



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

**REPORT
OF THE
AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF THE
TRINIDAD AND TOBAGO UNIT TRUST CORPORATION -
UTC CORPORATE FUND**

FOR THE YEAR ENDED

31 December, 2016



**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 – UTC CORPORATE FUND FOR THE YEAR ENDED 31 DECEMBER, 2016

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – UTC Corporate Fund (the Fund) for the year ended 31 December, 2016 have been audited. The statements as set out on pages 1 to 21 comprise a Statement of Financial Position as at 31 December, 2016, and the Statement of Profit or Loss, 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 UTC Corporate Fund as at 31 December, 2016 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 my 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 my 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 Fund'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 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 in accordance with section 30 (4) of the Unit Trust Corporation of Trinidad and Tobago Act, Chapter 83:03 based on the audit.

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:

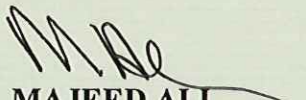
- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an opinion. The risk of not detecting 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 Fund's internal control.
- 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 Fund's ability 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.

15th MARCH, 2017
PORT OF SPAIN




MAJEED ALI
AUDITOR GENERAL

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**Trinidad & Tobago Unit Trust Corporation
UTC Corporate Fund**

Financial Statements
(Expressed in Trinidad and Tobago Dollars)

31 December 2016

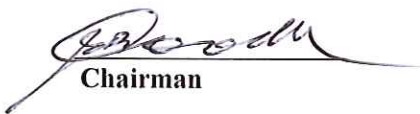
Trinidad and Tobago Unit Trust Corporation
UTC Corporate Fund

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Trinidad and Tobago Unit Trust Corporation
UTC CORPORATE FUND
STATEMENT OF FINANCIAL POSITION
As at 31 December, 2016
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-16 \$000	31-Dec-15 \$000
ASSETS			
Cash and Cash Equivalents	3	12,637	4,884
Receivables	4	213	81
Investment Securities	5	-	21,985
Total Assets		12,850	26,950
LIABILITIES			
Payables	6	33	64
Other Liabilities	6	213	85
Total Liabilities		246	149
EQUITY			
Unitholders' Capital		12,578	26,801
Undistributed Profit		26	-
Total Equity		12,604	26,801
TOTAL LIABILITIES AND EQUITY		12,850	26,950




Chairman


Executive Director

Trinidad and Tobago Unit Trust Corporation
UTC CORPORATE FUND
STATEMENT OF PROFIT OR LOSS
For the year ended 31 December, 2016
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-16 \$000	31-Dec-15 \$000
INCOME			
Interest Income	7	218	159
Realised Capital Gains		26	-
Other Income	8	-	52
Total Income		244	211
EXPENSES			
Management Charge	11	(104)	(33)
Other Expenses		-	(4)
Total Expenses		(104)	(37)
Net Income		140	174
Allocation to Primary Reserve	9	-	(51)
Net Income for the year		140	123

Trinidad and Tobago Unit Trust Corporation
UTC CORPORATE FUND
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December, 2016
Expressed in Trinidad and Tobago Dollars

	31-Dec-16 \$000	31-Dec-15 \$000
UNDISTRIBUTED INCOME FOR THE YEAR	140	123
Other Comprehensive Income:		
<i>Amounts that may be transferred to Profit or Loss in the future:</i>		
Fair value loss arising during the year	(26)	-
Fair value loss transferred to income	26	-
Other Comprehensive Income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	140	123

Trinidad and Tobago Unit Trust Corporation
UTC CORPORATE FUND
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December, 2016
Expressed in Trinidad and Tobago Dollars

	Unitholders' Capital \$000	Retained Earnings \$000	Fund Reserves \$000	Total \$000
Balance as at 1 January, 2016	26,801	-	-	26,801
Net Income Available for Distribution	-	140	-	140
Subscriptions from Unitholders	133	-	-	133
Redemptions by Unitholders	(14,356)	-	-	(14,356)
Distribution to Unitholders	-	(114)	-	(114)
Balance as at 31 December, 2016	12,578	26	-	12,604
Balance as at 1 January, 2015	19,284	-	-	19,284
Net Income Available for Distribution	-	174	-	174
Subscriptions from Unitholders	32,400	-	-	32,400
Redemptions to unitholders	(24,883)	-	-	(24,883)
Distribution to unitholders	-	(123)	-	(123)
Capital Reinstatement	-	-	(51)	(51)
Net Allocation to Reserves	-	(51)	51	-
Balance as at 31 December, 2015	26,801	-	-	26,801

