



**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 - TT DOLLAR INCOME FUND FOR THE YEAR ENDED 31 DECEMBER, 2017

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – TT Dollar Income Fund (the Fund) for the year ended 31 December, 2017 have been audited. The statements as set out on pages 1 to 26 comprise a Statement of Financial Position as at 31 December, 2017, 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 16, 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 – TT Dollar Income Fund as at 31 December, 2017 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, 2018
PORT OF SPAIN



A handwritten signature in blue ink, appearing to read "Maheed Ali".

MAJEED ALI
AUDITOR GENERAL

SS
20180320

**Trinidad & Tobago Unit Trust Corporation
TT Dollar Income Fund**

Financial Statements
(Expressed in Trinidad and Tobago Dollars)

31 December 2017

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

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Trinidad and Tobago Unit Trust Corporation
TT DOLLAR INCOME FUND
STATEMENT OF FINANCIAL POSITION

As at 31 December, 2017

Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-17 \$'000	31-Dec-16 \$'000
ASSETS			
Cash and Cash Equivalents	4	1,650,294	949,544
Receivables	5	233,011	583,168
Investment Securities	6	9,102,608	9,696,316
Total Assets		10,985,913	11,229,028
LIABILITIES			
Payables	7	36,103	391,137
Total Liabilities		36,103	391,137
EQUITY			
Unitholders' Capital		10,704,784	10,659,115
Fair Value Reserve		107,072	89,117
Retained Earnings		66,352	37,924
Fund Reserves		71,602	51,735
Total Equity		10,949,810	10,837,891
TOTAL LIABILITIES AND EQUITY		10,985,913	11,229,028
Net Asset Value Per Unit		\$ 20.00	\$ 20.00

R.F. Nelson

Chairman



Van S. Ching
Executive Director

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

Trinidad and Tobago Unit Trust Corporation
TT DOLLAR INCOME FUND
STATEMENT OF PROFIT OR LOSS
For the year ended 31 December, 2017
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-17 \$ '000	31-Dec-16 \$'000
INCOME			
Interest Income	8	335,126	330,105
Realised Capital Gains		8,588	6,383
Foreign Exchange Gains		21,225	43,700
Other Income	9	307	3,525
Total Income		365,246	383,713
EXPENSES			
Management Charge	12	(176,255)	(200,414)
Impairment		(1,754)	(854)
Commissions		(9,271)	(8,766)
Other Expenses		(1,725)	(673)
Bank Charges		(22)	(15)
Total Expenses		(189,027)	(210,722)
Net Income for the year		176,219	172,991

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

Trinidad and Tobago Unit Trust Corporation
TT DOLLAR INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December, 2017
Expressed in Trinidad and Tobago Dollars

	31-Dec-17 \$'000	31-Dec-16 \$'000
Net Income for the year	176,219	172,991
Other Comprehensive Income:		
<i>Items that may be reclassified subsequently to Profit or Loss:</i>		
Movement in Fair Value - Available for Sale Assets	24,789	41,111
Transfer of Fair Value Gains to Current Period Profit	(8,588)	(41,876)
Impairment Loss Transferred to Income	1,754	854
Other Comprehensive Income for the year	17,955	89
Total Comprehensive Income for the year	194,174	173,080

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

Trinidad and Tobago Unit Trust Corporation
TT DOLLAR INCOME FUND
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December, 2017
Expressed in Trinidad and Tobago Dollars

	Unitholders' Capital \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Fund Reserve \$'000	Total \$'000
Balance as at 1 January, 2017	10,659,115	89,117	37,924	51,735	10,837,891
Net Income for the year	-	-	176,219	-	176,219
Subscriptions from Unitholders	1,901,203	-	-	-	1,901,203
Redemptions by Unitholders	(1,855,534)	-	-	-	(1,855,534)
Distributions to Unitholders	-	-	(127,924)	-	(127,924)
Net Allocation to Reserves	-	-	(19,867)	19,867	-
Other Comprehensive Income for the year	-	17,955	-	-	17,955
Balance as at 31 December, 2017	10,704,784	107,072	66,352	71,602	10,949,810
Balance as at 1 January, 2016	10,538,319	89,028	(18,656)	48,445	10,657,136
Net Income for the year	-	-	172,991	-	172,991
Subscriptions from Unitholders	1,740,788	-	-	-	1,740,788
Redemptions by Unitholders	(1,619,992)	-	-	-	(1,619,992)
Distributions to Unitholders	-	-	(113,611)	-	(113,611)
Net Allocation to Reserves	-	-	(2,800)	3,290	490
Other Comprehensive Income for the year	-	89	-	-	89
Balance as at 31 December, 2016	10,659,115	89,117	37,924	51,735	10,837,891

