TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019

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TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Trinidad and Tobago Mortgage Finance Company Limited, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Robert C Green

Chief Executive Officer
26 March 2020

Laurette Walker

Chief Financial Officer
26 March 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trinidad and Tobago Mortgage Finance Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Responsibilities of Management and the Audit Committee for the Financial Statements

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

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)

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

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Port of Spain,
TRINIDAD
26 March 2020

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	**2019**	**2018**
ASSETS			
Cash and cash equivalents	4	60,318	427,191
GORTT subsidy receivable	5 a)	219,424	73,113
Debtors and prepayments	6	8,195	6,241
Investment securities	7	253,465	253,043
Mortgage loans	8	3,538,419	3,230,457
Property and equipment	9	42,613	42,357
Right-of-use assets	10	3,706	–
Deferred tax assets	11	158,786	163,448
TOTAL ASSETS		4,284,926	4,195,850
LIABILITIES AND EQUITY			
LIABILITIES			
Dividend payable	32	52,822	–
Prepayments by mortgagors	12	91,758	88,771
Amount due under IDB loan programme	13	–	169
Amount due to HDC	14	861	858
Sundry creditors and accruals	15	76,088	80,487
Short-term debt	16	229,708	–
Interest payable on debt		28,218	31,587
Long-term debt	17	2,631,663	2,898,159
Lease liabilities	10	3,751	–
Pension plan liability	18 a)	21,043	14,046
TOTAL LIABILITIES		3,135,912	3,114,077

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

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	Note	2019	2018
EQUITY			
Share capital	19	12,408	12,408
Retained earnings		1,136,606	1,069,365
TOTAL EQUITY		1,149,014	1,081,773
TOTAL EQUITY AND LIABILITIES		4,284,926	4,195,850

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

On 26 March 2020, the Board of Directors of Trinidad and Tobago Mortgage Finance Company Limited authorised these Financial Statements for issue.

: Director Gutelman

: Director

: Director Robert C Green

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	**2019**	**2018**
Income			
Mortgage interest		161,505	183,205
Net interest expense	20	(19,215)	(17,454)
Net interest income		142,290	165,751
Investment income	21	23,223	22,145
Rental income		868	825
Other income	22	48,496	40,524
		214,877	229,245
Expenses			
Administration expenses	23	(75,641)	(70,450)
Loan impairment reversal/(expense)		612	(1,560)
Building expenses		(4,636)	(5,449)
		(79,665)	(77,459)
Net income before taxation		135,212	151,786
Taxation expense	25	(8,983)	(19,207)
Net income after taxation		126,229	132,579
Other comprehensive income, net of taxes			
Items that will not be reclassified subsequently to profit or loss:			
- Re-measurement losses on defined benefit plans	18 (c)	(8,809)	(1,697)
- Income tax credit	11	2,643	509
Other comprehensive loss for the year, net of tax		(6,166)	(1,188)
Total comprehensive income for the year		120,063	131,391

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

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	**Share capital**	**Retained earnings**	**Total**
Balance at 31 December 2017		12,408	980,377	992,785
Net impact of adopting IFRS 9		–	(523)	(523)
Restated opening balance under IFRS 9		12,408	979,854	992,262
Net income for the period		–	132,579	132,579
Other comprehensive loss for the year		–	(1,188)	(1,188)
Dividends paid	32	–	(41,880)	(41,880)
Balance at 31 December 2018		12,408	1,069,365	1,081,773
Net income for the period		–	126,229	126,229
Other comprehensive loss for the year		–	(6,166)	(6,166)
Dividends payable	32	–	(52,822)	(52,822)
Balance at 31 December 2019		12,408	1,136,606	1,149,014

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

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in Thousands of Trinidad and Tobago dollars)

	Notes	**2019**	**2018**
Cash flows from operating activities			
Net income before taxation		135,212	151,786
Adjustments for			
Depreciation	23	5,287	4,515
(Gain)/loss on sale of property and equipment		(4)	166
Amortisation of discount on investment securities		(422)	(387)
Accretion/(unamortised transaction costs) on debt		9,568	(1,831)
Surplus before working capital changes		149,641	154,249
Increase in debtors and prepayments		(148,265)	(44,070)
(Increase)/decrease in mortgages		(307,962)	315,746
Increase/(decrease) in prepayment by mortgagors		2,987	(104,681)
Decrease in amount due under IDB loan programme		(169)	(162)
(Decrease)/increase in sundry creditors and accruals		(4,399)	16,817
Decrease in pension liability	18	(1,812)	(4,205)
Decrease in interest payable on debt		(3,369)	(3,777)
Increase in lease liabilities		4,875	–
Taxes paid		(1,675)	(2,113)
Net cash (used in)/generated from operating activities		(310,148)	327,804

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

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

	Notes	2019	2018
Cash flows from investing activities			
Purchase of property and equipment	9	(4,522)	(4,414)
Increase in right-of-use assets	10	(4,875)	–
Proceeds from sale of property and equipment		152	20
Net cash used in investing activities		(9,245)	(4,394)
Cash flows from financing activities			
Proceeds from debt		455,000	550,000
Repayments on debt		(501,356)	(749,359)
Principal payments on leases		(1,124)	–
Dividends paid	32	–	(41,880)
Net cash used in financing activities		(47,480)	(241,239)
Net (decrease)/increase in cash and cash equivalents		(366,873)	82,171
Cash and cash equivalents at the beginning of year		427,191	345,020
Cash and cash equivalents at the end of year	4	60,318	427,191
Supplemental information			
Interest received		184,728	205,350
Interest paid		136,943	138,104

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

1. Incorporation and principal activity

Trinidad and Tobago Mortgage Finance Company Limited (TTMF) or the 'Company' is incorporated in the Republic of Trinidad and Tobago and provides mortgage financing secured by residential property. The Company is also an "approved mortgage company" under the provisions of the Housing Act, Ch. 33.01. The Company is jointly owned by the Government of Trinidad & Tobago (GOTT) and the National Insurance Board (NIB) in a current shareholding ratio of 49%:51% respectively.

The registered office is located at 61 Dundonald Street, Port of Spain.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. Significant accounting policies (continued)

b) Changes in accounting policy

(i) New standards and amendments/revisions to published standards and interpretations effective in 2019

The following amendments to published standards are mandatory for the Company's accounting periods beginning on or after 1 January 2019:

IFRS 16 Leases

The Company adopted IFRS 16 Leases on 1 January 2019. IFRS 16 Leases replaces IAS 17 Leases, IFRIC 4 – *Determining whether an Arrangement contains a lease*, SIC 15 – *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the legal Form of a lease*.

