



**REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL'S DEPARTMENT**

**R E P O R T
O F T H E
A U D I T O R G E N E R A L**

**ON THE FINANCIAL STATEMENTS OF THE
TRINIDAD AND TOBAGO UNIT TRUST CORPORATION –
GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)**

FOR THE YEAR ENDED

31 December, 2018



**TO: THE BOARD OF DIRECTORS
TRINIDAD AND TOBAGO UNIT TRUST CORPORATION**

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE TRINIDAD AND TOBAGO UNIT TRUST CORPORATION – GROWTH AND INCOME FUND (FIRST UNIT SCHEME) FOR THE YEAR ENDED 31 DECEMBER, 2018

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – Growth and Income Fund – First Unit Scheme (the Fund) for the year ended 31 December, 2018 have been audited. The statements as set out on pages 1 to 32 comprise a Statement of Financial Position as at 31 December, 2018, and a Statement of Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows for the year then ended, and Notes to the Financial Statements numbered 1 to 14, including a summary of significant accounting policies.

2. In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trinidad and Tobago Unit Trust Corporation – Growth and Income Fund – First Unit Scheme (the Fund) as at 31 December, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

3. The audit was conducted in accordance with accepted auditing standards. The Auditor General's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. The Auditor General is independent of the Fund in accordance with the ethical requirements that are relevant to the audit of the financial statements and other ethical responsibilities have been fulfilled in accordance with these requirements. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the above audit opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

4. Management of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS 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.

5. In preparing the financial statements, management is responsible for assessing the ability of the Fund 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 Fund or to cease operations, or has no realistic alternative but to do so.

6. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

7. The Auditor General's responsibility is to express an opinion on these financial statements based on the audit and to report thereon in accordance with section 30 (4) of the Unit Trust Corporation of Trinidad and Tobago Act, Chapter 83:03.

8. The Auditor General's 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 audit report that includes his opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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.

9. As part of an audit in accordance with accepted auditing standards, the Auditor General exercises professional judgment and maintains professional skepticism throughout the audit. The Auditor General also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an 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.
- Obtains 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 internal control of the Fund.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concludes 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 ability of the Fund to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in his audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify his opinion. The Auditor General's conclusions are based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluates 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.

10. The Auditor General communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit.

20TH MARCH, 2019
PORT OF SPAIN




MAJEED ALI
AUDITOR GENERAL

SS
20190320

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Financial Statements
(Expressed in Trinidad and Tobago Dollars)

31 December 2018

Trinidad & Tobago Unit Trust Corporation Growth and Income Fund (First Unit Scheme)

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Trinidad and Tobago Unit Trust Corporation
GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF FINANCIAL POSITION

As at 31 December, 2018
Expressed in Trinidad and Tobago Dollars

ASSETS	Notes	31-Dec-18 \$'000	Restated 31-Dec-17 \$'000	Restated 31-Dec-16 \$'000
Cash and Cash Equivalents	3	406,686	381,242	283,610
Receivables	4	28,018	35,992	26,018
Investment Securities	5	4,528,961	4,521,051	4,505,557
Total Assets		4,963,665	4,938,285	4,815,185
LIABILITIES				
Payables	6	81,567	73,253	82,079
Total Liabilities		81,567	73,253	82,079
EQUITY				
Unitholders' Capital	9	3,351,915	3,236,837	3,258,721
Fair Value Reserve		-	1,175,424	1,245,078
Retained Earnings		1,530,183	452,771	229,307
Total Equity		4,882,098	4,865,032	4,733,106
TOTAL LIABILITIES AND EQUITY		4,963,665	4,938,285	4,815,185
Net Asset Value per Unit		\$17.23	\$17.57	\$17.02



R.F. Nelson

Chairman

[Signature]

Executive Director

Trinidad and Tobago Unit Trust Corporation
GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December, 2018
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-18 \$ '000	Restated 31-Dec-17 \$ '000
INCOME			
Interest Income	7	64,747	66,092
Dividend Income		116,850	110,255
Net Change in Fair Value of Investment Securities		(97,169)	277,645
Foreign Exchange Gain/(Loss)		1,381	(1,556)
Total Income		85,809	452,436
EXPENSES			
Management Charge	11	(99,647)	(97,339)
Impairment	2	-	(89,123)
Other Expenses		(206)	(708)
Custody and Bank Charges		(330)	(9)
Total Expenses		(100,183)	(187,179)
Net (Loss)/Income Before Taxation		(14,374)	265,257
Withholding Taxes		(4,421)	(4,551)
Net (Loss)/Income for the year		(18,795)	260,706
Other Comprehensive Income:			
<i>Items that may be reclassified subsequently to Profit or Loss:</i>			
Movement in Fair Value - Available for Sale Assets		-	118,869
Transfer of Fair Value Gains to Current Period Profit or Loss		-	(277,646)
Impairment Loss Transferred to Income		-	89,123
Other Comprehensive Loss for the year		-	(69,654)
Total Comprehensive (Loss)/Income for the year		(18,795)	191,052

Trinidad and Tobago Unit Trust Corporation
GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2018

Expressed in Trinidad and Tobago Dollars

	Unitholders' Capital	Fair Value Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January, 2018 (Restated)	3,236,837	1,175,424	452,771	4,865,032
Changes on initial application IFRS 9	-	(1,175,424)	1,175,424	-
Adjusted Balance as at 1 January 2018	3,236,837	-	1,628,195	4,865,032
Net Loss for the year	-	-	(18,795)	(18,795)
Subscriptions from Unitholders	279,857	-	-	279,857
Redemptions by Unitholders	(164,779)	-	-	(164,779)
Distributions to Unitholders	-	-	(78,717)	(78,717)
Allocation to Guarantee Reserve Fund	-	-	(500)	(500)
Balance as at 31 December, 2018	3,351,915	-	1,530,183	4,882,098
Balance as at 1 January, 2017	3,247,892	1,245,078	240,136	4,733,106
Effects of Restatement	10,829	-	(10,829)	-
Restated Balance as at 1 January 2017	3,258,721	1,245,078	229,307	4,733,106
Net Income for the year	-	-	260,706	260,706
Subscriptions from Unitholders (Restated)	133,042	-	-	133,042
Redemptions by Unitholders (Restated)	(154,926)	-	-	(154,926)
Distributions to Unitholders	-	-	(36,242)	(36,242)
Allocation to Guarantee Reserve Fund	-	-	(1,000)	(1,000)
Other Comprehensive Loss for the year	-	(69,654)	-	(69,654)
Balance as at 31 December, 2017 (Restated)	3,236,837	1,175,424	452,771	4,865,032