Trinidad and Tobago Unit Trust Corporation
TT DOLLAR INCOME FUND
STATEMENT OF CASH FLOWS
For the year ended 31 December, 2017
Expressed in Trinidad and Tobago Dollars

	31-Dec-17 \$'000	31-Dec-16 \$'000
OPERATING ACTIVITIES		
Net Income	176,219	172,991
<i>Adjustment to Reconcile Net Income to Net Cash and Cash Equivalents From Operating Activities:</i>		
Interest Income	(335,126)	(330,105)
Realised Capital Gains	(8,588)	(6,383)
Foreign Exchange Gains	(20,027)	(35,493)
Impairment	1,754	853
Income on Reserves	-	490
	(185,768)	(197,647)
<i>Movements in Net Current Assets</i>		
Decrease/(Increase) in Receivables	381,676	(162,750)
(Decrease)/Increase in Payables	(356,061)	149,596
	(160,153)	(210,801)
Interest Received	286,155	322,186
Net Cash Flow From Operating Activities	126,002	111,385
INVESTING ACTIVITIES		
Purchase of Investment Securities	(6,203,212)	(8,019,145)
Disposal of Investment Securities	6,883,814	8,465,854
Net Cash Flow From Investing Activities	680,602	446,709
FINANCING ACTIVITIES		
Subscriptions from Unitholders	1,749,679	1,612,987
Redemptions by Unitholders	(1,855,533)	(1,619,992)
Net Cash Used In Financing Activities	(105,854)	(7,005)
Net Increase in Cash and Cash Equivalents	700,750	551,089
Cash and Cash Equivalents at beginning of the year	949,544	398,455
Cash and Cash Equivalents at the end of the year	1,650,294	949,544

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

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

1 General Information

The TT Dollar Income Fund (the Fund) is a fixed income mutual fund that was established in accordance with the Trinidad and Tobago Unit Trust Corporation Act (the Act). The fund was launched on 1 September 1989. The Fund is denominated in Trinidad and Tobago (TT) dollars. The custodians of the Fund are the Central Bank of Trinidad and Tobago and Citibank New York. The Trinidad and Tobago Unit Trust Corporation (Corporation) whose registered office is located at UTC Financial Centre, 82 Independence Square, Port of Spain is the Sponsor, Manager, Trustee, and Investment Advisor of the Fund. Responsibility for the management of the business affairs of the Fund is vested in the Board of Directors of the Corporation which approves all significant agreements of the Fund.

The TT Dollar Income Fund's investments are guided by the investment guidelines and policies approved by the Board of Directors.

Participation by investors in the Fund is represented by units which are equivalent to a proportion of the Fund's Net Asset Value. There is no limit to the number of units that may be issued. Each unit attracts an equal share in income to be distributed, capital gains are reflected in unit prices and other benefits arising from participation in the Fund.

Subscriptions

The price of a unit is fixed at \$20.00 per unit and may be purchased through the Corporation's distribution channels including the Corporation's authorized agents. The minimum initial investment is \$100.00.

Redemptions

Units may be redeemed at a fixed price per unit of TT\$20.

Reinvestments

Income is earned and compounded daily but is credited to unitholders' on a quarterly basis. The Fund's distribution dates are 28 February, 31 May, 31 August and 30 November. Income earned during any distribution period is reinvested in unitholders' accounts unless the unitholder requests otherwise.

Management Charge

The Corporation may charge an annual Management Charge of up to 2% of the market value of the investments held by the Fund.

Investment Objective

The Fund seeks to provide investors with income by investing its capital primarily in fixed income securities issued by the Government of Trinidad and Tobago, local and international corporations and international sovereigns.

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.

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies in all material respects conform to IFRS.

The financial statements have been prepared under the historical cost convention with the exception of financial assets, which are carried at fair value at the reporting date. The historical cost convention requires that assets acquired are carried at the value of the consideration originally given in exchange for the assets acquired, less adjustments for depreciation and/or impairment. Fair value on the other hand adjusts the carrying value of assets and liabilities to reflect the value that would be received on the sale of the asset, or paid to transfer the liability, in an orderly transaction between market participants at the reporting date. The methods used to measure the fair value of the Fund's financial assets are provided at Note 13.

