



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

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

**ON THE FINANCIAL STATEMENTS OF THE
TRINIDAD AND TOBAGO UNIT TRUST CORPORATION -
US DOLLAR INCOME 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 – US DOLLAR INCOME FUND FOR THE YEAR ENDED 31 DECEMBER, 2016

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – US Dollar Income Fund (the Fund) for the year ended 31 December, 2016 have been audited. The statements as set out on pages 1 to 27 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 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 US Dollar Income 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



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AUDITOR GENERAL

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

Financial Statements
(Expressed in United States Dollars)

31 December 2016

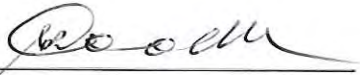
Trinidad & Tobago Unit Trust Corporation
US Dollar Income Fund

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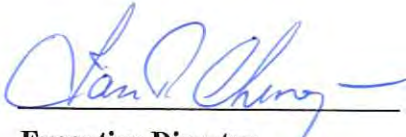
Trinidad and Tobago Unit Trust Corporation
US DOLLAR INCOME FUND
STATEMENT OF FINANCIAL POSITION

As at 31 December, 2016
Expressed in United States Dollars

	Notes	31-Dec-16 \$ '000	31-Dec-15 \$ '000
ASSETS			
Cash and Cash Equivalents	4	78,509	88,252
Receivables	5	22,281	24,716
Investments Securities	6	541,681	539,376
Total Assets		642,471	652,344
LIABILITIES			
Payables	7	11,333	2,663
Other Liabilities	7	5,144	9,401
Total Liabilities		16,477	12,064
EQUITY			
Unitholders' Capital		619,232	641,015
Undistributed Loss		(3,615)	(2,852)
Fair Value Reserve		456	(6,554)
Fund Reserves		9,921	8,671
Total Equity		625,994	640,280
TOTAL LIABILITIES AND EQUITY		642,471	652,344


 Chairman




 Executive Director

Trinidad and Tobago Unit Trust Corporation
US DOLLAR INCOME FUND
STATEMENT OF PROFIT OR LOSS

For the year ended 31 December, 2016

Expressed in United States Dollars

	Notes	31-Dec-16 \$'000	31-Dec-15 \$'000
INCOME			
Interest Income	8	15,633	15,027
Realised Capital Gains		579	1,182
Other Income	9	288	26
Total Income		16,500	16,235
EXPENSES			
Management Charge	12	(7,569)	(8,592)
Impairment		(3,141)	(3,446)
Commissions		(215)	(188)
Other Expenses		(20)	(16)
Bank Charges		(5)	(4)
Total Expenses		(10,950)	(12,246)
Net Income		5,550	3,989
Allocation to Primary Reserve		(1,200)	(1,200)
Net Income for the year		4,350	2,789

Trinidad and Tobago Unit Trust Corporation
US DOLLAR INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, 2016

Expressed in United States Dollars

	31-Dec-16 \$ '000	31-Dec-15 \$ '000
Net Income for the year	4,350	2,789
Other Comprehensive Income: <i>Amounts that may be transferred to Profit or Loss in the future:</i>		
Fair value gain/(loss) arising during the year	3,289	(8,346)
Fair value loss/(gain) transferred to income	580	(1,190)
Impairment losses transferred to income	3,141	3,446
Other Comprehensive Income/(Loss) for the year	7,010	(6,090)
Total Comprehensive Income/(Loss) for the year	11,360	(3,301)

Trinidad and Tobago Unit Trust Corporation
US DOLLAR INCOME FUND
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2016