The standard sets out the principles for recognition, measurement, presentation and disclosure of leases. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance lease using similar principles as in IAS 17. The Company is party to three lessor arrangements.

The Company applied IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized in opening retained earnings at the date of initial application.

The Company elected not to recognize a lease liability or right-of-use asset for leases previously classified as operating leases as the lease term for these ended within 12 months from the date of initial application. Therefore, there was no impact to opening retained earnings from implementation of this Standard. The Company continued to account for these leases in the same way as short-term leases; and have included the cost associated with these leases within the disclosure of short-term lease expense in these financial statements (Note 10).

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(i) ***New standards and amendments/revisions to published standards and interpretations effective in 2019*** (continued)

IFRS 16 Leases (continued)

In applying IFRS 16, the Company identified whether the contract conveyed the right to control the use of the identified asset for a period of time in exchange for consideration. The Company considered whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset;
- it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- it has the right to direct the use of the asset, i.e. the Company has the right to change how and for what purpose the asset is used.

The Company has also used the following practical expedients permitted by the standard:

i. the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
ii. where the lease term is twelve months or less of low value these are accounted for as short-term leases. The lease payments are recognized as an expense in the statement of comprehensive income.

Refer to Note 10 for the impact of the adoption of this standard.

2. **Significant accounting policies** (continued)

b) Changes in accounting policy (continued)

(i) New standards and amendments/revisions to published standards and interpretations effective in 2019 (continued)

IFRS 9 Financial Instruments – Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that a financial asset passes the solely payments of principal and interest (SPPI) criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a ‘plain vanilla’ interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

Adoption of these amendments had no impact on the Company’s financial statements.

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(i) New standards and amendments/revisions to published standards and interpretations effective in 2019 (continued)

IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. Its interpretation specifically addresses the following:

- whether an entity considers tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how the entity determines taxable profits or losses, tax bases, unused tax losses, unused tax credits and tax rates
- how the entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Adoption of these amendments had no impact on the Company’s financial statements.

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(i) New standards and amendments/revisions to published standards and interpretations effective in 2019 (continued)

IAS 19 – Employee Benefit Amendments – Plan Amendment, Curtailment or Settlement

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event
- Determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability or asset

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in the statement of income. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

Adoption of these amendments had no impact on the Company’s financial statements.

2. **Significant accounting policies** (continued)

b) **Changes in accounting policy** (continued)

(ii) ***New standards and amendments/revisions to published standards and interpretations effective in 2019 but not applicable to the Company***

IAS 28 – Investments in Associates and Joint Ventures Amendments – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the Expected Credit Loss (ECL) model in IFRS 9 applies to such long-term interests.

In applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

(iii) ***New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company***

The following is a list of new IFRS standards and amendments issued that are not yet effective and have not been early adopted by the Company. The Company has not yet assessed the impact of these new standards and amendments, but if applicable, the Company intends to adopt these standards/amendments when they become effective.

Effective 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates
- IFRS 3 Business Combinations – Amendments to IFRS 3
- Amendments to references in the Conceptual Framework for Financial Reporting

2. Significant accounting policies (continued)

b) Changes in accounting policy (continued)

(iii) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company (continued)

Effective January 1 2022:

- IFRS 17 Insurance Contracts

Effective date postponed:

- Sale or contribution of assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.

(iv) Improvements to International Financial Reporting Standards

The annual improvement process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after 1 January 2019:

- IFRS 3 – Business Combinations – Previously held interests in a joint operation
- IFRS 11 – Joint Arrangements – Previously held interests in a joint operation
- IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity
- IAS 23 – Borrowing Costs – Borrowing costs eligible for capitalisation

c) Financial instruments

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

The Company derecognises its financial assets when the rights to receive cash flows from the assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

2. **Significant accounting policies** (continued)

c) **Financial instruments** (continued)

Financial liabilities are derecognised only when the obligation under the liability is discharged, cancelled or expires. All “regular way” purchases and sales are recognised on the trade date, which is the date that the Company commits to purchase or sell the instrument.

d) **Investment securities**

The Company measures investment securities at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Company classifies its investment securities at amortised cost. The amortised cost financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s management has the positive intention and ability to hold to maturity.

After initial measurement, these financial investments are subsequently measured at amortised cost, less allowance for impairment. Premiums and discounts are amortised over the life of the instrument using the effective interest rate method. The amortization of premiums and discounts is taken to the statement of comprehensive income.

e) **Mortgage loans**

Mortgage loans are financial assets provided directly to a customer. These carry fixed or determinable payments and are not quoted in an active market. Mortgage loans are carried at amortised cost using the effective interest method, less expected credit losses.

2. Significant accounting policies (continued)

f) Impairment of financial assets

(i) Overview of the Expected Credit Losses (ECL) principles

The Company records an allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments, in this section all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under IFRS 9.

The Company uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments. The Company’s policy for grouping financial assets measured on a collective basis is explained in Note 30.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

2. **Significant accounting policies** (continued)

f) **Impairment of financial assets** (continued)

(i) Overview of the ECL principles (continued)

Stage 1
When financial assets are first recognised and continue to perform in accordance with the contractual terms and conditions after initial recognition, the Company recognises an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

Stage 2
When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 3. Stage 2 assets are overdue >90 days, but <180 days.

Stage 3
Financial assets considered credit-impaired. The Company records an allowance for the LTECLs. All loans >180 days are in this category.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

(ii) The calculation of ECLs

The Company adopts a more proportional and simplified ECL methodology based on information already used in the current credit risk management and reporting framework. This involves the application of inherent risk rates currently calculated, with an allowance for possible future worsening of credit loss experience. Annual portfolio credit loss rates have been stable over the past 5 years at 0.2% or below.