The financial statements are presented in Trinidad and Tobago dollars (TTD) which is the functional currency of the Fund. All financial information has been rounded to the nearest thousand except otherwise indicated.

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

(a) *Standards, interpretations or amendments to existing standards that are effective for accounting periods beginning on or after 1 January 2017*

There were no new standards, amendments and interpretations that are effective that has an impact on the Fund's financial statements.

(b) *New standards, amendments or interpretations effective after 1 January 2017 and not early adopted are:*

There are new IFRSs that the Fund did not early adopt in 2017. These new standards were not applied in the preparation of these Financial Statements. The standards are:

- **IFRS 9- Financial Instruments**

IFRS 9, was issued in July 2014 and is mandatory for annual periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments – Recognition and Measurement. The Fund will adopt IFRS 9 on 1 January 2018. The major expected impacts on the Fund's accounting policies and financial statements on adoption of IFRS 9 are itemized below:

- i. IFRS 9 must be applied on a retrospective basis. However, in accordance with the transitional provisions, the Fund is not required to restate its prior period comparative financial statements on adoption of the new standard. Differences in the carrying amounts of financial instruments arising from the adoption of IFRS 9 will be recognized in the opening balance of Retained Earnings and Other Comprehensive Income as if the Fund had always followed the requirements of IFRS 9. Given that the vast majority of all the financial assets of the Fund are classified as available-for-sale at present and the classification to be adopted will be fair value through profit or loss account (see below), no material differences are expected to be recognised in the opening balance of Retained Earnings in 2018 as a result of the adoption of IFRS 9.

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) *New standards, amendments or interpretations effective after 1 January 2017 and not early adopted (Continued)*

ii. Classification of financial assets under IFRS 9.

IFRS 9 accounts for the carrying value of financial assets in three ways, namely:

- a. amortized cost,
- b. fair value through other comprehensive income (FVOCI); and
- c. fair value through profit and loss (FVTPL).

The accounting treatment applicable to a financial asset is based on the classification of the financial asset under IFRS 9. Classification of financial assets under IFRS 9 is based on the business model within which the financial asset is held. IFRS 9 recognizes three business models, namely:

- a. business model whose objective is to hold financial assets to collect contractual cash flows;
- b. a business model whose objective is both to collect contractual cash flows and sell financial assets; and
- c. other business models.

In accordance with the IFRS 9 Guidance at paragraph B.4.1.6, the financial assets in the said Funds must be measured therefore at fair value through profit or loss.

- iii. On adoption of IFRS 9 the unrealized gains and losses of financial assets will be recognised immediately in the Statement of Profit or Loss of each entity and on consolidation in the Statement of Profit or Loss. This may give rise to profit volatility when markets are volatile.
- iv. IFRS 9 was accompanied by consequential changes to IFRS 7 - *Financial Instruments – Disclosures*. Therefore, additional disclosures will be required in the Financial Statements on adoption of IFRS 9.

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

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.

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.2 Foreign currency translation (continued)

(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.

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. Translation differences related to changes in the amortized cost are recognized in the Statement of Profit or Loss, and other changes in the carrying amount, except impairment, are recognized in other comprehensive income.

2.3 Financial assets

The Fund's financial assets consist principally of bonds and short-term investments. The Fund's financial assets are classified as either loans, receivables or 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 category. Available-for-sale investments are those intended to be held for an indefinite period and that may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The fund's loans and receivables comprise 'cash and cash equivalents' and 'accounts receivables' in the Statement of Financial Position (notes 2.7 and 2.5).

(b) *Recognition, derecognition and measurement*

Regular purchases of investments are recognised on the settlement date – the date on which the Fund pays for 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 available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognised in other comprehensive income are transferred to the Statement of Profit or

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.3 Financial assets (continued)

(b) *Recognition, derecognition and measurement (continued)*

Loss. Interest on available-for-sale debt instruments are calculated using the effective interest rate method and recognised in the Statement of Profit or Loss.

(c) *Fair value estimation*

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.

The fair value of financial assets traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Trinidad on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

(d) *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. A financial asset or a group of financial assets is impaired and impairment losses are recognized 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 issuers or a group of issuers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial 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.

If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income is removed from other comprehensive income and transferred to 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.

