts payable and accruals	<u>1,366,735</u>	<u>37,822</u>
Net cash provided by operating activities	<u>2,896,477</u>	<u>1,087,536</u>
<b>Cash flows from investment activities:</b>		
Net change in land loans	(114,928)	262,499
Net change in investments	2,272,572	(419,841)
Net change in mortgages from members	(6,338,993)	(4,249,248)
Proceeds from disposal of fixed assets	20,999	-
Fixed assets purchased	<u>(140,739)</u>	<u>(16,154)</u>
Net cash used in investing activities	<u>(4,301,089)</u>	<u>(4,422,744)</u>
<b>Cash flows from financing activities:</b>		
Net change in depositors	403,357	(1,896,764)
Net change in members' balances	59,688	(66,992)
Net change in amounts due to shareholders	1,060,598	1,337,326
Dividends paid	<u>(330,215)</u>	<u>(412,375)</u>
Net cash provided by/(used in) financing activities	<u>1,193,428</u>	<u>(1,038,805)</u>
Net change in cash and cash equivalents	(211,184)	(4,374,013)
Cash and cash equivalents at the beginning of the year	<u>9,354,366</u>	<u>13,728,379</u>
Cash and cash equivalents at the end of the year	<u><b>\$ 9,143,182</b></u>	<u><b>\$ 9,354,366</b></u>

(The accompanying notes form part of these financial statements)

# THE TRINIDAD BUILDING AND LOAN ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

### 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.

### 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. 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 -**

- i) The Society has not applied the following IFRIC interpretations that became effective during the current year, as they do not apply to the activities of the Society:

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

- ii) The Society has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Society or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs” (effective for accounting periods beginning on or after 1 July 2011).

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

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

IFRS 1	First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from hyperinflation (effective for accounting periods beginning on or after 1 July 2011).
IFRS 7	Financial Instruments: Disclosure – Amendments enhancing disclosure about transfers of financial assets (effective for accounting periods beginning on or after 1 July 2011).
IFRS 9	Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015).
IFRS 9	Financial Instruments: Accounting for Financial Liabilities and Derecognition (effective for accounting periods beginning on or after 1 January 2015).
IFRS 10	Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 11	Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 12	Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
IFRS 13	Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).
IAS 1	Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for accounting periods beginning on or after 1 July 2012).
IAS 12	Income Taxes – Limited scope amendment - recovery of underlying assets (effective for accounting periods beginning on or after 1 January 2012).
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for accounting periods beginning on or after 1 January 2013).

# THE TRINIDAD BUILDING AND LOAN ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

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

IAS 28	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).
IAS 32	Financial Instruments; Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014).
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (effective for accounting periods beginning on or after 1 January 2013)

The adoption of IFRS 9 Financial Instruments may result in significant changes in the Society's classification and presentation of financial instruments.

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

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 2012

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

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

The assets' residual values and useful lives are reviewed at each Statement of Financial Position 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) **Investments -**

The Association has classified all investments into the following categories:

Available for sale

These securities are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, available-for-sale investments are measured at fair value with unrealised gains or losses recognised in the Investment Re-measurement Reserve.

For actively traded investments, fair value is determined by reference to the Stock Exchange quoted market prices at the Statement of Financial Position date, adjusted for transaction costs necessary to realise the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

Held to maturity

These are securities which are held with the positive intention of holding them to maturity and are stated at amortized cost less provisions made for any permanent diminution in value. Amortised cost is calculated by taking into account any premium or discounts on acquisition over the period of maturity using the effective interest rate method.



**THE TRINIDAD BUILDING AND LOAN ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

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

**g) Financial instruments -**

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the Association's Statement of Financial Position when the Association becomes a party to the contractual provisions of the instrument.

**Financial assets**

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is the date on which the Association commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred

**Impairment of financial assets**

The Association assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial assets or group of financial assets is impaired includes observable data that comes to the attention of the Association about the following loss events:

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

g) **Financial instruments (cont'd) -**

**Impairment of financial assets (cont'd)**

- i) Significant financial difficulty of the issuer or obligor.
- ii) A breach of contract, such as default or delinquency in interest or principal payments.
- iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.
- iv) The disappearance of an active market for that financial asset because of financial difficulties.
- v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Association or national or economic conditions that correlate with defaults on assets in the Association.

The Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Association determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i) **Financial assets measured at amortised cost**

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

# THE TRINIDAD BUILDING AND LOAN ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

#### g) **Financial instruments (cont'd) -**

##### **Impairment of financial assets (cont'd)**

##### ii) **Financial assets measured at cost**

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Comprehensive Income. These losses are not reversed

##### **Financial liabilities**

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

##### Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

##### Trade receivables

Trade receivables are measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

##### Mortgage loans

Mortgage loans are stated at principal amounts outstanding net of allowances for loan losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of the provision.

