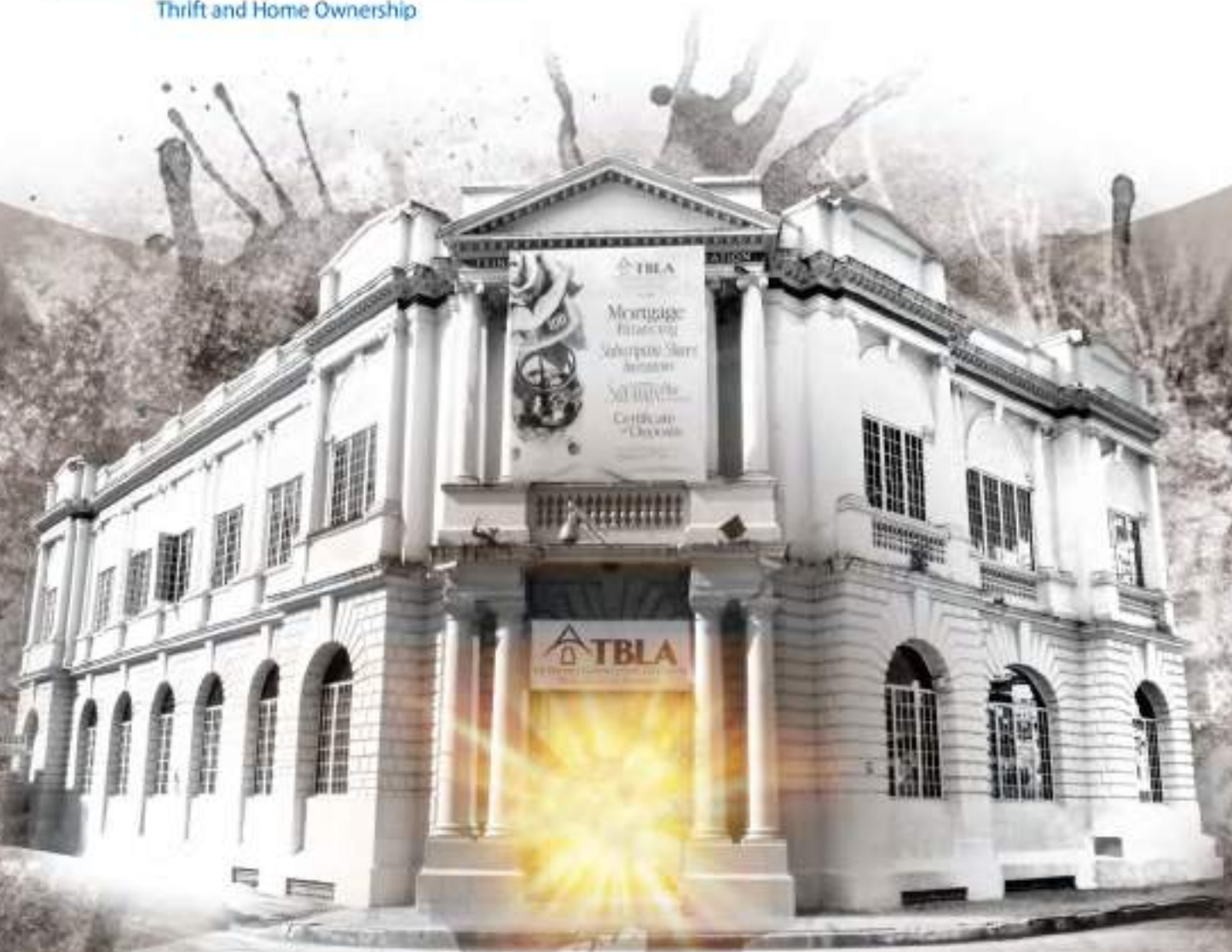




THE TRINIDAD BUILDING & LOAN ASSOCIATION

Housing Finance Institution Since 1891

Thrift and Home Ownership



Secure Home to Invest

2013
Annual Report



THE TRINIDAD BUILDING & LOAN ASSOCIATION

Housing Finance Institution Since 1891

Trust and Close Ownership



Secure Home to Invest

2013
Annual Report

LAST YEAR'S HIGHLIGHTS

A snapshot of last year's Annual General Meeting which was held on Wednesday 20th March 2013 at the Calypso Lounge, The Capital Plaza Hotel, Port of Spain.



Board of Directors



From Left to Right

○ 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

From Left to Right

○ Mr. Leslie Clarke
Director

○ Mr. John B.C. Martin
Director



○ Ms. Jo-Anne Julien
Director/Ex Officio Counsel

○ Mr. Leslie Nelson
Secretary





Vision Statement

To be a strong, dynamic organisation, providing easy access to 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.

