



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

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE TRINIDAD AND TOBAGO UNIT TRUST CORPORATION – UTC CORPORATE FUND FOR THE YEAR ENDED 31 DECEMBER, 2017

OPINION

The financial statements of the Trinidad and Tobago Unit Trust Corporation – UTC Corporate Fund (the Fund) for the year ended 31 December, 2017 have been audited. The statements as set out on pages 1 to 15 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 11, 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 – UTC Corporate 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




MAJEED ALI
AUDITOR GENERAL

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2018 03 20

Trinidad and Tobago Unit Trust Corporation
UTC CORPORATE 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	3	258	12,637
Receivables	4	-	213
Investment Securities	5	4,909	-
Total Assets		5,167	12,850
LIABILITIES			
Payables	6	44	246
Total Liabilities		44	246
EQUITY			
Unitholders' Capital		5,097	12,578
Retained Earnings		26	26
Total Equity		5,123	12,604
TOTAL LIABILITIES AND EQUITY		5,167	12,850
Net Asset Value per Unit		\$100.00	\$100.00

R F Nelson

Chairman



San P. Ching

Executive Director

Trinidad and Tobago Unit Trust Corporation
UTC CORPORATE 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	7	158	218
Realised Capital Gain		-	26
Total Income		158	244
EXPENSES			
Management Charge	11	(64)	(104)
Total Expenses		(64)	(104)
Net Income for the year		94	140

Trinidad and Tobago Unit Trust Corporation
UTC CORPORATE 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	94	140
Other Comprehensive Income:		
<i>Items that may be reclassified subsequently to Profit or Loss:</i>		
Movement in Fair Value - Available for Sale Assets	-	(26)
Transfer of Fair Value Gains to Current Period Profit	-	26
Other Comprehensive Income for the year	-	-
Total Comprehensive Income for the year	94	140

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

	Unitholders' Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 January, 2017	12,578	26	12,604
Net Income for the year	-	94	94
Reinvestment of Distributions	96	-	96
Redemptions by Unitholders	(7,577)	-	(7,577)
Distribution to Unitholders	-	(94)	(94)
Balance as at 31 December, 2017	5,097	26	5,123
Balance as at 1 January, 2016	26,801	-	26,801
Net Income for the period	-	140	140
Reinvestments of Distributions	133	-	133
Redemptions by Unitholders	(14,356)	-	(14,356)
Distribution to Unitholders	-	(114)	(114)
Balance as at 31 December, 2016	12,578	26	12,604

Trinidad and Tobago Unit Trust Corporation
UTC CORPORATE 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	94	140
<i>Adjustment to Reconcile Net Income to Net Cash and Cash Equivalents From Operating Activities:</i>		
Interest Income	(158)	(218)
Realised Capital Gain	-	(26)
<i>Movements in Net Current Assets</i>		
Decrease/ (Increase) in Receivables	213	(133)
(Decrease)/ Increase in Payables	(200)	117
	(51)	(120)
Interest Received	117	152
Net Cash Flow From Operating Activities	66	32
INVESTING ACTIVITIES		
Purchase of Investment Securities	(9,868)	(22,822)
Disposal of Investment Securities	5,000	44,899
Net Cash (Used In)/Flow From Investing Activities	(4,868)	22,077
FINANCING ACTIVITIES		
Redemptions by Unitholders	(7,577)	(14,356)
Net Cash Flow From Financing Activities	(7,577)	(14,356)
Net (Decrease) / Increase in Cash and Cash Equivalents	(12,379)	7,753
Cash and Cash Equivalents at beginning of the year	12,637	4,884
Cash and Cash Equivalents at end of the year	258	12,637

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

Financial Statements
(Expressed in Trinidad and Tobago Dollars)

31 December 2017

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

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Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

1 General Information

The UTC Corporate Fund is a fixed income mutual fund that was launched on 8 December 2014. The Fund is denominated in Trinidad and Tobago (TT) dollars. The Trinidad and Tobago Unit Trust Corporation (the Corporation) whose registered office is the UTC Financial Centre, 82 Independence Square, Port of Spain is the Sponsor, Manager, Trustee and Investment Advisor of the Fund. Responsibility for management of the business affairs of the Fund is vested in the Board of Directors of the Corporation which approves all significant agreements of the Fund.

The UTC Corporate Fund investments are guided by the investment guidelines and policies approved by the Board of Directors of the Corporation.