Loans are secured by various forms of collateral, including charges over tangible assets, certificates of deposit, and assignment of funds held with other financial institutions.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

g) **Financial instruments (cont'd) -**

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Members' deposits

Members' deposits are stated at the principal amounts invested by members together with any capitalised interest. Members' deposits bear interest at rates that are not significantly different from current market rates.

Members' shares

Members' shares are classified as liabilities and stated at fair value.

h) **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 Statement of Financial Position date are not shown as a liability in accordance with IAS 10 but are disclosed as a note to the financial statements.

i) **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 Statement of Financial Position 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.

j) **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 2009, revealed that the value of the assets exceeded the liabilities by **\$11,203,000**. The next actuarial valuation is due 31 December 2012.

# THE TRINIDAD BUILDING AND LOAN ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

#### k) **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).

#### l) **Comparative information -**

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

### 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:

	2012	
	<u>Carrying Value</u>	<u>Fair Value</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 9,143,182	\$ 9,143,182
Interest receivable	153,204	153,204
Investments	9,327,430	9,327,430
Mortgages	34,388,835	34,388,835
<b>Financial Liabilities</b>		
Members' deposits	11,142,846	11,142,846
Members' shares	5,856,083	5,856,083
Interest on fixed deposits	78,655	78,655

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

**Financial risk factors (cont'd)**

	2011	
	<u>Carrying Value</u>	<u>Fair Value</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 9,354,366	\$ 9,354,366
Interest receivable	190,437	190,437
Investments	11,593,976	11,593,976
Mortgages	28,049,842	28,049,842
<b>Financial Liabilities</b>		
Members' deposits	10,739,489	10,739,489
Members' shares	4,795,485	4,795,485
Accrued interest on fixed deposit	92,009	92,009

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 the matching of funding products with financial services and 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.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

**Financial risk factors (cont'd)**

a) **Interest rate risk (cont'd) -**

ii) Mortgage Loans

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

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.

2012						
	Effective Rate	Up to 1 year	1 to 5 years	Over 5 years	Non- Interest Bearing	Total
<b>Financial Assets</b>						
Cash and cash equivalents	1.2%	\$ 9,143,182	\$ -	\$ -	\$ -	\$ 9,143,182
Interest receivable	7.5%	153,204	-	-	-	153,204
Investments	7.5%	807,286	2,295,894	6,224,250	-	9,327,430
Mortgages	7.5%	<u>2,022,832</u>	<u>5,659,871</u>	<u>26,706,132</u>	-	<u>34,388,835</u>
		<b><u>\$ 12,126,504</u></b>	<b><u>\$ 7,955,765</u></b>	<b><u>\$32,930,382</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 53,012,651</u></b>
<b>Financial Liabilities</b>						
Members' deposits	1.5%	\$ 4,930,114	\$ 1,404,802	\$ 4,807,930	\$ -	\$ 11,142,846
Members' shares	6.5%	70,000	457,500	5,328,583	-	5,856,083
Interest on fixed deposits	1.5%	<u>78,655</u>	-	-	-	<u>78,655</u>
		<b><u>\$ 5,078,769</u></b>	<b><u>\$ 1,862,302</u></b>	<b><u>\$10,136,513</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17,077,584</u></b>
2011						
	Effective Rate	Up to 1 year	1 to 5 years	Over 5 years	Non- Interest Bearing	Total
<b>Financial Assets</b>						
Cash and cash equivalents	1%	\$ 9,354,366	\$ -	\$ -	\$ -	\$ 9,354,366
Interest receivable	7.5%	190,143	-	-	-	190,143
Investments	7.5%	2,266,545	3,103,180	6,224,251	-	11,593,976
Mortgages	7.5%	<u>1,264,908</u>	<u>6,509,913</u>	<u>20,275,021</u>	-	<u>28,049,842</u>
		<b><u>\$ 13,075,962</u></b>	<b><u>\$ 9,613,093</u></b>	<b><u>\$26,499,272</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 49,188,327</u></b>
<b>Financial Liabilities</b>						
Members' deposits	1.5%	\$ 4,619,349	\$ 2,684,872	\$ 3,435,268	\$ -	\$ 10,739,489
Members' shares	10%	85,000	362,500	4,347,985	-	4,795,485
Interest on fixed deposits	1.5%	<u>92,009</u>	-	-	-	<u>92,009</u>
		<b><u>\$ 4,796,358</u></b>	<b><u>\$ 3,047,372</u></b>	<b><u>\$ 7,783,253</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,626,983</u></b>

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

b) **Credit risk -**

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 Statement of Financial Position 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.