Trinidad & Tobago Unit Trust Corporation
GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF CASH FLOWS
For the year ended 31 December, 2018
Expressed in Trinidad and Tobago Dollars

	31-Dec-18 \$'000	Restated 31-Dec-17 \$'000
OPERATING ACTIVITIES		
Net (Loss)/Income before Taxation	(14,374)	265,257
<i>Adjustment to Reconcile Net Income to Net Cash and Cash Equivalents From Operating Activities:</i>		
Interest Income	(64,747)	(66,092)
Dividend Income	(116,850)	(110,255)
Net Change in Fair Value of Investment Securities	97,169	(277,645)
Impairment	-	89,123
	(98,802)	(99,612)
<i>Movements in Net Current Assets</i>		
Decrease/(Increase) in Receivables	6,340	(6,901)
(Decrease)/Increase in Payables	(556)	1,223
	(93,018)	(105,290)
Interest Received	56,682	59,535
Dividend Received	123,916	107,055
Taxation Paid	(4,421)	(4,551)
Net Cash Flow From Operating Activities	83,159	56,749
INVESTING ACTIVITIES		
Purchase of Investment Securities	(1,494,757)	(1,360,049)
Disposal of Investment Securities	1,398,633	1,470,798
Net Cash (Used In)/Flow From Investing Activities	(96,124)	110,749
FINANCING ACTIVITIES		
Subscriptions from Unitholders	205,023	87,020
Redemptions by Unitholders	(164,822)	(154,849)
Distributions to Unitholders	(1,292)	(1,037)
Guarantee Reserve	(500)	(1,000)
Net Cash Flow From/(Used In) Financing Activities	38,409	(69,866)
Net Increase in Cash and Cash Equivalents	25,444	97,632
Cash and Cash Equivalents at the beginning of the year	381,242	283,610
Cash and Cash Equivalents at the end of the year	406,686	381,242

Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)

Notes To The Financial Statements
31 December 2018

(Expressed in Trinidad and Tobago Dollars)

1) **General Information**

The Growth and Income Fund (the Fund) is an open ended mutual fund denominated in Trinidad and Tobago dollars that was launched on 29 December 1982. The Custodians of the Fund are the Central Bank of Trinidad and Tobago and Citibank (Trinidad and Tobago) Limited. The Fund invests in accordance with its Investment Policy Statement and guidelines approved by the Board of the Trinidad and Tobago Unit Trust Corporation (the Corporation). The Corporation is the Sponsor, Manager, Trustee and Investment Advisor of the Fund. Responsibility for management of the business affairs of the Fund is vested in the Board of Directors of the Corporation which approves all the Fund's significant agreements.

Participation by investors in the Fund is represented by units. There is no limit to the number of units that may be issued. Each unit attracts an equal share in the net asset value and other benefits of the Fund.

Subscriptions

Units may be purchased every business day at the offer price on the day. The minimum investment is the offer price of one unit.

Redemptions

Units may be redeemed every business day at the bid price.

Reinvestment

Income earned during any distribution period is automatically re-invested ten working days after June 30 and December 31 unless the unitholder requests otherwise.

Guarantee

By statutory instrument dated 17 January 1985 the Corporation guarantees that all subscribers who hold their units continually for three years from the date of purchase will not redeem their units at a price less than the initial purchase price.

Initial Charge

The Corporation may impose an initial charge of up to 5% on all units issued to the public and may vary the charge where the Board of the Corporation is satisfied that it is warranted. The initial charge during 2018 was 2% (2017: 2%).

Management Charge

The Corporation may impose a half-yearly charge (management charge) of up to 1% of the market value of the investments held by the Trust for each six-monthly distribution period (see Note 11).

Investment Objective

The Fund seeks to provide investors with medium to long-term capital appreciation as well as current income by investing in a combination of equity and fixed income securities.

Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies

The significant accounting policies applied in the preparation of these Financial Statements (the Financial Statements) are set out below. These policies have been consistently applied to all years presented, except as described in Note 2) b).

a) Basis of Preparation

- i. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
- ii. The Financial Statements are prepared under the historical cost convention as financial assets measured at fair value through profit or loss (FVPL). The methods used to fair value the Fund's financial assets are provided at Note 5.
- iii. The Financial Statements are presented in Trinidad and Tobago dollars, which is the functional currency of the Fund.
- iv. The preparation of the Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions. Management reviews these judgments, estimates and underlying assumptions on a regular basis.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are those used in estimating the fair value of financial assets categorized as Level 3 (see Notes 2 (e) and 5 (c))

Management has also exercised significant judgment in determining the business model of the investment portfolios.

b) New published standards applicable to the Fund effective 1 January 2018

➤ **IFRS 9 – *Financial Instruments***

IFRS 9 replaced IAS 39 - *Financial Instruments: Recognition and Measurement* and brings together three aspects of the accounting for financial instruments:

- i. Classification and measurement;
- ii. Impairment; and
- iii. Hedge accounting

A summary of the requirements of IFRS 9 is provided below.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

b) New published standards applicable to the Fund effective 1 January 2018 (continued)

➤ **IFRS 9 – *Financial Instruments* (continued)**

Classification and measurement of financial assets and liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that is based upon the business model in which assets are managed and the contractual cash flow characteristics of the asset.

Under IFRS 9 entities initially measure a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction cost. Embedded derivatives in contracts, where the host is a financial asset, are never separated. The hybrid financial instrument as a whole is assessed for classification.

Debt instruments are subsequently measured at either FVPL, amortized cost (AC) or fair value through other comprehensive income (FVOCI).

Equity instruments are generally measured at FVPL. However, entities have an irrevocable option, on an instrument by instrument basis, to recognize changes in the fair value of non-traded equity instruments in other comprehensive income (OCI).