2. Significant accounting policies (continued)

f) Impairment of financial assets (continued)

(ii) The calculation of ECLs (continued)

The methodology adopted assumes the following:

- Historic credit loss rates represent a reasonable predictor for future credit events
- The Company's approach to credit risk management is consistent going forward
- The credit risks of the portfolio will remain relatively stable in the future

The parameters outlined would be reviewed annually for consistency. The proposed assumptions and methodology would be reviewed and adjusted as required if actual default experience differs from expectation.

g) Property and equipment

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

2. Significant accounting policies (continued)

g) Property and equipment (continued)

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

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

Office buildings	-	2 to 33⅓%
Motor vehicles	-	25%
Furniture and equipment	-	12½%
Computer equipment	-	20 to 25%

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

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

Included within property and equipment on the statement of financial position is a Tobago property with a net book value of $10.9 million, which is fully owned by the Company. However, 23% of the area square footage of this property is owner-occupied with the remaining 77% being leased to the Tobago Tourism Agency Limited and the Tobago House of Assembly under operating leases. As such, the portions leased out are considered investment property under IAS 40. We determined that the re-classification to investment property would have no material impact to the financial statements as a whole and thus, no amendment was made to the financial statements.

2. **Significant accounting policies** (continued)

h) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial lease liabilities recognised, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and building	3 to 5 years
Office equipment	1 to 3 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

2. **Significant accounting policies** (continued)

h) **Leases** (continued)

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the discount rate was calculated by finding the difference between the rate of TTMF’s last bond and the rate as per the Central Bank’s yield curve for the corresponding period to determine TTMF’s interest spread. For each contract length, the interest rate as per Central Bank’s yield curve was determined. TTMF’s spread was then added to this rate to arrive at the annual discount rate to be used for each contract. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2. Significant accounting policies (continued)

h) Leases (continued)

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

i) Cash and cash equivalents

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

j) Provisions

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

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the statement of financial position date.

2. **Significant accounting policies** (continued)

j) **Provisions** (continued)

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

k) **Employee benefits**

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

The asset/liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees.

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

Re-measurement of the net defined benefit liability, which comprise of actuarial gains and losses and the return on Plan assets (excluding interest) are recognised immediately through the statement of comprehensive income.

2. **Significant accounting policies** (continued)

k) **Employee benefits** (continued)

The defined benefit plan mainly exposes the Company to actuarial risks such as investment risk, inherent rate risk and longevity risks.

Past service cost is recognised as an expense at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises any termination benefits or related restructuring costs.

l) **Financial liabilities**

Initial recognition and measurement
Financial liabilities are recognized initially at fair value net of transactions costs, and subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in net interest expense in the statement of comprehensive income.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2. **Significant accounting policies** (continued)

m) Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

n) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling on 31 December 2019. All revenue and expenditure transactions denominated in foreign currencies are translated at the buying (cash) rate of our bankers and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

2. Significant accounting policies (continued)

o) Revenue from contracts with customers

Mortgage loans

Income from mortgage loans, including origination fees, is recognised on an amortised basis. Interest is accounted for on the accrual basis except where a loan becomes contractually three months in arrears and the interest is suspended and then accounted for on a cash basis of at least 6 months subsequent to the loan being brought up to date.

Investment income

Interest income is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortization of any discount or premium.

Rental income under operating leases is recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

Fees and commissions

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

Other income and expenditure

Other income and expenditure, inclusive of borrowing costs and related government subsidies, are brought into account on the accrual basis.

p) Mortgage agency business

The Company manages the disbursement and collection of mortgage loans on behalf of other mortgage companies. The loan portfolios managed under these agreements totalled $1,473 million (2018: $1,363 million) and is not reflected in these financial statements.

2. Significant accounting policies (continued)

q) Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business are included in the cost of acquisition.

r) Capitalized transaction costs

The costs incurred in the issue of bonds for investment in housing is amortised over the duration of the respective bond issue (see Note 17).

s) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

3. Critical accounting judgments and key sources of estimation uncertainty

Key sources of estimation uncertainty
The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Critical accounting judgments

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

a) Deferred tax asset

In calculating the provision for deferred taxation, management uses judgment to determine the possibility that future taxable profits will be available to facilitate utilization of taxable losses which have arisen at the statement of financial position date. These are detailed in Note 11.

b) Impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculation is an output of a model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The estimation of the amount and timing of future cash flows and collateral values when determining impairment losses
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time Expected Credit Losses basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- The inclusion of overlay adjustments based on judgement and future expectations

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

c) Net pension liability

In conducting valuation exercises to measure the effect of employees benefit plans throughout the Company, judgment is used and assumptions are made, in determining discount rates, salary increases, National Insurance ceiling increases, pension increases and the rate of return on the assets of the Plan. These are detailed in Note 18.

4. Cash and cash equivalents

	2019	2018
Cash in hand	1,326	2,564
Cash at bank	58,992	424,627
	60,318	427,191

The average effective interest rate on cash and cash equivalents for the current year is 0.00% (2018: 0.00%).

The Company has an unsecured overdraft facility for $25 million with Republic Bank Limited. This facility is fully undrawn at 2019 and 2018.

5. a. GORTT subsidy receivable

	2019	2018
Subsidy on $200M Bond	93	466
Subsidy on 2% and 5% graduated mortgage programmes	219,331	72,647
	219,424	73,113

b. Subsidy 2% and 5% graduated mortgage programmes

Subsidy on Mortgages

The Company is the Government's partner in the provision of mortgage financing for affordable housing. The facility is provided to qualifying citizens at subsidized rates of interest through a Government subsidy.

Amounts of $347.5 million were received from the GORTT to assist with the financing and the provision of affordable housing at subsidized rates of interest to citizens of Trinidad and Tobago. This subsidy also compensates TTMF for the overall administration of this portfolio. The interest element of the subsidy is netted off against interest expense and the administration fees being recognised in other income.

5. c. Subsidy on Bonds

The subsidy received from the GORTT is calculated on a quarterly basis as the difference between the cost of the bonds, plus an administrative fee, and the effective rate of return on the Company's mortgage loans, over the term of the bonds. This enabled the Company to lend at specified mortgage interest rates under the approved mortgage company programme. This is recognised on the accrual basis and is net off against interest expense in the statement of comprehensive income.

	2019	2018
Grant balance at beginning	(73,113)	(28,057)
Add: Receipts from GORTT	1,020	103,703
Total	(72,093)	75,646
Less amounts released:		
Interest expense (Note 20)	(119,512)	(123,559)
Other	(27,819)	(25,200)
Total	(147,331)	(148,759)
Amount deferred	(219,424)	(73,113)
Amounts reclassified to subsidy receivable	219,424	73,113
	–	–

6. Debtors and prepayments

Interest receivable on investments	4,567	4,567
IDB service fee	168	132
Staff debtors	332	253
Other	3,128	1,289
	8,195	6,241

7. Investment securities

	2019	2018
Securities at amortised cost		
HDC Fixed Rate 8.5% Bond	227,504	227,046
NIPDEC 6.55% Bond	25,961	25,997
	253,465	253,043

There were no expected credited losses recognized on investment securities for 2019 and 2018.