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 members' 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 2012**

**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 Statement of Financial Position date to the contractual maturity date.

	<b>2012</b>			
	<b><u>Up to 1 year</u></b>	<b><u>1 to 5 years</u></b>	<b><u>Over 5 years</u></b>	<b><u>Total</u></b>
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 9,143,182	\$ -	\$ -	\$ 9,143,182
Interest receivable	153,204	-	-	153,204
Investments	807,286	2,295,894	6,224,250	9,327,430
Mortgages	<u>2,022,832</u>	<u>5,659,871</u>	<u>26,706,132</u>	<u>34,388,835</u>
	<b><u>\$ 12,126,504</u></b>	<b><u>\$ 7,955,765</u></b>	<b><u>\$ 32,930,382</u></b>	<b><u>\$ 53,012,651</u></b>
<b>Financial Liabilities</b>				
Members' deposits	\$ 4,930,114	\$ 1,404,802	\$ 4,807,931	\$ 11,142,847
Members' shares	70,000	457,500	5,328,583	5,856,083
Interest on fixed deposits	<u>78,655</u>	<u>-</u>	<u>-</u>	<u>78,655</u>
	<b><u>\$ 5,078,769</u></b>	<b><u>\$ 1,862,302</u></b>	<b><u>\$ 10,136,514</u></b>	<b><u>\$ 17,077,585</u></b>

	<b>2011</b>			
	<b><u>Up to 1 year</u></b>	<b><u>1 to 5 years</u></b>	<b><u>Over 5 years</u></b>	<b><u>Total</u></b>
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 9,354,366	\$ -	\$ -	\$ 9,354,366
Interest receivable	190,143	-	-	190,143
Investments	2,266,545	3,103,180	6,224,250	11,593,975
Mortgages	<u>1,264,908</u>	<u>6,509,913</u>	<u>20,275,021</u>	<u>28,049,842</u>
	<b><u>\$13,075,962</u></b>	<b><u>\$ 9,613,093</u></b>	<b><u>\$ 26,499,271</u></b>	<b><u>\$49,188,326</u></b>
<b>Financial Liabilities</b>				
Members' deposits	\$ 4,619,349	\$ 2,684,872	\$ 3,435,268	\$10,739,489
Members' shares	85,000	362,500	4,347,985	4,795,485
Interest on fixed deposits	<u>92,009</u>	<u>-</u>	<u>-</u>	<u>92,009</u>
	<b><u>\$ 4,796,358</u></b>	<b><u>\$ 3,047,372</u></b>	<b><u>\$ 7,783,253</u></b>	<b><u>\$15,626,983</u></b>

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

d) **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.

e) **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.

f) **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.

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.

**THE TRINIDAD BUILDING AND LOAN ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

**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 held to maturity investments, available for sale or loans and receivables.
- ii) Which depreciation method for fixed assets is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position 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 Statement of Financial Position 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) 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 2012**

**5. Cash and Cash Equivalents:**

	<b>31 December</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Cash on hand	\$ 49,060	\$ 41,329
RBTT Bank Limited	894,170	328,183
Trinidad and Tobago Unit Trust Corporation	<u>8,199,952</u>	<u>8,984,854</u>
	<b><u>\$ 9,143,182</u></b>	<b><u>\$ 9,354,366</u></b>

As at 31 December 2012, cash and cash equivalents comprise 14% (2011 - 15%) of total assets.

**6. Accounts Receivable and Prepayments:**

	<b>31 December</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Accrued commissions and interest on loans	\$ 164,294	\$ 292,036
Interest receivable	153,204	190,437
Staff loans	57,461	57,128
Prepayments	66,886	66,394
Other	<u>(10,837)</u>	<u>141,672</u>
	<b><u>\$ 431,008</u></b>	<b><u>\$ 747,667</u></b>