*"Quittez loyer ou payer pour cai ou"
(Let your rent pay for your home.)*

Contents



— Notice of Meeting

— Corporate Information

— Directors' Report

— President's Report

— Audited Financial
Statements 2013

Customer Care

At TBLA, we care about the total customer experience you receive.

We provide personalized attention and quick processing times when conducting business

Visit TBLA for the service you deserve

www.tblamortgages.com

Notice of Meeting

123rd ANNUAL MEETING

Notice is hereby given that the One Hundred and Twenty Third 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 **Thursday 10th April, 2014 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 December 31, 2013 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. That with effect from April 1, 2014, the remuneration paid to directors of The Trinidad Building and Loan Association shall be fixed to an aggregate amount as determined by the members at the General Meeting.
6. To transact such other ordinary business of the Association as may directly arise out of the consideration of the Annual Report.

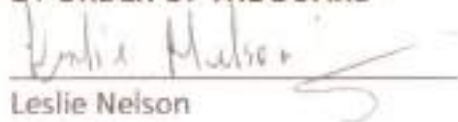
Messrs. John Martin and Percy Farrell - directors who retire by rotation under Rule 4.2, being eligible, offers themselves for re-election.

During the year, Mr. Afra Raymond resigned as a director and in accordance with Rule 4.10, the Board of Directors appointed Mr. Leslie Clarke to fill the vacancy until this Annual General Meeting.

In accordance with Rule 4.6, a nomination has been received for Mr. Leslie Clarke to be elected as a director. 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

Directors		Yr. of Appt	Yr. of Election	
Mr. Terence Boswell Inniss	- President	June	1992	2012
Mr. Teasley Taitt	- Vice President	February	1997	2013
Mr. J.B.C. Martin C.A., F.C.A.		June	1974	2010
Ms. Bliss Seepersad		September	2008	2013
Ms. Jo-Anne Julien - Counsel		July	2001	(Ex-Officio)
Mr. Keith Ortiz		January	1993	2012
Mr. Percy Farrell		February	1996	2010
Mr. Leslie Clarke		September	2013	-
Ms. Joanne Prosper		April	2011	2011

CHIEF EXECUTIVE OFFICER/ SECRETARY

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: info@tblamortgages.com
Email: info@tblamortgages.com
Website: www.tblamortgages.com

ATTORNEY-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

RBTT Bank Limited
Independence Square
Port of Spain
Trinidad & Tobago, W.I.
Phone (868) 625-7288

AUDITORS

P K F
90 Edward Street
Port of Spain
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 2013.

Revenue and Appropriation Account

	2013 \$	2012 \$
Revenue	4,725,982	4,491,037
Expenditure	3,458,598	3,418,114
Operating Surplus for the year	1,267,384	1,072,923
Impairment of investment income	-	-
Net Surplus for the year	1,267,384	1,072,923
Appropriation to Dividend	(380,215)	(321,878)
The following dividends were declared:		
Interim dividends of 3.00% at 30th June (2012: 3.00%)	(190,817)	(144,056)
Final dividends of 3.5% at 31st December (2012:3.5%)	(255,056)	(186,159)
	(445,873)	(330,215)
Balance After Appropriation and Dividends	441,296	420,830
To which was added the balance of Revenue to/Reserve brought forward	22,354,012	22,031,667
Transfer from Dividend Reserve	(55,049)	(98,485)
Borrowers' paid up shares adjustment	-	-
Retained Earnings carried forward	<u>22,740,259</u>	<u>22,354,012</u>

Subscription Shares

In 2013, the Subscription Share portfolio increased from \$5,856,083 to \$8,153,433 or 39%. During 2013, 1,194 shares were sold when compared to 822 in 2012. Also in 2013, subscription shares to the value of \$82,685.89 matured. Total shares to the value of \$ 364,161.50 were repaid in 2013, of which the amount of \$258,743.33 was attributable to matured shares from the current and previous periods.

Savings Portfolio

At the end of 2013, this portfolio amounted to \$5,643,854 compared with \$5,628,886 in 2012, an increase of 0.27%.

Special (Fixed) Deposit

Special Deposits as at 31st December 2013 was \$4,701,539 a decrease of \$812,421 or 14.73%.

Mortgage Loan

The mortgage portfolio increased by 7M or 19.45% from 36M in 2012 to 43M in 2013. New Loans disbursed in 2013 amounted to 10.6M.