Trinidad and Tobago Unit Trust Corporation
UTC CORPORATE FUND
STATEMENT OF CASH FLOWS
For the year ended 31 December, 2016
Expressed in Trinidad and Tobago Dollars

	31-Dec-16 \$000	31-Dec-15 \$000
OPERATING ACTIVITIES		
Net Income	140	174
<i>Adjustments to reconcile Net Investment Income to Net Cash Flow From Operating Activities:</i>		
Movement in Reserves	-	(51)
	140	123
<i>Movements in Net Current Assets</i>		
Increase in Receivables	(132)	(81)
Increase in Payables	97	147
Net Cash Flow From Operating Activities	105	189
INVESTING ACTIVITIES		
Purchase of Investment Securities	(22,822)	(47,369)
Disposal of Investment Securities	44,807	25,385
Net Cash Flow From/ (Used In) Investing Activities	21,985	(21,984)
FINANCING ACTIVITIES		
Subscriptions from Unitholders	133	32,400
Redemptions to Unitholders	(14,356)	(24,883)
Distribution to Unitholders	(114)	(123)
Net Cash (Used In)/ Flow From Financing Activities	(14,337)	7,394
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,753	(14,401)
Cash and Cash Equivalents at beginning of the year	4,884	19,285
Cash and Cash Equivalents at end of the year	12,637	4,884

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

1 General Information

The UTC Corporate Fund is a fixed income fund that was established in accordance with the Trinidad and Tobago Unit Trust Corporation Act No. 26 in 1981. The Fund was launched on 8 December 2014. The Fund is denominated in Trinidad and Tobago (TT) dollars. The custodian of the Fund is the Central Bank of Trinidad and Tobago. The Trinidad and Tobago Unit Trust Corporation (TTUTC) whose registered office is located at UTC Financial Centre, 82 Independence Square, Port of Spain is the manager and administrator of the Fund. The UTC Corporate Fund investments is guided by the investment guidelines and policies as approved by the Board of Directors or delegated to a sub-committee. The Fund's objective is to gain income by investing its capital in fixed income securities issued by corporations and sovereigns based locally and internationally.

Subscriptions

Units can be purchased on every business day directly from Investments Centers and authorised agents. The initial investment is a minimum of TT\$1,000,000. The price per unit is TT\$100.

Redemptions

Units can be redeemed on every business day at a price per unit of TT\$100. Redemption of units is executed via an original Redemption Form in accordance with the policies of the TTUTC. Proceeds on redemption are paid in TT dollars.

Reinvestments

Distribution is compounded daily and credited to Unitholders' accounts on a quarterly basis, (31 March, 30 June, 30 September and 31 December). Income earned during any distribution period is reinvested unless otherwise notified by the Unitholders.

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of 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 years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the UTC Corporate Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. There were no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) *Standards, interpretations or amendments to existing standards that are effective for accounting period beginning on or after 1 January 2016*

- The Fund adopted an amendment to IFRS 1, Amendment to IAS 1 Presentation of Financial Statements – Disclosure initiative (effective 1 January 2016). The amendment addresses perceived impediments to preparers in their exercise of judgement in presenting financial reports. Adoption of this amendment had no impact on these financial statements.

(b) *New standards, amendments and interpretations effective after 1 January 2016 and not early adopted*

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedged effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The UTC Corporate Fund is yet to assess the full impact of IFRS 9 on the Fund's financial statements.

There are no other new standards, amendments and interpretations that are not yet effective that would be expected to have a significant impact on the Fund's financial statements.

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the fund operates.

The financial statements are presented in Trinidad and Tobago dollars, which is the Fund's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. 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 recognised in the statement of profit or loss.

Translation differences on non-monetary items, such as available for sale equity are reported as part of the fair value gain/loss in other comprehensive income. In the case of the fair value of monetary assets denominated in a foreign currency and classified as available for sale, translation differences are analysed between those differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, translation differences on non-monetary securities are recognised in other comprehensive income.