**THE TRINIDAD BUILDING AND LOAN ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

**7. Investments:**

	<b>31 December</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Held-to-maturity –</b>		
CLICO – Executive Flexible Premium Annuity	\$ 705,791	\$ 1,411,582
Caroni Fixed Rate Redeemable Bond Issue 12% - Maturity 2012	101,495	197,245
Caribbean Finance Company Ltd 4% - Maturity 2014	108,422	105,000
Government of Trinidad and Tobago \$300M Floating Rate Bond 7.8% – Maturity 2012	-	1,000,000
Government of Trinidad and Tobago \$700M Floating Rate Bond 8% – Maturity 2014	2,000,000	2,000,000
WASA South Water Project:		
Guaranteed Redeemable Fixed Rate Bond 1 <sup>st</sup> Tranche 10.5% – Maturity 2019	1,654,722	1,891,112
Guaranteed Redeemable Fixed Rate Bond 2 <sup>nd</sup> Tranche 10.5% – Maturity 2019	821,227	938,545
Government of Trinidad and Tobago Redeemable Floating Rate Bond 10.87% - Maturity 2019	187,472	229,133
WASA – Government of Trinidad and Tobago \$330M Redeemable Floating Rate Bond 9.0% - 11.5% - Maturity 2021	629,538	699,487
Government of Trinidad and Tobago Fixed Bond 5.95% - Maturity April 2023	1,055,934	1,057,063
NIPDEC TT\$50M Fixed Rate Bond 6.55% - Maturity 2025	<u>2,062,829</u>	<u>2,064,809</u>
	<b><u>\$ 9,327,430</u></b>	<b><u>\$ 11,593,976</u></b>

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

8. **Mortgages from Members:**

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).

	<b>31 December</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
On 75 Mortgages where the debt does not exceed <b>\$10,000</b> (2011:64)	\$ 183,095	\$ 122,316
On 24 Mortgages where the debt exceeds <b>\$10,000</b> and does not exceed <b>\$25,000</b> (2011:13)	370,044	142,592
On 20 Mortgages where the debt exceeds <b>\$25,000</b> and does not exceed <b>\$50,000</b> (2011:31)	729,523	1,085,535
On 25 Mortgages where the debt exceeds <b>\$50,000</b> and does not exceed <b>\$100,000</b> (2011:35)	1,634,323	2,424,378
On 88 Mortgages where the debt exceeds <b>\$100,000</b> Section 45(1) (b) (2011:77)	32,597,319	25,431,599
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 3 Mortgages (2011:6)	<u>86,978</u>	<u>129,513</u>
Total Mortgages 235 (2011:226)	35,601,282	29,335,933
Less: Accrued interest on demand loans	(787,036)	(860,680)
Provision for doubtful loans – Principal	<u>(425,411)</u>	<u>(425,411)</u>
	<b><u>\$ 34,388,835</u></b>	<b><u>\$ 28,049,842</u></b>

**THE TRINIDAD BUILDING AND LOAN ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

**9. Land Loans:**

	<b>31 December</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Balance brought forward	\$ 1,480,600	\$ 1,743,099
New loans during the year	973,316	717,500
Repayments during the year	<u>(858,388)</u>	<u>(979,999)</u>
Balance carried forward	<b><u>\$ 1,595,528</u></b>	<b><u>\$ 1,480,600</u></b>

**10. Fixed Assets:**

<b>Cost</b>	<b><u>Freehold Properties</u></b>	<b><u>Motor Vehicles</u></b>	<b><u>Office Equipment</u></b>	<b><u>Total</u></b>
Balance as at 1 January 2012	\$ 10,504,566	\$ 337,413	\$ 1,478,857	\$12,320,836
Additions	-	83,000	57,739	140,739
Disposal	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>(45,000)</u>
Balance as at 31 December 2012	<u>10,504,566</u>	<u>375,413</u>	<u>1,536,596</u>	<u>12,416,575</u>
<b>Accumulated Depreciation</b>				
Balance as at 1 January 2012	-	191,208	1,071,276	1,262,484
Charge for the year	-	80,411	80,748	161,159
Disposal	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>(45,000)</u>
Balance as at 31 December 2012	<u>-</u>	<u>226,619</u>	<u>1,152,024</u>	<u>1,378,643</u>
<b>Net Book Value</b>				
Balance as at 31 December 2012	<b><u>\$ 10,504,566</u></b>	<b><u>\$ 148,794</u></b>	<b><u>\$ 384,572</u></b>	<b><u>\$11,037,932</u></b>
Balance as at 31 December 2011	<b><u>\$ 10,504,566</u></b>	<b><u>\$ 146,205</u></b>	<b><u>\$ 407,581</u></b>	<b><u>\$11,058,352</u></b>