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

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 event and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund 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 or less.

2.6 Accrued expenses/ accounts payable

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

2.7 Accounts receivable

Accounts receivable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

2.8 Redeemable units

All the units issued by the Fund are redeemable at the unitholder's option. Such units are classified as equity in these financial statements based on the exception provided by paragraph 16A of International Accounting Standard 32 – *Financial Instruments Presentation*. Redeemable units can be put back to the Fund on any date for cash at \$20.00 per unit (see Note 1 Redemptions).

2.9 Interest Income

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

The effective interest rate 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.

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.10 Distribution payable to unitholders

Proposed distributions to unitholders are recognised when they are appropriately authorised and are 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 total equity from operations.

Income not distributed is transferred to retained earnings which forms part of Total Equity at each reporting period.

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 levied on the Fund, nor is there any tax on distributions to unitholders of the Fund who are residents of Trinidad and Tobago. Non-residents however are subject to withholding tax on distributions at varying rates depending on their tax residence. Withholding tax on distributions paid to non-residents is withheld by the Fund and remitted to the tax authorities.

3 Critical Accounting Estimates And Assumptions

Management made estimates and assumptions in preparing these financial statements. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the Fund's assets are outlined below.

(i) Impairment losses on available-for-sale securities

The Fund is guided by IAS 39 – “*Financial Instruments: Recognition and Measurement*” in determining impairment of financial assets. This determination requires significant judgement. In making this judgement, the Fund considers, among other factors, the financial health of, and near-term business outlook for, the bond issuers, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

The Fund reviews its' investment portfolios to assess impairment at each reporting period. In determining whether an impairment loss should be recognised in the Statement of Profit or Loss, the Fund makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from debt securities. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets of issuers. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimize differences between loss estimates and actual loss experience.

Trinidad and Tobago Unit Trust Corporation
TT Dollar Income Fund

Notes To The Financial Statements (Continued)
31 December 2017
(Expressed in Trinidad and Tobago Dollars)

3 Critical Accounting Estimates And Assumptions (Continued)

(ii) *Fair value of financial assets not quoted in an active market*

The fair value of securities not quoted in an active market may be determined by the Fund using reputable pricing sources such as pricing agencies or indicative prices from bond/debt market makers. Broker quotes obtained from the pricing sources may be indicative and not executable or binding.

The Fund uses models for valuing debt securities which are not traded in active markets. The models are based on the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit and market risk factors.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund consider 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.

A Valuation Committee has been established to review and determine the prices of all securities in the Fund.

4 Cash And Cash Equivalents

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Cash at banks	1,649,839	949,106
Cash and cash equivalents at brokers	455	5,438
Total	1,650,294	949,544

5 Interest And Other Receivables

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Interest receivable	76,404	70,080
Other receivables	156,607	513,088
Total	233,011	583,168

6 Investment Securities

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Available-for-sale securities		
- Corporate securities	2,144,840	2,474,878
- Government securities	3,148,198	3,012,693
- Short Term securities	3,809,570	4,208,745
Total available-for-sale securities	9,102,608	9,696,316

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

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7	Accounts Payable And Other Liabilities	31-Dec-17	31-Dec-16
		\$'000	\$'000
	Amount due to the Corporation	23,073	28,689
	Other Liabilities	1,732	352,176
	Accrual for distribution	11,298	10,272
	Total	<u>36,103</u>	<u>391,137</u>
8	Interest Income	31-Dec-17	31-Dec-16
		\$'000	\$'000
	Interest Income	293,049	310,516
	Amortization of premium and discount	42,077	19,589
	Total	<u>335,126</u>	<u>330,105</u>
9	Other Income	31-Dec-17	31-Dec-16
		\$'000	\$'000
	Miscellaneous income	307	3,525
		<u>307</u>	<u>3,525</u>

10 Distribution To Unitholders

The distributions for the year ended 31 December amounted to \$127,924,293 (2016: \$113,610,668).

11 Redeemable Units

This represents units issued by the TT Dollar Income Fund. The units issued by the Fund may be redeemed by unit holders of the Fund at any time. The Fund is primarily responsible for redemption of its units.

12 Related Party Transactions

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

The Fund is managed by the Corporation which was established by statute in Trinidad and Tobago. Under the terms of the management agreement dated 1 September 1989, the Corporation may charge an annual management fee of up to 2% of the funds under management. Management fees for the year amounted to TT\$ 176.26 million or 1.64% of the average fund size (December 2016: TT\$200.41 million or 1.88% of the average fund size). The outstanding management charge due to the Corporation as at 31 December amounted to TT\$ 19.27 million (December 2016: TT\$25.04 million).