The average effective interest rate on the Company's securities for the current year is 8.30% (2018: 8.30%). As at the year end, the fair value of investment securities classified as amortised cost amounted to $281.3 million (2018: $288.63 million).

8. Mortgage loans

		2019	2018
a)	Stage 1	3,303,124	2,999,364
	Stage 2	65,858	91,718
	Stage 3	128,607	114,108
		3,497,589	3,205,190
	Add: Recoveries cost	9,758	9,443
	Less: Net prepaid interest	(7,768)	(279)
		3,499,579	3,214,354
	Less: Allowances for ECL	(21,665)	(21,197)
	Net advances	3,477,914	3,193,157
	Mortgages in process of conversion	60,505	37,300
		3,538,419	3,230,457

Reconciliation of expected credit losses on loans

	2019	2018
Balance at 1 January	21,197	19,204
(Reduction)/charge for the year	(831)	2,083
Write back/(off) for the year	1,299	(90)
Balance at 31 December	21,665	21,197

8. Mortgage loans (continued)

The average effective interest rate on the mortgage loan portfolio for the current year is 4.68% (2018: 4.94%).

9. Property and equipment

	Land & buildings	Motor vehicle	Furniture & equipment	Computer equipment	Artwork	Work in progress	2019	2018
Cost								
At beginning of the period	49,047	2,021	4,713	9,773	366	830	66,750	65,177
Additions/reclassification	2,908	506	319	1,402	–	(613)	4,522	4,414
Disposals	(872)	(767)	(200)	(1,142)	–	–	(2,981)	(2,841)
At end of period	51,083	1,760	4,832	10,033	366	217	68,291	66,750
Accumulated depreciation								
At beginning of the period	17,203	817	2,096	4,277	–	–	24,393	22,533
Current depreciation	982	405	606	2,125	–	–	4,118	4,515
Depreciation on disposals	(872)	(621)	(198)	(1,142)	–	–	(2,833)	(2,655)
At end of period	17,313	601	2,504	5,260	–	–	25,678	24,393
Net book value	33,770	1,159	2,328	4,773	366	217	42,613	42,357

10. Leases

The Company has lease contracts for items of land and buildings and office equipment used in its operations. These leases of land and buildings generally have lease terms between three and five years and office equipment between one and three years.

The Company also has certain leases for office equipment of low value. The Company applied the 'low-value lease' recognition exemption for these leases. The Company recognised rent expense from low-value leases of $0.3 million for the year ended 31 December 2019.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets	**Land and building**	**Office equipment**	**Total**
	$	**$**	**$**
Balance at 1 January 2019	–	–	–
Additions/renewals	3,728	1,147	4,875
Depreciation	(885)	(284)	(1,169)
Balance at 31 December 2019	2,843	863	3,706

Leased liabilities	**Land and building**	**Office Equipment**	**Total**
	$	**$**	**$**
Balance at 1 January 2019	–	–	–
Net present value of lease obligations	3,728	1,147	4,875
Interest Expense	93	30	123
Principal payments	(938)	(309)	(1,247)
Balance at 31 December 2019	2,883	868	3,751

10. **Leases** (continued)

The Company had total cash outflows of $1.2 million in 2019 relating to its lease agreements.

	2019
The following are the amounts recognised in the statement of comprehensive income:	
Depreciation expense for right-of-use assets	1,169
Interest expense on lease liabilities	123
Expense relating to low-value leases	264
Expense relating to short-term leases	182
Total amount recognised in statement of comprehensive income	1,738

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	$'000
Operating lease commitments as at 31 December 2018	1,053
Weighted average incremental borrowing rate as at 1 January 2019	4.65%
Discounted operating lease commitments at 1 January 2019	1,033
Less: commitments relating to short -term and low value leases	(1,033)
Lease liabilities as at 1 January 2019	–

In 2018, all lease arrangements were treated as operating leases and $2.0 million was recognised as an expense in the statement of comprehensive income.

Short-term leases relate to three lease agreements which ended within 12 months of the date of initial application of IFRS 16. These leases continued to be accounted for as operating leases within the period of use.

11. Deferred tax assets (net)

	2019	2018
Taxation losses	148,686	154,238
Loan fees	5,937	5,850
Pension liability	6,313	4,214
Right-of-use assets	12	–
Property and equipment	(2,162)	(854)
	158,786	163,448

		(Charge)/credit		
	2018	Income statement	OCI	2019
Taxation losses	154,238	(5,552)	–	148,686
Loan fees	5,850	87	–	5,937
Pension liability	4,214	(544)	2,643	6,313
Right-of-use assets	–	12	–	12
Property and equipment	(854)	(1,308)	–	(2,162)
	163,448	(7,305)	2,643	158,786

		(Charge)/credit		
	2017	Income statement	OCI	2018
Taxation losses	169,739	(15,501)	–	154,238
Loan fees	5,745	105	–	5,850
Pension liability	4,966	(1,261)	509	4,214
Property and equipment	(417)	(437)	–	(854)
	180,033	(17,094)	509	163,448

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. Management's retention of this asset is largely based on the tax planning associated with likely corporate restructuring associated with the planned formation of Trinidad and Tobago Mortgage Bank (TTMB). Such restructuring will allow for the use of accumulated income tax losses against future taxable profits in the short to medium term.

12. Prepayments by mortgagors

Prepayments by mortgagors reflect payments received by customers primarily for remittance to third parties.

	2019	2018
Escrows	64,120	62,853
Insurance	26,727	22,495
Other	911	3,423
	91,758	88,771

13. Amount due under IDB loan programme

The Company has been appointed agents by the GORTT to disburse funds to beneficiaries under the IDB Settlements Programme. This balance includes repayments from borrowers received and not yet remitted.

14. Amount due to HDC

This balance relates to the liability due to HDC from the GORTT's decision to rescind the administered portfolio arrangement with TTMF.