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

10. **Fixed Assets (Cont'd):**

Cost	<u>Freehold Properties</u>	<u>Motor Vehicles</u>	<u>Office Equipment</u>	<u>Total</u>
Balance as at 1 January 2011	\$ 10,498,436	\$ 337,413	\$ 1,468,833	\$ 12,304,682
Additions	<u>6,130</u>	<u>-</u>	<u>10,024</u>	<u>16,154</u>
Balance as at 31 December 2011	<u>10,504,566</u>	<u>337,413</u>	<u>1,478,857</u>	<u>12,320,836</u>
<b>Accumulated Depreciation</b>				
Balance as at 1 January 2011	-	118,105	960,303	1,078,408
Charge for the year	<u>-</u>	<u>73,103</u>	<u>110,973</u>	<u>184,076</u>
Balance as at 31 December 2011	<u>-</u>	<u>191,208</u>	<u>1,071,276</u>	<u>1,262,484</u>
<b>Net Book Value</b>				
Balance as at 31 December 2011	<u>\$ 10,504,566</u>	<u>\$ 146,205</u>	<u>\$ 407,581</u>	<u>\$ 11,058,352</u>
Balance as at 31 December 2010	<u>\$ 10,498,436</u>	<u>\$ 219,308</u>	<u>\$ 508,530</u>	<u>\$ 11,226,274</u>

11. **Accounts Payable and Accruals:**

	<b>31 December</b>	
	<u>2012</u>	<u>2011</u>
Trinidad and Tobago Housing Development Corporation	\$ 338,570	\$ 187,722
Mortgages approved and not disbursed	1,589,120	550,767
Other	<u>531,789</u>	<u>354,255</u>
	<u>\$ 2,459,479</u>	<u>\$ 1,092,744</u>

The Association acts as agent for the Trinidad and Tobago Housing Development Corporation (HDC) administering its mortgage loan portfolio, which amounts to approximately \$5,801,268 (2011:\$6,186,328). The amount due to HDC represents receipts collected before deductions and charges.



**THE TRINIDAD BUILDING AND LOAN ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

**12. Depositors:**

	<b>31 December</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Special deposits	\$ 5,513,960	\$ 5,231,876
Savings deposits	<u>5,628,886</u>	<u>5,507,613</u>
	<b><u>\$ 11,142,846</u></b>	<b><u>\$ 10,739,489</u></b>

- (i) As at 31 December 2012, total deposits to mortgage loans amount to 30% (2011: 38%).
- (ii) As at 31 December 2012, deposits maturing in 2013 will amount to **\$4,704,851** and deposits maturing after 31 December 2013 will amount to **\$176,183** (2011:\$225,146).

**13. Unpaid Matured Shares:**

	<b>31 December</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Amounts due for unpaid matured shares	<b><u>\$ 533,667</u></b>	<b><u>\$ 473,979</u></b>

**14. Members/Shareholders:**

	<b>31 December</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Balance at beginning of year	\$ 4,795,485	\$ 3,458,159
Share purchases less withdrawals and transfers	<u>730,383</u>	<u>924,951</u>
	5,525,868	4,383,110
Dividends paid		
- 30 June – 3.0% (2011:4%)	144,056	151,328
- 31 December – 3.5% (2011:6%)	<u>186,159</u>	<u>261,047</u>
	<u>330,215</u>	<u>412,375</u>
	<b><u>\$ 5,856,083</u></b>	<b><u>\$ 4,795,485</u></b>

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

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

15. **Employees:**

At 31 December 2012 the Association had in its employ a staff complement of 17 persons (2011:17).

16. **Contingent Liabilities:**

- (i) Under the provisions of the Retrenchment and Severance Benefits Act 1985, an amount of approximately **\$337,565** as at 31 December 2012 (2011: \$241,230) 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.
- (ii) The Association has issued a 6.5% debenture with a face value of **\$850,000** to its bankers as security for bank borrowings. This debenture is secured by a floating charge on all of the property of the Association both current and future.

17. **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:

**THE TRINIDAD BUILDING AND LOAN ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

**17. Related Party Transactions (Cont'd):**

	<b>December 31</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Assets</b>		
Loans to key management personnel	\$ <u>71,577</u>	\$ <u>32,351</u>
<b>Deposits and other liabilities</b>		
Deposits held by directors and key management personnel	\$ 42,770	\$ 37,105
Shares held by directors and key management personnel	<u>435,666</u>	<u>291,962</u>
	<b><u>\$ 478,436</u></b>	<b><u>\$ 329,067</u></b>
<b>Interest and other income</b>		
Directors and key management personnel	\$ <u>524</u>	\$ <u>1,840</u>
<b>Interest and other expenses</b>		
Directors and key management personnel	\$ <u>23,307</u>	\$ <u>25,909</u>
<b>Key management compensation</b>		
Short-term benefits	\$ 831,120	\$ 859,029
Post employment benefits	<u>14,185</u>	<u>16,080</u>
	<b><u>\$ 845,305</u></b>	<b><u>\$ 875,109</u></b>

**18. 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 TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

18. **Fair Values (Cont'd):**

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 2012.

d) **Members' deposits -**

Members' 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.

19. **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.





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