The Fund sold US\$6 million to the Corporation during September 2017. This was effected on commercial terms through an authorized foreign exchange dealer at the dealer's exchange rate on the trade date.

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

12 Related Party Transactions (Continued)

The Corporation provides an implied guarantee on units issued by the Fund as it is committed to ensuring that all units issued are redeemed at a unit price of \$20.

13 Fair Value Estimate

The fair value of financial assets traded in active markets (such as traded securities) are based on quoted market prices at the close of trading on the year end date. The Fund utilises the last traded market price for financial assets. If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Trinidad on the year end date, valuation techniques will be applied to determine the fair value.

An active market is a market in which transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

The Fund uses models for valuing debt securities which are not traded in active markets. The models are based on the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit and market risk factors (see Note 3 (ii)).

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and;
- Level 3 inputs are unobservable inputs for asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input into the fair value measurement in its entirety, requires judgment, considering factors specific to the assets.

The determination of what constitutes 'observable' requires significant judgment by the Fund. 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.

Level 3 inputs are unobservable inputs for the asset.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset, including assumptions about risk.

Assumptions about risk include the risk inherent in a valuation technique used to measure fair value such as a pricing model and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset.

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TT Dollar Income Fund

Notes To The Financial Statements (Continued)

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13 Fair Value Estimate (Continued)

Investments classified as Level 3 have significant unobservable inputs. The valuation techniques used by the Fund to arrive at the fair value of Level 3 investments are summarized below.

Available-for-sale bonds

Available-for-sale bonds that are actively traded are valued based on the average of three quotations received for the bond at the reporting date.

Where there is no active market an internally developed model is used. The model uses yield curves to estimate the returns required by market participants given the bond's term to maturity. The desired market yield serves as a benchmark in valuing bonds carried at amortised cost. The benchmark is increased to arrive at an appropriate discount rate where management is of the view that an additional premium is warranted given the liquidity and other risks attaching to the bond at the reporting date. The discount rate is used to discount the bond's future cash flows and arrive at the net present value of the bond.

Markets are dynamic, and the market reads used to construct the yield curve may quickly become dated. Management therefore reviews the benchmark at reporting dates to ensure that it reflects market participants' view of the credit, liquidity, business and other risks of Level 3 bonds at the reporting date. During 2017, management was assisted in its review of the internally developed model by a firm of professional accountants.

Short term investments

Management estimates that the value of its short-term investments approximates carrying value.

Summary of Valuation techniques used

A summary of the valuation Techniques used by Management in estimating the fair value of the Fund's Level 3 Available-for-sale Securities in Note 6 is provided in the tables below.

	Level 3 Fair Value 2017	As at 31 December 2017			
	\$'000	Valuation Technique Used	Significant unobservable inputs	Possible shifts in inputs +/-	Change in valuation +/- \$'000
Available-for-sale investments carried at fair value:					
Debt Securities	5,293,038	Average of broker and valuation model	Not applicable	Not applicable	Not applicable
Total	5,293,038				

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TT Dollar Income Fund

Notes To The Financial Statements (Continued)

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13 Fair Value Estimate (Continued)

	Level 3 Fair Value 2016 \$'000	As at 31 December 2016		Possible shifts in inputs +/-	Change in valuation +/- \$'000
		Valuation Technique Used	Significant unobservable inputs		
Available-for-sale investments carried at fair value:					
Debt Securities	5,487,571	Average of broker or valuation model	Not applicable	Not applicable	Not applicable
Total	5,487,571				

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) measured at fair value at 31 December 2017. All fair value measurements disclosed are recurring fair value measurements.

As at 31 December 2017	Level 1 \$'000	Level 3 \$'000	Total \$'000
Financial Assets			
Investment Securities			
Debt securities	-	5,293,038	5,293,038
Short term securities	3,809,570	-	3,809,570
Total	3,809,570	5,293,038	9,102,608
As at 31 December 2016	Level 1 \$'000	Level 3 \$'000	Total \$'000
Financial Assets			
Investment Securities			
Debt securities	-	5,487,571	5,487,571
Short term securities	4,208,745	-	4,208,745
Total	4,208,745	5,487,571	9,696,316

Reconciliation of movement in level 3:

	31-Dec-17 \$'000	31-Dec-16 \$'000
Balance at the start of the year	5,487,571	6,464,235
Additions	1,381,059	1,985,637
Disposals	(1,593,547)	(2,962,890)
Unrealised fair value gain/loss	17,955	589
Balance at end of year	5,293,038	5,487,571

There were no transfers of investments between the levels during 2017 (2016: Nil).