Expressed in United States Dollars

	Unitholders' Capital \$'000	Undistributed Loss \$'000	Fair Value Reserve \$'000	Fund Reserves \$'000	Total \$'000
Balance as at 1 January, 2016	641,015	(2,852)	(6,554)	8,671	640,280
Net Income for the year	-	5,550	-	-	5,550
Subscriptions from Unitholders	103,260	-	-	-	103,260
Redemptions to Unitholders	(125,043)	-	-	-	(125,043)
Distribution to Unitholders	-	(5,113)	-	-	(5,113)
Net Allocation to Reserves	-	(1,200)	-	1,250	50
Other Comprehensive Income for the year	-	-	7,010	-	7,010
Balance as at 31 December, 2016	<u>619,232</u>	<u>(3,615)</u>	<u>456</u>	<u>9,921</u>	<u>625,994</u>
Balance as at 1 January, 2015	628,628	28	(464)	7,436	635,628
Net Income for the year	-	2,789	-	-	2,789
Subscriptions from Unitholders	148,613	-	-	-	148,613
Redemptions to Unitholders	(136,226)	-	-	-	(136,226)
Distribution to Unitholders	-	(5,669)	-	-	(5,669)
Net Allocation to Reserves	-	-	-	1,235	1,235
Other Comprehensive Loss for the year	-	-	(6,090)	-	(6,090)
Balance as at 31 December, 2015	<u>641,015</u>	<u>(2,852)</u>	<u>(6,554)</u>	<u>8,671</u>	<u>640,280</u>

Trinidad & Tobago Unit Trust Corporation
US DOLLAR INCOME FUND
STATEMENT OF CASH FLOWS
For the year ended 31 December, 2016
Expressed in United States Dollars

	31-Dec-16 \$'000	31-Dec-15 \$'000
OPERATING ACTIVITIES		
Net Income	5,550	3,989
<i>Adjustments to reconcile Net Investment Income to Net Cash Flow From Operating Activities:</i>		
Impairment	3,141	3,446
Movement in Reserve	50	35
	<u>8,741</u>	<u>7,470</u>
<i>Movements in Net Current Assets</i>		
(Decrease)/Increase in Receivables	2,435	(9,330)
Increase in Payables	4,413	8,246
	<u>15,589</u>	<u>6,386</u>
Net Cash Flow From Operating Activities		
INVESTING ACTIVITIES		
Purchase of Investment Securities	(163,319)	(101,547)
Disposal of Investment Securities	164,883	118,857
	<u>1,564</u>	<u>17,310</u>
Net Cash Flow From Investing Activities		
FINANCING ACTIVITIES		
Subscriptions from Unitholders	103,260	148,613
Redemptions by Unitholders	(125,043)	(136,226)
Distribution to Unitholders	(5,113)	(5,669)
	<u>(26,896)</u>	<u>6,718</u>
Net Cash (Used In)/Flow From Financing Activities		
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS	<u>(9,743)</u>	<u>30,414</u>
Cash and Cash Equivalents at beginning of year	88,252	57,763
Net Foreign Exchange Difference	-	75
Cash and Cash Equivalents at end of year	<u>78,509</u>	<u>88,252</u>

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

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements

31 December 2016

(Expressed in United States Dollars)

1 General Information

The US Dollar Income Fund is a fixed income fund that was established in accordance with the Trinidad and Tobago Unit Trust Act No. 26 in 1981. The Fund was launched in April 2000 and is denominated in US 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 US Dollar Income 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, authorised agents or via UTC's U - Online service. The initial investment is a minimum of US\$100. The price per unit is US\$20.

Redemptions

Units can be redeemed on every business day at a price per unit of US\$20. Redemption of units is executed via an original Redemption Form in accordance with the policies of the TTUTC. Proceeds on redemption are paid in US dollars.

Reinvestments

Distribution is compounded daily and credited to a Unitholders' account 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.

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 US Dollar Income Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets.

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 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.

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) *Standards, interpretations or amendments to existing standards that are effective for accounting periods 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 US Dollar Income 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 & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States 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 United States 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 dates 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 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 available for sale securities and loans and receivables. 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.

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.3 Financial assets (Continued)

(a) Classification (Continued)

(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 being 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 and Corporate bonds.

(iii) 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 "accounts receivables and 'cash and cash equivalents' in the statement of financial position (notes 2.7 and 2.5).

(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 available for sale 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. The fund did not hold any available for sale equity securities for the period.