IFRS 9 also contains requirements for the classification and measurement of financial liabilities, many of which are identical to the IAS 39 requirements. However, for financial liabilities designated at FVPL, the change in fair value that is attributable to changes in credit risk is presented in OCI and the balance of the fair value is presented in profit or loss. If the presentation in OCI would create or enlarge an accounting mismatch in profit or loss, an entity is required to present all gains and losses in profit or loss.

Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI, most loan commitments, financial guarantee contracts and lease receivables.

Entities are required to recognize expected credit losses for twelve months:

- i. on initial recognition of the financial instrument (or the date on which the commitment or guarantee was entered into); and
- ii. as long as there is no significant increase in credit risk subsequent to initial recognition of the asset.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

b) New published standards applicable to the Fund effective 1 January 2018 (continued)

➤ **IFRS 9 – *Financial Instruments* (continued)**

Where there has been a significant increase in credit risk - either on an individual financial asset or on a group of financial assets - entities are required to recognize the lifetime expected credit loss associated with the financial asset or group of financial assets.

Lifetime expected credit losses include all the possible default events over the expected life of the financial asset, whereas twelve month expected losses are the credit losses that are possible within the twelve months after the reporting date.

In the case of trade receivables, a simplified approach, whereby the lifetime expected credit loss is recognized on initial recognition, is permitted.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39, that is, fair value hedges, cash flow hedges and net investment hedges. However greater flexibility has been introduced with respect to the types of transactions eligible for hedge accounting. In particular:

- i. the types of instruments that qualify as hedging instruments; and
- ii. the types of risk components of non-financial items that are eligible, are broader in scope.

In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship' and retrospective assessment of hedge effectiveness is no longer required.

Impact of the initial application of IFRS 9 on the financial statements

- In accordance with the requirements of IFRS 9, the Fund classified the financial assets as FVPL, as the Fund is managed and the Fund's performance is evaluated on a fair value basis. The resulting changes to the Fund's classification of financial assets are shown below.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

b) New published standards applicable to the Fund (continued)

New published standards effective from 1 January 2018 (continued)

➤ **IFRS 9 – Financial Instruments (continued)**

Financial Asset	Measurement Category		Carrying Amount 1 January 2018 S'000		Change S'000
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Bonds	Available-for-sale	Fair value through profit or loss - mandatory	1,176,531	1,176,531	-
Equity	Available-for-sale	Fair value through profit or loss - mandatory	2,118,203	2,118,203	-
Exchange Traded Funds	Available-for-sale	Fair value through profit or loss - mandatory	476,370	476,370	-
Private Equity	Available-for-sale	Fair value through profit or loss - mandatory	93,984	93,984	-
Short-term Instruments	Available-for-sale	Fair value through profit or loss - mandatory	210,220	210,220	-
Mutual Funds	Available-for-sale	Fair value through profit or loss - mandatory	445,742	445,742	-
Sub-total Investment securities			4,521,051	4,521,051	-
Receivables	Loans & Receivables	Fair value through profit or loss - mandatory	35,992	35,992	-
Cash and Cash Equivalents	Loans & Receivables	Fair value through profit or loss - mandatory	381,242	381,242	-
Sub-total Other financial assets			417,234	417,234	-
Total Financial Assets			4,938,285	4,938,285	-

- There was no cumulative retrospective impact on the Fund's equity position as a result of the initial application of IFRS 9.
- The impairment requirements of IFRS 9 were not applicable as none of the Fund's financial assets are classified as AC or FVOCI.
- There were no changes to the classification of financial liabilities.
- The hedge accounting requirements are not applicable to the Fund.
- As permitted by the transitional provisions of IFRS 9, the Fund did not restate comparative amounts.
- The changes in accounting policy on adoption of IFRS 9 are described in Note 2 (c) below.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

c) Financial Assets

The Fund's financial assets consist of:

- i. Investment securities;
- ii. Cash and cash equivalents; and
- iii. Receivables

The Fund recognizes a financial asset when it becomes party to the contractual obligations of the financial asset.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expires or where the Fund has transferred substantially all the risks and rewards of ownership of the financial asset to another party.

Classification and subsequent measurement of financial assets - Policy from 1 January 2018

On 1 January 2018 the Fund adopted IFRS 9 Financial Instruments. The Fund classifies its financial assets based on the business model of the portfolio within which the financial asset is managed and the contractual cash flow characteristics of the financial asset.

In assessing the objective of a portfolio's business model, the Fund considers:

- i. The way in which the assets within the portfolio are managed and information provided to management;
- ii. The stated policies and objectives of the portfolio;
- iii. The operation of the portfolio's stated policies in practice;
- iv. The method of evaluating the performance of the portfolio; and
- v. The risks that affect the performance of the portfolio and how those risks are managed.

The Fund's investment securities are held in portfolios which are managed and evaluated on a fair value basis. The receipt of contractual cash flows or, the receipt of contractual cash flows and the purchase and sale of the financial assets in the portfolio, are incidental to the objectives of the portfolios. Accordingly, the assets in the Fund's portfolios have been classified and measured at FVPL – mandatory.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

c) Financial Assets (continued)

Classification and subsequent measurement of financial assets - Policy prior to 1 January 2018

The Fund classified its financial assets on initial recognition into the following three (3) categories: available-for-sale, held-to-maturity and loans and receivables. The classification depended on the purpose for which the financial assets were acquired. In particular:

- i. Investment securities intended to be held for an indefinite period of time, but which might be sold in response to liquidity requirements or market conditions, were classified as available-for-sale. Available-for-sale investments were carried at fair value. Unrealized gains and losses from changes in the fair value of investments classified as available-for-sale were recognized in Other Comprehensive Income (OCI). When available-for-sale financial assets were disposed of, or were impaired, the related accumulated fair value adjustments were re-classified from OCI to the Statement of Profit or Loss.
- ii. Investment Securities with fixed maturities and that management had the intent and ability to hold to maturity, were classified as held-to-maturity. Held-to-maturity investments were carried at amortized cost, less adjustments for impairment.
- iii. Non-derivative investment securities with fixed and determinable payments, which were not quoted in an active market and were not designated as available-for-sale, were classified as loans and receivables. Loans and receivables were carried at amortized cost, using the effective interest method.