Interest Income

There was a marginal increase in interest income from 3.8M in 2012 to 4M in 2013. 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 \$65.9M in 2012 to an amount of \$68.6M as at the end of 31st December 2013.

Net Income

In 2013 an interim dividend of 3.0% was paid and credited to share accounts at 30th June 2013, while a final dividend of 3.5% was paid and credited on 31st December 2013. Total dividend paid for the year 2013 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 \$28,897 was contributed by the Association during this year. (2012: \$29,967).

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.



President's Report

Global and National Prospective

Performance in the global economy was better in 2013 and provided some optimism for 2014 and onwards.

Projected growth in the global economy for 2013 was 2.9% as indicated by the International Monetary Fund (IMF) with 4.5% attributed to developing economies and 1.2% for advanced economies. The US economy was expected to expand by 1.6% in 2013.

The Trinidad and Tobago economy was projected to grow by 1.6% in 2013 and 2-3% in 2014. However despite low interest rates, private sector credit grew by only 2.5%. The non-energy sector rebounded in 2013 which was significant for the economy.

The 2014 national budget was similar to the 2013 in that they both required deficit financing. In 2014 projected revenue is \$55.04B while expenditure is \$61.39B resulting in a deficit of \$6.35B.

Industry Review and Outlook

During the year ended December 31, 2013 residential mortgage rates continued to trend downwards. Lower mortgage rates in the past stimulated real estate mortgage demand with robust growth in the real estate mortgage loans during 2013.

The Central Bank reported in 2013 that with the introduction of the Mortgage Market Reference Rate (MMRR) in September 2011, several benefits has resulted in the mortgage market in Trinidad and Tobago. The guidelines increased disclosure and transparency in mortgage rate setting and customers had a better understanding of their mortgage contracts and this enhanced market competition.

"Members shareholding increased by 39.23% from \$5.8M to 8.1M which represents continued confidence in the operations and future growth of the Association."



Results Analysis

The Association net assets increased by 1.75% from \$45.9M in 2012 to \$46.7M in 2013. The mortgage portfolio grew by 16.52% from \$35.9M to \$43.0M over the same period.

Profit before dividends increased by 18.19% from \$1.1M in 2012 to \$1.3M in 2013.

Members shareholding increased by 39.23% from \$5.8M to 8.1M which represents continued confidence in the operations and future growth of the Association.

In 2013 the Association continued on the theme of expanding stakeholder relationships and this was highlighted by the roll out of our advertising campaign “Fix it Johnny” promotion which was aired on the electronic media and was well received.

The newest product, the Down payment Savings Plan (DSP) which the Association launched in 2012 continues to attract younger customers and provides the facility to accumulate funds over the years leading to home acquisition.

Acknowledgement

In March 2014, Mr. Teasley Taitt, Vice President of the Association died after a prolonged illness. Mr. Taitt served the Association for seventeen (17) years and contributed greatly to its success over that period. His dedication to the Association was admirable as he attended Board and Committee meetings up to January 2014 despite his illness. On behalf of the Board of Directors and on my personal behalf, we extend condolences to his family. The shareholders of TBLA have benefited tremendously from his vast experience.

I wish to thank my fellow members of the Board, Management, Staff and shareholders for their contributions to the continued success of the Association in 2013.

SIGNATURE EVENT

TBLA hosted a social gathering at Trinidad Union Club, Port of Spain on Thursday 28th November 2013. It was done in an effort to build relationships and to increase awareness of the Association to stakeholders. As such the guests were diverse and included members of the media; Association members; investors; professional associations; regulatory bodies and government officials.






CARNIVAL

Staff participated in an internal Staff Competition called "COME SEE THE SHOW BUT DO NOT FORGET TO WALK WITH YOUR HAT" on February 17, 2014. Staff was charged with the responsibility of creating a Traditional Carnival headpiece. Groups were asked to display the headpiece and also explain its depiction. There were three teams which comprised of the Accounts Department, Mortgages Department and Administration.



WEDDING EXPO

The TBLA participated in Crystal's Dream Wedding Expo on Sunday 17th March 2013 at the Centre of Excellence, Macoya. TBLA staff offered mortgage pre-assessments to engaged couples on the day.