15. Sundry creditors and accruals

	2019	2018
Unearned loan fees	19,791	19,501
Home Mortgage Bank	14,901	27,283
Provision for staff costs	9,639	7,389
Advance - Beneficiary Owned Land Subsidy	2,826	2,826
Mortgage clearing accounts	14,949	10,165
Other	13,982	13,323
	76,088	80,487

16. Short-term debt

As at 31 December 2019, the outstanding amount represented a Short-Term Revolving Credit Facility of two hundred and sixty-five million dollars ($265M) through the Home Mortgage Bank ("HMB") secured by Mortgages. TTMF may borrow, repay and reborrow up to the amount of this operating facility. Borrowings under this facility shall be repayable by a single bullet payment on September 30, 2020. The average effective interest rate on short-term debt for 2019 was 3.03%.

Short term debt	**2019**	**2018**
Secured:		
HMB Short Term Revolving Credit Facility	229,708	–

17. Long-term debt

Mortgage backed debentures		
- 4.00% debentures 2012/2019	–	51,750
- 4.95% debentures 2012/2022	90,250	90,250
	90,250	142,000
Bonds		
1.125% 1994 Bond Issue 2019	–	2,500
1.00% 1995 Bond Issue 2020	4,129	8,258
10.00% 2000 Bond Issue 2020	10,000	20,000
20 Series Bond Issue 2018-2023	251,000	319,000
20 Series Bond Issue 2018-2023	203,100	249,200
20 Series Bond Issue 2018-2024	112,500	137,500
3 Series Bond Issue 2021/2025	825,664	850,941
4 yr Demand Loan 2022	150,000	150,000
5 Series Bond Issue 2019-2026	472,800	516,400
UTC $150M Syndicated Loan due 2021	150,000	150,000
FCB $400M PCE Bond Issue 2023	400,000	400,000
	2,579,193	2,803,799
	2,669,443	2,945,799
Less: unamortised transaction cost	(37,780)	(47,640)
Total long term debt	2,631,663	2,898,159

17. Long-term debt (continued)

Loans amounting to $10 million (2018: $20 million) are fully secured by Government guarantees, whilst debt amounting to $2,263 million (2018: $2,249 million) is fully secured by the Company's mortgage assets.

The average effective interest rate on long-term debt for the current year is 4.64% (2018: 4.69%).

18. Pension and other post-employment benefits	**2019**	**2018**
a) Amounts recognised in the statement of financial position:		
Defined benefit obligations	86,386	71,409
Fair value of plan assets	(65,343)	(57,363)
Net defined benefit liability	21,043	14,046
b) Amounts recognised in profit or loss		
Current service cost	4,016	3,567
Interest costs	693	766
Administrative expenses	169	207
Net benefit cost	4,878	4,540
c) Amounts recognised in other comprehensive income		
Experienced loss – demographic	8,022	1,399
Experience loss – financial	787	298
	8,809	1,697
d) Actual return on plan assets	2,164	2,172

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

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

	2019	2018
Opening defined benefit obligation	71,409	62,674
Current service cost	4,016	3,567
Interest costs	3,644	3,236
Members' contributions	1,730	1,517
Actuarial losses	8,396	1,399
Benefits paid	(2,809)	(984)
Closing defined benefit obligation	86,386	71,409

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

	2019	2018
Opening fair value of plan assets	57,363	46,119
Expected return	2,951	2,471
Employer contributions	7,064	8,745
Members' contributions	1,731	1,517
Actuarial loss on plan assets	(787)	(298)
Administrative expenses	(169)	(207)
Benefits paid	(2,810)	(984)
Closing fair value of plan assets	65,343	57,363

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

	2019	2018
Deposit administration contracts	100%	100%

Summary of principal actuarial assumptions

	2019	2018
Discount rate	5.0%	5.0%
Salary increases	3.0%	3.0%

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

h) The Company is expected to contribute $6.86 million (2019: $6.34 million) to its defined benefit plan in 2020.

i) Sensitivity of present value of defined benefit obligation

	1% increase	**1% decrease**
Discount rate	(15,733)	20,823
Salary growth	9,458	(8,130)

The weighted average duration of the defined benefit obligations is 24 years (2018: 25 years).

19. Share capital

	2019	**2018**
Authorised:		
Unlimited number of ordinary shares of no par value		
Issued and fully paid:		
2,585,000 shares of no par value	12,408	12,408

Dividend per share is $20.43 (2018: $16.20).

20. Interest expense

Gross interest expense	138,727	141,013
Less: Government subsidy		
Bonds (Note 5)	(647)	(996)
2% and 5% Mortgage Programmes (Note 5)	(118,865)	(122,563)
	(119,512)	(123,559)
Net interest expense	19,215	17,454

21. Investment income

	2019	2018
Amortization of discount and premium on amortised cost investments	422	387
Interest on investments	22,801	21,758
	23,223	22,145

22. Other income

Loan fees	2,777	2,478
IADB income	230	277
Home Mortgage Bank service fees	15,229	9,796
Government assisted programme - Administration fees	29,515	28,020
Other	745	(47)
	48,496	40,524

23. Administration expenses

Staff costs (Note 24)	50,371	48,056
Depreciation	5,287	4,515
Legal and professional fees	2,889	3,213
Advertising and public relations	4,056	4,068
Bank interest and charges	216	132
Bond issue costs	6,395	3,953
Other	6,427	6,513
	75,641	70,450

24. Staff costs

Wages, salaries and other benefits	44,350	40,658
National insurance	2,367	2,304
Pension costs and other benefits	3,654	5,094
	50,371	48,056

25. Taxation

	2019	2018
a) Components of tax charge		
Deferred tax (Note 11)	(7,305)	(17,094)
Current tax - current year	(699)	(927)
Green fund levy	(979)	(1,186)
	(8,983)	(19,207)
b) Reconciliation of accounting to tax profit:		
Net income before taxation	135,212	151,786
Income taxes calculated at statutory rate - 30%	(40,564)	(45,536)
Green fund levy	(979)	(1,186)
Net expenses not allowable for tax	(2,713)	(4,297)
Tax exempt income	35,273	31,812
	(8,983)	(19,207)

26. Mortgage commitments

At 31 December 2019, the Company had outstanding commitments totalling $152.8 million (2018: $109.7 million), to intending mortgagors.

27. Related party transactions

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. A number of transactions are entered into with related parties in the normal course of business.