Impairment of financial assets - Policy from 1 January 2018

The impairment requirements of IFRS 9 were not applicable as none of the Fund's financial assets are classified as AC or FVOCI.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

c) Financial Assets

Impairment of financial assets - policy prior to 1 January 2018

Assets classified as available-for-sale - bonds

At the end of each reporting period the Fund assessed whether there was objective evidence that a bond, or a Fund of bonds classified as available-for-sale, was impaired. A bond or Fund of bonds classified as available-for-sale was considered impaired and impairment losses were recognized if and only if:

- i. there was objective evidence of impairment as a result of one or more events that occurred subsequent to initial recognition of the asset (a 'loss event'); and
- ii. the impact on the future cash flows as a result of the loss event could be reliably estimated.

The criteria used by the Fund to determine whether there had been a loss event included evidence that:

- (a) the issuer, or obligor, was in significant financial difficulty;
- (b) there had been a breach of contract, such as a default or delinquency in interest payments or principal re-payment by the issuer or obligor;
- (c) the issuer's lender, for economic or legal reasons relating to the issuer's financial difficulty, has granted to the issuer a concession that the lender would not otherwise consider;
- (d) it was probable that the borrower will enter bankruptcy or other financial re-organization;
- (e) an active market for the financial asset had disappeared because of financial difficulties; or
- (f) there was a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease could not yet be identified with the individual financial asset in the portfolio, including:
 - i. adverse changes in the payment status of borrowers in the portfolio; and
 - ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

Where there was objective evidence of impairment to bonds classified as available-for-sale, the Fund transferred the cumulative unrealized loss previously recorded in OCI, to the Statement of Profit or Loss.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

c) Financial Assets (continued)

Impairment of financial assets - policy prior to 1 January 2018 (continued)

Assets classified as available-for-sale – bonds (continued)

If, in a subsequent period, the amount of the impairment loss decreased, and the decrease could be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of an appropriate portion of the previously recognized impairment loss was recognized in the Statement of Profit or Loss.

Assets classified as available-for-sale – equity

In the case of equity investments classified as available-for-sale, in addition to the impairment criteria for available-for-sale bonds outlined above, the Fund assessed whether there has been either a significant or a prolonged decline in the fair value of the security below cost. If there had been either a significant or a prolonged decline in the value of the investment below cost, it was regarded as evidence that the asset was impaired. If any such evidence existed for available-for-sale equity investments, the cumulative un-realized loss was re-classified from equity and recognized in the Statement of Profit or Loss as an impairment expense.

The Fund considers a decline for a period of twelve or more months as prolonged and a 30% decline in value below cost, as significant.

d) Financial Liabilities

The Fund recognizes a financial liability when it becomes party to the contractual obligations of the financial instrument. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

e) Fair Value Estimation – Investment Securities

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date.

Valuation framework

The Fund has established a control framework for the measurement of fair values. The framework includes a valuation team that is independent of the Front Office management. The valuation team reports to a Valuation Committee comprising the Vice Presidents of the Finance, Trust Services and Risk Departments. Valuations are reviewed by the Audit and Compliance Committee on a quarterly basis.

Fair value hierarchy

Fair value measurements of securities are categorized into three levels based on the degree to which the fair value measurement inputs are observable. The three levels are:

- **Level 1.** Valuation inputs are unadjusted quoted prices for identical assets and liabilities in active markets that the entity can access at the measurement date.
- **Level 2.** Valuation inputs exclude Level 1 inputs but are inputs that are observable for the asset or liability either directly or indirectly. There were no assets classified as Level 2 during the years 2017 and 2018.
- **Level 3.** Uses significant inputs that are unobservable in the valuation of the asset.

The level within the fair value hierarchy to which fair value measurements are assigned is determined by the lowest level input that is significant to the fair value measurement in its entirety. Thus, where a fair value measurement requires significant judgment with respect to an input, it is classified as Level 3.

The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

e) Fair Value Estimation – Investment Securities (continued)

Equities traded in active markets

An active market is a market in which transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of equities traded in active markets is based on unadjusted quoted prices at the close of trading on the reporting date and categorized as Level 1.

Where the last day of trading is not the reporting date and significant movements in prices occur subsequent to the close of trading and before the reporting date, valuation techniques are used to determine the fair value. Such valuations are categorized as Level 3.

Equities not traded in an active market – unquoted equity

The fair value of significant holdings of unquoted securities is estimated by professional valuers and categorized as Level 3.

Private equity

The fair value of the Fund's private equity holdings is provided by the General Partners of the entities and are categorized as Level 3.

Traded local and foreign bonds

Traded bonds are valued using the average of indicative quotations received from brokers at the reporting date. The quotations do not necessarily reflect the price at which the broker would be willing to execute a transaction and the valuations have been categorized as Level 3. Where the Fund is in receipt of prices at which dealers are prepared to trade, the bonds are categorized as Level 1.

Illiquid local bonds

The Fund uses an internally developed model to value its illiquid local bonds. Management reviews the model regularly. The output of any valuation model is an estimate of a value that cannot be determined with certainty. As such the valuation may vary significantly from the value that would be realized in an actual transaction. Valuations based on the model are categorized as Level 3.

Categorization of short-term investments

The Fund's short-term investments are assumed to be encashable/tradeable at their carrying value and are categorized as Level 1.

Receivables, payables and short-term liabilities

The carrying value of receivables and payables are assumed to approximate their fair values.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2) Significant Accounting Policies (continued)

f) Foreign Currency Translation

The Fund's functional and presentation currency is Trinidad and Tobago dollars. Foreign currency transactions are translated into the functional currency using the average mid-rate for the currency, quoted by the Central Bank of Trinidad and Tobago, on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the Statement of Comprehensive Income.

The results and financial position of all Fund entities that have a functional currency other than the presentation currency are translated into the presentation currency using the closing rate. All resulting exchange differences are recognized in the Statement of Comprehensive Income.

g) Cash and Cash Equivalents

Cash and cash equivalents represent balances held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. It includes cash in hand, deposits held at call with banks, cash balances at brokers, and other short-term instruments with original maturities of ninety days or less.

h) Revenue Recognition

Interest income is recognized in the Statement of Comprehensive Income using the effective interest method.