FINANCIAL STATEMENTS



THE TRINIDAD BUILDING & LOAN ASSOCIATION



FINANCIAL STATEMENTS

31st December 2013



FINANCIAL STATEMENTS

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

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Trinidad Building and Loan Association

Statement of Management Responsibilities

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 are 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 11/03/2014



Director

Date 11/03/2014

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 2013, 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 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Port-of-Spain
11 March 2014

FINANCIAL STATEMENTS

3.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

STATEMENT OF FINANCIAL POSITION

Assets:	Notes	31 December	
		2013	2012
Cash and cash equivalents	5	\$ 5,893,072	\$ 9,143,182
Accounts receivable and prepayments	6	460,101	431,008
Investments	7	<u>8,263,563</u>	<u>9,327,430</u>
		14,616,736	18,901,620
Mortgages	8	41,583,037	34,388,835
Land loans	9	1,429,878	1,595,528
Fixed assets	10	<u>11,036,897</u>	<u>11,037,932</u>
Total Assets		<u>68,666,548</u>	<u>65,923,915</u>
Liabilities:			
Accounts payable and accruals	11	3,062,540	2,459,479
Depositors	12	10,345,393	11,142,846
Unpaid matured shares	13	357,609	533,667
Members/Shareholders	14	<u>8,153,433</u>	<u>5,856,083</u>
Total Liabilities		<u>21,918,975</u>	<u>19,992,075</u>
Net Assets		<u>\$ 46,747,573</u>	<u>\$ 45,931,840</u>
Financed by:			
Dividend Reserve		\$ 1,797,072	\$ 1,361,808
Capital Reserve		8,570,752	8,570,752
Investment Remeasurement Reserve		5,532	11,310
Revenue Reserve		22,740,259	22,354,012
Special Reserve Fund		<u>13,633,958</u>	<u>13,633,958</u>
Total Funds		<u>\$ 46,747,573</u>	<u>\$ 45,931,840</u>

These financial statements were approved by the Board of Directors and authorized for issue on 11 March 2014 and signed on their behalf by:

Terence Boswell Inmiss: President

Leslie Nelson: Secretary

(The accompanying notes form part of these financial statements)

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

STATEMENT OF COMPREHENSIVE INCOME

		31 December	
	Notes	2013	2012
Interest earned	15	\$ 4,021,666	\$ 3,779,418
Other income	16	<u>704,316</u>	<u>711,619</u>
Total income		<u>4,725,982</u>	<u>4,491,037</u>
Interest paid	17	54,804	142,457
Loan loss expense		100,000	-
Other expenditure	18	<u>3,303,794</u>	<u>3,275,657</u>
Total expenditure		<u>3,458,598</u>	<u>3,418,114</u>
Net surplus for the year		1,267,384	1,072,923
Other Comprehensive Income:			
Unrealised (loss)/gain on available-for-sale financial assets		<u>(5,778)</u>	<u>6,026</u>
Total comprehensive income for the year		<u>\$ 1,261,606</u>	<u>\$ 1,078,949</u>

(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 2013

	<u>Dividend Reserve</u>	<u>Capital Reserve</u>	<u>Investment Remeasurement Reserve</u>	<u>Revenue Reserve</u>	<u>Special Reserve Fund</u>
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	<u>\$ 1,361,808</u>	<u>\$ 8,570,752</u>	<u>\$ 11,310</u>	<u>\$ 22,354,012</u>	<u>\$ 13,633,958</u>
Balance as at 1 January 2013	\$ 1,361,808	\$ 8,570,752	\$ 11,310	\$ 22,354,012	\$ 13,633,958
Net surplus for the year				1,267,384	
Investment Re-measurement Reserve Adjustment			(5,778)		
Dividend Reserve Addition	380,215			(380,215)	
Addition	55,049			(55,049)	
Interim dividend June : 3%				(190,817)	
Final dividend December: 3.5%	-	-	-	(255,056)	-
Balance as at 31 December 2013	<u>\$ 1,797,072</u>	<u>\$ 8,570,752</u>	<u>\$ 5,532</u>	<u>\$ 22,740,259</u>	<u>\$ 13,633,958</u>

(The accompanying notes form part of these financial statements)