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

14 Financial Risk Factors

14.1 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 price risk), credit risk and liquidity risk. The Board of Directors has established policies, procedures, an Audit and Compliance Committee and a Strategic Risk Committee to minimize the potential loss that might arise from such financial risks.

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 minimise the potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments for hedging purposes.

The Audit and Compliance Committee and the Strategic Risk Committee are supported in their deliberations by the Risk Department led by the Chief Risk Officer. The Risk Department facilitates risk management policy setting, scenario and stress testing and risk exposure monitoring across all business and operating activities of the Fund.

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 Fund's Investment Policy Statement which takes into account portfolio risk management considerations.

14.2 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 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 assign credit of the debt will be lowered.

(b) *Management of risk*

Default risk is managed at the outset by subjecting all issuers/counterparties to a robust credit risk assessment process that results in the assignment of a credit score rating for debt which is not rated by a recognized debt rating agency. The acquisition or retention of a debt issue is subject to the credit rating limits and constraints contained in the Fund'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

**Trinidad and Tobago Unit Trust Corporation
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14 Financial Risk Factors (Continued)

14.2 Credit risk (continued)

(b) *Management of risk (continued)*

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.

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

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below.

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Investment Securities:		
- Debt securities	5,293,038	5,487,571
- Short term securities	3,809,570	4,208,745
Accounts receivable	233,011	583,168
Cash and cash equivalents	1,650,294	949,544
TOTAL	10,985,913	11,229,028

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

	31-Dec-17		
	Available-for-sale Financial Assets	Accounts Receivables	Cash and Cash Equivalents
	\$'000	\$000	\$'000
Neither Past due nor impaired	9,102,608	233,011	1,650,294
Gross	9,102,608	233,011	1,650,294
	9,102,608	233,011	1,650,294

	31-Dec-16		
	Available-for-sale Financial Assets	Accounts Receivables	Cash and Cash Equivalents
	\$'000	\$000	\$'000
Neither Past due nor impaired	9,694,106	583,168	949,544
Individually impaired	2,210	-	-
Gross	9,696,316	583,168	949,544
	9,696,316	583,168	949,544

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

Trinidad and Tobago Unit Trust Corporation
TT Dollar Income Fund

Notes To The Financial Statements (Continued)
31 December 2017
(Expressed in Trinidad and Tobago Dollars)

14 **Financial Risk Factors (Continued)**

14.2 **Credit risk (continued)**

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

The Fund does not hold any collateral for these assets that are exposed to credit risk. There are no assets in the Fund that are past due but not impaired.

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

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

	High \$'000	Moderate \$'000	Low \$'000	Total \$'000
As at 31 December 2017				
Cash and Cash Equivalents	1,650,294	-	-	1,650,294
Interest and Other Receivables	233,011	-	-	233,011
Short Term Securities	3,809,570	-	-	3,809,570
Debt Instruments - traded	4,463,968	784,641	44,496	5,293,105
TOTAL	10,156,843	784,641	44,496	10,985,980

	High \$'000	Moderate \$'000	Low \$'000	Total \$'000
As at 31 December 2016				
Cash and Cash Equivalents	949,544	-	-	949,544
Interest and Other Receivables	583,168	-	-	583,168
Short Term Securities	4,208,745	-	-	4,208,745
Debt Instruments	5,056,538	352,338	78,695	5,487,571
TOTAL	10,797,995	352,338	78,695	11,229,028

(f) *Impaired assets*

Impairment charges are computed in accordance with IAS 39 and the Fund accounting policies. In summary an asset is considered impaired where there is no longer reasonable assurance of collection within the contractually established timeframe of the full amount of principal and interest due, to deterioration in the credit quality of the counterparty or any other factor which may affect contractual performance. In other words, an asset is impaired if its estimated recoverable amount is less than its carrying amount.

For the year ended 31 December 2017 and 31 December 2016, the impairment charges recognised are summarised as below:

	31-Dec-17 \$'000	31-Dec-16 \$'000
Impairment loss recognised	1,754	854

The Fund does not maintain a provision for allowance account. Impairment losses are charged directly against the investment account.