Dividend income is recognized only when:

- i. the right to receive a dividend payment is established;
- ii. it is probable that the economic benefits associated with the dividend will flow to the Fund; and
- iii. the amount of the dividend can be reliably measured

Realized and unrealized investment gains and losses are recognized as income in the Statement of Comprehensive Income.

i) Taxation

The Fund is exempt from Corporation Tax. Withholding tax is payable on dividends and interest earned in foreign jurisdictions based on the jurisdiction's tax laws and double taxation treaties where applicable.

j) Comparative Information

In addition to the changes from the initial application of IFRS 9 - Financial Instruments (see note 2 (b) (i)), certain minor changes have been made in these Financial Statements to conform with presentation in the current year. These changes had no effect on the operating results or net income the Fund.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

3. Cash and Cash Equivalents

	31-Dec-18	31-Dec-17	31-Dec-16
	\$'000	\$'000	\$'000
Cash at custodians and brokers	38,899	63,879	37,014
Cash at bank	367,787	317,363	246,596
Total	406,686	381,242	283,610

4. Receivables

	31-Dec-18	31-Dec-17	31-Dec-16
	\$'000	\$'000	\$'000
Dividend receivable	7,357	14,424	11,223
Interest receivable	12,830	13,720	14,538
Other receivables	7,831	7,848	257
Total	28,018	35,992	26,018

5. Investment Securities

Summaries of the Investment securities held by the Fund are provided by year, investment type and classification below.

	31-Dec-18	31-Dec-17	31-Dec-16
	\$'000	\$'000	\$'000
Investment securities carried at fair value			
Bonds	1,131,028	1,176,531	1,366,112
Equity	1,833,195	2,118,203	1,661,007
Exchange Traded Funds (ETFs)	671,379	476,370	710,487
Private equity	92,495	93,984	71,491
Short-term investments	385,706	210,220	240,000
Mutual Funds	415,158	445,742	456,460
Total	4,528,961	4,521,051	4,505,557
Investment securities summarized by classification			
	31-Dec-18	31-Dec-17	31-Dec-16
	\$'000	\$'000	\$'000
- at fair value through profit or loss – mandatory (FVPL – M)	4,528,961		
- at available for sale at fair value through other comprehensive income – (AFS)		4,521,051	4,505,557
Total	4,528,961	4,521,051	4,505,557

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

5) Investments Securities (continued)

a) The Fair Value Hierarchy for Investment Securities

The Fund uses a valuation hierarchy to rank the fair value of its Investments (see Note 2 (e) Fair Value Estimation). The Fund's Investments at December 2018 are analyzed by their fair valuation categorization below:

Fair Value Hierarchy for Investment Securities December 2018

Recurring fair value measurements	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment securities carried at fair value through profit or loss - mandatory				
Bonds	-	-	1,131,028	1,131,028
Equity	1,833,195	-	-	1,833,195
Exchange Traded Funds (ETFs)	671,379	-	-	671,379
Private Equity	-	-	92,495	92,495
Short-term Investments	385,706	-	-	385,706
Mutual Funds	415,158	-	-	415,158
Total Investment Securities	3,305,438	-	1,223,523	4,528,961

The Fund's Investment at 31 December 2017 are analyzed by the fair valuation hierarchy below:

Fair Value Hierarchy for Investment Securities December 2017

Recurring fair value measurements	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale assets carried at fair value:				
Bonds	-	-	1,176,531	1,176,531
Equity	2,118,203	-	-	2,118,203
Exchange Traded Funds (ETFs)	476,370	-	-	476,370
Private Equity	-	-	93,984	93,984
Short-term Investments	210,220	-	-	210,220
Mutual Funds	445,742	-	-	445,742
Total Investment Securities	3,250,536	-	1,270,515	4,521,051

b) Transfers between Fair Value Hierarchy Levels

There were no transfers between the Fair Value Hierarchy Levels during either 2018 or 2017.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

5) Investment Securities (continued)

c) Valuation Techniques used to derive Level 3 Fair Values

The valuation techniques used by the Fund to arrive at the fair value of Level 3 investments are set out in Note 2 (e). The Tables below summarize the valuation techniques used in estimating the fair value of Level 3 securities, the significant unobservable inputs, the relationship of the unobservable inputs to fair value and the impact that an increase or decrease in the unobservable inputs would have had on the valuation results.

Values in the following four (4) Tables are expressed in millions of dollars.

Summary of Techniques used to value Level 3 Financial Assets in 2018

Investment securities carried at fair value through profit or loss - mandatory	Level 3 fair value 2018 \$'M	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/- \$'M
Bonds	1,131	Model, Trading Prices	Interest Rates	+1%	11
Private Equity	93	General partner's valuation	Not applicable	Not applicable	Not applicable
TOTAL	<u>1,224</u>				<u>11</u>

Fair value through profit or loss - mandatory	Carrying Value Level 3 Securities 1/1/2018 \$'M	Purchases/ Capitalized Interest \$'M	Sales/ Repayments /Maturities \$'M	Net Gains/ (Losses) recognized in Profit or Loss \$'M	Unrealized Gains/ Losses recognized in OCI \$'M	Carrying Values Level 3 Securities 31/12/2018 \$'M	Fair Values \$'M
Bonds	1,177	146	(175)	(17)		1,131	1,131
Private Equity	94	-	(4)	3		93	93
TOTAL	<u>1,271</u>	<u>146</u>	<u>(179)</u>	<u>(14)</u>	<u>-</u>	<u>1,224</u>	<u>1,224</u>

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

5) Investment Securities (continued)

c) Valuation Techniques used to derive Level 3 Fair Values (continued)

Summary of Techniques used to value Level 3 Financial Assets in 2017					
	Level 3 fair value 2017	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/-
Available-for-sale investments carried at fair value					
Bonds	1,177	Valuation model, Trading prices	Interest rates	+ 1%	12
Private Equity	94	General partner's valuation	Not applicable	Not applicable	Not applicable
TOTAL	<u><u>1,271</u></u>				<u><u>12</u></u>