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

STATEMENT OF CASH FLOWS

	31 December	
	2013	2012
Cash flows from operating activities:		
Net surplus for the year	\$ 1,267,384	\$ 1,072,923
Gain on disposal of investment	(11,310)	-
Bad debts written off	5,980	111,644
Gain on disposal of fixed asset	-	(20,999)
Loan loss expense	100,000	-
Depreciation	<u>152,144</u>	<u>161,159</u>
Operating profit before changes in operating assets	1,514,198	1,324,727
Net change in accounts receivable and prepayments	(29,093)	205,015
Net change in accounts payable and accruals	<u>603,061</u>	<u>1,366,735</u>
Net cash provided by operating activities	<u>2,088,166</u>	<u>2,896,477</u>
Cash flows from investment activities:		
Net change in land loans	165,650	(114,928)
Net change in investments	1,069,399	2,272,572
Net change in mortgages from members	(7,300,182)	(6,338,993)
Proceeds from disposal of fixed assets	-	20,999
Fixed assets purchased	<u>(151,109)</u>	<u>(140,739)</u>
Net cash used in investing activities	<u>(6,216,242)</u>	<u>(4,301,089)</u>
Cash flows from financing activities:		
Net change in depositors	(797,453)	403,357
Net change in members' balances	(176,058)	59,688
Net change in amounts due to shareholders	2,297,350	1,060,598
Dividends paid	<u>(445,873)</u>	<u>(330,215)</u>
Net cash provided by financing activities	<u>877,966</u>	<u>1,193,428</u>
Net change in cash and cash equivalents	(3,250,110)	(211,184)
Cash and cash equivalents at the beginning of the year	<u>9,143,182</u>	<u>9,354,366</u>
Cash and cash equivalents at the end of the year	<u>\$ 5,893,072</u>	<u>\$ 9,143,182</u>

(The accompanying notes form part of these financial statements)

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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 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 -**

i) The Association has applied the following standards and amendments that became effective during the current year, as they do apply to the activities of the Association:

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).
IFRS 7	Financial Instruments: Disclosure – Amendment on the disclosure of offsetting financial assets and financial liabilities (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).

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Significant Accounting Policies (Cont'd):

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

ii) The Association has not applied the following standards and amendments that became effective during the current year, as they do not apply to the activities of the Association:

- | | |
|---------|--|
| IAS 16 | Property, Plant and Equipment – Amendment re: classification of servicing equipment (effective for accounting periods beginning on or after 1 January 2013). |
| 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). |
| IAS 27 | Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013). |
| 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 34 | Interim Financial Reporting – Amendment on the clarification of interim financial reporting on segment information (effective for accounting periods beginning on or after 1 January 2013). |
| IFRS 10 | Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013). |
| IFRS 10 | Consolidated Financial Statements – Amendment to the transition guidance on consolidated financial statements, joint arrangements and disclosures of interest in other entities (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). |

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Significant Accounting Policies (Cont'd):

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

iii) The Association 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 Association 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 – Amendment on borrowing costs relating to qualifying assets (effective for accounting periods beginning on or after 1 January 2013).
IFRS 1	First-time Adoption of International Financial Reporting Standards – Government Loans (effective for accounting periods beginning on or after 1 January 2013).
IFRS 2	Share-based payment – Amendment to the definition of vesting condition (effective for accounting periods beginning on or after 1 July 2014).
IFRS 3	Business Combinations – Amendment re: accounting for a contingent consideration in a business combination (effective for accounting periods beginning on or after 1 July 2014).
IFRS 3	Business Combinations – Amendment on the scope of exception for joint ventures (effective for accounting periods beginning on or after 1 July 2014).
IFRS 8	Operating Segments – Amendment re: disclosure of the aggregation of operating segments and the reconciliation of assets (effective for accounting periods beginning on or after 1 July 2014).
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 – Amendment to measure at fair value eligible investment entities (effective for accounting periods beginning on or after 1 January 2014).
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).

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Significant Accounting Policies (Cont'd):

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

- | | |
|---------|---|
| IFRS 13 | Fair Value Measurement – Amendment re: clarification of portfolio exception (effective for periods beginning on or after 1 July 2014). |
| IFRS 14 | Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 1 | Presentation of Financial Statements – Amendment re: clarification of the requirement for comparative information (effective for accounting periods beginning on or after 1 July 2013). |
| IAS 16 | Property, Plant and Equipment – Amendment re: proportionate restatement of accumulated depreciation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 24 | Related Party Disclosures – Amendment on disclosures for entities providing key management personnel services (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 27 | Separate Financial Statements – Amendment to measure at fair value eligible investment entities (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 32 | Financial Instruments; Presentation – Amendment re: application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 36 | Impairment of Assets – Amendment re: disclosure of recoverable amount on non-financial assets (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 38 | Intangible Assets – Amendment re: the proportionate restatement of accumulated amortisation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 39 | Financial Instruments: Recognition and Measurement – Amendment re: the novation of derivatives and continuation of hedge accounting (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 40 | Investment Property – Amendment re: clarification of specific transactions that are both business combinations and investment property (effective for accounting periods beginning on or after 1 July 2014). |

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

2. Significant Accounting Policies (Cont'd):

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

IFRIC 21 Levies (effective for periods beginning on or after 1 January 2014).