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

	2019	**2018**
Mortgage loans		
Key management personnel (including directors)	4,158	3,326
Borrowings and other liabilities		
National Insurance Board		
Interest payable on debt	1,774	2,635
Long term debt	86,000	131,400
Home Mortgage Bank		
Long term debt	167,000	167,000
Short term debt	230,000	–
Interest payable on debt	2,347	1,837
Other liabilities	14,901	27,283
Interest and other income		
Key management personnel	177	127
Borrowings interest and other expense		
National Insurance Board	6,206	8,586
Home Mortgage Bank	9,310	7,384
Key management compensation		
Short-term salaries and benefits	2,532	2,944
Post-employment benefits	200	284
Directors’ remuneration	459	458

27. **Related party transactions** (continued)

In the normal course of the Company's business, Government and Government-related entities invest in the Company's funding instruments offered to the public. The Government also provides financing for specifically designated arrangements. The Company also administers portfolios for Government and Government-related entities and earns fees for these services. These specific arrangements have been disclosed in the financial statements.

28. Contingent liabilities - litigation

As at 31 December 2019, there were certain legal proceedings outstanding for the Company. This is expected in the normal course of business, with the re-possession of the underlying collateral supporting mortgage loans in arrears. These are taken into consideration in the establishment of individual and collective provisions in the assessment of the impairment of mortgages.

29. Capital management

The Company's objectives when managing capital, which is a broader concept than equity on the face of the statement of financial position, are:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Company defines capital as an appropriate mix of debt and equity. Capital decreased by $199 million to $3.8 billion during the year under review.

The Company reviews its capital adequacy quarterly at the Asset/Liability Risk Management committee and Board meetings. The Company maintains healthy capital ratios in order to support its business and to maximize shareholder value.

30. Risk management

The Company's activities are primarily related to the provision of mortgage loans for the purchase of residential properties. The Company's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practice. The most important types of risk that the Company is exposed to are credit risk, liquidity risk, market risk and other operational risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

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

Internal Audit

Risk management processes throughout the Company are audited periodically by the Internal Audit department, which examines both the adequacy of the procedures and the Company's compliance with the procedures. In addition, Internal Audit is responsible for the independent review of risk management and the control environment. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

30. Risk management (continued)

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Company either by its unwillingness to perform on an obligation or its ability to perform such an obligation is impaired. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counter-parties and for geographical concentrations, and by monitoring exposures in relation to such limits.

Credit risk is the most significant risk that the Company faces; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to mortgage loans, and investment activities that bring debt securities and other bills into the Company's asset portfolio. There is also credit risk in financial instruments, such as loan commitments which is not included in the statement of financial position. These commitments are due within one year of the financial year end.

Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the Company's maximum exposure to credit risk:

	Maximum exposure	
Details	**2019**	**2018**
Financial assets		
Mortgage loans	3,497,589	3,205,190
Investment securities	253,465	253,043
Other receivables	223,991	77,680
Cash at bank and cash equivalents	60,318	427,191
Total gross financial assets	4,035,363	3,963,104
Mortgage commitments	152,818	109,700
Total credit risk exposure	4,188,181	4,072,804

30. Risk management (continued)

Credit risk (continued)

Risk limit control and mitigation policies

The Company manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or Company of borrowers and to geographical segments.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations.

The Company has developed a credit risk strategy that establishes the objectives guiding the organization’s credit-granting activities and has adopted the necessary policies and procedures for conducting such activities having determined the acceptable risk/reward trade-off for its activities, factoring in the cost of capital. The credit risk strategy, as well as significant credit risk policies are approved and periodically reviewed by the Board of Directors.

The Company’s credit strategy reflects its willingness to grant credit based on geographic location, maturity and anticipated profitability. The strategy also encompasses the identification of specific target markets.

Concentrations arise when a number of counterparties are engaged in similar activities in the same geographic region that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company’s performance to developments affecting a particular geographic location.

30. **Risk management** (continued)

Credit risk (continued)

Risk limit control and mitigation policies (continued)

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on a diversified portfolio.

Some specific risk control and mitigation measures are outlined below:

(1) Collateral

The Company employs various policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral type for mortgage loans is charges over residential properties.

Management monitors the market value of collateral at the point of granting the mortgage commitment and during its review of the adequacy of the allowance for impairment losses.

The Company's policy is to dispose of repossessed properties in a structured manner. The proceeds from the sale are used to repay the outstanding amounts. In general, the Company does not occupy repossessed properties for business use.

(2) Lending

The Company lends up to a maximum of 90% of the property value and 100% under a special programme for projects of the Trinidad and Tobago Housing Development Corporation.

In measuring credit risk of mortgage loans, the Company assesses the probability of default by a counter party on its contractual obligation and the possibility of recovery on defaulted obligations.

30. Risk management (continued)

Credit risk (continued)

Risk limit control and mitigation policies (continued)

(2) Lending (continued)

The Company assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. These rating tools combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data.

(3) Geographical concentrations

The Company monitors the financial assets credit risk by geographical concentration to prevent over exposure in any area or any residential housing development. The Company manages its investment portfolio by focusing on maintaining a diversified portfolio and concentration percentages. Identified concentrations of credit risks are controlled and managed accordingly.

The table below breaks down mortgage loans, which are the Company’s principal financial asset, by region, based upon where the land and building taxes are paid.

30. Risk management (continued)

Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure

Details	2019	%	2018	%
Mortgage loans				
Arima Borough Council	498,611	12.36	419,658	10.59
Chaguanas Borough Council	741,708	18.38	684,856	17.28
Couva/Tabaquite/Talparo Reg.	289,260	7.17	279,584	7.05
D/Martin Regional Corporation	131,467	3.26	147,479	3.72
Laventille/San Juan Regional Corporation	170,550	4.23	170,698	4.30
Mayaro/Rio Claro Regional Corporation	18,380	0.46	15,561	0.39
POS City Council	130,265	3.23	109,055	2.75
Penal/Debe Regional Corporation	64,851	1.61	65,003	1.64
Point Fortin Borough Council	38,712	0.96	31,236	0.79
Princess Town Regional Corporation	196,000	4.86	198,435	5.00
San Fernando City Council	418,572	10.37	389,005	9.81
Sangre Grande Regional Corporation	109,635	2.72	100,950	2.55
Scarborough	17,479	0.43	19,136	0.48
Siparia Regional Corporation	46,828	1.16	43,114	1.09
Tobago East	53,327	1.32	46,909	1.18
Tobago West	79,869	1.98	85,071	2.15
Tunapuna/Piarco Regional Corporation	492,075	12.17	399,440	10.08
Total mortgage loans	3,497,589	86.67	3,205,190	80.85
Other financial assets	537,774	13.33	757,914	19.15
Total	4,035,363	100.00	3,963,104	100.00