Available-for-sale assets carried at fair value	Carrying Value Level 3 Securities 1/1/2017 \$'M	Purchases/ Capitalized Interest \$'M	Sales/ Repayments/ Maturities \$'M	Net Gains/ (Losses) recognized in Profit or Loss \$'M	Unrealized Gains/ Losses recognized in OCI \$'M	Carrying Values Level 3 Securities 31/12/2017 \$'M	Fair Values \$'M
Bonds	1,158	99	(97)	-	17	1,177	1,177
Private Equity	73	3	(2)	-	20	94	94
TOTAL	<u><u>1,231</u></u>	<u><u>102</u></u>	<u><u>(99)</u></u>	<u><u>-</u></u>	<u><u>37</u></u>	<u><u>1,271</u></u>	<u><u>1,271</u></u>

d) The Fund's exposure to market, credit and liquidity risk on its investments is provided at Note 10.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

6) Payables

	31-Dec-18	31-Dec-17	31-Dec-16
	\$'000	Restated	Restated
		\$'000	\$'000
Distribution payable	31,007	22,137	33,145
Other payables	50,137	50,112	48,639
Accrued expenses	423	1,004	295
Total	81,567	73,253	82,079

7) Interest Income

	31-Dec-18	31-Dec-17	31-Dec-16
	\$'000	Restated	Restated
		\$'000	\$'000
Interest Income	56,364	59,306	59,125
Amortization of premia and discounts	8,383	6,830	4,288
Accrued Interest Expense	-	(44)	(94)
Total	64,747	66,092	63,319

8) Distribution To Unitholders

The distribution allocated to unitholders for the year ended 31 December 2018 was \$ 78,717,723.45 (Dec 2017: \$36,242,491). The next distribution period is January to June 2019.

9) Unitholders' Capital

This represents the capital value of units issued by the Fund. The units issued by the Fund may be redeemed by unitholders of the Fund at any time. The Fund is primarily responsible for redemption of its units. The movement in the balance of Redeemable units is summarized below.

	2018	2017
	\$'000	\$'000
Unitholders' Capital previously reported	3,232,165	3,247,892
Adjustments (see Note 12)	4,672	10,829
Restated Unitholders' Capital 1 Jan	3,236,837	3,258,721
Add: Sales	706,766	508,599
Less: Repurchases	(591,688)	(530,483)
Net Sales	115,078	(21,884)
Closing balance 31 December	3,351,915	3,236,837

Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

10) Financial Risk Management

Financial Risk Exposures

The primary financial risks to which the Fund is exposed are:

- i. market risk – which comprises:
 - equity and exchange traded funds (ETF) price risk
 - interest rate risk
 - currency risk
- ii. credit risk; and
- iii. liquidity risk

Market Risk

Market risk is the risk that changes in market prices e.g. equity and ETF price risk, bond price risk, foreign exchange rates, and interest rates, will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Equity and ETF Price Risk

Equity and ETF price risk is the risk that the fair value of equities/ETFs decreases as a result of changes in the market prices for these securities.

The Fund has significant holdings of equities and ETFs all of which are traded on either the local or North American stock exchanges. Negative equity price movements in the local and foreign equity markets can subject the portfolios to decreases in their Net Asset Values. This risk is managed by:

- i. careful asset allocation and security selection;
- ii. daily monitoring of security prices; and
- iii. monitoring and measurement of each portfolio's price risk exposure.

The equity price risk exposure is monitored and measured with reference to the beta of equity instruments. Beta is a measure of the stock's price sensitivity to the stock market e.g. stocks that have a beta of 1 would change by approximately 1% for every 1% move in the overall stock market. A stock with a beta less than 0.9 is considered to have a low equity price risk relative to the overall market. A stock with a beta above 1.1 is considered to have a high equity price risk vis-à-vis the market. A stock with a beta between 0.9 and 1.1 is regarded as having equity price risk comparable to the market.

The Fund's equity and ETF holdings are categorized below, both in dollar terms and as a percentage of total equity holdings into three (3) categories to reflect the Fund's exposure to movements in equity prices.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

10) Financial Risk Management (continued)

Equity and ETF Price Risk (continued)

	Lower than market \$'000	Comparable to market \$'000	Higher than market \$'000
At 31 December ,2018	1,542,679 59.5%	558,637 21.5%	492,877 19.0%
At 31 December, 2017	1,919,737 70.5%	481,663 17.7%	321,031 11.8%

The following Table presents the approximate sensitivity of the net asset value of the Fund to a 5% change in the TTSE Composite Index and the S&P 500 Composite Index respectively as at 31 December with all other variables held constant.

	31 December 2018	31 December 2017
TTSE Composite Index	\$32.0 million	\$45.5 million
S&P 500 Composite Index	\$38.8 million	\$59.1 million

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate exposure arises primarily on the fixed rate debt securities held, which expose the Fund to fair value interest rate risk and to cash flow interest rate risk.

The Fund manages the overall interest rate risk by making judicious adjustments of the overall weighted average term to maturity (duration) of its portfolios.

The following Tables demonstrate the sensitivity of the Fund's profit or loss for the year to a reasonable possible change in interest rates, with all other variables held constant. The sensitivity of the profit or loss for the year is the effect of the assumed changed in interest rates on:

- i. the interest income for one year, based on the floating rate assets held at the end of the reporting period; and
- ii. changes in the fair value for the year, based on revaluing fixed rate financial assets at the end of the reporting period.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

10) Financial Risk Management (continued)

Interest Rate Risk (continued)

31 December 2018	Change in basis points	Sensitivity of interest income Increase/decrease \$'000	Sensitivity of changes in fair value of investments \$'000
US interest rates	100	52	3,078
T&T interest rates	100	47	4,442

31 December 2017	Change in Basis points	Sensitivity of interest income Increase/decrease \$'000	Sensitivity of changes in fair value of investments \$'000
US interest rates	100	53	3,381
T&T interest rates	100	61	5,047