2.3 Financial assets

The fund classifies its investment securities as loans and receivables and available for sale securities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

(a) *Classification*

(i) *Available for sale*

Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are those intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices.

(ii) *Held to maturity*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity, other than:

- those that the Fund designates as available for sale; and
- those that meet the definition of loans and receivables.

Interests on held-to-maturity investments are included in the statement of profit or loss and are reported as 'interest and similar income'. In the case of an impairment, it is reported as a deduction from the carrying value of the investment and recognised in the Statement of profit or loss as 'Net gains/(losses) on investment securities'. Held to maturity investments include Government, Corporate bonds and Fixed Deposits.

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.2 Financial assets (Continued)

(b) *Recognition, derecognition and measurement*

Regular purchases and sale of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment.

Financial assets are derecognised when the rights to receive cash flows from the investment have expired or the Fund has transferred substantially all the risk and rewards of ownership.

Available for sale investments are initially recognised and subsequently carried at fair value plus transaction cost. Gains and losses arising from changes in the fair value are recognised in other comprehensive income. When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of profit or loss as gains and losses from investment securities.

Interest on available for sale debt instruments is calculated using the effective interest method and recognised in the statement of profit or loss. The Fund did not hold any available for sale equity securities for the period.

Loans and receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

(c) *Transfers between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

(e) *Impairment of available for sale financial assets*

The Fund assesses, at each statement of financial position date, whether there is objective evidence that a financial asset is impaired. In the case of AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

(f) *Impairment of financial assets carried at amortised cost*

The Fund assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.3 Financial assets (Continued)

(f) *Impairment of financial assets carried at amortised cost (Continued)*

reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The impairment for held to maturity assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

2.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of profit or loss when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months.

2.6 Accrued expenses/accounts payables

Accrued expenses/ accounts payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.7 Accounts receivable

Accounts receivable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Redeemable units

The Fund issues redeemable units, which are redeemable at the unitholder's option. Such units are classified as financial liabilities. Redeemable units can be put back to the Fund at any dealing date for cash at a rate of TT\$100 per unit.

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.8 Redeemable units (Continued)

The redeemable units are carried at the redemption amount that is payable at the statement of financial position date if the unitholder exercises the right to put the unit back to the Fund.

Redeemable units are issued and redeemed at the holder's option at a price of TT\$100 per unit at the time of issue or redemption.

2.9 Interest Income

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents and on available for sale debt securities.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.10 Distribution payable to holders of redeemable units

Proposed distributions to holders of redeemable units are recognised when they are appropriately authorised and no longer at the discretion of the Fund. The distribution on the redeemable units is recognised as an appropriation of the net income of the Fund.

2.11 Increase/decrease in net assets attributable to holders of redeemable units from operations

Income not distributed is included in net assets attributable to holders of redeemable units.

2.12 Expenses

Expenses are accounted for on the accrual basis.

2.13 Taxation

Under the current laws of Trinidad and Tobago, there is no income tax or any other tax that is levied on the Corporation for the UTC Corporate Fund from any income or dividend distributed to a Unitholder who is a resident of Trinidad and Tobago. Therefore there is no provision for income taxes on the Financial Statements.

**Trinidad and Tobago Unit Trust Corporation
UTC Corporate Fund**

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

3 Cash And Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following with balances:

	31-Dec-16	31-Dec-15
	\$'000	\$'000
Cash at bank	12,637	4,884
Total	<u>12,637</u>	<u>4,884</u>

4 Interest Receivables

	31-Dec-16	31-Dec-15
	\$'000	\$'000
Interest receivables	213	81
Total	<u>213</u>	<u>81</u>

5 Investment Securities

	31-Dec-16	31-Dec-15
	\$'000	\$'000
Available- for-Sale		
- Fixed deposits	-	21,985
Total	<u>-</u>	<u>21,985</u>

6 Accounts Payables And Other Liabilities

	31-Dec-16	31-Dec-15
	\$'000	\$'000
Accounts Payable	33	64
Other Liabilities	213	85
Total	<u>246</u>	<u>149</u>

7 Interest Income

	31-Dec-16	31-Dec-15
	\$'000	\$'000
Income from debt securities	150	43
Amortisation of premium and discount	68	116
Total	<u>218</u>	<u>159</u>

8 Other Income

	31-Dec-16	31-Dec-15
	\$'000	\$'000
Miscellaneous income	-	52
Total	<u>-</u>	<u>52</u>

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

9 Distribution Payable

The distribution for December 2016 and December 2015 amounted to \$113,672 and \$ 122,614 respectively and are presented as finance cost.