30. **Risk management** (continued)

Credit risk (continued)

Credit quality per class of financial assets

The Company has determined that credit risk exposure arises from the following statement of financial position lines:

- Mortgage loans
- Investment securities
- Cash and cash equivalents

2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgage loans				
Gross balance	3,305,464	66,282	127,833	3,499,579
Allowances for ECL	(6,912)	(1,661)	(13,092)	(21,665)
Net advances	3,298,552	64,621	114,741	3,477,914
ECL/Gross mortgage loan %	0.2%	2.5%	10.2%	0.6%

2018	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgage loans				
Gross balance	3,004,532	92,375	117,447	3,214,354
Allowances for ECL	(6,218)	(362)	(14,617)	(21,197)
Net advances	2,998,314	92,013	102,830	3,193,157
ECL/Gross mortgage loan %	0.2%	0.4%	12.4%	0.7%

Investment securities at amortised cost (Stage 1)	**2019**	**2018**
Gross exposure	253,465	253,043
ECL	–	–
Net exposure	253,465	253,043

30. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Management is confident in its ability to continue to ensure minimal exposure of credit risk to the Company resulting from its mortgage loans portfolio and investment securities based on the following:

- As at 31 December 2019, mortgage loans which represent the largest portion of the Company's financial assets (87%) are backed by collateral. The comparative figure is 81%.
- 1% of the mortgage loans portfolio is impaired (2018: 1%). The fair value of collateral supporting these impaired mortgage loans generally exceeds the outstanding balances. Where shortfalls in security values are noted, adequate provisions have been established.

Impairment assessment

The main considerations for the mortgage loans impairment assessment include whether any payments of principal or interest are overdue by more than 180 days or whether there are any known difficulties in the cash flows of mortgagors or infringement of the original term of the contract. The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Financial asset provisions are reviewed quarterly in accordance with established guidelines and recommended provisions arising out of this review are submitted to the Board for approval. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines. The Company's impairment assessment and measurement approach is set out below.

Grouping financial assets measured on a collective basis

Dependant on the factors below, the Company calculates ECLs either on a collective or an individual basis. The Company calculates ECL on an individual basis for all Stage 3 assets. The Company calculates ECL on a collective basis for all Stage 1 and Stage 2 assets.

30. **Risk management** (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Individually assessed allowances

The Company determines the allowances appropriate for each significant mortgage loan on an individual basis for Stage 3 loans. Items considered when determining allowance amounts include the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy proceedings.

The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

The fair value of individually impaired loans is determined by reference to external valuations or valuations updated by Management based on their knowledge of recent comparable transactions. No interest is accrued on individually impaired mortgage loans.

Where it is determined that the realizable value of collateral is insufficient to offset the balance of an impaired loan, the allowance account is offset against the receivable and the remaining balance is written off.

Legal action may be initiated against the mortgagor for the outstanding balance. If monies are recovered, these are offset against bad debt expense.

The carrying amounts of impaired financial assets are not otherwise directly reduced.

30. **Risk management** (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Mortgage loans - individually impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is $69.7 million (2018: $49.0 million). The breakdown of the gross amount of individually impaired loans and advances, along with the fair value of the related collateral held by the Company as security, are as follows:

Mortgage loans – individually impaired	**2019**	**2018**
Total	128,607	114,108
Fair value of collateral (before factoring in time to sell)	210,504	187,269

Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The fair value (after factoring in time to sell) of repossessed properties as at 31 December 2019 is $28.4 million (2018: $51.7 million).

Investment securities and cash and cash equivalents are classified as ‘high grade’ where the instruments were issued by the Government or government related organizations. Standard grade assets consist of instruments issued by other reputable financial institutions.

30. **Risk management** (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

Repossessed collateral (continued)

The table below shows the credit quality of investments securities as at December 31:

Investment securities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2019				
Amortised cost	253,465	–	–	253,465
%	100%	–	–	100%
2018				
Amortised cost	253,043	–	–	253,043
%	100%	–	–	100%

Cash and cash equivalents

The credit quality of cash and cash equivalents as at 31 December 2019 and 31 December 2018 has been assessed as standard grade.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, currency risk and other price risk. The Company has no significant exposure to currency risk and other price risk.

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. This exposure is concentrated in the Company’s financial liabilities, because the majority of the Company’s financial assets carry stable interest rates where movements in market rates will not affect the statement of income.

30. **Risk management** (continued)

Interest rate risk (continued)

i. Financial assets

a) Mortgage loans

Mortgage loans account for 83% (2018: 77%) of the Company's total assets. Board approval is required by the Company for any changes in mortgage interest rates.

b) Investment securities

Investments securities account for 6% (2018: 6%) of the Company's total assets. These are amortised cost financial assets comprising of fixed rate bonds.

ii. Financial liabilities

Long-term and short-term debt accounts for 97% (2018: 97%) of the Company's financial liabilities. This is made up of fixed and floating bonds and debentures as follows:

	2019	**%**	**2018**	**%**
Short-term debt				
Fixed	229,708	8	–	–
Long-term debt				
Fixed	2,617,534	91	2,867,401	99
Floating	14,129	1	30,758	1
	2,631,663	92	2,898,159	100
Total debt	2,861,371	100	2,898,159	100

Long-term and short-term debt is mainly fixed. However, we have assessed the impact of a 100 basis points change in interest rates on the long-term floating debt. Such movement is believed by management to represent those variable changes which are reasonably possible as at the balance sheet date.

30. **Risk management** (continued)

Interest rate risk (continued)

ii. **Financial liabilities** (continued)

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Company's income. This change in interest rates does not give rise to changes in equity.

Effect on profit after tax of a 100 basis points change in interest rates	**100 Basis points**	
	Increase	**Decrease**
31 December 2019		
Profit before tax	1,352	(1,352)
Tax impact - 30%	(406)	406
Profit after tax	946	(946)
31 December 2018		
Profit before tax	1,518	(1,518)
Tax impact - 30%	(455)	455
Profit after tax	1,063	(1,063)

Interest rate risk is further mitigated by the subsidies received from the Government in support of granting subsidized mortgages. These subsidies serve to reduce borrowing cost.