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

14 Financial Risk Factors (Continued)

14.3 Market risk

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

14.3.1 Foreign exchange risk

Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies which fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non - monetary assets and liabilities to be a component of market price risk, not foreign currency risk.

The value of the net assets of the portfolio may fluctuate with changes in foreign exchange rates. As a consequence, the value of the net assets and/or earnings of the TT\$ denominated portfolios could increase or decrease in value due to exchange rate fluctuations of individual currencies relative to the TT dollar. This risk is managed by restricting non - TT dollar holdings in the individual Fund to an appropriate proportion to net assets.

The table below summarises the Fund's asset monetary and non-monetary, which are categorised in all traded currencies. The Fund had no liabilities in US\$.

As at 31 December 2017	TT\$	US\$ (TT\$ Equivalent)	TOTAL
	\$'000	\$'000	\$'000
Financial Assets			
Cash and cash equivalents	1,334,944	315,350	1,650,294
Financial assets:			
- Available for sale	7,514,034	1,588,574	9,102,608
Interest and other receivables	233,011	-	233,011
Total Financial Assets	9,081,989	1,903,924	10,985,913
Financial Liabilities			
Total Equity	10,949,810	-	10,949,810
Accounts payable and other liabilities	36,103	-	36,103
Total Financial Liabilities	10,985,913	-	10,985,913

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TT Dollar Income Fund

Notes To The Financial Statements (Continued)

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14 Financial Risk Factors (Continued)

14.3 Market risk (continued)

14.3.1 Foreign exchange risk (continued)

As at 31 December 2016	TT\$ \$'000	US\$ (TT\$ Equivalent) \$'000	TOTAL \$'000
Financial Assets			
Cash and cash equivalents	776,780	172,764	949,544
Financial assets:			
- Available for sale	8,023,818	1,672,498	9,696,316
Interest and other receivables	583,168	-	583,168
Total Financial Assets	9,383,767	1,845,262	11,229,028
Financial Liabilities			
Total Equity	10,837,891	-	10,837,891
Accounts payable and other liabilities	391,137	-	391,137
Total Financial Liabilities	11,229,028	-	11,229,028

14.3.2 Cash flow and fair value interest rate risk

If the US\$ appreciates by 1% against the TT\$, the profit would decrease by \$19.04 million (2016: \$18.45 million). One percent was considered a reasonable possible shift since the US\$ rate has not changed by 1% during the last year.

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

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 liabilities. The Fund fixed interest securities expose the Fund to fair value interest rate risk. The Fund also holds floating rate debt instruments and 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.

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TT Dollar Income Fund

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31 December 2017

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14 Financial Risk Factors (Continued)

14.3 Market risk (continued) 14.3.2 *Cash flow and fair value interest rate risk (continued)*

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non - Interest Bearing \$'000	Premiums and Discounts \$'000	Total \$'000
At 31 December 2017						
Financial Assets						
Cash and cash equivalents	1,650,294	-	-	-	-	1,650,294
Investment securities	5,399,003	1,584,247	2,296,369	-	(177,011)	9,102,608
Accounts receivable	-	-	-	233,011	-	233,011
Total financial assets	7,049,297	1,584,247	2,296,369	233,011	(177,011)	10,985,913
Financial Liabilities						
Accounts payables and other liabilities	36,103	-	-	-	-	36,103
Units that can be put to the Fund	10,949,810	-	-	-	-	10,949,810
Total financial liabilities	10,985,913	-	-	-	-	10,985,913
Interest Sensitivity Gap	<u>(3,936,616)</u>	<u>1,584,247</u>	<u>2,296,369</u>			
	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non - Interest Bearing \$'000	Premiums and Discounts \$'000	Total \$'000
At 31 December 2016						
Financial Assets						
Cash and cash equivalents	949,544	-	-	-	-	949,544
Investment securities	5,743,537	1,948,143	2,547,370	-	(542,734)	9,696,317
Accounts receivable	-	-	-	583,168	-	583,168
Total financial assets	6,693,082	1,948,143	2,547,370	583,168	(542,734)	11,229,029
Financial Liabilities						
Accounts payables and other liabilities	391,137	-	-	-	-	391,137
Units that can be put to the Fund	10,837,891	-	-	-	-	10,837,891
Total financial liabilities	11,229,028	-	-	-	-	11,229,028

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TT Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

14 Financial Risk Factors (Continued)

14.3 Market risk (continued)

14.3.2 Cash flow and fair value interest rate risk (continued)

Interest Sensitivity Gap (4,535,946) 1,948,143 2,547,370

Given the above rate re-pricing profile, 1% change in interest rates as at 31 December 2017 and 31 December 2016 would have had the following estimated impact on the net assets attributable to unit holders:

	31-Dec-17	31-Dec-16
100 basis point change	<u>4 million</u>	<u>4 million</u>

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

14.4 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.