Interest on available for sale debt instruments is calculated using the effective interest 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 and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for both financial

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.3 Financial assets (Continued)

(c) *Fair value estimation (Continued)*

assets and financial liabilities 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 assets 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 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 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.

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.3 Financial assets (Continued)

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

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 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 payables

Accrued expenses 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 holder'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 US\$ 20 per unit.

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

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

2 Summary Of Significant Accounting Policies (Continued)

2.8 Redeemable units (Continued)

Redeemable units are issued and redeemed at the holder's option at a price of US\$20 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, held to maturity securities and 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 unitholder's capital to holders of redeemable units from operations

Income not distributed is included in unitholder's capital 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 US Dollar Income Fund from any income of 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.

3 Critical Accounting Estimates And Assumptions

Management makes estimates and assumptions concerning the future. 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 assets and liabilities are outlined below.

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

3 Critical Accounting Estimates And Assumptions (Continued)

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

The Funds follow the guidance of IAS 39 – “Financial Instruments: Recognition and Measurement” to determine when a security is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, 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 at each reporting period. In determining whether an impairment loss should be recorded 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 investment securities. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If the fund was to consider all available for sale investments valued below cost as impaired with all other variables held constant the impairment loss would be as stated in the table below:

31-Dec-16	31-Dec-15
\$'000	\$'000
4,067	11,195

(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.

A Valuation Committee was established within the Corporation in 2015. The Valuation Committee determines the prices of all unquoted securities. The methodology used for these prices is as follows:

- Yield Curve Construction
- Assignment of Credit Ratings to Issuers
- Cashflow Construction
- Credit and Illiquidity Spread Determination
- Bond Pricing

4 Cash And Cash Equivalents

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

	31-Dec-16	31-Dec-15
	\$'000	\$'000
Cash at bank	78,509	88,252
Total	<u>78,509</u>	<u>88,252</u>

Trinidad & Tobago Unit Trust Corporation
US Dollar Income Fund

Notes To The Financial Statements (Continued)

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(Expressed in United States Dollars)

5	Interest And Other Receivables		
		31-Dec-16	31-Dec-15
		\$'000	\$'000
	Interest receivable	5,131	5,214
	Other receivable	17,150	19,502
	Total	<u>22,281</u>	<u>24,716</u>
6	Investment Securities		
		31-Dec-16	31-Dec-15
		\$'000	\$'000
	Available for sale securities		
	- Corporate securities	461,589	456,367
	- Government securities	70,592	41,009
	- Short term securities	9,500	42,000
	Total Securities	<u>541,681</u>	<u>539,376</u>
7	Accounts Payable And Other Liabilities		
		31-Dec-16	31-Dec-15
		\$'000	\$'000
	Amount due to Trinidad and Tobago Unit Trust Corporation	9,164	467
	Other liabilities	5,144	9,401
	Accrual for distribution	2,169	2,196
	Total	<u>16,477</u>	<u>12,064</u>
8	Interest Income		
		31-Dec-16	31-Dec-15
		\$'000	\$'000
	Interest Income	21,129	20,660
	Amortisation of premiums and discounts	(5,496)	(5,633)
	Total	<u>15,633</u>	<u>15,027</u>
9	Other Income		
		31-Dec-16	31-Dec-15
		\$'000	\$'000
	Miscellaneous Income	288	26
	Total	<u>288</u>	<u>26</u>
10	Distribution To Unitholders		

The distributions for the year ended 31 December 2016 and 31 December 2015 amounted to \$5,113,066 and \$5,668,918 respectively and are presented as finance cost.

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

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11 Redeemable Units

This represents units issued by the US\$ 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 out of its assets.

12 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 US Dollar Income Fund is managed by Trinidad and Tobago Unit Trust Corporation (The Investment Manager), an investment management company incorporated in Trinidad and Tobago. Under the terms of management agreement April 2000, the Fund appointed 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 realized income 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 year amounted to \$7,569,275 (December 2015: \$8,592,310). The outstanding accrued management fees due to the Unit Trust Corporation as at the year-end amounted to \$963,762 (December 2015: \$100,637).