The adoption of IFRS 9 Financial Instruments may result in significant changes in the Association'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 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.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

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 2013

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 2013

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 2013

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 2013

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 was due 31 December 2012.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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:

	2013	
	<u>Carrying Value</u>	<u>Fair Value</u>
Financial Assets		
Cash and cash equivalents	\$ 5,893,072	\$ 5,893,072
Interest receivable	126,819	126,819
Investments	8,263,563	8,263,563
Mortgages	41,583,037	41,583,037
Financial Liabilities		
Members' deposits	10,345,393	10,345,393
Members' shares	8,153,433	8,153,433
Interest on fixed deposits	23,448	23,448

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

3. Financial Risk Management (Cont'd):

Financial risk factors (cont'd)

	2012	
	<u>Carrying Value</u>	<u>Fair Value</u>
Financial Assets		
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
Financial Liabilities		
Members' deposits	11,142,846	11,142,846
Members' shares	5,856,083	5,856,083
Accrued interest on fixed deposit	78,655	78,655

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.

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THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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.

	Effective Rate	2013				Non-Interest Bearing	Total
		Up to 1 year	1 to 5 years	Over 5 years			
Financial Assets							
Cash and cash equivalents	1.2%	\$ 5,893,072	\$ -	\$ -	\$ -	\$ 5,893,072	
Interest receivable	7.5%	126,819	-	-	-	126,819	
Investments	7.5%	2,108,422	211,990	5,943,151	-	8,263,563	
Mortgages	7.5%	2,446,012	6,843,925	32,293,100	-	41,583,037	
		<u>\$ 10,574,325</u>	<u>\$ 7,055,915</u>	<u>\$38,236,251</u>	<u>\$ -</u>	<u>\$ 55,866,491</u>	
Financial Liabilities							
Members' deposits	1.5%	\$ 4,577,284	\$ 1,304,265	\$ 4,463,844	\$ -	\$ 10,345,393	
Members' shares	6.5%	97,461	636,978	7,418,994	-	8,153,433	
Interest on fixed deposits	1.5%	23,448	-	-	-	23,448	
		<u>\$ 4,698,193</u>	<u>\$ 1,941,243</u>	<u>\$11,882,838</u>	<u>\$ -</u>	<u>\$18,522,274</u>	
Financial Assets							
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%	2,022,832	5,659,871	26,706,132	-	34,388,835	
		<u>\$ 12,126,504</u>	<u>\$ 7,955,765</u>	<u>\$32,930,382</u>	<u>\$ -</u>	<u>\$ 53,012,651</u>	
Financial Liabilities							
Members' deposits	1.5%	\$ 4,930,114	\$ 1,404,802	\$ 4,807,931	\$ -	\$ 11,142,847	
Members' shares	6.5%	70,000	457,500	5,328,583	-	5,856,083	
Interest on fixed deposits	1.5%	78,655	-	-	-	78,655	
		<u>\$ 5,078,769</u>	<u>\$ 1,862,302</u>	<u>\$10,136,514</u>	<u>\$ -</u>	<u>\$ 17,077,585</u>	

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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 2013

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.

	2013			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Financial Assets				
Cash and cash equivalents	\$ 5,893,072	\$ -	\$ -	\$ 5,893,072
Interest receivable	126,819	-	-	126,819
Investments	2,108,422	211,990	5,943,151	8,263,563
Mortgages	2,446,012	6,843,925	32,293,100	41,583,037
	<u>\$ 10,574,325</u>	<u>\$ 7,055,915</u>	<u>\$38,236,251</u>	<u>\$ 55,866,491</u>
Financial Liabilities				
Members' deposits	\$ 4,577,284	\$ 1,304,265	\$ 4,463,844	\$ 10,345,393
Members' shares	97,461	636,978	7,418,994	8,153,433
Interest on fixed deposits	23,448	-	-	23,448
	<u>\$ 4,698,193</u>	<u>\$ 1,941,243</u>	<u>\$11,882,838</u>	<u>\$ 18,522,274</u>
	2012			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Financial Assets				
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	2,022,832	5,659,871	26,706,132	34,388,835
	<u>\$ 12,126,504</u>	<u>\$ 7,955,765</u>	<u>\$ 32,930,382</u>	<u>\$ 53,012,651</u>
Financial Liabilities				
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	78,655	-	-	78,655
	<u>\$ 5,078,769</u>	<u>\$ 1,862,302</u>	<u>\$ 10,136,514</u>	<u>\$ 17,077,585</u>

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.

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

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.