10 Redeemable Units

These represent units issued by the UTC Corporate Fund. The units issued by the Fund may be redeemed by Unitholders of the Funds at any time. The Fund is primarily responsible for redemption of its units out of its assets.

11 Related Party Transaction

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

The UTC Corporate Fund is managed by the Trinidad and Tobago Unit Trust Corporation. Under the terms of management agreement 8 December 2014, the Fund appointed Trinidad and Tobago Unit Trust Corporation as an Investment Manager to provide management services to the Fund. Trinidad and Tobago Unit Trust Corporation receives a fee based on the net asset value of the fund at the end of each quarter at an amount of no more than 2% of the net asset value. Total management fees for the period December 2016 amounted to \$104,216 (2015: 32,592). The outstanding accrued management fees due to the Unit Trust Corporation as at the period-end amounted to \$9,381 (2015: TT\$ 20,409).

The Trinidad and Tobago Unit Trust Corporation has an implied guarantee on this fund. It is committed to ensure that units are redeemed at a unit price of \$100.

During the year, the Fund entered into significant transactions with two associates. The transactions, which were effected on commercial terms and conditions at market rates, are summarized below.

	Sale of Securities TT\$'M		Purchase of Securities TT\$'M	
	31-Dec- 2016	31-Dec- 2015	31-Dec- 2016	31-Dec- 2015
UTC Corporate Fund	9.90	-	-	-
Growth and Income Fund	-	-	4.91	-
Universal Retirement Fund	-	-	4.99	-

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

12 Financial Risk Factors

12.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk, credit risk and liquidity risk.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to both moderate and create certain risk exposures.

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

12 Financial Risk Factors (Continued)

12.1 Financial risk factors (Continued)

The Management Risk Committee is supported in its deliberations by the Risk Management Department led by the Chief Risk Officer. The Risk Management Department facilitates risk management policy setting, scenario and stress testing and risk exposure monitoring across all business and operating activities.

The Risk Management Department, in consultation with relevant line management, may also make recommendations for the management and mitigation of financial and other risks. The Risk Management Department is directed by and reports to the Executive Director and the Strategic Risk Committee.

In addition, the Investment Committee of the Board approves the Collective Investment Scheme's investment policy statement which takes into account risk management considerations for the investment portfolios.

12.2 Credit risk

(a) Definition

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes the risk that the issuer will default on its obligation (default risk) or the risk that the bond's value will decline and/or the bond's price performance will be worse than that of other bonds against which the investor is compared because either (a) the market requires a higher spread due to a perceived increase in the risk that the issuer will default or (b) the assigned credit of the debt will be lowered.

(b) Management of risk

Default risk is managed at the outset and subject all issuers/counterparties to a robust credit risk assessment process that results in the assignment of a credit score rating.

(b) Management of risk (Continued)

The acquisition or retention of a debt issue is subject to the credit rating limits and constraints contained in each member of the Group's investment policy statement, and any other relevant factors. It is the Corporation's policy that a credit rating review of each issuer/counterparty be performed at least annually.

The overall exposure to default risk is measured by monitoring the relative credit quality of the issuers making up the fixed income portfolio. Issuers/counterparties that are rated at least BBB- equivalent by international credit rating agencies or that have an internally determined credit score consistent with such a credit rating are deemed to have a high credit quality. Issuers/counterparties that are rated CCC equivalent and below by international agencies or have an internally determined score consistent with such a rating or that are past due or otherwise distressed or that are exposed to considerable short-term economic/industry/project risk are all deemed low credit quality. All other issuers/counterparties are considered to be of moderate credit quality.

**Trinidad and Tobago Unit Trust Corporation
UTC Corporate Fund**

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

12 Financial Risk Factors (Continued)

12.2 Credit risk (Continued)

(c) *Maximum exposure to credit risk before collateral or credit enhancements*

The maximum exposure to credit risk before any credit enhancements at the end of the period is the carrying amount of the financial assets as set out below.