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 \$20.

13 Fair Value Estimate

The fair value of financial assets traded in active markets (such as trading 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 ongoing basis.

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 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.

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

13 Fair Value Estimate (Continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of 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 to the fair value measurement in its entirety requires judgment, considering factors specific to the assets or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that 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 or liability.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability 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 or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Assumptions about risk include the risk inherent in a particular 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 or liability or similar assets or liabilities and the entity has determined that the transaction price or quoted price does not represent fair value.

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 are valued based on the average of quotations received for the bond at the reporting date.

Short term investments

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

Held to Maturity Bonds

The bonds classified as held to maturity are carried at amortised cost and principally include locally issued bonds. In valuing such bonds, the Fund uses internally constructed models designed to forecast future interest rates for TT\$ and US\$ bonds issued in Trinidad and Tobago. The models are formally referred to as yield curves. The yield curves are updated regularly by management based on 'market reads' i.e. information gathered from the market participants on the interest rates required for bonds issued in Trinidad and Tobago. The Fund's yield curves are largely comparable with the publicly available international yield curves for TT\$ and US\$ bonds issued in Trinidad and Tobago.

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US Dollar Income Fund

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13 Fair Value Estimate (Continued)

The yield curves are used 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 rates 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.

Management's estimates of the fair value of the Fund's Level 3 Available for Sale Securities in note 6.

	Level 3 Fair Value	As at 31 December 2016 Valuation Technique Used	Significant unobservable inputs	Possible shifts in inputs +/-	Change in valuation +/-
Available for sale investments carried at fair value:	\$'000				
Debt securities	532,181	Average of broker and *external valuers	Not applicable	Not applicable	Not applicable
Total	532,181				

	Level 3 Fair Value	As at 31 December 2015 Valuation Technique Used	Significant unobservable inputs	Possible shifts in inputs +/-	Change in valuation +/-
Available for sale investments carried at fair value:	\$'000				
Debt securities	497,376	*Average of broker	Not applicable	Not applicable	Not applicable
Total	497,376				

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

13 Fair Value Estimate (Continued)

As at 31 December 2016	Level 1 \$'000	Level 3 \$'000	Total \$'000
Financial Assets			
Investment Securities			
Debt securities	-	532,181	532,181
Short term securities	9,500	-	9,500
Total	9,500	532,181	541,681

As at 31 December 2015	Level 1 \$'000	Level 3 \$'000	Total \$'000
Financial Assets			
Investment Securities			
Debt securities	-	497,376	497,376
Short term securities	42,000	-	42,000
Total	42,000	497,376	539,376

The reconciliation of the movement in level 3 is as follows:

	31-Dec-16 \$000	31-Dec-15 \$000
Balance at the start of the year	539,375	566,222
Additions	163,319	101,546
Disposals	(168,024)	(122,302)
Unrealised fair value gain/ loss	7,011	(6,090)
Balance at end of year	541,681	539,376

There were no transfers of investments between the levels for the current year. 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.

14 Financial Risk Managements

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 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 create certain risk exposures.

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

14 Financial Risk Managements (Continued)

14.1 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.

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 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 assign credit of the debt will be lowered.

(b) *Management of risk*

Default risk is managed at the outset by subject all issuers/counterparties to a robust credit risk assessment process that results in the assignment of a credit rating. 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 Fund'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 & Tobago Unit Trust Corporation
US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

14 Financial Risk Managements (Continued)

14.1 Credit risk (Continued)

(c) *Maximum exposure to credit risk before collateral held 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-16	31-Dec-15
	\$000	\$000
Investment Securities:		
- Debt securities	532,181	497,376
- Short term securities	9,500	42,000
Accounts receivable	22,281	24,716
Cash and cash equivalents	78,509	88,252
TOTAL	<u>642,471</u>	<u>652,344</u>