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:

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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

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.

5. Cash and Cash Equivalents:

	31 December	
	2013	2012
Cash on hand	\$ 50,000	\$ 49,060
RBTT Bank Limited	1,032,723	894,170
Trinidad and Tobago Unit Trust Corporation	<u>4,810,349</u>	<u>8,199,952</u>
	<u>\$ 5,893,072</u>	<u>\$ 9,143,182</u>

As at 31 December 2013, cash and cash equivalents comprise 9% (2012 - 14%) of total assets. The balance at Trinidad and Tobago Unit Trust Corporation, though considered cash equivalent, has been stated as an Available-for-Sale investment.

6. Accounts Receivable and Prepayments:

	31 December	
	2013	2012
Accrued commissions and interest on loans	\$ 223,409	\$ 164,294
Interest receivable	126,819	153,204
Staff loans	49,573	57,461
Prepayments	60,300	66,886
Other	<u>-</u>	<u>(10,837)</u>
	<u>\$ 460,101</u>	<u>\$ 431,008</u>

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THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013**7. Investments:**

Available -for-Sale –	31 December	
	2013	2012
ROYTRIN Income and Growth Fund	\$ 211,990	\$ -
Held-to-Maturity –		
CLICO – Executive Flexible Premium Annuity	-	705,791
Caroni Fixed Rate Redeemable Bond Issue 12% - Maturity 2012	-	101,495
Caribbean Finance Company Ltd 4% - Maturity 2014	108,422	108,422
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 st Tranche 10.5% – Maturity 2019	1,418,333	1,654,722
Guaranteed Redeemable Fixed Rate Bond 2 nd Tranche 10.5% – Maturity 2019	703,908	821,227
Government of Trinidad and Tobago Redeemable Floating Rate Bond 10.87% - Maturity 2019	145,812	187,472
WASA – Government of Trinidad and Tobago \$330M Redeemable Floating Rate Bond 9.0% - 11.5% - Maturity 2021	559,589	629,538
Government of Trinidad and Tobago Fixed Bond 5.95% - Maturity April 2023	1,054,784	1,055,934
NIPDEC TT\$50M Fixed Rate Bond 6.55% - Maturity 2025	2,060,725	2,062,829
	<u>\$ 8,263,563</u>	<u>\$ 9,327,430</u>

THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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).

	31 December	
	2013	2012
On 119 Mortgages where the debt does not exceed \$10,000 (2012:75)	\$ 300,072	\$ 183,095
On 30 Mortgages where the debt exceeds \$10,000 and does not exceed \$25,000 (2012:24)	458,945	370,044
On 23 Mortgages where the debt exceeds \$25,000 and does not exceed \$50,000 (2012:20)	948,177	729,523
On 21 Mortgages where the debt exceeds \$50,000 and does not exceed \$100,000 (2012:25)	1,532,200	1,634,323
On 100 Mortgages where the debt exceeds \$100,000 Section 45(1) (b) (2012:88)	39,530,210	32,597,319
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 (2012:3)	<u>53,460</u>	<u>86,978</u>
Total Mortgages 296 (2012:235)	42,823,064	35,601,282
Less: Accrued interest on demand loans	(714,616)	(787,036)
Provision for doubtful loans - Principal	<u>(525,411)</u>	<u>(425,411)</u>
	<u>\$ 41,583,037</u>	<u>\$ 34,388,835</u>

FINANCIAL STATEMENTS

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THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

9. **Land Loans:**

	31 December	
	2013	2012
Balance brought forward	\$ 1,595,528	\$ 1,480,600
New loans during the year	240,000	973,316
Repayments during the year	<u>(405,650)</u>	<u>(858,388)</u>
Balance carried forward	<u>\$ 1,429,878</u>	<u>\$ 1,595,528</u>

10. **Fixed Assets:**

Cost	Freehold Properties	Motor Vehicles	Office Equipment	Total
Balance as at 1 January 2013	\$ 10,504,566	\$ 375,413	\$ 1,536,596	\$ 12,416,575
Additions	<u>54,166</u>	<u>-</u>	<u>96,943</u>	<u>151,109</u>
Balance as at 31 December 2013	<u>10,558,732</u>	<u>375,413</u>	<u>1,633,539</u>	<u>12,567,684</u>
Accumulated Depreciation				
Balance as at 1 January 2013	-	226,619	1,152,024	1,378,643
Charge for the year	<u>-</u>	<u>92,121</u>	<u>60,023</u>	<u>152,144</u>
Balance as at 31 December 2013	<u>-</u>	<u>318,740</u>	<u>1,212,047</u>	<u>1,530,787</u>
Net Book Value				
Balance as at 31 December 2013	<u>\$ 10,558,732</u>	<u>\$ 56,673</u>	<u>\$ 421,492</u>	<u>\$ 11,036,897</u>
Balance as at 31 December 2012	<u>\$ 10,504,566</u>	<u>\$ 148,794</u>	<u>\$ 384,572</u>	<u>\$ 11,037,932</u>