The custodian of the Fund is the Central Bank of Trinidad and Tobago.

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

Units can be purchased on every business day. The initial investment is a minimum of TT\$1,000,000. The price per unit is TT\$100.

Redemptions

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

Reinvestments

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

Management Charge

The Corporation may impose an annual management charge of up to 2% of the market value of the net assets of the Fund.

Investment Objective

The Fund's objective is to provide investors with capital preservation and current income by investing its capital in cash, near cash instruments, bonds and other fixed income securities issued by corporations and sovereigns.

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies

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

2.1 Basis of preparation

The financial statements of the 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 except for 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 assets of the Fund consisted of cash and cash equivalents the fair value of which are presumed to be their carrying value.

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 where 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 the Board of Directors to exercise its judgment in the process of applying the accounting policies. There were no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) Standards, interpretations or amendments to existing standards that are effective for accounting period beginning on or after 1 January 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 and interpretations effective after 1 January 2017 and not early adopted are:

- **IFRS 9- Financial Instruments**

IFRS 9, was issued in July 2014 and is mandatory for annual reporting 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. Given the level of investments, and the fact that the Fund invests primarily in cash and cash equivalents, the impact of adopting IFRS 9 is expected to be minimal.

There are no other new standards, amendments and interpretations that are not yet effective that would be expected to have an 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

UTC Corporate 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.

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

2.3 Financial assets

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

(a) *Classification*

(i) *Available for sale*

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

(ii) *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.

(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 recognised in other comprehensive income are included in the statement of profit or loss as gains and losses from investment securities.

Interest on available for sale debt instruments and loans is calculated using the effective

Trinidad and Tobago Unit Trust Corporation

UTC Corporate 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)*

interest rate method and recognised in the Statement of Profit or Loss. The Fund did not hold equity securities during the period.

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

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

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

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

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 issuer 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.

2.4 Offsetting financial instruments

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

2.5 Cash and cash equivalents

Cash and cash equivalents include cash and 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/ 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.

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

2 Summary Of Significant Accounting Policies (Continued)

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 for cash at a price of TT\$100 per unit. The units are carried at the redemption amount payable at the reporting date.

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 on 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.

2.10 Distribution payable to holders of redeemable units

Distributions to unitholders are recognised when they are appropriately authorised. 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

Unappropriated net income 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 Cash And Cash Equivalents

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Cash and cash equivalents at bank	258	12,637
Total	<u>258</u>	<u>12,637</u>

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

4	Interest Receivables		
		31-Dec-17	31-Dec-16
		\$'000	\$'000
	Interest receivables	-	213
	Total	-	213
5	Investment Securities		
		31-Dec-17	31-Dec-16
		\$'000	\$'000
	Available- for-Sale		
	- Fixed deposits	4,909	-
	Total	4,909	-
6	Accounts Payables And Other Liabilities		
		31-Dec-17	31-Dec-16
		\$'000	\$'000
	Accounts Payable	44	33
	Other Liabilities	-	213
	Total	44	246
7	Interest Income		
		31-Dec-17	31-Dec-16
		\$'000	\$'000
	Income from debt securities	117	150
	Amortisation of premium and discount	41	68
	Total	158	218

8 Distribution Payable

Distribution for 2017 amounted to \$94,534 (2016: \$ 113,672).

9 Redeemable Units

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

10 Related Party Transaction

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

The UTC Corporate Fund is managed by the Trinidad and Tobago Unit Trust Corporation. Under the terms of management agreement 8 December 2014, the Corporation receives a fee based on the net asset value of the fund at the end of each quarter at an amount of no more than 2% per annum of the net asset value. Total management fees for the year 2017 amounted to TT\$63,920 or 1.25% of fund size (2016: TT\$104,216 or 0.83% of fund size). The outstanding accrued management fees due to the Corporation as at the reporting date amounted to TT\$ 21,564 (2016: TT\$ 9,381).

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

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

11 Financial Risk Factors

11.1 Financial risk factors

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

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

The Risk Department led by the Chief Risk Officer facilitates risk management policy setting, scenario and stress testing and risk exposure monitoring across all business and operating activities.

The Risk Department, in consultation with relevant line management, may also make recommendations for the management and mitigation of financial and other risks. The Risk 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 risk management considerations for the investment portfolios.