Liquidity risk

Liquidity risk is financial risk due to uncertain liquidity. It is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The Company might lose liquidity if it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with the Company. The consequence may be the failure to meet obligations to repay debts and fulfil commitments to lend.

30. Risk management (continued)

Liquidity risk management process

The Company's liquidity management process includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Diversification of its funding base through access to an expanded range in terms of the number of financial institutions and longer term financing tenure;
- Monitoring balance sheet liquidity ratios against internal requirements; and
- Managing the concentration and profile of debt maturities.

The Company also monitors unmatched medium-term assets, the level and type of undrawn lending commitments and the usage of overdraft facilities.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted cash flow repayment obligations.

Liquidity risk management process

2019	Up to 1 year $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Amount due under IDB loan programme	–	–	–	–
Interest payable on debt	154,029	247,193	16,510	417,732
Sundry creditors and accruals	76,088	–	–	76,088
Short-term debt	229,708	–	–	229,708
Long-term debt	228,137	2,008,499	395,027	2,631,663
Total undiscounted financial liabilities	687,962	2,255,692	411,537	3,355,191

30. Risk management (continued)

Liquidity risk management process (continued)

2018	Up to 1 year $'000	One to five years $'000	Over 5 years $'000	Total $'000
Liabilities				
Amounts due under IDB loan programme	169	–	–	169
Interest payable on debt	31,587	–	–	31,587
Sundry creditors and accruals	80,487	–	–	80,487
Long-term debt	276,356	2,270,166	351,637	2,898,159
Total undiscounted financial liabilities	388,599	2,270,166	351,637	3,010,402

Funding approach

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

Fair value of financial assets and liabilities

The Company computes the estimated fair value of all financial instruments held at the statement of financial position date and separately discloses information where the fair values are different from the carrying values. As at 31 December 2019, carrying values approximated their fair values for all classes of financial instruments as follows:

Financial instruments where the carrying values are assumed to approximate to their fair values, due to their short-term to maturity include cash and cash equivalents, debtors and prepayments, short-term debt and sundry creditors and accruals.

30. Risk management (continued)

Fair value of financial assets and liabilities (continued)

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The carrying value of Investment securities and floating long term debt approximate their fair values as market rates are comparable with the instruments' actual interest rates.

The Company's loan portfolio is net of specific provisions for impairment and a general provision. The fair value of performing mortgages approximates the present value of the estimated future cash flows discounted at the current market rate of return having factored in the subsidies received from the Government.

The Company's assets are all classified as Level 2. Included in the Level 2 category are financial assets that are measured using valuation techniques based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets valued using the Company's own models whereby the majority of assumptions is market observable.

For the year ended 31 December 2019 there were no transfers of assets among any level (2018: no transfers).

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a controlled framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include a periodically reviewed disaster recovery plan and business continuity plan, effective segregation of duties, access, authorization and reconciliation procedures, staff training and development and assessment processes.

31. Maturity analysis of assets and liabilities

The table below analyses the assets and liabilities on the remaining period at 31 December 2019 to the contractual maturity date. See Note 30 – 'Risk management: Liquidity risk management process' for an analysis of the financial liabilities based on contractual undiscounted repayment obligations.

	Up to 1	**Over 1**	
	year	**years**	**Total**
2019	**$'000**	**$'000**	**$'000**
Assets			
Cash and cash equivalents	60,318	–	60,318
GORTT subsidy receivable	219,424	–	219,424
Debtors and prepayments	8,195	–	8,195
Investment securities	227,504	25,961	253,465
Mortgage loans	284,797	3,253,622	3,538,419
Property and equipment	–	42,613	42,613
Right-of-use assets	–	3,706	3,706
Deferred tax asset	–	158,786	158,786
Total assets	800,238	3,484,688	4,284,926
Liabilities			
Dividend payable	52,822	–	52,822
Prepayments by mortgagors	91,758	–	91,758
Amount due to HDC	861	–	861
Sundry creditors and accruals	76,088	–	76,088
Short-term debt	229,708	–	229,708
Interest payable on debt	154,029	263,703	417,732
Long-term debt	228,137	2,403,526	2,631,663
Lease liabilities	1,488	2,263	3,751
Pension plan liability	–	21,043	21,043
Total liabilities	834,891	2,690,535	3,525,426

31. Maturity analysis of assets and liabilities (continued)

	Up to 1 year	**Over 1 years**	**Total**
2018	**$'000**	**$'000**	**$'000**
Assets			
Cash and cash equivalents	427,191	–	427,191
GORTT subsidy receivable	73,113	–	73,113
Debtors and prepayments	6,241	–	6,241
Investment securities	–	253,043	253,043
Mortgage loans	226,614	3,003,843	3,230,457
Property and equipment	–	42,357	42,357
Deferred tax assets	–	163,448	163,448
Total assets	733,159	3,462,691	4,195,850
Liabilities			
Prepayments by mortgagors	88,771	–	88,771
Amounts due under IDB loan programme	169	–	169
Amount due to HDC	858	–	858
Sundry creditors and accruals	80,487	–	80,487
Interest payable on debt	31,587	–	31,587
Long-term debt	276,356	2,621,803	2,898,159
Pension plan liability	–	14,046	14,046
Total liabilities	478,228	2,635,849	3,114,077

32. Dividends payable/paid

	2019	**2018**
Dividends payable/paid are analysed as follows:		
Final dividend – $20.43 per share (2018: $16.20 per share)	52,822	41,880

33. Events after the reporting period

On 11 March 2020, the World Health Organization declared the COVID-19 virus a pandemic. Subsequent to this, the Prime Minister, Keith Rowley, advised in a Press Conference on Monday 18 March 2020 that TTMF is to offer a deferral of payments to its mortgagors for a three-month period in the first instance. TTMF's experience with deferral of payments indicate that there is no overall loss of interest income but rather a deferral in the collection of interest, though the overall impact of this crisis on the economy and other macroeconomic factors such as unemployment will need to be carefully monitored. The Company is confident that its processes for the management of risk and possible losses that may arise out of this public health emergency of international concern are sufficiently robust and Management will continue to evaluate this ongoing matter.

There were no other material events after the statement of financial position date which requires adjustment or disclosure in the financial statements as at 26 March 2020.