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THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

10. Fixed Assets (Cont'd):

Cost	Freehold Properties	Motor Vehicles	Office Equipment	Total
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	-	(45,000)	-	(45,000)
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>
Accumulated Depreciation				
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	-	(45,000)	-	(45,000)
Balance as at 31 December 2012	-	<u>226,619</u>	<u>1,152,024</u>	<u>1,378,643</u>
Net Book Value				
Balance as at 31 December 2012	<u>\$ 10,504,566</u>	<u>\$ 148,794</u>	<u>\$ 384,572</u>	<u>\$11,037,932</u>
Balance as at 31 December 2011	<u>\$ 10,504,566</u>	<u>\$ 146,205</u>	<u>\$ 407,581</u>	<u>\$11,058,352</u>

11. Accounts Payable and Accruals:

	31 December	
	2013	2012
Trinidad and Tobago Housing Development Corporation	\$ 696,667	\$ 338,570
Mortgages approved and not disbursed	1,832,120	1,589,120
Other	<u>533,753</u>	<u>531,789</u>
	<u>\$ 3,062,540</u>	<u>\$ 2,459,479</u>

The Association acts as agent for the Trinidad and Tobago Housing Development Corporation (HDC) administering its mortgage loan portfolio, which amounts to approximately \$5,299,619 (2012:\$5,801,268). The amount due to HDC represents receipts collected before deductions and charges.

FINANCIAL STATEMENTS

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THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013**12. Depositors:**

	31 December	
	2013	2012
Special deposits	\$ 4,701,539	\$ 5,513,960
Savings deposits	<u>5,643,854</u>	<u>5,628,886</u>
	<u>\$ 10,345,393</u>	<u>\$ 11,142,846</u>

- (i) As at 31 December 2013, total deposits to mortgage loans amount to 24% (2012: 30%).
- (ii) As at 31 December 2013, deposits maturing in 2014 will amount to **\$4,143,933** and deposits maturing after 31 December 2014 will amount to **\$170,787** (2012:\$176,183).

13. Unpaid Matured Shares:

	31 December	
	2013	2012
Amounts due for unpaid matured shares	<u>\$ 357,609</u>	<u>\$ 533,667</u>

14. Members/Shareholders:

	31 December	
	2013	2012
Balance at beginning of year	\$ 5,856,083	\$ 4,795,485
Share purchases less withdrawals and transfers	<u>1,851,477</u>	<u>730,383</u>
	7,707,560	5,525,868
Dividends paid		
- 30 June – 3.0% (2012:3.0%)	190,817	144,056
- 31 December – 3.5% (2012:3.5%)	<u>255,056</u>	<u>186,159</u>
	445,873	330,215
	<u>\$ 8,153,433</u>	<u>\$ 5,856,083</u>

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 2013

15. Employees:

At 31 December 2013 the Association had in its employ a staff complements of 15 persons (2012:17).

16. Contingent Liabilities:

- (i) Under the provisions of the Retrenchment and Severance Benefits Act 1985, an amount of approximately **\$399,093** as at 31 December 2013 (2012: \$337,565) 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:

FINANCIAL STATEMENTS

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THE TRINIDAD BUILDING AND LOAN ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

	December 31	
	2013	2012
Assets		
Loans to key management personnel	\$ <u>37,369</u>	\$ <u>71,577</u>
Deposits and other liabilities		
Deposits held by directors and key management personnel	\$ <u>32,815</u>	\$ <u>42,770</u>
Shares held by directors and key management personnel	<u>642,271</u>	<u>435,666</u>
	\$ <u>675,086</u>	\$ <u>478,436</u>
Interest and other income		
Directors and key management personnel	\$ <u>197</u>	\$ <u>524</u>
Interest and other expenses		
Directors and key management personnel	\$ <u>29,818</u>	\$ <u>23,307</u>
Key management compensation		
Short-term benefits	\$ <u>677,006</u>	\$ <u>831,120</u>
Post employment benefits	<u>12,110</u>	<u>14,185</u>
	\$ <u>689,116</u>	\$ <u>845,305</u>

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 2013

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 2013.

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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