The Fund's exposure to interest rate risk as at 31 December 2018 is summarized below. The Fund's assets and liabilities are included at their carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
At 31 December, 2018					
Assets					
Cash & Cash Equivalents	406,686	-	-	-	406,686
Short-term Investments	398,886	-	-	-	398,886
Fixed Income Securities measured at fair value through profit or loss	225,485	301,715	773,906	-	1,301,106
Liabilities					
Net Assets Attributable to Unitholders	4,882,098	-	-	-	4,882,098
Rate Re-pricing Position	(3,851,041)	301,715	773,906	-	(2,775,420)

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

10) Financial Risk Management (continued)

Interest Rate Risk (continued)

The Fund's exposure to interest rate risk as at 31 December 2017 is summarized below.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
At 31 December, 2017					
Assets					
Cash & Cash Equivalents	381,242	-	-	-	381,242
Short-term Investments	139,293	-	-	-	139,293
Fixed Income Securities	269,256	232,285	817,500	-	1,319,041
Liabilities					
Net Assets Attributable to Unitholders	4,865,032	-	-	-	4,865,032
Rate Re-pricing Position	(4,075,241)	232,285	817,500	-	(3,025,456)

Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Since the Fund holds investments denominated in US\$, these portfolios can be impacted by movements in the US\$/TT\$ exchange rate.

The material foreign currency assets and liabilities of the Fund at 31 December are summarized below.

	At 31 December, 2018		At 31 December, 2017	
	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000
Assets				
Cash & Cash Equivalents	113,405	-	224,861	-
Short-term Investments	318,298	-	80,770	-
Fixed Income Securities measured at fair value through profit or loss	320,083	-	360,533	-
Equities, ETFs, Private Equity & Mutual Funds	1,133,827	-	1,231,747	-
Total	1,885,612	-	1,897,911	-

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

10) Financial Risk Management (continued)

Currency Risk (continued)

The following analysis shows the effect of a 1% change in the TT dollar relative to the US dollar would have changed the net assets of the Fund at 31 December 2018 with all other variables held constant.

	2018	2017
	\$'000	\$'000
Approximate change in US\$	<u>18,856</u>	<u>18,979</u>

Concentration of foreign currency exposure

% of total monetary financial assets	2018	2017
US dollars	28%	59%
 % of total financial assets		
US dollars	38%	39%

Credit Risk

Credit risk is the risk that the counter-party to a financial instrument will default on its financial obligations that is, it fails to make full and timely payments of scheduled interest and/or principal sums due.

It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Fund is exposed to credit risk primarily on debt securities, short-term investments and bank balances. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets represents the Fund's maximum exposure to credit risk on financial instruments not subject to IFRS 9 impairment requirements on the respective reporting dates. Hence no separate maximum exposure to credit risk disclosure is provided for these instruments.

Credit risk is managed by:

- i. subjecting counter-parties to robust credit risk assessments prior to initial acquisition;
- ii. limiting the acquisition or retention of debt instruments to certain credit ratings; and
- iii. regular review, measurement and monitoring of counter-parties' credit ratings.

The quality of the Fund's debt securities, money market fund and bank balances are analyzed in the Table below into high, moderate and low using ratings primarily from international rating agencies and local rating agencies for either the instrument, the issuer, the sponsor in the case of Bond ETFs or the sovereign in the case of State owned entities. In those few instances where instruments were rated internally, the ratings were mapped to the international credit quality grades used by Standard and Poor.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

10) Financial Risk Management (continued)

Currency Risk (continued)

	2018	2017
	\$'000	\$'000
Securities rated by S&P as AAA to BBB-, are considered high credit quality instruments		
- Debt securities	1,056,975	1,051,302
- Short-term instruments	360,706	210,220
- Bank balances	406,686	381,242
Securities rated by S&P as BB+ to B-, are considered medium credit quality instruments		
- Debt securities	62,219	106,754
- Short-term instruments	-	-
- Bank balances	-	-
Securities rated by S&P as CCC+ and below, are considered low quality instruments		
- Debt securities	-	18,475
- Short-term instruments	-	-
- Bank balances	-	-
Unrated Securities are listed below		
- Debt securities	11,834	-
- Short-term instruments	-	-
- Bank balances	-	-
Total	1,898,420	1,767,993

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset as they become due.

The units of the Growth and Income Fund, are redeemable on demand. The risk is mitigated in each portfolio by holding adequate cash, cash equivalents and short-term investments. In addition, substantial portions of the investments held by the portfolios are tradable. The risk is therefore deemed insignificant.

The financial liabilities of the Fund are summarized by their due dates and shown below. The amounts disclosed are the contractual undiscounted cash flows. The Fund had no financial liabilities over one (1) year.

	Less than 1 year
	\$'000
At 31 December, 2018	
Accounts payable and short-term liabilities	50,560
Distribution payable	31,007
Net assets attributable to Unitholders	4,882,098
Total	4,963,665

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

10) Financial Risk Management (continued)

Liquidity Risk (continued)

	Less than 1 year \$'000
At 31 December, 2017	
Accounts payable and short-term liabilities	51,116
Distribution payable	22,137
Net assets attributable to Unitholders	4,865,032
Total	4,938,285

Capital Management

The Fund's capital consists of Reserves and Retained Earnings. The Fund's objectives when managing capital are:

- i. to comply with the capital requirements stipulated by the regulators of the markets where the Fund operates;
- ii. to safeguard the Fund's ability to continue as a going concern; and
- iii. to provide attractive risk adjusted returns

11) Related Party Transactions

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

The Fund is managed by the Corporation. Under the terms of the management agreement dated 15 May 2001, the Corporation receives a fee based on the net asset value of the Fund at the end of each semi-annual period at an amount of no more than 1% of the said net asset value (i.e. maximum 2% annually).

Total management fees for the year amounted to \$99.6 million (2017: \$97.3 million). The outstanding accrued management fees due to the Corporation as at year-end amounted to \$50.1 million (2017: \$49.6 million).

In addition, during the year the Fund entered into transactions with one related party. The transactions, which were effected on commercial terms and conditions and at market rates, are summarized below.