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.

Total Equity is adequate to allow redemption of the fixed amount of \$20 per unit.

The following table presents the contractual liquidity of the Fund for its financial assets and liabilities. The amounts disclosed in the Table are contractual undiscounted cash flows:

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total
At 31 Dec 2017				
Financial assets	<u>7,282,307</u>	<u>1,584,247</u>	<u>2,296,369</u>	<u>11,162,923</u>
Total Financial Assets	<u>7,282,307</u>	<u>1,584,247</u>	<u>2,296,369</u>	<u>11,162,923</u>
Financial liabilities				
Accounts payable and other liabilities	36,103	-	-	36,103
Total Equity	<u>10,949,810</u>	<u>-</u>	<u>-</u>	<u>10,949,810</u>
Contractual cash out flows	<u>10,985,913</u>	<u>-</u>	<u>-</u>	<u>10,985,913</u>
Liquidity gap	<u>(3,703,606)</u>	<u>1,584,247</u>	<u>2,296,369</u>	<u>177,010</u>

Trinidad and Tobago Unit Trust Corporation

TT Dollar Income Fund

Notes To The Financial Statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

14 Financial Risk Factors (Continued)

14.4 Liquidity risk (continued)

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total
At 31 Dec 2016				
Financial assets	6,963,468	2,656,213	3,092,853	12,712,534
Total Financial Assets	6,963,468	2,656,213	3,092,853	12,712,534
Financial Liabilities				
Accounts payable and other liabilities	391,137	-	-	391,137
Total Equity	10,837,891	-	-	10,837,891
Contractual cash out flows	11,229,028	-	-	11,229,028
Liquidity gap	(4,265,560)	2,656,213	3,092,853	1,483,506

Assets held for managing liquidity risk

The Fund holds a diversified portfolio of cash and high-quality securities to support payment obligations and contingent funding in a stressed market environment including: Cash balances, Certificates of deposit, and Government bonds and other securities

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

It should be noted that although the units which may be put to the Fund are presented as Equity in the financial statements for the purposes of providing a meaningful analysis of the Financial Instruments by categories, they are treated as Liabilities in the foregoing tables.

15 Capital Risk Management

The capital of the Fund is represented by the Total Equity. The amount of Total Equity can change significantly on a daily 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:

- i. 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.
- ii. 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.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable unitholders.

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

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TT Dollar Income Fund

Notes To The Financial Statements (Continued)

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16 Financial Instruments by Category

As at 31 December 2017	Loans and Receivables	Available-for- sale	Total
	\$'000	\$'000	\$'000
Financial Assets			
- Cash and cash equivalents	1,650,294	-	1,650,294
- Interest and other receivables	233,011	-	233,011
- Investment Securities	-	9,102,608	9,102,608
	1,883,305	9,102,608	10,985,913

	Financial Liabilities at amortised Cost	Total
	\$'000	\$'000
Financial Liabilities		
- Accounts payable and other liabilities	36,103	36,103
- Total equity	10,949,810	10,949,810
	10,985,913	10,985,913

As at 31 December 2016	Loans and Receivables	Available-for- sale	Total
	\$'000	\$'000	\$'000
Financial Assets			
- Cash and cash equivalents	949,544	-	949,544
- Interest and other receivables	583,168	-	583,168
- Investment Securities	-	9,696,316	9,696,316
	1,532,712	9,696,316	11,229,028

	Financial Liabilities at amortised Cost	Total
	\$'000	\$'000
Financial Liabilities		
- Accounts payable and other liabilities	391,137	391,137
- Total equity	10,837,891	10,837,891
	11,229,028	11,229,028

It should be noted that although the units which may be put to the Fund are presented as Total Equity in the financial statements for the purposes of providing a meaningful analysis of the Financial Instruments by category they are treated as liabilities in the foregoing tables.