(d) *Financial assets are summarised as follows*

31 December 2016

	Available For Sale Financial Assets \$'000	Accounts Receivables \$'000	Cash and Cash Equivalent \$'000
Neither past due nor impaired	522,657	22,281	78,509
Individually impaired	19,024	-	-
Gross	<u>541,681</u>	<u>22,281</u>	<u>78,509</u>
	<u>541,681</u>	<u>22,281</u>	<u>78,509</u>

31 December 2015

	Available For Sale Financial Assets \$'000	Accounts Receivables \$'000	Cash and Cash Equivalent \$'000
Neither past due nor impaired	510,036	24,716	88,252
Individually impaired	29,340	-	-
Gross	<u>539,376</u>	<u>24,716</u>	<u>88,252</u>
	<u>539,376</u>	<u>24,716</u>	<u>88,252</u>

Past due, impaired or other distressed investments held by the Fund are monitored by management and reported to the Risk Management Committee, the Investment Committee and the Board. The Fund does not hold any collateral for these assets that are exposed to credit risk.

Trinidad & Tobago Unit Trust Corporation US Dollar Income Fund

Notes To The Financial Statements (Continued)
31 December 2016
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14 Financial Risk Managements (Continued)

14.2 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	
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
CarriCris	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	Moderate \$'000	Low \$'000	Unrated \$'000	Total \$'000
As at 31 December 2016					
Cash and Cash Equivalents	78,509	-	-	-	78,509
Interest and Other Receivables	22,281	-	-	-	22,281
Short term securities	9,500	-	-	-	9,500
Debt securities	484,034	44,389	2,362	1,396	532,181
TOTAL	594,324	44,389	2,362	1,396	642,471

	High \$'000	Low \$'000	Unrated \$'000	Total \$'000
As at 31 December 2015				
Cash and Cash Equivalents	88,252	-	-	88,252
Interest and Other Receivables	24,716	-	-	24,716
Short term securities	42,000	-	-	42,000
Debt securities	489,571	4,721	3,084	497,376
TOTAL	644,539	4,721	3,084	652,344

(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.

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

14 Financial Risk Managements (Continued)

14.2 Credit risk (Continued)

(f) *Impaired assets*

For the year ended 31 December 2016 and 31 December 2015, the impairment charges recognised are summarised in the following table:

	31-Dec-16	31-Dec-15
	\$'000	\$'000
Impairment loss recognised	<u>3,141</u>	<u>3,446</u>

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

14.3 Market risk

Definition

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.

14.3.1 *Foreign exchange risk*

The Fund has no significant exposure to foreign exchange risk since all its liabilities and assets are denominated in United States dollars which is the Fund's functional currency. The financial statements are translated to Trinidad and Tobago dollars for presentation purpose. The financial statements are translated from the functional currency to the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate as at the year-end;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at exchange rates at the date of the transactions; and
- (iii) All resulting foreign exchange gains/losses are reflected in the net assets attributable to the holders of redeemable units.

14.3.2 *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 liabilities. The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk. The Fund also holds floating rate debt instruments and cash and cash equivalents expose the Fund to cash flow interest rate risk.

Trinidad & Tobago Unit Trust Corporation
US Dollar Income Fund

Notes To The Financial Statements (Continued)
31 December 2016
(Expressed in United States Dollars)

14 Financial Risk Managements (Continued)

14.2 Credit risk (Continued)

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

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	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	78,509	-	-	-	-	78,509
Investment securities	46,053	300,840	195,807	-	(1,019)	541,681
Accounts receivable	-	-	-	22,281	-	22,281
Total financial assets	124,562	300,840	195,807	22,281	(1,019)	642,471
Financial Liabilities						
Accounts payables and other liabilities	16,477	-	-	-	-	16,477
Amounts due to holders of redeemable units	625,994	-	-	-	-	625,994
Total financial liabilities	642,471	-	-	-	-	642,471
Interest Sensitivity Gap	(517,909)	300,840	195,807			