11.2 Credit risk

(a) *Definition*

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

(b) *Management of risk*

The Fund holds no debt securities and therefore is not exposed to credit risk from that source. It has relatively small credit exposures from its accounts receivable (interest receivable) and cash and cash equivalents. The Fund undertakes rigorous due diligence prior to entering into relationships with bankers and brokers to mitigate this credit exposure. In addition, the financial position and performance of its bankers and brokers is reviewed on a regular basis.

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

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

	31-Dec-17	31-Dec-16
	\$'000	\$'000
Interest receivables	-	213
Cash and cash equivalents	258	12,637
Investment Securities- Available- for- Sale	4,909	-
	<u>5,167</u>	<u>12,850</u>

Trinidad and Tobago Unit Trust Corporation UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

11 Financial Risk Factors (Continued)

11.2 Credit risk (continued)

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

31 December 2017

	Investment Securities	Interest Receivables	Cash and Cash Equivalent
	\$'000	\$'000	\$'000
Neither past due nor impaired	4,909	-	258
Total	<u>4,909</u>	<u>-</u>	<u>258</u>

31 December 2016

	Investment Securities	Interest Receivables	Cash and Cash Equivalent
	\$'000	\$'000	\$'000
Neither past due nor impaired	-	213	12,637
Total	<u>-</u>	<u>213</u>	<u>12,637</u>

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

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

	High \$'000	Total \$'000
At 31 December 2017		
Cash and cash equivalents	258	258
Debt Instruments - traded	4,909	4,909
	<u>5,167</u>	<u>5,167</u>
	High \$'000	Total \$'000
At 31 December 2016		
Cash and cash equivalents	12,637	12,637
Interest and other receivables	213	213
	<u>12,850</u>	<u>12,850</u>

11.3 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.

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

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

11 Financial Risk Factors (Continued)

11.3 Market risk (continued)

11.3.1 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 no fixed interest securities that expose the Fund to fair value interest rate risk.

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

	Less than 1 year \$'000	Non - Interest Bearing \$'000	Total \$'000
At 31 December 2017			
Financial Assets			
Investment Securities	4,909	-	4,909
Cash and cash equivalents	258	-	258
Total financial assets	5,167	-	5,167
Financial Liabilities			
Accounts payables and other liabilities	-	44	44
Total Financial Liabilities	-	44	44
Interest sensitivity gap	<u>5,167</u>		
	Less than 1 year \$'000	Non - Interest Bearing \$'000	Total \$'000
At 31 December 2016			
Financial Assets			
Cash and cash equivalents	12,637	-	12,637
Interest receivables	-	213	213
Total financial assets	12,637	213	12,850
Financial Liabilities			
Accounts payables and other liabilities	-	246	246
Total Financial Liabilities	-	246	12,850
Interest sensitivity gap	<u>12,637</u>		

Given the above rate re-pricing profile, a 1% change in interest rates as at 31 December would have increased total equity as shown below:

	31-Dec-17	31-Dec-16
100 basis point change	<u>51</u>	<u>-</u>

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

31 December 2017

(Expressed in Trinidad and Tobago Dollars)

11 Financial Risk Factors (Continued)

11.3 Market risk (continued)

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

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

11.4 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. Units in the UTC Corporate Fund are redeemable upon demand. Consequently, the Fund is exposed potentially to daily demands for cash. The Funds mitigate the risk by maintaining its portfolio in 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.

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

	Less than 1 year \$'000	Total \$'000
At 31 Dec 2017		
Financial assets	5,167	5,167
Total Financial Assets	<u>5,167</u>	<u>5,167</u>
Financial liabilities		
Accounts payable and other liabilities	44	44
Amounts due to holders of redeemable units	5,123	5,123
Contractual cash out flows	<u>5,167</u>	<u>5,167</u>
Liquidity gap	<u>-</u>	<u>-</u>
	Less than 1 year \$'000	Total \$'000
At 31 Dec 2016		
Financial assets	12,850	12,850
Total Financial Assets	<u>12,850</u>	<u>12,850</u>
Financial liabilities		
Accounts payable and other liabilities	246	246
Amounts due to holders of redeemable units	12,604	12,604
Contractual cash out flows	<u>12,850</u>	<u>12,850</u>
Liquidity gap	<u>-</u>	<u>-</u>

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

Trinidad and Tobago Unit Trust Corporation

UTC Corporate Fund

Notes To The Financial Statements (Continued)

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(Expressed in Trinidad and Tobago Dollars)

12 Capital Risk Management

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

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

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

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