	31-Dec-16	31-Dec-15
	\$'000	\$'000
Interest receivables	213	81
Cash and cash equivalents	12,637	4,884
Investment Securities- Available- for- Sale	-	21,985
	<u>12,850</u>	<u>26,950</u>

(d) *Financial assets are summarised as follows:*

31 December 2016

	Interest Receivables	Cash and Cash Equivalent
	\$'000	\$'000
Neither past due nor impaired	213	12,637
Gross	213	12,637
Less: Allowance for impairment	-	-
Total	<u>213</u>	<u>12,637</u>

31 December 2015

	Investment Securities	Interest Receivables	Cash and Cash Equivalent
	\$'000	\$'000	\$'000
Neither past due nor impaired	21,985	81	4,884
Gross	21,985	81	4,884
Less: Allowance for impairment	-	-	-
Total	<u>21,985</u>	<u>81</u>	<u>4,884</u>

Past due, impaired or other distressed investments held by the Fund are monitored by management and reported to the Management Risk Committee, the Investment Committee and the Board.

The Fund does not hold any collateral for these assets that are exposed to credit risk.

Trinidad and Tobago Unit Trust Corporation UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

12 Financial Risk Factors (Continued)

12.2 Credit risk (Continued)

(e) *Credit quality for neither past due nor impaired*

The internal credit quality rating is mapped to comparable external rating grades as per the following table:

Agency	High									Moderate						Low	
	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B		B-
S&P	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+ and below
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1 and below
Fitch	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC and below
CariCris	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B	C+ and below

The credit quality of the Fund's financial assets is given below:

	High \$'000	Total \$'000
As at 31 December 2016		
Cash and Cash Equivalents	12,637	12,637
Interest and Other Receivables	213	213
TOTAL	12,850	12,850
	High \$'000	Total \$'000
As at 31 December 2015		
Cash and Cash Equivalents	4,884	4,884
Interest and Other Receivables	81	81
Debt Instruments - traded	21,985	21,985
TOTAL	26,950	26,950

12.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes of market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

12 Financial Risk Factors (Continued)

12.3 Market risk (Continued)

12.3.1 Foreign exchange risk

The Fund has no significant exposure to foreign exchange risk since all its current financial liabilities and assets are denominated in Trinidad & Tobago dollars which is the Fund's functional currency.

12.3.2 Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value and future cash flows of financial assets and financial liabilities. The Fund holds cash and cash equivalents that expose the Fund to cash flow interest rate risk.

Given the general offsetting effect of exposures to fair value interest rate risk and cash flow interest rate risk, the overall interest rate risk is managed by making judicious adjustments of the overall weighted average term to maturity (i.e. duration) based on the relevant economic and financial market outlook. Management monitors the duration of the portfolios by segregating the fixed income securities by the earlier of contractual maturity or interest rate reset dates that are less than or equal to one year, greater than one year but less than five years, and greater than or equal to five years. The degree of interest rate sensitivity in the overall portfolio is then reflected by the relative proportions in the given maturity terms/interest rate reset frequencies.

The table below summarises the Fund's exposure to interest rate risk. The assets and liabilities are categorised by the earlier of the repricing date and the maturity date.

	Less than 1 year \$'000	Non - Interest Bearing \$'000	Total \$'000
At 31 December 2016			
Financial Assets			
Investment Securities	-	-	-
Cash and cash equivalents	12,637	-	12,637
Interest receivables	-	213	213
Total financial assets	12,637	213	12,850
Financial Liabilities			
Accounts payables and other liabilities	246	-	246
Amounts due to holders of redeemable units	12,604	-	12,604
Total Financial Liabilities	12,850	-	12,850
Interest sensitivity gap	(213)		

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

12 Financial Risk Factors (Continued)

12.3 Market risk (Continued)

12.3.2 Cash flow and fair value interest rate risk (Continued)

	Less than 1 year \$'000	Non - Interest Bearing \$'000	Premiums / Discounts \$'000	Total \$'000
At 31 December 2015				
Financial Assets				
Investment Securities	22,000	-	(15)	21,985
Cash and cash equivalents	4,884	-	-	4,884
Interest receivables	-	81	-	81
Total financial assets	26,884	81	(15)	26,950
Financial Liabilities				
Accounts payables and other liabilities	149	-	-	149
Amounts due to holders of redeemable units	26,801	-	-	26,801
Total Financial Liabilities	26,950	-	-	26,950
Interest sensitivity gap	(66)			