	Sale of Securities TTS'M		Purchase of Securities TTS'M	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Growth and Income Fund		-	4.0	3.0
Calypso Macro Index Fund	4.0	3.0		-

There were no outstanding balances in respect of the above transactions at the reporting date.

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12) Restatement of Financials

The Fund's 2016 and 2017 Financial Statements were restated to the correct treatment of Unit Capital transactions which were recognized in the Statement of Profit or Loss in error.

The correction for the years prior to 2017 reduced Retained Earnings and increased Unit Capital at December 31 2016, by \$10.8 million. The 2017 correction increased the Profit or Loss Account and Retained Earnings by \$6.2 million and reduced Unit Capital by an equal amount. The correction had no impact on the Net Asset Value of the Fund in any prior period.

Year ended 31 December 2017

STATEMENT OF PROFIT OR LOSS	As restated \$'000	As previously reported \$'000	Restatements \$'000
INCOME			
Interest Income	66,092	59,934	6,158
Dividend Income	110,255	110,255	-
Realized Capital Gains	276,089	276,090	(1)
Total Income	452,436	446,279	6,157
EXPENSES			
Management Charge	(97,339)	(97,339)	-
Impairment	(89,123)	(89,123)	-
Other Expenses	(708)	(708)	-
Bank Charges	(9)	(9)	-
Total Expenses	187,179	187,179	-
Net Income before Taxation	265,257	259,100	6,157
Withholding taxes	(4,551)	(4,551)	-
Net Income for the year	260,706	254,549	6,157

**STATEMENT OF
COMPREHENSIVE INCOME**

Other Comprehensive Income:

*Items that may be reclassified to
Profit or Loss:*

Movement in fair value available-for-sale assets	118,869	118,869	-
Transfer of fair value gains to Current period Profit or Loss	(277,646)	(277,646)	-
Impairment loss transferred to Income	89,123	89,123	-
Other Comprehensive Loss for the year	(69,654)	(69,654)	-
Total Comprehensive Income for the year	191,052	184,895	6,157

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12) Restatement of Financials (continued)

Year ended 31 December 2017

STATEMENT OF CHANGES IN EQUITY	As restated \$'000	As previously reported \$'000	Restatements \$'000
Unitholders' Capital			
Balance as at 1 January 2017	3,258,721	3,247,892	10,829
Subscriptions from Unitholders	86,829	77,769	9,060
Reinvestment of Distributions	46,213	45,314	899
Redemptions by Unitholders	(154,926)	(138,810)	(16,116)
Balance as at 31 December 2017	3,236,837	3,232,165	4,672
Fair Value Reserve			
Balance as at 1 January 2017	1,245,078	1,245,078	-
Other Comprehensive Loss for the year	(69,654)	(69,654)	-
Balance as at 31 December 2017	1,175,424	1,175,424	-
Retained Earnings			
Balance as at 1 January 2017	229,307	240,136	(10,829)
Net Income for the year	260,706	254,549	6,157
Distributions to Unitholders	(36,242)	(36,242)	-
Allocation to Guarantee Price Reserve	(1,000)	(1,000)	-
Balance as at 31 December 2017	452,771	457,443	(4,672)

Year ended 31 December 2017

STATEMENT OF FINANCIAL POSITION	As restated \$'000	As previously reported \$'000	Restatements \$'000
ASSETS			
Cash and cash equivalents	381,242	381,242	-
Receivables	35,992	35,992	-
Investment Securities	4,521,051	4,521,051	-
Total Assets	4,938,285	4,938,285	-
LIABILITIES			
Payables	73,253	73,253	-
Total Liabilities	73,253	73,253	-
EQUITY			
Unitholders' Capital	3,236,837	3,232,165	4,672
Fair Value Reserve	1,175,424	1,175,424	-
Retained Earnings	452,771	457,443	(4,672)
Total Equity	4,938,285	4,938,285	-

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12) Restatement of Financials (continued)

STATEMENT OF CASH FLOWS	Year ended 31 December 2017		
	As restated \$'000	As previously reported \$'000	Restatements \$'000
OPERATING ACTIVITIES			
Net Income before Taxation	265,257	259,100	6,157
<i>Adjustment to Reconcile Net Income to Net Cash and Cash Equivalents from Operating Activities:</i>			
Interest Income	(66,092)	(59,934)	(6,158)
Dividend Income	(110,255)	(110,255)	-
Realized Capital Gains	(211,050)	(211,050)	-
Foreign Exchange Gains	(66,595)	(66,596)	1
Impairment	89,123	89,123	-
	(99,612)	(99,612)	-
<i>Movements in Net Current Assets</i>			
(Increase)/Decrease in Receivables	(6,901)	(6,901)	-
Increase/(Decrease) in Payables	1,223	1,223	-
	(105,290)	(105,290)	-
Interest Received	59,535	53,377	6,158
Dividends Received	107,055	107,055	-
Taxation Paid	(4,551)	(4,551)	-
Net Cash Flow from Operating Activities	56,749	50,591	6,158
INVESTING ACTIVITIES			
Purchase of Investment Securities	(1,360,049)	(1,360,049)	-
Disposal of Investment Securities	1,470,798	1,470,798	-
Net Cash Flow from Investing Activities	110,749	110,749	-
FINANCING ACTIVITIES			
Subscriptions from Unitholders	87,020	77,062	9,958
Redemptions by Unitholders	(154,849)	(138,733)	(16,116)
Distributions to Unitholders	(1,037)	(1,037)	-
Guarantee Reserve payments	(1,000)	(1,000)	-
Net Cash Flow Used in Financing Activities	(69,866)	(63,708)	(6,158)
Net Increase in Cash and Cash Equivalents	97,632	97,632	-
Cash and Cash Equivalents at the beginning of the year	283,610	283,610	-
Cash and Cash equivalents at the end of the year	381,242	381,242	-

**Trinidad & Tobago Unit Trust Corporation
Growth and Income Fund (First Unit Scheme)**

Notes To The Financial Statements (Continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

13) Commitments

At 31 December 2018, the Fund had contractual obligations for capital contributions in the amounts of approximately \$19.0 million (2017: 19.2 million).

14) Approval of the Financial Statements

These Financial Statements were approved by the Board of Directors and authorized for issue on 22 February 2019.