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

14 Financial Risk Managements (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 2015						
Financial Assets						
Cash and cash equivalents	88,252	-	-	-	-	88,252
Investment securities	97,858	335,749	106,807	-	(1,038)	539,376
Accounts receivable	-	-	-	24,716	-	24,716
Total financial assets	186,110	335,749	106,807	24,716	(1,038)	652,344
Financial Liabilities						
Accounts payables and other liabilities	12,064	-	-	-	-	12,064
Amounts due to holders of redeemable units	640,280	-	-	-	-	640,280
Total financial liabilities	652,344	-	-	-	-	652,344
Interest Sensitivity Gap	<u>(466,234)</u>	<u>335,749</u>	<u>106,807</u>			

Given the above rate re-pricing profile, 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-Dec-16	31-Dec-15
100 basis point change	1.1 million	1.1 million

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 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.

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US Dollar Income Fund

Notes To The Financial Statements (Continued)

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14 Financial Risk Managements (Continued)

14.4 Liquidity risk (Continued)

Net Assets Attributable to Holders of redeemable units 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 2016				
Financial assets	167,943	361,570	220,001	749,514
Total Financial Assets	<u>167,943</u>	<u>361,570</u>	<u>220,001</u>	<u>749,514</u>
Financial liabilities				
Accounts payable and other liabilities	16,477	-	-	16,477
Amounts due to holders of redeemable units	625,994	-	-	625,994
Contractual cash out flows (excluding derivatives)	<u>642,471</u>	<u>-</u>	<u>-</u>	<u>642,471</u>
Liquidity gap	<u>(474,528)</u>	<u>361,570</u>	<u>220,001</u>	<u>107,043</u>
	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total
At 31 Dec 2015				
Financial assets	230,745	398,175	115,086	744,006
Total Financial Assets	<u>230,745</u>	<u>398,175</u>	<u>115,086</u>	<u>744,006</u>
Financial liabilities				
Accounts payable and other liabilities	12,064	-	-	12,064
Amounts due to holders of redeemable units	640,280	-	-	640,280
Contractual cash out flows (excluding derivatives)	<u>652,344</u>	<u>-</u>	<u>-</u>	<u>652,344</u>
Liquidity gap	<u>(421,599)</u>	<u>398,175</u>	<u>115,086</u>	<u>91,662</u>

Assets held for managing liquidity risk

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

- Cash balances
- Certificates of deposit
- Government bonds and other securities

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

Trinidad & Tobago Unit Trust Corporation

US Dollar Income Fund

Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in United States Dollars)

15 Capital Risk Managements

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 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:

- 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.

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.

16 Financial Instruments by Category

The following table presents the financial assets of the Fund by category:

As at 31 December 2016	Loans and Receivables \$'000	Available for Sale \$'000	Total \$'000
Financial Assets			
-Cash and cash equivalents	78,509	-	78,509
-Interest and other receivables	22,281	-	22,281
-Investment securities	-	541,681	541,681
	100,790	541,681	642,471
		Financial Liabilities at amortised cost \$'000	Total \$'000
-Financial Liabilities			
-Accounts payable and other liabilities		16,477	16,477
-Net assets attributable to holders of redeemable units		625,994	625,994
		642,471	642,471

Trinidad & Tobago Unit Trust Corporation
US Dollar Income Fund

Notes To The Financial Statements (Continued)
31 December 2016
(Expressed in United States Dollars)

16 **Financial Instruments by Category (Continued)**

As at 31 December 2015

	Loans and Receivables \$'000	Available for Sale \$'000	Total \$'000
Financial Assets			
-Cash and cash equivalents	88,252	-	88,252
-Interest and other receivables	24,716	-	24,716
-Investment securities	-	539,376	539,376
	<u>112,968</u>	<u>539,376</u>	<u>652,344</u>

	Financial Liabilities at amortised cost \$'000	Total \$'000
-Financial Liabilities		
-Accounts payable and other liabilities	12,064	12,064
-Net assets attributable to holders of redeemable units	640,280	640,280
	<u>652,344</u>	<u>652,344</u>