Given the above rate re-pricing profile, a 1% change in interest rates as at 31 December 2016 and 31 December 2015 would have had the following estimated impact on the net assets attributable to unit holders:

	31 December	
	2016	2015
100 basis point change	-	0.2mil

There were no changes in the policies and procedures for managing interest rate risk from the prior year

12.4 Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet payment obligations associated with its financial liabilities when they fall due. The Fund's treasury management activities include: (i) daily monitoring of future cash flow requirements, (ii) maintenance of a portfolio of investments that can be easily liquidated as protection against any unforeseen interruptions to cash flow, and (iii) management of the concentration and profile of debt maturities.

Units in the UTC Corporate Fund are redeemable upon demand by investors. Consequently, these Funds are exposed to daily unit redemptions. The Funds mitigate the risk by maintaining adequate portfolio liquidity through appropriate cash, near cash and other short term investments. Given the tradable nature of a substantial proportion of the Fund portfolios, this risk is not deemed significant.

Net Assets Attributable to Holders of redeemable units is adequate to allow redemption of the fixed amount of \$100 per unit.

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

12 Financial Risk Factors (Continued)

12.4 Liquidity risk (Continued)

The following table presents cash flows payable by the Fund for its financial liabilities. The amounts disclosed in the table are contractual undiscounted cash flows:

	Less than 1 year \$'000	Total \$'000
At 31 Dec 2016		
Financial assets	12,850	12,850
Total Financial Assets	<u>12,850</u>	<u>12,850</u>
Financial liabilities		
Accounts payable and other liabilities	246	246
Amounts due to holders of redeemable units	12,604	12,604
Contractual cash out flows (excluding derivatives)	<u>12,850</u>	<u>12,850</u>
Liquidity gap	<u>-</u>	<u>-</u>
	Less than 1 year \$'000	Total \$'000
At 31 Dec 2015		
Financial assets	26,950	26,950
Total Financial Assets	<u>26,950</u>	<u>26,950</u>
Financial liabilities		
Accounts payable and other liabilities	149	149
Amounts due to holders of redeemable units	26,801	26,801
Contractual cash out flows (excluding derivatives)	<u>26,950</u>	<u>26,950</u>
Liquidity gap	<u>-</u>	<u>-</u>

There were no changes in the policies and procedures for managing liquidity risk from the prior year.

The Fund holds a diversified portfolio of cash and high quality securities to support payment obligations and contingent funding in a stressed market environment. The Fund's assets held for managing liquidity risk comprise:

- Cash and balances
- Fixed Deposits

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

13 Capital Risk Management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change significantly on a weekly basis, as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate daily and adjust the amount of distributions the Fund pays to redeemable unitholders.
- Redeem and issue new units in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

There were no changes in the policies and procedures for capital risk management from the prior year.

14 Financial Instruments by Category

	Loans and Receivables \$'000	Total \$'000
Financial Assets		
-Cash and cash equivalents	12,637	12,637
-Interest and other receivables	213	213
-Investment securities	-	-
As at 31 December 2016	12,850	12,850
	Financial Liabilities at amortised cost	Total
Financial Liabilities		
-Accounts payable and other liabilities	246	246
-Net assets attributable to holders of redeemable units	12,604	12,604
As at 31 December 2016	12,850	12,850

Trinidad and Tobago Unit Trust Corporation
UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

14 Financial Instruments by Category (Continued)

	Loans and Receivables \$'000	Available- for- Sale \$'000	Total \$'000
Financial Assets			
-Cash and cash equivalents	4,884	--	4,884
-Interest and other receivables	81	--	81
-Investment securities	-	21,985	21,985
As at 31 December 2015	<u>4,965</u>	<u>21,985</u>	<u>26,950</u>
		Financial Liabilities at amortised cost	Total
		\$	\$
Financial Liabilities			
-Accounts payable and other liabilities		149	149
-Net assets attributable to holders of redeemable units		26,801	26,801
As at 31 December 2015		<u>26,950</u>	<u>26,950</u>